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

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

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

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

OVERVIEW

Shinsei Bank, Limited is a leading diversified Japanese financial institution providing a range of financial products and services to both individual and institutional customers. Our business groups consist of the Individual Group, the Institutional Group and the Markets and Investment Banking Group (As of October 1, 2010, the previous Institutional Group has been divided into a new Institutional Group and the Markets and Investment Banking Group.) :

- The Individual Group, which consists of retail banking and our consumer finance subsidiaries, brings innovative financial solutions to retail customers in Japan. We seek to continue improving the quality of our retail banking services by strengthening our housing loan business and expanding our branch network through opening "Shinsei Consulting Spot" locations to efficiently develop asset management operations. In light of recent market and regulatory changes in the consumer finance industry, we have restructured our Individual Group businesses to concentrate on providing unsecured personal loans through our subsidiaries Shinsei Financial Co., Ltd. (Shinsei Financial), operating under the "Lake" brand, and Shinki Co., Ltd. (Shinki), and on installment sales credit, credit card and settlement businesses through APLUS FINANCIAL Co., Ltd. (APLUS FINANCIAL), which became a subsidiary of Shinsei Financial as a result of the share transfer from Shinsei in December 2010.
- The Institutional Group consists of our relationship management business with institutional customers, which provides basic banking services as well as other tailor-made products and services through collaboration with our Markets and Investment Banking Group, and Showa Leasing Co., Ltd (Showa Leasing). In our Institutional Group, we emphasize domestic institutional customer-related operations (loans and fee businesses) for corporations, financial institutions and public sector entities. We are also strengthening our healthcare finance and corporate restructuring businesses as part of our policy to emphasize specific sectors and areas with growth potential in Japan.
- The Markets and Investment Banking Group cooperates with the Institutional Group, primarily in the capital markets and advisory businesses, to offer tailor-made products and services to meet our customers' needs. The Markets and Investment Banking Group focuses on core businesses, including real estate finance, credit trading and "specialty finance." Our "specialty finance" business includes leveraged buy-out (LBO) and management buy-out (MBO) funding where we believe we have significant experience. We are actively exiting or running off non-core businesses, such as non-customer-related proprietary transaction businesses which have resulted in large losses in the past since 2007.

FISCAL YEAR ENDED MARCH 31, 2011

As of April 1, 2011, we have implemented further organizational changes as part of our efforts to achieve an even more appropriate provision of financial products and services that meet customer needs, by building a more strategic and systematic business promotion structure for growth businesses centered around institutional customers. To better serve our customers, the structure of the existing Institutional Group and Markets and Investment Banking Group has been reorganized into a newly defined Institutional Group and a newly established Global Markets Group. 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. However, the previous organizational structure is used when discussing results for the fiscal year ended March 31, 2011.

OVERVIEW (continued)

We reported a large increase in consolidated net income to ¥42.6 billion on a reported basis for the fiscal year ended March 31, 2011, compared to consolidated net loss of ¥140.1 billion for the fiscal year ended March 31, 2010.

Our results for the fiscal year ended March 31, 2011 show a significant increase in profitability as a result of consistent progress in implementing innovative business strategies and drastic cost reductions, in addition to ¥29.4 billion recorded on gains on repurchase of our preferred securities and subordinated debt. These factors offset losses such as provisions for domestic real estate non-recourse finance, specialty finance and grey zone, in addition to provisions of reserve for loan losses related to the Great East Japan Earthquake (earthquake-related provisions). In addition to earthquake-related provisions of ¥6.1 billion, extraordinary losses of ¥0.1 billion were recorded relating to the earthquake.

Top line revenue was ¥262.6 billion in the fiscal year ended March 31, 2011, as compared with ¥264.2 billion in the fiscal year ended March 31, 2010 due mainly to the increased revenue in the Markets and Investment Banking Group and the decreased revenue in consumer finance business. General and administrative expenses (excluding amortization of goodwill and other intangible assets) decreased significantly by ¥25.4 billion compared to the fiscal year ended March 31, 2010 as a result of business right sizing especially in the Individual Group including consumer finance business. Net credit costs decreased by ¥43.9 billion compared to the fiscal year ended March 31, 2010. While earthquake-related provisions were recorded, credit costs decreased in our consumer finance business due to the decrease in operating assets while the Markets and Investment Group continued with the divestiture of non-core assets to mitigate potential risk, despite recording additional reserves in our domestic real estate finance and specialty finance. Net interest margin declined to 2.19% largely as a result of interest rate and loan balance reductions within our consumer finance subsidiaries.

In terms of total capital ratio, Tier I capital and total capital increased compared to the fiscal year ended March 31, 2010 due to ¥71.8 billion common stock issuance in March 2011 and strong financial results, while a cash tender offering for preferred securities resulted in a decrease in Tier I capital and total capital. Risk assets also decreased due to the divestiture of non-core business assets in our aim to mitigate potential risk in the Markets and Investment Banking Group. As a result, total capital adequacy ratio improved considerably in the fiscal year ended March 31, 2011. Total capital adequacy ratio improved to 9.8% and Tier I ratio improved to 7.8% at March 31, 2011 from 8.4% and 6.4%, respectively, at March 31, 2010, as risk weighted assets declined from approximately ¥7.7 trillion at March 31, 2010 to ¥6.6 trillion at March 31, 2011. Loans and bills discounted balance declined from ¥5,163.7 billion at March 31, 2010 to ¥4,291.4 billion at March 31, 2011 due mainly to reductions in Markets and Investment Banking Group's non-core business assets and real estate related exposures, as well as the decrease in the balance of consumer finance business.

Basic net income per share for the fiscal year ended March 31, 2011 was ¥21.36, as compared to basic net loss per share of ¥71.36 for the fiscal year ended March 31, 2010. Cash basis basic net income per share for the fiscal year ended March 31, 2011 was ¥26.96, as compared to cash basis basic net loss per share of ¥27.37 for the fiscal year ended March 31, 2010.

SIGNIFICANT EVENTS

REORGANIZATION OF CONSUMER FINANCE SUBSIDIARIES

On December 28, 2010, Shinsei transferred its entire holding of common shares in APLUS FINANCIAL to its subsidiary, Shinsei Financial as part of measures to further strengthen its consumer finance business. There is no change in our scope of consolidation as a result of this share transfer.

In order to deliver even higher product and service standards for individual customers, we have continued to review and reorganize our retail banking and consumer finance businesses. We made unsecured personal loan provider Shinki a fully owned subsidiary of Shinsei Financial in March 2010, in a move that has consolidated our unsecured personal loan services. As we strive for still higher levels of operational efficiency and profitability within the consumer finance business as a whole, we decided the reorganization. Specifically, we will continue to leverage the high recognition levels commanded by the three subsidiaries' "APLUS," "Lake," and "No Loan" brands in order to win new customers and lending opportunities, while aiming to build a framework for greater efficiency in common operations, including the future consolidation of the personal loan business for individual customers. Furthermore, we will work towards establishing an efficient and unified management structure in our consumer finance operations.

EXCHANGE OFFERS

On August 31, 2010, we commenced exchange offers to acquire our initial issuance of £400,000,000 in 5.625% step-up callable perpetual subordinated notes, or the Sterling Notes, and our initial issuance of €1,000,000,000 in 3.75% step-up callable subordinated notes due 2016, or the Euro Notes, in exchange for Euro-denominated fixed to floating rate callable subordinated notes due 2020, or the New Notes, issued by us. We conducted the exchange offers to enhance our capital base by creating additional Tier I capital and to improve the efficiency of our Tier II capital base, while preserving our total capital.

OVERVIEW (continued)

The outstanding aggregate principal amounts of the Sterling Notes and the Euro Notes as of August 30, 2010 were £77,144,000 and €543,218,000, respectively. The aggregate principal amounts accepted for exchange were £25,446,000 for the Sterling Notes and €340,854,000 for the Euro Notes. The New Notes had an aggregate principal amount at issuance on September 14, 2010 of €347,228,000. We recorded a gain of approximately ¥3.0 billion in connection with the exchange offers in the fiscal year ended March 31, 2011.

On January 20, 2011, we decided to forego the call option for early redemption of the Euro Notes on the first callable date, February 23, 2011. The outstanding principal amount of the Euro Notes as of March 31, 2011 was €200 million.

CASH TENDER FOR OUTSTANDING PERPETUAL PREFERRED SECURITIES

On December 14, 2010, we concluded a cash tender offer for the 6.418% U.S. Dollar Step-up Non-cumulative Perpetual Preferred Securities of Shinsei Finance (Cayman) Limited and the 7.160% U.S. Dollar Non-cumulative Perpetual Preferred Securities of Shinsei Finance II (Cayman) Limited. Pursuant to the tender offer, we repurchased an aggregate of $1,072,732,000 liquidation preference amount of such securities, which were subsequently cancelled on December 22, 2010.

As a result of acquiring the securities at a discount to their stated liquidation preference, we realized a gain of approximately ¥25 billion in connection with the repurchases in the fiscal year ended March 31, 2011. The purpose of the tender offer was to enhance our common equity Tier I capital in anticipation of future changes to capital adequacy regulations. The repurchases also have resulted in a reduction of our dividend payments on preferred securities going forward.

ISSUANCE OF NEW SHARES THROUGH INTERNATIONAL OFFERING

On March 15, 2011, we obtained the net proceeds of ¥71.8 billion by issuing 690,000,000 new shares of common stock through the international offering. As part of the international offering, a total of 172,000,000 new shares were sold to Mr. J. Christopher Flowers, one of our outside directors, and investment vehicles advised by the investment firm J.C.Flowers & Co. LLC, the founder of which is Mr. Flowers. This resulted in their voting rights holding ratio remaining unchanged before and after the offering, excluding the over-allotment option. The offering was geared to strengthen our core capital (common equity Tier I) ahead of impending new capital regulations, enhance our credit position and support efforts to expand our customer base and stabilize earnings as we work towards sustainable growth.

RECEIPT OF A BUSINESS IMPROVEMENT ORDER

Shinsei recorded a net loss of ¥47.6 billion on a non-consolidated basis in the fiscal year ended March 31, 2010. This performance fell considerably short of the fiscal year ended March 31, 2010 targets set forth in the revitalization plan submitted to the Japanese government, and as a result, the FSA issued a business improvement order directed at us on June 30, 2010. The business improvement order required Shinsei to submit a business improvement plan and subsequent quarterly reports regarding our performance starting with the three-month period ended September 30, 2010, until the FSA deems that the improvement plan has been fully implemented. Shinsei also previously failed to meet our revitalization plan targets in the fiscal years ended March 31, 2007 and 2009. Shinsei submitted our business improvement plan to the FSA in July 2010.

PROPOSED MERGER WITH AOZORA BANK

On July 1, 2009, Shinsei Bank and Aozora Bank, Ltd. announced that the banks agreed to a merger of equals. Although the merger was originally contemplated to be consummated in the fiscal year ended March 31, 2011, on May 14, 2010, Shinsei Bank and Aozora Bank, Ltd. subsequently mutually agreed on termination of the merger agreement.

SELECTED FINANCIAL DATA (CONSOLIDATED)

Shinsei Bank, Limited and Consolidated Subsidiaries
As of or for the fiscal years ended March 31, 2011, 2010, 2009, 2008 and 2007

	Billions of yen (except per share data and percentages)				
	2011	2010	2009	2008	2007
Statements of operations data:					
Net interest income	**¥ 156.6**	¥ 207.9	¥ 202.9	¥ 137.7	¥ 95.4
Net fees and commissions	**26.0**	25.1	26.5	40.8	46.4
Net trading income (loss)	**11.6**	9.0	(4.6)	9.0	17.8
Net other business income (loss)	**68.3**	22.1	(41.7)	74.9	96.6
Total revenue	**262.6**	264.2	183.1	262.6	256.3
General and administrative expenses	**145.3**	170.8	182.0	158.7	150.2
Amortization of goodwill and other intangible assets	**13.0**	20.9	17.5	12.5	20.8
Total general and administrative expenses	**158.4**	191.7	199.5	171.2	171.0
Net credit costs	**68.3**	112.2	129.0	73.5	51.9
Other gains (losses), net	**21.9**	(83.3)	26.4	74.7	(99.1)
Income (loss) before income taxes and minority interests	**57.7**	(123.0)	(119.0)	92.5	(65.7)
Current income tax	**1.9**	1.5	3.4	4.9	3.2
Deferred income tax (benefit)	**5.2**	6.7	7.0	9.5	(24.6)
Minority interests in net income of subsidiaries	**7.9**	8.8	13.5	18.0	16.6
Net income (loss)	**¥ 42.6**	¥ (140.1)	¥ (143.0)	¥ 60.1	¥ (60.9)
Balance sheet data:					
Trading assets	**¥ 195.3**	¥ 223.2	¥ 375.1	¥ 315.2	¥ 303.3
Securities	**3,286.3**	3,233.3	2,174.1	1,980.2	1,854.6
Loans and bills discounted	**4,291.4**	5,163.7	5,876.9	5,622.2	5,146.3
Customers' liabilities for acceptances and guarantees	**575.7**	623.7	675.2	701.7	754.4
Reserve for credit losses	**(199.2)**	(196.6)	(192.5)	(145.9)	(147.2)
Total assets	**10,231.5**	11,376.7	11,949.1	11,525.7	10,837.6
Deposits, including negotiable certificates of deposit	**5,610.6**	6,475.3	6,272.1	5,806.6	5,420.9
Debentures	**348.2**	483.7	675.5	662.4	703.2
Trading liabilities	**147.7**	177.8	307.5	205.0	99.2
Borrowed money	**1,672.7**	1,186.8	1,012.3	1,127.2	1,122.6
Acceptances and guarantees	**575.7**	623.7	675.2	701.7	754.4
Total liabilities	**9,620.3**	10,741.8	11,181.7	10,560.5	9,904.4
Common stock	**512.2**	476.2	476.2	476.2	451.2
Total equity	**611.1**	634.9	767.4	965.2	933.2
Total liabilities and equity	**¥ 10,231.5**	¥ 11,376.7	¥ 11,949.1	¥ 11,525.7	¥ 10,837.6
Per share data:					
Common equity[1]	**¥ 205.83**	¥ 232.72	¥ 284.95	¥ 364.35	¥ 308.60
Basic net income (loss)	**21.36**	(71.36)	(72.85)	38.98	(45.92)
Capital adequacy data:					
Total capital adequacy ratio	**9.8%**	8.4%	8.4%	11.7%	13.1%
Tier I capital ratio	**7.8%**	6.4%	6.0%	7.4%	8.1%
Average balance data:					
Securities	**¥ 3,056.4**	¥ 3,212.6	¥ 2,388.7	¥ 2,058.7	¥ 1,750.5
Loans and bills discounted	**4,680.7**	5,457.6	5,910.3	5,390.3	4,613.4
Total assets	**10,804.1**	11,662.9	11,737.4	11,181.7	10,121.3
Interest-bearing liabilities	**8,507.2**	9,354.5	9,303.7	9,065.8	7,821.8
Total liabilities	**10,181.1**	10,961.7	10,871.1	10,232.4	9,096.1
Total equity	**623.0**	701.2	866.3	949.2	894.2
Other data:					
Return on assets	**0.4%**	(1.2)%	(1.2)%	0.5%	(0.6)%
Return on equity[1]	**8.5%**	(27.6)%	(22.4)%	8.8%	(8.1)%
Ratio of deposits, including negotiable certificates of deposit, to total liabilities	**58.3%**	60.3%	56.1%	55.0%	54.7%
Expense-to-revenue ratio[2]	**55.3%**	64.6%	99.4%	60.4%	58.6%
Non-performing claims, non-consolidated	**¥ 279.5**	¥ 333.0	¥ 145.8	¥ 53.1	¥ 27.9
Ratio of non-performing claims to total claims, non-consolidated	**6.8%**	6.7%	2.5%	1.0%	0.5%
Net deferred tax assets	**¥ 17.9**	¥ 17.4	¥ 20.5	¥ 23.9	¥ 37.3
Net deferred tax assets as a percentage of Tier I capital	**3.5%**	3.5%	3.5%	3.5%	6.0%

Notes: (1) Stock acquisition rights and minority interests in subsidiaries are excluded from equity.
(2) The expense-to-revenue ratio is calculated by dividing general and administrative expenses by the total revenue.

RESULTS OF OPERATIONS (CONSOLIDATED)

FISCAL YEAR ENDED MARCH 31, 2011 COMPARED WITH FISCAL YEAR ENDED MARCH 31, 2010 (CONSOLIDATED)

Total revenue for the fiscal year ended March 31, 2011 was ¥262.6 billion. This was ¥1.6 billion, or 0.6% lower than for the prior fiscal year.

Net interest income declined by ¥51.3 billion to ¥ 156.6 billion in the fiscal year ended March 31, 2011 compared to ¥207.9 billion in the fiscal year ended March 31, 2010. The decrease is due to reduced net interest income within our consumer finance subsidiaries as interest rates have been reset below the legal maximum rates in compliance with the revised Money-Lending Business Control and Regulation Law. Non-interest income increased by ¥49.7 billion to ¥ 106.0 billion in the fiscal year ended March 31, 2011 compared to ¥ 56.2 billion in the fiscal year ended March 31, 2010. Non-interest income increased due to the steady performance of core businesses within our Markets and Investment Banking Group and also due to an increase in non-recurring gains. Our net fees and commissions income increased by ¥0.9 billion to ¥26.0 billion in the fiscal year ended March 31, 2011 compared to ¥25.1 billion in the fiscal year ended March 31, 2010. We generated net trading income of ¥11.6 billion in the fiscal year ended March 31, 2011, an increase of ¥2.6 billion compared to ¥9.0 billion generated in the fiscal year ended March 31, 2010. Net other business income for the fiscal year ended March 31, 2011 increased to ¥68.3 billion from ¥22.1 billion in the fiscal year ended March 31, 2010. Major non-recurring net other business income recorded in the fiscal year ended March 31, 2011 includes a gain of ¥7.3 billion on the sale and revaluation of asset-backed investments and asset-backed securities, a gain of ¥4.3 billion on the sale of collateralized loan obligations (CLOs). These gains were partially offset by impairments of ¥3.7 billion on domestic real estate non-recourse bonds and mark-downs and impairments of ¥1.9 billion on asset-backed securities and asset-backed investments and ¥1.1 billion on our real estate principal investments. Net other business income for the fiscal year ended March 31, 2010 included a gain of ¥17.7 billion on the sale of CLOs and a gain of ¥3.5 billion on the sale of corporate bonds and equities. These gains were offset by mark-downs and impairments of ¥35.1 billion on our real estate principal investments, a loss of ¥3.8 billion by an equity method affiliate Jih Sun Financial Holding Co., Ltd. and mark-downs and impairments of ¥3.3 billion on asset-backed investments, asset-backed securities and other European investments. The fiscal year ended March 31, 2011 include net other business income of ¥38.7 billion from the lease transaction and installment receivables business of Showa Leasing, APLUS FINANCIAL, Shinsei Financial and others compared to ¥43.0 billion in the fiscal year ended March 31, 2010.

General and administrative expenses (excluding amortization of goodwill and other intangible assets) in the fiscal year ended March 31, 2011 were ¥145.3 billion, a decrease of ¥25.4 billion compared to the fiscal year ended March 31, 2010. The loan balance has declined at our consumer finance subsidiaries due to the revised Money-Lending Business Control and Regulation Law. As this was anticipated earlier, we scaled down our business appropriately, resulting in substantial cost reductions. In addition to the above, cost rationalization implemented from the prior fiscal year also contributed to the decrease in expenses. Our expense-to-revenue ratio was 55.3% for the fiscal year ended March 31, 2011 compared to an expense-to-revenue ratio of 64.6% for the fiscal year ended March 31, 2010, reflecting cost reduction well above decline in revenue.

Net credit costs of ¥68.3 billion for the fiscal year ended March 31, 2011 were ¥43.9 billion lower compared to the ¥112.2 billion net credit costs recorded in the fiscal year ended March 31, 2010. Although the fiscal year ended March 31, 2011 included earthquake-related provisions and provisions of additional reserves for specialty finance and domestic real estate non-recourse finance in our Markets and Investment Banking Group, there was a much greater reduction in net credit costs. This was due to the decrease in loan assets in consumer finance as a result of the revised Money-Lending Business Control and Regulation Law, and the non-core assets reduction in Markets and Investment Banking Group to mitigate potential risk. Net credit costs for the fiscal year ended March 31, 2011 included a net credit costs of ¥19.9 billion for specialty finance, ¥19.5 billion for domestic real estate non-recourse finance, ¥13.8 billion for APLUS FINANCIAL and ¥7.7 billion for Shinsei Financial. Net credit costs for APLUS FINANCIAL and Shinsei Financial included earthquake-related provisions of ¥1.6 billion and ¥1.8 billion respectively. The results of the fiscal year ended March 31, 2010 included net credit costs of ¥32.8 billion for domestic real estate non-recourse finance related loans, ¥25.3 billion for Shinsei Financial, ¥21.0 billion for APLUS FINANCIAL, ¥15.6 billion associated with our holdings of asset-backed investments.

Amortization of goodwill and other intangible assets associated with the acquisition of consumer and commercial finance companies was ¥13.0 billion for the fiscal year ended March 31, 2011 as compared with ¥20.9 billion in the fiscal year ended March 31, 2010. The lower amounts primarily reflect the impairment of goodwill and other intangible assets of APLUS FINANCIAL taken in the fiscal year ended March 31, 2010.

Other gains of ¥21.9 billion for the fiscal year ended March 31, 2011 included provision for losses on interest repayment of ¥10.1 billion, restructuring charges of ¥4.4 billion at Shinsei Financial and asset retirement obligation costs of ¥3.6 billion,

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

offset by a gain of ¥29.4 billion on the repurchase of our preferred securities and subordinated debt, and recoveries of written off-claims of ¥14.8 billion at Shinsei Financial, Shinsei Bank, Shinki and APLUS FINANCIAL. The results of the fiscal year ended March 31, 2010 included impairment of goodwill and intangibles in our investment in APLUS FINANCIAL of ¥66.0 billion, net of taxes, and impairment of Shinki intangible assets of ¥2.5 billion, net of taxes, provision for losses on interest repayment of ¥29.6 billion, as well as restructuring charges of ¥6.5 billion at APLUS FINANCIAL and Shinki, which were partially offset by a gain of ¥20.9 billion on the repurchase of our preferred securities and subordinated debt and recoveries of written-off claims of ¥10.7 billion.

Current and deferred income taxes reflected a net expense of ¥7.2 billion compared to a net expense of ¥8.2 billion in the fiscal year ended March 31, 2010.

Minority interests in net income of subsidiaries for the fiscal year ended March 31, 2011 amounting to ¥7.9 billion largely reflected dividends accrued on perpetual preferred securities and minority interests in other subsidiaries.

As a result, the Bank recognized a consolidated net income of ¥42.6 billion on a reported basis for the fiscal year ended March 31, 2011, compared to consolidated net loss of ¥140.1 billion for the fiscal year ended March 31, 2010.

Shinsei's non-performing loans (NPL) balance under the Financial Revitalization Law totaled ¥279.5 billion as of March 31, 2011. NPLs were 6.8% of total claims outstanding at March 31, 2011 on a non-consolidated basis.

Our Tier I capital ratio was 7.8% and total capital adequacy ratio was 9.8% as of March 31, 2011, on a Basel II basis.

SUPPLEMENTAL FINANCIAL DATA AND RECONCILIATIONS TO JAPANESE GAAP MEASURES

Shinsei Bank, Limited and Consolidated Subsidiaries

For the fiscal year ended March 31, 2011	Billions of yen (except per share data and percentages)
Amortization of goodwill and other intangible assets	
Amortization of other intangible assets	¥ 4.7
Associated deferred tax income	(1.9)
Amortization of goodwill	8.3
Total amortization of goodwill and other intangible assets, net of tax benefit	¥ 11.1
Reconciliation of net income to cash basis net income	
Net income	¥ 42.6
Amortization of goodwill and other intangible assets, net of tax benefit	11.1
Cash basis net income	¥ 53.8
Reconciliation of basic net income per share to cash basis basic net income per share	
Basic net income per share	¥ 21.36
Effect of amortization of goodwill and other intangible assets, net of tax benefit	5.59
Cash basis basic net income per share	¥ 26.96
Reconciliation of return on assets to cash basis return on assets	
Return on assets	0.4%
Effect of amortization of goodwill and other intangible assets, net of tax benefit	0.1%
Cash basis return on assets	0.5%
Reconciliation of return on equity to cash basis return on equity	
Return on equity	8.5%
Effect of amortization of goodwill and other intangible assets, net of tax benefit	2.2%
Cash basis return on equity	10.7%
Reconciliation of return on equity to return on tangible equity	
Return on equity	8.5%
Effect of goodwill and other intangible assets	3.9%
Return on tangible equity[1]	12.4%

Note: (1) Net income excludes amortization of goodwill and other intangible assets, net of tax benefit. Average equity excludes goodwill and other intangible assets, net of associated deferred tax liability.

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)

Fiscal years ended March 31	2011 Average Balance	2011 Interest	2011 Yield/Rate	2010 Average Balance	2010 Interest	2010 Yield/Rate
Interest-earning assets:						
Loans and bills discounted	¥ 4,680.7	¥ 178.5	3.82%	¥ 5,457.6	¥ 245.2	4.49%
Lease receivables and leased investment assets/ installment receivables	566.7	38.7	6.83	619.0	43.0	6.95
Securities	3,056.4	23.8	0.78	3,212.6	30.5	0.95
Other interest-earning assets[1]	540.4	4.7	n.m.[3]	664.6	7.7	n.m.[3]
Total revenue on interest-earning assets (A)	¥ 8,844.4	¥ 245.8	2.78%	¥ 9,953.9	¥ 326.5	3.28%
Interest-bearing liabilities:						
Deposits, including negotiable certificates of deposit	¥ 5,946.6	¥ 34.5	0.58	¥ 6,803.0	¥ 52.9	0.78%
Debentures	426.3	2.3	0.56	562.5	3.8	0.69
Borrowed money	1,422.1	7.0	0.50	933.6	10.2	1.09
Subordinated debt	101.9	0.8	0.88	102.0	1.1	1.09
Other borrowed money	1,320.1	6.2	0.47	831.6	9.0	1.09
Corporate bonds	190.8	5.5	2.88	229.3	6.5	2.84
Subordinated bonds	157.0	5.1	3.28	166.8	5.7	3.45
Other corporate bonds	33.7	0.3	1.03	62.4	0.7	1.21
Other interest-bearing liabilities[1]	521.2	0.9	n.m.[3]	825.9	2.0	n.m.[3]
Total expense on interest-bearing liabilities (B)	¥ 8,507.2	¥ 50.4	0.59%	¥ 9,354.5	¥ 75.5	0.81%
Net interest margin (A) - (B)		¥ 195.3	2.19%		¥ 250.9	2.47%
Non-interest-bearing sources of funds:						
Non-interest-bearing (assets) liabilities, net	¥ (166.0)	—	—	¥ 89.3	—	—
Total equity excluding minority interest in subsidiaries[2]	503.2	—	—	510.0	—	—
Total non-interest-bearing sources of funds (C)	337.1	—	—	599.4	—	—
Total interest-bearing liabilities and non-interest-bearing sources of funds (D) = (B) +(C)	¥ 8,844.4	¥ 50.4	0.57%	¥ 9,953.9	¥ 75.5	0.76%
Net revenue on interest-earning assets/ yield on interest-earning assets (A) - (D)	—	¥ 195.3	2.21%	—	¥ 250.9	2.52%
Reconciliation of total revenue on interest-earning assets to total interest income						
Total revenue on interest-earning assets	¥ 8,844.4	¥ 245.8	2.78%	¥ 9,953.9	¥ 326.5	3.28%
Less: Income on lease transactions and installment receivables	566.7	38.7	6.83	619.0	43.0	6.95
Total interest income	¥ 8,277.6	¥ 207.1	2.50%	¥ 9,334.9	¥ 283.5	3.04%
Total interest expenses	—	50.4	—	—	75.5	—
Net interest income	—	¥ 156.6	—	—	¥ 207.9	—

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 at the beginning and end of the fiscal years presented.
(3) n.m. is not meaningful.

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

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

Net revenue on interest-earning assets for the fiscal year ended March 31, 2011 was ¥195.3 billion, a decrease of ¥55.6 billion compared to the prior fiscal year. Total revenue on interest-earning assets decreased by ¥80.7 billion and total expense on interest-bearing liabilities decreased by ¥25.1 billion in the fiscal year ended March 31, 2011 from the prior fiscal year.

The net interest margin and net yield on interest-earning assets were 2.19% and 2.21%, respectively, in the fiscal year ended March 31, 2011, compared with 2.47% and 2.52%, respectively, for the fiscal year ended March 31, 2010. The changes in net interest margin and net yield largely reflect the lower yield and lower volume of loans and bills discounted, lease receivables and leased investment assets and installment receivables, and securities, offset by lower interest expense for deposits and borrowed money.

NET FEES AND COMMISSIONS

Net fees and commissions mainly includes fees on domestic real estate non-recourse finance, consumer finance related guarantees, fees and commission from other business, upfront fees on sale of mutual fund and variable annuity products. Net fees and commissions of ¥26.0 billion was earned in the fiscal year ended March 31, 2011, an increase of ¥0.9 billion compared to the fiscal year ended March 31, 2010.

NET TRADING INCOME

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

TABLE 2. NET TRADING INCOME (CONSOLIDATED)

	Billions of yen		
Fiscal years ended March 31	**2011**	2010	% Change
Income from trading securities	**¥ 0.7**	¥ 3.8	(80.1)
Income from securities held to hedge trading transactions	**(2.8)**	4.4	(164.8)
Income from trading-related financial derivatives	**13.6**	0.3	4,063.1
Other, net	**0.0**	0.3	(85.9)
Net trading income	**¥ 11.6**	¥ 9.0	29.2

Net trading income reflects revenues from customer-driven transactions, such as option trading income, as well as transactions undertaken for trading purposes. During the fiscal year ended March 31, 2011, net trading income recorded a gain of ¥11.6 billion, an increase of ¥2.6 billion compared to the fiscal year ended March 31, 2010.

NET OTHER BUSINESS INCOME

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

TABLE 3. NET OTHER BUSINESS INCOME (CONSOLIDATED)

	Billions of yen		
Fiscal years ended March 31	**2011**	2010	% Change
Net gain (loss) on monetary assets held in trust	**¥ 5.2**	¥ (8.1)	164.5
Net gain on foreign exchanges	**4.7**	8.8	(45.6)
Net gain on securities	**15.2**	0.9	1,596.2
Net gain (loss) on other monetary claims purchased	**(0.4)**	(17.2)	97.7
Other business income (loss), net:			
Income (loss) from derivatives for banking purposes, net	**1.7**	(0.6)	367.3
Equity in net income (loss) of affiliates	**1.3**	(4.1)	131.9
Gain on lease cancellation and other lease income (loss), net	**(0.0)**	(0.7)	88.9
Other, net	**1.7**	0.4	294.7
Net other business income (loss) before income on lease transactions and installment receivables, net	**29.6**	(20.8)	242.0
Income on lease transactions and installment receivables, net	**38.7**	43.0	(10.0)
Net other business income	**¥ 68.3**	¥ 22.1	208.4

Financial Highlights
Message from the Management
Special Feature
Review of Operations
Management Structure
Data Section
Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

Net other business income for the fiscal year ended March 31, 2011 was ¥68.3 billion. This includes income of ¥38.7 billion from the lease transactions and installment receivables of Showa Leasing, APLUS FINANCIAL, Shinsei Financial and others, compared to ¥43.0 billion in the fiscal year ended March 31, 2010. Major non-recurring net other business income recorded in the fiscal year ended March 31, 2011 includes a gain of ¥7.3 billion on the sale and revaluation of asset-backed investments and asset-backed securities, and a gain of ¥4.3 billion on the sale of collateralized loan obligations (CLOs). These gains were partially offset by losses of ¥3.7 billion on our real estate non-recourse finance bond portfolio and mark-downs and impairments of ¥1.1 billion on our real estate principal investments. Net other business income for the fiscal year ended March 31, 2010 included a gain of ¥17.7 billion on the sale of CLOs and a gain of ¥3.5 billion on the sale of corporate bonds and equities. These gains were offset by mark-downs and impairments of ¥35.1 billion on real estate principal investments, a loss of ¥3.8 billion by an equity method affiliate Jih Sun Financial Holding Co. and mark-downs and impairments of ¥3.3 billion on asset-backed investments, asset-backed securities and other European investments.

TOTAL REVENUE

Due to the factors described above, total revenue in the fiscal year ended March 31, 2011 was ¥262.6 billion, as compared with ¥264.2 billion in the prior fiscal year.

GENERAL AND ADMINISTRATIVE EXPENSES

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

TABLE 4. GENERAL AND ADMINISTRATIVE EXPENSES (CONSOLIDATED) Billions of yen

Fiscal years ended March 31	2011	2010	% Change
Personnel expenses	¥ 57.5	¥ 64.8	(11.2)
Premises expenses	23.2	27.4	(15.2)
Technology and data processing expenses	19.2	23.9	(19.7)
Advertising expenses	9.2	12.2	(24.2)
Consumption and property taxes	7.7	9.0	(14.4)
Deposit insurance premium	5.4	4.3	24.3
Other general and administrative expenses	22.8	28.9	(21.2)
General and administrative expenses	145.3	170.8	(14.9)
Amortization of goodwill and other intangible assets	13.0	20.9	(37.4)
Total general and administrative expenses	¥ 158.4	¥ 191.7	(17.4)

General and administrative expenses (excluding amortization of goodwill and other intangible assets) were ¥145.3 billion in the fiscal year ended March 31, 2011, a decrease of ¥25.4 billion or 14.9% compared to the prior fiscal year.

Personnel expenses of ¥57.5 billion decreased by ¥7.2 billion from the prior fiscal year. We have been able to reduce our personnel expenses through the termination of all manned branches at Shinsei Financial reflecting a forecast for further decline in loan balance due to the revision of the Money-Lending Business Control and Regulation Law, and through ongoing personnel expense rationalization across our business.

Non-personnel expenses declined by ¥18.2 billion from the prior fiscal year to ¥87.7 billion despite one-time costs related to Shinsei Bank's head office relocation, as we have worked to reduce expenses across all of our business lines through strict expense control discipline. Shinsei Bank relocated its head office from Uchisaiwai-cho to Nihonbashi-muromachi and began operations from its new head office building on January 4, 2011. We have been able to reduce our office space significantly and enhanced energy conservation through the relocation. The cost reduction effect has been realized from the fourth quarter of the fiscal year ended March 31, 2011 onwards, while one-time costs have already been recognized in the fiscal year ended March 31, 2011. Premises expenses declined by ¥4.1 billion to ¥23.2 billion, mainly due to consumer finance subsidiaries' branch optimization. Technology and data processing expenses were ¥4.7 billion lower than the fiscal year ended March 31, 2010 mainly due to automated contract machine sharing and optimization between Shinsei Financial and Shinki. Advertising expenses were ¥2.9 billion lower than the fiscal year ended March 31, 2010 as a result of continued optimization of advertising activities in the Individual Group.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

AMORTIZATION OF GOODWILL AND OTHER INTANGIBLE ASSETS

Amortization of Goodwill and Other Intangible Assets totaled ¥13.0 billion for the fiscal year ended March 31, 2011 compared to ¥20.9 billion for the fiscal year ended March 31, 2010. The decrease of ¥7.8 billion in amortization of goodwill and other intangible assets is primarily due to impairment of goodwill for APLUS FINANCIAL taken at the end of the fiscal year ended March 31, 2010. The amortization of goodwill and other intangible assets for APLUS FINANCIAL was ¥0.8 billion in the fiscal year ended March 31, 2011. This is related to the amortization of goodwill for Zen-Nichi Shinpan, a subsidiary of APLUS FINANCIAL.

TABLE 5. AMORTIZATION OF GOODWILL AND OTHER INTANGIBLE ASSETS (CONSOLIDATED)

	Billions of yen		
Fiscal years ended March 31	2011	2010	% Change
Shinsei Financial	¥ 9.6	¥ 10.7	(10.2)
Shinki	(0.3)	0.7	(150.8)
APLUS FINANCIAL	0.8	6.5	(86.3)
Showa Leasing	2.9	2.9	(1.0)
Others	0.0	(0.0)	0.0
Amortization of goodwill and other intangible assets	¥ 13.0	¥ 20.9	(37.4)

NET CREDIT COSTS

The following table sets forth our net credit costs on a consolidated basis for the fiscal years ended March 31, 2011 and 2010.

TABLE 6. NET CREDIT COSTS (CONSOLIDATED)

	Billions of yen		
Fiscal years ended March 31	2011	2010	% Change
Losses on write-off or sales of loans	¥ 7.5	¥ 18.5	(59.2)
Net provision of reserve for loan losses:			
Net provision of general reserve for loan losses	30.4	40.0	(24.0)
Net provision of specific reserve for loan losses	31.2	55.5	(43.7)
Net provision (reversal) of reserve for loan losses to restructuring countries	(0.0)	(0.0)	9.2
Subtotal	61.7	95.5	(35.4)
Net provision (reversal) of specific reserve for other credit losses	0.0	(0.1)	113.8
Other credit costs (recoveries) relating to leasing business	(0.9)	(1.7)	47.3
Net credit costs	¥ 68.3	¥ 112.2	(39.1)

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

Net credit costs of ¥68.3 billion for the fiscal year ended March 31, 2011 were ¥43.9 billion lower compared to the ¥112.2 billion net credit costs recorded in the fiscal year ended March 31, 2010. Although the fiscal year ended March 31, 2011 included earthquake-related provisions and provisions of additional reserves for specialty finance and domestic real estate non-recourse finance in our Markets and Investment Banking Group, there was a much greater reduction in net credit costs. This was due to the decrease in loan assets in consumer finance as a result of the revised Money-Lending Business Control and Regulation Law, and the non-core assets reduction in Markets and Investment Banking Group to mitigate potential risk. Net credit costs for the fiscal year ended March 31, 2011 included a net credit costs of ¥19.9 billion for specialty finance, ¥19.5 billion for domestic real estate non-recourse finance, ¥13.8 billion for APLUS FINANCIAL and ¥7.7 billion for Shinsei Financial. Net credit costs for APLUS FINANCIAL and Shinsei Financial included earthquake-related provisions of ¥1.6 billion and ¥1.8 billion respectively. Earthquake-related provisions included ¥1.6 billion for Showa Leasing, ¥0.5 billion for housing loans at Shinsei Bank, and ¥0.4 billion for Shinki as well. The results of the fiscal year ended March 31, 2010 included net credit costs of ¥32.8 billion for domestic real estate non-recourse finance related loans, ¥25.3 billion for Shinsei Financial, ¥21.0 billion for APLUS FINANCIAL, ¥15.6 billion associated with our holdings of asset-backed investments.

Financial Highlights
Message from the Management
Special Feature
Review of Operations
Management Structure
Data Section
Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

OTHER GAINS (LOSSES), NET

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

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

	Billions of yen		
Fiscal years ended March 31	2011	2010	% Change
Net gain (loss) on disposal of premises and equipment	¥ (0.5)	¥ (1.9)	71.8
Provision for losses on disposal of premises and equipment	—	(0.2)	100.0
Pension-related costs	(0.9)	(0.3)	(162.6)
Gain on write-off of unclaimed debentures	0.5	0.5	0.7
Recoveries of written-off claims	14.8	10.7	38.0
Provision of reserve for losses on interest repayments	(10.1)	(29.6)	65.8
Impairment losses on goodwill and other intangible assets	—	(73.3)	100.0
Impairment losses on other long-lived assets	(2.3)	(2.3)	(0.8)
Gain from the cancellation of issued corporate bonds and other instruments	29.4	21.2	38.6
Losses on application of new accounting standard for asset retirement obligations(1)	(3.6)	—	—
Other, net	(5.2)	(7.8)	33.1
Total	**¥ 21.9**	¥ (83.3)	126.4

Note: (1) "Losses on application of new accounting standard for asset retirement obligations" is a cumulative effect recognized at the beginning of the current fiscal year by applying "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008).

Other gains of ¥21.9 billion included ¥10.1 billion of additional provisions for loss on interest repayment, ¥4.4 billion for restructuring charges in Shinsei Financial and ¥3.6 billion from asset retirement obligation costs offset by gains of ¥29.4 billion on the repurchase of our preferred securities and subordinated debt and recoveries of written-off claims of ¥14.8 billion at Shinsei Financial, Shinsei Bank, Shinki and APLUS FINANCIAL. Additional provisions for losses on interest repayment of ¥4.7 billion, ¥3.2 billion, and ¥2.1 billion were recorded in Shinsei Financial, APLUS FINANCIAL, and Shinki, respectively, in light of the operating environment of the consumer finance business following the bankruptcy of Takefuji. Additional provisions for loss on interest repayment in Shinsei Financial were recorded for the portion of the portfolio not covered by the GE indemnity included in the purchase agreement of Shinsei Financial from GE. Other losses of ¥83.3 billion recorded in the fiscal year ended March 31, 2010 included impairment losses of goodwill and other intangible assets in our investment in APLUS FINANCIAL of ¥66.0 billion, net of taxes, impairment loss of Shinki other intangible assets of ¥2.5 billion, net of taxes, additional grey zone provisions of ¥29.6 billion, as well as restructuring charges of ¥6.5 billion at APLUS FINANCIAL and Shinki, offset by gains of ¥20.9 billion on the repurchase of our preferred securities and subordinated debt and recoveries of written-off claims of ¥10.7 billion.

INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS

As a result of the foregoing, a income before income taxes and minority interests of ¥57.7 billion was recorded for the fiscal year ended March 31, 2011, as compared to a loss before income taxes and minority interests of ¥123.0 billion recorded in the prior fiscal year.

INCOME TAXES (BENEFIT)

Current and deferred income taxes reflected a net expense of ¥7.2 billion compared to a net expense of ¥8.2 billion in the prior fiscal year. For the current fiscal year, we recorded ¥1.9 billion in current tax expense and ¥5.2 billion in deferred income tax expense. For the prior fiscal year, we recorded ¥1.5 billion in current income tax expense and ¥6.7 billion in deferred income tax expense.

MINORITY INTERESTS IN NET INCOME (LOSS) OF SUBSIDIARIES

Minority interests in net income of subsidiaries for the fiscal year ended March 31, 2011 was ¥7.9 billion largely due to dividends on perpetual preferred securities and minority interests in consolidated subsidiaries. Due to the redemption of APLUS FINANCIAL's preferred securities during the fourth quarter of the fiscal year ended March 31, 2010, no preferred stock dividends were paid in the fiscal year ended March 31, 2011.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

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

	Billions of yen		
Fiscal years ended March 31	2011	2010	% Change
Dividends on preferred securities (hybrid Tier I capital) issued by foreign SPCs	¥ 7.5	¥ 10.3	(26.7)
Dividends on APLUS FINANCIAL's preferred stock	—	0.4	(100.0)
Others	0.3	(1.9)	118.5
Minority interests in net income of subsidiaries	¥ 7.9	¥ 8.8	(10.2)

NET INCOME (LOSS)

Shinsei Bank recognized a consolidated net income of ¥42.6 billion for the fiscal year ended March 31, 2011, compared to a consolidated net loss of ¥140.1 billion for the fiscal year ended March 31, 2010.

We report both Japanese generally accepted accounting principles (Japanese GAAP) net income (loss) and cash basis net income (loss) in order to provide greater transparency and understanding of our underlying performance. Consolidated cash basis net income for the fiscal year ended March 31, 2011 was ¥53.8 billion, compared to a cash basis net loss of ¥53.7 billion for the fiscal year ended March 31, 2010. The cash basis net income (loss) is calculated by excluding amortization and impairment of goodwill and other intangible assets, net of tax benefit, from net income under Japanese GAAP.

RECONCILIATION FROM REPORTED-BASIS RESULTS TO OPERATING-BASIS RESULTS

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

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

	Billions of yen					
	2011			2010		
Fiscal years ended March 31	Reported-basis	Reclassifications	Operating-basis	Reported-basis	Reclassifications	Operating-basis
Revenue:						
Net interest income	¥ 156.6	¥ —	¥ 156.6	¥ 207.9	¥ —	¥ 207.9
Non-interest income[1]	106.0	29.4	135.4	56.2	21.2	77.5
Total revenue	262.6	29.4	292.1	264.2	21.2	285.5
General and administrative expenses[2]	145.3	(2.5)	142.8	170.8	(2.4)	168.3
Amortization of goodwill and other intangible assets[3]	13.0	(13.0)	—	20.9	(20.9)	—
Total general and administrative expenses	158.4	(15.6)	142.8	191.7	(23.3)	168.3
Net business profit/Ordinary business profit[3]	104.2	45.0	149.2	72.5	44.6	117.1
Net credit costs	68.3	—	68.3	112.2	—	112.2
Amortization of goodwill and other intangible assets[3]	—	13.0	13.0	—	20.9	20.9
Other gains (losses), net[1][2]	21.9	(31.9)	(10.0)	(83.3)	(23.7)	(107.0)
Income (loss) before income taxes and minority interests	57.7	—	57.7	(123.0)	—	(123.0)
Income taxes and minority interests	15.1	—	15.1	17.0	—	17.0
Net income (loss)	¥ 42.6	¥ —	¥ 42.6	¥ (140.1)	¥ —	¥ (140.1)

Notes: (1) Reclassifications consist principally of adjustments relating to gain from the cancellation of issued corporate bonds and other instruments from other gains (losses), net, to total revenue.
(2) 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.
(3) Amortization of goodwill and other intangible assets is reclassified under ordinary business profit (loss) after net credit costs.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

BUSINESS LINES RESULTS

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

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

	Billions of yen		
Fiscal years ended March 31	**2011**	2010	% Change
Institutional Group:			
Net interest income	**¥ 7.3**	¥ 7.0	5.1
Non-interest income	**21.2**	21.3	(0.2)
Total revenue	**28.6**	28.3	1.1
General and administrative expenses	**17.0**	16.0	6.0
Ordinary business profit	**11.6**	12.2	(5.2)
Net credit costs	**2.5**	3.0	(17.9)
Ordinary business profit after net credit costs	**¥ 9.1**	¥ 9.2	(1.0)
Markets and Investment Banking Group:			
Net interest income	**¥ 35.1**	¥ 36.3	(3.1)
Non-interest income	**41.6**	(4.9)	937.7
Total revenue	**76.8**	31.3	145.2
General and administrative expenses	**22.0**	27.6	(20.3)
Ordinary business profit	**54.8**	3.7	1,368.3
Net credit costs	**36.8**	63.0	(41.6)
Ordinary business profit (loss) after net credit costs	**¥ 18.0**	¥ (59.2)	130.5
Individual Group:			
Net interest income	**¥ 117.3**	¥ 167.1	(29.8)
Non-interest income	**39.8**	41.0	(3.1)
Total revenue	**157.1**	208.2	(24.5)
General and administrative expenses	**104.5**	124.2	(15.9)
Ordinary business profit	**52.6**	84.0	(37.3)
Net credit costs	**28.6**	46.2	(38.1)
Ordinary business profit after net credit costs	**¥ 24.0**	¥ 37.7	(36.5)
Corporate/Other[1]:			
Net interest income (expense)	**¥ (3.2)**	¥ (2.5)	(27.3)
Non-interest income	**32.6**	20.1	62.3
Total revenue	**29.4**	17.5	67.4
General and administrative expenses	**(0.7)**	0.4	(257.1)
Ordinary business profit	**30.1**	17.1	76.0
Net credit costs (recoveries)	**0.4**	(0.0)	1,152.7
Ordinary business profit after net credit costs	**¥ 29.7**	¥ 17.1	73.1
Total:			
Net interest income	**¥ 156.6**	¥ 207.9	(24.7)
Non-interest income	**135.4**	77.5	74.7
Total revenue	**292.1**	285.5	2.3
General and administrative expenses	**142.8**	168.3	(15.2)
Ordinary business profit	**149.2**	117.1	27.4
Net credit costs	**68.3**	112.2	(39.1)
Ordinary business profit after net credit costs	**¥ 80.8**	¥ 4.8	1,559.7

Note: (1) Corporate/Other includes company-wide accounts including profit/loss on equity financing, allocation variance of indirect expense and elimination amount of inter-segment transactions.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

INSTITUTIONAL GROUP

The Institutional Group consists of the Institutional Business Sub-Group (banking business for corporate clients) and Showa Leasing.

TABLE 11. INSTITUTIONAL GROUP ORDINARY BUSINESS PROFIT AFTER NET CREDIT COSTS (RECOVERIES) BY BUSINESS (CONSOLIDATED)[1]

	Billions of yen		
Fiscal years ended March 31	2011	2010	% Change
Institutional Business Sub-Group[2]:			
Net interest income	¥ 10.5	¥ 11.1	(4.7)
Non-interest income	2.7	1.4	91.9
Total revenue	13.3	12.5	6.3
General and administrative expenses	9.0	7.8	14.2
Ordinary business profit	4.3	4.6	(6.9)
Net credit costs (recoveries)	(0.9)	(2.1)	55.3
Ordinary business profit after net credit costs	¥ 5.2	¥ 6.7	(22.0)
Showa Leasing[3]:			
Net interest income (expense)	¥ (3.1)	¥ (4.0)	21.8
Non-interest income	18.5	19.8	(6.8)
Total revenue	15.3	15.8	(3.0)
General and administrative expenses	8.0	8.1	(1.9)
Ordinary business profit	7.2	7.6	(4.2)
Net credit costs	3.4	5.1	(33.2)
Ordinary business profit after net credit costs	¥ 3.8	¥ 2.4	57.7
Institutional Group:			
Net interest income	¥ 7.3	¥ 7.0	5.1
Non-interest income	21.2	21.3	(0.2)
Total revenue	28.6	28.3	1.1
General and administrative expenses	17.0	16.0	6.0
Ordinary business profit	11.6	12.2	(5.2)
Net credit costs	2.5	3.0	(17.9)
Ordinary business profit after net credit costs	¥ 9.1	¥ 9.2	(1.0)

Notes: (1) Net of consolidation adjustments, if applicable.
(2) "Institutional Business Sub-Group" provides financial products and services for corporate banking business, financial institutions business and public sector finance.
(3) "Showa Leasing" primarily provides leasing related financial products and services.

The Institutional Business Sub-Group recorded total revenue of ¥13.3 billion in the fiscal year ended March 31, 2011, an increase of ¥0.7 billion compared to total revenue of ¥12.5 billion recorded in the fiscal year ended March 31, 2010. In the fiscal year ended March 31, 2011, in order to rebuild our client base, we focused on areas such as healthcare finance and corporate restructuring businesses where the Bank can demonstrate its strength and also put efforts into identifying new outlets for corporate lending. As a result, despite the current stagnant economy, with few prospects for an increase in demand for funds, total revenue has increased compared to the fiscal year ended March 31, 2010. In the fiscal year ended March 31, 2011, the Institutional Business Sub-Group recorded general and administrative expenses of ¥9.0 billion, an increase of ¥1.1 billion compared to the fiscal year ended March 31, 2010. The increase was largely due to investments in areas such as healthcare finance and corporate restructuring businesses where the Bank can demonstrate its unique strengths, and efforts towards rebuilding our client base. Net credit recoveries decreased by ¥1.1 billion from ¥2.1 billion in the fiscal year ended March 31, 2010 to ¥0.9 billion in the fiscal year ended March 31, 2011. Strict credit management resulting in collections on doubtful debts also enabled the reversal of provisions for credit losses in the fiscal year ended March 31, 2011. As a result, Institutional Business Sub-Group recorded an ordinary business profit after net credit costs of ¥5.2 billion for the fiscal year ended March 31, 2011, a decrease of ¥1.4 billion compared to an ordinary business profit after net credit costs of ¥6.7 billion recorded in the fiscal year ended March 31, 2010.

