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

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

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

OVERVIEW

Shinsei Bank, Limited is a diversified financial institution in Japan bringing innovative banking practices to the Japanese market. Our business is organized around two business groups, an Individual Group and an Institutional Group:

- The Individual Group, which consists of retail banking and our consumer finance subsidiaries, brings innovative financial solutions to more than six million active customers in Japan. We continue to improve the quality of our retail banking services and are expanding our branch network through opening Consulting Spots to efficiently develop asset management operations and strengthen our housing loan business. The consumer finance business provides unsecured personal loans through Shinsei Financial Co., Ltd. (Shinsei Financial) and installment sales credit, settlement and credit card businesses through APLUS FINANCIAL Co., Ltd. (APLUS FINANCIAL).
- The Institutional Group consists of our Institutional Bank and Showa Leasing Co., Ltd. (Showa Leasing). We have designated domestic customer-related operations as our core business and focus for management resources, and are actively exiting or running off non-core businesses, such as non-customer-related proprietary transactions which have resulted in large losses in the past. From October 1, 2010 we have separated the existing Institutional Group into two business units, the Institutional Group and a Markets and Investment Banking Group, to better serve our corporate clients.

FINANCIAL SUMMARY FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2010.

We reported consolidated net income of ¥16.8 billion on a reported basis for the six months ended September 2010, compared to consolidated net income of ¥11.0 billion for the six months ended September 2009.

The Shinsei Bank Group results for the six months ended September 30, 2010 benefited from strong Institutional Group/Markets and Investment Banking Group total revenue, significant expense reductions and no provisions for losses on interest repayment. The Institutional Group/Markets and Investment Banking Group generated strong total revenue as core businesses performed well and gains were recorded on the divestiture of non-core business assets such as overseas asset-backed securities and asset-backed investments while factors responsible for substantial investment-related losses in the past receded. Expenses were reduced ¥13.9 billion year-on-year through past business right-sizing. There were no provisions of reserve for losses on interest repayment recorded in the six months ended September 30, 2010 as a result of provisioning that was made at the end of the fiscal year ended March 31, 2010.

Other highlights include: Total revenues decreased by ¥2.6 billion as planned due mainly to interest rate reductions taken at the end of September 2009 in response to the revised Money-Lending Business Control and Regulation Law. Extensive restructuring and significant credit cost improvements within the Individual Group resulted in ordinary business profit after net credit costs largely in line with plans. The Bank also took more thorough measures towards securing stabilized earnings through posting additional conservative and contingent prudent reserves against potential risks in domestic real estate non-recourse finance and specialty finance. Funding costs declined to 0.62%, while the net interest margin declined to 2.31% largely as a result of interest rate reductions within our consumer finance subsidiaries.

We improved the level of our capital ratios in the six months ended September 30, 2010 mainly by reducing risk weighted assets. Total capital adequacy ratio improved to 8.94% and Tier I capital ratio improved to 6.97% at September 30, 2010 from 8.35% and 6.35%, respectively, at March 31, 2010 as risk weighted assets declined from ¥7.7 trillion at March 31, 2010 to ¥7.1 trillion at September 30, 2010.

Loans and bills discounted balance reduced by ¥559.2 billion to ¥4,604.4 billion and Securities balance declined by ¥593.3 billion to ¥2,639.9 billion in the period from March 31, 2010 to September 30, 2010 due mainly to reductions in Institutional Group/Markets and Investment Banking Group non core business assets, loans and a decrease in the balance of Japanese national government bond securities.

Basic net income per share for the six months ended September 30, 2010 was ¥8.59, as compared to basic net income per share of ¥5.63 for the six months ended September 30, 2009. Cash basis basic net income per share for the six months ended September 30, 2010 was ¥11.57, as compared to cash basis basic net income per share of ¥10.31 for the six months ended September 30, 2009.

SIGNIFICANT EVENTS

EXCHANGE OFFERS FOR GBP AND EURO TIER II SUBORDINATED NOTES

On August 31, 2010, Shinsei announced that it had invited the holders of its upper Tier II GBP-denominated perpetual subordinated notes (the "Sterling Notes") and its lower Tier II Euro-denominated subordinated notes for February 2016 (the "Euro Notes," and together with the Sterling Notes, the "Existing Notes") to submit offers to exchange any and all of their Existing Notes for an amount of newly issued lower Tier II Euro-denominated non-step up callable subordinated notes due September 2020 (the "New Notes") to be issued by Shinsei.

As a result of the Exchange Offers, the aggregate amounts of GBP 25,446,000 of the Sterling Notes and EUR 340,854,000 of the Euro Notes accepted the offers, which were 33% and 63% of aggregate principal amounts outstanding, respectively, and EUR 347,228,000 of the New Notes were issued on September 14, 2010. Through the Exchange Offers, Shinsei has enhanced its capital base by creating additional Tier I capital and improved the efficiency of its Tier II capital base, while preserving its total capital.

Shinsei cancelled GBP 63 million of the Sterling Notes and EUR 342 million of the Euro Notes which included the Existing Notes accepted for Exchange Offers during the six months ended September 30, 2010.

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 in our revitalization plan submitted to the Japanese government, and, as a result, the FSA issued a business improvement order to us on June 30, 2010. The business improvement order requires us to submit a business improvement plan and subsequent quarterly reports regarding our performance starting with the three-month period ending September 30, 2010, until the FSA deems that the improvement plan has been fully implemented. We also previously failed to meet our revitalization plan targets in the fiscal years ended March 31, 2007 and 2009.

CONVERSIONS OF APLUS FINANCIAL PREFERRED SHARES INTO COMMON SHARES

On September 28, 2010, Shinsei converted a portion of its holdings of Class B preferred shares and its holdings of Class C preferred shares into common shares of APLUS FINANCIAL as a measure to further simplify APLUS FINANCIAL's capital structure. As a result of the conversion, Shinsei Bank's holding of APLUS FINANCIAL common shares increased from 93.5% to 94.9%.

MEDIUM-TERM MANAGEMENT PLAN

On September 28, 2010, Shinsei announced revisions to its Medium-Term Management Plan which was announced in June 2010 to set the direction that the Bank will follow for the three years ending March 31, 2013. The revised Plan includes changes to certain targets for the fiscal year ending March 31, 2013, which marks the end of the Plan, in light of additional planned business initiatives and cost reduction measures. Shinsei is forecasting a net income of ¥51 billion for the fiscal year ended March 31, 2013, an increase of ¥19 billion from the original Plan. All capital ratios are estimated to be higher than the new Basel III regulatory requirements, including a total capital adequacy ratio of 10% or higher.

MERGER WITH AOZORA BANK

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

RECENT DEVELOPMENTS

TENDER OFFERS FOR PREFERRED SECURITIES

On November 10, 2010, Shinsei announced that it has commenced cash tender offers outside Japan to purchase any and all of USD 653 million of the U.S. dollar-denominated step-up non-cumulative perpetual preferred securities issued by its Cayman finance subsidiary, Shinsei Finance (Cayman) Limited and USD 481 million of the U.S. dollar-denominated non-cumulative perpetual preferred securities issued by its Cayman finance subsidiary, Shinsei Finance II (Cayman) Limited. The early tender deadline is November 30, 2010 and the expiration date is December 14, 2010.

SELECTED FINANCIAL DATA (CONSOLIDATED)

Shinsei Bank, Limited and Consolidated Subsidiaries
As of and for the six months ended September 30, 2010 and 2009, and as of and for the fiscal year ended March 31, 2010

	Billions of yen (except per share data and percentages)		
	Sept. 30, 2010 (6 months)	Sept. 30, 2009 (6 months)	Mar. 31, 2010 (1 year)
Statements of operations data:			
Net interest income	**¥ 86.1**	¥ 109.4	¥ 207.9
Net fees and commissions	**12.2**	10.9	25.1
Net trading income	**7.1**	3.1	9.0
Net other business income	**45.6**	30.5	22.1
Total revenue	**151.3**	154.0	264.2
General and administrative expenses	**74.0**	88.0	170.8
Amortization of goodwill and other intangible assets	**6.8**	10.8	20.9
Total general and administrative expenses	**80.9**	98.8	191.7
Net credit costs	**52.3**	39.2	112.2
Other gains (losses), net	**6.6**	4.1	(83.3)
Income (loss) before income taxes and minority interests	**24.7**	20.1	(123.0)
Current income tax	**1.1**	0.5	1.5
Deferred income tax	**1.7**	3.3	6.7
Minority interests in net income of subsidiaries	**4.8**	5.1	8.8
Net income (loss)	**¥ 16.8**	¥ 11.0	¥ (140.1)
Balance sheet data:			
Trading assets	**¥ 246.9**	¥ 253.0	¥ 223.2
Securities	**2,639.9**	3,282.2	3,233.3
Loans and bills discounted	**4,604.4**	5,469.9	5,163.7
Customers' liabilities for acceptances and guarantees	**606.1**	652.4	623.7
Reserve for credit losses	**(218.1)**	(198.6)	(196.6)
Total assets	**10,464.0**	12,183.5	11,376.7
Deposits, including negotiable certificates of deposit	**5,890.1**	7,046.5	6,475.3
Debentures	**425.2**	527.5	483.7
Trading liabilities	**196.9**	194.2	177.8
Borrowed money	**1,336.1**	800.2	1,186.8
Acceptances and guarantees	**606.1**	652.4	623.7
Total liabilities	**9,849.8**	11,383.5	10,741.8
Common stock	**476.2**	476.2	476.2
Total equity	**614.1**	799.9	634.9
Total liabilities and equity	**¥ 10,464.0**	¥ 12,183.5	¥ 11,376.7
Per share data:			
Common equity[(1)]	**¥ 232.54**	¥ 312.05	¥ 232.72
Basic net income (loss)	**8.59**	5.63	(71.36)
Capital adequacy data:			
Total capital adequacy ratio	**8.9%**	9.4%	8.4%
Tier I capital ratio	**7.0%**	7.0%	6.4%
Average balance data:			
Securities	**¥ 2,941.8**	¥ 3,197.3	¥ 3,212.6
Loans and bills discounted	**4,870.9**	5,558.4	5,457.6
Total assets	**10,920.4**	12,066.3	11,662.9
Interest-bearing liabilities	**8,619.4**	9,468.5	9,354.5
Total liabilities	**10,295.8**	11,282.6	10,961.7
Total equity	**624.5**	783.7	701.2
Other data:			
Return on assets	**0.3%**	0.2%	(1.2)%
Return on equity[(1)]	**7.4%**	3.8%	(27.6)%
Ratio of deposits, including negotiable certificates of deposit, to total liabilities	**59.8%**	61.9%	60.3%
Expense-to-revenue ratio[(2)]	**48.9%**	57.1%	64.6%
Non-performing claims, non-consolidated	**¥ 316.6**	¥ 181.6	¥ 333.0
Ratio of non-performing claims to total claims, non-consolidated	**6.5%**	3.4%	6.7%
Net deferred tax assets	**¥ 13.8**	¥ 18.4	¥ 17.4
Net deferred tax assets as a percentage of Tier I capital	**2.8%**	3.1%	3.5%

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)

SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2010 COMPARED WITH SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2009 (CONSOLIDATED)

We reported total revenue for the six months ended September 30, 2010 of ¥151.3 billion. This was ¥2.6 billion lower than the ¥154.0 billion total revenue recorded in the six months ended September 30, 2009.

Net interest income declined by ¥23.2 billion to ¥86.1 billion during the six months ended September 30, 2010 from ¥109.4 billion in the six months ended September 30, 2009. This decrease was primarily driven by a ¥21.2 billion decline in net interest income contribution from Shinsei Financial and APLUS FINANCIAL. The decrease in net interest income within our consumer finance subsidiaries has arisen as we have reset interest rates below the legal maximum rates to comply with the revised Money-Lending Business Control and Regulation Law. Non-interest income increased by ¥20.5 billion to ¥65.1 billion in the six months ended September 30, 2010 versus ¥44.6 billion in the six months ended September 30, 2009. Our net fees and commissions income increased by ¥1.3 billion to ¥12.2 billion during the six months ended September 30, 2010 from ¥10.9 billion during the six months ended September 30, 2009. We generated net trading income of ¥7.1 billion in the six months ended September 30, 2010, an increase of ¥4.0 billion from the net trading income of ¥3.1 billion generated in the six months ended September 30, 2009. Net other business income for the six months ended September 30, 2010 increased to ¥45.6 billion from ¥30.5 billion in the six months ended September 30, 2009. Income of ¥19.7 billion from the lease transactions and installment receivables businesses of Showa Leasing, APLUS FINANCIAL, Shinsei Financial and others is included in the six months ended September 30, 2010 results compared to ¥22.2 billion of income in the six months ended September 30, 2009. Major non-recurring items included in the six months ended September 30, 2010 net other business income are gains of ¥4.3 billion on the sale of collateralized loan obligations (CLOs) and gains of ¥4.1 billion on the sale of asset-backed investments and asset backed securities. These gains were partially offset by impairments of ¥1.8 billion on domestic non-recourse real estate bonds and mark-downs and impairments of ¥0.5 billion on real estate principal investments and ¥0.3 billion on principal investments portfolios. The six months ended September 2009 net other business income includes gains of ¥11.7 billion on the sale of CLOs and ¥1.4 billion on the sale of corporate bonds. These gains were partially offset by mark-downs and impairments of ¥5.8 billion on real estate principal investments and ¥2.5 billion on European investments, asset backed investments, and asset backed securities.

General and administrative expenses during the six months ended September 30, 2010 were ¥74.0 billion, a decrease of ¥13.9 billion compared to the six months ended September 30, 2009. Our expense-to-revenue ratio was 48.9% for the six months ended September 30, 2010 compared to an expense-to-revenue ratio of 57.1% for the six months ended September 30, 2009. Net credit costs of ¥52.3 billion for the six months ended September 30, 2010 were ¥13.1 billion higher compared to the ¥39.2 billion net credit costs recorded in the six months ended September 2009. Net credit costs included net provisions of ¥17.9 billion within specialty finance, ¥14.5 billion of net credit costs for domestic real estate non-recourse finance, ¥10.3 billion net credit costs within Shinsei Financial and ¥7.9 billion net credit costs within APLUS FINANCIAL. The results of the six months ended September 30, 2009 included ¥17.4 billion of credit costs incurred within Shinsei Financial, ¥11.7 billion of net credit costs within APLUS FINANCIAL, ¥3.1 billion in net credit costs associated with holdings of asset-backed investments, and ¥1.6 billion of credit costs for domestic real estate non-recourse finance related loans. We also recorded ¥6.4 billion of credit recoveries within Shinki. Amortization of goodwill and other intangible assets associated with the acquisition of consumer and commercial finance companies was ¥6.8 billion for the six months ended September 30, 2010 as compared with ¥10.8 billion in the six months ended September 30, 2009. The lower amounts primarily reflect the impairment of goodwill and other intangible assets of APLUS FINANCIAL taken in the fiscal year ended March 30, 2010.

Other gains of ¥6.6 billion included gains of ¥4.3 billion on the repurchase of our subordinated debt and recoveries of written-off claims of ¥7.0 billion at Shinsei Financial, Shinsei Bank, Shinki and APLUS FINANCIAL, offset by losses on application of new accounting standard for asset retirement obligations of ¥3.5 billion.

Current and deferred income taxes reflected a net expense of ¥2.9 billion compared to a net expense of ¥3.8 billion in the six months ended September 30, 2009.

Minority interests in net income of subsidiaries for the six months ended September 30, 2010 amounting to ¥4.8 billion largely reflected dividends accrued on perpetual preferred securities and minority interests in other subsidiaries.

We recognized consolidated net income of ¥16.8 billion on a reported basis for the six months ended September 30, 2010, compared to consolidated net income of ¥11.0 billion for the six months ended September 30, 2009. Consolidated cash basis net income for the six months ended September 30, 2010 was ¥22.7 billion, compared to cash basis net income of ¥20.2 billion for the six months ended September 30, 2009. The cash basis net income is calculated by excluding amortization and impairment of goodwill and other intangible assets, net of tax benefit, from net income under Japanese generally accepted accounting principles (JGAAP).

SUPPLEMENTAL FINANCIAL DATA AND RECONCILIATIONS TO JAPANESE GAAP MEASURES

Shinsei Bank, Limited and Consolidated Subsidiaries

For the six months ended September 30, 2010	Billions of yen (except per share data and percentages)
Amortization of goodwill and other intangible assets	
Amortization of other intangible assets	¥ 2.4
Associated deferred tax income	(1.0)
Amortization of goodwill	4.3
Total amortization of goodwill and other intangible assets, net of tax benefit	¥ 5.8
Reconciliation of net income to cash basis net income	
Net income	¥ 16.8
Amortization of goodwill and other intangible assets, net of tax benefit	5.8
Cash basis net income	¥ 22.7
Reconciliation of basic net income per share to cash basis basic net income per share	
Basic net income per share	¥ 8.59
Effect of amortization of goodwill and other intangible assets, net of tax benefit	2.98
Cash basis basic net income per share	¥ 11.57
Reconciliation of return on assets to cash basis return on assets	
Return on assets	0.3%
Effect of amortization of goodwill and other intangible assets, net of tax benefit	0.1%
Cash basis return on assets	0.4%
Reconciliation of return on equity to cash basis return on equity	
Return on equity	7.4%
Effect of amortization of goodwill and other intangible assets, net of tax benefit	2.5%
Cash basis return on equity	9.9%
Reconciliation of return on equity to return on tangible equity	
Return on equity	7.4%
Effect of goodwill and other intangible assets	4.3%
Return on tangible equity[1]	11.7%

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.

TABLE 1. INTEREST-EARNING ASSETS AND INTEREST-BEARING LIABILITIES (CONSOLIDATED)

Billions of yen (except percentages)

	Six months ended September 30, 2010			Six months ended September 30, 2009		
	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate
Interest-earning assets:						
Loans and bills discounted	**¥ 4,870.9**	**¥ 96.5**	**3.96**	¥ 5,558.4	¥ 130.2	4.67%
Lease receivables and leased investment assets/ installment receivables	**575.6**	**19.7**	**6.84**	640.9	22.2	6.93
Securities	**2,941.8**	**12.7**	**0.87**	3,197.3	16.8	1.05
Other interest-earning assets[1]	**637.3**	**3.4**	**n.m.[3]**	724.7	4.3	n.m.[3]
Total revenue on interest-earning assets	**¥ 9,025.7**	**¥ 132.5**	**2.93%**	¥ 10,121.4	¥ 173.7	3.42%
Interest-bearing liabilities:						
Deposits, including negotiable certificates of deposit	**¥ 6,127.4**	**¥ 18.5**	**0.61**	¥ 6,842.2	¥ 28.7	0.84%
Debentures	**460.1**	**1.3**	**0.59**	618.4	2.2	0.74
Borrowed money	**1,301.5**	**3.7**	**0.58**	932.9	6.0	1.29
Subordinated debt	**102.0**	**0.4**	**0.91**	102.0	0.5	1.17
Other borrowed money	**1,199.5**	**3.2**	**0.55**	830.9	5.4	1.30
Corporate bonds	**187.1**	**2.4**	**2.65**	252.1	3.7	2.94
Subordinated bonds	**155.6**	**2.3**	**3.05**	178.1	3.1	3.53
Other corporate bonds	**31.5**	**0.1**	**0.65**	74.0	0.5	1.53
Other interest-bearing liabilities[1]	**543.1**	**0.4**	**n.m.[3]**	822.6	1.2	n.m.[3]
Total expense on interest-bearing liabilities	**¥ 8,619.4**	**¥ 26.6**	**0.62%**	¥ 9,468.5	¥ 42.0	0.89%
Non-interest-bearing sources of funds:						
Non-interest-bearing (assets) liabilities, net	**¥ (52.2)**	**—**	**—**	¥ 65.0	—	—
Total equity excluding minority interest in subsidiaries[2]	**458.5**	**—**	**—**	587.9	—	—
Total interest-bearing liabilities and non-interest-bearing sources of funds	**¥ 9,025.7**	**—**	**—**	¥ 10,121.4	—	—
Net interest margin	**—**	**—**	**2.31%**	—	—	2.54%
Impact of non-interest-bearing sources	**—**	**—**	**0.03**	—	—	0.06
Net revenue on interest-earning assets/ yield on interest-earning assets	**—**	**105.9**	**2.34%**	—	131.6	2.59%
Reconciliation of total revenue on interest-earning assets to total interest income						
Total revenue on interest-earning assets	**¥ 9,025.7**	**¥ 132.5**	**2.93%**	¥ 10,121.4	¥ 173.7	3.42%
Less: Income on lease transactions and installment receivables	**575.6**	**19.7**	**6.84**	640.9	22.2	6.93
Total interest income	**¥ 8,450.1**	**¥ 112.8**	**2.66%**	¥ 9,480.5	¥ 151.4	3.19%
Total interest expenses	**—**	**26.6**	**—**	—	42.0	—
Net interest income	**—**	**¥ 86.1**	**—**	—	¥ 109.4	—

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 end of the current period and the balance at the end of the previous period.
(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/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 interim consolidated statements of operations.

NET REVENUE ON INTEREST-EARNING ASSETS

Net revenue on interest-earning assets for the six months ended September 30, 2010 was ¥105.9 billion, a decrease of ¥25.7 billion compared to the six months ended September 30, 2009. Total revenue on interest-earning assets decreased by ¥41.1 billion and total expense on interest-bearing liabilities decreased by ¥15.3 billion in the six months ended September 30, 2010 from the six months ended September 30, 2009. The net interest margin and net yield on interest-earning assets were 2.31% and 2.34%, respectively, in the six months ended September 30, 2010, compared with 2.54% and 2.59%, respectively, for the six months ended September 30, 2009.

The changes in net interest margin and net yield on interest-earning assets largely reflect the lower yield and lower volume of loans and bills discounted, lease receivables and leased investment assets/installment receivables, and lower yields on securities that have been invested for liquidity purposes, offset by lower interest expense for deposits, borrowed money and corporate bonds.

NET FEES AND COMMISSIONS

Net fees and commissions mainly includes fees on non-recourse real estate finance, consumer finance related guarantees and other financing products and commissions on sales of asset management products. Net fees and commissions of ¥12.2 billion were earned in the six months ended September 30, 2010, an increase of ¥1.3 billion compared to the six months ended September 30, 2009.

NET TRADING INCOME

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

TABLE 2. NET TRADING INCOME (CONSOLIDATED)

	Billions of yen		
	Six months ended September 30, 2010	Six months ended September 30, 2009	% Change
Income from trading securities	¥ 1.4	¥ 1.9	(23.8)
Income (loss) from securities held to hedge trading transactions	(5.4)	1.9	(381.6)
Income (loss) from trading-related financial derivatives	11.1	(0.9)	1,218.0
Other, net	0.0	0.2	(92.5)
Net trading income	¥ 7.1	¥ 3.1	129.7

Net trading income reflects revenues from customer-driven transactions, such as option trading income, as well as transactions undertaken for trading purposes. During the six months ended September 30, 2010, net trading income showed a gain of ¥7.1 billion, an increase of ¥4.0 billion compared to the six months ended September 30, 2009 as performance improved within the credit default swap market.