For the fiscal year ended March 31, 2011, including consolidation adjustments, Showa Leasing's ordinary business profit after net credit costs increased to ¥3.8 billion from ¥2.4 billion in the fiscal year ended March 31, 2010. With the current stagnant economy, and reduced operating assets, the total revenue for the fiscal year ended March 31, 2011 decreased to ¥15.3 billion from ¥15.8 billion in the fiscal year ended March 31, 2010. Net credit costs for the fiscal year ended March 31, 2011 decreased to ¥3.4 billion compared to ¥5.1 billion net credit costs recorded in the fiscal year ended March 31, 2010, mainly due to strict credit management and the decrease in operating assets. Showa Leasing's net credit costs include earthquake-related provisions of ¥1.6 billion for the fiscal year ended March 31, 2011.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

MARKETS AND INVESTMENT BANKING GROUP

TABLE 12. MARKETS AND INVESTMENT BANKING GROUP ORDINARY BUSINESS PROFIT (LOSS) AFTER NET CREDIT COSTS (RECOVERIES) BY BUSINESS (CONSOLIDATED)[1]

	Billions of yen		
Fiscal years ended March 31	2011	2010	% Change
Real Estate Finance Sub-Group[2]:			
Net interest income	¥ 16.2	¥ 22.9	(29.3)
Non-interest income (loss)	(2.1)	(32.5)	93.5
Total revenue	14.1	(9.5)	247.2
General and administrative expenses	3.6	4.8	(25.2)
Ordinary business profit (loss)	10.4	(14.4)	172.4
Net credit costs	19.0	34.4	(44.6)
Ordinary business profit (loss) after net credit costs	¥ (8.6)	¥ (48.9)	82.4
Principal Transactions Sub-Group[3]:			
Net interest income	¥ 4.6	¥ 6.1	(24.1)
Non-interest income	15.7	12.2	28.6
Total revenue	20.4	18.4	11.0
General and administrative expenses	4.5	5.1	(11.3)
Ordinary business profit	15.9	13.3	19.5
Net credit costs	19.2	7.2	164.5
Ordinary business profit after net credit costs	¥ (3.3)	¥ 6.0	(154.9)
Markets Sub-Group[4]:			
Net interest income	¥ 2.6	¥ 1.8	38.3
Non-interest income	11.6	31.1	(62.7)
Total revenue	14.2	33.0	(56.9)
General and administrative expenses	6.8	10.2	(32.7)
Ordinary business profit	7.3	22.7	(67.8)
Net credit costs	1.5	0.8	83.4
Ordinary business profit after net credit costs	¥ 5.7	¥ 21.9	(73.6)
Treasury Sub-Group[5]:			
Net interest income (expense)	¥ 4.0	¥ (5.1)	178.9
Non-interest income	10.0	6.4	56.3
Total revenue	14.1	1.2	1,044.8
General and administrative expenses	0.8	0.9	(9.0)
Ordinary business profit	13.2	0.3	4,281.7
Net credit costs	—	—	—
Ordinary business profit after net credit costs	¥ 13.2	¥ 0.3	4,281.7
Other Markets and Investment Banking Group[6]:			
Net interest income	¥ 7.5	¥ 10.5	(27.9)
Non-interest income (loss)	6.3	(22.2)	128.6
Total revenue	13.9	(11.7)	219.0
General and administrative expenses	6.1	6.4	(5.7)
Ordinary business profit (loss)	7.8	(18.2)	143.2
Net credit costs (recoveries)	(3.0)	20.4	(115.1)
Ordinary business profit (loss) after net credit costs	¥ 10.9	¥ (38.6)	128.3
Markets and Investment Banking Group:			
Net interest income	¥ 35.1	¥ 36.3	(3.1)
Non-interest income (loss)	41.6	(4.9)	937.7
Total revenue	76.8	31.3	145.2
General and administrative expenses	22.0	27.6	(20.3)
Ordinary business profit	54.8	3.7	1,368.3
Net credit costs	36.8	63.0	(41.6)
Ordinary business profit (loss) after net credit costs	¥ 18.0	¥ (59.2)	130.5

Notes: (1) Net of consolidation adjustments, if applicable.
(2) "Real Estate Finance Sub-Group" provides real estate finance such as non-recourse loans, and financial products and services for the real estate and construction industries.
(3) "Principal Transactions Sub-Group" provides financial products and services related to credit trading and specialty finance such as M&A finance.
(4) "Markets Sub-Group" is engaged in foreign exchange, derivatives, equity trading, securitization and other capital markets transactions, including Shinsei Securities' businesses.
(5) "Treasury Sub-Group" undertakes ALM related transactions.
(6) "Other Markets and Investment Banking Group" consists of asset backed investment, alternative investment, trust business, wealth management, advisory service and other products and services in the Markets and Investment Banking Group.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

The Markets and Investment Banking Group recorded total revenue of ¥76.8 billion in the fiscal year ended March 31, 2011, an increase of ¥45.5 billion compared to total revenue of ¥31.3 billion recorded in the fiscal year ended March 31, 2010.

Our Real Estate Finance Sub-Group generated a total revenue of ¥14.1 billion for the fiscal year ended March 31, 2011 compared to loss of ¥9.5 billion recorded in the fiscal year ended March 31, 2010. The improvement in revenue is due to continuous efforts to reduce risk assets, which resulted in impairment on real estate non-recourse bonds of ¥3.7 billion and mark-downs and impairments of ¥1.1 billion on real estate principal investments, in contrast to mark-downs and impairments of ¥35.1 billion on real estate principal investments recorded in the fiscal year ended March 31, 2010.

The Principal Transactions Sub-Group's total revenues, with the inclusion of gains from domestic credit trading business, increased to ¥20.4 billion in the fiscal year ended March 31, 2011 compared to ¥18.4 billion recorded in the fiscal year ended March 31, 2010. The reason for the increase in the fiscal year ended March 31, 2011 includes a gain of ¥2.1 billion on our equity method affiliate Jih Sun Financial Holding Co., Ltd. as compared to a loss of ¥3.8 billion in the fiscal year ended March 31, 2010. Core businesses such as credit trading business also contributed positively.

The Markets Sub-Group generated total revenue of ¥14.2 billion in the fiscal year ended March 31, 2011, compared to the ¥33.0 billion recorded in the fiscal year ended March 31, 2010. The reason for the decrease in revenue is due to lower non-recurring gains on the sale of securities in the fiscal year ended March 31, 2011. Customer transactions and the performance of the trading business demonstrate steady progress. The fiscal year ended March 31, 2011 results include a ¥4.3 billion gain on the sale of CLOs while the results of the fiscal year ended March 31, 2010 included a ¥17.7 billion gain on the sale of CLOs.

The Treasury Sub-Group generated total revenue of ¥14.1 billion in the fiscal year ended March 31, 2011 compared to ¥1.2 billion in the fiscal year ended March 31, 2010. In the fiscal year ended March 31, 2011, in order to facilitate liquidity management, we repeatedly traded Japanese national government bonds reducing the ending balance, recording a gain and higher revenues.

Other businesses in the Markets and Investment Banking Group include asset-backed investment, alternative investment, trust business, wealth management, advisory service and other products and services. The total revenue from the other businesses was a gain of ¥13.9 billion in the fiscal year ended March 31, 2011 compared to a loss of ¥11.7 billion in the fiscal year ended March 31, 2010. Included in the fiscal year ended March 31, 2011 is ¥7.3 billion in gains on the sale and valuation gains on asset-backed securities and asset-backed investments, while in the fiscal year ended March 31, 2010 impairment and mark-downs of ¥3.3 billion were recorded for asset-backed securities, asset-backed investments and other European investments.

In the fiscal year ended March 31, 2011, Markets and Investment Banking Group general and administrative expenses were ¥22.0 billion, ¥5.6 billion lower than the fiscal year ended March 31, 2010. The decrease was largely due to reductions and withdrawal from non-core businesses. Cost rationalization implemented from the previous fiscal year also contributed to the decrease in expenses.

Net credit costs were ¥36.8 billion in the fiscal year ended March 31, 2011, a decrease of ¥26.2 billion compared to the ¥63.0 billion of credit costs recorded in the fiscal year ended March 31, 2010. Net credit costs decreased in the fiscal year ended March 31, 2011 primarily due to continued divestiture of non-core assets to mitigate potential risks, while recording additional reserves against potential risks in our domestic real estate non-recourse finance and specialty finance businesses. Net credit costs for the fiscal year ended March 31, 2011 include net provisions of ¥19.9 billion within specialty finance and ¥19.5 billion of net credit costs for domestic real estate non-recourse finance. The fiscal year ended March 31, 2010 included ¥32.8 billion of net credit costs related to our domestic real estate non-recourse finance portfolio and ¥15.6 billion related to our asset-backed investment portfolio.

As a result, the Markets and Investment Banking Group showed an ordinary business profit after net credit costs of ¥18.0 billion for the fiscal year ended March 31, 2011, a large improvement compared to an ordinary business loss after net credit costs of ¥59.2 billion recorded in the fiscal year ended March 31, 2010.

INDIVIDUAL GROUP

The Individual Group consists of the Retail Banking business as well as the subsidiaries Shinsei Financial, Shinki, APLUS FINANCIAL and Shinsei Property Finance.

Interest rates have been reset below the legal maximum rates in compliance with the revised Money-Lending Business Control and Regulation Law. Due to the impact, Individual Group generated an ordinary business profit after net credit costs of ¥24.0 billion in the fiscal year ended March 31, 2011 compared to ¥37.7 billion in the fiscal year ended March 31, 2010. This reduction was due to lower ordinary business profit after net credit costs within Shinsei Financial and Shinki, partially offset by higher ordinary business profit after net credit costs within our Retail Banking business and APLUS FINANCIAL.

Total revenue of Retail Banking increased from ¥41.5 billion in the fiscal year ended March 31, 2010 to ¥43.3 billion in the fiscal year ended March 31, 2011. The main sources of revenue were interest income from retail deposits, net interest income from loan products, income from structured deposits and fees from asset management products. Net interest income increased from ¥32.0 billion in the fiscal year ended March 31, 2010 to ¥33.8 billion in the fiscal year ended March 31, 2011. The increase in net interest income comes primarily from the increase in interest income from the housing loans acquired from Shinsei Financial in March 2010 and an increase in interest income from the housing loans offered by Shinsei Bank. Non-interest income remained stable at ¥9.5 billion in the fiscal year ended March 31, 2011 compared to ¥9.4 billion in the fiscal year ended March 31, 2010. The decrease in fees from asset management products was offset by the increase in introduction fees for financial instruments such as structured bonds.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

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

	Billions of yen		
Fiscal years ended March 31	2011	2010	% Change
Retail Banking:	¥ 43.3	¥ 41.5	4.3
Deposits and Debentures Net Interest Income	24.9	25.3	(1.7)
Deposits and Debentures Non-Interest Income	5.8	5.2	12.3
Asset management	4.5	4.9	(7.1)
Loans	7.9	6.0	32.3
Shinsei Financial	58.9	88.5	(33.5)
Shinki	10.7	14.0	(23.6)
APLUS FINANCIAL	50.8	62.6	(18.7)
Other	(6.7)	1.4	(554.2)
Total revenue	¥ 157.1	¥ 208.2	(24.5)
(Reference) Revenue from Structured Deposits included in Retail Banking	6.2	6.2	

Retail Banking incurred general and administrative expenses of ¥33.1 billion in the fiscal year ended March 31, 2011 showed a decrease of ¥2.0 billion compared to the fiscal year ended March 31, 2010.

Net credit costs were ¥2.5 billion mainly due to the housing loans acquired from Shinsei Financial. This also includes additional earthquake-related provisions of ¥0.5 billion for housing loans in the fiscal year ended March 31, 2011. As a result, the ordinary business profit after net credit costs was ¥7.5 billion in the fiscal year ended March 31, 2011, as compared to an ordinary business profit after net credit costs of ¥6.3 billion in the fiscal year ended March 31, 2010.

Shinsei Financial's total revenue including the related consolidation adjustments was ¥58.9 billion, general and administrative expenses were ¥33.4 billion and net credit costs, which include earthquake-related provisions of ¥1.8 billion, was ¥7.7 billion, resulting in an ordinary business profit after net credit costs of ¥17.7 billion for the fiscal year ended March 31, 2011. The balance of loans has declined due to the revised Money-Lending Business Control and Regulation Law. As this was anticipated earlier, we scaled down our business appropriately, reducing expenses and net credit costs, thereby limiting the decline in ordinary business profit after net credit costs.

Shinki's total revenue including the related consolidation adjustments was ¥10.7 billion, general and administrative expenses were ¥4.6 billion and net credit costs, which include earthquake-related provisions of ¥0.4 billion, were ¥3.6 billion, resulting in an ordinary business profit after net credit costs of ¥2.4 billion. Shinki recorded a reversal of reserves for credit losses due to higher collections on loans in the fiscal year ended March 31, 2010, and as a result the ordinary business profit after net credit costs for the fiscal year ended March 31, 2011 was lower than ordinary business profit after net credit costs of the fiscal year ended March 31, 2010.

APLUS FINANCIAL's total revenue including the related consolidation adjustments was ¥50.8 billion in the fiscal year ended March 31, 2011, compared to ¥62.6 billion in the fiscal year ended March 31, 2010. The reason for the decrease in revenue is lower net interest income due to the revised Money-Lending Business Control and Regulation Law. However, due to continued rationalization and improved efficiency of business processes, general and administrative expenses declined to ¥32.8 billion in the fiscal year ended March 31, 2011 from ¥37.9 billion in the fiscal year ended March 31, 2010. Also, due to strict credit management, net credit costs decreased to ¥13.8 billion in the fiscal year ended March 31, 2011 from ¥21.0 billion in the fiscal year ended March 31, 2010. Additional earthquake-related provisions of ¥1.6 billion were included in the results of the fiscal year ended March 31, 2011. As a result, the business generated ordinary business profit after net credit costs of ¥4.2 billion in the fiscal year ended March 31, 2011, compared to ¥3.5 billion in the fiscal year ended March 31, 2010.

Others include the financial results of Shinsei Property Finance Co., Ltd and the Consumer Finance Sub-Group.

Shinsei Financial's usage of reserves for grey zone payments and write-offs, and reversal of grey zone reserves amounted to ¥15.4 billion and ¥2.4 billion, respectively, in the fiscal year ended March 31, 2011. The business made an additional reserve of ¥4.7 billion for grey zone payments resulting in a total balance of ¥18.0 billion for grey zone reserves as at March 31, 2011 compared to ¥31.1 billion as at March 31, 2010. The Shinsei Financial purchase agreement from GE includes an indemnity from GE that provides protection for potential losses beyond ¥203.9 billion from the majority of the legacy accounts with grey zone interest exposure. Shinki's usage of reserve for grey zone payments and write-offs amounted to ¥12.4 billion in the fiscal year ended March 31, 2011. The business made an additional reserve of ¥2.1 billion for grey zone payments resulting in a total balance of ¥13.4 billion for grey zone reserves as at March 31, 2011 compared to ¥23.7 billion as at March 31, 2010. APLUS FINANCIAL's usage of reserve for grey zone payments and write-offs amounted to ¥6.7 billion in the fiscal year ended March 31, 2011. The business made an additional reserve of ¥3.2 billion for grey zone payments resulting in a total balance of ¥11.7 billion for grey zone reserves as at March 31, 2011 compared to ¥15.1 billion as at March 31, 2010.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

TABLE 14. INDIVIDUAL GROUP ORDINARY BUSINESS PROFIT AFTER NET CREDIT COSTS (RECOVERIES) BY BUSINESS/SUBSIDIARY (CONSOLIDATED)[1]

	Billions of yen		
Fiscal years ended March 31	2011	2010	% Change
Retail Banking:			
Net interest income	¥ 33.8	¥ 32.0	5.5
Non-interest income	9.5	9.4	0.4
Total revenue	43.3	41.5	4.3
General and administrative expenses	33.1	35.2	(5.8)
Ordinary business profit	10.1	6.3	60.9
Net credit costs (recoveries)	2.5	(0.0)	6,358.6
Ordinary business profit after net credit costs	¥ 7.5	¥ 6.3	19.3
Shinsei Financial:			
Net interest income	¥ 64.1	¥ 92.5	(30.7)
Non-interest income (loss)	(5.1)	(3.9)	(29.8)
Total revenue	58.9	88.5	(33.5)
General and administrative expenses	33.4	42.6	(21.5)
Ordinary business profit	25.4	45.9	(44.6)
Net credit costs	7.7	25.3	(69.4)
Ordinary business profit after net credit costs	¥ 17.7	¥ 20.6	(14.1)
Shinki:			
Net interest income	¥ 11.7	¥ 15.2	(22.9)
Non-interest income (loss)	(1.0)	(1.1)	14.8
Total revenue	10.7	14.0	(23.6)
General and administrative expenses	4.6	8.0	(42.5)
Ordinary business profit	6.1	6.0	1.5
Net credit costs (recoveries)	3.6	(0.8)	513.8
Ordinary business profit after net credit costs	¥ 2.4	¥ 6.9	(64.5)
APLUS FINANCIAL:			
Net interest income	¥ 14.4	¥ 25.9	(44.2)
Non-interest income	36.3	36.6	(0.7)
Total revenue	50.8	62.6	(18.7)
General and administrative expenses	32.8	37.9	(13.6)
Ordinary business profit	18.0	24.6	(26.7)
Net credit costs	13.8	21.0	(34.5)
Ordinary business profit after net credit costs	¥ 4.2	¥ 3.5	19.4
Other[2]:			
Net interest income	¥ (6.8)	¥ 1.2	(630.5)
Non-interest income	0.1	0.1	(13.3)
Total revenue	(6.7)	1.4	(554.2)
General and administrative expenses	0.4	0.3	14.9
Ordinary business profit	(7.1)	1.0	(753.6)
Net credit costs	0.8	0.7	6.0
Ordinary business profit after net credit costs	¥ (7.9)	¥ 0.3	(2,665.3)
Total Individual Group:			
Net interest income	¥ 117.3	¥ 167.1	(29.8)
Non-interest income	39.8	41.0	(3.1)
Total revenue	157.1	208.2	(24.5)
General and administrative expenses	104.5	124.2	(15.9)
Ordinary business profit	52.6	84.0	(37.3)
Net credit costs	28.6	46.2	(38.1)
Ordinary business profit after net credit costs	¥ 24.0	¥ 37.7	(36.5)

Notes: (1) Net of consolidation adjustments, if applicable.
(2) "Other" consists of profit and loss attributable to the Consumer Finance Sub-Group and other subsidiaries.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

CORPORATE/OTHER

Corporate/Other primarily includes results of corporate treasury activities, corporate level expenses, and inter-segment adjustments. For the fiscal year ended March 31, 2011, ordinary business profit after net credit costs was ¥29.7 billion.

RESULTS OF OPERATIONS (NON-CONSOLIDATED)

OVERVIEW

We disclose non-consolidated financial information of Shinsei in addition to our consolidated financial statements. As a recipient of public funds, we are required by the FSA to update and report on Shinsei's non-consolidated performance in relation to targets set forth in our Revitalization Plan on a quarterly basis, and to publicly disclose that information semi-annually. Shinsei's plan was initially prepared by LTCB upon its emergence from nationalization and we have subsequently updated the plan in August 2001, August 2003, August 2005, August 2007, October 2009 and October 2010.

Shinsei recorded a net income for the fiscal year ended March 31, 2011 of ¥11.1 billion on a non-consolidated basis. Differences between the net incomes on a non-consolidated basis and consolidated basis are mainly because the non-consolidated results do not include 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.

Striving for higher levels of operational efficiency and profitability within the consumer finance business as a whole, Shinsei transferred its entire holding of common shares in APLUS FINANCIAL to Shinsei Financial in a reorganization that made APLUS FINANCIAL a subsidiary of Shinsei Financial. As a result, Shinsei recorded an extraordinary loss of ¥31.7 billion, which was offset by ¥29.4 billion of extraordinary profit from the repurchase of our preferred securities and subordinated debt recorded on a non-consolidated basis.

We will further strive to strengthen our business franchise and profitability to enable us to complete our Revitalization Plan and repay all outstanding public funds.

TABLE 15. COMPARISON OF TARGETS AND RESULTS FOR KEY MEASURES IN THE REVITALIZATION PLAN (NON-CONSOLIDATED)

Billions of yen (except percentages)

	2011		2010	
Fiscal years ended March 31	Target	Actual	Target	Actual
Net income (loss)	**¥ 10.0**	**¥ 11.1**	¥ 10.0	¥ (47.6)
Total expenses (without taxes)[(1)]	**63.9**	**57.3**	71.5	63.8
Return on equity based on net business profit[(2)]	**5.3%**	**9.3%**	2.4%	3.8%

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

SUPPLEMENTAL MEASURES

In addition to the reporting items set forth in our non-consolidated financial statements, Banking Act requires us to disclose gross business profit (*gyomu sorieki*) on a non-consolidated 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 non-consolidated 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 non-Japanese GAAP 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 below sets forth these supplemental financial data and corresponding reconciliations to net income under Japanese GAAP for the fiscal years ended March 31, 2011 and 2010.

RESULTS OF OPERATIONS (NON-CONSOLIDATED) (continued)

TABLE 16. SUPPLEMENTAL MEASURES (NON-CONSOLIDATED)

	Billions of yen	
Fiscal years ended March 31	2011	2010
Gross business profit *(gyomu sorieki)*:		
Net interest income	¥ 70.5	¥ 80.5
Net fees and commissions(1)	15.5	(8.8)
Net trading income	10.6	7.7
Net other business income	18.4	8.8
Total gross business profit	115.1	88.2
Expenses(2)	60.5	67.3
Net business profit *(jisshitsu gyomu jun-eki)*	54.6	20.9
Net credit costs	40.3	52.6
Other, net(3)	(6.3)	(12.5)
Net operating income (loss) *(keijo rieki (sonshitsu))*	7.9	(44.2)
Extraordinary income	4.1	4.8
Income (loss) before income taxes	12.1	(39.3)
Current income taxes (benefit)	(0.5)	(0.0)
Deferred income taxes	1.5	8.3
Net income (loss)	¥ 11.1	¥ (47.6)

Notes: (1) Includes net gain (loss) on monetary assets held in trust of ¥11.5 billion in fiscal year ended March 31, 2011 and ¥(15.9) billion in the fiscal year ended March 31, 2010.
(2) General and administrative expenses with certain adjustment.
(3) Excludes net gain (loss) on monetary assets held in trust.

CRITICAL ACCOUNTING POLICIES

GENERAL

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

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

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

RESERVE FOR CREDIT LOSSES

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

A specific reserve is provided for claims against obligors in the legally bankrupt, virtually bankrupt and possibly bankrupt categories. For claims against obligors in the legally and virtually bankrupt categories, the unsecured, unguaranteed portion of the claim is written off or otherwise fully reserved because such portion is deemed unlikely to be collected. For claims

CRITICAL ACCOUNTING POLICIES (continued)

against obligors in the possibly bankrupt category, a specific reserve is principally determined by estimating discounted future cash flows, other than in cases where it is difficult to reasonably estimate future cash flows.

A general reserve is provided for claims against normal obligors, as well as claims against need caution obligors (including substandard obligors). Shinsei applies the discounted cash flow method in calculating the amount of a general reserve for most of its claims against substandard obligors. The amount of the reserve for claims against normal obligors and claims against need caution obligors (other than substandard obligors of Shinsei which are subject to the discounted cash flow method) is based on the total amount of, as well as the expected loss ratios for, claims against each category of obligor. Shinsei calculates expected loss ratios based on historical losses on claims against each obligor category. Using the expected loss ratios, Shinsei reserves for the estimated amount of losses for the next three years for claims against substandard obligors, for the remaining term of the claims with respect to claims against normal obligors given ratings of 5A through 6C in Shinsei's credit ratings system and claims against need caution obligors other than substandard obligors, or other need caution obligors, and for the next year for claims against normal obligors given ratings higher than 5A.

The historical loan loss ratio is calculated by taking the greater result from the following two calculation methods: (1) the average loss ratio for three consecutive calculation periods, or (2) the average loss ratio for the last eight years.

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

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

The reserve for other credit losses consists primarily of a reserve taken on our contribution to an industry-wide financial stabilization fund set up to purchase and collect loans. A specific reserve has been established for each exposure based on our estimate of the prospects for recovery. Although we believe our existing reserves are sufficient to cover the risk from items we have identified, actual losses related to these items could be greater or less than we have estimated, which could result in an increase or a decrease in our total credit costs.

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

RESERVE FOR LOSSES ON INTEREST REPAYMENTS

On October 13, 2006, the Japanese Institute of Certified Public Accountants (the "JICPA") issued "Audit Guidelines on Consumer Finance Companies' Provisions for Possible Losses on Reimbursements of Excess Interest Payments," or the Guidelines. These guidelines stipulate that consumer and commercial finance companies make certain provisions for possible losses on reimbursements of excess interest payments and loan losses related to consumer finance loans extended at interest rates in excess of the maximum interest rate prescribed in the Interest Rate Restriction Act of Japan. The reserve is established in the amount of the estimated future reimbursement requests based on past experience. If any of the assumptions change due to changes in circumstances, an additional reserve could become necessary.

CRITICAL ACCOUNTING POLICIES (continued)

In addition, a reserve for losses on interest repayments of Shinsei Financial is 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"), for the acquisition of Shinsei Financial, under which the sharing of interest repayment costs between the Bank and GE is determined.

VALUATION OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

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

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

AVAILABLE-FOR-SALE SECURITIES

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

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

The amortized/acquisition cost of our available-for-sale securities whose fair value cannot be reliably determined as of March 31, 2011 and 2010 were ¥91.4 billion and ¥92.4 billion, respectively. The total fair value of our available-for-sale securities whose fair value can be reliably determined as of March 31, 2011 and 2010 was ¥2,628.3 billion and ¥2,661.3 billion, respectively. Net unrealized loss as of March 31, 2011 was ¥9.0 billion, while net unrealized gain as of March 31, 2010 was ¥8.7 billion.

IMPAIRMENT IN VALUE OF DEBT AND EQUITY SECURITIES

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

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

See "—Financial Condition—Asset Quality and Disposal of Non-Performing Loans—Self-Assessment Guidelines and Reserve Policies—Definition of Obligor Classifications."

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

Impairment losses on available-for-sale debt and equity securities recognized for the fiscal years ended March 31, 2011 and 2010 were ¥7.0 billion and ¥21.9 billion, respectively.

CRITICAL ACCOUNTING POLICIES (continued)

FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING PURPOSES

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

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

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

As of March 31, 2011, the net fair value of our trading assets and liabilities was ¥47.6 billion and the net balance of revaluation gains on those assets and liabilities was ¥37.3 billion. This compared with a net fair value of ¥45.4 billion and a net balance of revaluation gains of ¥24.2 billion as of March 31, 2010.

The fair value of securities held in our banking book for trading purposes was ¥1.0 billion and ¥2.9 billion as of March 31, 2011 and 2010, respectively. The fair value of other monetary claims purchased for trading purposes was ¥105.3 billion and ¥157.9 billion as of March 31, 2011 and 2010, respectively. The fair value of monetary assets held in trust for trading purposes was ¥163.9 billion and ¥200.2 billion as of March 31, 2011 and 2010, respectively.

CREDIT TRADING ACTIVITIES

We are engaged in credit-trading activities in Japan and foreign countries, in which we purchase monetary claims such as loans, bonds, guarantees, receivables and lease receivables without intending to hold them to maturity. To recover our investment, we either collect on the claim, including through repayments, legal proceedings and discounted payoffs, or resell or securitize the claim. Claims purchased are recorded either in monetary assets held in trust or other monetary claims purchased, depending on the structure used for the purchase, and are principally measured at fair value. Fair value is estimated in the same way as it is for assets held for trading purposes. The internal valuation methodology we use to calculate the fair value of these claims primarily relies on a discounted cash flow method based on cash flow projections and implied discount rates. As estimations of future cash flows and discount rates are based on complex processes and contain an element of judgment, changes in assumptions could lead to different estimates of the fair value of monetary assets held in trust and other monetary claims purchased, which could in turn impact the related gain or loss amounts in our financial statements. As of March 31, 2011 and 2010, balances related to credit trading of ¥163.9 billion and ¥200.2 billion, respectively, were included in monetary assets held in trust and ¥96.1 billion and ¥145.5 billion, respectively, were included in other monetary claims purchased for trading purposes. As of March 31, 2011 and 2010, net unrealized losses of ¥35.1 billion and ¥31.1 billion were recorded in those accounts, respectively.

VALUATION OF DEFERRED TAX ASSETS

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

CRITICAL ACCOUNTING POLICIES (continued)

loss carry-forwards to the extent that it is probable that those differences or carry-forwards would be used during the next fiscal year. In addition, the JICPA guidelines provide that a company with a material amount of tax loss carry-forwards could recognize deferred tax assets as realizable based on future Taxable Income, reasonably estimated, for up to the next five fiscal years if the tax loss carry-forwards had been incurred due to certain non-recurring events, such as the restructuring of businesses, and there was not necessarily any significant doubt as to the company's ability to earn Taxable Income in the future.

As a result of Taxable Income (as defined in the previous paragraph) recorded in recent periods, we could have recorded deferred tax assets realizable based on a reasonable estimate of income for at least a part of the next five fiscal years if we would have demonstrated that we would record actual Taxable Income for the foreseeable future. We have evaluated the available evidence concerning our future Taxable Income and other possible sources of the realization of deferred tax assets, and have concluded that we should record deferred tax assets that are realizable only in the following fiscal year for Shinsei and most of its subsidiaries. We have recorded a valuation allowance to reduce deferred tax assets accordingly. The actual Taxable Income amount for the fiscal year ended March 31, 2012 may be different from our estimate, which would result in a larger or smaller amount of deferred tax assets that should have been recognized.

As of March 31, 2011 and 2010, our balances of net deferred tax assets, or the difference between our deferred tax assets and our deferred tax liabilities, were ¥17.9 billion and ¥17.4 billion, respectively. The amount of net deferred tax assets was 3.5% of our Tier I capital as of March 31, 2011 and 3.5% of our Tier I capital as of March 31, 2010. If we had concluded that we could reasonably estimate Taxable Income for the next five fiscal years, as of March 31, 2011, the balance of net deferred tax assets could have been significantly higher.

RESERVE FOR RETIREMENT BENEFITS

Shinsei, APLUS FINANCIAL, Showa Leasing and Shinki each have a non-contributory defined benefit pension plan, and Shinsei Financial and certain of Shinsei's consolidated domestic subsidiaries have unfunded severance indemnity plans, which cover substantially all of our employees. A reserve for retirement benefits is provided for the payment of employees' retirement benefits in future years. We follow guidelines for accounting for employee retirement benefit plans issued by the JICPA and estimate the amounts of the projected benefit obligation and the fair value of pension plan assets at the end of the fiscal year using assumptions for the expected rate of return on plan assets and the discount rate.

We determine the expected rate of return on plan assets based on the targeted average long-term performance of the assets. Because assumptions regarding the rate of return on assets are affected by changing general economic and market conditions, we need to make significant judgments to determine appropriate assumptions underlying the estimate of long-term performance, which also impact the estimate of the reserve for retirement benefits and net periodic retirement benefit cost. The expected rate of return was between 0.75% and 3.5% for both the fiscal years ended March 31, 2011 and 2010.

We have selected the interest rate for Japanese government bonds with a maturity which is the closest to the period of time for effective settlement of the benefit obligation under the pension plan as the basis for the discount rate. If we become aware of information that leads us to determine that a different period for settling the benefit obligation is required, the discount rate could be changed accordingly, which may have an impact on the related amounts reported in our financial statements. Changing our methodologies for calculating the estimated settlement period would also affect our estimate of the discount rate and related amounts in our financial statements. The discount rate of each pension plan was between 1.4% and 2.2% for the fiscal year ended March 31, 2011 and between 1.5% and 2.2% for the fiscal year ended 2010, respectively. Had the discount rate decreased 0.5 percentage points, net periodic retirement benefit cost for the fiscal year ended March 31, 2011 would have increased materially.

HEDGE ACCOUNTING

We follow guidelines issued by the JICPA regarding hedge accounting applicable to financial assets and liabilities exposed to a risk of change in fair value or cash flow. Derivative transactions that meet the hedge accounting criteria are primarily accounted for under a deferral method whereby unrealized gains and losses are deferred in a separate component of equity until the gains and losses on the hedged items are realized. As of March 31, 2011 and 2010, net losses on hedging instruments which were deferred and recorded in a separate component of equity amounted to ¥10.1 billion and ¥3.3 billion, respectively.

CRITICAL ACCOUNTING POLICIES (continued)

We adopted portfolio hedging in accordance with Industry Audit Committee Report No.24 issued by the JICPA. Under portfolio hedging activities to mitigate the change in fair value, a portfolio of hedged items with common maturities such as deposits or loans is designated and matched with a group of hedging instruments such as interest rate swaps, which offset the effect of fair value fluctuations of the hedged items by identified maturities. The effectiveness of the portfolio hedging is assessed by each group.

As for portfolio hedging activities to fix the cash flows, the effectiveness is assessed based on the correlation between the base interest rate index of the hedged cash flow and that of the hedging instrument. The interest rate swaps of certain consolidated subsidiaries which qualify for hedge accounting and meet specific matching criteria are not measured at fair values, but the net payments or receipts under the swap agreements are recognized and included in interest expenses or income.

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

In accordance with Industry Audit Committee Report No.25 of the JICPA, Shinsei also applies deferral hedge accounting and fair value hedge accounting to translation gains or losses from foreign currency assets of net investments in foreign nonconsolidated subsidiaries, affiliates and securities available for sale (other than bonds denominated in foreign currencies) when such foreign currency exposures recorded as assets are hedged with offsetting foreign currency liabilities and the liabilities exceed the acquisition cost of such foreign currency assets.

IMPAIRMENT OF LONG-LIVED ASSETS

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

For the fiscal year ended March 31, 2011, an impairment loss of ¥0.8 billion was recognized by the Bank on the properties of the branches which were decided to be closed and the IT related properties, assuming their recoverable amount to be zero. In addition, an impairment loss of ¥0.8 billion was recognized by Shinsei Financial on the properties of personal loan business which were decided to be closed or to be disposed earlier than original plan and the properties for rent and for sale whose fair value declined significantly. For the fiscal year ended March 31, 2010, an impairment loss of ¥1.2 billion was recognized by Shinki for unused properties whose fair value declined significantly and assets that are planned to be disposed in consequence of IT integration. The recoverable amount of the assets was primarily measured at the net selling price at disposition.

BUSINESS COMBINATIONS

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

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

CRITICAL ACCOUNTING POLICIES (continued)

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

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

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

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

The excess of the purchase price over the fair value of the net assets acquired, including identified other 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 previous accounting standards, when the purchase price is lower than the fair value of the net assets acquired, including identified other 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 previous accounting standards. Any unamortized balances of identified other intangible assets and goodwill are subject to impairment testing periodically.

IMPAIRMENT OF GOODWILL AND OTHER INTANGIBLE ASSETS

We conduct impairment testing for goodwill and other intangible assets as a result of certain triggering events such as:

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

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

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

For the fiscal year ended March 31, 2010, impairment losses on goodwill and other intangible assets for APLUS FINANCIAL of ¥61.5 billion and ¥7.6 billion, and an impairment loss on other intangible assets for Shinki of ¥4.2 billion were recognized.

CRITICAL ACCOUNTING POLICIES (continued)

ASSET RETIREMENT OBLIGATIONS

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

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

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

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

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENT

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;

(1) Changes in Accounting Policies:

When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in Presentation

When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(3) 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.

(4) Corrections of Prior Period Errors

When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applied to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

FINANCIAL CONDITION

TOTAL ASSETS

As of March 31, 2011, we had consolidated total assets of ¥10,231.5 billion, representing a 10.1% decrease from March 31, 2010.

Our loans and bills discounted balance totaled ¥4,291.4 billion as at March 31, 2011 as compared to 5,163.7 billion as at March 31, 2010. The decrease was mainly due to continued reduction of risk assets by our Markets and Investment Banking Group and also a decrease in the loan balance within our consumer finance subsidiaries due to the impact of the revised Money-Lending Business Control and Regulation Law.

Due to the continued effort to optimize our loan exposures and risk assets within our Markets and Investment Banking Group, the overall loan balance decreased by ¥375.3 billion from ¥1,270.6 billion as of March 31, 2010 to ¥895.3 billion as of March 31, 2011. This includes a decrease of ¥261.0 billion in real estate finance loans within our Real Estate Finance Sub-Group from ¥750.3 billion as of March 31, 2010 to ¥489.2 billion as of March 31, 2011. Loans within the Individual Group, which include retail banking loans and loans at Shinsei Financial, Shinki and APLUS FINANCIAL decreased by ¥146.6 billion from ¥1,713.0 billion as of March 31, 2010 to ¥1,566.4 billion as of March 31, 2011. Retail housing loans remained stable at ¥905.7 billion as of March 31, 2011 compared to ¥882.3 billion as of March 31, 2010. Due to compliance with the revised Money-Lending Business Control and Regulation Law, loans to Shinsei Financial's customers decreased by ¥126.3 billion from ¥512.1 billion as of March 31, 2010 to ¥385.7 billion as of March 31, 2011. Loans to APLUS FINANCIAL's customers decreased by ¥32.1 billion from ¥166.6 billion as of March 31, 2010 to ¥134.4 billion as of March 31, 2011. Loans to Shinki's customers decreased by ¥21.3 billion from ¥79.5 billion as of March 31, 2010 to ¥58.2 billion as of March 31, 2011.

SECURITIES

The following table sets forth the composition of our consolidated portfolio of trading securities in the banking book, available-for-sale equity and debt securities and held-to-maturity debt securities as of March 31, 2011. As reflected below, 89.4% of the securities will mature during the next five years. The balance of securities as of March 31, 2011 amounted to ¥3,286.3 billion as compared to ¥3,233.3 billion as of March 31, 2010. Investments were made in Japanese national government bonds for liquidity purposes. The total balance of Japanese national government bonds increased to ¥2,462.6 billion as of March 31, 2011 from ¥2,361.6 billion as of March 31, 2010. The balance of domestic real estate non-recourse bonds within our Real Estate Finance Sub-Group declined to ¥237.8 billion as of March 31, 2011 from ¥298.6 billion as of March 31, 2010.

TABLE 17. SECURITIES BY MATURITY (CONSOLIDATED)

Billions of yen

	As of March 31, 2011							
	One year or less	Over one year to three years	Over three years to five years	Over five years to seven years	Over seven years to ten years	Over ten years	Unspecified term	Total
Japanese national government bonds	**¥ 1,039.3**	**¥ 890.8**	**¥ 422.2**	**¥ 20.9**	**¥ 89.0**	**¥ —**	**¥ —**	**¥ 2,462.6**
Japanese local government bonds	**—**	**1.2**	**—**	**0.5**	**—**	**—**	**—**	**1.7**
Japanese corporate bonds	**115.1**	**192.9**	**33.8**	**—**	**2.0**	**—**	**—**	**344.0**
Japanese equity securities	**—**	**—**	**—**	**—**	**—**	**—**	**26.0**	**26.0**
Foreign bonds and other	**35.6**	**155.4**	**52.0**	**35.4**	**44.9**	**20.2**	**108.0**	**451.9**
Total securities	**¥ 1,190.1**	**¥ 1,240.5**	**¥ 508.1**	**¥ 56.9**	**¥ 136.1**	**¥ 20.2**	**¥ 134.1**	**¥ 3,286.3**

Billions of yen

	As of March 31, 2010							
	One year or less	Over one year to three years	Over three years to five years	Over five years to seven years	Over seven years to ten years	Over ten years	Unspecified term	Total
Japanese national government bonds	¥131.0	¥1,486.3	¥676.0	¥ —	¥ 56.3	¥ 11.8	¥ —	¥2,361.6
Japanese local government bonds	—	1.2	—	0.5	—	—	—	1.7
Japanese corporate bonds	143.0	218.1	22.1	6.9	2.0	—	—	392.3
Japanese equity securities	—	—	—	—	—	—	27.2	27.2
Foreign bonds and other	53.3	106.2	33.0	55.9	50.1	45.3	106.2	450.3
Total securities	¥327.4	¥1,812.0	¥731.1	¥63.4	¥108.5	¥ 57.1	¥133.5	¥3,233.3

FINANCIAL CONDITION (continued)

LOAN PORTFOLIO

As of March 31, 2011, loans and bills discounted totaled ¥4,291.4 billion. This represented 41.9% of total consolidated assets and a 16.9% decrease from the ¥5,163.7 billion of loans and bills discounted as of March 31, 2010. Installment receivables of APLUS FINANCIAL, Showa Leasing and our other non-bank subsidiaries are classified in our consolidated balance sheets as other assets, and are not reflected in our data on loans and bills discounted.

Most of our loan portfolio was originated by Shinsei and our domestic subsidiaries. Of loans we originated, loans to the finance and insurance industry and the real estate industry accounted for nearly 30% of total loans as of March 31, 2011. Loans to the real estate industry as of March 31, 2011 consisted, in part, of non-recourse and project finance loans. Loans to this industry decreased by 31.8%, to ¥597.4 billion. Loans to others of ¥1,752.1 billion as of March 31, 2011 included loans extended to Shinsei's, Shinsei Financial's, APLUS FINANCIAL's and Shinki's individual customers amounting, in aggregate, to ¥1,527.8 billion.

TABLE 18. LOANS BY BORROWER INDUSTRY (CONSOLIDATED)

Billions of yen (except percentages)

As of March 31	2011		2010	
Domestic offices (excluding Japan offshore market account):				
Manufacturing	¥ 231.5	5.5%	¥ 249.0	4.9%
Agriculture and Forestry	0.0	0.0	0.0	0.0
Fishery	2.2	0.1	2.5	0.0
Mining, quarrying and gravel extraction	0.4	0.0	2.7	0.1
Construction	8.3	0.2	8.7	0.2
Electric power, gas, heat supply and water supply	27.1	0.6	32.3	0.6
Information and communications	12.6	0.3	17.0	0.3
Transportation and postal service	284.3	6.7	293.6	5.8
Wholesale and retail	101.4	2.4	109.6	2.2
Finance and insurance	722.6	17.1	1,095.9	21.6
Real estate	597.4	14.1	875.6	17.2
Services	330.4	7.8	262.7	5.2
Local government	158.8	3.8	171.3	3.4
Others	1,752.1	41.4	1,956.2	38.5
Total domestic (A)	¥ 4,229.7	100.0%	¥ 5,077.6	100.0%
Overseas offices (including Japan offshore market accounts):				
Governments	¥ 2.2	3.6%	¥ 1.9	2.3%
Financial institutions	1.6	2.7	1.8	2.2
Others	57.7	93.7	82.2	95.5
Total overseas (B)	¥ 61.6	100.0%	¥ 86.0	100.0%
Total (A+B)	¥ 4,291.4		¥ 5,163.7	

TABLE 19. OVERSEAS AND OFFSHORE LOANS BY REGION (NON-CONSOLIDATED)

Billions of yen

As of March 31	2011	2010
United States	¥ 35.1	¥ 39.8
Asset-backed investments in the U.S.	4.1	3.7
Europe	66.2	135.7
Asset-backed investments in Europe	30.9	95.6
Others	108.1	120.9
Total overseas and offshore loans	¥ 209.5	¥ 296.5
Total asset-backed investments	¥ 35.1	¥ 99.4

Note: "Asset-backed investments" is another term for the Asset-Backed Investments Program, one of our former product programs. Under this program, the loans backed mainly by collateral (including infrastructure related assets or equipments, real estate, business and operating assets) are referred to as "asset-backed investments" for disclosure purposes. For the asset-backed securities which we disclose as securitized products, please see table 41 "Balance of Securitized Products (Breakdown by Region and Type of Securities)" on page 101.

FINANCIAL CONDITION (continued)

LOAN MATURITY

The following table sets forth the composition of Shinsei's non-consolidated loan portfolio by type of interest rate and maturity as of the dates indicated. In the fiscal year ended March 31, 2011, the decrease in total loans resulted from a decrease in both variable-interest rate loans and fixed-interest rate loans.

TABLE 20. LOAN MATURITY (NON-CONSOLIDATED)

As of March 31	2011 (Billions of yen)	2010 (Billions of yen)
Fixed-interest loans:		
One year or less[1]	¥ —	¥ —
Over one year to three years	63.4	64.7
Over three years to five years	82.9	92.7
Over five years to seven years	26.9	51.7
Over seven years	441.0	584.8
Indefinite term	13.7	13.6
Variable-interest loans:		
One year or less[1]	¥ —	¥ —
Over one year to three years	691.0	896.7
Over three years to five years	485.6	436.9
Over five years to seven years	138.8	226.8
Over seven years	631.6	526.1
Indefinite term	113.2	130.3
Total loans:		
One year or less	¥ 1,284.5	¥ 1,708.0
Over one year to three years	754.4	961.4
Over three years to five years	568.6	529.7
Over five years to seven years	165.8	278.6
Over seven years	1,072.7	1,111.0
Indefinite term	127.0	144.0
Total loans	¥ 3,973.2	¥ 4,732.8

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

ASSET QUALITY AND DISPOSAL OF NON-PERFORMING LOANS OF SHINSEI

At March 31, 2011, 63.6% of our consolidated non-performing loans as disclosed in accordance with the guidelines of the Japanese Bankers' Association (JBA) were held by Shinsei and most of the remaining non-performing loans were held by Shinsei Financial, APLUS FINANCIAL and Shinki. This discussion of our asset quality presents information of Shinsei on a non-consolidated basis unless specified otherwise. In particular, non-performing claims as defined in the Financial Revitalization Law are only disclosed on a non-consolidated basis, and therefore do not include non-performing loans held by Shinsei Financial, APLUS FINANCIAL, Showa Leasing and Shinki. For a discussion of the non-performing 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 non-performing loans and other claims using criteria specified in the Financial Revitalization Law. We also disclose our non-performing loans under a format devised by the JBA for the disclosure of risk-monitored loans.

The following table compares the scope of each category of claim under the Financial Revitalization Law and each type of risk-monitored loan, as well as the obligor type to which they relate as of March 31, 2011:

FINANCIAL CONDITION (continued)

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

(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: 3,973.2	Other 147.1	Risk-monitored Loans[(2)] Total loans and bills discounted: 3,973.2
Legally bankrupt	9E	100.0% for unsecured portion	Claims against bankrupt and quasi-bankrupt obligors 62.4 (Amount of coverage, coverage ratio) (62.4*, 100.0%)[(4)] *Amount of reserve for loan losses is 3.7, collateral and guarantees is 58.7		Loans to bankrupt obligors 7.2
Virtually bankrupt	9D	100.0% for unsecured portion			Non-accrual delinquent loans 237.7
Possibly bankrupt	9C	92.1% for unsecured portion	Doubtful claims 210.7 (Amount of coverage, coverage ratio) (203.7*, 96.7%)[(4)] *Amount of reserve for loan losses is 39.0, collateral and guarantees is 164.6		
Need caution: Substandard	9B	55.1% for unsecured portion	Substandard claims (loan account only) 6.3 (Amount of coverage, coverage ratio) (4.4*, 69.1%)[(4)] *Amount of reserve for loan losses is 2.4, collateral and guarantees is 1.9		Loans past due for three months or more Restructured loans 6.3
Need caution: Other need caution	9A	4.8% for total claims	Normal claims 3,840.8		Normal 3,721.8
Normal	0A–6C	0.6% for total claims			
			Total non-performing claims and ratio to total claims 279.5, 6.78% (Total amount of coverage, coverage ratio) (270.5*, 96.8%)[(4)] *Total amount of reserve for loan losses is 45.2, collateral and guarantees is 225.3		Total risk-monitored loans and ratio to total loans and bills discounted 251.3, 6.33%

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% or nearest 0.01%.
(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 Japanese Bankers' Association only classifies, and calls for disclosure of, certain loans.
(3) Shaded claims denoted claims that are considered to be non-performing under the Financial Revitalization Law.
(4) Total amounts of coverage (reserve for loan losses and collateral/guarantees) and coverage ratio.

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

FINANCIAL CONDITION (continued)

SELF-ASSESSMENT GUIDELINES AND RESERVE POLICIES

DEFINITION OF OBLIGOR CLASSIFICATIONS

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

DEFINITIONS OF CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW

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

DEFINITIONS OF CATEGORIES OF RISK-MONITORED LOANS

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

Financial Highlights
Message from the Management
Special Feature
Review of Operations
Management Structure
Data Section
Management's Discussion and Analysis of Financial Condition and Results of Operations

FINANCIAL CONDITION (continued)

RESERVE POLICIES

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

CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW

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

DISCLOSURE OF CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW

Our current management team has consistently emphasized the monitoring of non-performing loans. Shinsei's total amount of non-performing claims as disclosed pursuant to the Financial Revitalization Law decreased by ¥53.4 billion, or 16.1%, to ¥279.5 billion, between March 31, 2010 and 2011. During the fiscal year ended March 31, 2011, claims against bankrupt and quasi-bankrupt obligors decreased from ¥112.2 billion to ¥62.4 billion, doubtful claims decreased from ¥215.6 billion to ¥210.7 billion, and substandard claims increased from ¥5.1 billion to ¥6.3 billion as a result of our self assessment. The ratio of non-performing claims disclosed under the Financial Revitalization Law to total non-consolidated claims as of March 31, 2011 increased to 6.8%, compared to 6.7% as of March 31, 2010.

Shinsei's claims against other need caution obligors, excluding substandard claims, totaled ¥450.8 billion as of March 31, 2011, a 10.9% increase from ¥406.6 billion as of March 31, 2010. These include private placement bonds guaranteed by Shinsei and classified as claims against other need caution obligors. These claims represented 10.9% of total non-consolidated claims as of March 31, 2011, up from 8.2% as of March 31, 2010.

TABLE 21. CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW (NON-CONSOLIDATED)

Billions of yen (except percentages)

As of March 31	2011	2010
Claims against bankrupt and quasi-bankrupt obligors	¥ 62.4	¥ 112.2
Doubtful claims	210.7	215.6
Substandard claims	6.3	5.1
Total claims disclosed under the Financial Revitalization Law[1]	279.5	333.0
Normal claims and claims against other need caution obligors, excluding substandard claims	3,840.8	4,637.1
Total claims	¥ 4,120.3	¥ 4,970.1
Ratio of total claims disclosed under the Financial Revitalization Law to total claims	6.8%	6.7%

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

FINANCIAL CONDITION (continued)

COVERAGE RATIOS

As of March 31, 2011, Shinsei's non-consolidated 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 69.1% for substandard claims. For all claims classified under the Financial Revitalization Law, the coverage ratio was 96.8%, a decrease from 97.6% as of March 31, 2010.

Shinsei directly writes off, rather than reserves, the portion of claims against bankrupt and quasi-bankrupt obligors that are estimated to be uncollectible. In the fiscal years ended March 31, 2011 and 2010, ¥90.2 billion and ¥96.7 billion, respectively, of such claims were written off on a non-consolidated basis.

TABLE 22. COVERAGE RATIOS FOR NON-PERFORMING CLAIMS DISCLOSED UNDER THE FINANCIAL REVITALIZATION LAW (NON-CONSOLIDATED)

Billions of yen (except percentages)

	Amount of claims	Amounts of coverage: Reserve for loan losses	Collateral and guarantees	Total	Coverage ratio
As of March 31, 2011:					
Claims against bankrupt and quasi-bankrupt obligors	**¥ 62.4**	**¥ 3.7**	**¥ 58.7**	**¥ 62.4**	**100.0%**
Doubtful claims	**210.7**	**39.0**	**164.6**	**203.7**	**96.7**
Substandard claims	**6.3**	**2.4**	**1.9**	**4.4**	**69.1**
Total	**¥ 279.5**	**¥ 45.2**	**¥ 225.3**	**¥ 270.5**	**96.8%**
As of March 31, 2010:					
Claims against bankrupt and quasi-bankrupt obligors	¥ 112.2	¥ 5.7	¥ 106.4	¥ 112.2	100.0%
Doubtful claims	215.6	22.3	186.5	208.8	96.8
Substandard claims	5.1	1.6	2.4	4.0	79.0
Total	¥ 333.0	¥ 29.6	¥ 295.4	¥ 325.1	97.6%

CHANGES IN AMOUNT OF NON-PERFORMING CLAIMS

The table below sets forth Shinsei's experience since March 31, 2009 with the removal of non-performing claims and the emergence of new claims on a non-consolidated basis:

TABLE 23. CHANGES IN AMOUNT OF NON-PERFORMING CLAIMS (NON-CONSOLIDATED)

Billions of yen

	Substandard claims	Doubtful claims	Claims against bankrupt and quasi-bankrupt obligors	Total
Balance of non-performing claims as of March 31, 2009	¥ 6.8	¥ 55.7	¥ 83.2	¥ 145.8
Claims newly added April 1, 2009 to March 31, 2010	2.6	209.3	53.8	265.8
Claims removed April 1, 2009 to March 31, 2010	(1.1)	(31.4)	(46.0)	(78.6)
Claims migrating between classifications April 1, 2009 to March 31, 2010	(3.2)	(18.0)	21.2	—
Net change	(1.7)	159.9	28.9	187.1
Balance of non-performing claims as of March 31, 2010	¥ 5.1	¥ 215.6	¥ 112.2	¥ 333.0
Claims newly added April 1, 2010 to March 31, 2011	**5.1**	**76.5**	**2.9**	**84.5**
Claims removed April 1, 2010 to March 31, 2011	**(3.0)**	**(79.3)**	**(55.6)**	**(138.0)**
Claims migrating between classifications April 1, 2010 to March 31, 2011	**(0.8)**	**(2.1)**	**2.9**	**—**
Net change	**1.2**	**(4.9)**	**(49.7)**	**(53.4)**
Balance of non-performing claims as of March 31, 2011	**¥ 6.3**	**¥ 210.7**	**¥ 62.4**	**¥ 279.5**

In the fiscal year ended March 31, 2011, ¥84.5 billion of claims were newly classified as substandard or worse, while Shinsei removed ¥138.0 billion of claims in these categories during the same period. Of the newly added non-performing claims, ¥76.5 billion were classified as doubtful claims, and ¥5.1 billion were classified as substandard claims.

For the fiscal year ended March 31, 2010, ¥265.8 billion of claims were newly classified as substandard or worse, while Shinsei removed ¥78.6 billion of claims in these categories during the same period.