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		
	Six months ended September 30, 2010	Six months ended September 30, 2009	% Change
Net gain on monetary assets held in trust	¥ 3.4	¥ 0.2	1,438.6
Net gain on securities	14.6	12.0	21.6
Net gain on foreign exchange	2.9	5.2	(44.0)
Net gain (loss) on other monetary claims purchased	3.4	(3.8)	189.5
Other business income (loss), net			
Income (loss) from derivatives for banking purposes, net	(0.4)	(0.9)	52.2
Equity in net income (loss) of affiliates	1.0	(4.3)	123.4
Gain on lease cancellation and other lease income (loss), net	(0.2)	(0.3)	10.9
Other, net	1.0	0.2	325.3
Net other business income before income on lease transactions and installment receivables, net	25.9	8.3	211.3
Income on lease transactions and installment receivables, net	19.7	22.2	(11.4)
Net other business income	¥ 45.6	¥30.5	49.3

Net other business income for the six months ended September 30, 2010 was ¥45.6 billion. This included income of ¥19.7 billion from the lease transactions and installment receivables businesses of Showa Leasing, APLUS FINANCIAL, Shinsei Financial and others, compared to ¥22.2 billion of income on lease transactions and installment receivables received in the six months ended September 30, 2009. Major non-recurring items included in the six months ended September 30, 2010 net other business income are gains of ¥4.3 billion on the sale of collateralized loan obligations (CLOs) and gains of ¥4.1 billion on the sale of asset-backed investments and asset backed securities. These gains were partially offset by losses of ¥1.8 billion on real estate finance portfolio and mark-downs and impairments of ¥0.5 billion on real estate principal investments and ¥0.3 billion on principal investments portfolios.

The six months ended September 30, 2009 net other business income included non-recurring gains of ¥11.7 billion on the sale of CLOs and ¥1.4 billion on the sale of corporate bonds. This gain was partially offset by mark-downs and impairments of ¥5.8 billion on real estate principal investments and ¥2.5 billion on European investments, asset backed investments, and asset backed securities.

TOTAL REVENUE

Due to the factors described above, total revenue in the six months ended September 30, 2010 was ¥151.3 billion, as compared with ¥154.0 billion in the six months ended September 30, 2009.

GENERAL AND ADMINISTRATIVE EXPENSES

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

TABLE 4. GENERAL AND ADMINISTRATIVE EXPENSES (CONSOLIDATED)

Billions of yen

	Six months ended September 30, 2010	Six months ended September 30, 2009	% Change
Personnel expenses	¥ 28.9	¥ 34.2	(15.5)
Premises expenses	11.6	13.9	(16.4)
Technology and data processing expenses	9.9	12.3	(19.1)
Advertising expenses	5.1	6.1	(16.2)
Consumption and property taxes	4.1	4.7	(12.3)
Deposit insurance premium	2.7	2.1	24.3
Other general and administrative expenses	11.4	14.4	(20.5)
General and administrative expenses	74.0	88.0	(15.8)
Amortization of goodwill and other intangible assets	6.8	10.8	(36.6)
Total general and administrative expenses	¥ 80.9	¥ 98.8	(18.1)

From the fiscal year which commenced on April 1, 2006, amortization of goodwill and other intangible assets is recorded in total general and administrative expenses.

General and administrative expenses were ¥74.0 billion in the six months ended September 30, 2010, a decrease of ¥13.9 billion compared to the six months ended September 30, 2009.

Personnel expenses of ¥28.9 billion decreased by ¥5.3 billion from the six months ended September 30, 2009. We have been able to reduce our personnel expenses through ongoing personnel expense reductions across our business, as Group employees decreased from 6,254 at September 30, 2009 to 5,969 at September 30, 2010, a net reduction of 285 employees.

Non-personnel expenses declined by ¥8.6 billion to ¥45.0 billion as we have worked to reduce expenses across all of our business lines through strict expense control discipline.

Premises expenses declined by ¥2.2 billion to ¥11.6 billion, mainly due to consumer finance subsidiaries' branch optimization. Technology and data processing expenses were ¥2.3 billion lower than the six months ended September 30, 2009 mainly due to increased technology rationalization within our consumer finance subsidiaries and automated contract machine sharing and optimization between Shinsei Financial and Shinki. Advertising expenses were ¥1.0 billion lower than the six months ended September 30, 2009 through continued optimization of advertising activities in the Individual Group. Other general and administrative expenses declined by ¥2.9 billion to ¥11.4 billion due to continued expense reductions and strict cost controls across all areas of our business.

AMORTIZATION OF GOODWILL AND OTHER INTANGIBLE ASSETS

Amortization of Goodwill and Other Intangible Assets totaled ¥6.8 billion in the six months ended September 30, 2010, compared to ¥10.8 billion in the six months ended September 30, 2009. The ¥3.9 billion net decrease in amortization of goodwill and other intangible assets primarily reflects the reduction in amortization of goodwill and other intangible assets related to APLUS FINANCIAL resulting from impairment of APLUS FINANCIAL's goodwill at the end of fiscal year ended March 31, 2010. The ¥0.4 billion of the six months ended September 30, 2010 APLUS FINANCIAL amortization of goodwill and other intangible assets reflects the amortization of goodwill associated with APLUS FINANCIAL's subsidiary, Zen-Nichi Shinpan Co., Ltd.

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

	Billions of yen		
	Six months ended September 30, 2010	Six months ended September 30, 2009	% Change
Shinsei Financial	**¥ 5.0**	¥ 5.6	(9.7)
Shinki	**(0.1)**	0.3	(146.4)
APLUS FINANCIAL	**0.4**	3.2	(85.6)
Showa Leasing	**1.4**	1.4	(1.1)
Others	**(0.0)**	(0.0)	0.0
Amortization of goodwill and other intangible assets	**¥ 6.8**	¥10.8	(36.6)

NET CREDIT COSTS

The following table sets forth our net credit costs on a consolidated basis for the six months ended September 30, 2010 and 2009.

TABLE 6. NET CREDIT COSTS (CONSOLIDATED)

	Billions of yen		
	Six months ended September 30, 2010	Six months ended September 30, 2009	% Change
Losses on write-off or sales of loans	**¥ 7.4**	¥ 4.6	59.4
Net provision of reserve for loan losses:			
Net provision of general reserve for loan losses	**28.0**	12.2	128.0
Net provision of specific reserve for loan losses	**17.2**	23.1	(25.6)
Net provision (reversal) of reserve for loan losses to restructuring countries	**(0.0)**	(0.0)	10.8
Subtotal	**45.2**	35.4	27.6
Net provision (reversal) of specific reserve for other credit losses	**0.0**	(0.1)	110.8
Other credit costs (recoveries) relating to leasing business	**(0.3)**	(0.7)	55.3
Net credit costs	**¥ 52.3**	¥ 39.2	33.6

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 ¥52.3 billion for the six months ended September 2010 were ¥13.1 billion higher compared to the six months ended September 30, 2009. The six months ended September 2010 net credit costs increased from the six months ended September 30, 2009 primarily as we took additional reserves against potential risks in domestic real estate non-recourse finance and specialty finance businesses. Net credit costs included net provisions of ¥17.9 billion within specialty finance, ¥14.5 billion of net credit costs for domestic real estate non-recourse finance, ¥10.3 billion net credit costs within Shinsei Financial and ¥7.9 billion net credit costs within APLUS FINANCIAL.

The results of the six months ended September 30, 2009 included ¥17.4 billion of credit costs incurred within Shinsei Financial, ¥11.7 billion of net credit costs within APLUS FINANCIAL, ¥3.1 billion in net credit costs associated with holdings of asset-backed investments, and ¥1.6 billion of credit costs for real estate non-recourse finance related loans. We also recorded ¥6.4 billion of credit recoveries within Shinki.

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OTHER GAINS (LOSSES), NET

Other gains of ¥6.6 billion included gains of ¥4.3 billion on the repurchase of subordinated debt, and recoveries of written-off claims of ¥7.0 billion at Shinsei Financial, Shinsei Bank, Shinki and APLUS FINANCIAL, offset by asset retirement obligation costs of ¥3.5 billion. The six months ended September 30, 2009 other gains included gains of ¥11.5 billion on the repurchase of subordinated debt and recoveries of written-off claims of ¥4.3 billion, offset by provision of reserve for losses on interest repayments of ¥8.4 billion at Shinki, ¥0.9 billion at Shinsei Financial and ¥0.5 billion at APLUS FINANCIAL.

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

	Billions of yen		
	Six months ended September 30, 2010	Six months ended September 30, 2009	% Change
Net gain (loss) on disposal of premises and equipment	**¥ (0.2)**	¥ (1.5)	86.5
Provision for losses on disposal of premises and equipment	**—**	(0.0)	100.0
Pension-related costs	**(0.4)**	(0.2)	(64.8)
Gain on write-off of unclaimed debentures	**0.4**	0.1	310.4
Recoveries of written-off claims	**7.0**	4.3	61.2
Provision of reserve for losses on interest repayments	**—**	(9.9)	100.0
Gain from the cancellation of issued corporate bonds and other instruments	**4.3**	11.8	(63.5)
Losses on application of new accounting standard for asset retirement obligations(1)	**(3.5)**	—	—
Other, net	**(0.9)**	(0.3)	(141.5)
Total	**¥ 6.6**	¥ 4.1	60.1

Note: (1) "Losses on application of new accounting standard for asset retirement obligations" is a cumulative effect recognized at the beginning of this consolidated 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).

INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS

As a result of the foregoing, income before income taxes and minority interests totaled ¥24.7 billion for the six months ended September 30, 2010, as compared to an income before income taxes and minority interests of ¥20.1 billion for the six months ended September 30, 2009.

INCOME TAXES (BENEFIT)

Current and deferred income taxes reflected a net expense of ¥2.9 billion compared to a net expense of ¥3.8 billion for the six months ended September 30, 2009.

MINORITY INTERESTS IN NET INCOME OF SUBSIDIARIES

Minority interests in net income of subsidiaries for the six months ended September 30, 2010 amounting to ¥4.8 billion largely reflected dividends accrued on perpetual preferred securities and minority interests in other subsidiaries. No APLUS FINANCIAL preferred stock dividends were paid in the six months ended September 30, 2010 as a result of the redemption of APLUS FINANCIAL's preferred securities which occurred during the three months ended March 31, 2010.

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

	Billions of yen		
	Six months ended September 30, 2010	Six months ended September 30, 2009	% Change
Dividends on preferred securities (hybrid Tier I capital) issued by foreign SPCs	**¥ 4.6**	¥ 5.0	(9.1)
Dividends on APLUS FINANCIAL's preferred stock	**—**	0.2	(100.0)
Others	**0.2**	(0.0)	783.7
Minority interests in net income of subsidiaries	**¥ 4.8**	¥ 5.1	(6.3)

NET INCOME

We recognized consolidated net income of ¥16.8 billion on a reported basis for the six months ended September 30, 2010, compared to consolidated net income of ¥11.0 billion for the six months ended September 30, 2009.

Consolidated cash basis net income for the six months ended September 30, 2010 was ¥22.7 billion, compared to cash basis net income of ¥20.2 billion for the six months ended September 30, 2009. The cash basis net income is calculated by excluding amortization and impairment of goodwill and other intangible assets, net of tax benefit, from net income under Japanese generally accepted accounting principles (JGAAP).

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 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

	Six months ended September 30, 2010			Six months ended September 30, 2009		
	Reported-basis	Reclassifications	Operating-basis	Reported-basis	Reclassifications	Operating-basis
Revenue:						
Net interest income	¥ 86.1	¥ —	¥ 86.1	¥ 109.4	¥ —	¥ 109.4
Non-interest income[1]	65.1	4.3	69.4	44.6	11.8	56.4
Total revenue	151.3	4.3	155.6	154.0	11.8	165.8
General and administrative expenses[2]	74.0	(1.2)	72.8	88.0	(1.4)	86.5
Amortization of goodwill and other intangible assets	6.8	(6.8)	—	10.8	(10.8)	—
Total general and administrative expenses	80.9	(8.1)	72.8	98.8	(12.2)	86.5
Net business profit/Ordinary business profit[3]	70.3	12.4	82.8	55.1	24.1	79.3
Net credit costs	52.3	—	52.3	39.2	—	39.2
Amortization of goodwill and other intangible assets	—	6.8	6.8	—	10.8	10.8
Other gains (losses), net[1][2]	6.6	(5.5)	1.0	4.1	(13.3)	(9.1)
Income before income taxes and minority interests	24.7	—	24.7	20.1	—	20.1
Income taxes and minority interests	7.8	—	7.8	9.0	—	9.0
Net income	¥ 16.8	¥ —	¥ 16.8	¥ 11.0	¥ —	¥ 11.0

Notes: (1) Reclassifications consist principally of adjustments relating to other business income between other gains (losses), net and non-interest income.
(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) Ordinary business profit is an operating-basis measure, derived after reclassifying certain items from net business profit.

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 after net credit costs (recoveries).

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

Billions of yen

	Six months ended September 30, 2010	Six months ended September 30, 2009	% Change
Institutional Group/Markets and Investment Banking Group:			
Net interest income	¥ 18.1	¥ 20.1	(9.7)
Non-interest income	44.1	24.7	78.3
Total revenue	62.3	44.9	38.9
General and administrative expenses	19.9	22.5	(11.5)
Ordinary business profit	42.4	22.3	89.5
Net credit costs	30.3	12.6	140.1
Ordinary business profit after net credit costs	¥ 12.0	¥ 9.7	23.7
Individual Group:			
Net interest income	¥ 68.2	¥ 89.9	(24.1)
Non-interest income	19.9	21.4	(6.6)
Total revenue	88.2	111.3	(20.7)
General and administrative expenses	53.2	63.9	(16.7)
Ordinary business profit	34.9	47.3	(26.2)
Net credit costs	21.8	26.1	(16.4)
Ordinary business profit after net credit costs	¥ 13.1	¥ 21.2	(38.2)
Corporate/Other[1]:			
Net interest income (expense)	¥ (0.2)	¥ (0.6)	56.0
Non-interest income	5.3	10.3	(48.3)
Total revenue	5.0	9.6	(47.8)
General and administrative expenses	(0.4)	0.0	(629.7)
Ordinary business profit	5.4	9.5	(43.2)
Net credit costs	0.1	0.4	(73.1)
Ordinary business profit after net credit costs	¥ 5.3	¥ 9.1	(41.9)
Total:			
Net interest income	¥ 86.1	¥ 109.4	(21.2)
Non-interest income	69.4	56.4	23.0
Total revenue	155.6	165.8	(6.2)
General and administrative expenses	72.8	86.5	(15.9)
Ordinary business profit	82.8	79.3	4.4
Net credit costs	52.3	39.2	33.6
Ordinary business profit after net credit costs	¥ 30.4	¥ 40.1	(24.0)

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

INSTITUTIONAL GROUP/MARKETS AND INVESTMENT BANKING GROUP

TABLE 11. INSTITUTIONAL GROUP/MARKETS AND INVESTMENT BANKING GROUP REVENUE BY PRODUCT (CONSOLIDATED)

Billions of yen

	Six months ended September 30, 2010	Six months ended September 30, 2009	% Change
Basic banking[1]	¥ 5.7	¥ 6.3	(10.0)
Real estate finance	7.6	10.4	(26.1)
Credit trading	8.2	1.5	428.0
Principal investments	3.9	(5.2)	175.9
Foreign exchange, derivatives, equity-related transactions	4.7	6.6	(27.7)
Securitization	8.8	1.5	458.7
Other capital markets	6.2	13.7	(54.8)
ALM Activities	7.4	(0.0)	8,078.3
Leasing (Showa Leasing)	7.5	8.0	(6.7)
Others	2.0	1.9	3.9
Total revenue	¥ 62.3	¥ 44.9	38.9

Note: (1) Basic Banking mainly consists of corporate loans, deposit and debentures.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

The Institutional Group/Markets and Investment Banking Group business recorded total revenue of ¥62.3 billion in the six months ended September 30, 2010, an increase of ¥17.4 billion compared to total revenue of ¥44.9 billion recorded in the six months ended September 30, 2009.

Basic Banking generated total revenue of ¥5.7 billion in the six months ended September 30, 2010, compared to the ¥6.3 billion generated in the six months ended September 30, 2009, primarily due to lower loan balances within our Basic Banking business.

Real estate finance business generated revenue of ¥7.6 billion, compared with the ¥10.4 billion in revenue recorded in the six months ended September 30, 2009, largely as a result of ¥1.8 billion of impairments taken on non-recourse bonds in the six months ended September 30, 2010.

Credit Trading generated revenue of ¥8.2 billion in the six months ended September 30, 2010, an increase of ¥6.6 billion from the six months ended September 30, 2009 when markdowns of certain international credit trading positions, mainly in Europe, were taken.

Principal Investments recorded a gain of ¥3.9 billion compared to a loss of ¥5.2 billion recorded in the six months ended September 30, 2009. The six months ended September 30, 2010 results include ¥1.2 billion in gains in Jih Sun Financial Holding Co., Ltd., while the six months ended September 30, 2009 results include ¥5.8 billion of real estate principal investment impairment and ¥3.8 billion of losses in Jih Sun.

Foreign Exchange, Derivatives and Equity-Related Transactions recorded a gain of ¥4.7 billion in the six months ended September 30, 2010, compared to a ¥6.6 billion gain recorded in the six months ended September 30, 2009.

Securitization recognized a gain of ¥8.8 billion during the six months ended September 30, 2010 as compared to a gain of ¥1.5 billion during the six months ended September 30, 2009. Included within the six months ended September 30, 2010 securitization revenues are ¥4.1 billion of gains on our asset-backed securities and asset backed investments, while the six months ended September 30, 2009 results were impacted by ¥1.7 billion of mark-downs on this portfolio.

Other Capital Markets businesses generated revenue of ¥6.2 billion for the six months ended September 30, 2010, compared to a gain of ¥13.7 billion in the six months ended September 30, 2009. The six months ended September 30, 2010 results included ¥4.3 billion of gains from the sale of CLOs while 2009 results included ¥11.7 billion of gains from the sale of CLOs and ¥1.4 billion of gains from the sale of corporate bonds.

TABLE 12. INSTITUTIONAL GROUP/MARKETS AND INVESTMENT BANKING GROUP ORDINARY BUSINESS PROFIT AFTER NET CREDIT COSTS BY BUSINESS (CONSOLIDATED)(1)

	Billions of yen		
	Six months ended September 30, 2010	Six months ended September 30, 2009	% Change
Institutional Banking Business/Markets and Investment Banking Group(2):			
Net interest income	**¥ 19.9**	¥ 22.4	(11.0)
Non-interest income	**34.9**	14.4	141.6
Total revenue	**54.8**	36.8	48.8
General and administrative expenses	**15.9**	18.4	(13.6)
Ordinary business profit	**38.9**	18.3	111.5
Net credit costs	**28.8**	9.8	192.1
Ordinary business profit after net credit costs	**¥ 10.0**	¥ 8.5	17.9
Showa Leasing:			
Net interest income (expense)	**¥ (1.7)**	¥ (2.2)	22.6
Non-interest income	**9.2**	10.3	(10.2)
Total revenue	**7.5**	8.0	(6.7)
General and administrative expenses	**3.9**	4.0	(1.6)
Ordinary business profit	**3.5**	3.9	(11.8)
Net credit costs	**1.5**	2.7	(45.1)
Ordinary business profit after net credit costs	**¥ 1.9**	¥ 1.2	63.8
Institutional Group/Markets and Investment Banking Group:			
Net interest income	**¥ 18.1**	¥ 20.1	(9.7)
Non-interest income	**44.1**	24.7	78.3
Total revenue	**62.3**	44.9	38.9
General and administrative expenses	**19.9**	22.5	(11.5)
Ordinary business profit	**42.4**	22.3	89.5
Net credit costs	**30.3**	12.6	140.1
Ordinary business profit after net credit costs	**¥ 12.0**	¥ 9.7	23.7

Notes: (1) Net of consolidation adjustments, if applicable.
(2) Represents "Institutional Group/Markets and Investment Banking Group excluding Showa Leasing."

In the six months ended September 30, 2010, Institutional Banking business/Markets and Investment Banking Group general and administrative expenses were ¥15.9 billion, a ¥2.5 billion decrease from the six months ended September 30, 2009. The decrease was largely due to stricter cost controls and cost reduction measures enacted during the six months ended September 30, 2010 and the six months ended September 30, 2009.

Net credit costs were ¥28.8 billion in the six months ended September 30, 2010, an increase of ¥18.9 billion as compared to ¥9.8 billion of credit costs recorded in the six months ended September 30, 2009. The six months ended September 30, 2010 net credit costs increased from the six months ended September 30, 2009 primarily as we took additional reserves against potential risks in our domestic real estate non-recourse finance and specialty finance businesses. Net credit costs included net provisions of ¥17.9 billion within specialty finance and ¥14.5 billion of net credit costs for domestic real estate non-recourse finance.

During the six months ended September 30, 2009, we recorded net credit costs of ¥3.1 billion related to our asset backed investments portfolio and ¥1.6 billion of credit costs related to domestic real estate non-recourse finance portfolio.

As a result, Institutional Banking business/Markets and Investment Banking Group showed an ordinary business profit after net credit costs of ¥10.0 billion for the six months ended September 30, 2010, an increase of ¥1.5 billion compared to an ordinary business profit after net credit costs of ¥8.5 billion recorded in the six months ended September 30, 2009.

Showa Leasing's ordinary business profit after net credit costs improved to ¥1.9 billion for the six months ended September 30, 2010 compared to ¥1.2 billion in the six months ended September 30, 2009. Net credit costs for the six months ended September 30, 2010 declined to ¥1.5 billion compared to ¥2.7 billion net credit costs recorded in the six months ended September 30, 2009.

INDIVIDUAL GROUP

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

	Billions of yen		
	Six months ended September 30, 2010	Six months ended September 30, 2009	% Change
Retail Banking:	¥ 22.1	¥ 21.7	1.9
Deposits and Debentures Net Interest Income	12.9	12.8	0.8
Deposits and Debentures Non-Interest Income	2.8	3.4	(17.4)
Asset management	2.4	2.5	(3.9)
Loans	3.9	2.8	35.5
Shinsei Financial	32.3	48.8	(33.7)
Shinki	5.9	7.7	(23.3)
APLUS FINANCIAL	26.9	32.3	(16.5)
Other Subsidiaries	0.7	0.6	18.8
Total revenue	¥ 88.2	¥ 111.3	(20.7)
(Reference) Revenue from Structured Deposits	2.9	4.0	(25.1)

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.

The Individual Group generated ordinary business profit after net credit costs of ¥13.1 billion compared to ¥21.2 billion during the six months ended September 30, 2009. The ordinary business profit after net credit costs for the six months ended September 30, 2010 reflects higher ordinary business profit after net credit costs within our Retail Banking and APLUS FINANCIAL, offset by lower ordinary business profit after net credit costs within Shinsei Financial and Shinki.

During the six months ended September 30, 2010, total Retail Banking revenue was ¥22.1 billion as compared to ¥21.7 billion during the six months ended September 30, 2009. 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.

During the six months ended September 30, 2010, Retail Banking generated net interest income of ¥17.3 billion compared to ¥16.0 billion during the six months ended September 30, 2009. The increase in net interest income comes primarily from an increase in housing loans acquired from Shinsei Financial in March 2010 and an increase in Shinsei Bank's housing loans. Non-interest income declined slightly to ¥4.8 billion in the six months ended September 2010 from ¥5.6 billion in the six months ended September 30, 2009 largely due to decreased revenue from structured deposits.

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		
	Six months ended September 30, 2010	Six months ended September 30, 2009	% Change
Retail Banking:			
Net interest income	**¥ 17.3**	¥16.0	7.5
Non-interest income	**4.8**	5.6	(13.9)
Total revenue	**22.1**	21.7	1.9
General and administrative expenses	**16.1**	17.7	(8.8)
Ordinary business profit	**5.9**	3.9	50.0
Net credit costs (recoveries)	**1.2**	(0.0)	3,365.6
Ordinary business profit after net credit costs	**¥ 4.6**	¥ 4.0	16.4
Shinsei Financial:			
Net interest income	**¥ 34.9**	¥51.0	(31.4)
Non-interest income (loss)	**(2.5)**	(2.1)	(19.7)
Total revenue	**32.3**	48.8	(33.7)
General and administrative expenses	**17.3**	22.3	(22.3)
Ordinary business profit	**15.0**	26.4	(43.3)
Net credit costs	**10.3**	17.4	(40.4)
Ordinary business profit after net credit costs	**¥ 4.6**	¥ 9.0	(48.8)
Shinki:			
Net interest income	**¥ 6.5**	¥ 8.2	(21.1)
Non-interest income (loss)	**(0.5)**	(0.5)	(13.1)
Total revenue	**5.9**	7.7	(23.3)
General and administrative expenses	**2.6**	4.4	(41.2)
Ordinary business profit	**3.3**	3.2	1.4
Net credit costs (recoveries)	**1.9**	(3.4)	155.3
Ordinary business profit after net credit costs	**¥ 1.3**	¥ 6.7	(79.5)
APLUS FINANCIAL:			
Net interest income	**¥ 8.8**	¥14.0	(37.1)
Non-interest income	**18.1**	18.3	(0.8)
Total revenue	**26.9**	32.3	(16.5)
General and administrative expenses	**16.9**	19.1	(11.6)
Ordinary business profit	**10.0**	13.1	(23.6)
Net credit costs	**7.9**	11.7	(32.5)
Ordinary business profit after net credit costs	**¥ 2.1**	¥ 1.4	50.6
Other Subsidiaries[2]:			
Net interest income	**¥ 0.6**	¥ 0.5	20.7
Non-interest income	**0.0**	0.0	4.8
Total revenue	**0.7**	0.6	18.8
General and administrative expenses	**0.1**	0.1	(14.3)
Ordinary business profit	**0.6**	0.4	32.0
Net credit costs	**0.3**	0.4	(31.4)
Ordinary business profit after net credit costs	**¥ 0.3**	¥ 0.0	2,098.9
Total Individual Group:			
Net interest income	**¥ 68.2**	¥89.9	(24.1)
Non-interest income	**19.9**	21.4	(6.6)
Total revenue	**88.2**	111.3	(20.7)
General and administrative expenses	**53.2**	63.9	(16.7)
Ordinary business profit	**34.9**	47.3	(26.2)
Net credit costs	**21.8**	26.1	(16.4)
Ordinary business profit after net credit costs	**¥ 13.1**	¥21.2	(38.2)

Notes: (1) Net of consolidation adjustments, if applicable.
(2) Includes Shinsei Property Finance and unallocated Consumer Finance Sub-Group financials.

Retail Banking incurred general and administrative expenses of ¥16.1 billion during the six months ended September 30, 2010, a decrease of ¥1.5 billion as compared to the six months ended September 30, 2009. Retail Banking generated ordinary business profit after net credit costs of ¥4.6 billion for the six months ended September 30, 2010, as compared to an ordinary business profit after net credit costs of ¥4.0 billion during the six months ended September 30, 2009.

For the six months ended September 30, 2010, Shinsei Financial generated total revenue of ¥32.3 billion, incurred general and administrative expenses of ¥17.3 billion and incurred net credit costs of ¥10.3 billion. As a result, Shinsei Financial's ordinary business profit after net credit costs was ¥4.6 billion for the six months ended September 30, 2010.

For the six months ended September 30, 2010, Shinki recorded total revenue of ¥5.9 billion and general and administrative expenses of ¥2.6 billion. Shinki recorded net credit costs of ¥1.9 billion, and as a result, Shinki recorded an ordinary business profit after net credit costs of ¥1.3 billion for the six months ended September 30, 2010.

For the six months ended September 30, 2010, APLUS FINANCIAL generated total revenue of ¥26.9 billion, compared to ¥32.3 billion in the six months ended September 30, 2009. General and administrative expenses declined to ¥16.9 billion from ¥19.1 billion in the six months ended September 30, 2009, while net credit costs declined to ¥7.9 billion from ¥11.7 billion in the six months ended September 30, 2009. As a result, APLUS FINANCIAL generated ordinary business profit after net credit costs of ¥2.1 billion in the six months ended September 30, 2010, compared to ¥1.4 billion in the six months ended September 30, 2009.

Shinsei Financial's usage of reserve for losses on interest repayments and write-offs and reversal of reserve for losses on interest repayments amounted to ¥11.2 billion and ¥1.7 billion, respectively in the six months ended September 30, 2010. The total balance of Shinsei Financial's reserve for losses on interest repayments was ¥18.2 billion as of September 30, 2010, as compared to ¥31.1 billion as of 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 losses on interest repayments and write-offs amounted to ¥7.0 billion in the six months ended September 30, 2010. The business made no provision of reserve for losses on interest repayments. The total balance of reserve for losses on interest repayments was ¥16.6 billion as of September 30, 2010, as compared to ¥23.7 billion as of March 31, 2010.

APLUS FINANCIAL's usage of reserve for losses on interest repayments and write-offs amounted to ¥3.2 billion in the six months ended September 30, 2010. APLUS FINANCIAL made no provision of reserve for losses on interest repayments and the total balance of reserve for losses on interest repayments was ¥11.8 billion as of September 30, 2010, as compared to ¥15.1 billion as of March 31, 2010.

Other subsidiaries' financials mainly include the financial results of Shinsei Property Finance Co., Ltd.

CORPORATE/OTHER

Corporate/Other includes company-wide accounts including profit/losses on equity financing, allocation variance of indirect expense and elimination amount of inter-segment transactions. For the six months ended September 30, 2010, ordinary business profit after net credit costs was ¥5.3 billion.

FINANCIAL CONDITION

TOTAL ASSETS

As of September 30, 2010, we had consolidated total assets of ¥10,464 billion, representing a ¥912 billion decrease from March 31, 2010 and a ¥1,719 billion decrease from September 30, 2009. Our loans and bills discounted balance was ¥4,604.4 billion as at September 30, 2010 as compared to ¥5,163.7 billion as at March 31, 2010. The decrease mainly occurred due to a decline of ¥465.3 billion in our Institutional Group/Markets and Investment Banking Group loans outstanding as we worked to optimize our Institutional Group/Markets and Investment Banking Group risk assets during the current period. Corporate loans decreased by ¥270.8 billion to ¥1,870.2 billion at September 30, 2010 compared to ¥2,141.1 billion at March 31, 2010, and the real estate finance balance decreased by ¥157.9 billion to ¥890.9 billion at September 30, 2010 from ¥1,048.9 billion at March 31, 2010.

Loans to individual customers, which include loans in retail banking and loans at Shinsei Financial, Shinki and APLUS FINANCIAL, decreased by ¥93.8 billion to ¥1,619.1 billion at September 30, 2010 from ¥1,713.0 billion at March 31, 2010. Retail housing loans remained constant at ¥881.3 billion at September 30, 2010 compared to ¥882.3 billion at March 31, 2010.

TABLE 15. LOANS BY BORROWER INDUSTRY (CONSOLIDATED)

Billions of yen (except percentages)

	As of September 30, 2010		As of September 30, 2009	
Domestic offices (excluding Japan offshore market account):				
Manufacturing	¥ 252.0	5.6%	¥ 257.2	4.8%
Agriculture and Forestry	0.0	0.0	0.0	0.0
Fishery	2.4	0.1	2.6	0.1
Mining, quarrying and gravel extraction	2.2	0.0	3.2	0.1
Construction	5.6	0.1	9.3	0.2
Electric power, gas, heat supply and water supply	25.9	0.6	39.6	0.7
Information and communications	16.1	0.4	20.1	0.4
Transportation, postal service	272.7	6.0	313.9	5.8
Wholesale and retail	99.0	2.2	126.0	2.3
Finance and insurance	892.6	19.7	1,107.8	20.6
Real estate	722.2	15.9	929.8	17.3
Services	255.5	5.6	266.6	5.0
Local government	164.1	3.6	168.3	3.1
Others	1,820.8	40.2	2,124.8	39.6
Total domestic (A)	¥ 4,531.7	100.0%	¥ 5,369.7	100.0%
Overseas offices (including Japan offshore market accounts):				
Governments	¥ 2.2	3.1%	¥ 1.5	1.6%
Financial institutions	2.1	2.9	—	—
Others	68.4	94.0	98.6	98.4
Total overseas (B)	¥ 72.7	100.0%	¥ 100.1	100.0%
Total (A+B)	¥ 4,604.4		¥ 5,469.9	

TABLE 16. OVERSEAS AND OFFSHORE LOANS BY REGION (NON-CONSOLIDATED)

Billions of yen

	As of September 30, 2010	As of September 30, 2009
United States	¥ 35.7	¥ 86.1
Asset-backed investments in the U.S.	3.7	3.4
Europe	94.2	148.5
Asset-backed investments in Europe	56.9	106.0
Others	111.2	185.9
Total overseas and offshore loans	¥ 241.2	¥ 420.6
Total asset-backed investments	¥ 60.6	¥ 109.5

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 30 "Balance of Securitized Products (Breakdown by Region and Type of Securities)" on page 47.

Securities balance as of September 30, 2010 amounted to ¥2,639.9 billion as compared to ¥3,233.3 billion as of March 31, 2010. This decrease occurred largely due to sales of short-term Japanese national government bonds. The total balance of Japanese national government bonds decreased to ¥1,778.0 billion at September 30, 2010 from ¥2,361.6 billion at March 31, 2010.

FUNDING AND LIQUIDITY

Shinsei continues to optimize its funding base through deposits from retail customers. Total deposits and negotiable certificates of deposit decreased from ¥6,475.3 billion at March 31, 2010 to ¥5,890.1 billion at September 30, 2010. The retail deposits balance totaled ¥4,806.6 billion at September 30, 2010, a decrease of ¥498.3 billion compared to March 31, 2010. Retail Banking represents 80.7% of the Bank's total funding through customer deposits and debentures at September 30, 2010.

TABLE 17. DIVERSIFICATION BY FUNDING TYPE (CONSOLIDATED)

Billions of yen

	As of September 30, 2010	As of March 31, 2010[1]	As of March 31, 2009[1]	As of March 31, 2008[1]
Retail deposits	¥ 4,806.6	¥ 5,305.0	¥ 5,023.0	¥ 3,934.1
Retail debentures[2]	289.5	300.1	319.8	352.5
Institutional deposits	1,083.5	1,170.3	1,249.0	1,872.5
Institutional debentures	135.7	183.5	355.7	309.8
Total	¥ 6,315.4	¥ 6,959.1	¥ 6,947.6	¥ 6,469.0

Notes: (1) Prior period has been reclassified to conform to current period presentation.
(2) Excludes unclaimed matured debentures.

TOTAL EQUITY

Total equity as of September 30, 2010 was ¥614.1 billion and included minority interests in subsidiaries of ¥155.8 billion.

SUMMARY OF NON-CONSOLIDATED FINANCIAL RESULTS

We disclose non-consolidated financial information in addition to our consolidated financial statements. As a recipient of public funds, we are required by the FSA to update and report on 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. We recorded net income of ¥9.3 billion on a non-consolidated basis for the six months ended September 30, 2010. Current results on a non-consolidated basis differ from our consolidated results primarily because our non-consolidated results do not include the net income or loss from our consolidated subsidiaries, including APLUS FINANCIAL, Shinsei Financial, Shinki, and Showa Leasing nor do they include the gain from our share in the net gain of our equity method affiliate, Jih Sun Financial Holding Co., Ltd. We received dividends of ¥7.4 billion from our major consolidated subsidiaries in the first half of fiscal year 2010.

During the six months ended September 30, 2010, Shinsei recorded gains of ¥4.3 billion on the repurchase of subordinated debt on a non-consolidated basis.

TABLE 18. OPERATING-BASIS RESULTS (NON-CONSOLIDATED)

Billions of yen

	Six months ended September 30, 2010	Six months ended September 30, 2009
Gross business profit *(gyomu sorieki)*[1]:		
Net interest income	¥ 38.3	¥ 29.0
Net fees and commissions[1]	10.5	5.5
Net trading income	5.4	3.5
Net other business income	15.8	15.0
Total gross business profit[1]	70.2	53.1
Expenses[2]	30.0	34.6
Net business profit[1] *(jisshitsu gyomu jun-eki)*	40.2	18.5
Other, net[3]	(34.1)	(15.1)
Net operating income *(keijo rieki)*	6.1	3.3
Extraordinary income	4.6	10.2
Income before income taxes	10.7	13.5
Current income taxes (benefit)	(0.3)	0.2
Deferred income taxes	1.8	4.6
Net income	¥ 9.3	¥ 8.6

Notes: (1) Includes net gain (loss) from monetary assets held in trust of ¥8.8 billion in the six months ended September 30, 2010 and ¥2.5 billion in the six months ended September 30, 2009.
(2) General and administrative expenses with certain adjustment.
(3) Excludes net gain (loss) from monetary assets held in trust.

SUPPLEMENTAL NON-CONSOLIDATED MEASURES

In addition to the reporting items set forth in our non-consolidated financial statements, the Japanese banking law 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;
- net fees and commissions, which consist of:
  - fees on loans as well as on sales of asset management products,
  - other fee-based activities, and
  - 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 includes, among other things, gains or losses on securities and foreign exchange.

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

While these 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 on the previous page sets forth such supplemental financial data and corresponding reconciliations to net income under Japanese GAAP for the six months ended September 30, 2010 and 2009.

ASSET QUALITY AND DISPOSAL OF NON-PERFORMING LOANS OF SHINSEI

At September 30, 2010, 65.9% 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 rest 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 claims held by Shinsei Financial, APLUS FINANCIAL and Shinki. For a discussion regarding 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 manual 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.

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 claims. Shinsei's total amount of non-performing claims as disclosed pursuant to the Financial Revitalization Law decreased ¥16.3 billion, or 4.9%, to ¥316.6 billion, between March 31, 2010 and September 30, 2010. During the six months ended September 30, 2010, claims against bankrupt and quasi-bankrupt obligors decreased from ¥112.2 billion to ¥92.1 billion, and doubtful claims increased from ¥215.7 billion to ¥218.2 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 September 30, 2010 decreased to 6.5%, compared to 6.7% as of March 31, 2010.

Shinsei's other claims against need caution obligors, excluding substandard claims, totaled ¥536.2 billion as of September 30, 2010, a 31.9% increase from ¥406.6 billion as of March 31, 2010, which included private placement bonds guaranteed by Shinsei classified as other claims against need caution obligors.

These claims represented 11.0% of total non-consolidated claims as of September 30, 2010, up from 8.2% as of March 31, 2010.

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(1)(2)(3) — Total loans and bills discounted: 4,176.9; Other 681.5	Risk-monitored Loans(2) — Total loans and bills discounted: 4,176.9
Legally bankrupt	9E	100.00% for unsecured portion	Claims against bankrupt and quasi-bankrupt obligors 92.1 (Amount of coverage, coverage ratio) (92.1*, 100.0%) *Amount of reserve for loan losses is 5.4, collateral and guarantees is 86.7	Loans to bankrupt obligors 10.1
Virtually bankrupt	9D	100.00% for unsecured portion		Non-accrual delinquent loans 273.0
Possibly bankrupt	9C	78.44% for unsecured portion	Doubtful claims 218.2 (Amount of coverage, coverage ratio) (208.0*, 95.3%) *Amount of reserve for loan losses is 31.1, collateral and guarantees is 176.9	
Need caution: Substandard	9B	66.50% for unsecured portion	Substandard claims (loan account only) 6.3 (Amount of coverage, coverage ratio) (4.7*, 74.8%) *Amount of reserve for loan losses is 3.1, collateral and guarantees is 1.7	Loans past due for three months or more Restructured loans 6.3
Need caution: Other need caution	9A	6.50% for total claims	Normal claims 4,541.7	Normal 3,887.2
Normal	0A–6C	0.50% for total claims		
			Total non-performing claims and ratio to total claims 316.6, 6.52% (Total amount of coverage, coverage ratio) (304.9*, 96.3%) *Total amount of reserve for loan losses is 39.6, collateral and guarantees is 265.2	Total risk-monitored loans and ratio to total loans and bills discounted 289.6, 6.93%

Notes: (1) Financial and operational data that are stated in multiples of ¥0.1 billion have been rounded to the nearest ¥0.1 billion.
(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.

TABLE 19. CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW (NON-CONSOLIDATED)

Billions of yen (except percentages)

	As of September 30, 2010	As of September 30, 2009	As of March 31, 2010
Claims against bankrupt and quasi-bankrupt obligors	**¥ 92.1**	¥ 116.2	¥ 112.2
Doubtful claims	**218.2**	37.6	215.7
Substandard claims	**6.3**	27.8	5.1
Total claims disclosed under the Financial Revitalization Law[1]	**316.6**	181.6	333.0
Normal claims and claims against need caution obligors excluding substandard claims	**4,541.7**	5,144.0	4,637.1
Total claims	**¥ 4,858.4**	¥ 5,325.7	¥ 4,970.1
Ratio of total claims disclosed under the Financial Revitalization Law to total claims	**6.5%**	3.4%	6.7%

Note: (1) Total claims disclosed under the Financial Revitalization Law include loans and bills discounted, customers' liabilities for acceptances and guarantees and other exposure to or in respect of bankrupt and quasi-bankrupt obligors and doubtful claims, as well as loans and bills discounted classified as substandard claims.

COVERAGE RATIOS

As of September 30, 2010, 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, 95.3% for doubtful claims and 74.8% for substandard claims. For all claims classified under the Financial Revitalization Law, the coverage ratio was 96.3%.

Shinsei directly writes off, rather than reserves, the portion of claims against virtually and legally bankrupt obligors that are estimated to be uncollectible. In the six months ended September 30, 2010, ¥97.3 billion of such claims were written off on a non-consolidated basis.

TABLE 20. 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 September 30, 2010:					
Claims against bankrupt and quasi-bankrupt obligors	**¥ 92.1**	**¥ 5.4**	**¥ 86.7**	**¥ 92.1**	**100.0%**
Doubtful claims	**218.2**	**31.1**	**176.9**	**208.0**	**95.3**
Substandard claims	**6.3**	**3.1**	**1.7**	**4.7**	**74.8**
Total	**¥ 316.6**	**¥ 39.6**	**¥ 265.2**	**¥ 304.9**	**96.3%**
As of September 30, 2009:					
Claims against bankrupt and quasi-bankrupt obligors	¥ 116.2	¥ 4.8	¥ 111.4	¥ 116.2	100.0%
Doubtful claims	37.6	10.5	22.8	33.3	88.5
Substandard claims	27.8	2.2	24.6	26.8	96.5
Total	¥ 181.6	¥ 17.4	¥ 158.9	¥ 176.3	97.1%
As of March 31, 2010:					
Claims against bankrupt and quasi-bankrupt obligors	¥ 112.2	¥ 5.7	¥ 106.5	¥ 112.2	100.0%
Doubtful claims	215.7	22.3	186.5	208.9	96.8
Substandard claims	5.1	1.6	2.4	4.0	79.0
Total	¥ 333.0	¥ 29.7	¥ 295.5	¥ 325.1	97.6%

RESERVE FOR CREDIT LOSSES

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

TABLE 21. RESERVE FOR CREDIT LOSSES (NON-CONSOLIDATED)

Billions of yen (except percentages)

	As of September 30, 2010	As of September 30, 2009
General reserve for loan losses	¥ 62.2	¥ 63.7
Specific reserve for loan losses	38.5	22.6
Reserve for loans to restructuring countries	0.0	0.0
Subtotal reserve for loan losses	100.7	86.4
Specific reserve for other credit losses	21.1	21.1
Total reserve for credit losses	¥ 121.9	¥ 107.5
Total claims[(1)]	¥ 4,858.4	¥ 5,325.6
Ratio of total reserve for loan losses to total claims	2.0%	1.6%
Ratio of total reserve for credit losses to total claims	2.5%	2.0%

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

As of September 30, 2010 and September 30, 2009, total reserve for credit losses on a non-consolidated basis was ¥121.9 billion and ¥107.5 billion, respectively, constituting 2.5% and 2.0%, respectively, of total claims.

TABLE 22. RESERVE RATIOS BY BORROWERS' CATEGORY (NON-CONSOLIDATED)

Percentages

		As of September 30, 2010	As of September 30, 2009
Legally and virtually bankrupt	(unsecured portion)	100.00%	100.00%
Possibly bankrupt	(unsecured portion)	78.44%	75.54%
Substandard	(unsecured portion)	66.50%	85.38%
Need caution	(total claims)	6.50%	5.63%
	(unsecured portion)	23.47%	74.28%
Normal	(total claims)	0.50%	0.41%

RISK-MONITORED LOANS

Consolidated risk-monitored loans increased by 1.7% during the six months ended September 30, 2010 to ¥439.5 billion.