RESERVE FOR CREDIT LOSSES

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

TABLE 24. RESERVE FOR CREDIT LOSSES (NON-CONSOLIDATED)

Billions of yen (except percentages)

As of March 31	2011	2010
General reserve for loan losses	¥ 48.3	¥ 50.6
Specific reserve for loan losses	45.2	30.3
Reserve for loans to restructuring countries	0.0	0.0
Subtotal of reserve for loan losses	93.6	81.0
Specific reserve for other credit losses	21.1	21.1
Total reserve for credit losses	¥ 114.8	¥ 102.2
Total claims[1]	¥ 4,120.3	¥ 4,970.1
Ratio of total reserve for loan losses to total claims	2.3%	1.6%
Ratio of total reserve for credit losses to total claims	2.8%	2.1%

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

As of March 31, 2011 and 2010, Shinsei's total reserve for credit losses on a non-consolidated basis was ¥114.8 billion and ¥102.2 billion, respectively, constituting 2.8% and 2.1%, respectively, of total claims.

TABLE 25. RESERVE RATIOS BY BORROWERS' CATEGORY (NON-CONSOLIDATED)

Percentages

As of March 31		2011	2010
Legally and virtually bankrupt	(unsecured portion)	100.0%	100.0%
Possibly bankrupt	(unsecured portion)	92.1%	78.8%
Substandard	(unsecured portion)	55.1%	70.4%
Need caution	(total claims)	4.8%	6.6%
	(unsecured portion)	17.7%	17.2%
Normal	(total claims)	0.6%	0.5%

RISK-MONITORED LOANS

Consolidated risk-monitored loans decreased by 8.6% during the fiscal year ended March 31, 2011 to ¥395.0 billion. The decrease of ¥28.7 billion in non-accrual delinquent loans during the period were primarily attributable to collection of non-consolidated loans.

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

TABLE 26. RISK-MONITORED LOANS (CONSOLIDATED)

Billions of yen (except percentages)

As of March 31	2011	2010
Loans and bills discounted	¥ 4,291.4	¥ 5,163.7
Loans to bankrupt obligors (A)	13.9	21.5
Non-accrual delinquent loans (B)	317.9	346.7
Sub total (A)+(B)	¥ 331.8	¥ 368.2
Ratio to total loans and bills discounted	7.7%	7.1%
Loans past due for three months or more (C)	¥ 2.2	¥ 2.7
Restructured loans (D)	60.9	61.3
Total risk-monitored loans (A)+(B)+(C)+(D)	¥ 395.0	¥ 432.3
Ratio to total loans and bills discounted	9.2%	8.4%
Reserve for credit losses	¥ 199.2	¥ 196.6

FINANCIAL CONDITION (continued)

TABLE 27. RISK-MONITORED LOANS (NON-CONSOLIDATED)

As of March 31	2011	2010
	Billions of yen (except percentages)	
Loans and bills discounted	¥ 3,973.2	¥ 4,732.8
Loans to bankrupt obligors (A)	7.2	11.1
Non-accrual delinquent loans (B)	237.7	290.0
Sub total (A)+(B)	¥ 244.9	¥ 301.1
Ratio to total loans and bills discounted	6.2%	6.4%
Loans past due for three months or more (C)	¥ 1.6	¥ 2.0
Restructured loans (D)	4.7	3.0
Total risk-monitored loans (A)+(B)+(C)+(D)	¥ 251.3	¥ 306.2
Ratio to total loans and bills discounted	6.3%	6.5%
Reserve for credit losses	¥ 114.8	¥ 102.2

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

As of March 31	2011	2010
	Billions of yen	
Domestic offices (excluding Japan offshore market account):		
Manufacturing	¥ 3.5	¥ 1.5
Agriculture and Forestry	—	—
Fishery	—	—
Mining, quarrying and gravel extraction	—	—
Construction	—	—
Electric power, gas, heat supply and water supply	—	—
Information and communications	0.5	0.5
Transportation and postal service	—	14.2
Wholesale and retail	0.0	0.0
Finance and insurance	22.7	34.4
Real estate	172.3	231.6
Services	2.0	3.7
Local government	—	—
Others	—	—
Individual	6.8	4.8
Overseas yen loan and overseas loans booked domestically	43.3	15.2
Total domestic (A)	¥ 251.3	¥ 306.2
Overseas offices (including Japan offshore market accounts):		
Governments	¥ —	¥ —
Financial institutions	—	—
Commerce and industry	—	—
Others	—	—
Total overseas (B)	¥ —	¥ —
Total (A+B)	¥ 251.3	¥ 306.2

TABLE 29. RISK-MONITORED OVERSEAS AND OFFSHORE LOANS BY REGION (NON-CONSOLIDATED)

As of March 31	2011	2010
	Billions of yen	
United States	¥ 6.7	¥ —
Asset-backed investments in the U.S.[1]	—	—
Europe	36.4	15.1
Asset-backed investments in Europe[1]	13.1	14.0
Others	0.0	0.0
Total overseas and offshore loans	¥ 43.3	¥ 15.2
Total asset-backed investments[1][2]	¥ 13.1	¥ 14.0

Notes: (1) "Asset-backed investments" is another term for the Asset-Backed Investments Program, one of our former product programs. Under this program, the loans backed mainly by collateral (including infrastructure related assets or equipment, real estate, business and operating assets) are referred to as "asset-backed investments" for disclosure purposes. For the asset-backed securities which we disclose as securitized products, please see table 41 "Balance of Securitized Products (Breakdown by Region and Type of Securities)" on page 101.

(2) As of March 31, 2011, reserve for loan losses and collateral/guarantees for risk monitored loans related to asset-backed investments were ¥3.7 billion and ¥9.4 billion, respectively, and the coverage ratio was 100.0%.

FINANCIAL CONDITION (continued)

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

Shinsei Financial, APLUS FINANCIAL, Showa Leasing and Shinki classify their obligors and assess their asset quality based on the self-assessment guidelines developed in accordance with guidelines published by the FSA. They generally perform their self-assessment quarterly and at least semi-annually. Shinsei Financial's, APLUS FINANCIAL's, Showa Leasing's and Shinki's assessments, where applicable, include, among other things, an assessment of credit extended to credit card customers as well as lease obligors, unsecured personal loans and customer guarantees.

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

TABLE 30. RISK-MONITORED LOANS BREAKDOWN FOR LARGE ENTITIES (CONSOLIDATED)

	Billions of yen					
	Shinsei	Shinsei Financial	APLUS FINANCIAL	Shinki	Other subsidiaries	Total
As of March 31, 2011:						
Loans to bankrupt obligors	**¥ 7.2**	**¥ 1.8**	**¥ 0.0**	**¥ 0.0**	**¥ 4.7**	**¥ 13.9**
Non-accrual delinquent loans	**237.7**	**14.0**	**12.3**	**2.7**	**51.0**	**317.9**
Loans past due for three months or more	**1.6**	**0.0**	**0.0**	**—**	**0.5**	**2.2**
Restructured loans	**4.7**	**39.1**	**12.2**	**4.6**	**0.0**	**60.9**
Total	**¥251.3**	**¥ 55.0**	**¥ 24.6**	**¥ 7.4**	**¥ 56.5**	**¥395.0**
As of March 31, 2010:						
Loans to bankrupt obligors	¥ 11.1	¥ 3.7	¥ 0.0	¥ 0.0	¥ 6.5	¥ 21.5
Non-accrual delinquent loans	290.0	20.5	13.1	3.7	19.2	346.7
Loans past due for three months or more	2.0	0.0	0.6	—	0.0	2.7
Restructured loans	3.0	37.7	13.7	5.6	1.1	61.3
Total	¥306.2	¥ 62.1	¥ 27.4	¥ 9.4	¥ 26.9	¥432.3

TABLE 31. RISK-MONITORED INSTALLMENT RECEIVABLES INCLUDED IN OTHER ASSETS (CONSOLIDATED)[1]

	Billions of yen				
	Shinsei Financial	APLUS FINANCIAL	Showa Leasing	Other subsidiaries	Total
As of March 31, 2011:					
Credits to bankrupt obligors	**¥ 0.0**	**¥ —**	**¥ 0.0**	**¥ 0.3**	**¥ 0.4**
Non-accrual delinquent credits	**0.0**	**0.4**	**2.9**	**0.4**	**3.9**
Credits past due for three months or more	**—**	**0.2**	**0.1**	**—**	**0.4**
Restructured credits	**0.0**	**1.9**	**0.4**	**0.2**	**2.6**
Total	**¥ 0.1**	**¥ 2.6**	**¥ 3.6**	**¥ 1.0**	**¥ 7.3**
As of March 31, 2010:					
Credits to bankrupt obligors	¥ 0.0	¥ 0.0	¥ 0.1	¥ 0.8	¥ 1.0
Non-accrual delinquent credits	0.2	0.7	2.3	0.7	4.1
Credits past due for three months or more	—	0.5	0.4	—	0.9
Restructured credits	0.0	2.6	0.8	0.0	3.4
Total	¥ 0.3	¥ 3.9	¥ 3.7	¥ 1.6	¥ 9.5

Note: (1) Neither Shinsei nor Shinki had any such installment receivables.

FUNDING AND LIQUIDITY

Shinsei Bank continues to optimize its funding base through deposits from retail customers. Total deposits and negotiable certificates of deposit decreased from ¥6,475.3 billion as of March 31, 2010 to ¥5,610.6 billion as of March 31, 2011. The retail deposits balance totaled ¥4,752.2 billion as of March 31, 2011, a decrease of ¥552.7 billion compared to March 31, 2010. Retail Banking constitutes 84.4% of the Bank's total funding through customer deposits and debentures. 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.

FINANCIAL CONDITION (continued)

TABLE 32. DIVERSIFICATION BY FUNDING TYPE (CONSOLIDATED)

As of March 31	2011 (Billions of yen)	2010 (Billions of yen)
Retail deposits	¥ 4,752.2	¥ 5,305.0
Retail debentures[1]	279.9	300.1
Institutional deposits	858.4	1,170.3
Institutional debentures	68.3	183.5
Total	¥ 5,958.9	¥ 6,959.1

Notes: (1) Excludes unclaimed matured debentures.

DEPOSITS

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

TABLE 33. MATURITY SCHEDULE OF TIME DEPOSITS (CONSOLIDATED)

As of March 31	2011 (Billions of yen)	2010 (Billions of yen)
Less than three months[1]	¥ 1,373.3	¥ 1,430.6
Three months or more, but less than six months	246.7	590.7
Six months or more, but less than one year	405.2	452.8
One year or more, but less than two years	470.4	515.4
Two years or more, but less than three years	593.9	452.1
Three years or more	513.2	978.9
Total	¥ 3,602.9	¥ 4,420.7

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

DEBENTURES AND CORPORATE BONDS

As of March 31, 2011, we had ¥348.2 billion in debentures outstanding. This represented 3.6% of our consolidated total liabilities and constituted a decline of 28.0% from March 31, 2010. As of March 31, 2011, corporate bonds stood at ¥179.6 billion.

On December 28, 2009, we issued non-dilutive subordinated bonds of ¥5.0 billion to retail investors in Japan. The amount is not material from a capital perspective. Shinsei is constantly exploring opportunities to meet the ever evolving investment needs of its retail customers while further diversifying the Group's sources of capital.

As of March 31, 2011, scheduled repayments of debentures and corporate bonds were as follows:

TABLE 34. MATURITY SCHEDULE OF DEBENTURES AND CORPORATE BONDS (CONSOLIDATED)

DEBENTURES

Fiscal year ending March 31	Billions of yen
2012	¥ 92.5
2013	66.7
2014	58.5
2015	57.1
2016 and thereafter	73.2
Total	¥ 348.2

CORPORATE BONDS

Fiscal year ending March 31	Billions of yen
2012	¥ 3.3
2013	1.9
2014	1.7
2015	34.9
2016 and thereafter	137.6
Total	¥ 179.6

Financial Highlights
Message from the Management
Special Feature
Review of Operations
Management Structure
Data Section
Management's Discussion and Analysis of Financial Condition and Results of Operations

FINANCIAL CONDITION (continued)

While we will continue to issue debentures at cost effective levels, we will also continue diversifying our funding sources by raising funds through other means, such as deposits.

OTHER

The securitization of loans and other assets is another component of our funding strategy. We launched the first residential mortgage backed security public offering in December 2008. We will continue to explore additional issuance opportunities subject to market conditions.

CREDIT RATINGS

Our borrowing costs and ability to raise funds are impacted directly by our credit ratings and changes thereto. In the current fiscal year, several rating agencies revised their credit ratings on Shinsei. On April 1, 2010, R&I downgraded Shinsei's long-term credit rating to BBB+, outlook "Stable," from A- and Shinsei's short-term credit rating from a-1 to a-2. On September 14, 2010, S&P changed the outlook on Shinsei's long-term counterparty credit rating of BBB+ to "Negative" from "Stable." On October 29, 2010, R&I changed the outlook on Shinsei's long-term credit rating BBB+ to "Negative" from "Stable." On November 10, 2010, Moody's downgraded Shinsei's long-term credit rating to Baa3, outlook "Stable" from Baa1 and Shinsei's short-term credit rating from Prime-2 to Prime-3. On November 26, 2010, JCR downgraded Shinsei's long-term credit rating from BBB+ to BBB outlook "Stable." Shinsei's credit ratings as of July 1, 2011 are set forth in the table below:

TABLE 35. SHINSEI'S CREDIT RATINGS AS OF JULY 2011

Rating agency	Long-term	Short-term
Moody's	Baa3	P-3
Standard & Poor's	BBB+	A-2
JCR	BBB	J-2
R&I	BBB+	a-2

OTHER CONTRACTUAL CASH OBLIGATIONS

We use other contractual cash obligations for funding purposes. The following table sets forth a summary of our primary consolidated other contractual cash obligations as of March 31, 2011 and 2010:

TABLE 36. OTHER CONTRACTUAL CASH OBLIGATIONS (CONSOLIDATED)

	Billions of yen		
Payments due by period as of March 31, 2011	One year or less	Over one year	Total
Borrowed money	**¥ 1,413.2**	**¥ 259.4**	**¥ 1,672.7**
Lease obligations	**0.5**	**4.4**	**5.0**
Total	**¥ 1,413.8**	**¥ 263.9**	**¥ 1,677.8**

	Billions of yen		
Payments due by period as of March 31, 2010	One year or less	Over one year	Total
Borrowed money	¥ 878.6	¥ 308.1	¥ 1,186.8
Lease obligations	0.4	3.3	3.8
Total	¥ 879.1	¥ 311.5	¥ 1,190.6

FINANCIAL CONDITION (continued)

TAXATION

SCHEDULE OF TAX LOSS CARRYFORWARDS

As of March 31, 2011, Shinsei had ¥126.0 billion of tax loss carryforwards based on the consolidated corporate tax system.

TABLE 37. SCHEDULE OF TAX LOSS CARRY-FORWARDS

	Billions of yen	
Year tax loss carry-forwards generated/renewed	Amount	Date of expiry
Shinsei Bank:		
March 31, 2009	¥ 108.0	March 31, 2016
March 31, 2011	18.0	March 31, 2018
Total	126.0	
APLUS FINANCIAL:		
March 31, 2005	¥ 142.7	March 31, 2012
September 30, 2005	2.6	March 31, 2013
March 31, 2006	4.3	March 31, 2013
March 31, 2007	29.5	March 31, 2014
March 31, 2008	11.8	March 31, 2015
March 31, 2009	0.0	March 31, 2016
September 30, 2009	0.0	March 31, 2017
March 31, 2010	0.0	March 31, 2017
Total	¥ 191.1	
Shinsei Financial:		
December 31, 2007	¥ 28.3	March 31, 2014
December 31, 2008	38.7	March 31, 2016
March 31, 2009	27.5	March 31, 2016
March 31, 2010	148.4	March 31, 2017
March 31, 2011	21.9	March 31, 2018
Total	¥ 264.9	
Showa Leasing:		
March 31, 2007	¥ 8.1	March 31, 2014
March 31, 2008	0.7	March 31, 2015
March 31, 2009	0.0	March 31, 2016
March 31, 2010	0.0	March 31, 2017
March 31, 2011	0.0	March 31, 2018
Total	¥ 8.9	
Shinki:		
March 31, 2008	¥ 19.0	March 31, 2015
March 31, 2009	9.2	March 31, 2016
March 31, 2010	5.6	March 31, 2017
March 31, 2011	14.0	March 31, 2018
Total	¥ 47.9	

The table above sets forth a schedule of tax loss carryforwards of Shinsei Bank, APLUS FINANCIAL, Shinsei Financial, Showa Leasing and Shinki as of March 31, 2011. Because APLUS FINANCIAL, Shinsei Financial, Showa Leasing and Shinki are not wholly-owned subsidiaries, we are unable to include their results in our consolidated tax returns.

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

We record deferred tax assets for tax loss carryforwards and evaluate them in accordance with the JICPA guidelines. See"—Critical Accounting Policies—Valuation of Deferred Tax Assets" on page 78.

CONSOLIDATED CORPORATE TAX SYSTEM

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

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

CAPITAL RESOURCES AND ADEQUACY

EQUITY

The following table sets forth a summary of our equity as of March 31, 2011 and 2010:

TABLE 38. EQUITY (CONSOLIDATED)

As of March 31	Millions of yen (except percentages) 2011	2010
Common stock	¥ 512,204	¥ 476,296
Capital surplus	79,461	43,554
Stock acquisition rights	1,413	1,672
Retained earnings	55,087	12,438
Treasury stock, at cost	(72,558)	(72,558)
Accumulated other comprehensive income:		
Unrealized gain (loss) on available-for-sale securities	(15,225)	1,398
Deferred gain (loss) on derivatives under hedge accounting	(10,197)	(3,327)
Foreign currency translation adjustments	(2,511)	(741)
Total	¥ 547,673	¥ 458,733
Minority interests	63,481	176,221
Total equity	¥ 611,154	¥ 634,954
Ratio of total equity to total assets	6.0%	5.6%

CAPITAL RATIOS

From the fiscal year ended March 31, 2007, the Basel II 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 March 31, 2011 was 9.8%, compared with 8.4% as of March 31, 2010. Our Tier I capital ratio, or the ratio of Tier I capital to risk assets, increased from 6.4% as of March 31, 2010 to 7.8% as of March 31, 2011. Given the distressed credit markets in recent periods, securities included in both Tier I and Tier II capital were opportunistically repurchased and gains realized upon cancellation also had some impact on our capital ratios. While repurchasing capital securities did reduce the amount of capital outstanding, the decline was partially offset by a related increase in retained earnings as the repurchases were done at levels significantly below par value. In total, we repurchased ¥139.6 billion of Tier I and Tier II securities and recorded a gain of ¥29.4 billion from these repurchases in the fiscal year ended March 31, 2011.

During the fiscal year ended March 31, 2011, we completed an exchange offer for two series of foreign currency denominated subordinated bonds and a cash tender offer for the 6.418% U.S. Dollar Step-up Non-cumulative Perpetual Preferred Securities of Shinsei Finance (Cayman) Limited and the 7.160% U.S. Dollar Non-cumulative Perpetual Preferred Securities of Shinsei Finance II (Cayman) Limited. Pursuant to the tender offer, we repurchased an aggregate of $1,072,732,000 liquidation preference amount of such securities, which were subsequently cancelled. As a result of acquiring the securities at a discount to their stated liquidation preference, we realized a gain of approximately ¥25 billion in connection with the repurchases, which was reflected in our results for the fiscal year ended March 31, 2011. The purpose of the tender offer was to enhance our common equity Tier I capital in anticipation of future changes to capital adequacy regulations. The repurchases also have resulted in a reduction of our dividend obligations going forward.

FINANCIAL CONDITION (continued)

TABLE 39. CAPITAL RATIOS (CONSOLIDATED)

As of March 31	Billions of yen (except percentages) 2011	2010
Basic items (Tier I):		
Common stock	¥ 512.2	¥ 476.2
Capital surplus	79.4	43.5
Retained earnings	55.0	12.4
Treasury stock, at cost	(72.5)	(72.5)
Expected income distribution	(2.6)	—
Unrealized losses on available-for-sale securities[1]	—	—
Foreign currency translation adjustments	(2.5)	(0.7)
Stock acquisition rights	1.4	1.6
Minority interests in subsidiaries	60.6	168.9
Preferred securities issued by foreign SPC	56.8	159.8
Goodwill	(49.5)	(57.8)
Other intangible assets acquired in business combinations	(20.5)	(25.2)
Gain on sale of securitization	(10.0)	(9.4)
50% of expected loss provision shortfall	(34.2)	(46.3)
Total Tier I (A)	516.7	490.7
Step-up preferred securities	23.6	83.4
Supplementary items (Tier II):		
General reserve for loan losses	9.4	10.9
Perpetual preferred stocks	—	—
Perpetual subordinated debt and bonds	28.8	38.0
Non-perpetual preferred stocks	—	—
Non-perpetual subordinated debt and bonds	193.5	219.6
Total	¥ 231.8	¥ 268.7
Amount eligible for inclusion in capital (B)	231.8	268.7
Deduction (C)	¥ 98.6	¥ 114.0
Intentional capital investment to other financial institutions	6.0	7.5
Capital investment to affiliate companies	35.7	36.6
50% of expected loss provision shortfall	34.2	46.3
Expected losses on exposures under PD/LGD measures such as equities	1.0	0.1
Unrated securitization exposure	21.4	23.3
Exclusion from deductions	—	—
Total capital (D) [(A)+(B)-(C)]	¥ 649.9	¥ 645.4
Risk assets:		
On-balance sheet items	¥ 5,110.2	¥ 5,988.0
Off-balance sheet items	907.5	994.2
Market Risk[2]	170.0	164.3
Operational Risk[2]	465.8	575.4
Total (E)	¥ 6,653.7	¥ 7,722.1
Consolidated capital adequacy ratio (D) / (E)	9.8%	8.4%
Consolidated Tier I capital ratio (A) / (E)	7.8%	6.4%

Notes: (1) In accordance with Japanese FSA Notification Number 79 (issued in 2008 as a special treatment of the FSA Notification Number 19 issued in 2006), unrealized losses on securities available-for-sale were not included in the Tier I capital of Japanese banks that use a domestic standard for calculating capital adequacy ratios.
(2) Derived by multiplying the capital requirement by 12.5 (i.e., the reciprocal of the minimum capital ratio of 8%).

COMPOSITION OF TIER I CAPITAL

In March 2009, Shinsei executed an innovative securities exchange transaction in which investors holding APLUS FINANCIAL Class-D preferred shares, which were included in our Tier II capital, were given an opportunity to exchange their holdings for newly issued Shinsei hybrid Tier I securities. In connection with this securities exchange and with a new hybrid Tier I securities issuance, Shinsei issued ¥48.2 billion of new hybrid Tier I securities. Of this amount, ¥39.1 billion was placed with investors who exchanged their holdings of APLUS FINANCIAL Class-D preferred shares issued to new hybrid Tier I investors, in addition, ¥9.1 billion was issued to new hybrid Tier I investors. In connection with this securities exchange, Shinsei made an investment of ¥64.5 billion in APLUS FINANCIAL Class-H preference shares.

The issuance of hybrid Tier I securities domestically at attractive levels facilitated our strategy of selectively repurchasing our outstanding capital securities. In particular, we repurchased a total of ¥91.0 billion of our U.S. dollar and JPY denominated hybrid Tier I step-up and non step-up securities and recorded a gain of ¥24.9 billion in connection with these repurchases in the fiscal year ended March 31, 2011. On March 15, 2011 we issued 690,000,000 new shares of its common stock through an international offering. The capital raising was geared to strengthen the

FINANCIAL CONDITION (continued)

Bank's core capital (common equity Tier I) ahead of impending new capital regulations, enhance its credit position and support efforts to expand its customer base and stabilize earnings as it works towards sustainable growth. Amount of proceeds of ¥71.8 billion to be obtained from the international offering will be used for general corporate purposes. This capital increase leads to an increase of Tier I through an increase of the capital stock and the capital surplus.

PREFERRED SECURITIES ISSUED BY SUBSIDIARIES OUTSIDE JAPAN

On February 23, 2006, we issued $775.0 million of step-up non-cumulative perpetual preferred securities. The dividend on the preferred securities is 6.418% for the initial ten years. In addition, on March 23, 2006, we issued $700.0 million of non-step-up non-cumulative perpetual preferred securities. The dividend on the non-step-up perpetual preferred securities is 7.16% for the initial ten years. On December 14, 2010, we concluded a cash tender offer for these perpetual preferred securities.

On March 30, 2009, we issued ¥22.6 billion in step-up non cumulative perpetual preferred securities. The dividend on the preferred securities is 5.00% for the initial ten years. In addition, on March 30, 2009, we also issued ¥25.6 billion in non-step-up non-cumulative perpetual preferred securities. The dividend on the non-step-up perpetual preferred securities is 5.50% for the initial ten years.

On October 2, 2009 we issued ¥9.0 billion of non-step-up non-cumulative perpetual preferred securities. The dividend on the preferred securities is 5.5% for the initial six years of ¥4.0 billion of preferred securities and floating rate (JPY base Libor+4.55%) of ¥5.0 billion of preferred securities.

The proceeds from the offerings of the preferred securities are recorded as minority interests in subsidiaries and counted towards Tier I capital. The amount of such proceeds which may be counted towards Tier I capital is constrained by the amount of other Tier I capital outstanding. Our ability to raise additional regulatory capital in this manner could be constrained in the future, including due to the Basel Committee's proposed changes to capital adequacy regulations.

COMPOSITION OF TIER II CAPITAL

During the fiscal year ended March 31, 2011, the composition of our Tier II capital changed significantly as a result of our repurchases of upper Tier II and lower Tier II subordinated bonds. Our principal buybacks included ¥8.4 billion in aggregate principal amount (£63.2 million at the date of repurchase) of our Sterling Notes. We also repurchased ¥40.1 billion in aggregate principal amount which consists of €342.8 million of our Euro Notes, at the date of repurchase. While the repurchases reduced the amount of Tier II securities outstanding, we recorded a gain of ¥4.5 billion in connection with the repurchase of our Tier II bonds, including the Sterling Notes and the Euro Notes.

In September 2010, we completed an exchange offer for two series of foreign currency denominated subordinated bonds. We recorded a gain of approximately ¥3.0 billion in connection with the exchange offers in the fiscal year ended March 31, 2011.

The principal components of our Tier II capital are subordinated debt and bonds. As of March 31, 2011, we had ¥149.9 billion of subordinated bonds, ¥149.4 billion of which were issued by Shinsei and ¥101.4 billion of subordinated debt from private lenders, ¥17.0 billion of which were perpetual loans. None of our current Tier II capital consists of public funds. The other major element of our Tier II capital is the general reserve for loan losses.

Tier II capital is subject to the limitation that it cannot exceed the amount of Tier I capital, and non-perpetual subordinated debt and bonds amortized on a straight line basis in the remaining five years before maturity cannot exceed half of the amount of Tier I capital. Subject to those ceilings, the entire amount of perpetual subordinated debt and bonds can be included in Tier II capital and a portion of non-perpetual subordinated debt and bonds cannot be included in Tier II capital as of March 31, 2011. The table below sets forth the amount of our subordinated debt and bonds, as well as the portion included in our Tier II capital:

TABLE 40. SUBORDINATED DEBT AND BONDS (CONSOLIDATED)

Billions of yen

As of March 31, 2011	Perpetual[1]	Perpetual included in Tier II	Non-perpetual[1]	Non-perpetual included in Tier II[2]	Total	Total included in Tier II[2]
Subordinated debt	**¥ 17.0**	**¥ 17.0**	**¥ 84.4**	**¥ —**	**¥ 101.4**	**¥ —**
Subordinated bonds	**11.8**	**11.8**	**138.1**	**—**	**149.9**	**—**
Total	**¥ 28.8**	**¥ 28.8**	**¥ 222.5**	**¥ 193.5**	**¥ 251.3**	**¥ 222.4**

Billions of yen

As of March 31, 2010	Perpetual[1]	Perpetual included in Tier II	Non-perpetual[1]	Non-perpetual included in Tier II[2]	Total	Total included in Tier II[2]
Subordinated debt	¥ 17.0	¥ 17.0	¥ 85.0	¥ —	¥ 102.0	¥ —
Subordinated bonds	21.1	21.0	141.9	—	163.0	—
Total	¥ 38.1	¥ 38.0	¥ 226.9	¥ 219.6	¥ 265.0	¥ 257.7

Notes: (1) Stated at par value.
(2) Non-perpetual subordinated debt and bonds included in Tier II and total subordinated debt and bonds included in Tier II are not broken down by type of debt and bonds.

FINANCIAL CONDITION (continued)

Interest rates on ¥28.3 billion of our perpetual subordinated debt and bonds included in Tier II capital as of March 31, 2011 will increase between January 2013 and December 2015.

¥28.3 billion of our perpetual subordinated debt and bonds included in Tier II capital as of March 31, 2011 will become prepayable between January 2013 and December 2015. ¥0.5 billion of perpetual subordinated bonds are currently prepayable.

Interest rates on ¥19.0 billion of non-perpetual subordinated debt as of March 31, 2011 will increase between April 2011 and September 2014. Interest rates on the remaining ¥65.4 billion of non-perpetual subordinated debt as of March 31, 2011 are fixed rates until maturity.

¥76.4 billion of non-perpetual subordinated debt as of March 31, 2011 will become prepayable between April 2011 and March 2016 and the remaining ¥8.0 billion of non-perpetual subordinated debt cannot be repaid until maturity.

Shinsei issued ¥50.0 billion of dated subordinated bonds for the first time as Shinsei, not LTCB, on March 25, 2005. These dated subordinated bonds cannot be repaid until maturity, on March 25, 2015, and bear interest at a fixed rate of 1.96%. Shinsei issued an additional ¥50.0 billion of dated subordinated bonds on October 31, 2005. These dated subordinated bonds cannot be repaid until maturity, on October 30, 2015, and bear interest at a fixed rated of 2.01%.

Shinsei issued €1.0 billion of step-up callable subordinated notes bearing interest at a fixed rate of 3.75% on February 23, 2006 (the Euro Notes). Interest rates on these notes was to be increased and the notes had an option to be prepayable, in February 2011. Although, on January 20, 2011, we decided to forego the call option for early redemption of these notes on the first callable date, February 23, 2011. The outstanding principal amount of the Euro Notes as of March 31, 2011 was €200 million.

In December 2009, Shinsei issued ¥5.0 billion of callable dated non-perpetual subordinated bonds to retail investors bearing interest at a fixed rate of 3.4%.The maturity is December 28, 2017 and the bonds are redeemable at the principal amount prior to the maturity date, contingent upon approval by the FSA, on any coupon payment date falling on or after December 28, 2012.

OFF-BALANCE SHEET ARRANGEMENTS

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

SECURITIZATION

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

REPACKAGING

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

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

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

FINANCIAL CONDITION (continued)

ARRANGEMENT

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

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

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

As of March 31, 2011 and 2010, we held ¥40.1 billion and ¥26.1 billion, respectively, of debt securities and residual interests from securitization transactions.

LOAN PARTICIPATIONS

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

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

As of March 31, 2011 and 2010, the total principal amount of participation interests in loans transferred to third-parties removed from the loan account was ¥28.8 billion and ¥40.2 billion, respectively.

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

We have off-balance sheet commitments to extend credit to customers up to certain predetermined amounts at current market rates, in consideration of which we receive fee income that is recorded on an accrual basis for the period of the commitments. The unfunded amounts of these commitments and established credit line of overdrafts were ¥4,752.1 billion and ¥5,306.9 billion as of March 31, 2011 and 2010, out of which the accounts with original agreement terms of less than one year or which were cancelable, were ¥4,604.2 billion and ¥5,113.8 billion as of March 31, 2011 and 2010, respectively.

In addition, we provide acceptances and guarantees, which include lines and letters of credit and guarantees on customers' borrowings from other creditors. These acceptances and guarantees require us to satisfy our customers' obligations in the event they fail to do so, although we would have a claim for reimbursement against them. Under Japanese GAAP for banks, these acceptances and guarantees are deemed to be both contingent assets and liabilities, and are recorded as both assets and liabilities in the principal amount of the acceptances and guarantees. We record the fees we earn from providing acceptances and guarantees on an accrual basis over the period of the acceptance or guarantee. As of March 31, 2011 and 2010, we had ¥575.7 billion and ¥623.7 billion, respectively, of outstanding acceptances and guarantees.

APLUS FINANCIAL extends credit in the form of guarantees. The most significant component of APLUS FINANCIAL's guarantee business is providing guarantees on installment shopping credit provided by other lenders to customers of APLUS FINANCIAL's partner merchants. APLUS FINANCIAL also offers collection guarantees for foreign automobile dealers. Off-balance sheet commitments and acceptances and guarantees increased as a result of our acquisition of APLUS FINANCIAL and the consolidation from September 30, 2004. As of March 31, 2011 and 2010, ¥563.8 billion and ¥611.6 billion of our outstanding acceptances or guarantees, respectively, were attributable to this guarantee business.

EXPOSURE TO SECURITIZED PRODUCTS AND RELATED INVESTMENTS

EXPOSURE TO SECURITIZED PRODUCTS AND RELATED INVESTMENTS

Tables 41 through 44 below set forth certain information regarding our exposure to securitized products and related investments as of March 31, 2010, as of September 30, 2010 and as of and for the fiscal year ended March 31, 2011. Table 45 provides definitions for the defined terms used in Tables 41 through 44.

TABLE 41. BALANCE OF SECURITIZED PRODUCTS (BREAKDOWN BY REGION AND TYPE OF SECURITIES)[1] (NON-CONSOLIDATED)

	Credit Ratings of Securities[2] (Mar 31, 2011)				Billions of yen				
	AAA	AA	A or lower	N/A	Mar 31 2011 (a)	Mar 31 2010 (b)	Change (a)-(b)	Sep 30 2010 (c)	Change (a)-(c)
RMBS	16%	7%	5%	72%	¥ 44.8	¥ 53.7	¥ (8.8)	¥ 47.2	¥ (2.3)
Japan	16%	7%	5%	72%	44.8	49.9	(5.0)	47.2	(2.3)
U.S.	—	—	—	—	0.0	0.0	0.0	0.0	0.0
Europe	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—	—
CMBS[3]	0%	31%	69%	0%	¥ 7.9	¥ 19.0	¥ (11.1)	¥ 12.8	¥ (4.9)
Japan	0%	0%	100%	0%	5.5	10.9	(5.4)	8.1	(2.6)
U.S.	—	—	—	—	—	—	—	—	—
Europe	—	—	—	—	—	5.5	(5.5)	2.3	(2.3)
Other	0%	100%	0%	0%	2.4	2.5	(0.1)	2.4	0.0
CLO	24%	75%	0%	1%	¥ 42.0	¥ 56.7	¥ (14.6)	¥ 43.1	¥ (1.0)
Japan	—	—	—	—	—	—	—	—	—
U.S.	25%	73%	0%	2%	31.6	42.3	(10.7)	31.7	(0.1)
Europe	21%	79%	0%	0%	10.4	12.9	(2.4)	10.0	0.3
Other	—	—	—	—	—	1.4	(1.4)	1.3	(1.3)
ABS CDO (Resecuritized Products)	—	—	—	—	¥ —	¥ —	¥ —	¥ —	¥ —
Japan	—	—	—	—	—	—	—	—	—
U.S.	—	—	—	—	—	—	—	—	—
Europe	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—	—
Total	18%	39%	8%	35%	¥ 94.9	¥ 129.5	¥ (34.6)	¥ 103.2	¥ (8.3)
Japan	14%	6%	16%	64%	¥ 50.3	¥ 60.8	¥ (10.5)	¥ 55.3	¥ (4.9)
U.S.	25%	73%	0%	2%	31.6	42.3	(10.7)	31.7	(0.1)
Europe	21%	79%	0%	0%	10.4	22.2	(11.7)	12.4	(1.9)
Other	0%	100%	0%	0%	2.4	4.0	(1.6)	3.7	(1.3)
Securities					¥ 48.3	¥ 74.3	¥ (25.9)	¥ 53.1	¥ (4.7)
RMBS					1.8	5.8	(4.0)	1.9	(0.1)
CMBS					4.4	11.6	(7.2)	8.0	(3.5)
CLO					42.0	56.7	(14.6)	43.1	(1.0)
ABS CDO					—	—	—	—	—
Other monetary claims purchased[4]					46.5	55.2	(8.7)	50.1	(3.5)
RMBS (Japan)					43.0	47.8	(4.7)	45.2	(2.1)
CMBS (Japan)					3.4	7.3	(3.9)	4.8	(1.3)
CLO (Japan)					—	—	—	—	—
ABS CDO (Japan)					—	—	—	—	—
Total					¥ 94.9	¥ 129.5	¥ (34.6)	¥ 103.2	¥ (8.3)

Notes: (1) The amount is the outstanding balance, after mark-downs and other comprehensive income (OCI) adjustments, at the end of each period. This table excludes securitized products backed by consumer loans, credit card loans, and other similar exposure to individuals.
(2) Based on ratings by S&P or ratings equivalent to S&P ratings matrix as of March 31, 2011. The "N/A" rating for Japanese RMBS represents senior portions of other monetary claims purchased for the purpose of warehousing for future securitization.
(3) Breakdown of collateral: office building (71.5%), hotel and others (15.2%), retail and shops (12.0%), multi-family (1.3%)
(4) Includes Japanese RMBS recorded as monetary assets held in trust of ¥5.0 billion as at March 31, 2011.

EXPOSURE TO SECURITIZED PRODUCTS AND RELATED INVESTMENTS (continued)

TABLE 42. SECURITIZED PRODUCTS RECORDED UNDER "SECURITIES" AND "OTHER MONETARY CLAIMS PURCHASED" AND OCI[1] (NON-CONSOLIDATED)

SECURITIES

	Billions of yen, %			
	As of March 31, 2011			
	Balance before Mark-to-Market Evaluation	Market Value or Balance	Unrealized Gains/Losses (OCI)	Price Increase (Decrease) Ratio (%)
Trading Securities		¥ 0.6		
RMBS (U.S.)		0.0		
CLO (U.S.)		0.6		
Securities Being Held to Maturity with Readily Determinable Fair Value		¥ 41.4		
CLO (U.S.)		31.0		
CLO (Europe)		10.4		
Securities Available for Sale	¥ 6.3	¥ 6.2	¥ (0.0)	(0.3)
Other	6.3	6.2	(0.0)	(0.3)
Foreign Securities	6.3	6.2	(0.0)	(0.3)
Foreign Currency Denominated Foreign Corporate and Government Bonds	2.4	2.4	(0.0)	(1.2)
CMBS	2.4	2.4	(0.0)	(1.2)
Other foreign countries	2.4	2.4	(0.0)	(1.2)
CLO	0.0	0.0	0.0	0.0
U.S.	0.0	0.0	0.0	0.0
Yen-Denominated Foreign Corporate and Government Bonds	3.8	3.8	0.0	0.2
RMBS (Japan)	1.7	1.8	0.0	0.0
CMBS (Japan)	2.0	2.0	0.0	0.0
Securities		¥ 48.3		
RMBS		1.8		
CMBS		4.4		
CLO		42.0		

OTHER MONETARY CLAIMS PURCHASED[2]

	Billions of yen, %			
	As of March 31, 2011			
	Balance before Mark-to-Market Evaluation	Market Value or Balance	Unrealized Gains/Losses (OCI)	Price Decline Ratio (%)
Trading Purposes		¥ 14.1		
RMBS (Japan)[2]		11.5		
CMBS (Japan)		2.5		
Others	¥ 32.3	¥ 32.3	¥ 0.0	0.2
RMBS (Japan)	31.4	31.4	0.0	0.2
CMBS (Japan)	0.8	0.8	0.0	0.0
Total		¥ 46.5		
RMBS (Japan)		43.0		
CMBS (Japan)		3.4		
RMBS, CMBS, CLO, ABS CDO Total		¥ 94.9		
Securities		48.3		
Other monetary claims purchased		46.5		

Notes: (1) This table excludes securitized products backed by consumer loans, credit card loans, and other similar exposure to individuals.
(2) Includes Japanese RMBS recorded as monetary assets held in trust of ¥5.0 billion as at March 31, 2011.

EXPOSURE TO SECURITIZED PRODUCTS AND RELATED INVESTMENTS (continued)

TABLE 43. LBO, MONOLINE, SIV, ABCP (NON-CONSOLIDATED)

Billions of yen

	Mar 31, 2011 (a)	Mar 31, 2010 (b)	Change (a)-(b)	Sep 30, 2010 (c)	Change (a)-(c)
LBO[1]	**¥ 203.3**	¥ 194.4	¥ 8.9	¥ 215.1	¥ (11.8)
Japan	**199.7**[2]	189.8	9.9	211.2	(11.5)
U.S.	**2.1**	2.8	(0.7)	2.3	(0.2)
Europe	**—**	—	—	—	—
Other	**1.4**	1.7	(0.3)	1.5	(0.1)
(Breakdown by Industry Sector)					
Manufacturing	**12.6%**	17.1%			
Information and communications	**0.0%**	0.0%			
Wholesale and retail	**9.5%**	12.6%			
Finance and insurance	**18.8%**	55.0%			
Services	**55.5%**	11.4%			
Others	**3.6%**	3.8%			
Total	**100.0%**	100.0%			

Notes: (1) The amount includes unfunded commitment line.
(2) As of March 31, 2011, unfunded commitment line (only domestic) is ¥2.8 billion.

Monoline, SIV, ABCP

We have no exposure to Monoline, SIV, ABCP.

TABLE 44. CREDIT DEFAULT SWAPS (CDS) (NON-CONSOLIDATED)[1]

Billions of yen

	As of March 31, 2011							FY2010
	Nominal Amount		Fair Value		Netted Nominal Amount and Fair Value[2]			Realized profits (losses)
					Nominal Value	Fair Value		
	Protection (buy)	Protection (sell)	Protection (buy)	Protection (sell)		Protection (buy)	Protection (sell)	
Total	**¥ 689.5**	**¥ 713.8**	**¥ 0.9**	**¥ (1.4)**	**¥ 578.5**	**¥ 0.3**	**¥ (1.4)**	**¥ (0.7)**
Japan	**587.7**	**614.9**	**2.7**	**(2.9)**	**487.6**	**2.1**	**(2.7)**	**(0.6)**
U.S.	**47.2**	**46.7**	**(0.7)**	**0.5**	**41.8**	**(0.7)**	**0.4**	**(0.0)**
Europe	**22.1**	**21.9**	**(0.3)**	**0.3**	**21.5**	**(0.3)**	**0.3**	**(0.0)**
Other	**32.4**	**30.1**	**(0.7)**	**0.5**	**27.4**	**(0.7)**	**0.5**	**(0.0)**

Notes: (1) Represents transactions under both banking book and trading book. The above table is based on provisional financial and operational data at the time of the financial results announcement and may differ slightly from the final data.
(2) Transactions which are netted with buy and sell.

Financial Highlights
Message from the Management
Special Feature
Review of Operations
Management Structure
Data Section
Management's Discussion and Analysis of Financial Condition and Results of Operations

EXPOSURE TO SECURITIZED PRODUCTS AND RELATED INVESTMENTS (continued)

TABLE 45. DEFINED TERMS FOR TABLES 41-44

Names	Definitions
RMBS	Residential mortgage-backed securities and other related assets, including beneficial interests backed by mortgage loans. Recorded in "trading securities," "securities available-for-sale" and "other monetary claims."
CMBS	Commercial mortgage-backed securities. Recorded in "securities available-for-sale" and "other monetary claims." We have no U.S. CMBS exposure.
CLO	Collateralized loan obligations (CLO) mainly backed by LBO debt, corporate loans and high-yield securities. Recorded in "trading securities," "securities being held to maturity with readily determinable fair value," and "securities available-for-sale."
ABS CDO (Re-securitized Products)	CDO backed by asset-backed securities (ABS) such as RMBS. Recorded in "securities available-for-sale" and "other monetary claims." We have no exposure to Monoline.
LBO	Loans for leveraged buyout for acquisition finance including refinancing of past acquisitions.
Monoline	Monolines are insurance companies that insure against the risk of a bond or other security defaulting. We have no exposure to Monoline.
SIV	A structured investment vehicle (SIV) is a fund which borrows money by issuing short-term securities at low interest rates, then lends that money by buying long-term securities (such as securitization products) at higher interest rates, making a profit for investors from the difference. We have no exposure to SIVs.
ABCP	An asset-backed commercial paper (ABCP) conduit is a limited-purpose entity that issues CP to finance the purchase of assets or to make loans. Some asset types include receivables generated from trade, credit card, auto loan, auto, and equipment leasing obligors, as well as collateralized loan obligations (CLOs) and collateralized bond obligations (CBOs). We have no exposure to ABCP.
CDS	Credit default swap is a type of derivative in which the buyer receives credit protection by making periodic payments to a counterparty and the seller provides credit protection by giving the promise of a payoff if a third-party defaults.

CONSOLIDATED BALANCE SHEETS

Shinsei Bank, Limited, and Consolidated Subsidiaries
As of March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
ASSETS			
Cash and due from banks (Notes 3, 22 and 36)	¥ 452,751	¥ 493,141	$ 5,477,280
Call loans (Note 36)	—	19,129	—
Collateral related to securities borrowing transactions (Note 36)	10,388	2,801	125,680
Other monetary claims purchased (Notes 4 and 36)	157,006	252,761	1,899,429
Trading assets (Notes 5, 36 and 37)	195,396	223,279	2,363,863
Monetary assets held in trust (Notes 6, 22 and 36)	253,688	292,227	3,069,054
Securities (Notes 7, 22 and 36)	3,286,382	3,233,312	39,757,832
Loans and bills discounted (Notes 8, 22 and 36)	4,291,462	5,163,763	51,917,037
Foreign exchanges (Note 9)	42,069	10,976	508,950
Lease receivables and leased investment assets (Notes 22, 33 and 36)	206,216	213,702	2,494,761
Other assets (Notes 10, 22, 36 and 37)	794,798	863,272	9,615,269
Premises and equipment (Notes 11, 22 and 33)	50,099	52,154	606,091
Intangible assets (Notes 12 and 33)	96,013	109,953	1,161,543
Deferred issuance expenses for debentures	182	176	2,206
Deferred tax assets (Note 30)	18,603	18,969	225,056
Customers' liabilities for acceptances and guarantees (Note 21)	575,700	623,786	6,964,679
Reserve for credit losses (Note 13)	(199,211)	(196,642)	(2,410,012)
Total assets	¥ 10,231,548	¥ 11,376,767	$ 123,778,718
LIABILITIES AND EQUITY			
Liabilities:			
Deposits, including negotiable certificates of deposit (Notes 14, 22 and 36)	¥ 5,610,687	¥ 6,475,387	$ 67,876,693
Debentures (Notes 15 and 36)	348,270	483,713	4,213,288
Call money (Notes 22 and 36)	160,330	310,487	1,939,640
Payables under repurchase agreements (Notes 22 and 36)	—	8,430	—
Collateral related to securities lending transactions (Notes 22 and 36)	269,697	548,479	3,262,734
Trading liabilities (Notes 16, 36 and 37)	147,787	177,835	1,787,893
Borrowed money (Notes 17, 22 and 36)	1,672,790	1,186,837	20,237,000
Foreign exchanges (Note 9)	39	17	483
Short-term corporate bonds	22,800	17,700	275,829
Corporate bonds (Notes 18, 22 and 36)	179,611	188,278	2,172,896
Other liabilities (Notes 19, 22, 36 and 37)	569,362	619,201	6,888,007
Accrued employees' bonuses	8,084	8,842	97,810
Accrued directors' bonuses	38	126	464
Reserve for employees' retirement benefits (Note 20)	11,016	7,718	133,279
Reserve for directors' retirement benefits	285	244	3,449
Reserve for losses on interest repayments	43,199	70,088	522,611
Reserve for losses on disposal of premises and equipment	—	7,212	—
Reserve for losses on litigation	—	5,873	—
Reserve under special law	1	3	18
Deferred tax liabilities (Note 30)	690	1,547	8,353
Acceptances and guarantees (Notes 21, 22 and 36)	575,700	623,786	6,964,679
Total liabilities	9,620,394	10,741,812	116,385,126
Equity:			
Common stock (Note 24)	512,204	476,296	6,196,523
Capital surplus	79,461	43,554	961,310
Stock acquisition rights (Note 25)	1,413	1,672	17,094
Retained earnings	55,087	12,438	666,435
Treasury stock, at cost (Note 24)	(72,558)	(72,558)	(877,798)
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities (Note 7)	(15,225)	1,398	(184,199)
Deferred gain (loss) on derivatives under hedge accounting	(10,197)	(3,327)	(123,368)
Foreign currency translation adjustments	(2,511)	(741)	(30,384)
Total	547,673	458,733	6,625,613
Minority interests (Note 23)	63,481	176,221	767,979
Total equity	611,154	634,954	7,393,592
Total liabilities and equity	¥ 10,231,548	¥ 11,376,767	$ 123,778,718

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

CONSOLIDATED STATEMENTS OF OPERATIONS

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the fiscal years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Interest income:			
Interest on loans and bills discounted	¥ 178,682	¥ 245,404	$ 2,161,660
Interest and dividends on securities	23,857	30,560	288,618
Interest on deposits with banks	296	210	3,587
Other interest income	4,301	7,406	52,036
Total interest income	207,137	283,581	2,505,901
Interest expenses:			
Interest on deposits, including negotiable certificates of deposit	34,546	52,983	417,932
Interest and discounts on debentures	2,392	3,880	28,944
Interest on other borrowings	7,305	10,505	88,381
Interest on corporate bonds	5,504	6,517	66,596
Other interest expenses	725	1,708	8,782
Total interest expenses	50,475	75,595	610,635
Net interest income	156,662	207,985	1,895,266
Fees and commissions income	49,112	51,190	594,156
Fees and commissions expenses	23,080	26,060	279,225
Net fees and commissions	26,032	25,129	314,931
Net trading income (loss) (Note 26)	11,649	9,014	140,931
Other business income (loss), net:			
Income on lease transactions and installment receivables, net	38,705	43,009	468,246
Net gain (loss) on monetary assets held in trust	5,270	(8,171)	63,759
Net gain (loss) on foreign exchanges	4,788	8,802	57,927
Net gain (loss) on securities	15,267	900	184,698
Net gain (loss) on other monetary claims purchased	(401)	(17,234)	(4,860)
Other, net (Note 27)	4,696	(5,153)	56,820
Net other business income (loss)	68,325	22,152	826,590
Total revenue	262,670	264,282	3,177,718
General and administrative expenses:			
Personnel expenses	57,586	64,861	696,672
Premises expenses	23,248	27,401	281,255
Technology and data processing expenses	19,230	23,941	232,649
Advertising expenses	9,260	12,215	112,031
Consumption and property taxes	7,776	9,089	94,079
Deposit insurance premium	5,452	4,386	65,957
Other general and administrative expenses	22,804	28,948	275,887
General and administrative expenses	145,360	170,845	1,758,530
Amortization of goodwill and other intangible assets	13,099	20,927	158,479
Total general and administrative expenses	158,459	191,772	1,917,009
Net business profit (loss)	104,210	72,509	1,260,709
Net credit costs (Note 28)	68,397	112,298	827,455
Other gains (losses), net (Note 29)	21,969	(83,300)	265,780
Income (loss) before income taxes and minority interests	57,782	(123,089)	699,034
Income taxes (benefit) (Note 30):			
Current	1,993	1,540	24,115
Deferred	5,229	6,713	63,270
Net income (loss) before minority interests	50,558	—	611,649
Minority interests in net income of subsidiaries	7,908	8,807	95,676
Net income (loss)	¥ 42,650	¥ (140,150)	$ 515,973

	Yen		U.S. dollars (Note 1)
Basic net income (loss) per common share (Note 31)	¥ 21.36	¥ (71.36)	$ 0.26

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the fiscal year ended March 31, 2011

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2011	2011
Net income (loss) before minority interests	¥ 50,558	$ 611,649
Other comprehensive income (Note 32):		
Unrealized gain (loss) on available-for-sale securities	(16,703)	(202,071)
Deferred gain (loss) on derivatives under hedge accounting	(6,870)	(83,117)
Foreign currency translation adjustments	(11,897)	(143,935)
Share of other comprehensive income in affiliates	(110)	(1,336)
Total other comprehensive income	(35,581)	(430,459)
Comprehensive income (Note 32)	¥ 14,977	$ 181,190
Total comprehensive income attributable to (Note 32):		
Owners of the parent	¥ 17,385	$ 210,320
Minority interests	(2,407)	(29,130)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the fiscal years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Common stock:			
Balance at beginning of year	¥ 476,296	¥ 476,296	$ 5,762,122
Issuance of new shares (Note 24)	35,907	—	434,401
Balance at end of year	512,204	476,296	6,196,523
Capital surplus:			
Balance at beginning of year	43,554	43,554	526,909
Issuance of new shares (Note 24)	35,907	—	434,401
Balance at end of year	79,461	43,554	961,310
Stock acquisition rights:			
Balance at beginning of year	1,672	1,808	20,230
Net change during the year	(259)	(135)	(3,136)
Balance at end of year	1,413	1,672	17,094
Retained earnings:			
Balance at beginning of year	12,438	152,855	150,475
Net income (loss)	42,650	(140,150)	515,973
Changes by inclusion of subsidiaries (former non-consolidated subsidiaries)	(0)	(0)	(2)
Changes by exclusion of consolidated subsidiaries	(0)	(266)	(11)
Balance at end of year	55,087	12,438	666,435
Treasury stock, at cost:			
Balance at beginning of year	(72,558)	(72,558)	(877,798)
Purchase of treasury stock	—	(0)	—
Balance at end of year	(72,558)	(72,558)	(877,798)
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities:			
Balance at beginning of year	1,398	(38,813)	16,917
Net change during the year	(16,624)	40,211	(201,116)
Balance at end of year	(15,225)	1,398	(184,199)
Deferred gain (loss) on derivatives under hedge accounting:			
Balance at beginning of year	(3,327)	(2,996)	(40,251)
Net change during the year	(6,870)	(330)	(83,117)
Balance at end of year	(10,197)	(3,327)	(123,368)
Foreign currency translation adjustments:			
Balance at beginning of year	(741)	1,297	(8,965)
Net change during the year	(1,770)	(2,038)	(21,419)
Balance at end of year	(2,511)	(741)	(30,384)
Minority interests:			
Balance at beginning of year	176,221	206,037	2,131,880
Net change during the year	(112,740)	(29,816)	(1,363,901)
Balance at end of year	63,481	176,221	767,979
Total equity:			
Balance at beginning of year	634,954	767,481	7,681,519
Net change during the year	(23,800)	(132,527)	(287,927)
Balance at end of year	¥ 611,154	¥ 634,954	$ 7,393,592

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the fiscal years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	**2011**
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	**¥ 57,782**	¥ (123,089)	**$ 699,034**
Adjustments for:			
Income taxes paid	**(1,326)**	(3,407)	**(16,053)**
Depreciation (other than leased assets as lessor)	**11,823**	14,532	**143,041**
Amortization of goodwill and other intangible assets	**13,099**	20,927	**158,479**
Impairment losses on goodwill, other intangible assets and other long-lived assets	**2,367**	75,746	**28,641**
Net change in reserve for credit losses	**2,568**	4,131	**31,077**
Net change in reserve for losses on interest repayments	**(26,889)**	(123,761)	**(325,307)**
Net change in other reserves	**(3,360)**	(10,311)	**(40,655)**
Interest income	**(207,137)**	(283,581)	**(2,505,901)**
Interest expenses	**50,475**	75,595	**610,635**
Investment (gains) losses	**(7,602)**	11,149	**(91,971)**
Net exchange (gain) loss	**15,215**	4,221	**184,075**
Gains from the cancellation of issued corporate bonds and other instruments	**(29,486)**	(21,269)	**(356,716)**
Net change in trading assets	**27,688**	153,064	**334,966**
Net change in trading liabilities	**(30,048)**	(129,727)	**(363,513)**
Net change in loans and bills discounted	**897,712**	714,081	**10,860,304**
Net change in deposits, including negotiable certificates of deposit	**(864,708)**	202,869	**(10,461,022)**
Net change in debentures	**(135,443)**	(191,853)	**(1,638,560)**
Net change in borrowed money (other than subordinated debt)	**486,924**	174,826	**5,890,696**
Net change in corporate bonds (other than subordinated corporate bonds)	**4,357**	(24,082)	**52,720**
Net change in interest-bearing deposits with banks	**5,007**	(37,469)	**60,580**
Net change in call loans, collateral related to securities borrowing transactions and other monetary claims purchased	**75,186**	107,856	**909,587**
Net change in call money, payables under repurchase agreements, collateral related to securities lending transactions, commercial paper and short-term corporate bonds (liabilities)	**(432,268)**	(31,486)	**(5,229,477)**
Net change in foreign exchange assets and liabilities	**(31,070)**	26,175	**(375,888)**
Interest received	**212,983**	296,156	**2,576,625**
Interest paid	**(41,372)**	(58,660)	**(500,518)**
Net change in securities for trading purposes	**1,887**	14,421	**22,838**
Net change in monetary assets held in trust for trading purposes	**36,246**	35,585	**438,501**
Net change in lease receivables and leased investment assets	**9,158**	22,674	**110,793**
Other, net	**(5,209)**	42,951	**(63,020)**
Total adjustments	**36,780**	1,081,355	**444,957**
Net cash provided by (used in) operating activities	**94,562**	958,266	**1,143,991**
Cash flows from investing activities:			
Purchase of investments	**(3,910,967)**	(3,390,711)	**(47,313,907)**
Proceeds from sales of investments	**1,921,619**	1,530,735	**23,247,267**
Proceeds from maturity of investments	**1,899,787**	812,391	**22,983,150**
Purchase of premises and equipment (other than leased assets as lessor)	**(7,284)**	(5,167)	**(88,131)**
Purchase of intangible assets (other than leased assets as lessor)	**(7,842)**	(9,615)	**(94,874)**
Purchase of investments in subsidiaries	**—**	(485)	**—**
Proceeds from sale of subsidiary's stocks	**708**	—	**8,576**
Other, net	**(120)**	(483)	**(1,452)**
Net cash provided by (used in) investing activities	**(104,099)**	(1,063,336)	**(1,259,371)**
Cash flows from financing activities:			
Proceeds from issuance of subordinated debt	**2,400**	—	**29,035**
Repayment of subordinated debt	**(3,000)**	—	**(36,293)**
Proceeds from issuance of subordinated corporate bonds	**—**	4,951	**—**
Payment for redemption of subordinated corporate bonds	**(3,607)**	(23,351)	**(43,647)**
Proceeds from minority shareholders of subsidiaries	**9**	9,001	**121**
Payment for capital returned to minority shareholders of subsidiaries	**(81,425)**	(25,174)	**(985,068)**
Proceeds from issuance of stock	**71,313**	—	**862,731**
Dividends paid to minority shareholders of subsidiaries	**(9,833)**	(9,374)	**(118,968)**
Purchase of treasury stock	**—**	(0)	**—**
Net cash provided by (used in) financing activities	**(24,144)**	(43,948)	**(292,089)**
Foreign currency translation adjustments on cash and cash equivalents	**(82)**	(3)	**(995)**
Net change in cash and cash equivalents	**(33,763)**	(149,021)	**(408,464)**
Cash and cash equivalents at beginning of year	**334,238**	483,259	**4,043,530**
Cash and cash equivalents at end of year (Note 3)	**¥ 300,474**	¥ 334,238	**$ 3,635,066**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the fiscal years ended March 31, 2011 and 2010

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED

The accompanying consolidated financial statements of Shinsei Bank, Limited (the "Bank") and its consolidated subsidiaries (collectively, the "Group"), stated in Japanese yen, have been prepared on the basis of generally accepted accounting principles in Japan ("Japanese GAAP") and in conformity with the Banking Act of Japan (the "Banking Act"), and compiled from the consolidated financial statements prepared under the provisions set forth in the Accounting Standards for Consolidated Financial Statements (the Business Accounting Council, June 24, 1975) and 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.

Under Japanese GAAP, the consolidated statement of comprehensive income is required for the fiscal year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheet and the consolidated statement of changes in equity. Information with respect to other comprehensive income for the fiscal year ended March 31, 2010 is disclosed in Note 32. In addition, "net income (loss) before minority interests" is disclosed in the consolidated statement of operations from the fiscal year ended March 31, 2011.

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

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

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

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥82.66 to U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on March 31, 2011. 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 concept. Under the control and influence concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are fully consolidated and those companies in which the Bank, directly or indirectly, is able to exercise significant influence over operations are accounted for by the equity method.

The numbers of subsidiaries and affiliates as of March 31, 2011 and 2010 were as follows:

	2011	2010
Consolidated subsidiaries	121	125
Unconsolidated subsidiaries	84	88
Affiliates accounted for by the equity method	17	22

Unconsolidated subsidiaries are primarily operating companies that undertake leasing business based on the Tokumei Kumiai system (silent partnerships). Tokumei Kumiai's assets, liabilities, profit and loss virtually belong to each silent partner, 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 not material to the financial condition or results of operations of the Group.

Major consolidated subsidiaries as of March 31, 2011 were as listed below:

Name	Location	Percentage ownership
APLUS FINANCIAL Co., Ltd. (*)	Japan	95.0%
Showa Leasing Co., Ltd.	Japan	97.0%
Shinsei Financial Co., Ltd.	Japan	100.0%
Shinki Co., Ltd.	Japan	100.0%
Shinsei Trust & Banking Co., Ltd.	Japan	100.0%
Shinsei Securities Co., Ltd.	Japan	100.0%

(*) APLUS FINANCIAL Co., Ltd. ("APLUS FINANCIAL") was renamed from APLUS Co., Ltd. along with the transition to a holding company structure on April 1, 2010.

All significant inter-company transactions, related account balances and unrealized gains have been eliminated in consolidation. As of March 31, 2011, the fiscal year ending dates are March 31 for 71 subsidiaries, July 31 for 3 subsidiaries, December 31 for 43 subsidiaries and February 28 for 4 sub-

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

sidiaries. Except for 8 subsidiaries which are consolidated as of March 31 rather than their fiscal year ends, those consolidated subsidiaries whose fiscal years end at dates other than March 31 are consolidated using their fiscal year end financial statements with appropriate adjustments made for significant transactions during the period from the ending dates of their fiscal years to the date of the Group's consolidated financial statements.

Major affiliates accounted for by the equity method as of March 31, 2011 were as listed below:

Name	Location	Percentage ownership
Comox Holdings Ltd.	Bermuda	49.9%
Jih Sun Financial Holding Co., Ltd.	Taiwan	30.4%

(B) BUSINESS COMBINATION

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 allows 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 allocation. This 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, 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, and accounted for negative goodwill, if any, to be systematically amortized to income over 20 years.

(C) GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

APLUS FINANCIAL

Identified intangible assets	Amortization method	Amortization period
Trade name and trademarks	Straight-line	10 years
Customer relationship	Sum-of-the-years digits	10 years
Merchant relationship	Sum-of-the-years digits	20 years

Showa Leasing

Identified intangible assets	Amortization method	Amortization period
Trade name	Straight-line	10 years
Customer relationship	Sum-of-the-years digits	20 years
Sublease contracts	Straight-line	Subject to the remaining contract years

Shinki

Identified intangible assets	Amortization method	Amortization period
Trade name and trademarks	Straight-line	10 years
Customer relationship	Sum-of-the-years digits	10 years

Shinsei Financial

Identified intangible assets	Amortization method	Amortization period
Trade names and trademarks	Straight-line	10 years
Customer relationship	Sum-of-the-years digits	10 years

The excess of the purchase price over the fair value of the net assets acquired, including identified intangible assets, was recorded as goodwill and is being amortized on a consistent basis primarily over 20 years. The amortization period of 20 years is the maximum period allowed under Japanese GAAP and was determined based upon the Bank's business strategy.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) CONSOLIDATED

The unamortized balances of identified intangible assets and goodwill are subject to impairment testing periodically. As a result, the outstanding goodwill and other intangible assets of APLUS FINANCIAL, and other intangible assets of Shinki were fully impaired at March 31, 2010, as described in Note 29 "OTHER GAINS (LOSSES), NET."

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

(D) IMPAIRMENT OF GOODWILL AND OTHER INTANGIBLE ASSETS

The Bank conducts impairment testing for goodwill and other intangible assets 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 other intangible assets.

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 other intangible assets, 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 other intangible assets. (i) Impairment loss for the total of goodwill and other intangible assets, is recognized as an amount by which the net asset book value exceeds the "value in use." The fair value of other intangible assets is determined in the same manner used to apply purchase accounting at the time of the initial acquisition, and (ii) the impairment loss on other intangible assets, is determined as the difference between the fair value and book value. Finally, the impairment loss on goodwill is calculated as the residual calculated as (i) less (ii) above.

(E) TRANSLATION OF FOREIGN CURRENCY FINANCIAL STATEMENTS AND TRANSACTIONS

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

(b) Foreign currency accounts held by consolidated foreign subsidiaries are translated into the currency of the subsidiary at exchange rates as of their respective balance sheet dates.

(c) Foreign currency-denominated assets and liabilities of the Bank and consolidated domestic subsidiaries are translated into Japanese yen at exchange rates as of their respective balance sheet dates, except for investments in unconsolidated subsidiaries and affiliates which are translated at the relevant historical exchange rates.

(F) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and non-interest-bearing deposits.

(G) OTHER MONETARY CLAIMS PURCHASED

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

(H) VALUATION OF TRADING ACCOUNT ACTIVITIES

Trading account positions entered into to generate gains arising from short-term changes in interest rates, currency exchange rates or market prices of financial instruments and other market-related indices, or from price differences among markets, are included in trading assets and trading liabilities on a trade date basis.

Trading securities and monetary claims purchased for trading purposes are stated at market value and derivative financial instruments related to trading positions are stated at fair value based on estimated amounts that would be settled in cash if such positions were terminated at the end of the fiscal year, which reflects liquidity and credit risks.

Trading revenue and trading expenses include interest received and paid during the fiscal year and unrealized gains and losses resulting from the change in the value of securities, monetary claims purchased, and derivatives between the balance sheet dates.

(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 the 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.

In addition, investments in unconsolidated subsidiaries that are not accounted for by the equity method are carried at cost determined by the moving average method.

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

In December 2008, the ASBJ issued ASBJ Practical Issues Task Force (PITF) No.26, "Tentative Solution on Reclassification of Debt Securities." PITF No.26 was effective from its date of issuance through March 31, 2010. PITF No.26 permitted an entity to reclassify certain debt securities when in rare circumstances the entity changed its accounting classification according to the change of holding purpose as follows:

(a) Trading debt securities could be reclassified to available-for-sale securities at their fair value on the date of reclassification and any difference between carrying amount and the fair value was charged to profit or loss.

(b) Trading debt securities could be reclassified to held-to-maturity debt securities at their fair value on the date of reclassification and any difference between carrying amount and the fair value was charged to profit or loss.

(c) Available-for-sale securities could be reclassified to held-to-maturity debt securities at their fair value on the date of reclassification and any difference between carrying amount and the fair value was recorded directly in a separate component of equity and will be amortized and charged directly to profit or loss over the periods through the maturity date.

Based on PITF No.26, the Bank reclassified certain foreign bonds classified as available-for-sale securities to held-to-maturity on October 1, 2008, as described in Note 7 "SECURITIES."

Prior to March 31, 2010, under Japanese accounting standards for financial instruments, securities available for sale for which fair value was not readily determinable were carried at acquisition cost or amortized cost determined by the moving average method.

In March 2008, the ASBJ revised ASBJ Statement No.10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No.19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This revised accounting standard and the guidance was applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010.

The revised accounting standard requires securities available for sale to be recorded at their fair values except for securities whose fair values cannot be reliably determined, such as non-marketable equity securities etc.

As a result, as of March 31, 2010, securities decreased by ¥7,248 million, other monetary claims purchased decreased by ¥4,662 million, deferred tax liability decreased by ¥606 million, unrealized gain (loss) on available-for-sale securities decreased by ¥3,591 million, reserve for credit losses decreased by ¥12,753 million, and loss before income taxes and minority interests for the fiscal year ended March 31, 2010 decreased by ¥5,041 million, respectively, as compared to what would have been reported if there was no such accounting change.

(K) PREMISES AND EQUIPMENT

Premises and equipment are stated at cost less accumulated depreciation.

Depreciation of the Group's buildings and the Bank's computer equipment (including ATMs) other than personal computers is computed principally using the straight-line method, and depreciation of other equipment is computed principally using the declining-balance method. Principal estimated useful lives of buildings and equipment as of March 31, 2011 were as follows:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

(L) SOFTWARE

Capitalized software for internal use is depreciated using the straight-line method based on the Group's estimated useful lives (primarily 5 or 8 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

Stock issuance costs are charged to expense as incurred.

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

Formation costs of consolidated subsidiaries are charged to expense as incurred.

(O) RESERVE FOR CREDIT LOSSES

The reserve for loan 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, etc.) or virtually bankrupt, 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 possibly bankrupt, 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.

The Bank applies the discounted cash flow method (the "DCF method") in calculating the loan loss reserve amounts for most of the claims against obligors categorized as possibly bankrupt or substandard under the self-assessment guidelines. Under the DCF method, the loan loss reserve is determined as the difference between (i) relevant estimated cash flows discounted by the original contractual interest rate and (ii) the book value of the claim. In cases where it is difficult to reasonably estimate future cash flows, the Bank sets aside, as reserves, the product of the estimated loss ratios on the claims and either (i) the balance of the claims, in the case of claims against substandard obligors, or (ii) the unsecured, unguaranteed portion of the claims, in the case of claims against possibly bankrupt obligors.

For other claims, the Bank provides a general reserve 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 reserve for other credit losses primarily consists of a reserve taken on the financial stabilization fund contribution.

The consolidated subsidiaries other than the domestic trust and banking subsidiary calculate the general reserve for "normal" and "caution, including substandard" categories based on the actual historical loss ratio, and the specific reserve for the "possibly bankrupt," "virtually bankrupt" and "legally bankrupt" categories based on estimated losses, considering the recoverable value.

For collateralized or guaranteed claims of the Bank and certain consolidated subsidiaries to obligors who are legally bankrupt or virtually bankrupt, the amount of claims exceeding the estimated value of collateral or guarantees, which is deemed uncollectible, has been charged off and totaled ¥190,876 million (U.S.$2,309,174 thousand) and ¥198,293 million as of March 31, 2011 and 2010, respectively.

(P) ACCRUED BONUSES FOR EMPLOYEES AND DIRECTORS

Accrued bonuses for employees and directors are provided in the amount of the estimated bonuses which are attributable to each fiscal year.

(Q) RESERVE FOR EMPLOYEES' RETIREMENT BENEFITS

The Bank, APLUS FINANCIAL, Showa Leasing and Shinki each have a non-contributory 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 reserve for employees' retirement benefits is provided for the payment of employees' retirement benefits based on the estimated amounts of the projected benefit obligation and the estimated value of pension plan assets. Net actuarial gains and losses and prior service costs are amortized using the straight-line method over the average remaining service period primarily from the fiscal year of occurrence.

Effective April 1, 2000, the Bank adopted a new accounting standard for employees' retirement benefits and accounts for the liabilities for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The transitional unrecognized net retirement benefit obligation for the Bank of ¥9,081 million is being amortized using the straight-line method over 15 years.

(R) RESERVE FOR DIRECTORS' RETIREMENT BENEFITS

Retirement allowances for directors and corporate auditors are recorded to state the liability at the amount that would be required if all directors and corporate auditors 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 is 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"), for the acquisition of Shinsei Financial, under which the sharing of interest repayment costs between the Bank and GE is determined.

(T) RESERVE FOR LOSSES ON DISPOSAL OF PREMISES AND EQUIPMENT

The reserve for losses on disposal of premises and equipment is established based on reasonable estimates primarily for the restoration cost associated with the relocation of the headquarters of the Bank.

No amount of the reserve, however, was recognized as of March 31, 2011 as a result of the adoption of the new accounting standard for asset retirement obligations as described in "(W) ASSET RETIREMENT OBLIGATIONS."

(U) RESERVE FOR LOSSES ON LITIGATION

The reserve for losses on litigation is provided in the amount of the estimated losses on litigation in progress.

The litigation which the reserve was recognized for was settled out of court on April 8, 2010. On April 21, 2010, all the payable was settled and the reserve for losses on litigation was reversed at the same time. There is no impact on the net income (loss) for the fiscal year ended March 31, 2011.

(V) RESERVE UNDER SPECIAL LAW

The reserve under special law is provided for contingent liabilities from brokering of securities transactions in accordance with Paragraph 1 of Article 46-5 of the Financial Instruments and Exchange Act of Japan.

(W) ASSET RETIREMENT OBLIGATIONS

In March 2008, the ASBJ published the accounting standard for asset retirement obligations, ASBJ Statement No.18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No.21 "Guidance on Accounting Standard for Asset Retirement Obligations."

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

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

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

This standard was effective for fiscal years beginning on or after April 1, 2010.

The Group applied this accounting standard effective April 1, 2010. The effect of this change was to decrease income before income taxes and minority interests by ¥4,122 million (U.S.$49,877 thousand).

(X) 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 recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. In the 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

(Y) 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 issued in June 1993.

Effective April 1, 2008, the Bank and its consolidated subsidiaries applied the revised accounting standard for lease transactions.

(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 to recognize lease assets and lease obligations in the consolidated balance sheets.

Depreciation of leased 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 leased 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, leased assets are recognized at the amount of lease obligations as of March 31, 2008.

(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.

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 property to the lessee, leased investment assets are recognized at the amount of book values of those leased assets as of March 31, 2008.

As a result, income before income taxes and minority interests increased by ¥2,776 million (U.S.$33,591 thousand) for the fiscal year ended March 31, 2011, and loss before income taxes and minority interests decreased by ¥2,525 million for the fiscal year ended March 31, 2010, as compared to what would have been reported if the revised accounting standard was applied retroactively to all finance lease transactions as lessor.

(Z) 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.

(AA) REVENUE RECOGNITION FOR INTEREST ON CONSUMER LENDING BUSINESS

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

(AB) 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.

(AC) DERIVATIVES AND HEDGE ACCOUNTING

Derivatives are stated at fair value. Derivative transactions that meet the hedge accounting criteria are primarily accounted for using a deferral method whereby unrealized gains and losses are deferred in a separate component of equity until the gains and losses on the hedged items are realized.

(i) 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 Report No. 24. 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.

(ii) 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 the Bank's 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 sold or bought. Such transactions are contracted for the purpose of lending or borrowing in a different currency and converting the corresponding principal equivalents and foreign currency equivalents to pay and receive, whose amounts and due dates are predetermined at the time of the transactions, into forward foreign exchange contracts sold or bought.

Under deferral hedge accounting, hedged items are identified by grouping the foreign currency-denominated financial assets and liabilities by currencies and designating derivative transactions such as currency swap transactions, 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.

(iii) 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 non-arbitrary and strict hedging policy in accordance with Industry Audit Committee Reports No. 24 and No. 25. 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.

(AD) PER SHARE INFORMATION

Basic net income (loss) per common share calculations represent net income (loss) available to common shareholders, divided by the weighted average number of outstanding shares of common stock during the respective fiscal year, retroactively adjusted for stock splits and reverse stock splits.

Diluted net income per common share calculations consider the dilutive effect of common stock equivalents, which include stock acquisition rights, assuming that stock acquisition rights were fully exercised at the time of issuance for those issued during the fiscal year and at the beginning of the fiscal year for those previously issued and outstanding at the beginning of the fiscal year.

(AE) NEW ACCOUNTING PRONOUNCEMENTS

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;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) CONSOLIDATED

(a) Changes in Accounting Policies
When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(b) Changes in Presentations
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.

This accounting standard and the guidance are applied to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

(AF) RECLASSIFICATIONS

Certain reclassifications have been made to the consolidated financial statements for the fiscal year ended March 31, 2010 to conform to the presentation for the fiscal year ended March 31, 2011.

3. CASH AND CASH EQUIVALENTS CONSOLIDATED

The reconciliation of cash and cash equivalents and cash and due from banks in the consolidated balance sheets as of March 31, 2011 and 2010 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Cash and due from banks	**¥ 452,751**	¥ 493,141	**$ 5,477,280**
Interest-bearing deposits included in due from banks	**(152,277)**	(158,903)	**(1,842,214)**
Cash and cash equivalents	**¥ 300,474**	¥ 334,238	**$ 3,635,066**

4. OTHER MONETARY CLAIMS PURCHASED CONSOLIDATED

(a) Other monetary claims purchased as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Trading purposes	**¥ 105,345**	¥ 157,915	**$ 1,274,446**
Other	**51,661**	94,846	**624,983**
Total	**¥ 157,006**	¥ 252,761	**$ 1,899,429**

(b) The fair value and the unrealized loss which is included in net gain (loss) on other monetary claims purchased for trading purposes as of March 31, 2011 and 2010 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2011		2010		**2011**	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Trading purposes	**¥ 105,345**	**¥ 23,296**	¥ 157,915	¥ 22,008	**$ 1,274,446**	**$ 281,829**

5. TRADING ASSETS

CONSOLIDATED

Trading assets as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Trading securities	**¥ 5,567**	¥ 9,602	**$ 67,353**
Derivatives for trading securities	**2,632**	4,891	**31,844**
Securities held to hedge trading transactions	**8,439**	13,836	**102,097**
Derivatives for securities held to hedge trading transactions	**53,855**	39,239	**651,533**
Trading-related financial derivatives	**119,384**	154,971	**1,444,279**
Other trading assets	**5,518**	738	**66,757**
Total	**¥ 195,396**	¥ 223,279	**$ 2,363,863**

6. MONETARY ASSETS HELD IN TRUST

CONSOLIDATED

(a) Monetary assets held in trust as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Trading purposes	**¥ 163,963**	¥ 200,209	**$ 1,983,588**
Other	**89,724**	92,017	**1,085,466**
Total	**¥ 253,688**	¥ 292,227	**$ 3,069,054**

(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 March 31, 2011 and 2010 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2011		2010		**2011**	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Trading purposes	**¥ 163,963**	**¥ 12,741**	¥ 200,209	¥ 10,037	**$ 1,983,588**	**$ 154,141**

(c) The carrying amount of monetary assets held in trust for other than trading purposes is the same as the acquisition cost as of March 31, 2011 and 2010.

7. SECURITIES

CONSOLIDATED

(a) Securities as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Trading securities	¥ 1,051	¥ 2,939	$ 12,722
Securities being held to maturity	553,992	479,542	6,702,069
Securities available for sale:			
Securities carried at fair value	2,600,007	2,617,552	31,454,234
Securities carried at cost whose fair value cannot be reliably determined	91,460	92,400	1,106,461
Investments in unconsolidated subsidiaries at cost and affiliates using the equity method	39,870	40,877	482,346
Total	¥ 3,286,382	¥ 3,233,312	$ 39,757,832

The above balances do not include securities held in connection with securities borrowing transactions with or without cash collateral, securities purchased under resale agreements or securities accepted as collateral for derivative transactions, where the Group has the right to sell or pledge such securities without restrictions. The balances of those securities as of March 31, 2011 and 2010 were ¥24,964 million (U.S.$302,020 thousand) and ¥36,301 million, respectively. In addition, ¥2,032 million (U.S.$24,590 thousand) of those securities were further pledged as of March 31, 2011.

The amount of guarantee obligations for privately-placed bonds (Paragraph 3 of Article 2 of the Financial Instruments and Exchange Act) included in securities as of March 31, 2011 and 2010 were ¥43,585 million (U.S.$527,290 thousand) and ¥48,283 million, respectively.

(b) The amortized/acquisition cost and the fair values of securities (other than trading securities) as of March 31, 2011 and 2010 were as follows:

	Millions of yen							
	2011				2010			
	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	¥ 443,851	¥ 4,042	¥ 86	¥ 447,806	¥ 353,322	¥ 4,659	¥ —	¥ 357,982
Japanese corporate bonds	59,558	653	—	60,211	70,432	1,390	—	71,823
Other	50,583	3,635	468	53,750	55,786	3,233	1,112	57,907
Total	¥ 553,992	¥ 8,331	¥ 555	¥ 561,769	¥ 479,542	¥ 9,284	¥ 1,112	¥ 487,714
Securities available for sale:								
Equity securities	¥ 17,690	¥ 1,678	¥ 4,514	¥ 14,854	¥ 17,790	¥ 1,193	¥ 3,249	¥ 15,734
Japanese national government bonds	2,020,466	882	2,595	2,018,753	2,004,879	6,048	2,647	2,008,280
Japanese local government bonds	1,729	56	—	1,786	1,721	66	—	1,787
Japanese corporate bonds	289,025	723	5,279	284,469	326,550	313	4,971	321,892
Other, primarily foreign debt securities	308,531	4,176	4,183	308,524	301,604	16,281	4,280	313,605
Total	¥ 2,637,444	¥ 7,518	¥ 16,573	¥ 2,628,388	¥ 2,652,547	¥ 23,903	¥ 15,150	¥ 2,661,300

	Thousands of U.S. dollars			
	2011			
	Amortized/ Acquisition cost	Gross unrealized gain	Gross unrealized loss	Fair value
Securities being held to maturity:				
Japanese national government bonds	$ 5,369,605	$ 48,901	$ 1,052	$ 5,417,454
Japanese corporate bonds	720,518	7,908	—	728,426
Other	611,946	43,986	5,668	650,264
Total	$ 6,702,069	$ 100,795	$ 6,720	$ 6,796,144
Securities available for sale:				
Equity securities	$ 214,016	$ 20,307	$ 54,618	$ 179,705
Japanese national government bonds	24,443,097	10,680	31,402	24,422,375
Japanese local government bonds	20,928	681	—	21,609
Japanese corporate bonds	3,496,559	8,758	63,875	3,441,442
Other, primarily foreign debt securities	3,732,540	50,525	50,612	3,732,453
Total	$ 31,907,140	$ 90,951	$ 200,507	$ 31,797,584

Note: "Other, primarily foreign debt securities" includes other monetary claims purchased whose fair value can be reliably determined.

7. SECURITIES (CONTINUED)

CONSOLIDATED

Individual securities, other than trading securities, are written down when a decline in fair value below the cost of such securities is deemed to be other than temporary. The amount written down is accounted for as an impairment loss. Impairment losses on securities other than trading purposes carried at fair value for the fiscal year ended March 31, 2011 were ¥6,416 million (U.S.$77,624 thousand), which consisted of ¥675 million (U.S.$8,172 thousand) for the equity securities, ¥4,716 million (U.S.$57,060 thousand) for the Japanese corporate bonds, ¥243 million (U.S.$2,952 thousand) for the other securities and ¥780 million (U.S.$9,440 thousand) for the other monetary claims purchased. Impairment losses on securities available for sale carried at fair value for the fiscal year ended March 31, 2010 were ¥47 million.

To determine whether an other-than-temporary impairment has occurred, the Bank applies the following rule, by the obligor classification of the security issuer based on the Bank's self-assessment guidelines.

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

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

(c) Unrealized gain (loss) on available-for-sale securities as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Unrealized gain (loss) before deferred tax on:			
Available-for-sale securities	**¥ (9,055)**	¥ 8,753	**$ (109,556)**
The Bank's interests in available-for-sale securities held by partnerships recorded as securities whose fair value cannot be reliably determined and other adjustments	**(67)**	103	**(819)**
Securities being held to maturity, reclassified from available-for-sale in October 2008 under extremely illiquid market conditions	**(5,922)**	(7,309)	**(71,643)**
Deferred tax liabilities	**(232)**	(121)	**(2,818)**
Unrealized gain (loss) on available-for-sale securities before interest adjustments	**(15,278)**	1,424	**(184,836)**
Minority interests	**(4)**	(0)	**(56)**
The Bank's interests in unrealized gain (loss) on available-for-sale securities held by affiliates to which the equity method is applied	**57**	(25)	**693**
Unrealized gain (loss) on available-for-sale securities	**¥ (15,225)**	¥ 1,398	**$ (184,199)**

Financial Highlights
Message from the Management
Special Feature
Review of Operations
Management Structure
Data Section
Notes to Consolidated Financial Statements

7. SECURITIES (CONTINUED) CONSOLIDATED

(d) Available-for-sale securities sold during the fiscal year ended March 31, 2011 and 2010 were as follows:

	Millions of yen					
	2011			2010		
	Proceeds from sales	Gains on sales	Losses on sales	Proceeds from sales	Gains on sales	Losses on sales
Available-for-sale securities sold:						
Equity securities	¥ 1,530	¥ 33	¥ 2	¥ 4,492	¥ 593	¥ 14
Japanese national government bonds	1,701,469	8,685	717	1,231,037	5,356	1
Japanese local government bonds	25,459	16	37	20,865	6	29
Japanese corporate bonds	40,916	137	207	32,212	262	37
Other	101,150	13,776	131	185,963	22,334	457
Total	¥ 1,870,526	¥ 22,649	¥ 1,096	¥ 1,474,571	¥ 28,554	¥ 539

	Thousands of U.S. dollars		
	2011		
	Proceeds from sales	Gains on sales	Losses on sales
Available-for-sale securities sold:			
Equity securities	$ 18,515	$ 401	$ 27
Japanese national government bonds	20,583,958	105,076	8,680
Japanese local government bonds	308,000	202	458
Japanese corporate bonds	495,000	1,659	2,508
Other	1,223,689	166,668	1,591
Total	$ 22,629,162	$ 274,006	$ 13,264

(e) Among the securities that were previously classified as available-for-sale, certain of the foreign bonds with high credit ratings were reclassified to held-to-maturity on October 1, 2008 at their fair values of ¥102,670 million due to extremely illiquid market conditions in accordance with PITF No.26.

The reclassified foreign bonds which are accounted for as held-to-maturity as of March 31, 2010 were as follows:

	Millions of yen		
	2010		
	Fair value	Amortized cost	Unrealized loss on available-for-sale securities
Other (foreign debt securities)	¥ 46,502	¥ 45,498	¥ 7,309

8. LOANS AND BILLS DISCOUNTED CONSOLIDATED

Loans and bills discounted as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Loans on deeds	¥ 3,550,636	¥ 3,996,131	$ 42,954,714
Loans on bills	30,785	146,165	372,432
Bills discounted	2,603	5,482	31,500
Overdrafts	707,436	1,015,983	8,558,391
Total	¥ 4,291,462	¥ 5,163,763	$ 51,917,037

(a) Risk-monitored loans

Loans and bills discounted included loans to bankrupt obligors totaling ¥13,905 million (U.S.$168,221 thousand) and ¥21,526 million as of March 31, 2011 and 2010, respectively, as well as non-accrual delinquent loans totaling ¥317,951 million (U.S.$3,846,495 thousand) and ¥346,705 million as of March 31, 2011 and 2010, respectively.

Non-accrual delinquent loans include loans classified as "possibly bankrupt" and "virtually bankrupt" under the Bank's self-assessment guidelines.

In addition to non-accrual delinquent loans as defined, certain other loans classified as "substandard" under the Bank's self-assessment guidelines include loans past due for three months or more.

8. LOANS AND BILLS DISCOUNTED (CONTINUED) CONSOLIDATED

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 non-accrual delinquent loans. The balances of loans past due for three months or more as of March 31, 2011 and 2010 were ¥2,259 million (U.S.$27,333 thousand) and ¥2,739 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, non-accrual delinquent loans or loans past due for three months or more. The outstanding balances of restructured loans as of March 31, 2011 and 2010 were ¥60,926 million (U.S.$737,070 thousand) and ¥61,369 million, respectively.

(b) Loan participations

The total outstanding amounts deducted from the loan account for loan participations as of March 31, 2011 and 2010 were ¥28,854 million (U.S.$349,075 thousand) and ¥40,254 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 ¥15,366 million (U.S.$185,902 thousand) and ¥33,357 million as of March 31, 2011 and March 31, 2010, respectively.

(c) Bills discounted

Bills discounted, such as bank acceptances bought, commercial bills discounted, documentary bills and foreign exchange contracts bought, are accounted for as financing transactions in accordance with Industry Audit Committee Report No. 24 issued by the JICPA, although the Group has the right to sell or pledge them without restrictions. The face amounts of such bills discounted held as of March 31, 2011 and 2010 were ¥2,731 million (U.S.$33,051 thousand) and ¥5,937 million, respectively.

(d) Loan commitments

The Bank and certain of its consolidated subsidiaries issue commitments to extend credit and establish credit lines for overdrafts to meet the financing needs of their customers. The unfunded amounts of these commitments were ¥4,752,171 million (U.S.$57,490,586 thousand) and ¥5,306,934 million as of March 31, 2011 and 2010, out of which the amounts with original agreement terms of less than one year or which were cancelable were ¥4,604,262 million (U.S.$55,701,221 thousand) and ¥5,113,865 million as of March 31, 2011 and 2010, respectively. Since a large majority of these commitments expire without being drawn upon, the unfunded amounts do not necessarily represent future cash requirements. Many of such agreements include conditions granting the Bank and 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

The assets and liabilities related to foreign currency trade financing activities of the Bank as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Foreign exchange assets:			
Foreign bills bought	**¥ 128**	¥ 454	**$ 1,550**
Foreign bills receivable	**5,088**	—	**61,558**
Due from foreign banks	**36,853**	10,521	**445,842**
Total	**¥ 42,069**	¥ 10,976	**$ 508,950**
Foreign exchange liabilities:			
Foreign bills payable	**¥ 37**	¥ 15	**$ 454**
Due to foreign banks	**2**	2	**29**
Total	**¥ 39**	¥ 17	**$ 483**

10. OTHER ASSETS — CONSOLIDATED

Other assets as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Accrued income	¥ 21,191	¥ 27,879	$ 256,373
Prepaid expenses	3,277	3,929	39,654
Fair value of derivatives	181,793	239,003	2,199,286
Financial stabilization fund contribution	70,239	70,239	849,734
Accounts receivable	59,828	46,595	723,791
Installment receivables	330,485	347,845	3,998,133
Security deposits	15,984	19,397	193,372
Suspense payments	21,920	28,168	265,190
Other	90,077	80,214	1,089,736
Total	¥ 794,798	¥ 863,272	$ 9,615,269

Installment receivables in other assets as of March 31, 2011 and 2010 included credits to bankrupt obligors of ¥430 million (U.S.$5,210 thousand) and ¥1,043 million, non-accrual delinquent credits of ¥3,931 million (U.S.$47,564 thousand) and ¥4,154 million, credits past due for three months or more of ¥426 million (U.S.$5,157 thousand) and ¥919 million, and restructured credits of ¥2,610 million (U.S.$31,584 thousand) and ¥3,464 million, respectively.

11. PREMISES AND EQUIPMENT — CONSOLIDATED

Premises and equipment as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Buildings	¥ 30,495	¥ 27,237	$ 368,922
Land	8,805	9,134	106,532
Tangible leased assets	50,989	58,622	616,853
Other	19,071	25,300	230,726
Subtotal	109,361	120,293	1,323,033
Accumulated depreciation	(59,262)	(68,139)	(716,942)
Net book value	¥ 50,099	¥ 52,154	$ 606,091

12. INTANGIBLE ASSETS — CONSOLIDATED

Intangible assets as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Software	¥ 25,044	¥ 25,216	$ 302,982
Goodwill, net			
Goodwill	55,512	64,193	671,581
Negative goodwill	(5,986)	(6,349)	(72,422)
Intangible assets acquired in business combinations	20,521	25,249	248,260
Intangible leased assets	30	206	369
Other	890	1,436	10,773
Total	¥ 96,013	¥ 109,953	$ 1,161,543

13. RESERVE FOR CREDIT LOSSES

CONSOLIDATED

Reserve for credit losses as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Reserve for loan losses:			
General reserve	**¥ 102,752**	¥ 110,058	**$ 1,243,068**
Specific reserve	**75,251**	65,389	**910,369**
Reserve for loans to restructuring countries	**12**	13	**147**
Subtotal	**178,015**	175,462	**2,153,584**
Specific reserve for other credit losses	**21,196**	21,180	**256,428**
Total	**¥ 199,211**	¥ 196,642	**$ 2,410,012**

14. DEPOSITS, INCLUDING NEGOTIABLE CERTIFICATES OF DEPOSIT

CONSOLIDATED

Deposits, including negotiable certificates of deposit, as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Current	**¥ 11,151**	¥ 29,116	**$ 134,913**
Ordinary	**1,452,943**	1,449,465	**17,577,352**
Notice	**12,269**	11,589	**148,431**
Time	**3,602,989**	4,420,782	**43,588,069**
Negotiable certificates of deposit	**174,046**	284,909	**2,105,571**
Other	**357,285**	279,523	**4,322,357**
Total	**¥ 5,610,687**	¥ 6,475,387	**$ 67,876,693**

15. DEBENTURES

CONSOLIDATED

(a) Debentures as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Coupon debentures	**¥ 348,270**	¥ 483,713	**$ 4,213,288**

(b) Annual maturities of debentures as of March 31, 2011 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 92,530	$ 1,119,414
2013	66,727	807,255
2014	58,535	708,145
2015	57,177	691,713
2016 and thereafter	73,299	886,761
Total	¥ 348,270	$ 4,213,288

16. TRADING LIABILITIES

CONSOLIDATED

Trading liabilities as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Derivatives for trading securities	**¥ 1,794**	¥ 3,638	**$ 21,704**
Derivatives for securities held to hedge trading transactions	**40,300**	19,184	**487,540**
Trading-related financial derivatives	**103,049**	155,012	**1,246,667**
Other trading liabilities	**2,643**	—	**31,982**
Total	**¥ 147,787**	¥ 177,835	**$ 1,787,893**

Financial Highlights
Message from the Management
Special Feature
Review of Operations
Management Structure
Data Section
Notes to Consolidated Financial Statements

17. BORROWED MONEY — CONSOLIDATED

(a) Borrowed money as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Subordinated debt	**¥ 101,400**	¥ 102,000	**$ 1,226,712**
Other borrowed money	**1,571,390**	1,084,837	**19,010,288**
Total	**¥ 1,672,790**	¥ 1,186,837	**$ 20,237,000**

(b) The weighted average interest rate applicable to the total balance of borrowed money as of March 31, 2011 was 0.45%.

(c) Annual maturities of borrowed money as of March 31, 2011 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 1,413,293	$ 17,097,668
2013	69,922	845,910
2014	29,824	360,815
2015	13,420	162,357
2016 and thereafter	146,328	1,770,250
Total	¥ 1,672,790	$ 20,237,000

18. CORPORATE BONDS — CONSOLIDATED

(a) Corporate bonds as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Subordinated bonds	**¥ 149,944**	¥ 162,965	**$ 1,813,986**
Other corporate bonds	**29,667**	25,312	**358,910**
Total	**¥ 179,611**	¥ 188,278	**$ 2,172,896**

(b) Subordinated bonds as of March 31, 2011 and 2010 consisted of the following:

Issuer	Description	Issue	Maturity	Interest Rate (%)	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars 2011
Shinsei Bank	Unsecured subordinated bonds, payable in Yen(1)	Mar. 2005 to Dec. 2009	Mar. 2015 to Dec. 2017	1.96 to 3.40	**¥ 74,000**	¥ 74,000	**$ 895,233**
	Unsecured subordinated notes, payable in Euro(2)	Feb. 2006 and Sep. 2010	Feb. 2016 and Sep. 2020	3.029 and 7.375	**64,069**	67,855	**775,100**
	Unsecured perpetual subordinated notes, payable in Euroyen(3)	Oct.2005	—	2.35 and 2.435	**4,500**	4,500	**54,440**
	Unsecured perpetual subordinated notes, payable in Pounds Sterling	Dec.2006	—	5.625	**6,874**	16,109	**83,164**
Shinsei Bank Finance N.V.	Unsecured perpetual subordinated bonds, payable in Yen	Dec.1996	—	1.8975	**500**	500	**6,049**
	Total				**¥ 149,944**	¥162,965	**$ 1,813,986**

Notes: (1) This includes a series of subordinated bonds, payable in Yen.
(2) This includes a series of the 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 March 31, 2011 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 3,375	$ 40,841
2013	1,933	23,387
2014	1,738	21,034
2015	34,931	422,598
2016 and thereafter	137,631	1,665,036
Total	¥ 179,611	$ 2,172,896

19. OTHER LIABILITIES

CONSOLIDATED

Other liabilities as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Accrued expenses	¥ 57,372	¥ 49,964	$ 694,084
Unearned income	889	1,111	10,763
Income taxes payable	2,072	1,388	25,068
Fair value of derivatives	234,580	295,218	2,837,893
Matured debentures, including interest	16,472	19,648	199,281
Trust account	7,386	6,858	89,360
Accounts payable	73,588	71,899	890,252
Deferred gains on installment receivables and credit guarantee	29,113	28,961	352,209
Asset retirement obligations	7,960	—	96,303
Deposits payable	89,479	100,076	1,082,503
Other	50,446	44,073	610,291
Total	¥ 569,362	¥ 619,201	$ 6,888,007

20. RESERVE FOR EMPLOYEES' RETIREMENT BENEFITS

CONSOLIDATED

(a) The following table presents the funded status of the plans as of March 31, 2011 and 2010:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Projected benefit obligation	¥ 74,248	¥ 72,473	$ 898,237
Fair value of plan assets	(57,591)	(56,114)	(696,722)
Funded status (projected benefit obligation in excess of plan assets)	16,657	16,359	201,515
Unrecognized prior service cost	3,535	2,983	42,773
Unrecognized net actuarial losses	(11,734)	(13,777)	(141,961)
Unrecognized obligation at transition	(2,421)	(3,027)	(29,297)
Net amount accrued on the balance sheets	6,036	2,538	73,030
Prepaid pension cost	(4,980)	(5,179)	(60,249)
Reserve for retirement benefits	¥ 11,016	¥ 7,718	$ 133,279

The table includes benefit obligations of certain consolidated subsidiaries that calculate their obligations based on the full amount due to eligible employees as of the fiscal year-end.
As of March 31, 2011, "Projected benefit obligation" included ¥3,695 million (U.S.$44,704 thousand) of extraordinary severance benefit as a part of a business restructuring at Shinsei Financial.

(b) The following table provides the components of net periodic retirement benefit cost for the fiscal years ended March 31, 2011 and 2010:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Service cost	¥ 3,488	¥ 4,122	$ 42,201
Interest cost	1,518	1,548	18,371
Expected return on plan assets	(1,307)	(1,148)	(15,823)
Amortization of prior service cost	(453)	(419)	(5,483)
Amortization of net actuarial losses	2,583	2,773	31,249
Amortization of unrecognized obligation at transition	605	605	7,324
Other (primarily consists of extraordinary severance benefit)	5,699	688	68,957
Net periodic retirement benefit cost	¥ 12,134	¥ 8,170	$ 146,796

For the fiscal year ended March 31, 2011, "Other (primarily consists of extraordinary severance benefit)" included ¥3,936 million (U.S.$47,627 thousand) of extraordinary severance benefit as a part of a business restructuring at Shinsei Financial.

20. RESERVE FOR EMPLOYEES' RETIREMENT BENEFITS (CONTINUED) CONSOLIDATED

(c) Assumptions used in calculation of the above information were as follows:

	2011	2010
Discount rate	1.40-2.20%	1.50-2.20%
Expected rate of return on plan assets	0.75-3.50%	0.75-3.50%
Method of attributing the projected benefits to periods of service	Straight-line basis	Straight-line basis
Period of amortization of prior service cost	5.00-14.74 years	5.00-14.74 years
Period of amortization of net actuarial losses	5.00-14.74 years	5.00-14.74 years
Period of amortization of unrecognized obligation at transition	15 years	15 years

21. ACCEPTANCES AND GUARANTEES CONSOLIDATED

Acceptances and guarantees as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Guarantees	¥ 575,700	¥ 623,786	$ 6,964,679

22. ASSETS PLEDGED AS COLLATERAL CONSOLIDATED

Assets pledged as collateral and liabilities collateralized as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Assets pledged as collateral:			
Cash and due from banks	¥ 866	¥ 876	$ 10,479
Monetary assets held in trust	1,752	—	21,204
Securities	2,131,834	1,499,840	25,790,395
Loans and bills discounted	315,268	293,388	3,814,045
Lease receivables and leased investment assets	83,980	55,515	1,015,975
Other assets	27,542	436	333,201
Premises and equipment	1,352	1,887	16,356
Liabilities collateralized:			
Deposits, including negotiable certificates of deposit	¥ 1,752	¥ 790	$ 21,205
Call money	160,000	310,000	1,935,640
Payables under repurchase agreements	—	8,430	—
Collateral related to securities lending transactions	265,028	548,479	3,206,251
Borrowed money	1,346,543	708,999	16,290,146
Corporate bonds	17,816	—	215,528
Other liabilities	26	24	321
Acceptances and guarantees	922	920	11,159

In addition, ¥239,836 million (U.S.$2,901,481 thousand) and ¥231,818 million of securities as of March 31, 2011 and 2010, were pledged as collateral for transactions, including exchange settlements, swap transactions and replacement of margin for future trading.

Also, ¥12,150 million (U.S.$146,989 thousand) and ¥227 million of margin deposits for futures transactions outstanding were included in other assets as of March 31, 2011 and 2010, respectively. In addition, ¥11,819 million (U.S.$142,993 thousand) and ¥13,776 million of cash collateral pledged for derivative transactions were included in other assets as of March 31, 2011 and 2010, respectively.

23. PREFERRED SECURITIES ISSUED BY SUBSIDIARIES OUTSIDE JAPAN

CONSOLIDATED

In February 2006, Shinsei Finance (Cayman) Limited, the Bank's wholly owned subsidiary, issued U.S.$775 million of step-up non-cumulative perpetual preferred securities with a fixed dividend rate of 6.418% until July 20, 2016 and a step-up floating dividend rate thereafter. On any dividend payment date in July, 2016 or thereafter, Shinsei Finance (Cayman) Limited may redeem the securities at a price equal to the liquidation preference together with any dividends otherwise payable, subject to the prior approval of the FSA.

In March 2006, Shinsei Finance II (Cayman) Limited, the Bank's wholly owned subsidiary, issued U.S.$700 million of non-cumulative perpetual preferred securities with a fixed dividend rate of 7.160% until July 25, 2016 and a floating dividend rate thereafter. On any dividend payment date in July 2016 or on each dividend payment date falling at ten year intervals thereafter, Shinsei Finance II (Cayman) Limited may redeem the securities at a price equal to the liquidation preference together with any dividends otherwise payable, subject to the prior approval of the FSA.

In March 2009, Shinsei Finance III (Cayman) Limited, the Bank's wholly owned subsidiary, issued ¥19,000 million of non-cumulative perpetual preferred securities with a fixed dividend rate of 5.50% until July 23, 2014 and a floating dividend rate thereafter, and also issued ¥20,100 million of step-up non-cumulative perpetual preferred securities with a fixed dividend rate of 5.00% until July 23, 2019 and a step-up floating dividend rate thereafter. On any dividend payment date in July 2014 or thereafter, Shinsei Finance III (Cayman) Limited may redeem the securities at a price equal to the liquidation preference together with any dividends otherwise payable, subject to the prior approval of the FSA.

Also in March 2009, Shinsei Finance IV (Cayman) Limited, the Bank's wholly owned subsidiary, issued ¥2,500 million of step-up non-cumulative perpetual preferred securities with a fixed dividend rate of 5.00% until July 23, 2019 and a step-up floating dividend rate thereafter, and also issued ¥6,600 million of non-cumulative perpetual preferred securities with a fixed dividend rate of 5.50% until July 23, 2014 and a floating dividend rate thereafter. On any dividend payment date in July 2014 or thereafter, Shinsei Finance IV (Cayman) Limited may redeem the securities at a price equal to the liquidation preference together with any dividends otherwise payable, subject to the prior approval of the FSA.

In October 2009, Shinsei Finance V (Cayman) Limited, the Bank's wholly owned subsidiary, issued ¥4,000 million of the non-cumulative perpetual preferred securities with a fixed dividend rate of 5.50% until July 23, 2015 and a floating dividend rate thereafter, and also issued ¥5,000 million of non-cumulative perpetual preferred securities with a floating dividend rate. On any dividend payment date in July 2015 or thereafter, Shinsei Finance V (Cayman) Limited may redeem the securities at a price equal to the liquidation preference together with any dividends otherwise payable, subject to the prior approval of the FSA.

The Bank repurchased $615 million, $22 million and $100 million of step-up non-cumulative perpetual preferred securities of Shinsei Finance (Cayman) Limited, and $457 million, $97 million and $121 million of non-cumulative perpetual preferred securities of Shinsei Finance II (Cayman) Limited in open-market transactions and cancelled all of the repurchased securities during the fiscal years ended March 31, 2011, 2010 and 2009, respectively. Also, the Bank repurchased ¥2,400 million and ¥3,100 million of non-cumulative perpetual preferred securities of Shinsei Finance III (Cayman) Limited in open-market transactions and cancelled all of the repurchased securities during the fiscal years ended March 31, 2011 and 2010.

These preferred securities are accounted for as minority interests in the consolidated balance sheets. The amounts recognized as minority interests as of March 31, 2011 and 2010 were ¥59,621 million (U.S.$721,289 thousand) and ¥167,154 million, respectively.

24. EQUITY

CONSOLIDATED

The authorized number of shares of common stock as of March 31, 2011 was 4,000,000 thousand common shares.

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

	Thousands	
	Issued number of shares	Number of treasury stock
	Common stock	Common stock
Fiscal year ended March 31, 2010:		
Beginning of year	2,060,346	96,427
Increase	—	0
Decrease	—	—
End of year	2,060,346	96,427
Fiscal year ended March 31, 2011:		
Beginning of year	**2,060,346**	**96,427**
Increase	**690,000**	**—**
Decrease	**—**	**—**
End of year	**2,750,346**	**96,427**

In March, 2011, the Bank issued 690,000,000 new shares of common stock through an international offering, at a issue price of ¥108 (U.S.$1.31) per share and the aggregate amount paid to the Bank was ¥71,815 million (U.S.$868,802 thousand).

As a result, the amount of common stock and capital surplus increased by ¥35,907 million (U.S.$434,401 thousand), respectively.