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

TABLE 23. RISK-MONITORED LOANS (CONSOLIDATED)

Billions of yen (except percentages)

	As of September 30, 2010	As of September 30, 2009
Loans and bills discounted	¥ 4,604.4	¥ 5,469.9
Loans to bankrupt obligors (A)	18.5	33.7
Non-accrual delinquent loans (B)	357.2	192.2
(A)+(B)	¥ 375.8	¥ 226.0
Ratio to total loans and bills discounted	8.2%	4.1%
Loans past due for three months or more (C)	¥ 2.2	¥ 26.4
Restructured loans (D)	61.5	62.5
Total risk-monitored loans (A)+(B)+(C)+(D)	¥ 439.5	¥ 315.0
Ratio to total loans and bills discounted	9.5%	5.8%
Reserve for credit losses	¥ 218.1	¥ 198.6

TABLE 24. RISK-MONITORED LOANS (NON-CONSOLIDATED)

Billions of yen (except percentages)

	As of September 30, 2010	As of September 30, 2009
Loans and bills discounted	¥ 4,176.9	¥ 4,922.8
Loans to bankrupt obligors (A)	10.1	20.1
Non-accrual delinquent loans (B)	273.0	129.4
(A)+(B)	¥ 283.2	¥ 149.5
Ratio to total loans and bills discounted	6.8%	3.0%
Loans past due for three months or more (C)	¥ 1.7	¥ 24.6
Restructured loans (D)	4.5	3.1
Total risk-monitored loans (A)+(B)+(C)+(D)	¥ 289.6	¥ 177.3
Ratio to total loans and bills discounted	6.9%	3.6%
Reserve for credit losses	¥ 121.9	¥ 107.5

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

Billions of yen

	As of September 30, 2010	As of September 30, 2009
Domestic offices (excluding Japan offshore market account):		
Manufacturing	¥ 3.3	¥ 1.6
Agriculture and Forestry	—	—
Fishery	—	—
Mining, quarrying and gravel extraction	—	—
Construction	—	—
Electric power, gas, heat supply and water supply	—	—
Information and communications	0.5	0.5
Transportation, postal service	13.2	5.3
Wholesale and retail	0.0	0.0
Finance and insurance	26.5	46.5
Real estate	218.3	93.3
Services	2.9	1.1
Local government	—	—
Others	—	—
Individual	6.1	2.6
Overseas yen loan and overseas loans booked domestically	18.4	24.3
Total domestic (A)	¥ 289.6	¥ 175.5
Overseas offices (including Japan offshore market accounts):		
Governments	¥ —	¥ —
Financial institutions	—	—
Commerce and industry	—	1.7
Others	—	—
Total overseas (B)	¥ —	¥ 1.7
Total (A+B)	¥ 289.6	¥ 177.3

TABLE 26. RISK-MONITORED OVERSEAS AND OFFSHORE LOANS BY REGION (NON-CONSOLIDATED)

Billions of yen

	As of September 30, 2010	As of September 30, 2009
United States	¥ —	¥ 7.2
Asset-backed investments in the U.S.[1]	—	0.4
Europe	18.4	18.7
Asset-backed investments in Europe[1]	17.7	17.2
Others	0.0	0.0
Total overseas and offshore loans	¥ 18.4	¥ 26.1
Total asset-backed investments[1][2]	¥ 17.7	¥ 17.7

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 30 "Balance of Securitized Products (Breakdown by Region and Type of Securities)" on page 47.
(2) As of September 30, 2010, reserve for loan losses and collateral/guarantees for risk monitored loans related to asset-backed investments were ¥9.1 billion and ¥8.5 billion, respectively, and the coverage ratio was 100.0%.

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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 on a quarterly basis based on self-assessment manuals developed in accordance with guidelines published by the FSA. Shinsei Financial, APLUS FINANCIAL, Showa Leasing and Shinki's assessments, where applicable, include, among other things, an assessment of credit extended to credit card customers as well as lease obligors, unsecured personal loans and customer guarantees.

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

TABLE 27. RISK-MONITORED LOANS BREAKDOWN FOR LARGE ENTITIES (CONSOLIDATED)

Billions of yen

	Shinsei	Shinsei Financial	APLUS FINANCIAL	Shinki	Other subsidiaries	Total
As of September 30, 2010:						
Loans to bankrupt obligors	**¥ 10.1**	**¥ 3.3**	**¥ 0.0**	**¥ 0.0**	**¥ 5.0**	**¥ 18.5**
Non-accrual delinquent loans	**273.0**	**18.1**	**12.3**	**3.3**	**50.3**	**357.2**
Loans past due for three months or more	**1.7**	**0.0**	**0.0**	**—**	**0.3**	**2.2**
Restructured loans	**4.5**	**38.0**	**12.6**	**5.2**	**1.0**	**61.5**
Total	**¥ 289.6**	**¥ 59.6**	**¥ 25.0**	**¥ 8.5**	**¥ 56.7**	**¥ 439.5**
As of September 30, 2009:						
Loans to bankrupt obligors	¥ 20.1	¥ 5.2	¥ 0.0	¥ 0.0	¥ 8.2	¥ 33.7
Non-accrual delinquent loans	129.4	24.6	13.2	4.1	20.7	192.2
Loans past due for three months or more	24.6	0.7	0.7	—	0.3	26.4
Restructured loans	3.1	36.6	14.9	6.4	1.4	62.5
Total	¥ 177.3	¥ 67.2	¥ 28.9	¥ 10.6	¥ 30.8	¥ 315.0
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 28. RISK-MONITORED INSTALLMENT RECEIVABLES INCLUDED IN OTHER ASSETS (CONSOLIDATED)[1]

Billions of yen

	Shinsei Financial	APLUS FINANCIAL	Showa Leasing	Other subsidiaries	Total
As of September 30, 2010:					
Credits to bankrupt obligors	**¥ 0.0**	**¥ —**	**¥ 0.0**	**¥ 0.3**	**¥ 0.4**
Non-accrual delinquent credits	**0.1**	**1.0**	**2.3**	**0.4**	**4.0**
Credits past due for three months or more	**—**	**0.3**	**0.3**	**0.0**	**0.6**
Restructured credits	**0.0**	**2.0**	**0.7**	**0.2**	**3.0**
Total	**¥ 0.1**	**¥ 3.4**	**¥ 3.5**	**¥ 1.0**	**¥ 8.2**
As of September 30, 2009:					
Credits to bankrupt obligors	¥ 0.0	¥ —	¥ 0.1	¥ 0.1	¥ 0.4
Non-accrual delinquent credits	0.4	0.5	1.9	0.9	3.8
Credits past due for three months or more	—	0.5	0.4	—	0.9
Restructured credits	0.0	3.1	7.2	0.0	10.4
Total	¥ 0.5	¥ 4.2	¥ 9.7	¥ 1.1	¥ 15.6
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) Shinsei and Shinki have no such installment receivables.

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 September 30, 2010 was 8.94%, compared with 9.36% as of September 30, 2009.

Our Tier I capital ratio, or the ratio of Tier I capital to risk assets, decreased from 7.00% as of September 30, 2009 to 6.97% as of September 30, 2010. The level of Tier I capital ratio at September 30, 2010 was maintained despite the net loss in the fiscal year ended March 31, 2010 mainly by reducing risk weighted assets.

TABLE 29. CAPITAL RATIOS (CONSOLIDATED)

Billions of yen (except percentages)

	As of September 30, 2010	As of September 30, 2009
Basic items (Tier I):		
Capital stock	¥ 476.2	¥ 476.2
Common stock	476.2	476.2
Preferred stock	—	—
Capital surplus	43.5	43.5
Retained earnings	29.3	163.6
Treasury stock, at cost	(72.5)	(72.5)
Expected income distribution	—	—
Net unrealized losses on available-for-sale securities[1]	—	—
Foreign currency translation adjustments	(3.6)	0.8
Stock acquisition rights	1.6	1.5
Minority interests in consolidated subsidiaries	153.4	172.6
Preferred securities issued by foreign SPC	148.7	160.7
Goodwill	(53.5)	(125.3)
Other intangible assets acquired in business combination	(22.7)	(40.7)
Gain on sale of securitization	(9.4)	(11.1)
50% of expected loss provision shortfall	(41.7)	(17.1)
Total Tier I (A)	500.5	591.5
Step-up preferred securities	77.0	83.1
Supplementary items (Tier II):		
General reserve for loan losses	10.2	12.5
Perpetual preferred stocks	—	11.0
Perpetual subordinated debt and bonds	28.8	44.3
Non-perpetual preferred stocks	—	—
Non-perpetual subordinated debt and bonds	212.1	221.7
Total	¥ 251.2	¥ 289.6
Amount eligible for inclusion in capital (B)	251.2	289.6
Deduction (C)	¥ 109.6	¥ 89.6
Intentional capital investment to other financial institutions	6.1	8.6
Capital investment to affiliated companies	37.6	35.1
50% of expected loss provision shortfall	41.7	17.1
Expected losses on exposures under PD/LCD measures such as equities	0.2	1.1
Unrated securitization exposure	23.8	27.5
Exclusion from deductions	—	—
Total capital (D) [(A)+(B)-(C)]	¥ 642.1	¥ 791.5
Risk assets:		
On-balance sheet items	¥ 5,546.4	¥ 6,399.0
Off-balance sheet items	945.7	1,234.5
Market Risk[2]	166.2	355.8
Operational Risk[2]	522.4	459.8
Total (E)	¥ 7,180.8	¥ 8,449.2
Consolidated capital adequacy ratio (D) / (E)	8.94%	9.36%
Consolidated Tier I capital ratio (A) / (E)	6.97%	7.00%

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%).

EXPOSURE TO SECURITIZED PRODUCTS AND RELATED INVESTMENTS

EXPOSURE TO SECURITIZED PRODUCTS AND RELATED INVESTMENTS

Tables 30 through 33 below set forth certain information regarding our exposure to the securitized products and related investments as of March 31, 2010, and as of and for six months ended September 30, 2010. Table 34 provides definitions for the defined terms used in Tables 30 through 33.

TABLE 30. BALANCE OF SECURITIZED PRODUCTS (BREAKDOWN BY REGION AND TYPE OF SECURITIES)[1] (NON-CONSOLIDATED)

Billions of yen

	Credit Ratings of Securities[2] (September 30, 2010)				As of Sep. 30, 2010 (a)	As of Mar. 31, 2010 (b)	Change (a)-(b)
	AAA	AA	A or lower	N/A			
RMBS	16%	8%	6%	70%	¥ 47.2	¥ 53.7	¥ (6.4)
Japan	16%	8%	6%	70%	47.2	49.9	(2.7)
U.S.	—	—	—	—	0.0	0.0	0.0
Europe	—	—	—	—	—	3.7	(3.7)
Other	—	—	—	—	—	—	—
CMBS[3]	0%	19%	81%	0%	¥ 12.8	¥ 19.0	¥ (6.2)
Japan	0%	0%	100%	0%	8.1	10.9	(2.8)
U.S.	—	—	—	—	—	—	—
Europe	0%	0%	100%	0%	2.3	5.5	(3.2)
Other	0%	100%	0%	0%	2.4	2.5	(0.1)
CLO	0%	95%	3%	2%	¥ 43.1	¥ 56.7	¥ (13.6)
Japan	—	—	—	—	—	—	—
U.S.	0%	98%	0%	2%	31.7	42.3	(10.6)
Europe	0%	100%	0%	0%	10.0	12.9	(2.8)
Other	0%	0%	100%	0%	1.3	1.4	(0.1)
ABS CDO (Resecuritized Products)	—	—	—	—	¥ —	¥ —	¥ —
Japan[4]	—	—	—	—	—	—	—
U.S.	—	—	—	—	—	—	—
Europe	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—
Total	7%	46%	14%	33%	¥ 103.2	¥ 129.5	¥ (26.3)
Japan	14%	6%	20%	60%	¥ 55.3	¥ 60.8	¥ (5.5)
U.S.	0%	98%	0%	2%	31.7	42.3	(10.6)
Europe	0%	81%	19%	0%	12.4	22.2	(9.8)
Other	0%	65%	35%	0%	3.7	4.0	(0.2)
Securities					¥ 53.1	¥ 74.3	¥ (21.1)
RMBS					1.9	5.8	(3.9)
CMBS					8.0	11.6	(3.6)
CLO					43.1	56.7	(13.6)
ABS CDO					—	—	(0.0)
Other monetary claims purchased[4]					50.1	55.2	(5.1)
RMBS (Japan)					45.2	47.8	(2.5)
CMBS (Japan)					4.8	7.3	(2.5)
CLO (Japan)					—	—	—
ABS CDO (Japan)					—	—	—
Total					¥ 103.2	¥ 129.5	¥ (26.3)

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 September 30, 2010. 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 (57%), multi-family (20%), hotel and others (12%), retail and shops (11%).
(4) Includes Japanese RMBS recorded as monetary assets held in trust of ¥4.1 billion as at September 30, 2010.

TABLE 31. SECURITIZED PRODUCTS RECORDED UNDER "SECURITIES" AND "OTHER MONETARY CLAIMS PURCHASED" AND OCI[1] [NON-CONSOLIDATED]

SECURITIES

Billions of yen, %

	As of September 30, 2010			
	Balance before Mark-to-Market Evaluation	Market Value or Balance	Unrealized Gains/Losses (OCI)	Price Increase (Decrease) Ratio (%)
Trading Securities		¥ 1.9		
RMBS (U.S.)		0.0		
CLO (U.S.)		0.6		
CLO (Other foreign countries)		1.3		
Securities Being Held to Maturity with Readily Determinable Fair Value		¥ 41.0		
CLO (U.S.)		31.0		
CLO (Europe)		10.0		
Securities Available for Sale	¥ 9.2	¥ 10.0	¥ 0.8	9.6
Other	9.2	10.0	0.8	9.6
Foreign Securities	9.2	10.0	0.8	9.6
Foreign Currency Denominated Foreign Corporate and Government Bonds	3.9	4.8	0.9	24.3
CMBS	3.9	4.7	0.8	21.7
Europe	1.4	2.3	0.9	65.5
Other foreign countries	2.5	2.4	(0.0)	(3.0)
CLO	0.0	0.1	0.1	n.m.[3]
U.S.	0.0	0.1	0.1	n.m.[3]
Yen-Denominated Foreign Corporate and Government Bonds	5.2	5.2	0.0	(1.3)
RMBS (Japan)	1.9	1.9	0.0	0.0
CMBS (Japan)	3.3	3.2	(0.0)	(2.2)
Securities		¥ 53.1		
RMBS		1.9		
CMBS		8.0		
CLO		43.1		

OTHER MONETARY CLAIMS PURCHASED[2]

Billions of yen, %

	As of September 30, 2010			
	Balance before Mark-to-Market Evaluation	Market Value or Balance	Unrealized Gains/Losses (OCI)	Price Increase (Decrease) Ratio (%)
Trading Purposes		¥ 14.5		
RMBS (Japan)[2]		11.9		
CMBS (Japan)		2.5		
Others	¥ 35.5	¥ 35.5	¥ 0.1	0.4
RMBS (Japan)	33.1	33.3	0.0	(4.2)
CMBS (Japan)	2.3	2.2	0.0	0.0
Total		¥ 50.1		
RMBS (Japan)		45.2		
CMBS (Japan)		4.8		
RMBS, CMBS, CLO, ABS CDO Total		¥ 103.2		
Securities		53.1		
Other monetary claims purchased		50.1		

Note: (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 ¥4.1 billion as at September 30, 2010.
(3) n.m. is not meaningful.

EXPOSURE TO SECURITIZED PRODUCTS AND RELATED INVESTMENTS (continued)

TABLE 32. LBO, MONOLINE, SIV, ABCP (NON-CONSOLIDATED)

	Sep. 30, 2010 (a)	Mar. 31, 2010 (b)	Change (a)-(b)
	Billions of yen		
LBO[1]	¥ 215.1	¥ 194.4	¥ 20.7
Japan	211.2[2]	189.8	21.4
U.S.	2.3	2.8	(0.5)
Europe	—	—	—
Other	1.5	1.7	(0.2)
(Breakdown by Industry Sector as of September 30, 2010)			
Manufacturing	14.7%	17.1%	
Information and communications	0.0%	0.0%	
Wholesale and retail	10.6%	12.6%	
Finance and insurance	61.4%	55.0%	
Services	9.9%	11.4%	
Others	3.4%	3.8%	
Total	100.0%	100.0%	

Notes: (1) The amount includes unfunded commitment line.
(2) As of September 30, 2010, the unfunded commitment line (only domestic) is ¥4.6 billion.

	Sep. 30, 2010 (a)	Mar. 31, 2010 (b)	Change (a)-(b)
	Billions of yen		
Monoline	¥ —	¥ —	¥ —
Japan	—	—	—
U.S.	—	—	—
Europe	—	—	—
Other	—	—	—
SIV	—	—	—
ABCP	—	—	—

TABLE 33. CREDIT DEFAULT SWAPS (CDS) (NON-CONSOLIDATED)[1]

Billions of yen

	As of September 30, 2010							Six months ended September 30, 2010
	Nominal Amount		Fair Value		Netted Nominal Amount and Fair Value[2]			Realized Profits (Losses)
					Nominal Amount	Fair Value		
	Protection (buy)	Protection (sell)	Protection (buy)	Protection (sell)		Protection (buy)	Protection (sell)	
Total	¥ 746.2	¥ 769.6	¥ 6.0	¥ (5.9)	¥ 631.5	¥ 3.8	¥ (5.3)	¥ 0.4
Japan	644.7	669.9	7.5	(6.9)	539.9	5.2	(6.3)	0.3
U.S.	48.8	47.6	(0.3)	0.1	43.0	(0.4)	0.0	0.0
Europe	21.4	21.2	(0.2)	0.3	20.8	(0.2)	0.3	0.0
Other	31.1	30.8	(0.8)	0.5	27.6	(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.

EXPOSURE TO SECURITIZED PRODUCTS AND RELATED INVESTMENTS (continued)

TABLE 34. DEFINED TERMS FOR TABLES 30-33

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 ABS CDO as at September 30, 2010.
Subprime-Related	Subprime-related exposure refers to the total book value of securities whose underlying assets include U.S. subprime, Alt-A and/or second-lien loans. We have no subprime-related exposure as at September 30, 2010.
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 as at September 30, 2010.
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.

INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

Shinsei Bank, Limited, and Consolidated Subsidiaries
As of September 30, 2010 and 2009, and March 31, 2010

	Millions of yen			Thousands of U.S. dollars (Note 1)
	Sept. 30, 2010	Sept. 30, 2009	Mar. 31, 2010	Sept. 30, 2010
ASSETS				
Cash and due from banks (Notes 3, 21 and 32)	¥ 469,875	¥ 476,047	¥ 493,141	$ 5,633,328
Call loans (Note 32)	31,526	19,569	19,129	377,964
Collateral related to securities borrowing transactions (Note 32)	33,352	4,402	2,801	399,862
Other monetary claims purchased (Notes 4, 21 and 32)	178,448	361,501	252,761	2,139,409
Trading assets (Notes 5, 21, 32 and 33)	246,955	253,000	223,279	2,960,739
Monetary assets held in trust (Notes 6 and 32)	278,681	329,130	292,227	3,341,100
Securities (Notes 7, 21 and 32)	2,639,967	3,282,207	3,233,312	31,650,497
Loans and bills discounted (Notes 8, 21, 31 and 32)	4,604,494	5,469,978	5,163,763	55,203,150
Foreign exchanges (Note 9)	12,327	12,775	10,976	147,796
Lease receivables and leased investment assets (Notes 21, 29 and 32)	204,766	224,025	213,702	2,454,934
Other assets (Notes 10, 21, 32 and 33)	1,204,899	1,023,735	863,272	14,445,499
Premises and equipment (Notes 11, 21 and 29)	51,216	55,838	52,154	614,030
Intangible assets (Notes 12 and 29)	102,959	197,468	109,953	1,234,382
Deferred issuance expenses for debentures	181	166	176	2,179
Deferred tax assets	16,496	19,887	18,969	197,780
Customers' liabilities for acceptances and guarantees (Notes 20 and 21)	606,101	652,445	623,786	7,266,531
Reserve for credit losses (Note 13)	(218,155)	(198,659)	(196,642)	(2,615,462)
Total assets	¥ 10,464,094	¥ 12,183,520	¥ 11,376,767	$ 125,453,718
LIABILITIES AND EQUITY				
Liabilities:				
Deposits, including negotiable certificates of deposit (Notes 14, 21 and 32)	¥ 5,890,175	¥ 7,046,509	¥ 6,475,387	$ 70,617,136
Debentures (Notes 15 and 32)	425,248	527,560	483,713	5,098,293
Call money (Notes 21 and 32)	160,494	100,469	310,487	1,924,165
Payables under repurchase agreements (Note 21)	—	156,382	8,430	—
Collateral related to securities lending transactions (Notes 21 and 32)	140,806	764,367	548,479	1,688,131
Commercial paper (Note 21)	—	99	—	—
Trading liabilities (Notes 16, 32 and 33)	196,999	194,280	177,835	2,361,825
Borrowed money (Notes 17, 21 and 32)	1,336,159	800,239	1,186,837	16,019,173
Foreign exchanges (Note 9)	46	9	17	560
Short-term corporate bonds	20,400	42,300	17,700	244,575
Corporate bonds (Notes 18 and 32)	180,897	205,222	188,278	2,168,778
Other liabilities (Notes 19, 21, 32 and 33)	830,551	745,833	619,201	9,957,452
Accrued employees' bonuses	4,921	6,141	8,842	59,009
Accrued directors' bonuses	29	72	126	357
Reserve for employees' retirement benefits	7,423	9,903	7,718	89,001
Reserve for directors' retirement benefits	252	180	244	3,031
Reserve for losses on interest repayments	46,777	119,512	70,088	560,810
Reserve for losses on disposal of premises and equipment	—	6,933	7,212	—
Reserve for losses on litigation	—	3,662	5,873	—
Reserve under special law	3	4	3	43
Deferred tax liabilities	2,606	1,426	1,547	31,252
Acceptances and guarantees (Notes 20, 21 and 32)	606,101	652,445	623,786	7,266,531
Total liabilities	9,849,897	11,383,559	10,741,812	118,090,122
Equity:				
Common stock (Note 23)	476,296	476,296	476,296	5,710,310
Capital surplus	43,554	43,554	43,554	522,171
Stock acquisition rights (Note 24)	1,611	1,580	1,672	19,320
Retained earnings	29,321	163,651	12,438	351,538
Unrealized gain (loss) on available-for-sale securities	(8,274)	3,128	1,398	(99,206)
Deferred gain (loss) on derivatives under hedge accounting	(7,959)	(2,081)	(3,327)	(95,429)
Foreign currency translation adjustments	(3,680)	861	(741)	(44,120)
Treasury stock, at cost (Note 23)	(72,558)	(72,558)	(72,558)	(869,906)
Total	458,311	614,432	458,733	5,494,678
Minority interests in subsidiaries (Note 22)	155,886	185,528	176,221	1,868,918
Total equity	614,197	799,960	634,954	7,363,596
Total liabilities and equity	¥ 10,464,094	¥ 12,183,520	¥ 11,376,767	$ 125,453,718

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

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the six months ended September 30, 2010 and 2009, and the fiscal year ended March 31, 2010