Japanese banks are subject to the Companies Act of Japan (the "Companies Act") and the Banking Act. The significant provisions in the Companies Act and the Banking Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors of such company may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

The Bank meets all of the above criteria and its articles of incorporation prescribe the authority for dividend declaration by the Board of Directors.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain-limitations and additional requirements.

Semi-annual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act and the Banking Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Banking Act requires that an amount equal to 20% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account that was charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 100% of the common stock.

The Companies Act provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

25. STOCK ACQUISITION RIGHTS

CONSOLIDATED

The Bank issues stock acquisition rights as a stock option plan to directors, statutory executive officers and employees of the Bank and its subsidiaries as well as to its senior advisors.

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.

On December 27, 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.

Income of ¥34 million (U.S.$411 thousand) was recognized for the fiscal year ended March 31, 2011, due to reversal of expenses associated with rights that were cancelled before vesting dates which exceeded compensation expense during the fiscal year. Net stock-based compensation expense was ¥94 million for the fiscal year ended March 31, 2010. Gains on unexercised and forfeited stock acquisition rights included in other gains (losses), net were ¥225 million (U.S.$2,725 thousand) and ¥229 million for the fiscal years ended March 31, 2011 and 2010. There were no stock acquisition rights issued during the fiscal year ended March 31, 2011.

(a) Details of stock options

Stock options outstanding as of March 31, 2011 were as follows:

	Date of issuance	Total number of stock options (shares) at the issuance	Total number of holders at the issuance	Exercise period	Exercise price (Yen)	Fair value price at the grant date (Yen)
1st	July 1, 2004	9,455,000	2,196	July 1, 2006-June 23, 2014	684	—
2nd	October 1, 2004	161,000	3	July 1, 2006-June 23, 2014	646	—
3rd	December 10, 2004	25,000	1	July 1, 2006-June 23, 2014	697	—
4th	June 1, 2005	250,000	1	July 1, 2006-June 23, 2014	551	—
5th	June 27, 2005	4,922,000	462	July 1, 2007-June 23, 2015	601	—
6th	June 27, 2005	2,856,000	40	July 1, 2007-June 23, 2015	601	—
7th	June 27, 2005	1,287,000	135	July 1, 2008-June 23, 2015	601	—
8th	June 27, 2005	561,000	35	July 1, 2008-June 23, 2015	601	—
9th	September 28, 2005	157,000	2	July 1, 2007-June 23, 2015	697	—
10th	September 28, 2005	53,000	2	July 1, 2008-June 23, 2015	697	—
13th	May 25, 2006	5,342,000	588	June 1, 2008-June 23, 2015	825	163 or 173
14th	May 25, 2006	3,027,000	31	June 1, 2008-June 23, 2015	825	163 or 173
15th	May 25, 2006	1,439,000	171	June 1, 2009-June 23, 2015	825	173 or 192
16th	May 25, 2006	331,000	19	June 1, 2009-June 23, 2015	825	173 or 192
17th	May 25, 2007	3,306,000	135	June 1, 2009-May 8, 2017	555	131 or 143
18th	May 25, 2007	1,480,000	26	June 1, 2009-May 8, 2017	555	131 or 143
19th	July 2, 2007	140,000	32	July 1, 2009-June 19, 2017	527	121 or 132
20th	May 30, 2008	2,830,000	124	June 1, 2010-May 13, 2018	416	158 or 169
21st	May 30, 2008	2,081,000	30	June 1, 2010-May 13, 2018	416	158 or 169
22nd	July 10, 2008	203,000	43	July 1, 2010-June 24, 2018	407	127 or 137
23rd	December 1, 2008	97,000	17	December 1, 2010-November 11, 2018	221	53 or 57

25. STOCK ACQUISITION RIGHTS (CONTINUED)

CONSOLIDATED

(b) Number of stock options and movement therein

Numbers of stock options and per share price information are as follows:

	1st	2nd	3rd	4th
Fiscal year ended March 31, 2010				
Non-vested (share)				
Outstanding at the beginning of the year	—	—	—	—
Granted during the year	—	—	—	—
Forfeited during the year	—	—	—	—
Vested during the year	—	—	—	—
Outstanding at the end of the year	—	—	—	—
Vested (share)				
Outstanding at the beginning of the year	5,945,000	42,000	25,000	250,000
Vested during the year	—	—	—	—
Exercised during the year	—	—	—	—
Forfeited during the year	647,000	35,000	—	—
Exercisable at the end of the year	5,298,000	7,000	25,000	250,000
Exercise price (Yen)	684	646	697	551
Weighted average stock price at the date of exercise (Yen)	—	—	—	—
Fiscal year ended March 31, 2011				
Non-vested (share)				
Outstanding at the beginning of the year	—	—	—	—
Granted during the year	—	—	—	—
Forfeited during the year	—	—	—	—
Vested during the year	—	—	—	—
Outstanding at the end of the year	—	—	—	—
Vested (share)				
Outstanding at the beginning of the year	5,298,000	7,000	25,000	250,000
Vested during the year	—	—	—	—
Exercised during the year	—	—	—	—
Forfeited during the year	229,000	7,000	25,000	—
Exercisable at the end of the year	5,069,000	—	—	250,000
Exercise price (Yen)	684	646	697	551
Weighted average stock price at the date of exercise (Yen)	—	—	—	—

	5th	6th	7th	8th
Fiscal year ended March 31, 2010				
Non-vested (share)				
Outstanding at the beginning of the year	—	—	370,000	133,000
Granted during the year	—	—	—	—
Forfeited during the year	—	—	107,000	24,000
Vested during the year	—	—	2,000	—
Outstanding at the end of the year	—	—	261,000	109,000
Vested (share)				
Outstanding at the beginning of the year	3,368,000	2,153,000	537,000	162,000
Vested during the year	—	—	2,000	—
Exercised during the year	—	—	—	—
Forfeited during the year	675,000	232,000	111,000	34,000
Exercisable at the end of the year	2,693,000	1,921,000	428,000	128,000
Exercise price (Yen)	601	601	601	601
Weighted average stock price at the date of exercise (Yen)	—	—	—	—
Fiscal year ended March 31, 2011				
Non-vested (share)				
Outstanding at the beginning of the year	—	—	261,000	109,000
Granted during the year	—	—	—	—
Forfeited during the year	—	—	69,000	—
Vested during the year	—	—	192,000	109,000
Outstanding at the end of the year	—	—	—	—
Vested (share)				
Outstanding at the beginning of the year	2,693,000	1,921,000	428,000	128,000
Vested during the year	—	—	192,000	109,000
Exercised during the year	—	—	—	—
Forfeited during the year	364,000	377,000	114,000	50,000
Exercisable at the end of the year	2,329,000	1,544,000	506,000	187,000
Exercise price (Yen)	601	601	601	601
Weighted average stock price at the date of exercise (Yen)	—	—	—	—

25. STOCK ACQUISITION RIGHTS (CONTINUED)

CONSOLIDATED

	9th	10th	11th	12th
Fiscal year ended March 31, 2010				
Non-vested (share)				
Outstanding at the beginning of the year	—	26,000	—	7,000
Granted during the year	—	—	—	—
Forfeited during the year	—	8,000	—	7,000
Vested during the year	—	—	—	—
Outstanding at the end of the year	—	18,000	—	—
Vested (share)				
Outstanding at the beginning of the year	157,000	27,000	41,000	7,000
Vested during the year	—	—	—	—
Exercised during the year	—	—	—	—
Forfeited during the year	49,000	9,000	41,000	7,000
Exercisable at the end of the year	108,000	18,000	—	—
Exercise price (Yen)	697	697	774	774
Weighted average stock price at the date of exercise (Yen)	—	—	—	—
Fiscal year ended March 31, 2011				
Non-vested (share)				
Outstanding at the beginning of the year	—	18,000	—	—
Granted during the year	—	—	—	—
Forfeited during the year	—	—	—	—
Vested during the year	—	18,000	—	—
Outstanding at the end of the year	—	—	—	—
Vested (share)				
Outstanding at the beginning of the year	108,000	18,000	—	—
Vested during the year	—	18,000	—	—
Exercised during the year	—	—	—	—
Forfeited during the year	—	—	—	—
Exercisable at the end of the year	108,000	36,000	—	—
Exercise price (Yen)	697	697	—	—
Weighted average stock price at the date of exercise (Yen)	—	—	—	—

	13th	14th	15th	16th
Fiscal year ended March 31, 2010				
Non-vested (share)				
Outstanding at the beginning of the year	1,445,000	436,000	957,000	116,000
Granted during the year	—	—	—	—
Forfeited during the year	124,000	109,000	184,000	77,000
Vested during the year	1,321,000	327,000	456,000	22,000
Outstanding at the end of the year	—	—	317,000	17,000
Vested (share)				
Outstanding at the beginning of the year	2,261,000	2,004,000	85,000	2,000
Vested during the year	1,321,000	327,000	456,000	22,000
Exercised during the year	—	—	—	—
Forfeited during the year	762,000	287,000	110,000	4,000
Exercisable at the end of the year	2,820,000	2,044,000	431,000	20,000
Exercise price (Yen)	825	825	825	825
Weighted average stock price at the date of exercise (Yen)	—	—	—	—
Fiscal year ended March 31, 2011				
Non-vested (share)				
Outstanding at the beginning of the year	—	—	317,000	17,000
Granted during the year	—	—	—	—
Forfeited during the year	—	—	113,000	—
Vested during the year	—	—	87,000	—
Outstanding at the end of the year	—	—	117,000	17,000
Vested (share)				
Outstanding at the beginning of the year	2,820,000	2,044,000	431,000	20,000
Vested during the year	—	—	87,000	—
Exercised during the year	—	—	—	—
Forfeited during the year	430,000	247,000	103,000	—
Exercisable at the end of the year	2,390,000	1,797,000	415,000	20,000
Exercise price (Yen)	825	825	825	825
Weighted average stock price at the date of exercise (Yen)	—	—	—	—

25. STOCK ACQUISITION RIGHTS (CONTINUED)

CONSOLIDATED

	17th	18th	19th	20th
Fiscal year ended March 31, 2010				
Non-vested (share)				
Outstanding at the beginning of the year	2,256,000	513,000	140,000	2,298,000
Granted during the year	—	—	—	—
Forfeited during the year	612,000	143,000	—	294,000
Vested during the year	975,000	205,000	88,000	37,000
Outstanding at the end of the year	669,000	165,000	52,000	1,967,000
Vested (share)				
Outstanding at the beginning of the year	419,000	712,000	—	10,000
Vested during the year	975,000	205,000	88,000	37,000
Exercised during the year	—	—	—	—
Forfeited during the year	232,000	36,000	—	—
Exercisable at the end of the year	1,162,000	881,000	88,000	47,000
Exercise price (Yen)	555	555	527	416
Weighted average stock price at the date of exercise (Yen)	—	—	—	—
Fiscal year ended March 31, 2011				
Non-vested (share)				
Outstanding at the beginning of the year	669,000	165,000	52,000	1,967,000
Granted during the year	—	—	—	—
Forfeited during the year	231,000	85,000	—	361,000
Vested during the year	250,000	24,000	4,000	1,280,000
Outstanding at the end of the year	188,000	56,000	48,000	326,000
Vested (share)				
Outstanding at the beginning of the year	1,162,000	881,000	88,000	47,000
Vested during the year	250,000	24,000	4,000	1,280,000
Exercised during the year	—	—	—	—
Forfeited during the year	192,000	86,000	—	230,000
Exercisable at the end of the year	1,220,000	819,000	92,000	1,097,000
Exercise price (Yen)	555	555	527	416
Weighted average stock price at the date of exercise (Yen)	—	—	—	—

	21st	22nd	23rd
Fiscal year ended March 31, 2010			
Non-vested (share)			
Outstanding at the beginning of the year	1,635,000	203,000	97,000
Granted during the year	—	—	—
Forfeited during the year	665,000	10,000	21,000
Vested during the year	—	10,000	—
Outstanding at the end of the year	970,000	183,000	76,000
Vested (share)			
Outstanding at the beginning of the year	—	—	—
Vested during the year	—	10,000	—
Exercised during the year	—	—	—
Forfeited during the year	—	—	—
Exercisable at the end of the year	—	10,000	—
Exercise price (Yen)	416	407	221
Weighted average stock price at the date of exercise (Yen)	—	—	—
Fiscal year ended March 31, 2011			
Non-vested (share)			
Outstanding at the beginning of the year	970,000	183,000	76,000
Granted during the year	—	—	—
Forfeited during the year	563,000	2,000	17,000
Vested during the year	326,000	109,000	35,000
Outstanding at the end of the year	81,000	72,000	24,000
Vested (share)			
Outstanding at the beginning of the year	—	10,000	—
Vested during the year	326,000	109,000	35,000
Exercised during the year	—	—	—
Forfeited during the year	132,000	3,000	—
Exercisable at the end of the year	194,000	116,000	35,000
Exercise price (Yen)	416	407	221
Weighted average stock price at the date of exercise (Yen)	—	—	—

25. STOCK ACQUISITION RIGHTS (CONTINUED) CONSOLIDATED

(c) Measurement of the fair value of stock options
There were no stock options granted or whose fair value was changed due to the modification to the terms and conditions during the fiscal years ended March 31, 2011 and 2010.

(d) Method of determining the vested number of stock options
Incorporated only the actual forfeited options, as the reasonable estimate of future forfeitures is not determinable.

26. NET TRADING INCOME (LOSS) CONSOLIDATED

Net trading income (loss) for the fiscal years ended March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Income (loss) from trading securities	¥ 771	¥ 3,879	$ 9,336
Income (loss) from securities held to hedge trading transactions	(2,857)	4,407	(34,570)
Income (loss) from trading-related financial derivatives	13,678	328	165,484
Other, net	56	399	681
Total	¥ 11,649	¥ 9,014	$ 140,931

27. OTHER BUSINESS INCOME (LOSS), NET CONSOLIDATED

"Other, net" in other business income (loss), net, for the fiscal years ended March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Income (loss) from derivatives entered into for banking purposes, net	¥ 1,722	¥ (644)	$ 20,835
Equity in net income (loss) of affiliates	1,333	(4,181)	16,130
Gain on lease cancellation and other lease income (loss), net	(84)	(765)	(1,024)
Other, net	1,725	437	20,879
Total	¥ 4,696	¥ (5,153)	$ 56,820

28. NET CREDIT COSTS CONSOLIDATED

Net credit costs for the fiscal years ended March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Losses on write-off or sales of loans	¥ 7,587	¥ 18,588	$ 91,795
Net provision (reversal) of reserve for loan losses:			
Net provision (reversal) of general reserve for loan losses	30,417	40,012	367,987
Net provision (reversal) of specific reserve for loan losses	31,286	55,535	378,494
Net provision (reversal) of reserve for loan losses to restructuring countries	(1)	(1)	(13)
Subtotal	61,703	95,547	746,468
Net provision (reversal) of specific reserve for other credit losses	15	(113)	189
Other credit costs (recoveries) relating to leasing business	(909)	(1,724)	(10,997)
Total	¥ 68,397	¥ 112,298	$ 827,455

29. OTHER GAINS (LOSSES), NET

CONSOLIDATED

Other gains (losses), net for the fiscal years ended March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Net gain (loss) on disposal of premises and equipment	¥ (552)	¥ (1,961)	$ (6,689)
Provision for losses on disposal of premises and equipment	—	(266)	—
Pension-related costs	(944)	(359)	(11,428)
Gains on write-off of unclaimed debentures	556	525	6,730
Recoveries of written-off claims	14,854	10,760	179,705
Provision of reserve for losses on interest repayments	(10,145)	(29,656)	(122,743)
Impairment losses on goodwill and other intangible assets	—	(73,396)	—
Impairment losses on long-lived assets	(2,367)	(2,349)	(28,641)
Gains from the cancellation of issued corporate bonds and other instruments	29,486	21,269	356,716
Losses on application of new accounting standard for asset retirement obligations	(3,639)	—	(44,034)
Business restructuring cost	(4,737)	—	(57,316)
Provision for litigation losses	—	(2,210)	—
Other, net	(538)	(5,656)	(6,520)
Total	¥ 21,969	¥ (83,300)	$ 265,780

(a) Gains from the cancellation of issued corporate bonds and other instruments

For the fiscal year ended March 31, 2011, the Bank recognized ¥29,486 million (U.S.$356,716 thousand) of gains from the cancellation of issued corporate bonds and other instruments, in connection with the cancellation of €343 million and £63 million of subordinated notes of the Bank in consequence of the exchange offering and the repurchase in open-market transaction, and the repurchase and cancellation of $615 million of preferred securities of Shinsei Finance (Cayman) Limited, $458 million of preferred securities of Shinsei Finance II (Cayman) Limited, and ¥2,400 million of preferred securities of Shinsei Finance III (Cayman) Limited, in open-market transaction.

For the fiscal year ended March 31, 2010, the Bank recognized ¥21,269 million of gains from the cancellation of issued corporate bonds and other instruments in connection with the repurchase and cancellation of €51 million, £71 million and ¥22,300 million of subordinated notes and bonds of the Bank, $22 million of preferred securities of Shinsei Finance (Cayman) Limited, $97 million of preferred securities of Shinsei Finance II (Cayman) Limited, and ¥3,100 million of preferred securities of Shinsei Finance III (Cayman) Limited, in open-market transaction.

(b) Impairment losses on goodwill and other intangible assets

For the fiscal year ended March 31, 2010, impairment losses on goodwill and other intangible assets were associated with Bank's investment in its consolidated subsidiaries APLUS FINANCIAL and Shinki and their subsidiaries. The amount of impairment loss for goodwill and other intangible assets associated with APLUS FINANCIAL group was ¥61,538 million and ¥7,638 million, respectively, and the amount of impairment loss for other intangible assets associated with Shinki group was ¥4,219 million.

Impairment testing was conducted for the business of APLUS FINANCIAL group and Shinki group as a result of the significant adverse environment of their consumer finance business caused by the revised Money-Lending Business Control and Regulation Act in Japan and continuous reimbursement request of excess interest payments.

Impairment losses on goodwill and other intangible assets were recognized based on the recoverable amount measured at their "value in use." The "value in use" of APLUS FINANCIAL group was calculated using the discounted cash flow method with a 5 year future cash flow projection, no growth terminal value and a 13.0% discount rate, and the "value in use" of Shinki group was calculated using the discounted cash flow method with a 5 year future cash flow projection and a 20.0% discount rate.

As a result of testing, outstanding goodwill and other intangible assets associated with APLUS FINANCIAL group and other intangible assets associated with Shinki group were fully impaired in the fiscal year ended March 31, 2010.

(c) Impairment losses on long-lived assets

For the fiscal year ended March 31, 2011, an impairment loss on long-lived assets of ¥816 million (U.S.$9,877 thousand) was 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. In addition, an impairment loss on long-lived assets of ¥860 million (U.S.$10,406 thousand) was recognized by Shinsei Financial on the properties of personal loan business which were decided to be closed or to be disposed earlier than original plan and the properties for rent and for sale whose fair value declined significantly. The recoverable amount of the assets was primarily measured at the net selling price at disposition.

29. OTHER GAINS (LOSSES), NET (CONTINUED) CONSOLIDATED

For the fiscal year ended March 31, 2010, an impairment loss on long-lived assets of ¥1,283 million was recognized by Shinki for unused properties whose fair value declined significantly and assets that are planned to be disposed in consequence of IT integration. The recoverable amount of the assets was primarily measured at the net selling price at disposition.

(d) Business restructuring cost
For the fiscal year ended March 31, 2011, business restructuring cost primarily contained an extraordinary severance benefit due to the business restructuring of Shinsei Financial amounting to ¥3,936 million (U.S.$47,627 thousand).

30. INCOME TAXES CONSOLIDATED

The Group is subject to a number of taxes based on income, such as corporate tax, inhabitant tax and enterprise tax, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.7% for each of the fiscal years ended March 31, 2011 and 2010.

(a) A reconciliation of the normal effective statutory tax rate with the actual effective tax rate for the fiscal years ended March 31, 2011 and 2010 was as follows:

	2011	2010
Normal effective statutory tax rate	(40.7)%	(40.7)%
Increase (decrease) in taxes resulting from:		
Permanently tax-exempt income	(0.9)	(0.8)
Amortization and impairment of goodwill	5.9	24.7
Equity in net income/loss of affiliates	(0.9)	1.4
Other non-deductible expenses	0.5	0.3
Change in valuation allowance	(3.5)	13.6
Loss on sale of consolidated subsidiaries	(22.3)	—
Expiration of tax loss carryforwards	—	13.2
Other	(7.0)	(5.0)
Actual effective tax rate	12.5 %	6.7 %

(b) The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities, as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred tax assets:			
Tax loss carryforwards	¥ 268,434	¥ 241,524	$ 3,247,450
Reserve for credit losses	197,974	220,429	2,395,044
Securities	43,623	50,898	527,751
Monetary assets held in trust	20,994	19,517	253,990
Reserve for losses on interest repayments	17,577	28,519	212,651
Net unrealized loss on available-for-sale securities	6,122	—	74,063
Deferred loss on derivatives under hedge accounting	5,357	6,251	64,813
Other	47,909	44,104	579,592
Subtotal	607,993	611,245	7,355,354
Valuation allowance	(576,842)	(573,394)	(6,978,500)
Total deferred tax assets	31,150	37,850	376,854
Offset with deferred tax liabilities	(12,547)	(18,881)	(151,798)
Net deferred tax assets	¥ 18,603	¥ 18,969	$ 225,056
Deferred tax liabilities:			
Temporary differences due to business combination (primarily related to identified intangible assets)	¥ 9,125	¥ 11,254	$ 110,391
Deferred gain on derivatives under hedge accounting	1,901	8,006	23,005
Asset retirement costs included in premises and equipment	1,453	—	17,588
Net unrealized gain on available-for-sale securities	232	121	2,818
Other	524	1,046	6,348
Total deferred tax liabilities	13,238	20,429	160,151
Offset with deferred tax assets	(12,547)	(18,881)	(151,798)
Net deferred tax liabilities	¥ 690	¥ 1,547	$ 8,353

30. INCOME TAXES (CONTINUED)

CONSOLIDATED

(c) The Bank has ¥126,086 million (U.S.$1,525,365 thousand) of tax loss carryforward related to corporate tax as of March 31, 2011. The schedule of tax loss carryforward and its expiration date are as follows:

	Amount		
Fiscal year ended March 31	Millions of yen	Thousands of U.S. dollars	Date of expiry
2009	¥ 108,010	$ 1,306,686	March 31, 2016
2011	18,076	218,679	March 31, 2018
Total	¥ 126,086	$ 1,525,365	

In addition, other significant tax loss carryforwards of major subsidiaries as of March 31, 2011 are as follows:

Subsidiary	Fiscal period ended	Millions of yen	Thousands of U.S. Dollars	Date of expiry
APLUS FINANCIAL	March 31, 2005	¥ 142,716	$ 1,726,554	March 31, 2012
	September 30, 2005	2,649	32,048	March 31, 2013
	March 31, 2006	4,399	53,228	March 31, 2013
	March 31, 2007	29,537	357,341	March 31, 2014
	March 31, 2008	11,826	143,080	March 31, 2015
	March 31, 2009	2	36	March 31, 2016
	September 30, 2009	1	12	March 31, 2017
	March 31, 2010	9	109	March 31, 2017
	Total	¥ 191,143	$ 2,312,408	
Shinsei Financial	December 31, 2007	¥ 28,327	$ 342,702	March 31, 2014
	December 31, 2008	38,731	468,558	March 31, 2016
	March 31, 2009	27,540	333,180	March 31, 2016
	March 31, 2010	148,459	1,796,031	March 31, 2017
	March 31, 2011	21,920	265,184	March 31, 2018
	Total	¥ 264,979	$ 3,205,655	
Showa Leasing	March 31, 2007	¥ 8,119	$ 98,223	March 31, 2014
	March 31, 2008	707	8,554	March 31, 2015
	March 31, 2009	18	223	March 31, 2016
	March 31, 2010	80	971	March 31, 2017
	March 31, 2011	26	320	March 31, 2018
	Total	¥ 8,951	$ 108,291	
Shinki	March 31, 2008	¥ 19,037	$ 230,314	March 31, 2015
	March 31, 2009	9,280	112,273	March 31, 2016
	March 31, 2010	5,605	67,809	March 31, 2017
	March 31, 2011	14,073	170,256	March 31, 2018
	Total	¥ 47,996	$ 580,652	

The Bank cannot include the tax loss carryforwards of APLUS FINANCIAL, Shinsei Financial, Showa Leasing and Shinki in its own tax loss carryforwards because they are not wholly-owned subsidiaries and, therefore, cannot be included in the Bank's consolidated corporate tax system.

31. NET INCOME (LOSS) PER COMMON SHARE

CONSOLIDATED

Diluted net income per common share for the fiscal year ended March 31, 2011 is not disclosed because there is no effect from dilutive securities and diluted net income per common share for the fiscal year ended March 31, 2010 is not disclosed because of the Group's net loss position.

Basic net income (loss) per common share ("EPS") for the fiscal years ended March 31, 2011 and 2010 were as follows:

	Net income (loss) (Millions of yen)	Weighted average shares (Thousands)	EPS (Yen)	EPS (U.S. dollars)
For the fiscal year ended March 31, 2011:				
Basic EPS				
Net income (loss) available to common shareholders	**¥ 42,650**	**1,996,056**	**¥ 21.36**	**$ 0.26**
For the fiscal year ended March 31, 2010:				
Basic EPS				
Net income (loss) available to common shareholders	¥ (140,150)	1,963,919	¥ (71.36)	

32. COMPREHENSIVE INCOME

CONSOLIDATED

(a) Total comprehensive income for the year ended March 31, 2010 was the following:

	Millions of yen
	2010
Total comprehensive income attributable to:	
Owners of the parent	¥ (102,308)
Minority interests	2,922
Total	¥ (99,385)

(b) Other comprehensive income for the year ended March 31, 2010 consisted of the following:

	Millions of yen
	2010
Other comprehensive income:	
Unrealized gain (loss) on available-for-sale securities	¥ 40,013
Deferred gain (loss) on derivatives under hedge accounting	(330)
Foreign currency translation adjustments	(6,650)
Share of other comprehensive income in affiliates	(1,074)
Total	¥ 31,957

33. LEASE TRANSACTIONS

CONSOLIDATED

(A) Disclosures for finance lease transactions as of March 31, 2011 and 2010 are as follows:

AS LESSEE

For financial lease transactions, where the ownership of the property is not deemed to transfer to the lessee.

(a) Leased assets are primarily buildings, tools, equipment and fixtures included in "Premises and equipment," and software included in "Intangible assets."

(b) Depreciation method is described in "(Y) LEASE TRANSACTIONS" in "2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

AS LESSOR

(a) Breakdown of lease receivables and leased investment assets as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Lease receivables	**¥ 26,069**	¥ 20,221	**$ 315,388**
Lease investment assets:			
Lease payment receivables	**195,289**	213,254	**2,362,564**
Estimated residual value	**8,832**	9,512	**106,851**
Interest equivalent	**(24,150)**	(29,284)	**(292,172)**
Other	**176**	—	**2,130**
Subtotal	**180,146**	193,481	**2,179,373**
Total	**¥ 206,216**	¥ 213,702	**$ 2,494,761**

(b) Lease payment receivables for "Lease receivables and leased investment assets" as of March 31, 2011 was 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	**¥ 7,538**	**$ 91,195**	**¥ 68,411**	**$ 827,630**
Due after one year within two years	**6,198**	**74,993**	**51,333**	**621,016**
Due after two years within three years	**5,950**	**71,989**	**33,266**	**402,445**
Due after three years within four years	**3,474**	**42,036**	**19,901**	**240,759**
Due after four years within five years	**2,479**	**29,995**	**9,616**	**116,342**
Due after five years	**2,593**	**31,377**	**12,760**	**154,372**
Total	**¥ 28,235**	**$ 341,585**	**¥ 195,289**	**$ 2,362,564**

(B) Non-cancelable operating lease obligations as lessee and lease payment receivables as lessor as of March 31, 2011 and 2010

AS LESSEE

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Lease obligations:			
Due within one year	**¥ 4,135**	¥ 5,060	**$ 50,034**
Due after one year	**22,668**	4,861	**274,237**
Total	**¥ 26,804**	¥ 9,921	**$ 324,271**

AS LESSOR

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Lease payment receivables:			
Due within one year	**¥ 3,447**	¥ 5,603	**$ 41,709**
Due after one year	**13,011**	11,515	**157,411**
Total	**¥ 16,459**	¥ 17,118	**$ 199,120**

34. SEGMENT INFORMATION

CONSOLIDATED

In March 2008, the ASBJ revised ASBJ Statement No. 17 "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No.20 "Guidance on Accounting Standard for Segment Information Disclosures." Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010. The segment information for the year ended March 31, 2010 under the revised accounting standard is also disclosed hereunder as required.

Disclosures for segment information for the fiscal years ended March 31, 2011 and 2010 based on the revised accounting standard are as follows.

(A) SEGMENT INFORMATION

1. 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, Markets and Investment Banking 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," and "Showa Leasing," and the Markets and Investment Banking Group consists of the "Real Estate Finance Sub-Group," "Principal Transactions Sub-Group," "Markets Sub-Group," "Treasury Sub-Group" and "Other Markets and Investment Banking Group" as reportable segments. The Individual Group consists of "Retail Banking Sub-Group," "Shinsei Financial," and "APLUS FINANCIAL."

In the Institutional Group, the "Institutional Business Sub-Group" provides financial products and services for corporate banking business, financial institutions business and public sector finance. "Showa Leasing" primarily provides leasing related financial products and services.

In the Markets and Investment Banking Group, the "Real Estate Finance Sub-Group" provides real estate finance, such as non-recourse loans, and financial products and services for the real estate and construction industries. The "Principal Transactions Sub-Group" provides financial products and services related to credit trading and specialty finance such as M&A finance. The "Markets Sub-Group" is engaged in foreign exchange, derivatives, equity trading, securitization, and other capital markets transactions, including Shinsei Securities' businesses. The "Treasury Sub-Group" undertakes ALM related transactions. The "Other Markets and Investment Banking group" consists of asset-backed investment, alternative investment, trust business, wealth management, advisory service and other products and services in the Markets and Investment Banking Group.

In the Individual Group, the "Retail Banking Sub-Group" provides financial products and services for retail customers, "Shinsei Financial" provides consumer finance, and "APLUS FINANCIAL" provides installment sales credit, credit cards, guarantees and settlement services. "Other" consists of profit and loss attributable to the Consumer Finance Sub-Group and other subsidiaries.

2. METHODS OF MEASUREMENT FOR THE AMOUNTS OF REVENUE, PROFIT (LOSS), ASSETS AND LIABILITIES 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 indirect expense and interest on inter-segment transactions.

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

34. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

3. REVENUE, PROFIT (LOSS), ASSETS AND LIABILITIES BY REPORTABLE SEGMENTS

	Millions of yen						
	Institutional Group		Markets and Investment Banking Group				
Fiscal year ended March 31, 2011	Institutional Business Sub-Group	Showa Leasing	Real Estate Finance Sub-Group	Principal Transactions Sub-Group	Markets Sub-Group	Treasury Sub-Group	Other Markets and Investment Banking group
Revenue:	¥ 13,339	¥ 15,330	¥ 14,109	¥ 20,469	¥ 14,223	¥ 14,116	¥ 13,964
Net Interest Income	10,579	(3,180)	16,219	4,680	2,609	4,088	7,596
Non-interest Income[1]	2,759	18,510	(2,109)	15,789	11,614	10,027	6,368
Expenses	9,000	8,042	3,643	4,528	6,899	846	6,103
Net Credit Costs (Recoveries)	(944)	3,461	19,090	19,267	1,544	—	(3,092)
Segment Profit (Loss)	¥ 5,283	¥ 3,826	¥ (8,624)	¥ (3,326)	¥ 5,779	¥ 13,270	¥ 10,954
Segment Assets[2]	¥ 1,834,533	¥ 379,981	¥ 746,344	¥ 592,931	¥ 216,981	¥ 2,653,421	¥ 253,715
Segment Liabilities	¥ 761,873	¥ —	¥ 40,925	¥ 19,407	¥ —	¥ 68,320	¥ 36,157
Includes:							
1. Equity in net income (loss) of affiliates	¥ —	¥ —	¥ —	¥ 1,823	¥ —	¥ —	¥ (489)
2. Investment in affiliates	—	—	—	37,737	—	—	1,970
Other:							
Goodwill (Negative Goodwill):							
Amortization	¥ —	¥ 2,265	¥ —	¥ —	¥ —	¥ —	¥ —
Unamortized balance	—	30,317	—	—	—	—	—
Other intangible assets:							
Amortization	¥ —	¥ 697	¥ —	¥ —	¥ —	¥ —	¥ —
Unamortized balance	—	4,283	—	—	—	—	—
Impairment losses on long-lived assets	¥ 104	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 5

	Millions of yen					
	Individual Group					
		Consumer Finance Sub-Group				
Fiscal year ended March 31, 2011	Retail Banking Sub-Group	Shinsei Financial	APLUS FINANCIAL	Other	Corporate/ Other	Total
Revenue:	¥ 43,326	¥ 69,695	¥ 50,870	¥ (6,719)	¥ 29,429	¥ 292,156
Net Interest Income	33,821	75,899	14,489	(6,878)	(3,262)	156,662
Non-interest Income[1]	9,504	(6,203)	36,381	158	32,692	135,493
Expenses	33,183	38,076	32,811	441	(717)	142,859
Net Credit Costs (Recoveries)	2,574	11,423	13,814	830	426	68,397
Segment Profit (Loss)	¥ 7,567	¥ 20,195	¥ 4,244	¥ (7,991)	¥ 29,720	¥ 80,899
Segment Assets[2]	¥ 913,348	¥ 452,756	¥ 993,913	¥ 74,694	¥ 2,101	¥ 9,114,724
Segment Liabilities	¥ 5,032,234	¥ —	¥ —	¥ 39	¥ —	¥ 5,958,957
Includes:						
1. Equity in net income (loss) of affiliates	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 1,333
2. Investment in affiliates	—	—	—	—	—	39,707
Other:						
Goodwill (Negative Goodwill):						
Amortization	¥ —	¥ 5,212	¥ 894	¥ (0)	¥ —	¥ 8,371
Unamortized balance	—	15,011	4,204	(6)	—	49,526
Other intangible assets:						
Amortization	¥ —	¥ 4,030	¥ —	¥ —	¥ —	¥ 4,728
Unamortized balance	—	16,237	—	—	—	20,521
Impairment losses on long-lived assets	¥ 364	¥ 1,551	¥ —	¥ —	¥ 341	¥ 2,367

34. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

	Millions of yen						
	Institutional Group		Markets and Investment Banking Group				
Fiscal year ended March 31, 2010	Institutional Business Sub-Group	Showa Leasing	Real Estate Finance Sub-Group	Principal Transactions Sub-Group	Markets Sub-Group	Treasury Sub-Group	Other Markets and Investment Banking group
Revenue:	¥ 12,543	¥ 15,801	¥ (9,588)	¥ 18,444	¥ 33,009	¥ 1,233	¥ (11,738)
Net Interest Income	11,106	(4,064)	22,931	6,162	1,886	(5,180)	10,536
Non-interest Income[1]	1,437	19,865	(32,519)	12,281	31,122	6,413	(22,274)
Expenses	7,882	8,194	4,868	5,103	10,248	930	6,473
Net Credit Costs (Recoveries)	(2,113)	5,180	34,454	7,284	842	—	20,439
Segment Profit (Loss)	¥ 6,774	¥ 2,426	¥ (48,911)	¥ 6,056	¥ 21,918	¥ 302	¥ (38,651)
Segment Assets[2]	¥ 2,170,469	¥ 399,116	¥ 1,073,459	¥ 666,875	¥ 281,893	¥ 2,464,776	¥ 436,179
Segment Liabilities	¥ 1,064,380	¥ —	¥ 65,411	¥ 3,412	¥ —	¥ 183,769	¥ 35,779
Includes:							
1. Equity in net income (loss) of affiliates	¥ —	¥ —	¥ —	¥ (4,573)	¥ —	¥ —	¥ 392
2. Investment in affiliates	—	—	—	37,409	—	—	3,291
Other:							
Goodwill (Negative Goodwill):							
Amortization	¥ —	¥ 2,259	¥ —	¥ —	¥ —	¥ —	¥ —
Impairment losses	—	—	—	—	—	—	—
Unamortized balance	—	32,582	—	—	—	—	—
Other intangible assets:							
Amortization	¥ —	¥ 731	¥ —	¥ —	¥ —	¥ —	¥ —
Impairment losses	—	—	—	—	—	—	—
Unamortized balance	—	4,981	—	—	—	—	—
Impairment losses on long-lived assets	¥ —	¥ —	¥ —	¥ 58	¥ —	¥ —	¥ —

	Millions of yen					
	Individual Group					
		Consumer Finance Sub-Group				
Fiscal year ended March 31, 2010	Retail Banking Sub-Group	Shinsei Financial	APLUS FINANCIAL	Other	Corporate/ Other	Total
Revenue:	¥ 41,523	¥ 102,659	¥ 62,603	¥ 1,479	¥ 17,580	¥ 285,551
Net Interest Income	32,052	107,847	25,975	1,296	(2,563)	207,985
Non-interest Income[1]	9,470	(5,187)	36,628	182	20,144	77,566
Expenses	35,220	50,652	37,965	383	456	168,379
Net Credit Costs (Recoveries)	(41)	24,423	21,084	784	(40)	112,298
Segment Profit (Loss)	¥ 6,343	¥ 27,583	¥ 3,553	¥ 311	¥ 17,164	¥ 4,874
Segment Assets[2]	¥ 890,775	¥ 606,763	¥ 1,086,740	¥ 63,979	¥ 2,221	¥ 10,143,250
Segment Liabilities	¥ 5,605,881	¥ —	¥ —	¥ 465	¥ —	¥ 6,959,101
Includes:						
1. Equity in net income (loss) of affiliates	¥ —	¥ —	¥ —	¥ —	¥ —	¥ (4,181)
2. Investment in affiliates	—	—	—	—	—	40,701
Other:						
Goodwill (Negative Goodwill):						
Amortization	¥ —	¥ 5,872	¥ 5,110	¥ (0)	¥ —	¥ 13,242
Impairment losses	—	—	61,538	—	—	61,538
Unamortized balance	—	20,223	5,045	(7)	—	57,844
Other intangible assets:						
Amortization	¥ —	¥ 5,542	¥ 1,410	¥ —	¥ —	¥ 7,685
Impairment losses	—	4,219	7,638	—	—	11,857
Unamortized balance	—	20,267	—	—	—	25,249
Impairment losses on long-lived assets	¥ 252	¥ 1,998	¥ —	¥ —	¥ 40	¥ 2,349

34. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

Fiscal year ended March 31, 2011	Thousands of U.S. dollars						
	Institutional Group		Markets and Investment Banking Group				
	Institutional Business Sub-Group	Showa Leasing	Real Estate Finance Sub-Group	Principal Transactions Sub-Group	Markets Sub-Group	Treasury Sub-Group	Other Markets and Investment Banking group
Revenue:	$ 161,375	$ 185,461	$ 170,698	$ 247,637	$ 172,072	$ 170,778	$ 168,945
Net Interest Income	127,988	(38,472)	196,220	56,620	31,565	49,463	91,898
Non-interest Income[1]	33,387	223,933	(25,522)	191,017	140,507	121,315	77,047
Expenses	108,881	97,293	44,081	54,779	83,463	10,239	73,840
Net Credit Costs (Recoveries)	(11,430)	41,880	230,956	233,097	18,687	—	(37,417)
Segment Profit (Loss)	$ 63,924	$ 46,288	$ (104,339)	$ (40,239)	$ 69,922	$ 160,539	$ 132,522
Segment Assets[2]	$ 22,193,722	$ 4,596,916	$ 9,029,089	$ 7,173,138	$ 2,624,989	$ 32,100,435	$ 3,069,389
Segment Liabilities	$ 9,216,956	$ —	$ 495,104	$ 234,789	$ —	$ 826,525	$ 437,419
Includes:							
1. Equity in net income (loss) of affiliates	$ —	$ —	$ —	$ 22,056	$ —	$ —	$ (5,926)
2. Investment in affiliates	—	—	—	456,536	—	—	23,834
Other:							
Goodwill (Negative Goodwill):							
Amortization	$ —	$ 27,404	$ —	$ —	$ —	$ —	$ —
Unamortized balance	—	366,772	—	—	—	—	—
Other intangible assets:							
Amortization	$ —	$ 8,441	$ —	$ —	$ —	$ —	$ —
Unamortized balance	—	51,825	—	—	—	—	—
Impairment losses on long-lived assets	$ 1,259	$ —	$ —	$ —	$ —	$ —	$ 70

Fiscal year ended March 31, 2011	Thousands of U.S. dollars					
	Individual Group					
		Consumer Finance Sub-Group				
	Retail Banking Sub-Group	Shinsei Financial	APLUS FINANCIAL	Other	Corporate/ Other	Total
Revenue:	$ 524,150	$ 843,158	$ 615,419	$ (81,293)	$ 356,033	$ 3,534,433
Net Interest Income	409,166	918,208	175,287	(83,210)	(39,467)	1,895,266
Non-interest Income[1]	114,984	(75,050)	440,132	1,917	395,500	1,639,167
Expenses	401,450	460,637	396,950	5,335	(8,675)	1,728,273
Net Credit Costs (Recoveries)	31,146	138,201	167,126	10,051	5,159	827,456
Segment Profit (Loss)	$ 91,554	$ 244,320	$ 51,343	$ (96,679)	$ 359,549	$ 978,704
Segment Assets[2]	$ 11,049,467	$ 5,477,333	$ 12,024,123	$ 903,635	$ 25,418	$ 110,267,654
Segment Liabilities	$ 60,878,714	$ —	$ —	$ 474	$ —	$ 72,089,981
Includes:						
1. Equity in net income (loss) of affiliates	$ —	$ —	$ —	$ —	$ —	$ 16,130
2. Investment in affiliates	—	—	—	—	—	480,370
Other:						
Goodwill (Negative Goodwill):						
Amortization	$ —	$ 63,057	$ 10,826	$ (7)	$ —	$ 101,280
Unamortized balance	—	181,604	50,865	(82)	—	599,159
Other intangible assets:						
Amortization	$ —	$ 48,758	$ —	$ —	$ —	$ 57,199
Unamortized balance	—	196,435	—	—	—	248,260
Impairment losses on long-lived assets	$ 4,411	$ 18,764	$ —	$ —	$ 4,137	$ 28,641

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 other intangible assets, amortization of net actuarial gains or losses of retirement benefit cost and lump-sum payments.
(3) "Segment Assets" consists of other monetary claims purchased, 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.
(4) "Segment Liabilities" consists of deposits, including negotiable certification of deposit and debentures.
(5) "Corporate/Other" includes company-wide accounts including profit/loss on equity financing, allocation variance of indirect expense and elimination amount of inter- segment transactions.

34. SEGMENT INFORMATION (CONTINUED) CONSOLIDATED

4. RECONCILIATION BETWEEN THE SEGMENT INFORMATION AND CONSOLIDATED FINANCIAL STATEMENTS

(a) A reconciliation between total segment profit and income (loss) before income taxes and minority interests on the consolidated statements of operations for the fiscal years ended March 31, 2011 and 2010 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Total segment profit	¥ 80,899	¥ 4,874	$ 978,704
Lump-sum payments	(2,501)	(2,465)	(30,256)
Amortization of goodwill and other intangible assets	(13,099)	(20,927)	(158,479)
Other gains (losses), net, excluding gain from the cancellation of issued corporate bonds and other instruments	(7,516)	(104,571)	(90,935)
Income (loss) before income taxes and minority interests	¥ 57,782	¥ (123,089)	$ 699,034

(b) A reconciliation between total segment assets and total assets on the consolidated balance sheets as of March 31, 2011 and 2010 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Total segment assets	¥ 9,114,724	¥ 10,143,250	$ 110,267,654
Cash and due from banks	452,751	493,141	5,477,280
Call loans	—	19,129	—
Collateral related to securities borrowing transactions	10,388	2,801	125,680
Trading assets	195,396	223,279	2,363,863
Foreign exchanges	42,069	10,976	508,950
Other assets excluding installment receivables	464,312	515,427	5,617,136
Premises and equipment excluding tangible leased assets	36,362	36,553	439,901
Intangible assets excluding intangible leased assets	95,968	109,703	1,161,004
Deferred issuance expense for debentures	182	176	2,206
Deferred tax assets	18,603	18,969	225,056
Reserve for credit losses	(199,211)	(196,642)	(2,410,012)
Total assets	¥ 10,231,548	¥ 11,376,767	$ 123,778,718

(c) A reconciliation between total segment liabilities and total liabilities on the consolidated balance sheets as of March 31, 2011 and 2010 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Total segment liabilities	¥ 5,958,957	¥ 6,959,101	$ 72,089,981
Call money	160,330	310,487	1,939,640
Payable under repurchase agreements	—	8,430	—
Collateral related to securities lending transactions	269,697	548,479	3,262,734
Trading liabilities	147,787	177,835	1,787,893
Borrowed money	1,672,790	1,186,837	20,237,000
Foreign exchanges	39	17	483
Short-term corporate bonds	22,800	17,700	275,829
Corporate bonds	179,611	188,278	2,172,896
Other liabilities	569,362	619,201	6,888,007
Accrued employees' bonuses	8,084	8,842	97,810
Accrued directors' bonuses	38	126	464
Reserve for employees' retirement benefits	11,016	7,718	133,279
Reserve for directors' retirement benefits	285	244	3,449
Reserve for losses on interest repayments	43,199	70,088	522,611
Reserve for losses on disposal of premises and equipment	—	7,212	—
Reserve for losses on litigation	—	5,873	—
Reserve under special law	1	3	18
Deferred tax liabilities	690	1,547	8,353
Acceptances and guarantees	575,700	623,786	6,964,679
Total liabilities	¥ 9,620,394	¥ 10,741,812	$ 116,385,126

34. SEGMENT INFORMATION (CONTINUED) CONSOLIDATED

(B) RELATED INFORMATION

1. INFORMATION BY SERVICES

Income regarding major services for fiscal year ended March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Loan Businesses	**¥ 178,682**	¥ 245,404	**$ 2,161,660**
Lease Businesses	**13,672**	15,968	**165,406**
Securities Investment Businesses	**39,124**	31,460	**473,317**

2. GEOGRAPHICAL INFORMATION

(a) REVENUE

Revenue from external domestic customers exceeded 90% of total revenue on the consolidated statements of operations for the fiscal years ended March 31, 2011 and 2010, therefore geographical revenue information is not presented.

(b) PREMISES AND EQUIPMENT

The balance of domestic premises and equipment exceeded 90% of total balance of premises and equipment on the consolidated balance sheets as of March 31, 2011 and 2010, therefore geographical premises and equipment information is not presented.

3. MAJOR CUSTOMER INFORMATION

Revenue to a specific customer did not reach 10% of total revenue on the consolidated statements of operations for the fiscal years ended March 31, 2011 and 2010, therefore major customer information is not presented.

Disclosures for segment information for the fiscal year ended March 31, 2010 based on the previous accounting standard are as follows.

(A) BUSINESS SEGMENT INFORMATION

The Group is engaged in banking and other related activities such as trust, securities and other businesses. Business segment information, however, has not been presented as the percentage of the other activities was not material to the banking business.

(B) GEOGRAPHICAL SEGMENT INFORMTATION

Since the proportion of business that the Group conduct in Japan exceeds 90% of operating income and total assets, geographical information is not presented.

(C) FOREIGN OPERATING INCOME

Foreign operating income is comprised of income from transactions at overseas branches and consolidated overseas subsidiaries. The composition of the volume of such transactions for the Group did not reach 10% of its operating income, therefore foreign operating income information is not presented.

35. RELATED PARTY TRANSACTIONS

CONSOLIDATED

Related party transactions for the fiscal years ended March 31, 2011 and 2010 were as follows:

			Amount of the transaction				Balance at the end of fiscal year		
			Millions of yen		Thousands of U.S. dollars		Millions of yen		Thousands of U.S. dollars
Related party	Category	Description of the transaction	**2011**	2010	**2011**	Account name	**2011**	2010	**2011**
J. Christopher Flowers	Director of the Bank	Public offering of newly issued common stock[1]	**¥ 577**	¥ —	**$ 6,992**	—	**¥ —**	¥ —	**$ —**
Saturn I Sub (Cayman) Exempt Ltd.[2]	Companies in which a majority of the voting rights are owned by directors (including their subsidiaries)	Public offering of newly issued common stock[1]	**879**	—	**10,641**	—	**—**	—	**—**
Saturn Japan II Sub C.V.[3]	Companies in which a majority of the voting rights are owned by directors (including their subsidiaries)	Public offering of newly issued common stock[1]	**565**	—	**6,843**	—	**—**	—	**—**
Saturn Japan III Sub C.V.[3]	Companies in which a majority of the voting rights are owned by directors (including their subsidiaries)	Public offering of newly issued common stock[1]	**1,978**	—	**23,940**	—	**—**	—	**—**
Saturn IV Sub L.P.[3]	Companies in which a majority of the voting rights are owned by directors (including their subsidiaries)	Public offering of newly issued common stock[1]	**13,899**	—	**168,155**	—	**—**	—	**—**
J.C. Flowers II L.P.[4]	Companies in which a majority of the voting rights are owned by directors (including their subsidiaries)	Receipt of management fee[5]	**116**	138	**1,410**	Unearned income	**19**	22	**238**
		Investment[6]	**83**	104	**1,009**	—	**—**	—	**—**
		Dividend	**374**	439	**4,535**	—	**—**	—	**—**
J.C. Flowers III L.P.[4]	Companies in which a majority of the voting rights are owned by directors (including their subsidiaries)	Investment[7]	**1,441**	3,918	**17,433**	—	**—**	—	**—**
		Dividend	**—**	4,172	**—**	—	**—**	—	**—**
NIBC Bank Ltd.[8]	Companies in which a majority of the voting rights are owned by directors (including their subsidiaries)	Loan participation[9]	**—**	257	**—**	Loans	**629**	1,001	**7,617**
		Receipt of loan interests[9]	**27**	28	**337**	Accrued income	**0**	0	**2**

Notes: (1) The Bank assigned J. Christopher Flowers and these investment vehicles as expected allottees in connection with the public offering of Bank's newly issued common stock.
(2) The investment vehicle is represented by J. Christopher Flowers, a director of the Bank, as a director.
(3) The investment vehicle is represented by J. Christopher Flowers, a director of the Bank, as a director of the ultimate general partner.
(4) The fund is operated by J.C. Flowers & Co. LLC, of which J. Christopher Flowers, a director of the Bank, serves as chairman.
(5) The management fee for assisting J.C. Flowers & Co. LLC in its sponsoring and serving as an investment advisor is determined based on proportion of the investment amount by limited partners.
(6) The committed investment amounts are U.S.$200 million based on the limited partnership agreement.
(7) The committed investment amounts are U.S.$99.95 million based on the limited partnership agreement.
(8) NIBC Holding N.V. owns 100% of voting rights of the NIBC Bank Ltd., and New NIB Limited, 49% of which is owned by J. Christopher Flowers, a director of the Bank, indirectly controls NIBC Holding N.V.
(9) Considering the market circumstances, the transaction was concluded with the general terms and conditions that are identical to ones with independent third parties. Drawdown under the loan participation facility was fully completed during the fiscal year ended March 31, 2010.

36. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

CONSOLIDATED

In March 2008, the ASBJ revised ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No.19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." As described in "(J) SECURITIES" in "2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES," the revised accounting standard and the guidance was applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010.

(A) GROUP POLICY FOR FINANCIAL INSTRUMENTS

The group is comprised of the Bank, subsidiaries and affiliates, and conducts total financial services, primarily basic banking business and other financial services such as securities business, trust business, consumer finance business, and commercial finance business.

For conducting these businesses, the Bank obtains retail customer deposits as a long-term and stable source of funding. By utilizing time deposits as an important ALM measure, we are striving to diversify funding maturities and to disperse refunding dates. Without solely relying on inter-bank funding, we are aiming to cover our funding needs through core retail deposits and corporate deposits as well as capital. In addition, the Bank maintains debentures and bonds issuance as a cost effective source of funding and diversifies sources of funding by securitization of loans or other assets. Subsidiaries and affiliates also use loans from other financial institutions as one source of funding.

(B) NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The financial assets held by the Group are exposed to the following risks:

Loans and bills discounted

Loans and bills discounted, which are primarily provided to domestic institutional and individual customers, are exposed to customer's credit risk and risk of fluctuation in interest rates.

Securities

Securities primarily consist of bonds and stocks, and other investments such as foreign securities and investment in partnerships. They are exposed to risk of fluctuation in interest rates, foreign exchange rates, and prices in the bond/stock markets and in addition, credit risk arising from downgrading of issuer's credit rating, default, etc.

Other monetary claims purchased, Monetary assets held in trust

Other monetary claims purchased and Monetary assets held in trust consist of investments in various assets such as housing loans, non performing loans, and receivables in credit trading and securitization businesses, with a purpose of collection, sale, or securitization. These investments are exposed to risk of fluctuation in market size and price of these assets.

Lease receivables and leased investment assets, Installment receivables

Lease receivables, leased investment assets, and installment receivables held by consolidated subsidiaries are exposed to customer's credit risk and risk of fluctuation in interest rates.

Derivative transactions

The Group enters into the following derivative transactions, to provide products for customer needs, to maximize the profit of the Bank's own trading account, and for asset and liability management, hedging transactions and other purposes.

(1) Interest rate related	Interest rate swap, Future contract, Interest rate option, and Interest rate swaption
(2) Currency related	Currency swap, Forward foreign exchange contract, Currency option
(3) Equity related	Equity index future, Equity index option, Equity option, and other
(4) Bond related	Bond futures
(5) Credit derivative	Credit default option

Among the risks associated with derivative transactions, credit risk, market risk, and liquidity risk are to be specially noted for risk management.

(1) Credit Risk	Risk that losses are incurred associated with the counterparty defaulting on contractual terms
(2) Market Risk	Risk that losses are incurred associated with changes in the value of financial instruments from fluctuation in market price, as well as volatilities inherent in derivative instruments
(3) Liquidity Risk	Risk that additional costs are incurred associated with closing out the position of the financial instrument held

To appropriately reflect the risk mitigation effect of derivative transactions to the consolidated financial statements, we adopt hedge accounting where risks in assets and liabilities of the Group are hedged by interest rate swap, currency swap, etc.

In hedge accounting, effectiveness of hedging is assessed based on the conditions determined in the accounting standards such as "Accounting Standard for Financial Instruments."

(C) RISK MANAGEMENT FOR FINANCIAL INSTRUMENTS

Credit Risk Management

Our model for credit risk management focuses on securing adequate return on risk, avoiding excessive concentration in particular sectors or to particular obligors, and managing the credit portfolio with an analysis of potential losses under a worst-case scenario. Concrete policies and guidelines are clarified in the "Core Group Credit Risk Policy," "Credit Procedures" and other procedures, and credit risk management processes are roughly classified into credit risk management for individual transactions and portfolio-based credit risk management.

As for individual transactions, approval authority level is determined by transaction amount, aggregate credit exposure to obligor's group companies, credit rating and so on. We have an approval system in which the decisions are made jointly by the risk delegation holders of the business promotion division and the risk management division and the final authority and decision rests with the risk management division.

On a portfolio basis, to diversify risks in terms of industries as well as ratings, the Portfolio and Risk Management Division monitors the segment-specific risk diversification status including industry classifications, ratings, specific customers/groups and also rating fluctuations related to customers within the portfolios. The Division uses this information to provide comprehensive reports to the Risk Policy Committee on a quarterly basis.

Credit risks in credit transactions are quantified based on probability of default by obligor rating, loss given default, and unexpected loss ratio. In order to decrease credit risk of obligors, the Group secures collateral and guarantees for the protection of our claims, the value of which are checked more than once a year.

Credit risks involved in market transactions, such as derivative transactions, are controlled based on fair value and estimations of future value fluctuations.

Market risk management

Market risk which is associated with changes in the value of financial instruments from fluctuations in bond prices, foreign exchange rates, interest rates, stock prices, credit spreads and other market-related indices, have an effect on our financial performance.

The Group manages market risk by segregating the overall balance sheet, including off-balance sheet transactions, into a trading book and a banking book. At the ALM Committee, the senior review and decision-making for the management of all market risks related to asset/liability management are performed.

"Asset Liability Management Policy for Banking Account" manages the interest rate risk of the net asset and/or liability in the banking account which has interest rate sensitivity.

The actual risk limits for asset/liability management as well as trading, such as the value-at-risk (VaR) method, are approved by the ALM Committee. The Market Risk Management Committee serves as an arm of the ALM Committee and meets weekly to review detailed market risk and liquidity risk reports from the Market Risk Management Division, which is responsible for the objective and timely recognition, monitoring and reporting of market risk in both our trading and banking operations. In addition to reporting risk information to management, administrative divisions and front office units, the Market Risk Management Division carries out regular risk analyses and makes recommendations. Market risk of the balance sheet involved in the ordinary banking business operation is managed by the Treasury Sub-Group, and market risk involved in the trading transactions is managed by the Markets Sub-Group.

Market risk is managed by quantifying on a daily basis and making risk adjustments in response to market conditions.

Quantitative information on market risk is as follows:

(i) Financial instruments for trading purposes

The Group uses VaR for quantitative analysis on market risk of "Trading assets," trading securities in "Securities," and the trading purpose instruments in "Derivative instruments." For calculating VaR, the historical simulation method (holding period of 10 days, confidence interval of 99 %, and observation period of 250 business days) has been adopted.

The VaR in the Group's trading business as of March 31, 2011 is ¥3,784 million (U.S.$45,787 thousand) in the aggregate.

The Group conducts back testing to compare VaR calculated using the model with actual loss amounts. According to the result of back testing conducted, it is believed that the measurement model the Group uses is adequate to capture market risk. It should be noted that VaR measures the amount of market risk at certain probability levels statistically calculated based on historical market fluctuation, and therefore there may be cases where market risk cannot be captured in such situations as when market conditions are changing dramatically beyond what was experienced historically.

36. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED) CONSOLIDATED

(ii) Financial instruments for other than trading purposes

The Group's main financial instruments which are impacted by interest rate risk, one of the major risk variables, includes "Call loans," "Collateral related to securities borrowing transactions," "Other monetary claims purchased," "Monetary assets held in trust," bonds classified as securities held to maturity or securities available for sale in "Securities," "Loans and bills discounted," "Lease receivables and leased investment assets," "Installment receivables," "Deposits, including negotiable certificates of deposit," "Debentures," "Call money," "Payables under repurchase agreements," "Borrowed money," "Corporate bonds" and interest rate swaps other than trading purpose in "Derivative instruments." As for these financial assets and liabilities, the Group uses the amount of impact on fair values which is calculated using a rationally expected fluctuation range of interest rates for one year from the fiscal year end, for quantitative analysis to manage fluctuation risk of interest rate. The amount of such impact on fair values is calculated by categorizing the balance of these financial assets and liabilities in scope into appropriate periods according to interest dates of each and using a certain fluctuation range of interest rates. Assuming all risk variables except for interest rate are constant, the Group estimates that, as of March 31, 2011, fair value will decrease by ¥1,674 million (U.S.$20,263 thousand) in the case of an increase of the index interest rates by 10 basis points (0.10%), and will increase by ¥1,926 million (U.S.$23,303 thousand) in the case of a decrease by 10 basis points (0.10%). Such amount of impact on fair value is calculated based on the assumption that all risk variables except for interest rate are constant, and correlation between interest rate and other risk variables is not taken into consideration. There is a possibility that interest rate changes beyond the rationally expected fluctuation range may cause impact greater than the calculated amount.

Liquidity risk management

The ALM Committee, which is the senior review and decision-making body for the management of liquidity risk, manages liquidity risk by establishing short-term liquidity gap limits and minimum liquidity reserve levels.

In accordance with the "Cash Liquidity Risk Management Policy," the Bank has a structure to conduct two or more liquidity measurements and to secure available reserves over the net cumulative outflow forecasted in an emergency situation.

(D) CONCENTRATION OF CREDIT RISK

As of March 31, 2011, loans to the financial and insurance industry were approximately 17% of the total loans and bills discounted, and those to the real estate industry were approximately 14%, more than 60% of which are non recourse loans for domestic real estate.

As of March 31, 2010, loans to the financial and insurance industry were approximately 21% of the total loans and bills discounted, and those to the real estate industry were approximately 17%, 70% of which are non recourse loans for domestic real estate.

(E) FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair values of financial instruments are based on quoted price in active markets. If quoted price is not available, other rational valuation methodologies are used.

36. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

Fair value of financial instruments as of March 31, 2011 and 2010 were as follows:

	Millions of yen					
	2011			2010		
	Carrying amount	Fair value	Unrealized gain (loss)	Carrying amount	Fair value	Unrealized gain (loss)
Assets:						
(1) Cash and due from banks	¥ 452,751	¥ 452,751	¥ —	¥ 493,141	¥ 493,141	¥ —
(2) Call loans	—	—	—	19,129	19,129	—
(3) Collateral related to securities borrowing transactions	10,388	10,388	—	2,801	2,801	—
(4) Other monetary claims purchased						
Trading purposes	105,345	105,345	—	157,915	157,915	—
Other(1)	50,736	50,850	114	93,750	93,817	67
(5) Trading assets						
Securities held for trading purposes	19,524	19,524	—	24,177	24,177	—
(6) Monetary assets held in trust(1)	253,529	255,448	1,918	292,227	292,300	72
(7) Securities						
Trading securities	1,051	1,051	—	2,939	2,939	—
Securities being held to maturity	553,992	561,769	7,776	479,542	487,714	8,171
Securities available for sale	2,600,007	2,600,007	—	2,617,552	2,617,552	—
Equity securities in affiliates	20,041	27,913	7,872	—	—	—
(8) Loans and bills discounted(2)	4,291,462			5,163,763		
Reserve for credit losses	(140,368)			(142,817)		
Net	4,151,093	4,306,255	155,162	5,020,945	5,215,953	195,008
(9) Lease receivables and leased investment assets(1)	200,826	205,230	4,403	208,729	213,735	5,006
(10) Other assets						
Installment receivables	330,485			347,845		
Deferred gains on installment receivables	(12,244)			(11,923)		
Reserve for credit losses	(10,389)			(11,485)		
Net	307,852	328,812	20,960	324,436	348,209	23,773
Total	¥ 8,727,141	¥ 8,925,350	¥ 198,208	¥ 9,737,288	¥ 9,969,388	¥ 232,099
Liabilities:						
(1) Deposits, including negotiable certificates of deposit	¥ 5,610,687	¥ 5,656,807	¥ (46,119)	¥ 6,475,387	¥ 6,571,761	¥ (96,374)
(2) Debentures	348,270	350,222	(1,952)	483,713	487,061	(3,347)
(3) Call money	160,330	160,330	—	310,487	310,487	—
(4) Payables under repurchase agreements	—	—	—	8,430	8,430	—
(5) Collateral related to securities lending transactions	269,697	269,697	—	548,479	548,479	—
(6) Borrowed money	1,672,790	1,661,932	10,858	1,186,837	1,181,436	5,401
(7) Corporate bonds	179,611	164,379	15,232	188,278	168,909	19,368
Total	¥ 8,241,388	¥ 8,263,369	¥ (21,981)	¥ 9,201,614	¥ 9,276,565	¥ (74,951)
Derivative instruments(3):						
Hedge accounting is not applied	¥ (11,012)	¥ (11,012)	¥ —	¥ 3,375	¥ 3,375	¥ —
Hedge accounting is applied	(11,046)	(11,046)	—	(38,324)	(38,324)	—
Total	¥ (22,058)	¥ (22,058)	¥ —	¥ (34,948)	¥ (34,948)	¥ —

	Contract amount	Fair value	Contract amount	Fair value
Other:				
Guarantee contracts(4)	¥ 575,700	¥ (4,639)	¥ 623,786	¥ (4,571)

36. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

	Thousands of U.S. dollars		
	2011		
	Carrying amount	Fair value	Unrealized gain (loss)
Assets:			
(1) Cash and due from banks	$ 5,477,280	$ 5,477,280	$ —
(2) Call loans	—	—	—
(3) Collateral related to securities borrowing transactions	125,680	125,680	—
(4) Other monetary claims purchased			
Trading purposes	1,274,446	1,274,446	—
Other[1]	613,793	615,172	1,379
(5) Trading assets			
Securities held for trading purposes	236,207	236,207	—
(6) Monetary assets held in trust[1]	3,067,138	3,090,353	23,215
(7) Securities			
Trading securities	12,722	12,722	—
Securities being held to maturity	6,702,069	6,796,144	94,075
Securities available for sale	31,454,234	31,454,234	—
Equity securities in affiliates	242,454	337,695	95,241
(8) Loans and bills discounted[2]	51,917,037		
Reserve for credit losses	(1,698,149)		
Net	50,218,888	52,096,000	1,877,112
(9) Lease receivables and leased investment assets[1]	2,429,547	2,482,825	53,278
(10) Other assets			
Installment receivables	3,998,133		
Deferred gains on installment receivables	(148,128)		
Reserve for credit losses	(125,688)		
Net	3,724,317	3,977,897	253,580
Total	$ 105,578,775	$ 107,976,655	$ 2,397,880
Liabilities:			
(1) Deposits, including negotiable certificates of deposit	$ 67,876,693	$ 68,434,638	$ (557,945)
(2) Debentures	4,213,288	4,236,905	(23,617)
(3) Call money	1,939,640	1,939,640	—
(4) Payables under repurchase agreements	—	—	—
(5) Collateral related to securities lending transactions	3,262,734	3,262,734	—
(6) Borrowed money	20,237,000	20,105,643	131,357
(7) Corporate bonds	2,172,896	1,988,621	184,275
Total	$ 99,702,251	$ 99,968,181	$ (265,930)
Derivative instruments[3]:			
Hedge accounting is not applied	$ (133,226)	$ (133,226)	$ —
Hedge accounting is applied	(133,636)	(133,636)	—
Total	$ (266,862)	$ (266,862)	$ —

	Contract amount	Fair value
Other		
Guarantee contracts[4]	$ 6,964,679	$ (56,122)

Notes: (1) Carrying amount 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 of ¥578,276 million (U.S.$6,995,846 thousand) and ¥758,156 million held by consolidated subsidiaries included in Loans and bills discounted, reserve for losses on interest repayments of ¥43,199 million (U.S.$522,612 thousand) and ¥70,088 million is recognized for estimated losses arising from reimbursement of excess interest payments as of March 31, 2011 and 2010, respectively.
(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 sheet.

36. 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 carrying amounts approximate fair values because most of them have short maturities of six months or less.

(2) Call loans and (3) Collateral related to securities borrowing transactions
The fair values approximate carrying amounts because most of these instruments have short maturities of three months or less.

(4) Other monetary claims purchased
The fair values are measured at the quoted prices from third parties, or determined using the discounted cash flow method.

(5) Trading assets
The fair values are measured at observable market prices or quoted price from third parties.

(6) Monetary assets held in trust
The fair values are determined using the discounted cash flow method or other relevant method based on the characteristics of the components of the entrusted assets.

(7) Securities
The fair values of marketable equity securities are measured at market prices. The fair values of bonds are measured at market prices or quoted prices from third parties, or determined using the discounted cash flow method.

(8) Loans and bills discounted
The fair values of loans and bills discounted with fixed interest rate are determined by discounting contractual cash flows, and the fair values of loans and bills discounted with floating interest rate are determined by discounting expected cash flows based on the forward rates, using the risk free rate adjusted to account for credit risk (after consideration of collateral) with CDS spreads etc. corresponding to the 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 new housing loans to the same borrowers with the same terms except for interest rates at the consolidated balance sheet date. The fair values of consumer loans are determined by discounting expected cash flows that reflect expected loss at the rates that consist of the risk free rate and certain costs, by 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.

(9) 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 group of major product categories.

(10) Installment receivables
The fair values are primarily determined by discounting expected cash flows that reflect the probability of prepayment at the rates that consist of the risk free rate, credit risk and certain costs, by group of major product categories.

Liabilities:

(1) Deposits, including negotiable certificates of deposit
The fair values of demand deposits, such as current deposits and ordinary deposits are recognized as the payment amount at the consolidated balance sheet date. The fair values of the deposits with maturity less than six months 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 new contracts with the same terms at the consolidated balance sheet date.

(2) Debentures and (7) Corporate bonds
The fair values of marketable debentures and corporate bonds are measured at quoted market prices. The fair values of non-marketable corporate debentures and corporate bonds under the Medium Term Note program are determined by discounting expected cash flows at the actual average funding rates of corporate time deposits and debentures funded within the past three months of the consolidated balance sheet date.

The fair values of retail debentures are determined by discounting contractual cash flows at the actual funding rate of the latest issuance.

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.

36. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

(3) Call money, (4) Payables under repurchase agreements and (5) Collateral related to securities lending transactions
The fair values approximate carrying amounts of Call money, Payables under repurchase agreements and Collateral related to securities lending transactions because most of these instruments are with short maturities of three months or less.

(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 based on forward rates, at the 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.

Derivative instruments:
The fair values are measured at market prices 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 contractual cash flows and the expected cash flows that would be applied for new contracts with the same terms at the risk free rate.

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

	Millions of yen		Thousands of U.S. dollars
As of March 31,	2011	2010	2011
Equity securities without readily available market price[1][2]	¥ 31,167	¥ 52,846	$ 377,051
Investment in partnerships and others[1][2]	80,122	80,431	969,302
Total	¥ 111,289	¥ 133,277	$ 1,346,353

Notes: (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) In the fiscal years ended March 31, 2011 and 2010, impairment losses on equity securities without readily available market price of ¥132 million (U.S.$1,606 thousand) and ¥889 million, and on investment in partnerships and others of ¥1,333 million (U.S.$16.133 thousand) and ¥21,117 million were recognized, respectively.

(Note 3) Maturity analysis for financial assets and liabilities with contractual maturities

	Millions of yen			
As of March 31, 2011	Less than 1 year	More than 1 year Less than 3 years	More than 3 years Less than 5 years	More than 5 years
Cash and due from banks	¥ 452,751	¥ —	¥ —	¥ —
Collateral related to securities borrowing transactions	10,388	—	—	—
Other monetary claims purchased				
Other than trading purposes	8,914	3,943	10,062	28,740
Securities				
Held-to-maturity	106,846	175,953	220,000	56,477
Available-for-sale	1,079,568	1,066,982	285,637	158,031
Loans and bills discounted	939,194	878,395	642,535	1,336,489
Lease receivables and leased investment assets	69,858	89,381	32,207	14,680
Installment receivables	140,505	130,741	39,363	18,018
Total	¥ 2,808,024	¥ 2,345,395	¥ 1,229,804	¥ 1,612,435

36. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

	Thousands of U.S. dollars			
As of March 31, 2011	Less than 1 year	More than 1 year Less than 3 years	More than 3 year Less than 5 years	More than 5 years
Cash and due from banks	$ 5,477,280	$ —	$ —	$ —
Collateral related to securities borrowing transactions	125,680	—	—	—
Other monetary claims purchased				
Other than trading purposes	107,849	47,707	121,733	347,694
Securities				
Held-to-maturity	1,292,596	2,128,635	2,661,505	683,250
Available-for-sale	13,060,346	12,908,092	3,455,576	1,911,823
Loans and bills discounted	11,362,137	10,626,615	7,773,239	16,168,517
Lease receivables and leased investment assets	845,127	1,081,310	389,644	177,599
Installment receivables	1,699,798	1,581,678	476,215	217,989
Total	$ 33,970,813	$ 28,374,037	$ 14,877,912	$ 19,506,872

Note: The financial instruments whose cash flow cannot be estimated such as loans and bills discounted to obligors of "legally bankrupt," "virtually bankrupt" and "possibly bankrupt," and the financial instruments with no contractual maturity are not included in the tables above.

	Millions of yen			
As of March 31, 2011	Less than 1 year	More than 1 year Less than 3 years	More than 3 years Less than 5 years	More than 5 years
Deposits, including negotiable certificates of deposit	¥ 4,032,779	¥ 1,070,148	¥ 432,449	¥ 75,309
Debentures	92,530	125,262	130,176	300
Call money	160,165	165	—	—
Collateral related to securities lending transactions	254,697	15,000	—	—
Borrowed money	1,413,293	99,747	43,728	116,020
Corporate bonds	3,375	3,671	100,721	71,841
Total	¥ 5,956,842	¥ 1,313,996	¥ 707,076	¥ 263,471

	Thousands of U.S. dollars			
As of March 31, 2011	Less than 1 year	More than 1 year Less than 3 years	More than 3 year Less than 5 years	More than 5 years
Deposits, including negotiable certificates of deposit	$ 48,787,563	$ 12,946,393	$ 5,231,660	$ 911,076
Debentures	1,119,414	1,515,400	1,574,845	3,629
Call money	1,937,640	2,000	—	—
Collateral related to securities lending transactions	3,081,268	181,466	—	—
Borrowed money	17,097,668	1,206,725	529,020	1,403,588
Corporate bonds	40,841	44,421	1,218,509	869,125
Total	$ 72,064,394	$ 15,896,405	$ 8,554,034	$ 3,187,418

Note: The cash flow of demand deposits is included in "Less than 1 year."

37. DERIVATIVE FINANCIAL INSTRUMENTS

CONSOLIDATED

(A) Derivative transactions to which hedge accounting was not applied

The fair values of derivatives on the consolidated balance sheets as of March 31, 2011 and 2010 are adjusted for credit risk by a reduction of fair value by ¥1,648 million (U.S.$19,939 thousand) and ¥1,737 million, respectively, and also adjusted for liquidity risk by a reduction of fair value by ¥3,033 million (U.S.$36,704 thousand) and ¥3,190 million, respectively.

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

(a) INTEREST RATE-RELATED TRANSACTIONS

Interest rate-related transactions as of March 31, 2011 and 2010 were as follows:

	Millions of yen							
	2011				2010			
	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	**¥ 23,062**	**¥ 5,346**	**¥ (33)**	**¥ (33)**	¥ 23,310	¥ 1,136	¥ (211)	¥ (211)
Bought	**15,353**	**4,298**	**10**	**10**	6,240	1,144	147	147
Interest rate swaps (over-the-counter):								
Receive fixed and pay floating	**3,706,439**	**3,076,033**	**75,834**	**75,834**	4,507,719	3,617,134	91,704	91,704
Receive floating and pay fixed	**2,964,241**	**2,360,654**	**(52,055)**	**(52,055)**	3,282,392	2,526,447	(57,073)	(57,073)
Receive floating and pay floating	**683,127**	**595,123**	**1,550**	**1,550**	731,076	490,287	483	483
Interest rate swaptions (over-the-counter):								
Sold	**715,560**	**514,330**	**(37,847)**	**(11,241)**	1,059,851	549,351	(25,168)	(8,066)
Bought	**1,063,178**	**923,418**	**23,691**	**7,436**	1,596,240	1,354,115	(14,587)	(21,023)
Interest rate options (over-the-counter):								
Sold	**112,662**	**83,462**	**(336)**	**332**	101,795	87,602	(310)	318
Bought	**133,325**	**54,125**	**142**	**(937)**	128,902	120,902	55	(664)
Total			**¥ 10,956**	**¥ 20,895**			¥ (4,960)	¥ 5,613

	Thousands of U.S. dollars			
	2011			
	Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Futures contracts (listed):				
Sold	**$ 279,001**	**$ 64,686**	**$ (402)**	**$ (402)**
Bought	**185,745**	**52,005**	**132**	**132**
Interest rate swaps (over-the-counter):				
Receive fixed and pay floating	**44,839,580**	**37,213,084**	**917,424**	**917,424**
Receive floating and pay fixed	**35,860,647**	**28,558,607**	**(629,760)**	**(629,760)**
Receive floating and pay floating	**8,264,300**	**7,199,651**	**18,756**	**18,756**
Interest rate swaptions (over-the-counter):				
Sold	**8,656,674**	**6,222,244**	**(457,870)**	**(136,002)**
Bought	**12,862,065**	**11,171,289**	**286,614**	**89,961**
Interest rate options (over-the-counter):				
Sold	**1,362,963**	**1,009,709**	**(4,065)**	**4,017**
Bought	**1,612,943**	**654,802**	**1,722**	**(11,336)**
Total			**$ 132,551**	**$ 252,790**

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.

37. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(b) CURRENCY-RELATED TRANSACTIONS

Currency-related transactions as of March 31, 2011 and 2010 were as follows:

	Millions of yen							
	2011				2010			
	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)	¥ 722,916	¥ 690,903	¥ (26,420)	¥ (26,420)	¥ 670,952	¥ 451,296	¥ 8,251	¥ 8,251
Forward foreign exchange contracts (over-the-counter):								
Sold	1,044,503	269,716	57,732	57,732	1,447,325	457,316	15,794	15,794
Bought	923,632	388,150	(46,323)	(46,323)	1,381,546	573,041	(6,436)	(6,436)
Currency options (over-the-counter):								
Sold	4,721,024	2,457,893	(94,442)	9,536	6,529,980	3,034,586	(170,493)	12,758
Bought	4,808,445	2,539,182	76,856	(585)	6,713,695	3,034,846	142,679	3,474
Total			¥ (32,598)	¥ (6,060)			¥ (10,204)	¥ 33,842

	Thousands of U.S. dollars			
	2011			
	Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Currency swaps (over-the-counter)	$ 8,745,666	$ 8,358,379	$ (319,629)	$ (319,629)
Forward foreign exchange contracts (over-the-counter):				
Sold	12,636,141	3,262,966	698,430	698,430
Bought	11,173,873	4,695,747	(560,412)	(560,412)
Currency options (over-the-counter):				
Sold	57,113,777	29,734,976	(1,142,546)	115,372
Bought	58,171,368	30,718,395	929,794	(7,079)
Total			$ (394,363)	$ (73,318)

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.

37. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(c) EQUITY-RELATED TRANSACTIONS

Equity-related transactions as of March 31, 2011 and 2010 were as follows:

	Millions of yen							
	2011				2010			
	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	¥ 9,679	¥ —	¥ (219)	¥ (219)	¥ 2,251	¥ —	¥ (45)	¥ (45)
Bought	11,813	—	238	238	2,092	—	230	230
Equity index options (listed):								
Sold	215,135	53,860	(7,939)	777	126,470	51,910	(5,580)	(1,548)
Bought	220,043	65,485	18,323	(2,509)	124,055	62,130	12,192	(122)
Equity options (over-the-counter):								
Sold	343,048	200,441	(27,849)	(504)	156,457	85,052	(12,327)	(2,061)
Bought	369,520	226,338	23,332	162	164,007	94,662	14,628	1,585
Equity index swaps (over-the-counter):								
Receive floating and pay index	—	—	—	—	1,000	1,000	46	46
Other (over-the-counter):								
Sold	22,900	22,900	(5,365)	(5,304)	22,900	22,900	(4,737)	(4,737)
Bought	135,159	131,465	14,590	14,567	165,185	157,778	18,331	18,309
Total			¥ 15,111	¥ 7,208			¥ 22,737	¥ 11,655

	Thousands of U.S. dollars			
	2011			
	Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Equity index futures (listed):				
Sold	$ 117,105	$ —	$ (2,654)	$ (2,654)
Bought	142,911	—	2,885	2,885
Equity index options (listed):				
Sold	2,602,655	651,591	(96,053)	9,405
Bought	2,662,025	792,227	221,676	(30,356)
Equity options (over-the-counter):				
Sold	4,150,113	2,424,890	(336,918)	(6,108)
Bought	4,470,370	2,738,187	282,276	1,969
Equity index swaps (over-the-counter):				
Receive floating and pay index	—	—	—	—
Other (over-the-counter):				
Sold	277,038	277,038	(64,911)	(64,170)
Bought	1,635,126	1,590,437	176,508	176,236
Total			$ 182,809	$ 87,207

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 Stock 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.

37. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(d) BOND-RELATED TRANSACTIONS

Bond-related transactions as of March 31, 2011 and 2010 were as follows:

	Millions of yen							
	2011				2010			
	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	¥ 6,146	¥ —	¥ 6	¥ 6	¥ 6,672	¥ —	¥ 38	¥ 38
Bought	4,198	—	(12)	(12)	2,074	—	(1)	(1)
Total			¥ (5)	¥ (5)			¥ 36	¥ 36

	Thousands of U.S. dollars			
	2011			
	Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Bond futures (listed):				
Sold	$ 74,357	$ —	$ 74	$ 74
Bought	50,793	—	(146)	(146)
Total			$ (72)	$ (72)

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 Stock Exchange and other exchanges.

(e) CREDIT DERIVATIVES TRANSACTIONS

Credit derivatives transactions as of March 31, 2011 and 2010 were as follows:

	Millions of yen							
	2011				2010			
	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	¥ 824,836	¥ 640,274	¥ (1,310)	¥ (1,310)	¥ 1,067,151	¥ 810,720	¥ (9,717)	¥ (9,717)
Bought	815,313	546,876	1,516	1,516	1,033,237	820,127	10,411	10,411
Total			¥ 205	¥ 205			¥ 694	¥ 694

	Thousands of U.S. dollars			
	2011			
	Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Credit default option (over-the-counter):				
Sold	$ 9,978,664	$ 7,745,877	$ (15,860)	$ (15,860)
Bought	9,863,453	6,615,980	18,351	18,351
Total			$ 2,491	$ 2,491

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 by using the discounted cash flow method or other models.

(3) "Sold" stands for accepting credit risk and "Bought" stands for transferring credit risk.

37. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(B) Derivative transactions to which hedge accounting was applied

(a) INTEREST RATE-RELATED TRANSACTIONS

Interest rate swaps which are accounted for using deferral method as of March 31, 2011 and 2010 were as follows:

	Millions of yen					
	2011			2010		
	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	**¥ 672,653**	**¥ 590,853**	**¥ 4,253**	¥ 457,590	¥ 303,900	¥ 19,076
Receive floating and pay fixed	**359,779**	**309,638**	**(12,101)**	695,506	396,966	(12,091)
Total			**¥ (7,848)**			¥ 6,985

	Thousands of U.S. dollars		
	2011		
	Contract/Notional principal		
	Total	Maturity over 1 year	Fair value
Interest rate swaps :			
Receive fixed and pay floating	**$ 8,137,598**	**$ 7,148,002**	**$ 51,452**
Receive floating and pay fixed	**4,352,523**	**3,745,934**	**(146,403)**
Total			**$ (94,951)**

Notes:

(1) Most of 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.

37. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

Interest rate swaps which meet specific matching criteria as of March 31, 2011 and 2010 were as follows:

	Millions of yen					
	2011			2010		
	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	**¥ 40,324**	**¥ 7,900**	**¥ —**	¥ 103,910	¥ 57,150	¥ —

	Thousands of U.S. dollars		
	2011		
	Contract/Notional principal		
	Total	Maturity over 1 year	Fair value
Interest rate swaps :			
Receive floating and pay fixed	**$ 487,830**	**$ 95,572**	**$ —**

Notes:

(1) 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 36 "FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES."

(b) CURRENCY-RELATED TRANSACTIONS

Currency-related transactions as of March 31, 2011 and 2010 were as follows:

	Millions of yen					
	2011			2010		
	Contract/Notional principal			Contract/Notional principal		
	Total	Maturity over 1 year	Fair value	Total	Maturity over 1 year	Fair value
Currency swaps	**¥ 164,033**	**¥ 15,187**	**¥ (3,197)**	¥ 786,170	¥ 405,899	¥ (45,309)

	Thousands of U.S. dollars		
	2011		
	Contract/Notional principal		
	Total	Maturity over 1 year	Fair value
Currency swaps	**$ 1,984,437**	**$ 183,730**	**$ (38,684)**

Notes:

(1) Most of 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.

38. SUBSEQUENT EVENTS

CONSOLIDATED

The following appropriation of retained earnings of the Bank for the fiscal year ended March 31, 2011 was approved at the meeting of the Board of Directors held on May 12, 2011;

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, common stock, ¥1.00 (U.S.$0.01) per share	¥ 2,653	$ 32,106

INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Shinsei Bank, Limited:

We have audited the accompanying consolidated balance sheets of Shinsei Bank, Limited (the "Bank") and consolidated subsidiaries (collectively, the "Group") as of March 31, 2011 and 2010, and the related consolidated statements of operations for the years then ended, the consolidated statement of comprehensive income for the year ended March 31, 2011, and the related consolidated statements of changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank and consolidated subsidiaries as of March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 14, 2011

Member of
Deloitte Touche Tohmatsu Limited

NON-CONSOLIDATED BALANCE SHEETS (UNAUDITED)

Shinsei Bank, Limited
As of March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note)
	2011	2010	2011
ASSETS			
Cash and due from banks	¥ 313,424	¥ 310,022	$ 3,791,731
Call loans	—	19,129	—
Collateral related to securities borrowing transactions	3,050	2,801	36,900
Other monetary claims purchased	408,701	621,271	4,944,374
Trading assets	182,828	211,020	2,211,812
Monetary assets held in trust	360,976	463,467	4,366,998
Securities	3,701,794	3,674,523	44,783,385
Valuation allowance for investments	(3,370)	(3,370)	(40,778)
Loans and bills discounted	3,973,251	4,732,858	48,067,399
Foreign exchanges	42,069	10,976	508,950
Other assets	350,248	506,855	4,237,223
Premises and equipment	18,236	17,890	220,619
Intangible assets	9,987	11,891	120,831
Deferred issuance expenses for debentures	182	176	2,206
Deferred tax assets	1,894	—	22,919
Customers' liabilities for acceptances and guarantees	9,603	11,266	116,179
Reserve for credit losses	(114,877)	(102,213)	(1,389,756)
Total assets	¥ 9,258,002	¥ 10,488,567	$ 112,000,992
LIABILITIES AND EQUITY			
Liabilities:			
Deposits, including negotiable certificates of deposit	¥ 5,739,304	¥ 6,824,464	$ 69,432,676
Debentures	352,570	487,513	4,265,308
Call money	160,330	310,487	1,939,640
Payables under repurchase agreements	—	8,430	—
Collateral related to securities lending transactions	265,028	548,479	3,206,251
Trading liabilities	144,375	176,668	1,746,614
Borrowed money	1,405,648	811,100	17,005,187
Foreign exchanges	218	222	2,641
Corporate bonds	222,268	342,518	2,688,946
Other liabilities	335,798	392,414	4,062,407
Accrued employees' bonuses	4,149	5,423	50,194
Reserve for losses on disposal of premises and equipment	—	7,011	—
Reserve for losses on litigation	—	5,873	—
Deferred tax liability	—	745	—
Acceptances and guarantees	9,603	11,266	116,179
Total liabilities	8,639,296	9,932,620	104,516,043
Equity:			
Common stock	512,204	476,296	6,196,523
Capital surplus	79,465	43,558	961,359
Stock acquisition rights	1,413	1,672	17,094
Retained earnings:			
Legal reserve	11,035	11,035	133,507
Unappropriated retained earnings	106,944	95,773	1,293,788
Unrealized gain (loss) on available-for-sale securities	(15,346)	361	(185,654)
Deferred gain (loss) on derivatives under hedge accounting	(4,452)	(192)	(53,870)
Treasury stock, at cost	(72,558)	(72,558)	(877,798)
Total equity	618,705	555,947	7,484,949
Total liabilities and equity	¥ 9,258,002	¥ 10,488,567	$ 112,000,992

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥82.66=U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on March 31, 2011.

NON-CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

Shinsei Bank, Limited
For the fiscal years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note)
	2011	2010	**2011**
Interest income:			
Interest on loans and bills discounted	**¥ 70,900**	¥ 86,578	**$ 857,737**
Interest and dividends on securities	**39,337**	51,251	**475,889**
Interest on deposits with banks	**176**	66	**2,132**
Other interest income	**9,494**	15,154	**114,866**
Total interest income	**119,908**	153,051	**1,450,624**
Interest expenses:			
Interest on deposits, including negotiable certificates of deposit	**34,581**	53,037	**418,362**
Interest and discounts on debentures	**2,392**	3,880	**28,944**
Interest on other borrowings	**2,391**	3,240	**28,931**
Interest on corporate bonds	**12,676**	16,472	**153,355**
Other interest expenses	**485**	1,287	**5,879**
Total interest expenses	**52,528**	77,918	**635,471**
Net interest income	**67,380**	75,132	**815,153**
Fees and commissions income	**13,846**	16,937	**167,513**
Fees and commissions expenses	**9,841**	9,843	**119,061**
Net fees and commissions	**4,005**	7,093	**48,452**
Net trading income	**10,617**	7,706	**128,442**
Other business income (loss), net:			
Net gain (loss) on monetary assets held in trust	**11,548**	(15,972)	**139,707**
Net gain (loss) on foreign exchanges	**2,209**	4,389	**26,731**
Net gain (loss) on securities	**14,928**	3,867	**180,600**
Net gain (loss) on other monetary claims purchased	**(373)**	(185)	**(4,520)**
Other, net	**2,847**	(891)	**34,454**
Net other business income (loss)	**31,160**	(8,793)	**376,972**
Total revenue	**113,163**	81,139	**1,369,019**
General and administrative expenses:			
Personnel expenses	**22,436**	25,549	**271,430**
Premises expenses	**9,755**	9,968	**118,023**
Technology and data processing expenses	**8,632**	9,799	**104,434**
Advertising expenses	**1,346**	1,600	**16,284**
Consumption and property taxes	**3,136**	3,420	**37,945**
Deposit insurance premium	**5,452**	4,386	**65,957**
Other general and administrative expenses	**12,252**	15,055	**148,223**
Total general and administrative expenses	**63,011**	69,780	**762,296**
Net business profit	**50,151**	11,358	**606,723**
Net credit costs	**40,322**	52,638	**487,807**
Other gains (losses), net	**2,295**	1,969	**27,768**
Income (loss) before income taxes	**12,124**	(39,309)	**146,684**
Income taxes (benefit):			
Current	**(597)**	(34)	**(7,232)**
Deferred	**1,551**	8,369	**18,774**
Net income (loss)	**¥ 11,170**	¥ (47,644)	**$ 135,142**

	Yen		U.S. dollars (Note)
Basic net income (loss) per common share	**¥ 5.59**	¥ (24.26)	**$ 0.07**

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥82.66=U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on March 31, 2011.

NON-CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

Shinsei Bank, Limited
For the fiscal years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note)
	2011	2010	**2011**
Common stock:			
Balance at beginning of year	**¥ 476,296**	¥ 476,296	**$ 5,762,122**
Issuance of new shares	**35,907**	—	**434,401**
Balance at end of year	**512,204**	476,296	**6,196,523**
Capital surplus:			
Balance at beginning of year	**43,558**	43,558	**526,958**
Issuance of new shares	**35,907**	—	**434,401**
Balance at end of year	**79,465**	43,558	**961,359**
Stock acquisition rights:			
Balance at beginning of year	**1,672**	1,808	**20,230**
Net change during the year	**(259)**	(135)	**(3,136)**
Balance at end of year	**1,413**	1,672	**17,094**
Retained earnings:			
Legal reserve:			
Balance at beginning of year	**11,035**	11,035	**133,507**
Balance at end of year	**11,035**	11,035	**133,507**
Unappropriated retained earnings:			
Balance at beginning of year	**95,773**	143,418	**1,158,647**
Net income (loss)	**11,170**	(47,644)	**135,141**
Balance at end of year	**106,944**	95,773	**1,293,788**
Unrealized gain (loss) on available-for-sale securities:			
Balance at beginning of year	**361**	(38,049)	**4,376**
Net change during the year	**(15,707)**	38,411	**(190,030)**
Balance at end of year	**(15,346)**	361	**(185,654)**
Deferred gain (loss) on derivatives under hedge accounting:			
Balance at beginning of year	**(192)**	(672)	**(2,333)**
Net change during the year	**(4,260)**	479	**(51,537)**
Balance at end of year	**(4,452)**	(192)	**(53,870)**
Treasury stock, at cost:			
Balance at beginning of year	**(72,558)**	(72,558)	**(877,798)**
Purchase of treasury stock	**—**	(0)	**—**
Balance at end of year	**(72,558)**	(72,558)	**(877,798)**
Total equity	**¥ 618,705**	¥ 555,947	**$ 7,484,949**

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥82.66=U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on March 31, 2011.

Financial Highlights
Message from the Management
Special Feature
Review of Operations
Management Structure
Data Section
Non-Consolidated Statements of Changes in Equity (Unaudited)

BASEL II PILLAR III (MARKET DISCIPLINE) DISCLOSURE

This section describes the information consistent with the Japanese FSA Notification Number 15, based on Article 19.2.1.5.d of the Bank Law Enforcement Rule (Refer to Ministry of Finance Ordinance Number 10), herein referred to as Basel II Pillar III, issued on March 23, 2007. The Accord in this section refers to the Japanese FSA Notification Number 19, herein referred to as Basel II Pillar I, issued on March 27, 2006.

QUALITATIVE DISCLOSURE

1. RANGE OF CONSOLIDATION

(1) DIFFERENCES BETWEEN COMPANIES WHICH BELONG TO A GROUP OF COMPANIES (CONSOLIDATED GROUP) SUBJECTED TO CALCULATION OF CAPITAL RATIOS BASED ON THE ACCORD'S ARTICLE 26 OR 38 AND COMPANIES INCLUDING RANGE OF CONSOLIDATION BASED ON RULE WITH REGARD TO WORD, FORMAT AND PLAN OF CONSOLIDATED FINANCIAL STATEMENT RULE (REFER TO MINISTRY OF FINANCE ORDINANCE NUMBER 28)

- There are no subsidiaries excluding from consolidated group as "Insurance subsidiaries" of the Accord's Article 26.2 in companies including range of consolidation based on Consolidated Financial Statement Rule.
- Non-consolidated subsidiaries based on Article 5 of Consolidated Financial Statement Rule are financial related corporations. Their holdings of capital are parts of deductions from capital in the calculation of the consolidated capital ratios.
- In accordance with the Accord's Article 38, the Bank Group's five foreign special purpose companies, which issued preferred securities, are included in the calculation of the non-consolidated capital ratio.

(2) NUMBER OF CONSOLIDATED SUBSIDIARIES AND NAME AND BUSINESS OF MAJOR CONSOLIDATED SUBSIDIARIES

i) Number of consolidated subsidiaries

As of March 31, 2011, there were 121 consolidated subsidiaries.

ii) Major consolidated subsidiaries

- Shinsei Trust & Banking Co., Ltd. (trust banking)
- Shinsei Securities Co., Ltd. (securities)
- APLUS FINANCIAL Co., Ltd. (installment credit)
- Showa Leasing Co., Ltd. (leasing)
- SHINKI Co., Ltd. (consumer finance)
- SHINSEI FINANCIAL Co., Ltd. (consumer finance)

(3) NUMBER OF FINANCIAL AFFILIATES UNDER THE ACCORD'S ARTICLE 32 AND NAME AND BUSINESS OF MAJOR FINANCIAL AFFILIATES

As of March 31, 2011, there were no financial affiliates applied for proportional consolidation method.

(4) NUMBER OF UNCONSOLIDATED SUBSIDIARIES SUBJECTED TO DEDUCTIONS FROM CAPITAL BASED ON THE ACCORD'S ARTICLE 20.1.2.A TO C AND NAME AND BUSINESS OF MAJOR UNCONSOLIDATED SUBSIDIARIES

As of March 31, 2011, there were 84 unconsolidated subsidiaries. 71 of these unconsolidated subsidiaries are subsidiaries of Showa Leasing Co., Ltd. The majority of the Showa Leasing subsidiaries are partnerships set up to accommodate leveraged leases.

(5) NUMBER OF COMPANIES WHICH DO NOT BELONG TO CONSOLIDATED GROUP BUT EXCLUSIVELY ENGAGE IN DEPENDENT BUSINESS OF ARTICLE 16.2.1.11 OR ARTICLE 16.2.1.12 OF BANKING ACT (ACT NUMBER 59 OF 1981) AND NAME AND BUSINESS OF MAJOR THOSE COMPANIES

As of March 31, 2011, there were no companies which did not belong to consolidated group but came under above Banking Act.

(6) SUMMARY OF RESTRICTIONS ON TRANSFER OF CASH AND CAPITAL IN CONSOLIDATED GROUP

As of March 31, 2011, there were no restrictions excluding restrictions under general regulations such as regulations on large-lot credit based on Banking Act.

2. TYPES OF CAPITAL INSTRUMENTS

The Bank has issued common shares, preferred securities, perpetual subordinated bonds and loans, and dated subordinated bonds and loans. Please see "Management Discussion and Analysis of Financial Condition and Results of Operations - Capital Ratios" on page 97 for details on the amount outstanding for each type of capital instrument.

3. ASSESSMENT OF CAPITAL ADEQUACY OF THE BANK GROUP

As part of its comprehensive risk management, the Bank, at the start of its fiscal year, determines a Risk Capital budget in consideration of its regulatory capital. This Risk Capital budget is allocated to each business line and monitored. Each month the Executive Committee receives a report on the amount of Risk Capital used and the relevant regulatory capital. In this way, senior management can monitor and assess the availabili-

QUALITATIVE DISCLOSURE (CONTINUED)

ty of capital to support current and future activities. At least once a year, the Bank performs stress tests on its estimates of Risk Capital and regulatory capital.

While the capital ratios remain at a sufficient level that does not affect day-to-day operations, the Bank will aim to improve its capital ratios through improving profitability and other necessary measures, the risk weighted assets optimization, capital raising and other appropriate initiatives.

4. CREDIT RISK MANAGEMENT POLICIES AND PROCEDURES

CREDIT RISK MANAGEMENT SYSTEM

Credit risk is defined as the risk of loss due to a counterpart defaulting on contractual debt obligations. Our model for credit risk management focuses on securing adequate return on risk, avoiding excessive concentration in particular sectors or to particular obligors, and managing the credit portfolio with an awareness of potential losses under a worst-case scenario.

To achieve these goals, the Bank defines the concrete policy regarding customer attributes to gain or control risks, products, markets, the type of industry and the form of transaction etc. in "Credit Risk Policy," and clarifies basic policies of credit operations and specific guidelines for credit risk management in this "Credit Risk Policy," "Credit Procedures" and other procedures. The credit risk management processes are roughly classified into credit risk management for individual transactions and portfolio-based credit risk management, as follows.

CREDIT RISK MANAGEMENT FOR INDIVIDUAL TRANSACTIONS

(1) Organization and Systems

What is important in credit risk management for individual transactions is to establish effective check and balance framework in the processes of transaction screening/assessment, approvals, ongoing monitoring, action in the event of deterioration, and repayment or termination of transactions. Credit transactions can be approved by unanimous decision by Business Groups and Risk Management Group to maintain objectivity and transparency. This means that the Risk Management Group has veto right for any credit transactions.

Once a corporate loan transaction opportunity has been identified, the approval process begins. Based on the size, Obligor/Facility Ratings, and total exposure amount for obligor groups, the Bank's rules stipulate whether approval will be given by the Credit Committee (CC) or other approval authorities.

When risk can emerge from not only credit, market or operational aspects, on occasion, Finance, Compliance, Legal or other specialized functions, will be invited to participate in the decision process, in the format of a Transaction Approval Committee (TAC). This allows for the thorough evaluation of reputational risk, compliance risk, legal risk or tax/regulatory aspects to ensure that the Bank and its customers avoid inappropriate deals.

A Doubtful Debt Committee ensures comprehensive monitoring and proactive management of weak assets. At the meetings of this Committee, the Bank monitors the business conditions and discuss the future outlook and action plans for obligors whose ratings are below a certain level and whose borrowings outstanding are above a certain amount, or of obligors for which the Bank has set aside a certain amount of reserves. Through this preemptive monitoring and alertness to deterioration in obligors' business environment, the Bank is striving to minimize credit costs and improve the Bank's overall asset quality.

(2) Obligor Rating System

For corporate exposures, the Bank uses an internal obligor rating system with the following characteristics:

- Increasing model accuracy and reflecting appropriate qualitative factors
- Benchmarked against external ratings
- Properly reflecting obligors' consolidated-basis accounting system
- Ensuring conformity with rating systems among industry classifications

More specifically, obligor ratings are determined by applying adjustments with qualitative factors to the model ratings calculated by our estimation models, which are created using data from external rating agencies. Obligor ratings shall be determined at the "Credit Rating Review Committee" in order to ensure objectivity and transparency. Moreover, we ensure conformity of obligor ratings with obligor categories based on the regulatory self-assessment requirements.

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

Furthermore, the Bank also applies a facility rating system based on expected losses that allows for improvement in the credit status, such as collateral and/or covenants, from the perspective of obligor ratings and the credit status of individual transactions.

Since January 2007, an obligor rating system and facility rating system similar to those adopted in the Bank have been introduced in the analysis of major customers of leasing receivables at Showa Leasing.

QUALITATIVE DISCLOSURE (CONTINUED)

(3) Pool Classification
Given the large number of retail exposures, the Bank pools these exposures based on characteristics that create reasonably homogeneous sub-portfolios of borrowers. In this way, the Bank conducts timely and regular analysis of both sub-portfolios of exposures as well as the entire Bank Group's portfolio. The principal retail exposures to which pool classification is applied are housing loans originated by the Bank itself, the installment credit receivables of APLUS and Zen-Nichi Shinpan, and small-lot leasing transactions of Showa Leasing.

PORTFOLIO-BASED CREDIT RISK MANAGEMENT

Controls must be carried out in such a way that risks are diversified in terms of industries as well as ratings. This is done on a portfolio basis, which is an aggregation of transactions, and operations of individual transactions must be conducted based on appropriate risk analyses. At Shinsei Bank, the Portfolio and Risk Management Division undertakes risk analyses of portfolios, and monitors the segment-specific risk diversification status including industry classifications, ratings, specific customers/groups and also rating fluctuations related to customers within the portfolios. The Division uses this information to provide reports to senior management and the Chief Risk Officer on a monthly as well as ad hoc basis.

PRINCIPAL "CREDIT RISK MANAGEMENT STANDARDS"

For Basel II, the Foundation Internal Ratings-Based Approach (F-IRB) has been adopted by the Bank for calculation of credit risk-weighted assets. In accordance with this approach, the Bank established "Credit Risk Management Standards," which document the framework. This documentation also covers the details of the Bank's internal rating system, which covers rating design and operation, internal control, use of internal rating and risk quantification.

These Standards contain "Basic Principles of the Internal Rating System for Credit Risk," and also provide the details of management policy and procedures in the form of specific rules for each group of exposures in the portfolio.

INTERNAL CONTROL ROLES AND RESPONSIBILITIES

The Bank Group's internal control system for credit risk management has been set up in accordance with current regulations.

(1) Credit Risk Management Divisions
The risk management divisions of the Bank and its subsidiaries undertake the roles and responsibilities for the Bank's management of credit risk. Functions are divided into Credit Risk Management Sections, responsible for the management of each asset category, and the Credit Risk Control Section (a section specified in the Risk Management Group of the Bank), responsible for management across asset categories.

(2) Senior Management Control/Oversight
Control and oversight for internal rating systems by senior management is defined in "Credit Risk Management Standards," and is performed in an appropriate manner.

(3) Audit Section
The Internal Audit Section evaluates the Bank's internal rating system and ensures the system is in compliance with existing regulations.

APPLICATION OF THE INTERNAL RATING SYSTEM

The Bank uses its own internal rating systems for portfolios to which the F-IRB Approach are applied. These items are listed in the "Exhibit" for each portfolio.

The internal rating system is applied to corporate and retail exposures as categorized below. The rules for applying the internal rating system are part of the Bank's overall "Credit Risk Management Standards."

(1) Corporate Exposure
- Corporate exposure
- Financial institution exposure
- Sovereign exposure
- Non-recourse real estate loans (specialized lending using slotting criteria)
- Credit trading claims
- Claims not subject to pool management
- Claims against individuals for the purpose of funding a business
- Claims against a business with exposure after "aggregation" *(nayose)* on a consolidated basis of ¥100 million or more

(2) Retail Exposure
Retail exposures are defined as:
- Exposures subject to pool management
- Claims against an individual (except for a claim for the purpose of funding business operations), or claims against a corporation (including an individual with the purpose of funding a business) with an outstanding amount of less than ¥100 million after the "aggregation" (*nayose*) on a consolidated basis.

Features of these products and credit analysis standards may vary between the Bank and its subsidiaries. As such, specific pool classification systems for each product are applied at each entity, in accordance with established guidelines.

ESTIMATION AND VALIDATION OF PARAMETERS

The approach for estimation and validation of parameters such as Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD) is set forth in "Credit Risk Management Standards." Ratings, pool classifications and estimated parameters are also used for internal control. Depending

QUALITATIVE DISCLOSURE (CONTINUED)

on the specific characteristics of the Bank Group's portfolios, the parameters used for internal control may differ from the parameters used in the course of calculating the regulatory capital ratio of the Bank Group. The existence of differences and the rationale for such differences is stated in the guidelines for parameter estimation and validation.

STRESS TESTS

Specific implementation guidelines are established for stress tests used in the assessment of capital adequacy, and credit risk stress tests to assess the effect of certain specific conditions on the Bank's regulatory capital requirements. Stress test results are reported to senior management at least once a year.

RESERVE POLICY

A reserve for credit losses of the Bank and its subsidiaries is provided as detailed below, pursuant to the predetermined internal rules for providing such reserves according to the obligor categorizations based on the self assessment of their assets.

A general reserve for claims against normal obligors, need-caution obligors and substandard obligors is provided based on the specific actual past loss experience.

A specific reserve for claims to possibly bankrupt, virtually bankrupt and legally bankrupt obligors is provided based on the full amount of the unsecured, un-guaranteed portion of the respective claims after a solvency assessment.

For claims against obligors that are possibly bankrupt (that is, those that are not presently bankrupt but are likely to go bankrupt in the future), a specific reserve is provided for the amount considered to be necessary based on an overall solvency assessment performed for the amount of claims, net of amounts expected to be collected through the disposal of collateral or execution of guarantees.