	Millions of yen			Thousands of U.S. dollars (Note 1)
	Sept. 30, 2010 (6 months)	Sept. 30, 2009 (6 months)	Mar. 31, 2010 (1 year)	**Sept. 30, 2010 (6 months)**
Interest income:				
Interest on loans and bills discounted	**¥ 96,641**	¥ 130,272	¥ 245,404	**$ 1,158,637**
Interest and dividends on securities	**12,763**	16,840	30,560	**153,024**
Interest on deposits with banks	**146**	103	210	**1,754**
Other interest income	**3,285**	4,237	7,406	**39,390**
Total interest income	**112,837**	151,455	283,581	**1,352,805**
Interest expenses:				
Interest on deposits, including negotiable certificates of deposit	**18,590**	28,747	52,983	**222,877**
Interest and discounts on debentures	**1,360**	2,290	3,880	**16,317**
Interest on other borrowings	**3,874**	6,179	10,505	**46,447**
Interest on corporate bonds	**2,483**	3,716	6,517	**29,769**
Other interest expenses	**352**	1,116	1,708	**4,221**
Total interest expenses	**26,660**	42,051	75,595	**319,631**
Net interest income	**86,177**	109,403	207,985	**1,033,174**
Fees and commissions income	**24,426**	24,941	51,190	**292,851**
Fees and commissions expenses	**12,131**	14,040	26,060	**145,439**
Net fees and commissions	**12,295**	10,900	25,129	**147,412**
Net trading income (loss) (Note 25)	**7,181**	3,125	9,014	**86,100**
Other business income (loss), net:				
Income on lease transactions and installment receivables, net	**19,727**	22,254	43,009	**236,513**
Net gain (loss) on monetary assets held in trust, net	**3,491**	226	(8,171)	**41,859**
Net gain (loss) on foreign exchanges	**2,957**	5,278	8,802	**35,456**
Net gain (loss) on securities	**14,673**	12,066	900	**175,925**
Net gain (loss) on other monetary claims purchased	**3,472**	(3,878)	(17,234)	**41,630**
Other, net (Note 26)	**1,352**	(5,357)	(5,153)	**16,217**
Net other business income (loss)	**45,675**	30,589	22,152	**547,600**
Total revenue (loss)	**151,329**	154,019	264,282	**1,814,286**
General and administrative expenses:				
Personnel expenses	**28,974**	34,284	64,861	**347,373**
Premises expenses	**11,639**	13,916	27,401	**139,551**
Technology and data processing expenses	**9,953**	12,306	23,941	**119,335**
Advertising expenses	**5,175**	6,175	12,215	**62,053**
Consumption and property taxes	**4,136**	4,716	9,089	**49,597**
Deposit insurance premium	**2,726**	2,193	4,386	**32,682**
Other general and administrative expenses	**11,463**	14,420	28,948	**137,437**
General and administrative expenses	**74,070**	88,013	170,845	**888,028**
Amortization of goodwill and other intangible assets	**6,864**	10,821	20,927	**82,304**
Total general and administrative expenses	**80,935**	98,835	191,772	**970,332**
Net business profit (loss)	**70,394**	55,184	72,509	**843,954**
Net credit costs (Note 27)	**52,359**	39,203	112,298	**627,738**
Other gains (losses), net (Note 28)	**6,676**	4,170	(83,300)	**80,050**
Income (loss) before income taxes and minority interests	**24,711**	20,151	(123,089)	**296,266**
Income taxes (benefit):				
Current	**1,177**	515	1,540	**14,119**
Deferred	**1,785**	3,381	6,713	**21,403**
Minority interests in net income of subsidiaries	**4,865**	5,190	8,807	**58,329**
Net income (loss)	**¥ 16,883**	¥ 11,062	¥ (140,150)	**$ 202,415**
	Yen			U.S. dollars (Note 1)
Basic net income (loss) per common share (Note 34)	**¥ 8.59**	¥ 5.63	¥ (71.36)	**$ 0.10**

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

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the six months ended September 30, 2010 and 2009, and the fiscal year ended March 31, 2010

	Millions of yen			Thousands of U.S. dollars (Note 1)
	Sept. 30, 2010 (6 months)	Sept. 30, 2009 (6 months)	Mar. 31, 2010 (1 year)	**Sept. 30, 2010 (6 months)**
Common stock:				
Balance at beginning of period	**¥ 476,296**	¥ 476,296	¥ 476,296	**$ 5,710,310**
Balance at end of period	**476,296**	476,296	476,296	**5,710,310**
Capital surplus:				
Balance at beginning of period	**43,554**	43,554	43,554	**522,171**
Balance at end of period	**43,554**	43,554	43,554	**522,171**
Stock acquisition rights:				
Balance at beginning of period	**1,672**	1,808	1,808	**20,049**
Net change during the period	**(60)**	(227)	(135)	**(729)**
Balance at end of period	**1,611**	1,580	1,672	**19,320**
Retained earnings:				
Balance at beginning of period	**12,438**	152,855	152,855	**149,123**
Net income (loss)	**16,883**	11,062	(140,150)	**202,415**
Changes by inclusion of subsidiaries (former non-consolidated subsidiaries)	**—**	(0)	(0)	**—**
Changes by exclusion of consolidated subsidiaries	**—**	(266)	(266)	**—**
Balance at end of period	**29,321**	163,651	12,438	**351,538**
Unrealized gain (loss) on available-for-sale securities:				
Balance at beginning of period	**1,398**	(38,813)	(38,813)	**16,766**
Net change during the period	**(9,673)**	41,941	40,211	**(115,972)**
Balance at end of period	**(8,274)**	3,128	1,398	**(99,206)**
Deferred gain (loss) on derivatives under hedge accounting:				
Balance at beginning of period	**(3,327)**	(2,996)	(2,996)	**(39,889)**
Net change during the period	**(4,632)**	914	(330)	**(55,540)**
Balance at end of period	**(7,959)**	(2,081)	(3,327)	**(95,429)**
Foreign currency translation adjustments:				
Balance at beginning of period	**(741)**	1,297	1,297	**(8,884)**
Net change during the period	**(2,939)**	(435)	(2,038)	**(35,236)**
Balance at end of period	**(3,680)**	861	(741)	**(44,120)**
Treasury stock, at cost:				
Balance at beginning of period	**(72,558)**	(72,558)	(72,558)	**(869,906)**
Purchase of treasury stock	**—**	(0)	(0)	**—**
Balance at end of period	**(72,558)**	(72,558)	(72,558)	**(869,906)**
Minority interests in subsidiaries:				
Balance at beginning of period	**176,221**	206,037	206,037	**2,112,710**
Net change during the period	**(20,334)**	(20,509)	(29,816)	**(243,792)**
Balance at end of period	**155,886**	185,528	176,221	**1,868,918**
Total equity	**¥ 614,197**	¥ 799,960	¥ 634,954	**$ 7,363,596**

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the six months ended September 30, 2010 and 2009, and the fiscal year ended March 31, 2010

	Millions of yen			Thousands of U.S. dollars (Note 1)
	Sept. 30, 2010 (6 months)	Sept. 30, 2009 (6 months)	Mar. 31, 2010 (1 year)	**Sept. 30, 2010 (6 months)**
Cash flows from operating activities:				
Income (loss) before income taxes and minority interests	**¥ 24,711**	¥ 20,151	¥ (123,089)	**$ 296,266**
Adjustments for:				
Income taxes paid	**(742)**	(2,498)	(3,407)	**(8,898)**
Depreciation (other than leased assets as lessor)	**6,127**	7,373	14,532	**73,457**
Amortization of goodwill and other intangible assets	**6,864**	10,821	20,927	**82,304**
Impairment losses	**1,144**	73	75,746	**13,723**
Net change in reserve for credit losses	**21,512**	6,148	4,131	**257,918**
Net change in reserve for losses on interest repayments	**(23,311)**	(74,337)	(123,761)	**(279,483)**
Net change in other reserves	**(10,165)**	(13,440)	(10,311)	**(121,878)**
Interest income	**(112,837)**	(151,455)	(283,581)	**(1,352,805)**
Interest expenses	**26,660**	42,051	75,595	**319,631**
Investment (gains) losses	**(17,326)**	(12,726)	11,149	**(207,721)**
Net exchange (gain) loss	**18,352**	8,638	4,221	**220,028**
Gains from the cancellation of issued corporate bonds and other instruments	**(4,336)**	(11,869)	(21,269)	**(51,994)**
Net change in trading assets	**(23,870)**	123,344	153,064	**(286,177)**
Net change in trading liabilities	**19,164**	(113,282)	(129,727)	**229,764**
Net change in loans and bills discounted	**584,135**	384,141	714,081	**7,003,180**
Net change in deposits, including negotiable certificates of deposit	**(585,212)**	773,992	202,869	**(7,016,089)**
Net change in debentures	**(58,465)**	(148,006)	(191,853)	**(700,937)**
Net change in borrowed money (other than subordinated debt)	**149,873**	(212,155)	174,826	**1,796,828**
Net change in corporate bonds (other than subordinated corporate bonds)	**7,818**	(12,110)	(24,082)	**93,739**
Net change in interest-bearing deposits with banks	**27,217**	21,279	(37,469)	**326,314**
Net change in call loans, collateral related to securities borrowing transactions and other monetary claims purchased	**(3,114)**	23,946	107,856	**(37,342)**
Net change in call money, payables under repurchase agreements, collateral related to securities lending transactions, commercial paper and short-term corporate bonds (liabilities)	**(563,395)**	147,034	(31,486)	**(6,754,529)**
Net change in foreign exchange assets and liabilities	**(1,321)**	24,368	26,175	**(15,849)**
Interest received	**111,544**	151,795	296,156	**1,337,301**
Interest paid	**(24,329)**	(30,252)	(58,660)	**(291,686)**
Net change in securities for trading purposes	**530**	10,468	14,421	**6,362**
Net change in monetary assets held in trust for trading purposes	**11,900**	15,711	35,585	**142,678**
Net change in lease receivables and leased investment assets	**9,289**	12,352	22,674	**111,370**
Other, net	**(12,349)**	17,311	42,951	**(148,058)**
Total adjustments	**(438,640)**	998,715	1,081,355	**(5,258,849)**
Net cash provided by (used in) operating activities	**(413,929)**	1,018,866	958,266	**(4,962,583)**
Cash flows from investing activities:				
Purchase of investments	**(1,372,957)**	(2,431,747)	(3,390,711)	**(16,460,347)**
Proceeds from sales of investments	**1,408,535**	850,429	1,530,735	**16,886,891**
Proceeds from maturity of investments	**405,815**	496,069	812,391	**4,865,314**
Purchase of premises and equipment (other than leased assets as lessor)	**(3,414)**	(2,094)	(5,167)	**(40,933)**
Purchase of Intangible assets (other than leased assets as lessor)	**(4,410)**	(5,373)	(9,615)	**(52,872)**
Purchase of investments in subsidiaries	**—**	(485)	(485)	**—**
Other, net	**(262)**	(669)	(483)	**(3,153)**
Net cash provided by (used in) investing activities	**433,306**	(1,093,872)	(1,063,336)	**5,194,900**
Cash flows from financing activities:				
Proceeds from issuance of subordinated corporate bonds	**—**	—	4,951	**—**
Payment for redemption of subordinated corporate bonds	**(3,607)**	(18,362)	(23,351)	**(43,254)**
Proceeds from minority shareholders of subsidiaries	**8**	—	9,001	**105**
Payment for capital returned to minority shareholders of subsidiaries	**(289)**	(4,816)	(25,174)	**(3,465)**
Dividends paid to minority shareholders of subsidiaries	**(9,745)**	(9,027)	(9,374)	**(116,837)**
Purchase of treasury stock	**—**	(0)	(0)	**—**
Net cash provided by (used in) financing activities	**(13,633)**	(32,205)	(43,948)	**(163,451)**
Foreign currency translation adjustments on cash and cash equivalents	**(25)**	(1)	(3)	**(305)**
Net change in cash and cash equivalents	**5,718**	(107,212)	(149,021)	**68,561**
Cash and cash equivalents at beginning of period	**334,238**	483,259	483,259	**4,007,171**
Cash and cash equivalents at end of period (Note 4)	**¥ 339,956**	¥ 376,046	¥ 334,238	**$ 4,075,732**

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the six months ended September 30, 2010 and 2009

1. BASIS OF PRESENTATION

CONSOLIDATED

The accompanying interim consolidated financial statements of Shinsei Bank, Limited (the "Bank") and its consolidated subsidiaries (collectively, the "Group"), stated in Japanese yen, have been prepared on the basis of generally accepted accounting principles in Japan ("Japanese GAAP") and in conformity with the Banking Act of Japan (the "Banking Act"), and compiled from the interim consolidated financial statements prepared under the provisions set forth in the Accounting Standards for Interim Consolidated Financial Statements (the Business Accounting Council, March 13, 1998) 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.

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

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

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

The interim consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥83.41 to U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2010. 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 September 30, 2010 and 2009 were as follows:

As of September 30,	2010	2009
Consolidated subsidiaries	127	125
Unconsolidated subsidiaries	85	92
Affiliates accounted for by the equity method	21	25

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 September 30, 2010 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 transformation to the holding company on April 1, 2010.

All significant inter-company transactions, related account balances and unrealized gains and losses have been eliminated in consolidation. As of September 30, 2010, the six month period ending dates are September 30 for 67 subsidiaries, January 31 for 3 subsidiaries, June 30 for 51 subsidiaries, July 31 for 1 subsidiary, and August 31 for 5 subsidiaries. Except for 12 subsidiaries which are consolidated as of September 30 rather than their ends, those consolidated subsidiaries whose six month periods end at dates other than September 30 are consolidated using their six month period-end interim financial statements with appropriate adjustments made for significant transactions during the period from the ending dates of their six month periods to the date of the Group's interim consolidated financial statements.

Major affiliates accounted for by the equity method as of September 30, 2010 were as listed below:

Name	Location	Percentage ownership
Hillcot Holdings Limited	Bermuda	49.9%
Jih Sun Financial Holding Co., Ltd.	Taiwan	30.5%

(B) BUSINESS COMBINATION

On December 26, 2008, the Accounting Standards Board of Japan ("ASBJ") issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations."

The previous accounting standard for business combinations allowed companies to apply the pooling of interests method of accounting when certain specific criteria were met such that the business combination was essentially regarded as a uniting of interests, and required a bargain purchase gain (Negative goodwill) to be systematically amortized to income within 20 years.

The revised standard requires that all business combinations be accounted for under the purchase method and that the acquirer recognize a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.

This revised standard is 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 CO., LTD.

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 CO., LTD.

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

SHINKI CO., LTD.

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 CO., LTD.

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. 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.

With regard to the acquisitions undertaken before April 1, 2010, accounted under 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 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. Impairment loss for the total of goodwill and other intangible assets (A) 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 the impairment loss of other intangible assets (B) is determined as the difference between the fair value and book value. Finally, the impairment loss of goodwill is calculated as the residual calculated as (A) less (B) above.

In addition, Report No. 7 issued by the Accounting Practice Committee of the Japanese Institute of Certified Public Accountants ("JICPA") may require the recognition of accelerated amortization of goodwill if certain conditions are met, when the parent company recognizes impairment on its investment in the subsidiary on the parent company's non-consolidated financial statements.

(E) TRANSLATION OF FOREIGN CURRENCY FINANCIAL STATEMENTS AND TRANSACTIONS

(i) The interim financial statements of consolidated foreign subsidiaries are translated into Japanese yen at exchange rates as of their respective interim 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" in a separate component of equity in the accompanying interim consolidated balance sheets.

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

(iii) Foreign currency-denominated assets and liabilities of the Bank and domestic subsidiaries are translated into Japanese yen at exchange rates as of their respective interim 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 period, which reflects liquidity and credit risks.

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

(I) MONETARY ASSETS HELD IN TRUST

The components of trust assets are accounted for based on the standard 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 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 are written down when a decline in fair value below the cost of such securities is deemed to be other than temporary.

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 moving average 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 are 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 securities available for sale 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. The depreciation cost for the interim period is calculated by proportionally allocating the estimated annual cost to the interim period. Principal estimated useful lives of buildings and equipment as of September 30, 2010 were as follows:

Buildings .... 3 years to 50 years
Equipment .... 2 years to 15 years

(L) SOFTWARE

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

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 and stock issuance 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 (a) relevant estimated cash flows discounted by the original contractual interest rate and (b) 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 (A) the balance of the claims, in the case of claims against substandard obligors, or (B) 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 ¥200,761 million (U.S.$2,406,927 thousand) and ¥161,705 million as of September 30, 2010 and 2009, respectively.

(P) ACCRUED BONUSES FOR EMPLOYEES AND DIRECTORS

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

(Q) 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 period 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 interim balance sheet date.

(S) RESERVE FOR LOSSES ON INTEREST REPAYMENTS

The reserve for losses on interest repayments is provided 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.

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 had been established based on reasonable estimates primarily for the restoration cost associated with the planned relocation of the headquarters of the Bank and some of the consolidated subsidiaries and the Bank's Meguro Production Center.

No amount of the reserve, however, was recognized as of September 30, 2010 as a result of the adoption of the new accounting standard for asset retirement obligations as described in "(AD) ACCOUNTING CHANGE."

(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 six months ended September 30, 2010.

(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) STOCK OPTIONS

On December 27, 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.

(X) LEASE TRANSACTIONS

Effective April 1, 2008, the Bank and its consolidated subsidiaries applied the revised accounting standard for lease transactions. Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were to be 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 balance sheet.

(Lessee)

All finance lease transactions were capitalized recognizing lease assets and lease obligations in the balance sheet.

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)

All finance lease transactions that deem to transfer ownership of the leased property to the lessee are recognized as lease receivables, and all finance lease transactions that do not deem to transfer ownership of the leased property to the lessee are recognized as leased investment assets.

Net income on each lease transaction is calculated on the basis of the internal rate of return.

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 ¥1,416 million (U.S.$16,987 thousand) and ¥1,383 million for the six months ended September 30, 2010 and 2009, respectively, as compared to what would have been reported if the revised accounting standard was applied retroactively to all finance lease transactions as lessor.

(Y) 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.

(Z) REVENUE RECOGNITION FOR INTEREST ON CONSUMER LENDING BUSINESS

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

(AA) 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 corporation 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.

(AB) 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. Prior to April 1, 2003, the Bank principally applied a "macro hedge" approach for interest rate derivatives used to manage interest rate risks, and its ALM activities based on the transitional treatment prescribed in Industry Audit Committee Report No. 24 issued by the JICPA. Effective April 1, 2003, 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.

Deferred hedge losses and/or gains previously recorded on the consolidated balance sheets as a result of macro hedge accounting before implementation of portfolio hedging are being amortized as interest expense or income over the remaining lives of the hedging instruments. There is no outstanding unamortized balance of deferred hedge losses and/or gains as of September 30, 2010. The unamortized balance of deferred hedge losses attributable to macro hedge accounting, before deduction of tax benefit, as of September 30, 2009 was ¥1 million.

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

Fund swap and certain currency swap transactions are accounted for using either deferral hedge accounting or fair value hedge accounting in accordance with Industry Audit Committee Report No. 25 of the JICPA.

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.

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 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) CONSOLIDATED

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.

(AC) PER SHARE INFORMATION

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

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

(AD) ACCOUNTING CHANGE

Effective April 1, 2010, the Group has applied the ASBJ Statement No. 18 “Accounting Standard for Asset Retirement Obligations” and the 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 if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. 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.

As a result, the Group recognized the asset retirement obligations of ¥5,766 million (U.S.$69,138 thousand) at the beginning of the six months ended September 30, 2010, and the income before income taxes and minority interests decreased by ¥3,750 million (U.S.$44,965 thousand) for the six months ended September 30, 2010, as compared to what would have been reported if there was no such accounting change.

(AE) RECLASSIFICATIONS

Certain reclassifications have been made to the interim consolidated financial statements for the six months ended September 30, 2009 to conform to the presentation for the six months ended September 30, 2010.

3. CASH AND CASH EQUIVALENTS CONSOLIDATED

The reconciliation of cash and cash equivalents and cash and due from banks in the interim consolidated balance sheets as of September 30, 2010 and 2009 was as follows:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	2010	2009	2010
Cash and due from banks	¥ 469,875	¥ 476,047	$ 5,633,328
Interest-bearing deposits included in due from banks	(129,919)	(100,000)	(1,557,596)
Cash and cash equivalents	¥ 339,956	¥ 376,046	$ 4,075,732

4. OTHER MONETARY CLAIMS PURCHASED

CONSOLIDATED

(a) Other monetary claims purchased as of September 30, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	2010	2009	2010
Trading purposes	¥ 120,699	¥ 202,485	$ 1,447,067
Other	57,748	159,016	692,342
Total	¥ 178,448	¥ 361,501	$ 2,139,409

(b) The fair value and the unrealized loss which is included in net gain (loss) on other monetary claims purchased for trading purposes as of September 30, 2010 and 2009 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2010		2009		2010	
As of September 30,	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Trading purposes	¥ 120,699	¥ 8,049	¥ 202,485	¥ 12,492	$ 1,447,067	$ 96,508

5. TRADING ASSETS

CONSOLIDATED

Trading assets as of September 30, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	2010	2009	2010
Trading securities	¥ 32,220	¥ 10,346	$ 386,291
Derivatives for trading securities	3,209	11,701	38,478
Securities held to hedge trading transactions	11,922	18,584	142,939
Derivatives for securities held to hedge trading transactions	39,320	28,993	471,407
Trading-related financial derivatives	160,144	179,883	1,919,964
Other trading assets	138	3,490	1,660
Total	¥ 246,955	¥ 253,000	$ 2,960,739

6. MONETARY ASSETS HELD IN TRUST

CONSOLIDATED

(a) Monetary assets held in trust as of September 30, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	2010	2009	2010
Trading purposes	¥ 188,309	¥ 220,083	$ 2,257,632
Other	90,372	109,046	1,083,468
Total	¥ 278,681	¥ 329,130	$ 3,341,100

(b) The fair value and the unrealized loss which is included in net gain (loss) on monetary assets held in trust for trading purposes as of September 30, 2010 and 2009 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2010		2009		2010	
As of September 30,	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Trading purposes	¥ 188,309	¥ 11,102	¥ 220,083	¥ 7,877	$ 2,257,632	$ 133,113

(c) The acquisition cost, which is the same as the book value, of monetary assets held in trust for the other than trading purposes as of September 30, 2010 and 2009 was ¥90,372 million (U.S.$1,083,468 thousand) and ¥109,046 million, respectively.

7. SECURITIES

CONSOLIDATED

(a) Securities as of September 30, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	2010	2009	2010
Trading securities	¥ 2,408	¥ 6,892	$ 28,878
Securities being held to maturity	413,042	498,210	4,951,957
Securities available for sale:			
Securities carried at fair value	2,099,079	2,300,850	25,165,802
Securities carried at cost whose fair value is not readily determinable	—	436,785	—
Securities carried at cost whose fair value cannot be reliably determined	83,822	—	1,004,942
Investments in unconsolidated subsidiaries at cost and affiliates using the equity method	41,614	39,469	498,918
Total	¥ 2,639,967	¥ 3,282,207	$ 31,650,497

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 of derivative transactions, where the Group has the right to sell or pledge such securities without restrictions. The balances of those securities as of September 30, 2010 and 2009 were ¥33,488 million (U.S.$401,497 thousand) and ¥43,047 million, respectively. In addition, ¥4,196 million (U.S.$50,308 thousand) of those securities were further pledged as of September 30, 2010.

The amount of guarantee obligations for privately-placed bonds (Item 3 of Article 2 of the Financial Instruments and Exchange Act), included in securities as of September 30, 2010 and 2009 were ¥44,455 million (U.S.$532,973 thousand) and ¥50,320 million, respectively.