For claims against obligors that are legally bankrupt (due to bankruptcy and special liquidation) or virtually bankrupt, a specific reserve is provided based on the amount of claims, net of amounts expected to be collected through the disposal of collateral or execution of guarantees.

The reserve for loans to restructuring countries is provided based on the amount of expected losses due to the political and economic situation in each country.

Additionally, with regard to claims against possibly bankrupt obligors and substandard obligors, a reserve is provided based on the discounted cash flow method when the obligor's future cash flows for debt service are reasonably estimable and the balance of claims to such obligors is large.

TRANSITION PLAN FOR MOVING A PORTION OF THE BANK'S PORTFOLIO, WHICH HAS NOT YET APPLIED F-IRB, FROM THE STANDARDIZED APPROACH TO THE F-IRB APPROACH

The F-IRB Approach will be applied at a future date to the two portfolios and two entities listed below. Currently, these portfolios and entities are considered to be comprised of "roll-out" exposures. The Bank follows the Standardized Approach for evaluating these exposures.

(1) Residential mortgages at the Bank: because this business started in 2003, the Bank has not collected enough historical default data (especially for estimation of LGD) for F-IRB calculation. Once the Bank has collected sufficient historical default data (in four years), IRB (retail) will be applied to this portfolio.

(2) Shinki: a subsidiary consolidated to the Bank in fiscal year 2007. To secure historical data for a longer period and to further develop its internal rating system, the Bank Group plans to apply IRB (retail) for this subsidiary three years from now, the same period as expected IRB roll-out of its parent company, Shinsei Financial.

(3) Unsecured personal loans at the Bank: the business was started in fiscal year 2008. A detailed roll-out plan for IRB (retail) adoption will be finalized based on data accumulation for parameter estimates and an examination of business development.

(4) Shinsei Financial: a subsidiary consolidated to the Bank in fiscal year 2008. To secure historical data for a longer period and to further develop its internal rating system, the Bank Group plans to apply IRB (retail) for this subsidiary three years from now.

In the case of portfolios to which the Standardized Approach is applied, the Bank will use ratings from the following qualified rating agencies to determine exposure risk weights:

S&P, Moody's, Fitch, R&I and JCR

5. CREDIT RISK MITIGATION POLICIES AND PROCEDURES

(1) Policies and framework for mitigating credit risk

The Bank mitigates credit exposure with collateral and guarantees to reduce the credit risk of obligors. The Bank has a clear framework regarding methods for mitigating credit risk. Basic procedures and descriptions of controls, as well as types of standard collateral, guarantees necessary in granting credit, evaluation methods for different types of credit and collateral, possible "haircuts" to collateral and regular revaluation of collateral, are stipulated in the Bank's credit procedures.

QUALITATIVE DISCLOSURE (CONTINUED)

(2) Controls concerning overall methods to mitigate credit risk
The Bank uses net exposure for capital calculations after netting deposit and loan claims. All collateral and guarantees are registered in a dedicated system. The information is linked to obligor and credit account data. Collateral and guarantees are revalued at least once a year. Perfection of security interest, currency, date and correlation between collateral and counterparty are checked. The Bank uses credit derivatives for credit risk mitigation in required regulatory capital calculations as active credit portfolio management.

(3) Eligible financial asset collateral
Financial asset collateral types are defined by the Bank to include deposits, fixed income securities, equities and commercial paper.

(4) Eligible collateralized claims
Collateral types in this category include commercial bills, rights to claim return of security deposits, rights to claim return of construction funds, loan receivables, leasing and sales installment receivables and beneficial interests in trust.

(5) Eligible real estate collateral
Collateral types in this category include land and buildings, plants and foundations including industrial foundations.

(6) Other asset-backed collateral
Eligible other asset-backed collateral is defined by the Bank as aircraft and ships.

(7) Guarantees
Guarantors are classified into the following categories: governments, central banks, municipalities, public institutions, credit guarantee associations, banks, general business entities and individuals.

6. POLICIES AND PROCEDURES FOR COUNTERPARTIES OF DERIVATIVE PRODUCT AND TRANSACTIONS WITH LONG-HORIZON SETTLEMENT PERIODS

COUNTERPARTY RISK

Credit risk arising from market trading, such as derivatives, is controlled based on fair market value and estimation of future price volatility.

ALLOCATION OF CREDIT LIMITS

In order to accurately reflect the Bank's overall exposure, counterparty limits are added to any other credit exposure for each obligor. As risk embedded in market transactions changes with market movement, the Bank strictly manages its exposures using estimation of future market volatilities.

CREDIT ENHANCEMENT BASED ON COLLATERAL AND RESERVES

Credit enhancement measures are taken to mitigate the Bank's concerns regarding certain obligors' credit quality as well as concentration risk in the Bank's portfolio.

The Bank follows the guidelines outlined in the ISDA Credit Support Annex (CSA), which has been accepted by many financial institutions. Reserves are calculated based on expected losses according to the counterparty's credit quality, and are taken into consideration in the mark-to-market process.

POSSIBILITY OF THE BANK POSTING ADDITIONAL COLLATERAL DUE TO A DECLINE IN THE BANK'S CREDIT QUALITY

If the Bank's credit quality were to decline and be reflected as such in the assignment of lower external ratings, the Bank may be required to provide additional collateral to counterparties in transactions subject to the ISDA Credit Support Annex (CSA).

7. EQUITY RISK MANAGEMENT

The Bank's equity investments are mainly composed of strategic merger/acquisition or business alliance related transactions, which are approved by the Executive Committee, and investment business related transactions, which are approved by the Transaction Approval Committee (TAC).

The risk management methodologies for these investments are determined based on their investment types and purposes. Each risk is recognized and monitored appropriately by evaluating underlying assets/enterprise value. For securities that do not have fair market value, self assessment is conducted every quarter.

Securities of subsidiaries and affiliated companies are stated at cost calculated by the moving-average method. Securities available-for-sale whose fair value is readily determinable are stated at fair value at the end of the fiscal year (sales cost is determined by the moving-average method) and securities whose fair value cannot be reliably determined are carried at cost using the moving-average method.

QUALITATIVE DISCLOSURE (CONTINUED)

8. SECURITIZATION EXPOSURE RISK MANAGEMENT POLICIES AND PROCEDURES

BANK RULES

The Bank manages securitization transactions as follows:

(1) Originator

For fundraising, mitigation of exposure concentration, transfer of credit risk and balance sheet management purposes, the Bank securitizes loans and the Bank's subsidiaries securitize financial assets such as credit card and consumer loan receivables.

As an originator, the Bank manages the credit risk of its securitized transactions using the assumption that original assets are maintained on its books. Since the purpose of these transactions includes acquiring funds, mitigating exposure concentration, transferring credit risk and managing the Bank's balance sheet, securitization transactions are a tool to control liquidity risk.

(2) Investor

In order to invest in assets whose credit risks are different from those of existing corporate exposure and to enhance the profit-earning opportunity, the Bank invests in securitization transactions which are backed by various financial products.

The Bank also re-securitizes some securitized products of which the Bank has purchased and may hold the subordinated/residual portion.

As a general rule, the Risk Management Group which is fully independent from the Business Group, manages the risks arising from securitization exposure, and risk management/monitoring methodologies and risk taking/reduction policies are specified according to the types of products. Although the Bank does not actively intend to increase securitization exposure at this moment, aforementioned procedure defined in "4. Credit Risk Management and Procedures, Credit Risk Management of Specific Transactions" will be followed for new investments after specifying and recognizing the risk profile, product specifics, nature of underlying assets and structure including credit enhancement, etc.

When the Bank invests in and monitors securitization exposures, the Bank focuses on external ratings and their changes as one of the effective indicators. The Bank not only refers to the external ratings but also monitors the actual performance of underlying assets through trustee reports and independently analyzes the forecasted performance of underlying assets to assign an internal rating to each transaction.

The risks related to securitization exposures are properly identified and managed. Risk Capital is calculated based on the internal rating assigned to each transaction. In addition, if the investments fall under the category of securities that do not have fair value or market value, the Bank recognizes and manages the risk through self-assessment. The investment judgment is determined based on those analyses and expected return. After the investment is executed, the performance of underlying assets is monitored on an ongoing basis and the Bank monitors the impact of covenants and "triggers" on the risk of each securitization exposure.

In terms of the reporting, transactions to be watched because of changes in environment/markets or for specific reasons are reported to the senior management, together with the Bank's overall portfolio including securitization exposure. The report comprehensively covers the amount of credit risk, outstanding amount of investments, change in portfolio, characteristics of risk profile, and new/exit transactions, etc. Situations on the portfolio are reported to the Risk Policy Committee by the Risk Management Group every quarter.

(3) Servicer

The Bank acts as a servicer when loans, which were originated by the Bank, are used as underlying assets in securitization.

Similarly, when financial assets such as credit card and consumer loan receivables originated by the Bank's subsidiaries are used as underlying assets for a securitization, the subsidiary serves as a servicer.

(4) Swap provider

In some transactions wherein the Bank is the arranger, the Bank provides swaps in order to mitigate interest rate risk within a specified range or to manage any cashflow difference between interest from underlying assets and coupons from the securities backed by the same assets.

CALCULATION METHODS FOR DETERMINING THE AMOUNT OF CREDIT RISK IN THE CONTEXT OF SECURITIZATION EXPOSURE

Risk weights are calculated based on internal rules entitled "Standards for Administering Risk Weight Calculation for Securitization Exposure." In general, the amount of credit risk assets related to securitization exposures is calculated using the Ratings-Based Approach (RBA).

In certain cases, where ratings have not been assigned by qualified rating agencies, the Risk Management Group and Finance Group may approve exceptions to using the RBA. For such transactions, the Bank has sufficient data to estimate PDs and LGDs of the original assets, and therefore can calculate the transaction-specific PDs, LGDs and credit risk amount based on the Supervisory Formula Approach.

Where no ratings are assigned by qualified rating agencies and no data are available for estimating the PDs and LGDs of original assets, the Bank's investment amount is deducted from the Bank's capital.

QUALITATIVE DISCLOSURE (CONTINUED)

ACCOUNTING POLICY ADOPTED FOR SECURITIZATION TRANSACTIONS

(1) When assets to be securitized are owned by the Bank, securitization assets are removed from the balance sheet and assignment of gains and losses are calculated based on the financial component (*zaimu-kousei-youso*) approach.

The assets sold and retained interests are recognized as separate components of a transfer of financial assets. Those components in the transferred assets are measured by allocating the previous carrying amount between the assets sold and retained interests based on the relative fair values at the time of transfer. Based on the calculated values of assets that are sold, gains or losses on the transfer are recognized.

However, when assets are securitized for fundraising purposes, the book value to be credited on the balance sheet is adjusted in order to prevent generating any initial profits, after removing the assets from the balance sheet using the financial component approach.

(2) When the Bank purchases securitized products, Accounting Standards for Financial Products apply to each financial asset.

(3) Fee income earned by the Bank in arranging securitization for other parties (no investment) is treated as non-interest income.

QUALIFIED RATING AGENCIES WHOSE RATINGS ARE USED BY THE BANK IN DETERMINING SECURITIZED EXPOSURE TYPE-SPECIFIC RISK WEIGHTS:

S&P, Moody’s, Fitch, R&I, and JCR.

9. MARKET RISK MANAGEMENT POLICIES AND PROCEDURES

DEFINITION OF MARKET RISK

Market risk, which is the risk associated with changes in the value (Fair Value) of financial instruments from fluctuations in bond prices, foreign exchange rates, interest rates, stock prices, credit spread and other market-determined price mechanisms, is inherent in all assets and liabilities, as well as off-balance sheet transactions.

MARKET RISK MANAGEMENT POLICY

We manage market risk by segregating the overall balance sheet into a trading book and a banking book.

Market Risk Management Committee is in charge of market risk management and risk review of trading book. CRO is chairman of Market Risk Management Committee and representatives of related divisions are composed of Market Risk Management Committee. Market Risk Management Committee has monthly and weekly regular meeting and review detail market risk reported by Market Risk Management Division.

The ALM Committee has monthly regular meeting, in principle, for review and decision making of all asset and liability related market risk.

Risk limits on trading, e.g. Value at Risk (“VaR”), is approved by Executive Committee. The VaR is the amount at risk for a specific time horizon and confidence level.

The Market Risk Management Division is responsible for the objective and timely recognition, monitoring and reporting of market risk in both the Bank’s trading and banking operations. In addition to reporting risk information to management, administrative divisions and front office units, the Market Risk Management Division carries out regular risk analyses and recommendations.

MARKET RISK MANAGEMENT FRAMEWORK

We have asset and liability risk arising from normal banking operations and the risk from the Bank’s actively trading operations. Each unit within the front section is assigned overall risk limits.

The Market Risk Management Division is responsible for the objective and timely recognition, monitoring and reporting of market risk in both the Bank’s trading and banking operations. In addition to reporting risk information to management, administrative divisions and front office units, this division carries out regular risk analyses and recommendations. The transaction execution, operations and risk management sections operate independently, establishing a system of effective checks and balances.

QUANTITATIVE MARKET RISK MANAGEMENT

The Bank has built a system capable of facilitating the recognition and management of market risk by quantifying this risk frequently, tracking it objectively, and making adjustments according to market trends.

Market risk management relies on a five-step process.

1. Construct a transaction information database.
2. Clarify data according to the nature of the risk.
3. Quantify the risk based on the characteristics and nature of the risk.
4. Summarize and report the overall risk calculation.
5. Determine appropriate adjustments and monitoring based on the reported risk calculations.

To obtain a precise picture of the current risk position, transaction data must be accurate and complete. Measurement definitions must be valid, and valuation criteria such as rates and prices must be reliable. The Bank’s market risk measurement system meets all of these requirements.

QUALITATIVE DISCLOSURE (CONTINUED)

MARKET RISK MEASUREMENT METHODOLOGY

The Bank uses a Value-at-Risk (VaR) approach in its trading operations. For general market risk, the internal-model VaR calculation started from March 31, 2007 for Shinsei Bank and Shinsei Securities. This internal model makes use of a Historical Simulation Method for all books. Specific risk is reported using the Standardized Method. The VaR calculation uses a 99% confidence level, 10-day holding period and 250 observation days. Risk Capital is measured on a presumed one-year holding period basis.

Please refer to the VaR data table.

Market Risk Methodologies

		Trading	FX-related Risks except Trading
Shinsei Bank	General Market Risk	Internal Model Method • Historical Simulation Method	Standardized Method
	Specific Risk	Standardized method	
Shinsei Securities	General Market Risk	Internal Model Method •Historical Simulation Method	Standardized Method
	Specific Risk	Standardized Method	
Other Subsidiaries		—	Standardized Method

(VaR data table) VaR amounts as calculated at the end of March 2011 together with the high, mean and low VaR in fiscal year 2010 (99% confidence level, 10 day holding period).

	Millions of yen	
	Consolidated	Non-consolidated
VaR at the end of year	3,785	3,734
VaR through this year		
High	3,964	3,912
Mean	2,251	2,186
Low	1,478	1,434

EXPECTED HOLDING PERIOD AND ADEQUATE PRICING METHOD TAKING POSSIBILITIES INTO CONSIDERATION THAT ACTUAL HOLDING PERIOD MAY EXCEED EXPECTED HOLDING PERIOD

The expected length of time necessary to close a position in the trading books is ten days. The VaR framework is using this 10-day holding period to accommodate this fact.

INTERNAL MODEL VALIDATION

The validity of the Bank's market-risk VaR model is verified through back-testing, which examines how frequently actual daily profit or loss exceeds daily VaR for a one-day holding period. The back-testing results for fiscal year 2010 show that the number of days in which Loss Amount exceeded VaR on a consolidated basis was zero.

Complementing the Internal Model method, the Bank implements stress testing on a weekly basis and reported the results to the Market Risk Management Committee.

ASSUMPTIONS AND VALUATION METHOD FOR INTERNAL CHECK OF CAPITAL EFFICIENCY

When we evaluate capital sufficiency for market risk using risk capital, we convert the above mentioned calculation method using a one year horizon.

10. LIQUIDITY RISK MANAGEMENT

Liquidity risk management is implemented by ALM committee, as well as monitoring by Market Risk Management Committee, using process for approval of liquidity gap structure limits and minimum liquidity reserve levels.

The Bank's "Cash Liquidity Risk Management Policy," reviewed and approved periodically by the ALM Committee, stipulates the guidelines and norms for appropriate liquidity risk management. To quantify liquidity risk, we have implemented following liquidity forecast calculation:

- Business as Usual model: This model forecasts the liquidity situation on an ongoing basis. The output of this model is an estimate of the funds we need to raise under normal circumstances.
- Stress model: This is a liquidity forecast under extraordinary circumstances, our downgrade,etc. The output of this methodology shows the estimated cash in hand under the stressed circumstances.
- Gap Measurement: Basically we measure future Gap based on business as usual assumptions for Assets and Retail Funding, and Contractual maturities for wholesale funding.

  The output of these calculation is carefully analyzed and presented weekly to Market Risk Management Committee and monthly to the ALM Committee together with a recommendation on the liquidity gap structure and minimum reserve level, which is determined as follows:
- The first requirement of the test is that we should be able to hold adequate liquidity even in a crisis or emergency situation; based on the assumptions relating to inflow and outflow in a stress situation, the net cumulative outflow over a specified period should not exceed available reserves.
- If available reserves are insufficient to meet the test, actions to remedy the situation, such as increasing reserves etc., must be taken.
- If available reserves are sufficient to meet the test, then available reserves may be reduced, but only if the first stress test (emergency survival test) is still met and the liquidity gap at various times is within approved gap limits.

QUALITATIVE DISCLOSURE (CONTINUED)

11. BANKING BOOK INTEREST RATE RISK MANAGEMENT

(1) Interest Rate Risk Management
The Bank's risk management of banking book assets and liabilities is managed based on our "Asset Liability Management Policy for Banking Account." Risk is monitored on a daily basis. The ALM Committee meets on a monthly basis in order to provide management with appropriate and timely reports on the status of the Bank's interest rate risk exposure. This committee also reviews and makes decisions on ALM policies and related topics. The purpose of comprehensively managing assets and liabilities is to optimize the overall interest income for the medium- to long-term by appropriately balancing interest rate risks on assets and liabilities and liquidity risks arising in the ordinary course of operations. This optimization is achieved by maintaining the appropriate balance between the following two approaches.

1) Static point of view: Stabilize fluctuations and the range of changes in interest income based on the Bank's estimation by adjusting interest rate risks resulting from gaps in the amount of assets and liabilities, terms and the current interest rate conditions.
2) Active point of view: Increase interest income by restructuring the present combination of assets and liabilities into a structure to generate more return per unit of risk.

For banking book interest rate risk management, in addition to limits or guidelines including net 100bpv, net interest income simulation is used. Interest income is simulated in order to monitor risk status on both a net present value and accounting basis. The Bank monitors the shape of the yield curve and regularly analyzes scenarios such as sudden steepening or flattening of the yield curve. The impact of these scenario changes on assets and liabilities is also evaluated.

(2) Stress scenarios and outlier criteria
In the context of the outlier criteria for the second pillar of Basel II, the Bank has adopted a 2% parallel-shift scenario. This measures fluctuation in the economic value of assets and liabilities on the banking book as a result of a 2% interest rate shock. This scenario is consistent with the Bank's interest rate risk sensitivity analysis, which is used for internal control purposes. This approach enhances the clarity of the scenario analysis.

(3) Calculation method for interest rate risk
• Housing loan prepayments
Instead of using contractual maturity, the cash flows for housing loans are based on a particular prepayment ratio, which is determined using actual prepayment data for similar loans and pricing in the housing loan securitization market. This data is incorporated into the interest rate risk calculation for the banking book. Prepayment rates are reviewed as appropriate.
• Definition of core deposits
The Bank has adopted an internal model for determining the maturity of core deposits. This system defines customer-specific and currency-specific maturities of ordinary deposits. In particular, the anticipated residual maturity model, wherein a probability distribution is applied, has been used for determining the maturity of yen-denominated retail ordinary deposits which account for the majority of the Bank's deposits.

According to this model, the average term is about 2.0 years (the longest term is 5 years).

Regarding other corporate deposits and liquid foreign currency deposits, an average term of 10.5 months has been reflected in the interest rate risk calculation in the banking book.

The parameters and models for core deposits are reviewed as necessary.

(4) Banking book interest rate risk calculation method by consolidated subsidiaries for internal management purpose

In general, consolidated subsidiaries conduct risk management under the supervision of the Board of Directors or ALM committee except for SPVs and other such entities whose risk management is integrated into the Bank's business.

Interest rate risk of consolidated subsidiaries, which have interest rate-sensitive assets and liabilities, are based on each subsidiary's interest rate risk management method and included in consolidated interest rate risk. At this time, a 2% interest-rate shock is adopted and used for outlier criteria calculation.

The decline in economic values for applied interest rate shock of 2% (parallel shift) in the banking book at the end of March 2011:

	Billions of yen	
	Consolidated	Non-consolidated
JPY	¥ 33.2	¥ 3.5
USD	0.0	0.0
Other	0.2	0.2
Total	¥ 33.4	¥ 3.7

QUALITATIVE DISCLOSURE (CONTINUED)

12. OPERATIONAL RISK MANAGEMENT POLICIES AND PROCEDURES

MANAGEMENT POLICIES AND PROCEDURES

(1) Definition of Operational Risk

The Bank classifies operational risk into several risk categories, such as operational and administrative risk, compliance risk, labor-related risk, systems risk, extensive disaster risk and material object risk, which are applied across the Bank and its consolidated subsidiaries.

(2) Operational Risk Management System

The Bank manages operational risk at multiple levels as follows:

- Management by business lines according to the nature of each business
- Cross-organizational management by designated management divisions for respective risk categories mentioned above (hereinafter "designated management divisions") and by the firm-wide management division of operational risk (hereinafter "firm-wide management division")
- Verification by the Internal Audit Division on the appropriateness and effectiveness of the overall risk management system
- Based on reports and proposals, the Board of Directors etc. makes decisions on important items, including general rules and organizational changes related to operational risk management

The designated management divisions and the firm-wide management division are independent from business lines, which are accountable for earnings, and promoting management of overall operational risk and each risk category. The divisions develop uniform management standards and procedures, capture and evaluate errors and irregularities, conduct causal analysis and support establishment of recurrence prevention measures. Moreover, the divisions meet on a monthly basis to discuss challenges and measures for operational risk management, as well as to share information.

Operational risk is recognized and evaluated through review of internal errors and irregularities that have occurred, as well as through consideration of potential errors and irregularity scenarios that may occur less frequently but may have a significant impact. Uniform standards for collection and evaluation of errors and irregularities are established to capture and/or evaluate significant actual errors and/or irregularities on a regular basis. Procedures are determined to ensure that potential errors and irregular scenarios for each business operation are specified and their frequency and severity are evaluated in a complete and appropriate manner on an at least an annual basis.

Such identified and evaluated risks are reported to senior management by the designated management divisions and the firm-wide management division and are used in Risk Capital measurement for internal management purposes.

(3) "Operational Risk Management Standards"

"Operational Risk Management Standards" are a set of policies and procedures used to define the organizational framework, specific methods and processes for operational risk management. They are composed of the following:

- "Operational Risk Management Policy"
- Specific management rules
- Management rules at consolidated subsidiaries

"Operational Risk Management Policy" is the highest set of rules on operational risk management. To ensure comprehensive and consistent operational risk management within the Bank Group, the Policy establishes risk definitions, governance and basic policies on operational risk management, and the basic framework for risk capture, evaluation, monitoring, reporting, control and mitigation.

Specific management rules include management standards and procedures for each respective operational risk category, and for new businesses and products.

Management rules at each consolidated subsidiary are composed of comprehensive rules on overall operational risk management and specific rules for respective operational risk categories. Consolidated subsidiaries establish, revise and repeal rules by the approval of their Board of Directors, according to their risk characteristics and specific internal controls. Their establishment, revision and repeal are subject to prior discussions with and after-the-fact reports to the Bank to ensure consistency with the Bank's risk management rules.

METHODOLOGY TO CALCULATE OPERATIONAL RISK UNDER BASEL II

The Standardized Approach is adopted by the Bank.

Amount of required capital for Operational Risk at the end of fiscal year 2010:

	Millions of yen	
	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
The Standardized Approach	¥ 37,271	¥ 11,543

QUALITATIVE DISCLOSURE (CONTINUED)

PRINCIPAL "CREDIT RISK MANAGEMENT STANDARDS"

<table>
<tr><td></td><td colspan="4">Corporate Exposures</td><td colspan="4">Retail Exposures</td></tr>
<tr><td></td><td colspan="2">Shinsei Bank
(Corporate, Sovereign, Bank, Specialized Lending, Equity)</td><td colspan="2">Showa Leasing
(Corporate, Other Retail)</td><td>APLUS FINANCIAL, APLUS PERSONAL LOAN
(Residential Mortgage, Qualifying Revolving Retail, Other Retail)</td><td>Zen-Nichi Shinpan
(Residential Mortgage, Other Retail)</td><td colspan="2">Shinsei Bank
(Purchased Residential Mortgage, Purchased Other Retail; Residential Mortgage (roll-out asset to IRB))</td></tr>
<tr><td rowspan="2">Overall</td><td colspan="8">Basic Principles of the Internal Rating System for Credit Risk</td></tr>
<tr><td colspan="4">Internal Controls on Internal Rating System of Corporate Exposures</td><td colspan="4">Comprehensive Standards for Internal Rating System for Retail Exposures</td></tr>
<tr><td rowspan="4">Internal Rating System Design/ Operations</td><td rowspan="2">Obligor Rating Standards</td><td rowspan="3">Internal Rating System Preparation and Operation Standards for Specialized Lending</td><td colspan="2">Standards for Internal Rating System</td><td>Credit Policy/Credit Risk Management Official Regulations</td><td>Credit Policy/Credit Risk Management Official Regulations</td><td rowspan="3">Pool Categorization Methods and Parameter Estimation/Verification on Criteria regarding Purchased Housing Loans</td><td rowspan="3">Shinsei Housing Loan Pool Category Handling Standards</td></tr>
<tr><td rowspan="2">Internal Rating System Operation Standards for Specialized Lending</td><td>Credit Rating Standards</td><td>Credit Risk Estimation Rules</td><td>Credit Risk Estimation Rules</td></tr>
<tr><td>Facility Rating Standards</td><td>Facility Rating Standards</td><td>Guidelines of Pool Classification</td><td>Guidelines of Pool Classification</td></tr>
<tr><td colspan="2">Self-Assessment Standards/Manual</td><td colspan="2">Self-Assessment Manual/Procedures</td><td>Self-Assessment Standards</td><td>Self-Assessment Standards</td><td colspan="2">Self-Assessment Standards/Manual</td></tr>
<tr><td rowspan="2">Risk Quantification/ Validation</td><td colspan="4">Estimation/Validation Standards (for Corporate Exposures)</td><td colspan="3">Estimation/Validation Standards (for Retail Exposures)</td><td rowspan="2">Parameter Estimation and Validation Standards for Housing Loan Exposure</td></tr>
<tr><td colspan="2"></td><td colspan="2">Parameter Estimation Standards</td><td>Guidelines of Parameter Estimation</td><td>Guidelines of Parameter Estimation</td><td>Pool Categorization Methods and Parameter Estimation/Verification on Criteria regarding Purchased Housing Loans</td></tr>
<tr><td rowspan="3">Others</td><td colspan="8">Standards for Implementing Stress Tests in Basel II Regulatory Capital Measurement</td></tr>
<tr><td colspan="8">Comprehensive Standards for Measuring and Managing Dilution Risks</td></tr>
<tr><td colspan="2">Standards for Measuring and Managing Dilution Risks of Purchased Loans</td><td colspan="6"></td></tr>
</table>

Financial Highlights
Message from the Management
Special Feature
Review of Operations
Management Structure
Data Section
Basel II Pillar III (Market Discipline) Disclosure

QUALITATIVE DISCLOSURE (CONTINUED)

EXHIBIT

<table>
<tr><td colspan="3" rowspan="2">Type of Exposures</td><td colspan="2">Shinsei Bank (Non-Consolidated)</td></tr>
<tr><td>(a) Corporate Exposures, (b) Sovereign Exposures,
(c) Exposures to Banks, and (d) Equity Exposures
(Exposures to which Internal Rating and PD/LGD approach is applied)</td><td>(e) Specialized Lending</td></tr>
<tr><td colspan="3">Type of Internal Rating Approaches to be Used</td><td>• Obligor rating based on the rating estimation model
• Facility rating based on the obligor ratings/expected losses</td><td>Rating in accordance with the capital rating structure model based on LTV.</td></tr>
<tr><td rowspan="5">Summary of Internal Rating System</td><td rowspan="2">Structure of Internal Rating System</td><td>Summary of Rating System</td><td>An internal obligor rating system has been adopted since February 2001. The characteristics of the rating system are:
• Increasing model accuracy and reflecting appropriate qualitative factors
• Benchmarked against external ratings
• Properly reflecting obligors' consolidated-basis accounting systems
• Ensuring conformity with rating systems among industry classifications
For categorizing each individual transaction, an obligor rating and a facility rating system, based on expected losses taking into account the status of the preservation of claims, has been implemented since May 2001.
Also, a facility rating, in addition to the total amount of credit to an obligor group, has been introduced to enable more appropriate credit judgment.</td><td>"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 non-recourse loan. As the risk profile is different from that of general corporate exposure and also the frequency of occurrence of actual default is quite low, the framework of Basel II permits the classification into a designated category by using the Guideline for Judging Risks based on FSA Notification ("Slotting Criteria") and calculation of risk assets.
This "Slotting Criteria" is applied for calculating required regulatory capital, and internal ratings are estimated through the following process.
• Quantitative rating is estimated based on LTV.
• Qualitative adjustments are made on quantitative rating.</td></tr>
<tr><td>Obligor Rating (Corporate)

Facility Rating (Corporate)</td><td>Obligor Rating
i) Model score: A quantitative model score is derived based on the financial data of a customer by applying a neural network model prepared by using external ratings as a benchmark. Financial data from "Nikkei Needs Financial Information" and "Shinsei Financial Analysis System Data" were used for calculation of model scores.
ii) Verification of reliability of obligor financial data.
iii) Overall adjustment: Unrealized profit or loss future financial projection, etc. Obligor ratings for Sovereign/Bank exposures are assigned based on specific rules as "Obligors Subject to Special Treatment."
Facility Rating
Derived on the basis of expected loss rate by taking into account the following factors.
i) Probability of Default (PD) corresponding to an obligor rating/term of credit.
ii) Loss Given Default (LGD) corresponding to the status of credit enhancement of a facility.
Facility rating system is not implemented for equity exposures.</td><td>Obligor Rating and Facility Rating
The obligor rating is derived based on the rating approach in line with the foregoing framework. However, as the facility rating is directly calculated, no particular distinction is made between the obligor rating and the facility rating.</td></tr>
<tr><td colspan="2">Usage of Various Estimated Values (Use Test)</td><td>Facility rating is derived and assigned based on Expected Loss (EL) calculated from the PD corresponding to the credit rating.
EL using the foregoing PD is also applied to pricing.
PDs are used for calculating and allocating Risk Capital.
No specific pricing rule with PD/LGD Approach for Equity exposures.</td><td>In the rating system, a rating derived in accordance with the above is also used for credit assessment of a transaction.</td></tr>
<tr><td rowspan="2">Management of Internal Rating System and Validation Procedures</td><td>Management of Internal Rating System</td><td>Portfolio and Risk Management Division (PRMD) of the Bank is in charge of designing the rating system and ratings are assigned by the Credit Rating Review Committee.
PRMD is in charge of estimation and validation of parameters.
Internal Audit Division (IAD) of the Bank audits all these processes.</td><td>Structured Risk Management Division (SRMD) of the Bank is in charge of the design/management of the rating system.
SRMD and PRMD are jointly in charge of validation.
IAD audits all these processes.</td></tr>
<tr><td>Validation Procedures</td><td>Quantitative Validation
Model ratings and final credit ratings are validated in a manner as multifaceted as possible using Shinsei Bank data, Showa Leasing data and external databases.
1) Back Testing: using historical data, credit ratings goodness of fit, and Accuracy Ratio (AR) by segments, such as industry and sales scale, are validated.
2) Benchmarking: Comparison between internal and external ratings and mapping analysis are performed for the obligors with external ratings.
Qualitative Validation
Examinations of the newly defaulting obligors and rating transition analyses are conducted, and operations of individual assessments are examined.</td><td>The Bank validates the process by comparing simulated quantitative rating (based on quantitative data only) with a rating assigned by external agencies for CMBS transactions whose terms and conditions are available.</td></tr>
<tr><td rowspan="2">Summary of Rating Assignment Procedures for Each Portfolio</td><td colspan="2">Rating Assignment Procedures</td><td>The assigned rating is determined at the Credit Rating Review Committee.
Ratings are revised at least once a year.</td><td>SRMD is in charge of the assignment of internal ratings and mapping to the slotting criteria.</td></tr>
<tr><td colspan="2">Estimation of Parameters</td><td>PDs of corporate exposures are estimated by defining a default as any of the following: i) obligor categorization under self assessment falls to sub-standard (9B) or lower, ii) sale of claims at 30% economic loss, iii) amount of overdraft exceeds the maximum amount of the overdraft facility for 3 months.
1) Characterization of the Bank's internal data: Observation period is from end of March 2001, and population is obligors with loan exposures in (a) - (c).
2) Estimated PD data of the population that is treated as the corporate exposures at Showa Leasing (observation period: from end of March 2003).
3) For obligors at 3 rank or higher where track record of default is scarce, the PDs are estimated based on cumulative default rates from internal data, corporate bond spreads and data published by external rating agencies.
4) For Sovereign exposures, estimated PD for 0A and 1A is 0.00% and 0.01% respectively for required regulatory capital calculation purposes.</td><td>The mapping of internal ratings to the slotting criteria is as follows:
i) Strong: 1AF - 4BF
ii) Good: 4CF
iii) Satisfactory: 5AF
iv) Weak: 5BF - 6CF and 9A
v) Default: 9B - 9E</td></tr>
</table>

Financial Highlights
Message from the Management
Special Feature
Review of Operations
Management Structure
Data Section
Basel II Pillar III (Market Discipline) Disclosure

QUALITATIVE DISCLOSURE (CONTINUED)

EXHIBIT

Type of Exposures			Shinsei Bank (Non-Consolidated)		Showa Leasing
			(f) Residential Mortgage Exposures (Housing Loans) [Roll-out Assets from Standardized Approach to IRB Approach]	(g) Purchased Residential Mortgage Exposures (A portion is classified as Purchased Other Retail Exposures)	(h) Exposures to Corporate, etc.
Type of Internal Rating Approaches to be Used			Pool classification based on a matrix of obligor and transaction attribute and delinquency (Expected roll-out period: End of FY2014)	Pool classification by portfolio and by delinquency status	Obligor rating based on a rating estimation model Facility rating based on an obligor rating/ expected loss
Summary of Internal Rating System	Structure of Internal Rating System	Summary of Rating System	The criteria for pool classification is LTV (Loan to Value ratio) and DTI (Debt to Income ratio).	These exposures are housing loans originated by lenders other than the Bank, and purchased as portfolios by the Bank. Pools are classified on a portfolio basis and delinquency basis. Business purpose loans collateralized by real estate to retail customers are classified as purchased other retail exposures or purchased corporate exposures.	An obligor rating system has been introduced that is identical to the system used at the Bank. Facility ratings based on EL for each transaction are established.
		Obligor Rating (Corporate) Facility Rating (Corporate) Pool Classification (Retail)	**Pool Classification** Criteria for pool classification are: i) LTV, ii) DTI, and iii) delinquency.	**Pool Classification** Normal, Delinquent and Default pools are established for each portfolio.	**Obligor Rating** Same as (a) (b) and (c). **Facility Rating** The facility rating is established based on the EL of each transaction by reflecting the characteristics of risk profile of a transaction as well as the risk profile of an obligor.
	Usage of Various Estimated Values (Use Test)		PDs and LGDs are used for calculating and allocating Risk Capital.	PDs and LGDs are used for calculating and allocating Risk Capital.	• The facility rating is assigned based on EL using PD corresponding to the credit rating. • EL using PD is also applied to pricing. • PDs are used for calculating and allocating Risk Capital.
	Management of Internal Rating System and Validation Procedures	Management of Internal Rating System	Individual Pillar Risk Management Division (IPRM) is in charge of rating system design. Retail Services Division (RSD) is in charge of the pool assignment, with confirmation by the Loan Product Division (LPD). IPRM oversees pool assignment process. PRMD estimates/validates parameters. IAD audits all these processes.	SRMD is in charge of rating system design and pool assignment. SRMD estimates/validates parameters with support by PRMD. IAD audits all these processes.	PRMD of the Bank and Credit Risk Management Section (CRMS) of the Company are jointly responsible for the design of the rating system, and CRMS of the Company is in charge of rating assignment. PRMD of the Bank is in charge of the final approval process of parameter estimation and validation. Audit Division (AD) of the Company and IAD of the Bank jointly audit all these processes.
		Validation Procedures	**PD/LGD** Comparison of external data with internal historical data.	**PD** Binominal test, comparison with track record of defaults in other housing loan portfolios. **LGD** Validation if estimated LGDs remain within a certain confidence level, and comparison with the track record of loss rate in other housing portfolios.	Same as (a) (b) and (c).
Summary of Rating Assignment Procedures for Each Portfolio	Rating Assignment Procedures		As part of loan approval process, RSD: assigns exposures to specific pools LPD: confirms pool assignment IPRM: oversees and controls pool assignment process	SRMD is in charge of pool assignment.	CRMS of the Company is in charge of rating assignment.
	Estimation of Parameters		**Definition of Default** Any of the following: i) three month delinquency, ii) relaxation of terms and conditions, iii) legal bankruptcy, iv) loan sales at 30% economic loss. **PD** PDs are estimated based on historical data. External data are used to estimate seasoning effect. Pools of Need Caution obligors: PDs are estimated using the Bank Group data. **LGD** LGDs are estimated based on historical data of each collection. **Exposure at Default (EAD)** EAD for on-balance sheet items is the outstanding amount of mortgages, and utilized amount of overdraft facilities. EAD for off-balance sheet items is 100% of undrawn amount of overdraft facilities.	**Definition of Default** Any of the following: i) three month delinquency, ii) relaxation of terms and conditions, iii) legal bankruptcy, iv) payment in subrogation by guarantors, v) acceleration, vi) loan sales at 30% economic loss. **PD** PDs are estimated based on historical data of each purchased housing loan portfolio. Period before loan purchase is also included in data observation period. **LGD** LGDs are estimated based on historical data of each purchased housing loan portfolio. **EAD** EAD for on-balance sheet items is the outstanding balance of beneficiary interest in trust. EAD for off-balance sheet items is zero, since no undrawn amount exists.	Default is defined as any of the following: i) three month delinquency, ii) relaxation of terms and conditions, iii) legal bankruptcy, iv) sales of receivables at 30% economic loss, v) Special Supervision or lower in self assessment of assets. PD estimation process is same as (a) (b) and (c).

Financial Highlights
Message from the Management
Special Feature
Review of Operations
Management Structure
Data Section
Basel II Pillar III (Market Discipline) Disclosure

QUALITATIVE DISCLOSURE (CONTINUED)

EXHIBIT

Type of Exposures			Showa Leasing (i) Other Retail Exposures	APLUS FINANCIAL, APLUS, APLUS PERSONAL LOAN, and Zen-Nichi Shinpan (j) Residential Mortgage/Qualifying Revolving Retail/Other Retail Exposures
Type of Internal Rating Approaches to be Used			Pool classification based on a matrix of obligor and transaction attributes and delinquency	Pool classification based on a matrix of obligor and transaction attributes and delinquency
Summary of Internal Rating System	Structure of Internal Rating System	Summary of Rating System	Small-lot lease receivables to corporate obligors in the Company are managed on a pool basis, and are treated as "retail" exposures. A credit rating is assigned to each obligor based on such factors as whether equity of obligor is listed or not, size of annual income, length of business history, credit score assigned by a credit agency. In addition, classification by type of asset leased is also implemented.	Main portfolio of the Group (APLUS FINANCIAL (including APLUS and APLUS PERSONAL LOAN), and Zen-Nichi Shinpan) is installment credit receivable, classified as other retail exposures. Credit is also extended through credit/loan cards, part of which are classified as qualifying revolving retail exposures. The Group retains but no longer originates housing loans. R-rating is assigned to each exposure of APLUS. R-ratings are risk grades based on obligor attributes, borrowing behavior information provided by credit information agencies and transaction history with the Company. For installment credit receivables, pool classification is also determined by type of asset being financed. For card exposures, card type and card limit amount is employed as criteria of pool classification. In APLUS FINANCIAL, a holding company, and APLUS and APLUS PERSONAL LOAN, subsidiaries, risks are managed comprehensively by APLUS FINANCIAL, as well as in each company, and major Credit Risk Management Standards, pool classification and parameter estimates are shared by these 3 companies. In Zen-Nichi Shinpan, which started adopting Foundation IRB from the end of March 2010, pool classification is established by portfolio such as installment credit receivables and card exposures.
		Pool Classification (Retail)	Criteria for pool classification are i) credit rating, ii) type of asset leased, and iii) obligor classification including delinquency.	Key criteria for pool classification are as follows: i) Obligor attributes such as R-rating ii) Transaction attributes such as type of assets financed for installment credit receivables, or card limit amount for card exposures iii) Delinquency
	Usage of Various Estimated Values (Use Test)		PDs and LGDs are used for calculating and allocating Risk Capital. For pricing purposes, PDs and LGDs, which are derived assuming that defaulted exposures do not recover to non-default status, are utilized.	PDs, LGDs and Credit Conversion Factors (CCFs) are used for calculating and allocating Risk Capital.
	Management of Internal Rating System and Validation Procedures	Management of Internal Rating System	CRMS of the Company and PRMD of the Bank are jointly in charge of the rating system design. Business Divisions/Branches of the Company assign exposures to pools, and CRMSs confirm and oversee pool assignment. CRMS and PRMD of the Bank jointly estimate and validate parameters, based on data provided by the Company. AD of the Company and IAD of the Bank jointly audit all these processes.	CRMS of the Group and PRMD of the Bank are jointly in charge of the rating system design. Business Divisions/Branches of the Group assign exposures to pools, and CRMS confirms and oversees pool assignment. CRMS and PRMD of the Bank jointly estimate and validate parameters, based on data provided by the Group. Internal Audit Section of the Group and IAD of the Bank jointly audit all these processes.
		Validation Procedures	**PD** Binominal test and verification of PDs and ratings goodness of fit. **LGD** Validation if estimated LGDs are remaining within a certain confidence level. **Pool Classification** Validation by Accuracy Ratio (AR).	**PD** Binominal test and verification of PDs and ratings goodness of fit. **LGD** Validation if estimated LGDs are remaining within a certain confidence level. **Pool Classification** Validation by Accuracy Ratio (AR).
Summary of Rating Assignment Procedures for Each Portfolio	Rating Assignment Procedures		As part of the approval process, Business Divisions/Branches of the Company assign exposures to pools, and CRMSs of the Company confirm pool assignment and oversee and control overall pool assignment processes.	Business Divisions/Branches of the Group assign exposures based on guidance provided by CRMS of the Group, and CRMS confirms pool assignment and controls overall pool assignment processes.
	Estimation of Parameters		**Definition of Default** Any of the following: i) three month delinquency, ii) relaxation of terms and conditions, iii) legal bankruptcy, iv) sales of receivables at 30% economic loss, v) Special Supervision or lower in self assessment of assets. **PD** PDs are estimated on the Company's historical data. **LGD** LGDs are estimated on the Company's historical data. **EAD** EAD for on-balance sheet items is defined as outstanding balance in compliance with U.S. Financial Accounting Standards Board (FASB). EAD for off-balance sheet items is zero, since no undrawn amount exists. **Data Observation Period** From April 2002. Due to partial revision of credit rating system in April 2011, PDs will be estimated based on data observed from April 2005.	**Definition of Default** Any of the following: i) three month delinquency, ii) relaxation of terms and conditions, iii) legal bankruptcy, iv) sales of claims at 30% economic loss. **PD** PDs are estimated using the Group's historical data. **LGD** LGDs are estimated using the Group's historical data. **EAD** EAD for on-balance sheet items is the outstanding amount of principal plus uncollected commissions/interest/guarantee fee. EAD for off-balance sheet items is calculated by committed line amount of card exposures multiplied by Credit Conversion Factors (CCFs). CCFs are estimated for each card type, using historical data of the Group. **Data Observation Period** From April 2001 for installment credit receivables and card exposures of APLUS.

QUALITATIVE DISCLOSURE (CONTINUED)

SHINSEI BANK CORPORATE OBLIGOR RATING SYSTEM

Obligor Rating Categories	Corresponding Rating Assigned by R & I	Summary
0A		1. Japanese Government, BOJ 2. Government-affiliated agencies, expected high certainty from strong backup by the Government.
1A	AAA	Highest capability to meet its financial commitments on the obligations and many other positive factors.
2A	AA+	Very high capability to meet its financial commitment on the obligation and other positive factors.
2B	AA	
2C	AA-	
3A	A+	High capability to meet its financial commitments on the obligations and some good factors.
3B	A	
3C	A-	
4A	BBB+	There is adequate certainty of the fulfillment of obligations, but there are also some factors requiring attention in the event of serious adverse economic conditions in the future.
4B	BBB	
4C	BBB-	
5A	BB+	No problem regarding the certainty of the fulfillment of obligations for the time being, but some factors need to be closely watched in the event of adverse economic conditions in the future.
5B	BB	
5C	BB-	
6A	B+	No problem regarding the certainty of the fulfillment of obligations in the present situation, but special supervision is needed to monitor the trends in business performance and the protection of credit exposure.
6B	B	
6C	B-	
9A		Classified as "Other Need Caution" at the self-assessment
9B		Classified as "Sub-Standard" at the self-assessment
9C		Classified as "Possibly Bankrupt" at the self-assessment
9D		Classified as "Virtually Bankrupt" at the self-assessment
9E		Classified as "Bankrupt" at the self-assessment

Financial Highlights
Message from the Management
Special Feature
Review of Operations
Management Structure
Data Section
Basel II Pillar III (Market Discipline) Disclosure

QUANTITATIVE DISCLOSURE

1. NAMES OF UNCONSOLIDATED SUBSIDIARIES WITH LOWER LEVEL OF CAPITAL THAN REQUIRED LEVEL OF ADEQUACY CAPITAL AND AMOUNT OF SHORTAGE

Most of the 84 unconsolidated subsidiaries are special purpose companies (SPCs) or Limited Partnerships (LPs) for leverage leasing. As the economic risk associated with leveraged leasing has been hedged in these subsidiaries, the amount of invested equity is equal to applicable loss limits.

2. CAPITAL STRUCTURE

Please see "Management's Discussion and Analysis of Financial Condition and Results of Operations" "Capital Ratios" on page 97 for capital calculation details. The Bank was not required to deduct any excess deferred tax assets which banks are prohibited from including in their Tier I capital. The Bank has no Tier III capital.

3. CAPITAL ADEQUACY

AMOUNT OF REQUIRED CAPITAL FOR CREDIT RISK

(1) Portfolios under the Standardized Approach (SA)

	Millions of yen			
	2011		2010	
As of March 31	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
Shinsei housing loans	**¥ 28,520**	**¥ 28,520**	¥ 31,296	¥ 31,296
Subsidiaries of APLUS FINANCIAL[1]	**—**	**—**	41	—
Subsidiaries of Showa Leasing	**924**	**—**	1,403	—
Shinsei Financial Group	**33,441**	**—**	42,557	—
Other subsidiaries	**3,953**	**—**	5,858	—

Notes: (1) APLUS FINANCIAL has been included in Shinsei Financial Group since December 2010. APLUS FINANCIAL, APLUS, APLUS PERSONAL LOAN and Zen-Nichi Shinpan which are subsidiaries of Shinsei Financial Group (APLUS FINANCIAL as of March 31, 2010) adopt FIRB.

(2) Portfolios under the Internal Ratings-Based Approach (IRB)

	Millions of yen			
	2011		2010	
As of March 31	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
Corporate (Excluding Specialized Lending)[1]	**¥ 190,554**	**¥ 197,125**	¥ 204,804	¥ 215,386
Specialized Lending[2]	**230,668**	**229,566**	264,724	262,960
Sovereign	**7,692**	**7,661**	8,298	8,265
Bank	**20,228**	**17,800**	18,395	16,732
Residential mortgages	**3,163**	**—**	3,564	—
Qualified revolving retails	**58,951**	**—**	65,054	—
Other retails	**150,820**	**2,149**	155,580	—
Equity	**28,282**	**153,993**	25,378	157,068
Regarded (Fund)	**25,478**	**18,744**	30,195	22,958
Securitization[3]	**52,754**	**56,611**	68,578	74,775
(Unrated securitization exposure)	**(31,567)**	**(31,539)**	(32,779)	(32,684)
Purchase receivables	**71,033**	**71,033**	98,803	98,803
Other assets	**6,728**	**2,719**	6,689	2,707
Total	**¥ 846,355**	**¥ 757,406**	¥ 950,067	¥ 859,659

Notes: (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 non-recourse loan.
(3) "Securitization" includes a part of amounts based on the Standardized Approach.