(b) The amortized/acquisition cost and the fair values of securities (other than trading securities) as of September 30, 2010 and 2009 were as follows:

	Millions of yen							
	2010				2009			
As of September 30,	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	¥ 293,243	¥ 5,506	¥ —	¥ 298,750	¥ 373,367	¥ 4,581	¥ —	¥ 377,948
Japanese corporate bonds	69,496	1,083	—	70,579	70,367	1,594	—	71,961
Other	50,302	3,429	791	52,941	54,475	1,672	3,091	53,056
Total	¥ 413,042	¥ 10,019	¥ 791	¥ 422,271	¥ 498,210	¥ 7,847	¥ 3,091	¥ 502,966
Securities available for sale:								
Equity securities	¥ 18,188	¥ 634	¥ 5,123	¥ 13,700	¥ 18,228	¥ 1,471	¥ 3,223	¥ 16,476
Japanese national government bonds	1,484,077	2,606	1,866	1,484,817	1,958,413	7,260	3	1,965,670
Japanese local government bonds	1,725	76	—	1,802	1,716	66	—	1,782
Japanese corporate bonds	321,316	1,117	3,227	319,205	18,256	95	955	17,397
Other, primarily foreign debt securities	309,833	7,786	4,258	313,362	292,521	15,344	8,342	299,523
Total	¥ 2,135,141	¥ 12,221	¥ 14,475	¥ 2,132,886	¥ 2,289,136	¥ 24,238	¥ 12,524	¥ 2,300,850

	Thousands of U.S. dollars			
	2010			
As of September 30,	Amortized/ Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
Securities being held to maturity:				
Japanese national government bonds	$ 3,515,687	$ 66,023	$ —	$ 3,581,710
Japanese corporate bonds	833,191	12,984	—	846,175
Other	603,079	41,118	9,486	634,711
Total	$ 4,951,957	$ 120,125	$ 9,486	$ 5,062,596
Securities available for sale:				
Equity securities	$ 218,062	$ 7,611	$ 61,421	$ 164,252
Japanese national government bonds	17,792,560	31,245	22,375	17,801,430
Japanese local government bonds	20,687	919	—	21,606
Japanese corporate bonds	3,852,248	13,393	38,700	3,826,941
Other, primarily foreign debt securities	3,714,589	93,355	51,055	3,756,889
Total	$ 25,598,146	$ 146,523	$ 173,551	$ 25,571,118

Note: Other monetary claims purchased whose fair value can be reliably determined that were previously carried at coast are measured at fair value with the adoption of revised ASBJ Statement No. 10 "Accounting Standards for Financial Instruments" and included in "Other, primarily foreign debt securities" as of September 30, 2010.
Fair value and unrealized gain for those other monetary claims purchased are ¥33,807 million (U.S.$405,316 thousand) and ¥30 million (U.S.$368 thousand), respectively.

Individual 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 available-for-sale securities carried at fair value for the six months ended September 30, 2010 and 2009 were ¥1,943 million (U.S.$23,298 thousand) and ¥36 million, respectively. The amount for the six months ended September 30, 2010 consisted of ¥86 million (U.S.$1,040 thousand) for the equity securities and ¥1,856 million (U.S.$22,258 thousand) for the Japanese corporate bonds.

To determine whether an other-than-temporary impairment has occurred, the Bank applies the following rule by credit risk category 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.

On September 30, 2009, the fair values of floating rate Japanese government bonds, which were measured at their market prices in the previous years, were determined on the values reasonably estimated by a broker dealer with the management judgment that the current market prices were not indicative of the fair values upon consideration of market environment and the rapidly expanding spread between market price and theoretical price. As a result, securities, deferred tax liabilities and unrealized gain on available-for-sale securities as of September 30, 2009 were increased by ¥3,074 million, ¥974 million and ¥2,099 million, respectively, than they would have been if valued at the market prices.

The reasonably estimated values by a broker dealer were computed as the sum of discounted future cash flow based on the convexity-adjusted forward curve and zero-floor option value of floating rate Japanese government bonds. Major variables in that measurement methodology were the yield of government bonds and volatility of those yields.

However, on March 31, 2010, as the expanded spread had continued more than one year, management no longer believed that the market prices were not appropriate as fair values. As a result, the fair values of those bonds as of September 30, 2010 were measured at the market prices.

(c) The book values (amortized/acquisition cost) of securities available for sale whose fair values were not readily determinable as of September 30, 2009 were as follows:

	Millions of yen
As of September 30,	2009
Securities available for sale:	
Equity securities	¥ 11,501
Japanese corporate bonds	321,847
Foreign securities	50,735
Other	52,699
Total	¥ 436,785

Note: Securities whose fair values cannot be reliably determined as of September 30, 2010 are described in Note 32 "FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES"

8. LOANS AND BILLS DISCOUNTED

CONSOLIDATED

Loans and bills discounted as of September 30, 2010 and 2009 consisted of the following:

As of September 30,	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars 2010
Loans on deeds	**¥ 3,760,341**	¥ 4,179,941	**$ 45,082,617**
Loans on bills	**49,779**	206,372	**596,808**
Bills discounted	**3,696**	1,485	**44,323**
Overdrafts	**790,676**	1,082,178	**9,479,402**
Total	**¥ 4,604,494**	¥ 5,469,978	**$ 55,203,150**

(a) Loans and bills discounted included loans to bankrupt obligors totaling ¥18,597 million (U.S.$222,970 thousand) and ¥33,771 million as of September 30, 2010 and 2009, respectively, as well as non-accrual delinquent loans totaling ¥357,244 million (U.S.$4,282,990 thousand) and ¥192,269 million as of September 30, 2010 and 2009, respectively.

Non-accrual delinquent loans included 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.

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 September 30, 2010 and 2009 were ¥2,206 million (U.S.$26,459 thousand) and ¥26,406 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 September 30, 2010 and 2009 were ¥61,533 million (U.S.$737,723 thousand) and ¥62,581 million, respectively.

(b) The total outstanding amounts deducted from the loan account for loan participations as of September 30, 2010 and 2009 were ¥37,204 million (U.S.$446,044 thousand) and ¥45,892 million, respectively. This "off-balance sheet" treatment was 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.$184,231 thousand) and ¥79,230 million as of September 30, 2010 and 2009, respectively.

(c) 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 the Industry Audit Committee Report No. 24 issued by the JICPA, although the Group has the right to sell or pledge them without restrictions. The face amounts of such bills discounted held as of September 30, 2010 and 2009 were ¥3,890 million (U.S.$46,647 thousand) and ¥1,627 million, respectively.

9. FOREIGN EXCHANGES

CONSOLIDATED

The assets and liabilities related to foreign currency trade financing activities of the Bank as of September 30, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	2010	2009	2010
Foreign exchange assets:			
Foreign bills bought	¥ 193	¥ 141	$ 2,324
Foreign bills receivable	2,918	1,215	34,995
Due from foreign banks	9,214	11,418	110,477
Total	**¥ 12,327**	¥ 12,775	**$ 147,796**
Foreign exchange liabilities:			
Foreign bills payable	¥ 44	¥ 6	$ 531
Due to foreign banks	2	2	29
Total	**¥ 46**	¥ 9	**$ 560**

10. OTHER ASSETS

CONSOLIDATED

Other assets as of September 30, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	2010	2009	2010
Accrued income	¥ 25,280	¥ 35,548	$ 303,091
Prepaid expenses	4,242	5,043	50,858
Fair value of derivatives	277,522	364,169	3,327,214
Financial stabilization fund contribution	70,239	70,239	842,093
Accounts receivable	369,186	44,295	4,426,160
Installment receivables	347,798	376,796	4,169,740
Security deposits	16,627	21,441	199,342
Suspense payments	17,817	24,323	213,610
Other	76,185	81,877	913,391
Total	**¥ 1,204,899**	¥ 1,023,735	**$ 14,445,499**

Installment receivables in other assets as of September 30, 2010 and 2009 included credits to bankrupt obligors totaling ¥495 million (U.S.$5,939 thousand) and ¥444 million, non-accrual delinquent credits totaling ¥4,038 million (U.S.$48,415 thousand) and ¥3,816 million, credits past due for three months or more of ¥631 million (U.S.$7,576 thousand) and ¥987 million, and restructured credits of ¥3,061 million (U.S.$36,706 thousand) and ¥10,442 million, respectively.

11. PREMISES AND EQUIPMENT

CONSOLIDATED

Premises and equipment as of September 30, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	2010	2009	2010
Buildings	¥ 27,723	¥ 27,602	$ 332,376
Land	9,134	9,589	109,508
Tangible leased assets	55,715	65,486	667,969
Other	26,703	24,311	320,142
Subtotal	119,275	126,989	1,429,995
Accumulated depreciation	(68,059)	(71,150)	(815,965)
Net book value	**¥ 51,216**	¥ 55,838	**$ 614,030**

12. INTANGIBLE ASSETS

CONSOLIDATED

Intangible assets as of September 30, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	2010	2009	2010
Software	¥ 25,490	¥ 29,572	$ 305,604
Goodwill, net			
Goodwill	59,681	132,733	715,523
Negative goodwill	(6,167)	(7,355)	(73,947)
Intangible assets acquired in business combinations	22,768	40,768	272,972
Intangible leased assets	114	332	1,367
Other	1,072	1,417	12,863
Total	¥ 102,959	¥ 197,468	$ 1,234,382

13. RESERVE FOR CREDIT LOSSES

CONSOLIDATED

Reserve for credit losses as of September 30, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	2010	2009	2010
Reserve for loan losses:			
General reserve	¥ 124,329	¥ 120,438	$ 1,490,579
Specific reserve	72,617	57,057	870,609
Reserve for loans to restructuring countries	12	13	152
Subtotal	196,959	177,510	2,361,340
Specific reserve for other credit losses	21,196	21,149	254,122
Total	¥ 218,155	¥ 198,659	$ 2,615,462

14. DEPOSITS, INCLUDING NEGOTIABLE CERTIFICATES OF DEPOSIT

CONSOLIDATED

Deposits, including negotiable certificates of deposit, as of September 30, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	2010	2009	2010
Current	¥ 16,255	¥ 26,683	$ 194,881
Ordinary	1,471,320	1,333,913	17,639,615
Notice	9,002	15,847	107,926
Time	3,743,222	5,028,038	44,877,387
Negotiable certificates of deposit	319,674	378,641	3,832,567
Other	330,700	263,385	3,964,760
Total	¥ 5,890,175	¥ 7,046,509	$ 70,617,136

15. DEBENTURES

CONSOLIDATED

Debentures as of September 30, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	2010	2009	2010
Coupon debentures	¥ 425,248	¥ 527,560	$ 5,098,293

Annual maturities of debentures as of September 30, 2010 were as follows:

Year ending September 30	Millions of yen	Thousands of U.S. dollars
2011	¥ 152,433	$ 1,827,520
2012	74,790	896,658
2013	71,366	855,606
2014	56,556	678,052
2015 and thereafter	70,102	840,457
Total	¥ 425,248	$ 5,098,293

16. TRADING LIABILITIES

CONSOLIDATED

Trading liabilities as of September 30, 2010 and 2009 consisted of the following:

As of September 30,	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars 2010
Derivatives for trading securities	¥ 3,623	¥ 5,673	$ 43,439
Derivatives for securities held to hedge trading transactions	25,498	9,061	305,701
Trading-related financial derivatives	145,375	179,329	1,742,907
Other trading liabilities	22,502	215	269,778
Total	¥ 196,999	¥ 194,280	$ 2,361,825

17. BORROWED MONEY

CONSOLIDATED

Borrowed money as of September 30, 2010 and 2009 consisted of the following:

As of September 30,	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars 2010
Borrowings from the Bank of Japan and other financial institutions	¥ 1,234,159	¥ 698,239	$ 14,796,298
Subordinated debt	102,000	102,000	1,222,875
Total	¥ 1,336,159	¥ 800,239	$ 16,019,173

Annual maturities of borrowed money as of September 30, 2010 were as follows:

Year ending September 30	Millions of yen	Thousands of U.S. dollars
2011	¥ 1,060,197	$ 12,710,681
2012	84,045	1,007,616
2013	38,575	462,486
2014	6,946	83,278
2015 and thereafter	146,393	1,755,112
Total	¥ 1,336,159	$ 16,019,173

18. CORPORATE BONDS

CONSOLIDATED

Corporate bonds as of September 30, 2010 and 2009 consisted of the following:

As of September 30,	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars 2010
Corporate bonds	¥ 33,127	¥ 36,940	$ 397,163
Subordinated bonds	147,770	168,282	1,771,615
Total	¥ 180,897	¥ 205,222	$ 2,168,778

In February 2006, the Bank issued €1.0 billion of step-up callable subordinated notes (the “Euro Notes”). The issue price was 99.486% of the principal amount. The notes bear interest at the fixed rate per annum of 3.75% through February 23, 2011, and at the floating rate per annum equal to three-month EURIBOR plus 1.95% thereafter. The notes are redeemable at the Bank’s option in whole but not in part on any interest payment date on or after February 23, 2011, subject to the prior approval of the Financial Services Agency of Japan.

In December 2006, the Bank issued £400 million of step-up callable perpetual subordinated notes (the “Sterling Notes”). The issue price was 99.669% of the principal amount. The notes bear interest at the fixed rate per annum of 5.625% through December 6, 2013, and at the floating rate per annum equal to the LIBOR for six-month deposits in British pounds plus 2.12% thereafter. The notes are redeemable at the Bank’s option in whole but not in part on any interest payment date on or after December 6, 2013, subject to the prior approval of the Financial Services Agency of Japan.

During the fiscal year ended March 31, 2010 and 2009, the Bank repurchased €51 million and €391 million of the Euro Notes, and £71 million and £214 million of the Sterling Notes, respectively, in open-market transactions and cancelled all of the repurchased notes.

During the six months ended September 30, 2010, the Bank repurchased €2 million of the Euro Notes and £37 million of the Sterling Notes in open-market transactions and cancelled all of the repurchased notes.

In September, 2010, the Bank invited the holders of the Euro Notes and the Sterling Notes to submit offers to exchange any and all of the notes owned by them for an amount of newly issued non-step up callable subordinated

18. CORPORATE BONDS (CONTINUED) CONSOLIDATED

notes. As a result, the Bank accepted the aggregate principal amounts of €340 million of the Euro Notes and £25 million of the Sterling Notes for exchange and cancelled all of the accepted notes. Also, the Bank issued €347 million of non-step up callable subordinated notes due September 14, 2020. The issue price was 99.89% of the principal amount. The notes bear interest at the fixed rate per annum of 7.375% through September 14, 2015, and at the floating rate per quarter annum equal to three-month EURIBOR plus 5.50% thereafter. The notes are redeemable at the Bank's option in whole but not in part on any interest payment date on or after September 14, 2015, subject to the prior approval of the Financial Services Agency of Japan.

Annual maturities of corporate bonds as of September 30, 2010 were as follows:

Year ending September 30	Millions of yen	Thousands of U.S. dollars
2011	¥ 4,776	$ 57,267
2012	2,044	24,512
2013	1,797	21,555
2014	1,788	21,443
2015 and thereafter	170,490	2,044,001
Total	¥ 180,897	$ 2,168,778

19. OTHER LIABILITIES CONSOLIDATED

Other liabilities as of September 30, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	**2010**	2009	**2010**
Accrued expenses	**¥ 50,850**	¥ 44,715	**$ 609,651**
Unearned income	**965**	1,171	**11,570**
Income taxes payable	**1,707**	1,180	**20,467**
Fair value of derivatives	**321,709**	391,451	**3,856,970**
Matured debentures, including interest	**18,175**	21,202	**217,907**
Trust account	**7,376**	7,092	**88,439**
Accounts payable	**246,551**	68,440	**2,955,897**
Deferred gains on installment receivables and credit guarantee	**31,955**	32,023	**383,119**
Asset retirement obligations	**5,765**	—	**69,124**
Deposits payable	**101,618**	107,386	**1,218,304**
Other	**43,873**	71,169	**526,004**
Total	**¥ 830,551**	¥ 745,833	**$ 9,957,452**

20. ACCEPTANCES AND GUARANTEES CONSOLIDATED

Acceptances and guarantees as of September 30, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	**2010**	2009	**2010**
Guarantees	**¥ 606,101**	¥ 652,445	**$ 7,266,531**

21. ASSETS PLEDGED AS COLLATERAL — CONSOLIDATED

Assets pledged as collateral and liabilities collateralized as of September 30, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	2010	2009	2010
Assets:			
Cash and due from banks	¥ 866	¥ 783	$ 10,393
Other monetary claims purchased	—	20,000	—
Trading assets	—	9,196	—
Securities	993,302	1,097,249	11,908,671
Loans and bills discounted	376,702	162,944	4,516,271
Lease receivables and leased investment assets	68,004	23,823	815,307
Other assets	305	876	3,659
Premises and equipment	1,893	1,927	22,695
Liabilities:			
Deposits, including negotiable certificates of deposit	¥ 975	¥ 927	$ 11,695
Call money	120,000	100,000	1,438,676
Payables under repurchase agreements	—	156,382	—
Collateral related to securities lending transactions	136,630	764,367	1,638,055
Commercial paper	—	99	—
Borrowed money	976,306	200,078	11,704,907
Corporate bonds	18,887	—	226,430
Other liabilities	18	17	225
Acceptances and guarantees	914	925	10,959

In addition, ¥218,261 million (U.S.$2,616,731 thousand) and ¥230,266 million of securities as of September 30, 2010 and 2009, were pledged as collateral for transactions, including exchange settlements, swap transactions and replacement of margin for futures transactions.

Also, ¥276 million (U.S.$3,310 thousand) and ¥378 million of margin deposits for futures transactions outstanding were included in other assets as of September 30, 2010 and 2009, respectively. In addition, ¥8,858 million (U.S.$106,207 thousand) and ¥11,228 million of cash collateral pledged for derivative transactions were included in other assets as of September 30, 2010 and 2009, respectively.

22. 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. Dividends on the securities are payable on a non-cumulative basis annually in arrears at a rate of 6.418% until July 2016. After July 2016, dividends on the securities will be calculated at a floating rate of LIBOR plus 2.22%. On July 20, 2016 or any dividend payment date thereafter, Shinsei Finance (Cayman) Limited may redeem the securities at a price equal to the liquidation preference together with any dividends otherwise payable.

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. Dividends on the securities are payable on a non-cumulative basis annually in arrears at a rate of 7.160% until July 2016. After July 2016, dividends on the securities will be calculated at a floating rate of LIBOR plus 1.87%. On July 25, 2016 and 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.

On March 30, 2009, Shinsei Finance III (Cayman) Limited, the Bank's wholly owned subsidiary, issued ¥39,100 million of non-cumulative perpetual preferred securities. Dividends on ¥19,000 million of the securities are payable annually in arrears at a rate of 5.50% until July 2014 and at a floating rate of LIBOR plus 4.56% after July 2014. Dividends on ¥20,100 million of the securities are payable annually in arrears at a rate of 5.00% until July 2019 and at a floating rate of LIBOR plus 4.70% after July 2019.

Also on March 30, 2009, Shinsei Finance IV (Cayman) Limited, the Bank's wholly owned subsidiary, issued ¥9,100 million of non-cumulative perpetual preferred securities. Dividends on ¥2,500 million of the securities are payable annually in arrears at a rate of 5.00% until July 2019 and at a floating rate of LIBOR plus 4.70% after July 2019. Dividends on ¥6,600 million of the securities are payable annually in arrears at a rate of 5.50% until July 2014 and at a floating rate of LIBOR plus 4.56% after July 2014.

On October 2, 2009, Shinsei Finance V (Cayman) Limited, the Bank's wholly owned subsidiary, issued ¥9,000 million of non-cumulative perpetual preferred securities. Dividends on ¥4,000 million of the securities are payable annually in arrears at a rate of 5.50% until July 2015 and at a floating rate of Yen LIBOR plus 4.55% after July 2015. Dividends on ¥5,000 million of the securities are payable annually in arrears at a floating rate of Yen LIBOR plus 4.55%.

The Bank repurchased $22 million and $100 million of non-cumulative perpetual securities of Shinsei Finance (Cayman)

22. PREFERRED SECURITIES ISSUED BY SUBSIDIARIES OUTSIDE JAPAN (CONTINUED) CONSOLIDATED

Limited, and $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, 2010 and 2009, respectively. Also, the Bank repurchased ¥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 year ended March 31, 2010. No repurchase was made during the six months ended September 30, 2010.

These preferred securities are accounted for as minority interests in the consolidated balance sheet. The amounts recognized as minority interests as of September 30, 2010 and 2009 were ¥151,151 million (U.S.$1,812,155 thousand) and ¥162,699 million, respectively.

23. EQUITY CONSOLIDATED

The authorized number of shares of capital stock as of September 30, 2010 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
Six months ended September 30, 2010:		
Beginning of period	**2,060,346**	**96,427**
Increase	**—**	**—**
Decrease	**—**	**—**
End of period	**2,060,346**	**96,427**
Six months ended September 30, 2009:		
Beginning of period	2,060,346	96,427
Increase	—	0
Decrease	—	—
End of period	2,060,346	96,427

24. STOCK ACQUISITION RIGHTS CONSOLIDATED

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

Net stock-based compensation expense was ¥26 million (U.S.$321 thousand) for the six months ended September 30, 2010. However, income of ¥15 million was recognized for the six months ended September 30, 2009, due to reversal of expenses associated with rights that were cancelled before vesting dates which exceeded compensation expense during the period. Gains on unexercised and forfeited stock acquisition rights was included in other gains (losses), net were ¥87 million (U.S.$1,051 thousand) and ¥212 million for the six months ended September 30, 2010 and 2009, respectively. There were no stock acquisition rights issued during the six months ended September 30, 2010.

25. NET TRADING INCOME (LOSS)

CONSOLIDATED

Net trading income (loss) for the six months ended September 30, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
Six months ended September 30,	2010	2009	2010
Income (loss) from trading securities	¥ 1,469	¥ 1,928	$ 17,616
Income (loss) from securities held to hedge trading transactions	(5,443)	1,932	(65,260)
Income (loss) from trading-related financial derivatives	11,136	(996)	133,510
Other, net	19	260	234
Total	¥ 7,181	¥ 3,125	$ 86,100

26. OTHER BUSINESS INCOME (LOSS), NET

CONSOLIDATED

"Other, net" in other business income (loss), net, for the six months ended September 30, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
Six months ended September 30,	2010	2009	2010
Income (loss) from derivatives entered into for banking purposes, net	¥ (439)	¥ (919)	$ (5,269)
Equity in net income (loss) of affiliates	1,021	(4,373)	12,248
Gain on lease cancellation and other lease income (loss), net	(277)	(311)	(3,325)
Other, net	1,047	246	12,563
Total	¥ 1,352	¥ (5,357)	$ 16,217

27. NET CREDIT COSTS

CONSOLIDATED

Net credit costs for the six months ended September 30, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
Six months ended September 30,	2010	2009	2010
Losses on write-off or sales of loans	¥ 7,479	¥ 4,690	$ 89,669
Net provision (reversal) of reserve for loan losses:			
Net provision (reversal) of general reserve for loan losses	28,002	12,284	335,716
Net provision (reversal) of specific reserve for loan losses	17,203	23,136	206,255
Net provision (reversal) of reserve for loan losses to restructuring countries	(0)	(0)	(6)
Subtotal	45,205	35,419	541,965
Net provision (reversal) of specific reserve for other credit losses	15	(144)	188
Other credit costs (recoveries) relating to leasing business	(340)	(762)	(4,084)
Total	¥ 52,359	¥ 39,203	$ 627,738

28. OTHER GAINS (LOSSES), NET

CONSOLIDATED

Other gains (losses), net for the six months ended September 30, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
Six months ended September 30,	2010	2009	2010
Net gain (loss) on disposal of premises and equipment	¥ (212)	¥ (1,572)	$ (2,543)
Provision for losses on disposal of premises and equipment	—	(31)	—
Pension-related costs	(451)	(274)	(5,417)
Gain on write-off of unclaimed debentures	476	116	5,716
Recoveries of written-off claims	7,019	4,354	84,162
Impairment losses on long lived assets	(1,144)	(73)	(13,723)
Provision of reserve for losses on interest repayments	—	(9,913)	—
Gain from the cancellation of issued corporate bonds and other instruments	4,336	11,869	51,994
Loses on application of new accounting standard for asset retirement obligations	(3,577)	—	(42,895)
Other, net	229	(305)	2,756
Total	¥ 6,676	¥ 4,170	$ 80,050

For the six months ended September 30, 2010, an impairment loss of ¥569 million (U.S.$6,825 thousand) was recognized in 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.

29. LEASE TRANSACTIONS

CONSOLIDATED

(a) Disclosures for finance lease transactions as of September 30, 2010 and 2009 are as follows:

AS LESSEE

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

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

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

AS LESSOR

(1) Breakdown of leased investment assets

	Millions of yen		Thousands of U.S. dollars
As of September 30,	**2010**	2009	**2010**
Lease payment receivables	**¥ 200,511**	¥ 232,333	**$ 2,403,922**
Estimated residual value	**9,106**	10,042	**109,182**
Interest equivalent	**(26,911)**	(35,400)	**(322,644)**
Other	**331**	—	**3,977**
Leased investment assets	**¥ 183,038**	¥ 206,975	**$ 2,194,437**

(2) Lease payment receivables for "Lease receivables and leased investment assets"

	Lease receivables		Leased investment assets	
As of September 30,	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Due within one year	**¥ 5,691**	**$ 68,230**	**¥ 72,816**	**$ 872,999**
Due after one year within two years	**5,860**	**70,265**	**52,139**	**625,105**
Due after two years within three years	**4,729**	**56,698**	**34,502**	**413,646**
Due after three years within four years	**3,522**	**42,232**	**19,519**	**234,018**
Due after four years within five years	**2,088**	**25,038**	**9,249**	**110,895**
Due after five years	**1,758**	**21,077**	**12,282**	**147,259**
Total	**¥ 23,650**	**$ 283,540**	**¥ 200,511**	**$ 2,403,922**

(b) Non-cancelable operating lease obligations as lessee and lease payment receivables as lessor as of September 30, 2010 and 2009 consisted of the following:

AS LESSEE

	Millions of yen		Thousands of U.S. dollars
As of September 30,	**2010**	2009	**2010**
Obligations:			
Due within one year	**¥ 3,275**	¥ 5,264	**$ 39,275**
Due after one year	**2,160**	6,607	**25,904**
Total	**¥ 5,436**	¥ 11,871	**$ 65,179**

AS LESSOR

	Millions of yen		Thousands of U.S. dollars
As of September 30,	**2010**	2009	**2010**
Lease payment receivables:			
Due within one year	**¥ 4,607**	¥ 5,999	**$ 55,240**
Due after one year	**12,498**	14,130	**149,843**
Total	**¥ 17,106**	¥ 20,129	**$ 205,083**

30. SEGMENT INFORMATION

CONSOLIDATED

Effective April 1, 2010, the Group applied ASBJ Statement No. 17 "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20 "Guidance on Accounting Standard for Segment Information Disclosures."

Disclosures are not required for comparative periods before the date of initial application in the interim consolidated financial statements; the required information is disclosed only for 2010.

Disclosures for segment information for the six months ended September 30, 2010 were as follows.

(A) SEGMENT INFORMATION

1. OVERVIEW OF REPORTING SEGMENTS

Our reporting 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 business segments which provide their respective financial products and services. The Institutional Group and the Markets and Investment Banking Group consist of the "Institutional Business Sub-Group," "Showa Leasing," "Real Estate Finance Sub-Group," "Principal Transactions Sub-Group," "Markets Sub-Group" and "Treasury Sub-Group" as reporting segments. The Individual Group consists of "Retail Banking Sub-Group," "Shinsei Financial" and "APLUS FINANCIAL."

In the Institutional Group and the Markets and Investment Banking Group, the "Institutional Banking 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. 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 international principal finance, credit trading, real estate principal investment and specialty finance such as leveraged finance or acquisition finance. The "Markets Sub-Group" is engaged in foreign exchange, derivatives, equity trading, securitization, asset backed investment and other capital markets transactions, including Shinsei Securities' businesses. "Treasury Sub-Group" provides ALM related transactions. "Other Institutional Group and Markets and Investment Banking group" consists of the alternative investment and trust business, wealth management, advisory service and other products and services in the Institutional 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 Individual Group" consists of profit and loss attributable to the Consumer Finance Sub-Group and other subsidiaries and affiliates.

2. MEASUREMENT OF REVENUE, PROFIT (LOSS), ASSETS AND LIABILITIES BY REPORTING SEGMENTS

Accounting methods of reported business segments is almost the same as "basis of presentation" and "summary of significant accounting policy," except for indirect expense and interest on inter-segment transactions.

Indirect expense is allocated, based on the predefined rule, to each reporting 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.

3. REVENUE, PROFIT (LOSS), ASSETS AND LIABILITY BY REPORTING SEGMENT

Millions of yen

The six months ended September 30, 2010	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 Institutional Group/Markets and Investment Banking group
Revenue	¥ 5,709	¥ 7,513	¥ 7,695	¥ 12,998	¥ 19,042	¥ 7,413	¥ 2,001
Net Interest Income	5,200	(1,762)	8,817	3,540	4,537	(2,537)	397
Non-interest Income	508	9,275	(1,122)	9,458	14,505	9,950	1,603
Expenses	3,621	3,995	1,632	3,331	4,817	404	2,145
Net Credit Costs (Recoveries)	(1,722)	1,522	14,115	17,657	(1,358)	—	182
Segment Profit (loss)	¥ 3,810	¥ 1,995	¥ (8,052)	¥ (7,989)	¥ 15,584	¥ 7,009	¥ (326)
Segment Assets	¥ 1,893,751	¥ 385,804	¥ 891,775	¥ 760,786	¥ 411,386	¥ 1,946,646	¥ 52,352
Segment Liabilities	¥ 973,678	¥ —	¥ 53,647	¥ 22,073	¥ —	¥ 136,231	¥ 32,354
Includes							
Equity in net income of affiliates	¥ —	¥ —	¥ —	¥ 1,117	¥ —	¥ —	¥ (95)
Investment in affiliates	¥ —	¥ —	¥ —	¥ 37,205	¥ —	¥ —	¥ 5,257
Excludes							
Goodwill (Negative Goodwill)							
Amortization	¥ —	¥ 1,132	¥ —	¥ —	¥ —	¥ —	¥ —
Unamortized balance	—	31,449	—	—	—	—	—
Other intangible assets							
Amortization	¥ —	¥ 349	¥ —	¥ —	¥ —	¥ —	¥ —
Unamortized balance	—	4,631	—	—	—	—	—
Impairment losses on long-lived assets	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —

Millions of yen

The six months ended September 30, 2010	Individual Group: Retail Banking Sub-Group	Individual Group: Consumer Finance Sub-Group: Shinsei Financial	APLUS FINANCIAL	Other Individual Group	Corporate/ Other	Total
Revenue	¥ 22,163	¥ 38,334	¥ 26,996	¥ 769	¥ 5,028	¥ 155,666
Net Interest Income	17,301	41,481	8,805	690	(296)	86,177
Non-interest Income	4,861	(3,147)	18,190	79	5,325	69,489
Expenses	16,195	20,005	16,923	157	(400)	72,828
Net Credit Costs (Recoveries)	1,291	12,307	7,946	308	108	52,359
Segment Profit (loss)	¥ 4,676	¥ 6,020	¥ 2,126	¥ 303	¥ 5,320	¥ 30,478
Segment Assets	¥ 889,103	¥ 528,650	¥ 1,055,266	¥ 59,978	¥ 2,169	¥ 8,877,672
Segment Liabilities	¥ 5,097,388	¥ —	¥ —	¥ 50	¥ —	¥ 6,315,423
Includes						
Equity in net income of affiliates	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 1,021
Investment in affiliates	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 42,462
Excludes						
Goodwill (Negative Goodwill)						
Amortization	¥ —	¥ 2,777	¥ 474	¥ (0)	¥ —	¥ 4,384
Unamortized balance	—	17,445	4,624	(7)	—	53,513
Other intangible assets						
Amortization	¥ —	¥ 2,130	¥ —	¥ —	¥ —	¥ 2,480
Unamortized balance	—	18,136	—	—	—	22,768
Impairment losses on long-lived assets	¥ 219	¥ 690	¥ —	¥ —	¥ 233	¥ 1,144

The six months ended September 30, 2010	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 Institutional Group/Markets and Investment Banking group
Revenue	$ 68,450	$ 90,074	$ 92,258	$ 155,841	$ 228,306	$ 88,878	$ 23,994
Net Interest Income	62,353	(21,133)	105,713	42,448	54,404	(30,420)	4,771
Non-interest Income	6,097	111,207	(13,455)	113,393	173,902	119,298	19,223
Expenses	43,419	47,900	19,571	39,939	57,756	4,844	25,720
Net Credit Costs (Recoveries)	(20,648)	18,253	169,231	211,691	(16,292)	—	2,187
Segment Profit (loss)	$ 45,679	$ 23,921	$ (96,544)	$ (95,789)	$ 186,842	$ 84,034	$ (3,913)
Segment Assets	$ 22,704,136	$ 4,625,401	$ 10,691,466	$ 9,121,041	$ 4,932,103	$ 23,338,292	$ 627,654
Segment Liabilities	$ 11,673,401	$ —	$ 643,184	$ 264,642	$ —	$ 1,633,272	$ 387,892
Includes							
Equity in net income of affiliates	$ —	$ —	$ —	$ 13,396	$ —	$ —	$ (1,148)
Investment in affiliates	$ —	$ —	$ —	$ 446,052	$ —	$ —	$ 63,028
Excludes							
Goodwill (Negative Goodwill)							
Amortization	$ —	$ 13,578	$ —	$ —	$ —	$ —	$ —
Unamortized balance	—	377,053	—	—	—	—	—
Other intangible assets							
Amortization	$ —	$ 4,193	$ —	$ —	$ —	$ —	$ —
Unamortized balance	—	55,531	—	—	—	—	—
Impairment losses on long-lived assets	$ —	$ —	$ —	$ —	$ —	$ —	$ —

The six months ended September 30, 2010	Thousands of U.S. dollars — Individual Group: Retail Banking Sub-Group	Consumer Finance Sub-Group: Shinsei Financial	APLUS FINANCIAL	Other Individual Group	Corporate/ Other	Total
Revenue	$ 265,717	$ 459,586	$ 323,655	$ 9,230	$ 60,291	$ 1,866,280
Net Interest Income	207,430	497,325	105,564	8,276	(3,557)	1,033,174
Non-interest Income	58,287	(37,739)	218,091	954	63,848	833,106
Expenses	194,162	239,843	202,897	1,891	(4,801)	873,141
Net Credit Costs (Recoveries)	15,487	147,560	95,267	3,702	1,300	627,738
Segment Profit (loss)	$ 56,068	$ 72,183	$ 25,491	$ 3,637	$ 63,792	$ 365,401
Segment Assets	$ 10,659,432	$ 6,337,971	$ 12,651,560	$ 719,086	$ 26,008	$ 106,434,150
Segment Liabilities	$ 61,112,435	$ —	$ —	$ 603	$ —	$ 75,715,429
Includes						
Equity in net income of affiliates	$ —	$ —	$ —	$ —	$ —	$ 12,248
Investment in affiliates	$ —	$ —	$ —	$ —	$ —	$ 509,080
Excludes						
Goodwill (Negative Goodwill)						
Amortization	$ —	$ 33,302	$ 5,687	$ (3)	$ —	$ 52,564
Unamortized balance	—	209,159	55,448	(84)	—	641,576
Other intangible assets						
Amortization	$ —	$ 25,547	$ —	$ —	$ —	$ 29,740
Unamortized balance	—	217,441	—	—	—	272,972
Impairment losses on long-lived assets	$ 2,636	$ 8,283	$ —	$ —	$ 2,804	$ 13,723

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. "Revenue" represents income and related cost attributable to our core business.
(2) "Expenses" is 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 loans and bills discounted, securities, other monetary claims purchased, monetary assets held in trust, 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/losses on equity financing, allocation variance of indirect expense and elimination amount of inter-segment transactions.

4. RECONCILIATION BETWEEN SEGMENT INFORMATION AND INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(a) Reconciliation between total segment profit and income (loss) before income taxes and minority interests on the interim consolidated statement of operations for the six months ended September 30, 2010

The six months period September 30, 2010	Millions of yen	Thousands of U.S. dollars
Total segment profit	¥ 30,478	$ 365,401
Lump-sum payments	(1,241)	(14,887)
Amortization of goodwill and other intangible assets	(6,864)	(82,304)
Other gains (losses), net	6,676	80,050
Gain from the cancellation of issued corporate bonds and other instruments	(4,336)	(51,994)
Income (loss) before income taxes and minority interests	¥ 24,711	$ 296,266

(b) Reconciliation between total segment assets and total assets on the interim consolidated balance sheet as of September 30, 2010

As of September 30, 2010	Millions of yen	Thousands of U.S. dollars
Total segment assets	¥ 8,877,672	$ 106,434,150
Cash and due from banks	469,875	5,633,328
Call loans	31,526	377,964
Collateral related to securities borrowing transactions	33,352	399,862
Trading assets	246,955	2,960,739
Foreign exchanges	12,327	147,796
Other assets excluding installment receivables	857,101	10,275,759
Premises and equipment excluding tangible leased assets	33,937	406,878
Intangible assets excluding intangible leased assets	102,823	1,232,745
Deferred issuance expense for debentures	181	2,179
Deferred tax assets	16,496	197,780
Reserve for credit losses	(218,155)	(2,615,462)
Total assets	¥ 10,464,094	$ 125,453,718

(c) Reconciliation between total segment liabilities and total liabilities on the interim consolidated balance sheet as of September 30, 2010

As of September 30, 2010	Millions of yen	Thousands of U.S. dollars
Total segment liabilities	¥ 6,315,423	$ 75,715,429
Call money	160,494	1,924,165
Collateral related to securities lending transactions	140,806	1,688,131
Trading liabilities	196,999	2,361,825
Borrowed money	1,336,159	16,019,173
Foreign exchanges	46	560
Short-term corporate bonds	20,400	244,575
Corporate bonds	180,897	2,168,778
Other liabilities	830,551	9,957,452
Accrued employees’ bonuses	4,921	59,009
Accrued directors’ bonuses	29	357
Reserve for employees’ retirement benefits	7,423	89,001
Reserve for directors’ retirement benefits	252	3,031
Reserve for losses on interest repayments	46,777	560,810
Reserve under special law	3	43
Deferred tax liabilities	2,606	31,252
Acceptances and guarantees	606,101	7,266,531
Total liabilities	¥ 9,849,897	$ 118,090,122

(B) RELATED INFORMATION FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2010

1. INFORMATION BY SERVICES

Income regarding major services for the six months ended September 30, 2010 were as follows.

Six months ended September 30, 2010	Millions of yen	Thousands of U.S. dollars
Loan Businesses	¥ 96,641	$ 1,158,637
Lease Businesses	7,389	88,591
Securities Investment Businesses	27,437	328,949

2. GEOGRAPHICAL INFORMATION

(a) REVENUE

Revenue from external domestic customers exceeded 90% of total revenue on the interim consolidated statement of operations for the six months ended September 30, 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 in the interim consolidated balance sheet as of September 30, 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 in the interim consolidated statement of operations for the six months ended September 30, 2010, therefore major customer information is not presented.

Disclosures for segment information for the six months ended September 30, 2009 based on the previous accounting standard were as follows.

1. 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.

2. GEOGRAPHICAL SEGMENT INFORMATION

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

3. 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.

31. OFF-BALANCE SHEET LENDING-RELATED FINANCIAL INSTRUMENTS

CONSOLIDATED

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 ¥4,832,997 million (U.S.$57,942,659 thousand) and ¥5,839,578 million as of September 30, 2010 and 2009, out of which the amounts with original agreement terms of less than one year or which were cancelable were ¥4,661,939 million (U.S.$55,891,852 thousand) and ¥5,636,239 million as of September 30, 2010 and 2009, respectively. Since a large majority of these commitments expire without being drawn upon, the unfunded amounts do not necessarily represent future cash requirements. Many such agreements include conditions granting the Bank and 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.

32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSRES

CONSOLIDATED

On March 10, 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 accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010, therefore, the required information is disclosed only 2010.

Fair values of financial instruments as of September 30, 2010 were as follows:

	Millions of yen			Thousands of U.S. dollars		
	Carrying amount	Fair value	Unrealized gain (loss)	Carrying amount	Fair value	Unrealized gain (loss)
(1) Cash and due from banks	¥ 469,875	¥ 469,875	¥ —	$ 5,633,328	$ 5,633,328	$ —
(2) Call loans	31,526	31,526	—	377,964	377,964	—
(3) Collateral related to securities borrowing transactions	33,352	33,352	—	399,862	399,862	—
(4) Other monetary claims purchased						
Other monetary claims purchased held for trading purpose	120,699	120,699	—	1,447,067	1,447,067	—
Other[1]	56,745	56,972	227	680,316	683,040	2,724
(5) Trading assets						
Securities held for trading purpose	44,281	44,281	—	530,890	530,890	—
(6) Monetary assets held in trust[1]	278,520	281,259	2,738	3,339,170	3,372,007	32,837
(7) Securities						
Trading securities	2,408	2,408	—	28,878	28,878	—
Securities being held to maturity	413,042	422,271	9,228	4,951,957	5,062,596	110,639
Securities available for sale	2,099,079	2,099,079	—	25,165,802	25,165,802	—
Equity securities of affiliates	18,238	19,684	1,446	218,663	236,000	17,337
(8) Loans and bills discounted[2]	4,604,494			55,203,150		
Reserve for credit losses	(162,209)			(1,944,727)		
Net	4,442,285	4,631,669	189,384	53,258,423	55,528,949	2,270,526
(9) Lease receivables and leased investment assets[1]	199,784	202,792	3,007	2,395,213	2,431,275	36,062
(10) Other assets						
Installment receivables	347,798			4,169,740		
Deferred gains on installment receivables	(13,139)			(157,529)		
Reserve for credit losses	(10,930)			(131,049)		
Net	323,727	346,433	22,705	3,881,162	4,153,375	272,213
Total assets	¥ 8,533,568	¥ 8,762,306	¥ 228,738	$ 102,308,695	$ 105,051,033	$ 2,742,338
(1) Deposit, including negotiable certificates of deposit	¥ 5,890,175	¥ 5,946,794	¥ (56,619)	$ 70,617,136	$ 71,295,941	$ (678,804)
(2) Debentures	425,248	427,191	(1,943)	5,098,293	5,121,588	(23,295)
(3) Call money	160,494	160,494	—	1,924,165	1,924,165	—
(4) Collateral related to securities lending transactions	140,806	140,806	—	1,688,131	1,688,131	—
(5) Borrowed money	1,336,159	1,324,850	11,308	16,019,172	15,883,594	135,578
(6) Corporate bonds	180,897	165,284	15,613	2,168,778	1,981,586	187,192
Total liabilities	¥ 8,133,782	¥ 8,165,422	¥ (31,639)	$ 97,515,675	$ 97,895,005	$ (379,329)
Derivative instruments[3]						
Hedge accounting is not applied	¥ 9,924	¥ 9,924	¥ —	$ 118,983	$ 118,983	$ —
Hedge accounting is applied	(25,935)	(25,935)	—	(310,938)	(310,938)	—
Derivative instruments total	¥ (16,010)	¥ (16,010)	¥ —	$ (191,955)	$ (191,955)	$ —

	Contract amount	Fair value	Contract amount	Fair value
Other				
Guarantee contracts[4]	¥ 606,101	¥ (4,028)	$ 7,266,531	$ (48,300)

Notes: (1) Carrying amount of Other monetary claims purchased, Monetary assets held in trust, 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 ¥670,111 million (U.S.$8,033,947 thousand) held by consolidated subsidiaries included in Loans and bills discounted, reserve for losses on interest repayments of ¥46,777 million (U.S.$560,810 thousand) is recognized for possible losses arising from reimbursement of excess interest payments.
(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 contract presents the amount of "Acceptances and guarantees" on the interim consolidated balance sheet.

(Note 1) Valuation methodology for financial instruments

Assets

(1) Cash and due from banks

The carrying amounts of due from banks with no maturities approximate fair values because they have no maturity. For due from banks with maturities, the carrying amounts approximate fair values because most of them have short maturities of 6 months or less.

(2) Call loans and (3) Collateral related to securities borrowing transactions

The carrying amounts approximate fair values because most of these instruments have short maturities of 3 months or less.

(4) Other monetary claims purchased

The fair values are measured at the quoted price from third party, or determined using the discounted cash flow method.

(5) Trading assets

The fair values of securities held for trading purposes are measured at observable market prices or quoted price from third party.

(6) Monetary assets held in trust

The fair values are determined using the discounted cash flow method based on the characteristics of the components of the entrusted assets.

(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 price from third party, 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. 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 same borrowers with same terms except for interest rates at the interim consolidated balance sheet date. The fair values of consumer loans are determined by discounting expected cash flows that reflect expected loss at the rates that consist of the risk free rate and the rates of 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 as of the interim consolidated balance sheet date is a reasonable estimate of the fair values of those loans.

(9) Lease receivables and leased investment assets

The fair values of lease receivables and leased investment assets are primarily determined by discounting contractual cash flows at 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 of installment receivables are primarily determined by discounting expected cash flows that reflect the probability of prepayment at 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 date of the interim consolidated balance sheet. The carrying amounts of the deposits with maturity less than 6 months approximate fair values, because of their short term maturity. The fair values of time deposits are determined by discounting the contractual cash flows at the rates that would be applied for the new same contract at the interim balance sheet date.

(2) Debentures and (6) Corporate bonds

The fair values of marketable corporate bonds are measured at the quoted market price. 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 in the past 3 months of the interim 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.