QUANTITATIVE DISCLOSURE (CONTINUED)

AMOUNT OF REQUIRED CAPITAL FOR EQUITY EXPOSURE UNDER IRB

Millions of yen

As of March 31	2011 Required capital amount (Consolidated)	2011 Required capital amount (Non-consolidated)	2010 Required capital amount (Consolidated)	2010 Required capital amount (Non-consolidated)
Market-Based Approach				
Simplified Method	¥ 16,767	¥ 19,863	¥ 18,181	¥ 21,724
PD/LGD Method	10,883	132,648	6,410	133,688
Grandfathering Rule	631	1,482	786	1,656
Total	¥ 28,282	¥ 153,993	¥ 25,378	¥ 157,068

AMOUNT OF REQUIRED CAPITAL FOR REGARDED-METHOD EXPOSURE UNDER IRB

Millions of yen

As of March 31	2011 Required capital amount (Consolidated)	2011 Required capital amount (Non-consolidated)	2010 Required capital amount (Consolidated)	2010 Required capital amount (Non-consolidated)
Look Through	¥ 2,599	¥ 2,599	¥ 3,363	¥ 3,363
Revised Naivete Majority	21,208	13,298	23,400	14,921
Simplified [400%]	1,257	2,447	2,119	3,575
Simplified [1,250%]	412	398	1,311	1,097
Total	¥ 25,478	¥ 18,744	¥ 30,195	¥ 22,958

AMOUNT OF REQUIRED CAPITAL FOR MARKET RISK

Millions of yen

As of March 31	2011 Required capital amount (Consolidated)	2011 Required capital amount (Non-consolidated)	2010 Required capital amount (Consolidated)	2010 Required capital amount (Non-consolidated)
The Standardized Approach				
(Specific Risk)	¥ 5,308	¥ 4,819	¥ 7,212	¥ 6,804
Interest rate risk	4,097	3,667	5,243	4,889
Equity position risk	12	12	12	11
FX risk	1,199	1,139	1,956	1,903
The Standardized Approach (General Market Risk)	—	—	—	—
The Internal Models Approach (IMA) (General Market Risk)	8,298	8,134	5,932	5,728

AMOUNT OF REQUIRED CAPITAL FOR OPERATIONAL RISK

Millions of yen

As of March 31	2011 Required capital amount (Consolidated)	2011 Required capital amount (Non-consolidated)	2010 Required capital amount (Consolidated)	2010 Required capital amount (Non-consolidated)
The Standardized Approach	¥ 37,271	¥ 11,543	¥ 46,036	¥ 14,217

TOTAL CAPITAL ADEQUACY RATIO AND TIER I CAPITAL RATIO

As of March 31	2011 Consolidated	2011 Non-consolidated	2010 Consolidated	2010 Non-consolidated
Total capital adequacy ratio	9.76%	12.55%	8.35%	11.44%
Tier I capital ratio	7.76%	10.13%	6.35%	9.04%

TOTAL REQUIRED CAPITAL (DOMESTIC CRITERIA)

Millions of yen

As of March 31	2011 Consolidated	2011 Non-consolidated	2010 Consolidated	2010 Non-consolidated
Total required capital	¥ 469,748	¥ 373,010	¥ 550,801	¥ 434,058
Total risk assets x 4%	¥ 266,150	¥ 253,551	¥ 308,884	¥ 289,672

QUANTITATIVE DISCLOSURE (CONTINUED)

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

AMOUNT OF CREDIT RISK EXPOSURE

Geographic, Industries or Maturity (Consolidated)

Millions of yen

	2011				2010			
	Total	Amount of Credit Risk Exposure			Total	Amount of Credit Risk Exposure		
As of March 31		Loans,etc.[1]	Securities[2]	Derivatives[3]		Loans,etc.[1]	Securities[2]	Derivatives[3]
Manufacturing	¥ 368,397	¥ 363,838	¥ 0	¥ 4,559	¥ 403,154	¥ 395,550	¥ —	¥ 3,935
Agriculture	2,660	2,660	—	—	3,028	3,028	—	—
Mining	1,177	1,177	—	—	3,677	3,677	—	—
Construction	29,812	29,776	36	—	28,627	28,590	36	—
Electric power, gas, water supply	38,586	38,501	34	51	46,967	46,878	35	53
Information and communication	25,448	25,436	—	12	39,595	39,595	—	—
Transportation	313,475	278,930	12,163	22,380	293,660	269,572	4,030	20,057
Wholesale and retail	169,934	169,447	—	487	185,299	184,881	—	417
Finance and insurance	1,019,520	921,889	50,031	47,599	1,230,819	1,144,231	54,011	32,576
Real estate	877,228	589,890	285,283	2,054	1,185,290	891,158	290,498	3,633
Services	480,102	454,273	23,426	2,401	481,540	450,345	27,561	3,633
Government	2,602,338	137,946	2,464,391	—	2,512,322	148,930	2,363,391	—
Individuals	2,472,049	2,471,428	—	621	2,807,124	2,806,521	—	602
Others	1,995	1,686	309	—	6,142	2,409	3,732	—
Domestic Total	8,402,726	5,486,881	2,835,677	80,168	9,227,249	6,415,373	2,746,966	64,909
Foreign	846,800	292,007	267,515	287,276	845,171	322,674	224,160	298,335
Consolidated Total	¥ 9,299,527	¥ 5,778,889	¥ 3,103,193	¥ 367,444	¥ 10,072,421	¥ 6,738,048	¥ 2,971,127	¥ 363,245
To 1 year	2,663,957	1,386,421	1,195,505	82,029	2,144,783	1,770,529	306,332	67,921
1 to 3 years	2,834,531	1,423,290	1,244,897	166,343	3,575,676	1,621,216	1,800,557	153,902
3 to 5 years	1,719,458	1,163,444	496,538	59,475	1,929,382	1,152,899	712,365	64,117
Over 5 years	1,385,453	1,161,638	164,219	59,595	1,553,625	1,333,742	142,579	77,303
Undated	646,125	644,094	2,031	—	868,953	859,661	9,291	—
Consolidated Total	¥ 9,299,527	¥ 5,778,889	¥ 3,103,193	¥ 367,444	¥ 10,072,421	¥ 6,738,048	¥ 2,971,127	¥ 363,245

Geographic, Industries or Maturity (Non-consolidated)

Millions of yen

	2011				2010			
	Total	Amount of Credit Risk Exposure			Total	Amount of Credit Risk Exposure		
As of March 31		Loans,etc.[1]	Securities[2]	Derivatives[3]		Loans,etc.[1]	Securities[2]	Derivatives[3]
Manufacturing	¥ 296,962	¥ 292,403	¥ 0	¥ 4,559	¥ 317,221	¥ 309,617	¥ —	¥ 3,935
Agriculture	2,200	2,200	—	—	2,500	2,500	—	—
Mining	732	732	—	—	3,090	3,090	—	—
Construction	8,331	8,331	—	—	7,563	7,563	—	—
Electric power, gas, water supply	38,417	38,332	34	51	46,758	46,670	35	53
Information and communication	16,292	16,280	—	12	20,557	20,557	—	—
Transportation	290,863	256,319	12,163	22,380	275,914	251,826	4,030	20,057
Wholesale and retail	107,026	106,539	—	487	117,168	116,750	—	417
Finance and insurance	1,376,049	1,272,653	75,717	27,678	1,624,860	1,528,434	54,011	42,415
Real estate	856,237	568,899	285,283	2,054	1,158,772	864,640	290,498	3,633
Services	424,131	398,361	23,296	2,473	431,391	399,575	27,665	4,150
Government	2,592,713	128,357	2,464,356	—	2,501,521	138,165	2,363,356	—
Individuals	780,567	779,945	—	621	884,632	884,029	—	602
Others	—	—	—	—	—	—	—	—
Domestic Total	6,790,526	3,869,355	2,860,851	60,318	7,391,953	4,573,421	2,743,266	75,265
Foreign	855,040	283,730	283,129	288,180	857,346	316,387	241,539	299,419
Bank Total	¥ 7,645,567	¥ 4,153,086	¥ 3,143,981	¥ 348,499	¥ 8,249,299	¥ 4,889,808	¥ 2,984,806	¥ 374,685
To 1 year	2,748,237	1,460,375	1,205,469	82,392	2,261,047	1,880,339	306,558	74,149
1 to 3 years	2,312,962	916,305	1,244,897	151,759	3,013,788	1,056,547	1,800,557	156,684
3 to 5 years	1,307,637	755,317	496,538	55,781	1,529,402	750,665	712,365	66,371
Over 5 years	1,164,037	925,638	179,832	58,566	1,317,201	1,079,762	159,958	77,480
Undated	112,691	95,449	17,242	—	127,858	122,492	5,366	—
Bank Total	¥ 7,645,567	¥ 4,153,086	¥ 3,143,981	¥ 348,499	¥ 8,249,299	¥ 4,889,808	¥ 2,984,806	¥ 374,685

Notes: (1) Excluding purchased receivables
(2) Excluding equity exposures
(3) Credit equivalent amount basis

QUANTITATIVE DISCLOSURE (CONTINUED)

AMOUNT OF DEFAULT EXPOSURE BEFORE PARTIAL WRITE-OFF

Geographic, Industries

Millions of yen

	2011		2010	
	Default Exposure		Default Exposure	
As of March 31	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Manufacturing	**¥ 15,919**	**¥ 12,003**	¥ 4,905	¥ 1,578
Agriculture	**77**	**—**	68	—
Mining	**5**	**—**	31	—
Construction	**1,331**	**11**	853	11
Electric power, gas, water supply	**—**	**—**	1	—
Information and communication	**594**	**528**	1,761	564
Transportation	**1,473**	**—**	19,679	19,217
Wholesale and retail	**824**	**39**	1,101	39
Finance and insurance	**58,263**	**58,209**	50,967	50,876
Real estate	**244,869**	**236,210**	311,791	300,549
Services	**5,767**	**3,298**	6,893	2,879
Government	**—**	**—**	—	—
Individuals	**175,436**	**9,190**	174,847	7,355
Others	**1,040**	**—**	3,948	2,227
Domestic Total	**505,603**	**319,491**	576,851	385,301
Foreign	**70,716**	**72,854**	37,799	40,531
Total	**¥ 576,319**	**¥ 392,345**	¥ 614,650	¥ 425,832

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

Consolidated

Millions of yen

	2011			2010		
As of March 31	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount
General	**¥ 112,064**	**¥ (9,312)**	**¥ 102,752**	¥ 105,619	¥ 6,445	¥ 112,064
Specific	**282,080**	**5,243**	**287,323**	261,108	20,972	282,080
Country	**13**	**(1)**	**12**	14	(1)	13
Total	**¥ 394,157**	**¥ (4,070)**	**¥ 390,087**	¥ 366,741	¥ 27,416	¥ 394,157

Non-consolidated

Millions of yen

	2011			2010		
As of March 31	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount
General	**¥ 50,677**	**¥ (2,298)**	**¥ 48,379**	¥ 65,544	¥ (14,867)	¥ 50,677
Specific	**148,323**	**8,441**	**156,764**	124,696	23,627	148,323
Country	**13**	**(1)**	**12**	14	(1)	13
Total	**¥ 199,013**	**¥ 6,143**	**¥ 205,156**	¥ 190,255	¥ 8,759	¥ 199,013

Geographic (Consolidated)

Millions of yen

	2011				2010			
		Reserve Amount				Reserve Amount		
As of March 31	Total	General	Specific	Country	Total	General	Specific	Country
Domestic	**¥ 344,447**	**¥ 100,171**	**¥ 244,276**	**¥ —**	¥ 342,156	¥ 94,550	¥ 247,606	¥ —
Foreign	**45,640**	**5,457**	**40,170**	**12**	52,000	17,513	34,474	13
Total	**¥ 390,087**	**¥ 105,629**	**¥ 284,446**	**¥ 12**	¥ 394,157	¥ 112,064	¥ 282,080	¥ 13

QUANTITATIVE DISCLOSURE (CONTINUED)

Geographic (Non-consolidated)

Millions of yen

	2011				2010			
	Total	Reserve Amount			Total	Reserve Amount		
As of March 31		General	Specific	Country		General	Specific	Country
Domestic	¥ 159,896	¥ 43,302	¥ 116,593	¥ —	¥ 147,210	¥ 33,361	¥ 113,848	¥ —
Foreign	45,259	5,077	40,170	12	51,803	17,316	34,474	13
Total	¥ 205,156	¥ 48,379	¥ 156,764	¥ 12	¥ 199,013	¥ 50,677	¥ 148,323	¥ 13

Industries

Millions of yen

	2011		2010	
	Reserve Amount		Reserve Amount	
As of March 31	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Manufacturing	¥ 16,932	¥ 10,335	¥ 11,556	¥ 4,587
Agriculture	128	47	100	25
Mining	105	19	37	14
Construction	1,823	126	1,948	275
Electric power, gas, water supply	135	133	112	109
Information and communication	2,016	316	2,336	457
Transportation	3,205	2,334	7,247	6,467
Wholesale and retail	5,158	2,078	4,149	847
Finance and insurance	24,931	27,402	33,059	32,728
Real estate	83,954	79,422	75,773	70,159
Services	17,622	8,861	12,099	4,601
Government	87	—	112	—
Individuals	164,357	7,582	171,309	5,698
Others	21,859	21,234	21,386	21,235
Foreign	45,640	45,259	52,000	51,803
Non-classified	2,129	—	927	—
Total	¥ 390,087	¥ 205,156	¥ 394,157	¥ 199,013

AMOUNT OF WRITE-OFFS

Industries

Millions of yen

	FY2010		FY2009	
	Amount of write-off		Amount of write-off	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Manufacturing	¥ 565	¥ 107	¥ 401	¥ —
Agriculture	—	—	—	—
Mining	0	—	8	—
Construction	103	—	776	649
Electric power, gas, water supply	—	—	—	—
Information and communication	170	—	71	—
Transportation	4,413	4,380	1,007	936
Wholesale and retail	225	—	327	147
Finance and insurance	1,981	1,981	7,307	7,307
Real estate	4,348	4,325	6,015	6,004
Services	662	116	320	27
Government	—	—	—	—
Individuals	91,638	2,346	127,199	120
Others	—	—	3	—
Foreign	—	—	2,387	2,387
Non-classified	—	—	—	—
Total	¥ 104,110	¥ 13,259	¥ 145,828	¥ 17,581

QUANTITATIVE DISCLOSURE (CONTINUED)

AMOUNT OF EXPOSURES UNDER SA (AFTER CREDIT RISK MITIGATION)

	Millions of yen							
	2011				2010			
	Consolidated		Non-consolidated		Consolidated		Non-consolidated	
As of March 31	Rated	Unrated	Rated	Unrated	Rated	Unrated	Rated	Unrated
0%	¥ 122	¥ 8,666	¥ —	¥ —	¥ 352	¥ 8,582	¥ —	¥ —
10%	—	—	—	—	—	—	—	—
20%	73,808	0	—	—	61,624	10	—	—
35%	—	575,243	—	570,486	—	668,179	—	664,386
50%	875	12,770	—	2,270	921	13,557	—	1,561
75%	—	674,259	—	200,408	—	857,511	—	206,127
100%	129	99,285	—	3,560	1,244	105,858	—	2,499
150%	—	4,978	—	1,223	1	7,199	—	532
350%	—	—	—	—	—	—	—	—
Capital Deduction	—	—	—	—	—	—	—	—
Total	¥ 74,936	¥ 1,375,204	¥ —	¥ 777,949	¥ 64,144	¥ 1,660,899	¥ —	¥ 875,107

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

(1) Specialized lending excluding high-volatility commercial real estate

	Millions of yen			
As of March 31	2011		2010	
	Amount of Exposure		Amount of Exposure	
Risk weight ratio	Consolidated	Non-consolidated	Consolidated	Non-consolidated
50%	¥ 22,451	¥ 22,451	¥ 44,981	¥ 44,275
70%	61,945	59,698	151,928	149,427
90%	13,490	13,490	63,386	63,386
115%	27,819	27,819	189,527	189,527
250%	259,675	256,389	144,177	138,782
0% (Default)	145,190	145,190	160,195	160,195
Total	¥ 530,572	¥ 525,040	¥ 754,197	¥ 745,594

(2) Specialized lending for high-volatility commercial real estate

	Millions of yen			
As of March 31	2011		2010	
	Amount of Exposure		Amount of Exposure	
Risk weight ratio	Consolidated	Non-consolidated	Consolidated	Non-consolidated
70%	¥ 461	¥ 461	¥ 93	¥ 93
95%	11,001	11,001	7,973	7,973
120%	—	—	9,000	9,000
140%	13,380	13,380	13,750	13,750
250%	68,644	68,644	95,789	95,789
0% (Default)	99,548	99,548	140,477	140,477
Total	¥ 193,037	¥ 193,037	¥ 267,084	¥ 267,084

(3) Equity exposure under Market-Based Simplified Method

	Millions of yen			
As of March 31	2011		2010	
Risk weight ratio	Amount Consolidated	Amount Non-consolidated	Amount Consolidated	Amount Non-consolidated
300%	¥ 583	¥ 421	¥ 791	¥ 627
400%	48,994	58,243	53,008	63,574
Total	¥ 49,577	¥ 58,664	¥ 53,799	¥ 64,201

QUANTITATIVE DISCLOSURE (CONTINUED)

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

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

Corporate (Consolidated)

Millions of yen (except percentages)

As of March 31	2011					2010				
Credit rating	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)
0	**0.03%**	**45.00%**	**23.86%**	**¥ 15,839**	**¥ —**	0.03%	45.00%	25.55%	¥ 17,301	¥ —
1	**0.03%**	**45.00%**	**14.28%**	**33,707**	**26,175**	0.03%	45.00%	21.55%	39,456	—
2	**0.05%**	**44.39%**	**18.49%**	**118,787**	**39,577**	0.06%	44.32%	19.94%	156,489	40,585
3	**0.14%**	**44.93%**	**35.33%**	**486,233**	**38,983**	0.15%	44.90%	36.67%	497,548	56,959
4	**0.41%**	**44.89%**	**57.06%**	**501,949**	**67,228**	0.42%	44.86%	57.37%	441,643	75,471
5	**1.30%**	**44.16%**	**89.91%**	**157,733**	**19,055**	1.31%	44.69%	85.62%	505,375	40,881
6	**3.06%**	**41.79%**	**112.46%**	**131,104**	**20,385**	3.12%	41.32%	112.00%	177,508	15,559
9A	**11.46%**	**45.72%**	**208.63%**	**290,041**	**22,516**	12.20%	46.71%	209.44%	234,823	17,853
Default	**100.00%**	**46.75%**	**—**	**81,501**	**3,594**	100.00%	44.32%	—	75,568	297

Sovereign (Consolidated)

Millions of yen (except percentages)

As of March 31	2011					2010				
Credit rating	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)
0	**0.00%**	**45.00%**	**—**	**¥ 3,009,792**	**¥ —**	0.00%	45.00%	—	¥ 2,947,411	¥ —
1	**0.01%**	**45.00%**	**7.28%**	**128,480**	**33**	0.01%	45.00%	8.05%	47,312	37
2	**0.06%**	**45.00%**	**25.69%**	**143,985**	**882**	0.06%	45.00%	26.74%	119,531	918
3	**0.10%**	**44.97%**	**35.66%**	**109,709**	**1,784**	0.10%	44.97%	37.47%	145,697	2,871
4	**0.36%**	**45.00%**	**71.78%**	**3,976**	**37**	0.41%	45.00%	82.26%	4,529	74
5	**0.89%**	**45.00%**	**119.91%**	**1**	**—**	0.96%	45.00%	71.74%	5	—
6	**—**	**—**	**—**	**—**	**—**	3.52%	45.00%	116.02%	0	—
9A	**11.46%**	**45.00%**	**185.74%**	**12**	**—**	12.20%	45.00%	197.22%	301	—
Default	**100.00%**	**45.00%**	**—**	**50**	**—**	100.00%	45.00%	—	53	—

Bank (Consolidated)

Millions of yen (except percentages)

As of March 31	2011					2010				
Credit rating	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)
0	**0.03%**	**45.00%**	**15.87%**	**¥ 36,076**	**¥ 15**	0.03%	45.00%	17.62%	¥ 38,412	¥ 1
1	**0.03%**	**45.00%**	**7.64%**	**5,873**	**0**	0.03%	45.00%	7.58%	13	—
2	**0.06%**	**45.19%**	**21.45%**	**101,950**	**181,510**	0.06%	45.15%	21.10%	171,354	193,619
3	**0.13%**	**45.55%**	**28.96%**	**173,223**	**108,795**	0.12%	45.52%	29.53%	166,206	133,988
4	**0.52%**	**45.00%**	**67.63%**	**27,498**	**27,703**	0.37%	45.00%	58.93%	10,027	5,937
5	**0.93%**	**45.00%**	**78.17%**	**20,806**	**1,622**	1.31%	45.00%	101.35%	874	2,132
6	**3.49%**	**45.00%**	**161.46%**	**9,764**	**56**	3.39%	45.00%	152.92%	12,302	663
9A	**11.46%**	**45.01%**	**199.26%**	**3,658**	**891**	12.20%	45.03%	223.90%	1,141	688
Default	**—**	**—**	**—**	**—**	**—**	100.00%	45.00%	—	—	150

Corporate (Non-consolidated)

Millions of yen (except percentages)

As of March 31	2011					2010				
Credit rating	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)
0	**0.03%**	**45.00%**	**23.95%**	**¥ 15,726**	**¥ -**	0.03%	45.00%	25.55%	¥ 17,301	¥ —
1	**0.03%**	**45.00%**	**14.29%**	**33,525**	**26,175**	0.03%	45.00%	21.56%	39,308	135
2	**0.05%**	**44.39%**	**19.19%**	**118,783**	**39,577**	0.06%	44.29%	20.20%	147,409	40,635
3	**0.14%**	**44.92%**	**35.10%**	**465,335**	**38,983**	0.15%	44.89%	36.71%	487,235	56,959
4	**0.45%**	**44.92%**	**55.81%**	**763,769**	**68,486**	0.44%	44.91%	53.92%	722,353	77,423
5	**1.30%**	**43.80%**	**90.50%**	**104,445**	**18,955**	1.37%	44.68%	85.85%	490,882	40,881
6	**2.77%**	**42.44%**	**106.49%**	**165,125**	**24,666**	3.21%	40.25%	111.78%	128,407	21,130
9A	**11.46%**	**45.74%**	**205.79%**	**280,627**	**22,516**	12.20%	46.54%	206.41%	262,358	17,918
Default	**100.00%**	**46.80%**	**—**	**79,194**	**3,594**	100.00%	44.29%	—	73,122	297

QUANTITATIVE DISCLOSURE (CONTINUED)

Sovereign (Non-consolidated)

Millions of yen (except percentages)

As of March 31	2011					2010				
Credit rating	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)
0	0.00%	45.00%	-	¥ 3,000,670	¥ —	0.00%	45.00%	—	¥ 2,928,349	¥ —
1	0.01%	45.00%	7.28%	128,480	33	0.01%	45.00%	8.05%	47,312	37
2	0.06%	45.00%	25.94%	141,176	882	0.06%	45.00%	27.07%	116,694	918
3	0.10%	44.97%	35.66%	109,709	1,784	0.10%	44.97%	37.47%	145,679	2,871
4	0.36%	45.00%	71.78%	3,976	37	0.41%	45.00%	82.26%	4,529	74
5	0.89%	45.00%	119.91%	1	—	0.96%	45.00%	71.74%	5	—
6	—	—	—	—	—	—	—	—	—	—
9A	11.46%	45.00%	185.74%	12	—	12.20%	45.00%	197.22%	301	—
Default	100.00%	45.00%	—	50	—	100.00%	45.00%	—	53	—

Bank (Non-consolidated)

Millions of yen (except percentages)

As of March 31	2011					2010				
Credit rating	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)
0	0.03%	45.00%	17.03%	¥ 31,678	¥ 15	0.03%	45.00%	18.55%	¥ 35,176	¥ 1
1	0.03%	45.00%	7.64%	5,873	0	0.03%	45.00%	7.58%	13	—
2	0.06%	45.19%	21.50%	99,473	181,510	0.06%	45.15%	21.18%	163,430	193,619
3	0.12%	45.78%	30.84%	89,040	108,716	0.11%	45.76%	31.63%	72,163	133,702
4	0.50%	45.00%	65.42%	25,760	37,269	0.30%	45.00%	47.35%	20,701	21,147
5	0.92%	45.00%	78.12%	19,817	1,622	1.43%	45.00%	112.65%	—	2,132
6	3.57%	45.00%	165.47%	9,157	56	3.49%	45.00%	161.27%	10,248	663
9A	11.46%	45.05%	223.57%	80	891	12.20%	45.04%	235.02%	685	688
Default	—	—	—	—	—	100.00%	45.00%	—	—	150

Note: LGD after credit risk mitigation

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

(Consolidated)

Millions of yen (except percentages)

As of March 31	2011				2010			
Credit rating	PD	LGD	Risk Weight	Amount	PD	LGD	Risk Weight	Amount
0	0.00%	90.00%	—	¥ 9	0.00%	90.00%	—	¥ 9
1	—	—	—	—	—	—	—	—
2	0.06%	90.00%	200.02%	4,136	0.06%	90.00%	200.02%	5,431
3	0.17%	90.00%	200.33%	2,245	0.18%	90.00%	200.24%	2,220
4	0.54%	90.00%	288.23%	3,026	0.48%	90.00%	269.25%	4,026
5	1.39%	90.00%	374.44%	6,345	1.68%	90.00%	389.76%	8,087
6	2.28%	90.00%	452.06%	50	2.63%	90.00%	418.42%	1,385
9A	11.46%	90.00%	581.24%	12,033	12.20%	90.00%	330.44%	2,974
Default	100.00%	90.00%	—	19	100.00%	90.00%	—	29

(Non-consolidated)

Millions of yen (except percentages)

As of March 31	2011				2010			
Credit rating	PD	LGD	Risk Weight	Amount	PD	LGD	Risk Weight	Amount
0	0.00%	90.00%	—	¥ 9	0.00%	90.00%	—	¥ 9
1	—	—	—	—	—	—	—	—
2	0.06%	90.00%	200.02%	4,136	0.06%	90.00%	200.02%	5,431
3	0.17%	90.00%	200.00%	2,237	0.19%	90.00%	200.00%	2,215
4	0.50%	90.00%	302.56%	382,864	0.43%	90.00%	277.06%	431,807
5	1.39%	90.00%	374.94%	6,303	1.73%	90.00%	408.21%	6,708
6	2.28%	90.00%	452.06%	50	2.34%	90.00%	447.73%	9,959
9A	11.46%	90.00%	658.96%	45,087	12.20%	90.00%	671.67%	35,668
Default	100.00%	90.00%	—	987	100.00%	90.00%	—	325

QUANTITATIVE DISCLOSURE (CONTINUED)

(3) 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

(Consolidated)

Residential mortgage exposure

Millions of yen (except percentages)

As of March 31	2011							2010						
						Undrawn Commitments							Undrawn Commitments	
Pool	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	Amount	CCF	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	Amount	CCF
Normal	1.42%	72.55%	103.13%	¥ 13,045	¥ 10,415	¥ —	—	1.29%	72.13%	100.54%	¥ 15,876	¥ 12,093	¥ —	—
Need caution	79.01%	51.70%	126.03%	6	333	—	—	80.31%	50.10%	115.10%	6	302	—	—
Default	100.00%	62.67%	—	970	180	—	—	100.00%	60.14%	—	967	335	—	—

Qualified revolving retail exposure

Millions of yen (except percentages)

As of March 31	2011							2010						
						Undrawn Commitments							Undrawn Commitments	
Pool	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	Amount	CCF	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	Amount	CCF
Normal	4.93%	85.67%	93.21%	¥ 117,233	¥ 22,540	¥ 2,729,828	0.83%	5.30%	85.68%	99.11%	¥ 137,924	¥ 23,062	¥ 2,723,960	0.85%
Need caution	74.94%	87.36%	170.65%	3,984	—	—	—	77.57%	87.28%	156.22%	5,066	—	—	—
Default	100.00%	85.63%	—	45,285	—	—	—	100.00%	85.78%	—	46,701	—	—	—

Other retail exposure

Millions of yen (except percentages)

As of March 31	2011							2010						
						Undrawn Commitments							Undrawn Commitments	
Pool	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	Amount	CCF	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	Amount	CCF
Normal	2.64%	62.03%	76.94%	¥ 317,737	¥ 689,839	¥ 196,217	1.44%	2.61%	61.60%	76.16%	¥ 328,363	¥ 728,336	¥ 206,902	1.16%
Need caution	82.04%	59.28%	79.50%	9,300	4,207	—	—	81.51%	59.37%	81.98%	8,681	3,535	—	—
Default	100.00%	57.90%	—	103,806	665	—	—	100.00%	58.50%	—	106,171	1,065	—	—

(Non-consolidated)

Other retail exposure

Millions of yen (except percentages)

As of March 31	2011							2010						
						Undrawn Commitments							Undrawn Commitments	
Pool	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	Amount	CCF	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	Amount	CCF
Normal	3.45%	63.22%	87.16%	¥ 21,089	¥ —	¥ —	—	—	—	—	¥ —	¥ —	¥ —	—
Need caution	76.84%	63.46%	105.33%	173	—	—	—	—	—	—	—	—	—	—
Default	100.00%	63.37%	—	47	—	—	—	—	—	—	—	—	—	—

Note: LGD is shown after credit risk mitigation

QUANTITATIVE DISCLOSURE (CONTINUED)

COMPARATIVE RESULTS OF ACTUAL LOSSES AND EXPECTED LOSSES FOR THE LAST TWO YEARS UNDER F-IRB APPROACH

Millions of yen

	FY2010	FY2009
Results of actual losses (a)	¥ 17,233	¥ 8,570
Expected losses (b)	22,315	15,934
Differences ((b) - (a))	5,082	7,364

The above matrix shows the results of default (downgrade below substandard) losses (increase of reserve, write-offs and loss on sale) for the fiscal years 2009 and 2010 for the Bank's non-default corporate exposure at the start of the fiscal year, with expected losses calculated using estimated PD at the end of March 2011.

5. CREDIT RISK MITIGATION (CRM)

COVERED AMOUNT OF CRM BY COLLATERAL

FIRB

Millions of yen

	2011		2010	
As of March 31	Eligible financial collateral	Other eligible FIRB collateral	Eligible financial collateral	Other eligible FIRB collateral
Corporate	¥ 13,833	¥ 144,062	¥ 19,784	¥ 149,900
Sovereign	—	53	—	107
Bank	—	—	—	—
Total	¥ 13,833	¥ 144,116	¥ 19,784	¥ 150,007

COVERED AMOUNT OF CRM BY GUARANTEE OR CREDIT DERIVATIVES

Millions of yen

	2011		2010	
As of March 31	Consolidated	Non-consolidated	Consolidated	Non-consolidated
SA Exposures	¥ —	¥ —	¥ —	¥ —
IRB Exposures	134,102	134,102	214,332	214,332
Corporate	15,769	15,769	56,088	56,088
Sovereign	65,955	65,955	86,939	86,939
Bank	52,377	52,377	71,305	71,305
Residential mortgages	—	—	—	—
Qualified revolving retail	—	—	—	—
Other retail	—	—	—	—

QUANTITATIVE DISCLOSURE (CONTINUED)

6. COUNTERPARTY CREDIT RISK OF DERIVATIVES

(1) Measurement of EAD
Current Exposure Method
(2) Total amount of gross positive fair value
Refer to below table
(3) EAD before CRM
Refer to below table
(4) Net of: (2) + amount of gross add-on - (3)
Zero
(5) Amount covered collateral
Zero
(6) EAD after CRM
Refer to below table

Millions of yen

As of March 31	2011 Consolidated	2011 Non-consolidated	2010 Consolidated	2010 Non-consolidated
Total amount of gross positive fair value	**¥ 591,492**	**¥ 599,668**	¥ 740,072	¥ 745,564
Amount of gross add-on	**319,274**	**305,772**	344,670	333,692
EAD before CRM	**910,767**	**905,440**	1,084,742	1,079,257
FX-related	**422,899**	**423,973**	563,393	564,916
Interest-related	**211,906**	**212,314**	242,566	242,803
Equity-related	**71,135**	**68,493**	43,392	40,880
Commodity-related	**—**	**—**	—	—
Credit derivatives	**204,747**	**200,579**	235,232	230,498
Others	**78**	**78**	159	159
Amount of net	**543,243**	**556,862**	689,615	704,412
EAD after net	**367,523**	**348,578**	395,127	374,844
Amount covered collateral	**—**	**—**	—	—
EAD after CRM	**367,523**	**348,578**	395,127	374,844

(7) Notional amount of credit derivatives which have counterparty risk

Millions of yen

As of March 31 Notional amount	2011 Protection-buy	2011 Protection-sell	2010 Protection-buy	2010 Protection-sell
Single name	**¥ 529,394**	**¥ 605,368**	¥ 600,186	¥ 688,750
Multi name	**160,161**	**108,496**	294,450	245,936

(8) Notional amount of credit derivatives which cover exposures by CRM

Millions of yen

As of March 31	2011 Consolidated	2011 Non-consolidated	2010 Consolidated	2010 Non-consolidated
Notional amount	**¥ 6,405**	**¥ 6,405**	¥ 12,058	¥ 12,058

QUANTITATIVE DISCLOSURE (CONTINUED)

7. SECURITIZATION

SECURITIZATION EXPOSURE ORIGINATED BY THE BANK GROUP

(1) Amount of original assets

Securitization by transfer of assets

Consolidated

As of March 31	Millions of yen 2011	2010
Type of original assets	Amount of original asset	Amount of original asset
Residential mortgages	¥ 353,679	¥ 291,931
Consumer loans	13,178	42,404
Commercial real estate loans	21,733	39,346
Corporate loans	28,423	33,614
Others	25	33
Total	¥ 417,039	¥ 407,330

Non-consolidated

As of March 31	Millions of yen 2011	2010
Type of original assets	Amount of original asset	Amount of original asset
Residential mortgages	¥ 353,679	¥ 291,931
Consumer loans	358,771	439,372
Commercial real estate loans	21,733	39,346
Corporate loans	28,423	33,614
Others	218,834	383,263
Total	¥ 981,440	¥ 1,187,527

Synthetic Securitization

Consolidated/Non-consolidated

As of March 31	Millions of yen 2011	2010
Type of original assets	Amount of original asset	Amount of original asset
Corporate loans	¥ —	¥ 30,100
Total	¥ —	¥ 30,100

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

Consolidated

As of March 31	Millions of yen 2011	2010
Type of original assets	Amount of Default	Amount of Default
Residential mortgages	¥ 5,263	¥ 5,600
Consumer loans	125	2
Commercial real estate loans	21,583	24,594
Corporate loans	28,423	33,614
Others	—	—
Total	¥ 55,394	¥ 63,812

QUANTITATIVE DISCLOSURE (CONTINUED)

Non-consolidated

As of March 31	2011	2010
	Millions of yen	
Type of original assets	Amount of Default	Amount of Default
Residential mortgages	¥ 5,263	¥ 5,600
Consumer loans	—	—
Commercial real estate loans	21,583	24,594
Corporate loans	28,423	33,614
Others	—	—
Total	¥ 55,269	¥ 63,809

Synthetic Securitization
Consolidated/Non-consolidated

As of March 31	2011	2010
	Millions of yen	
Type of original assets	Amount of Default	Amount of Default
Corporate loans	¥ —	¥ —
Total	¥ —	¥ —

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

As of March 31	2011	2010
	Millions of yen	
Type of original assets	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ 119,851	¥ 10,040
Consumer loans	13,178	42,404
Commercial real estate loans	—	2,706
Corporate loans	24,523	29,672
Others	—	—
Total	¥ 157,553	¥ 84,823

Non-consolidated

As of March 31	2011	2010
	Millions of yen	
Type of original assets	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ 119,851	¥ 10,040
Consumer loans	177,700	253,008
Commercial real estate loans	—	2,706
Corporate loans	24,523	29,672
Others	180,845	309,219
Total	¥ 502,920	¥ 604,647

Synthetic Securitization
Consolidated/Non-consolidated

As of March 31	2011	2010
	Millions of yen	
Type of original assets	Amount of Exposure	Amount of Exposure
Corporate loans	¥ —	¥ 13,353
Total	¥ —	¥ 13,353

QUANTITATIVE DISCLOSURE (CONTINUED)

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

Securitization by transfer of assets

Consolidated

Millions of yen

As of March 31	2011		2010	
Band of risk weight ratio	Amount	Required Capital amount	Amount	Required Capital amount
To 12%	¥ 25,088	¥ 151	¥ 30,290	¥ 182
Over 12% to 20%	96,425	1,543	6,146	104
Over 20% to 50%	—	—	—	—
Over 50% to 75%	—	—	—	—
Over 75% to 100%	25,115	1,994	9,871	788
Over 100% to 250%	10,723	1,102	35,661	3,860
Over 250% to 425%	20	4	74	16
Over 425%	181	128	2,778	1,482
Total	¥ 157,553	¥ 4,925	¥ 84,823	¥ 6,434

Non-consolidated

Millions of yen

As of March 31	2011		2010	
Band of risk weight ratio	Amount	Required Capital amount	Amount	Required Capital amount
To 12%	¥ 321,033	¥ 2,901	¥ 456,818	¥ 4,150
Over 12% to 20%	102,725	1,650	12,446	211
Over 20% to 50%	50,900	2,158	—	—
Over 50% to 75%	5,400	343	129,400	6,652
Over 75% to 100%	22,862	1,828	3,275	277
Over 100% to 250%	—	—	—	—
Over 250% to 425%	—	—	—	—
Over 425%	—	—	2,706	1,434
Total	¥ 502,920	¥ 8,882	¥ 604,647	¥ 12,726

Synthetic Securitization

Consolidated/Non-consolidated

Millions of yen

As of March 31	2011		2010	
Band of risk weight ratio	Amount	Required Capital amount	Amount	Required Capital amount
To 12%	¥ —	¥ —	¥ —	¥ —
Over 12% to 20%	—	—	—	—
Over 20% to 50%	—	—	—	—
Over 50% to 75%	—	—	13,353	746
Over 75% to 100%	—	—	—	—
Over 100% to 250%	—	—	—	—
Over 250% to 425%	—	—	—	—
Over 425%	—	—	—	—
Total	¥ —	¥ —	¥ 13,353	¥ 746

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

Millions of yen

As of March 31	2011		2010	
Type of original assets	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Residential mortgages	¥ 10,088	¥ 10,088	¥ 9,337	¥ 9,337
Consumer loans, installment receivables	6	—	65	—
Commercial real estate loans	0	0	0	0
Others	—	—	—	—
Total	¥ 10,095	¥ 10,088	¥ 9,402	¥ 9,337

QUANTITATIVE DISCLOSURE (CONTINUED)

(6) Amount of securitization exposure which should be deducted from capital under the Accord Article 247

As of March 31	Millions of yen 2011		2010	
Type of original assets	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Residential mortgages	¥ 3,412	¥ 3,412	¥ 1,052	¥ 1,052
Consumer loans, installment receivables	—	—	—	—
Commercial real estate loans	150	150	185	185
Others	21	—	29	—
Total	¥ 3,583	¥ 3,562	¥ 1,267	¥ 1,237

(7) Securitization exposure subject to early amortization
None.

(8) Summary of current year's securitization activities including amount of exposure securitized, and recognized gain/loss by original asset type.
The Bank securitized ¥140.3 billion, including ¥19.8 billion senior beneficial interests backed by a pool of residential mortgages originated by the Bank, and recognized a ¥483 million gain.

(9) Amount of credit risk asset of securitization under SA subject to the Accord Supplementary Provision 15
None.

SECURITIZATION EXPOSURE IN WHICH THE BANK GROUP INVESTS

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

Consolidated

As of March 31	Millions of yen 2011	2010
Type of original assets	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ 10,313	¥ 17,277
Consumer loans	—	—
Commercial real estate loans	72,572	87,147
Corporate loans	41,794	55,262
Others	118,484	145,806
Total	¥ 243,165	¥ 305,494

Non-consolidated

As of March 31	Millions of yen 2011	2010
Type of original assets	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ 10,313	¥ 17,277
Consumer loans	—	—
Commercial real estate loans	72,572	87,147
Corporate loans	41,794	55,262
Others	106,385	145,806
Total	¥ 231,067	¥ 305,494

QUANTITATIVE DISCLOSURE (CONTINUED)

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

Consolidated

Millions of yen

As of March 31	2011		2010	
Band of risk weight ratio	Amount	Required Capital amount	Amount	Required Capital amount
To 12%	¥ 156,984	¥ 1,160	¥ 186,188	¥ 1,555
Over 12% to 20%	10,385	133	22,701	298
Over 20% to 50%	2,450	51	10,163	354
Over 50% to 75%	6,992	444	12,872	818
Over 75% to 100%	1,000	84	1,268	107
Over 100% to 250%	28,265	4,094	28,605	4,376
Over 250% to 425%	37,088	10,292	8,227	2,310
Over 425%	—	—	35,465	18,817
Total	¥ 243,165	¥ 16,262	¥ 305,494	¥ 28,638

Non-consolidated

Millions of yen

As of March 31	2011		2010	
Band of risk weight ratio	Amount	Required Capital amount	Amount	Required Capital amount
To 12%	¥ 144,886	¥ 1,088	¥ 186,188	¥ 1,555
Over 12% to 20%	10,385	133	22,701	298
Over 20% to 50%	2,450	51	10,163	354
Over 50% to 75%	6,992	444	12,872	818
Over 75% to 100%	1,000	84	1,268	107
Over 100% to 250%	28,265	4,094	28,605	4,376
Over 250% to 425%	37,088	10,292	8,227	2,310
Over 425%	—	—	35,465	18,817
Total	¥ 231,067	¥ 16,190	¥ 305,494	¥ 28,638

(3) Amount of securitization exposure which should be deducted from capital under the Accord Article 247

Millions of yen

As of March 31	2011		2010	
Type of original assets	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Residential mortgages	¥ 671	¥ 671	¥ 3,686	¥ 3,686
Consumer loans, installment receivables	—	—	—	—
Commercial real estate loans	1,928	1,928	2,167	2,167
Corporate loans	15,287	15,287	16,254	16,254
Others	—	—	—	—
Total	¥ 17,888	¥ 17,888	¥ 22,109	¥ 22,109

(4) Amount of credit risk asset of securitization under SA subject to the Accord Supplementary Provision 15.

None.

QUANTITATIVE DISCLOSURE (CONTINUED)

8. MARKET RISK (UNDER INTERNAL MODEL APPROACH)

VAR AT THE END OF MARCH 2011 AND 2010 AND THE HIGH, MEAN AND LOW VAR

Millions of yen

	2011		2010	
As of March 31	Consolidated	Non-consolidated	Consolidated	Non-consolidated
VaR at term end	¥ 3,785	¥ 3,734	¥ 1,646	¥ 1,603
VaR through this term				
High	3,964	3,912	4,744	4,535
Mean	2,251	2,186	3,124	2,848
Low	1,478	1,434	1,528	1,475

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

9. EQUITY EXPOSURE IN BANKING BOOK

BOOK VALUE AND FAIR VALUE

Millions of yen

	2011		2010	
As of March 31	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Market-based approach				
Listed equity exposure	¥ 583	¥ 421	¥ 791	¥ 627
Unlisted equity exposure	48,994	58,243	53,008	63,574
PD/LGD method				
Listed equity exposure	13,842	13,842	15,900	113,701
Unlisted equity exposure	14,021	427,833	8,263	378,423

GAIN OR LOSS ON SALE OR DEPRECIATION OF EQUITY EXPOSURE

Millions of yen

	FY2010		FY2009	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Gain (loss) on sale	¥ 2,284	¥ 2,280	¥ 2,771	¥ 2,445
Loss of depreciation	851	726	4,595	4,552

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

Millions of yen

	2011		2010	
As of March 31	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Unrealized gain (loss)	¥ (2,891)	¥ (3,453)	¥ 105	¥ (189)

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

Millions of yen

	2011		2010	
As of March 31	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Equity to subsidiaries and affiliates	¥ —	¥ —	¥ —	¥ 2,511

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

Millions of yen

	2011		2010	
As of March 31	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Grandfathering rule (100% risk weight apply)	¥ 7,449	¥ 17,477	¥ 9,278	¥ 19,537

QUANTITATIVE DISCLOSURE (CONTINUED)

10. AMOUNT OF REGARDED EXPOSURE UNDER THE ACCORD ARTICLE 167

	Millions of yen			
	2011		2010	
As of March 31	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Regarded exposure (fund)	**¥ 73,802**	**¥ 53,979**	¥ 85,017	¥ 64,111

11. 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

Decline in economic values from a 2% interest-rate shock on the banking book at the end of March 2011:

	Billions of yen			
	2011		2010	
As of March 31	Consolidated	Non-consolidated	Consolidated	Non-consolidated
JPY	**¥ 33.2**	**¥ 3.5**	¥ 11.0	¥ 4.4
USD	**0.0**	**0.0**	0.0	0.8
Others	**0.2**	**0.2**	0.1	0.4
Total	**¥ 33.4**	**¥ 3.7**	¥ 11.2	¥ 5.7

CORPORATE INFORMATION

SHINSEI BANK GROUP

AS OF MARCH 31, 2011

As of March 31, 2011, the Shinsei Bank Group consisted of Shinsei Bank, Limited, 205 subsidiaries (comprising 121 consolidated companies including APLUS FINANCIAL Co., Ltd., Showa Leasing Co., Ltd. and Shinsei Financial Co., Ltd. and 84 unconsolidated subsidiaries) and 17 affiliated companies (accounted for using the equity method, such as Jih Sun Financial Holding Co., Ltd.). The Shinsei Bank Group provides a wide variety of financial products and services to domestic institutional and individual customers through the "Institutional Group," "Markets and Investment Banking Group" and "Individual Group."

Shinsei Bank, Limited

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

Note: As of April 1, 2011, Shinsei Bank has reorganized the former Institutional Group and Markets and Investment Banking Group to achieve an even more appropriate provision of financial products and services that meet customer needs, by building a more strategic and systematic business promotion structure for growth businesses centered primarily on institutional customers. As a result, the structure of the existing Institutional Group and Markets and Investment Banking Group has been reorganized into a newly defined Institutional Group and a newly established Global Markets Group. The new Institutional Group is focusing primarily on corporate and public sector finance and advisory business, while the Global Markets Group will be concentrating on financial markets business and serving financial institution customers.

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*2
Shinsei Securities Co., Ltd.	Tokyo, Japan	Securities*2
Shinsei Investment Management Co., Ltd.	Tokyo, Japan	Investment trust and discretionary investment advisory*2
Shinseigin Finance Co., Ltd.	Tokyo, Japan	Finance*2
Shinsei Servicing Company	Tokyo, Japan	Servicing business*2
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	Finance*3
Shinsei Information Technology Co., Ltd.	Tokyo, Japan	Information technology*4
Major Overseas Subsidiaries		
Shinsei International Limited	London, UK	Securities*2
Shinsei Bank Finance N.V.	Curaçao, Netherlands Antilles	Finance*4
Shinsei Finance (Cayman), Limited	Grand Cayman, Cayman Islands	Finance*4
Shinsei Finance II (Cayman), Limited	Grand Cayman, Cayman Islands	Finance*4
Shinsei Finance III (Cayman), Limited	Grand Cayman, Cayman Islands	Finance*4
Shinsei Finance IV (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*2

*1 Institutional Group *2 Markets and Investment Banking Group *3 Individual Group *4 Corporate/Other

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

EMPLOYEES

	2009	2010	**2011**
Consolidated			
Number of Employees	7,006	6,116	**5,718**
Non-Consolidated			
Number of Employees	2,259	2,011	**1,907**
Male	1,208	1,085	**1,042**
Female	1,051	926	**865**
Average age	38 years 6 months	39 years	**40 years**
Average years of service	9 years 7 months	10 years 7 months	**11 years 8 months**
Average monthly salary	¥495 thousand	¥498 thousand	**¥493 thousand**

“Average monthly salary” includes overtime wages but excludes annual bonus.

AS OF MARCH 31, 2011

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	97.0%	97.0%	—%
5,000	1996.11	—	100.0	100.0	—
8,750	1997.8	—	100.0	100.0	—
495	2001.12	—	100.0	100.0	—
10	1993.1	2000.9	100.0	100.0	—
500	2001.10	—	100.0	—	100.0
2,750	1959.5	2002.3	100.0	100.0	—
15,000	1956.10	2004.9	95.0	3.5	91.5
15,000	2009.4	2009.4	100.0	—	100.0
1,000	2009.4	2009.4	100.0	—	100.0
1,000	1957.4	2006.3	97.3	—	97.3
91.518	1991.6	2008.9	100.0	100.0	—
24,119	1954.12	2007.12	100.0	—	100.0
100	1983.8	—	100.0	100.0	—
£ 3	2004.9	—	100.0%	100.0%	—%
$ 2	1976.3	—	100.0	100.0	—
$ 58	2006.2	—	100.0	100.0	—
$ 39	2006.3	—	100.0	100.0	—
¥ 33.613	2009.3	—	100.0	100.0	—
9,107	2009.3	—	100.0	100.0	—
9,008	2009.9	—	100.0	100.0	—
$ 16	2007.6	2010.8	49.9%	49.9%	—%
NT$ 25,816	2002.2	2006.7	30.4	—	30.4

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

NETWORK

DOMESTIC OUTLETS:	AS OF JUNE 23, 2011
44 outlets (30 branches including head office, 14 annexes, 1 sub-branch) 29 Shinsei Financial Centers (branches including head office), 14 Shinsei Consulting Spots (annexes) and 1 sub-branch for the retail banking business	

HOKURIKU

Kanazawa Branch

KINKI

Kyoto Branch
Osaka Branch (for Institutional business only)
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

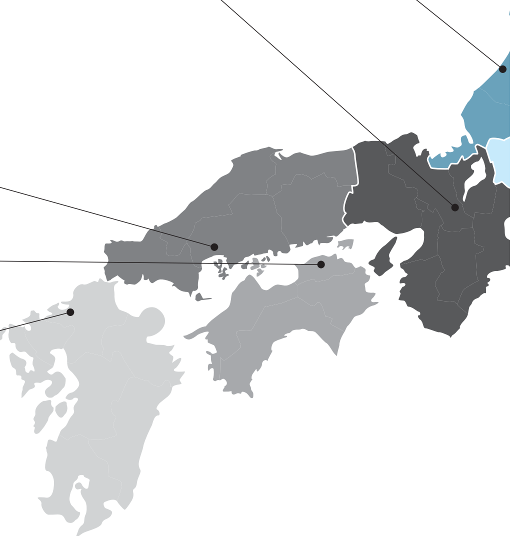
Hiroshima Branch

SHIKOKU

Takamatsu Branch

KYUSHU

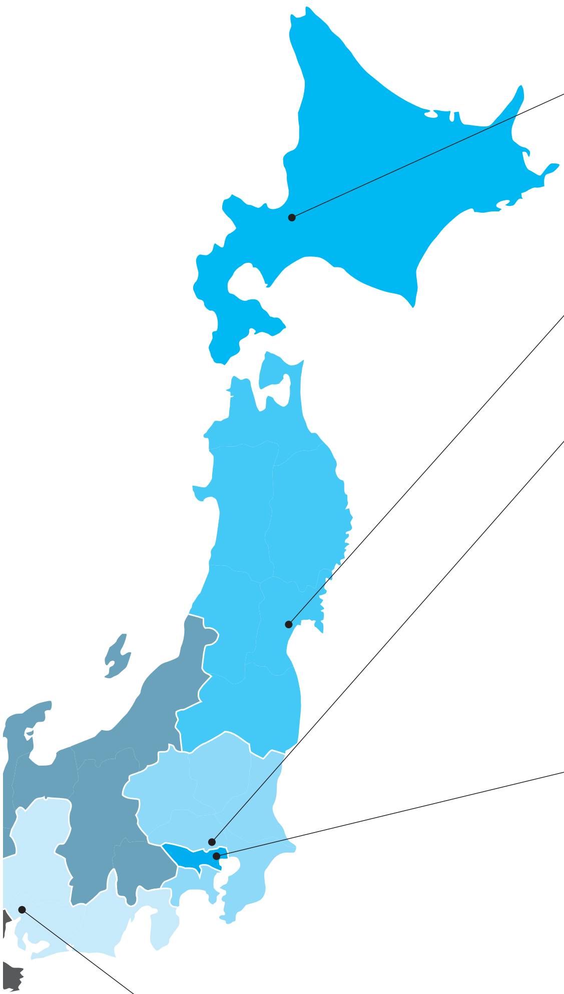
Fukuoka Branch



DOMESTIC SUB-BRANCHES (ATM ONLY):	AS OF JUNE 23, 2011
Tokyo Metro stations	52 locations
Other train stations	11 locations
Other	74 locations

ACCESS TO SEVEN BANK, LTD. ATMS	AS OF JUNE 23, 2011
Access to Seven Bank, Ltd. ATMs	14,231 locations

AS OF JUNE 23, 2011



HOKKAIDO

Sapporo Branch

TOHOKU

Sendai Branch

KANTO (EXCEPT TOKYO)

Omiya Branch
Ikebukuro Branch—Kawaguchi Annex
Head Office—Chiba Annex
Kashiwa Branch
LaLaport Branch
LaLaport Branch—Tsudanuma Annex
Yokohama Branch
Yokohama Branch—Kawasaki Annex
Fujisawa Branch
Fujisawa Branch—Kamakura Annex

TOKYO

Head Office
Head Office—Nihonbashi Muromachi Annex
Tokyo Branch
Ginza Branch
Ikebukuro Branch
Ueno Branch
Kichijoji Branch
Shinjuku Branch
Roppongi Hills Branch
Roppongi Branch—Omotesando Hills Annex
Hiroo Branch
Meguro Branch
Futakotamagawa Branch
Futakotamagawa Branch—Jiyugaoka Annex
Hachioji Branch
Machida Branch

TOKAI

Nagoya Branch

STOCK INFORMATION

AS OF MARCH 31, 2011

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*	—	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*	—	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*	—	451,296	—	18,558	Cancellation of treasury shares (common) -85,000 thousand shares
August 1, 2007	(100,000)	1,748,098*	—	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*	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

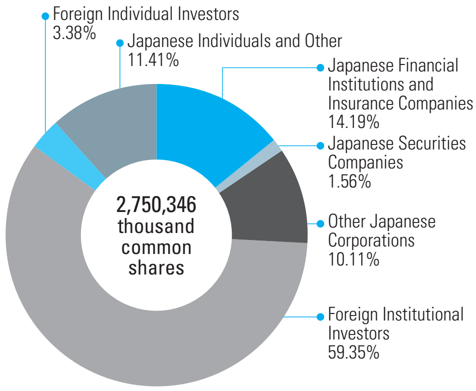
* Figure includes number of preferred shares outstanding

Largest Shareholders[(1)(2)]

Rank	Shareholders	Thousands of Common Shares	%
1	SATURN IV SUB LP (JPMCB 380111)	456,512	16.59
2	Deposit Insurance Corporation of Japan	269,128	9.78
3	THE RESOLUTION AND COLLECTION CORPORATION	200,000	7.27
4	MORGAN STANLEY & CO. INC	196,514	7.14
5	GOLDMAN,SACHS & CO.REG	135,819	4.93
6	SATURN JAPAN III SUB C.V. (JPMCB 380113)	129,462	4.70
7	SHINSEI BANK,LIMITED	96,427	3.50
8	J.CHRISTOPHER FLOWERS	91,879	3.34
9	J.P. MORGAN CLEARING CORP–CLEARING	60,883	2.21
10	JAPAN TRUSTEE SERVICE BANK,LTD. (TRUST ACCOUNT)	51,226	1.86
11	SSBT OD05 OMNIBUS ACCOUNT–TREATY CLIENTS	48,248	1.75
	Total (includes treasury shares)	2,750,346	100.00

(1) As of March 31, 2011, a group of investors, including affiliates of J.C. Flowers & Co. LLC., holds 734,429,693 common shares or 27.67% of Shinsei's outstanding common shares, excluding treasury shares.
(2) As of March 31, 2011, 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.

Breakdown of Shareholders



(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.

WEBSITE

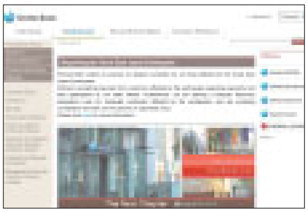
Our English and Japanese websites provide a wide range of corporate data as well as information for individual and institutional customers, and investors.

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, services and solutions for institutional customers. It also contains details of our branches and affiliates.

ABOUT SHINSEI BANK

http://www.shinseibank.com/investors/en/about/

This website provides information on our corporate and management profiles, history, subsidiaries as well as CSR initiatives. It also contains news releases.

INVESTOR RELATIONS

http://www.shinseibank.com/investors/en/ir/

The Investor Relations website contains a company and management overview, information on corporate governance, shareholders, financial information, IR news and an IR calendar. It also provides equity- and debt-related information.

For further information, please contact:

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