(3) Call money and (4) Collateral related to securities lending transactions

The carrying amounts approximate fair values of Call money and Collateral related to securities lending transactions because most of these instruments are with short maturities of 3 months or less.

(5) 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 rate 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.

Derivative instruments

The fair values of derivative instruments are measured at market prices or determined using the discounted cash flow method or option pricing models.

Other

Guarantee contracts

The fair values of guarantee contracts are determined by discounting the amount of difference between the contractual cash flows and the expected cash flows that would be applied for the new same contract at the risk free rate.

(Note 2) Financial instruments whose fair values cannot be reliably determined

	Millions of yen	Thousands of U.S. dollars
As of September 30, 2010	Carrying amount	Carrying amount
Equity securities without readily available market price[(1)(2)]	**¥ 35,098**	**$ 420,797**
Investment in partnerships and others[(1)(2)]	**72,099**	**864,400**
Total	**¥ 107,198**	**$ 1,285,197**

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 value disclosure because fair values of those investments cannot be reliably determined.

(2) In the six months ended September 30, 2010, impairment loss on equity securities without readily available market price of ¥28 million (U.S.$340 thousand), and on investment in partnerships and others of ¥833 million (U.S.$9,993 thousand) were recognized, respectively.

(1) Derivatives transactions to which hedge accounting was not applied

The fair value of derivatives on the interim consolidated balance sheets as of September 30, 2010 and 2009 are adjusted for credit risk by reducing ¥1,477 million (U.S.$17,709 thousand) and ¥1,683 million, respectively, and also adjusted for liquidity risk by reducing ¥3,040 million (U.S.$36,456 thousand) and ¥3,455 million, respectively.

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

(A) INTEREST RATE-RELATED TRANSACTIONS

Interest rate-related transactions as of September 30, 2010 and 2009 were as follows:

	Millions of yen				Thousands of U.S. dollars			
	2010				2010			
	Contract/Notional principal				Contract/Notional principal			
As of September 30,	Total	Maturity over one year	Fair value	Unrealized gain (loss)	Total	Maturity over one year	Fair value	Unrealized gain (loss)
Futures contracts (listed):								
Sold	¥ 19,621	¥ 4,842	¥ (50)	¥ (50)	$ 235,245	$ 58,052	$ (604)	$ (604)
Bought	4,909	405	(12)	(12)	58,854	4,867	(155)	(155)
Interest rate swaps (over-the-counter):								
Receive fixed and pay floating	3,896,154	3,153,190	104,698	104,698	46,710,877	37,803,507	1,255,221	1,255,221
Receive floating and pay fixed	3,045,819	2,317,850	(66,365)	(66,365)	36,516,235	27,788,639	(795,654)	(795,654)
Receive floating and pay floating	713,483	536,370	1,600	1,600	8,553,932	6,430,530	19,193	19,193
Interest rate swaptions (over-the-counter):								
Sold	799,837	506,302	(36,787)	(13,393)	9,589,225	6,070,042	(441,042)	(160,571)
Bought	1,212,487	1,058,954	7,492	(6,147)	14,536,476	12,695,773	89,823	(73,700)
Interest rate options (over-the-counter):								
Sold	94,161	64,961	(312)	333	1,128,900	778,822	(3,745)	3,996
Bought	128,361	56,161	13	(1,007)	1,538,923	673,319	163	(12,083)
Total			¥ 10,276	¥ 19,654			$ 123,200	$ 235,643

	Millions of yen		
	2009		
As of September 30,	Contract/Notional principal	Fair value	Unrealized gain (loss)
Future contracts (listed):	¥ 70,206	¥ (93)	¥ (93)
Interest rate options (listed):	26,078	5	(24)
Interest rate swaps (over-the-counter):	11,759,750	57,365	57,365
Interest rate swaptions (over-the-counter):	3,703,069	(46,373)	(36,778)
Interest rate options (over-the-counter):	252,176	(231)	(422)
Total		¥ 10,673	¥ 20,046

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 at the interim consolidated balance sheet date. The fair values of over-the-counter transactions are calculated primarily using the discounted cash flow method or option pricing models.

(B) CURRENCY-RELATED TRANSACTIONS

Currency-related transactions as of September 30, 2010 and 2009 were as follows:

	Millions of yen				Thousands of U.S. dollars			
	2010				**2010**			
	Contract/Notional principal				Contract/Notional principal			
As of September 30,	Total	Maturity over one year	Fair value	Unrealized gain (loss)	Total	Maturity over one year	Fair value	Unrealized gain (loss)
Currency swaps (over-the-counter)	**¥ 594,660**	**¥ 444,529**	**¥ (7,326)**	**¥ (7,326)**	**$ 7,129,366**	**$ 5,329,447**	**$ (87,832)**	**$ (87,832)**
Forward foreign exchange contracts (over-the-counter):								
Sold	**1,259,129**	**399,822**	**100,391**	**100,391**	**15,095,665**	**4,793,456**	**1,203,590**	**1,203,590**
Bought	**1,256,600**	**524,525**	**(87,978)**	**(87,978)**	**15,065,343**	**6,288,523**	**(1,054,776)**	**(1,054,776)**
Currency options (over-the-counter):								
Sold	**5,734,458**	**3,105,699**	**(132,798)**	**4,633**	**68,750,247**	**37,234,142**	**(1,592,119)**	**55,555**
Bought	**6,003,131**	**3,190,948**	**116,356**	**13,483**	**71,971,368**	**38,256,190**	**1,394,998**	**161,647**
Total			**¥ (11,355)**	**¥ 23,203**			**$ (136,139)**	**$ 278,184**

	Millions of yen		
	2009		
As of September 30,	Contract/Notional principal	Fair value	Unrealized gain (loss)
Currency swaps (over-the-counter):	¥ 1,358,115	¥ (38,054)	¥ (38,054)
Forward foreign exchange contracts (over-the-counter):	2,997,295	18,838	18,838
Currency options(over-the-counter):	13,498,351	2,248	26,217
Total		¥ (16,967)	¥ 7,000

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 using the discounted cash flow method or option pricing models.

(C) EQUITY-RELATED TRANACTIONS

Equity-related transactions as of September 30, 2010 and 2009 were as follows:

	Millions of yen				Thousands of U.S. dollars			
	2010				2010			
	Contract/Notional principal				Contract/Notional principal			
As of September 30,	Total	Maturity over one year	Fair value	Unrealized gain (loss)	Total	Maturity over one year	Fair value	Unrealized gain (loss)
Equity index futures (listed):								
Sold	¥ 1,378	¥ —	¥ 19	¥ 19	$ 16,532	$ —	$ 229	$ 229
Bought	3,192	—	(103)	(103)	38,280	—	(1,245)	(1,245)
Equity index options (listed):								
Sold	136,860	66,960	(6,534)	(6,526)	1,640,816	802,787	(78,336)	(78,240)
Bought	129,708	67,430	8,779	8,766	1,555,065	808,422	105,254	105,098
Equity options (over-the-counter):								
Sold	230,993	138,618	(17,530)	(2,205)	2,769,378	1,661,897	(210,178)	(26,447)
Bought	243,619	142,853	19,648	1,179	2,920,751	1,712,670	235,564	14,135
Equity index swaps (over-the-counter):								
Receive floating and pay index	1,000	1,000	14	14	11,989	11,989	171	171
Other (over-the-counter):								
Sold	22,900	22,900	(4,713)	(4,652)	274,547	274,547	(56,512)	(55,777)
Bought	159,980	151,570	14,953	14,930	1,918,006	1,817,171	179,275	179,005
Total			¥ 14,531	¥ 11,421			$ 174,222	$ 136,929

	Millions of yen		
	2009		
As of September 30,	Contract/Notional principal	Fair value	Unrealized gain (loss)
Equity index futures (listed):	¥ 24,019	¥ (473)	¥ (473)
Equity index options (listed):	151,191	5,820	5,394
Equity options (over-the-counter):	124,626	6,158	2,584
Equity index swaps (over-the-counter):	1,000	68	68
Other (over-the-counter):	191,678	16,909	16,886
Total		¥ 28,484	¥ 24,460

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 at the interim consolidated balance sheet date. The fair values of over-the-counter transactions are calculated primarily using the discounted cash flow method or option pricing model.

(D) BOND-RELATED TRANSACTIONS

Bond-related transactions as of September 30, 2010 and 2009 were as follows:

	Millions of yen				Thousands of U.S. dollars			
	2010				2010			
	Contract/Notional principal				Contract/Notional principal			
As of September 30,	Total	Maturity over one year	Fair value	Unrealized gain (loss)	Total	Maturity over one year	Fair value	Unrealized gain (loss)
Bond futures (listed):								
Sold	¥ 2,137	¥ —	¥ (14)	¥ (14)	$ 25,622	$ —	$ (170)	$ (170)

	Millions of yen		
	2009		
As of September 30,	Contract/Notional principal	Fair value	Unrealized gain (loss)
Bond futures (listed):	¥ 13,704	¥ 8	¥ 8

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 at the interim consolidated balance sheet date.

(E) CREDIT DERIVATIVES TRANSACTIONS

Credit derivatives transactions as of September 30, 2010 and 2009 were as follows:

	Millions of yen				Thousands of U.S. dollars			
	2010				2010			
	Contract/Notional principal				Contract/Notional principal			
As of September 30,	Total	Maturity over one year	Fair value	Unrealized gain (loss)	Total	Maturity over one year	Fair value	Unrealized gain (loss)
Credit default option (over-the-counter):								
Sold	¥ 874,632	¥ 673,566	¥ (5,422)	¥ (5,422)	$ 10,485,943	$ 8,075,363	$ (65,016)	$ (65,016)
Bought	866,203	622,052	6,426	6,426	10,384,887	7,457,763	77,051	77,051
Total			¥ 1,003	¥ 1,003			$ 12,035	$ 12,035

	Millions of yen		
	2009		
As of September 30,	Contract/Notional principal	Fair value	Unrealized gain (loss)
Credit default option (over-the-counter):	¥ 2,335,381	¥ 11,599	¥ 11,599

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 using the discounted cash flow method or other models.

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

(2) Derivatives transactions to which hedge accounting was applied

As described in Note 32 "FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES," the revised accounting standard and the guideline are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010 therefore, the required information is disclosed only for 2010.

(A) INTEREST RATE RELATED TRANSACTIONS

Interest rate swaps which are accounted for using the deferral method as of September 30, 2010 were as follows:

	Millions of yen			Thousands of U.S. dollars		
	2010			2010		
	Contractual/Notional principal			Contractual/Notional principal		
As of September 30,	Total	Maturity over one year	Fair value	Total	Maturity over one year	Fair value
Interest rate swaps :						
Receive fixed and pay floating	¥ 413,125	¥ 266,900	¥ 22,926	$ 4,952,952	$ 3,199,857	$ 274,869
Receive floating and pay fixed	406,551	345,178	(18,464)	4,874,133	4,138,337	(221,376)
Total			¥ 4,461			$ 53,493

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 the deferral method in accordance with Industry Audit Committee Report No. 24 of the JICPA.

(3) The fair values are calculated primarily using the discounted cash flow method.

Interest rate swaps which meet specific matching criteria as of September 30, 2010 were as follows:

	Millions of yen			Thousands of U.S. dollars		
	2010			2010		
	Contractual/Notional principal			Contractual/Notional principal		
As of September 30,	Total	Maturity over one year	Fair value	Total	Maturity over one year	Fair value
Interest rate swaps :						
Receive floating and pay fixed	¥ 48,350	¥ 28,750	¥ —	$ 579,667	$ 344,683	$ —

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 swaps is included in the fair value of borrowed money in the fair value information shown in Note 32 "FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES."

33. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED) CONSOLIDATED

(B) CURRENCY-RELATED TRANSACTIONS

Currency-related transactions as of September 30, 2010 were as follows:

	Millions of yen			Thousands of U.S. dollars		
	2010			2010		
	Contractual/Notional principal			Contractual/Notional principal		
As of September 30,	Total	Maturity over one year	Fair value	Total	Maturity over one year	Fair value
Currency swaps	**¥ 612,647**	**¥ 275,031**	**¥ (30,397)**	**$ 7,345,014**	**$ 3,297,347**	**$ (364,431)**

Notes:

(1) Most of hedged items are foreign currency denominated loans and bills discounted, securities, deposits and foreign exchange.

(2) Currency swap transactions are primarily accounted for using the deferral method in accordance with Industry Audit Committee Report No. 25 of the JICPA.

(3) The fair values are calculated primarily using the discounted cash flow method.

34. NET INCOME (LOSS) PER COMMON SHARE CONSOLIDATED

Diluted net income per share for the six months ended September 30, 2010 and 2009 are not disclosed because there is no effect from dilutive securities.

Basic net income (loss) per common share ("EPS") for the six months ended September 30, 2010 and 2009 is as follows:

	Net income (loss) (Millions of yen)	Weighted average shares (Thousands)	EPS (Yen)	EPS (U.S. dollars)
For the six months ended September 30, 2010:				
Basic EPS				
Net income (loss) available to common shareholders	**¥ 16,883**	**1,963,919**	**¥ 8.59**	**$ 0.10**
For the six months ended September 30, 2009:				
Basic EPS				
Net income (loss) available to common shareholders	¥ 11,062	1,963,919	¥ 5.63	

INTERIM NON-CONSOLIDATED BALANCE SHEETS (UNAUDITED)

Shinsei Bank, Limited
As of September 30, 2010 and 2009, and March 31, 2010

	Millions of yen			Thousands of U.S. dollars (Note)
	Sept. 30, 2010	Sept. 30, 2009	Mar. 31, 2010	Sept. 30, 2010
ASSETS				
Cash and due from banks	¥ 343,621	¥ 307,591	¥ 310,022	$ 4,119,663
Call loans	31,526	19,569	19,129	377,964
Collateral related to securities borrowing transactions	5,854	4,125	2,801	70,188
Other monetary claims purchased	495,599	528,645	621,271	5,941,730
Trading assets	213,588	232,365	211,020	2,560,709
Monetary assets held in trust	412,830	544,966	463,467	4,949,415
Securities	3,089,106	3,729,688	3,674,523	37,035,200
Valuation allowance for investments	(3,370)	(3,370)	(3,370)	(40,411)
Loans and bills discounted	4,176,902	4,922,887	4,732,858	50,076,761
Foreign exchanges	12,327	12,775	10,976	147,796
Accounts receivable	578,549	—	—	6,936,210
Other assets	408,706	792,171	506,855	4,899,970
Premises and equipment	14,874	18,059	17,890	178,329
Intangible assets	10,654	12,753	11,891	127,742
Deferred issuance expenses for debentures	181	166	176	2,179
Deferred tax assets	—	413	—	—
Customers' liabilities for acceptances and guarantees	13,828	8,497	11,266	165,789
Reserve for credit losses	(121,934)	(107,569)	(102,213)	(1,461,869)
Total assets	¥ 9,682,847	¥ 11,023,737	¥ 10,488,567	$ 116,087,365
LIABILITIES AND EQUITY				
Liabilities:				
Deposits, including negotiable certificates of deposit	¥ 6,260,011	¥ 7,459,160	¥ 6,824,464	$ 75,051,090
Debentures	429,048	528,260	487,513	5,143,851
Call money	160,494	100,469	310,487	1,924,165
Payables under repurchase agreements	—	156,382	8,430	—
Collateral related to securities lending transactions	112,204	764,367	548,479	1,345,215
Trading liabilities	174,084	188,817	176,668	2,087,099
Borrowed money	1,065,979	336,148	811,100	12,780,001
Foreign exchanges	227	207	222	2,730
Corporate bonds	313,026	354,650	342,518	3,752,870
Other liabilities	591,274	496,047	392,414	7,088,774
Accrued employees' bonuses	2,389	3,743	5,423	28,642
Reserve for employees' retirement benefits	—	1	—	—
Reserve for losses on disposal of premises and equipment	—	6,829	7,011	—
Reserve for losses on litigation	—	3,662	5,873	—
Deferred tax liability	6,417	—	745	76,934
Acceptances and guarantees	13,828	8,497	11,266	165,789
Total liabilities	9,128,987	10,407,246	9,932,620	109,447,160
Equity:				
Common stock	476,296	476,296	476,296	5,710,310
Capital surplus	43,558	43,558	43,558	522,220
Stock acquisition rights	1,611	1,580	1,672	19,320
Retained earnings:				
Legal reserve	11,035	11,035	11,035	132,307
Unappropriated retained earnings	105,088	152,021	95,773	1,259,902
Unrealized gain (loss) on available-for-sale securities	(9,402)	3,337	361	(112,730)
Deferred gain (loss) on derivatives under hedge accounting	(1,769)	1,219	(192)	(21,218)
Treasury stock, at cost	(72,558)	(72,558)	(72,558)	(869,906)
Total equity	553,859	616,491	555,947	6,640,205
Total liabilities and equity	¥ 9,682,847	¥ 11,023,737	¥ 10,488,567	$ 116,087,365

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥83.41=U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2010.

INTERIM NON-CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

Shinsei Bank, Limited
For the six months ended September 30, 2010 and 2009, and the fiscal year ended March 31, 2010

	Millions of yen			Thousands of U.S. dollars (Note)
	Sept. 30, 2010 (6 months)	Sept. 30, 2009 (6 months)	Mar. 31, 2010 (1 year)	**Sept. 30, 2010 (6 months)**
Interest income:				
Interest on loans and bills discounted	**¥ 38,226**	¥ 42,772	¥ 86,578	**$ 458,296**
Interest and dividends on securities	**20,513**	16,767	51,251	**245,939**
Interest on deposits with banks	**83**	27	66	**1,000**
Other interest income	**6,016**	8,617	15,154	**72,133**
Total interest income	**64,840**	68,184	153,051	**777,368**
Interest expenses:				
Interest on deposits, including negotiable certificates of deposit	**18,612**	28,778	53,037	**223,142**
Interest and discounts on debentures	**1,360**	2,290	3,880	**16,316**
Interest on other borrowings	**1,163**	1,987	3,240	**13,951**
Interest on corporate bonds	**6,871**	8,222	16,472	**82,386**
Other interest expenses	**224**	929	1,287	**2,688**
Total interest expenses	**28,232**	42,208	77,918	**338,483**
Net interest income	**36,607**	25,976	75,132	**438,885**
Fees and commissions income	**7,092**	7,948	16,937	**85,027**
Fees and commissions expenses	**5,402**	4,945	9,843	**64,766**
Net fees and commissions	**1,689**	3,003	7,093	**20,261**
Net trading income (loss)	**5,481**	3,541	7,706	**65,717**
Other business income (loss), net:				
Net gain (loss) on monetary assets held in trust, net	**8,895**	2,568	(15,972)	**106,642**
Net gain (loss) on foreign exchanges	**533**	2,907	4,389	**6,391**
Net gain (loss) on securities	**15,325**	13,278	3,867	**183,739**
Net gain (loss) on other monetary claims purchased	**209**	(289)	(185)	**2,506**
Other, net	**92**	(991)	(891)	**1,108**
Net other business income (loss)	**25,055**	17,473	(8,793)	**300,386**
Total revenue (loss)	**68,833**	49,995	81,139	**825,249**
General and administrative expenses:				
Personnel expenses	**11,151**	13,912	25,549	**133,691**
Premises expenses	**4,742**	5,022	9,968	**56,859**
Technology and data processing expenses	**4,360**	4,940	9,799	**52,279**
Advertising expenses	**539**	928	1,600	**6,469**
Consumption and property taxes	**1,499**	1,771	3,420	**17,975**
Deposit insurance premium	**2,726**	2,193	4,386	**32,682**
Other general and administrative expenses	**6,244**	7,294	15,055	**74,865**
Total general and administrative expenses	**31,263**	36,063	69,780	**374,820**
Net business profit (loss)	**37,570**	13,932	11,358	**450,429**
Net credit costs	**31,325**	8,462	52,638	**375,561**
Other gains (losses), net	**4,524**	8,082	1,969	**54,250**
Income (loss) before income taxes	**10,769**	13,551	(39,309)	**129,118**
Income taxes (benefit):				
Current	**(365)**	257	(34)	**(4,376)**
Deferred	**1,820**	4,691	8,369	**21,820**
Net income (loss)	**¥ 9,314**	¥ 8,603	¥ (47,644)	**$ 111,674**

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥83.41=U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2010.

INTERIM NON-CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

Shinsei Bank, Limited
For the six months ended September 30, 2010 and 2009, and the fiscal year ended March 31, 2010

	Millions of yen			Thousands of U.S. dollars (Note)
	Sept. 30, 2010 (6 months)	Sept. 30, 2009 (6 months)	Mar. 31, 2010 (1 year)	**Sept. 30, 2010 (6 months)**
Common stock:				
Balance at beginning of period	**¥ 476,296**	¥ 476,296	¥ 476,296	**$ 5,710,310**
Balance at end of period	**476,296**	476,296	476,296	**5,710,310**
Capital surplus:				
Balance at beginning of period	**43,558**	43,558	43,558	**522,220**
Balance at end of period	**43,558**	43,558	43,558	**522,220**
Stock acquisition rights:				
Balance at beginning of period	**1,672**	1,808	1,808	**20,049**
Net change during the period	**(60)**	(227)	(135)	**(729)**
Balance at end of period	**1,611**	1,580	1,672	**19,320**
Retained earnings:				
Legal reserve:				
Balance at beginning of period	**11,035**	11,035	11,035	**132,307**
Balance at end of period	**11,035**	11,035	11,035	**132,307**
Unappropriated retained earnings:				
Balance at beginning of period	**95,773**	143,418	143,418	**1,148,228**
Net income (loss)	**9,314**	8,603	(47,644)	**111,674**
Balance at end of period	**105,088**	152,021	95,773	**1,259,902**
Unrealized gain (loss) on available-for-sale securities:				
Balance at beginning of period	**361**	(38,049)	(38,049)	**4,336**
Net change during the period	**(9,764)**	41,387	38,411	**(117,066)**
Balance at end of period	**(9,402)**	3,337	361	**(112,730)**
Deferred gain (loss) on derivatives under hedge accounting:				
Balance at beginning of period	**(192)**	(672)	(672)	**(2,312)**
Net change during the period	**(1,576)**	1,892	479	**(18,906)**
Balance at end of period	**(1,769)**	1,219	(192)	**(21,218)**
Treasury stock, at cost:				
Balance at beginning of period	**(72,558)**	(72,558)	(72,558)	**(869,906)**
Purchase of treasury stock	**—**	(0)	(0)	**—**
Balance at end of period	**(72,558)**	(72,558)	(72,558)	**(869,906)**
Total equity	**¥ 553,859**	¥ 616,491	¥ 555,947	**$ 6,640,205**

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥83.41=U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2010.

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.

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 85 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 46 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

	As of September 30, 2010		As of March 31, 2010	
	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
Shinsei housing loans	¥ 26,661	¥ 26,661	¥ 31,296	¥ 31,296
Subsidiaries of APLUS FINANCIAL[1]	39	—	41	—
Subsidiaries of Showa Leasing	1,252	—	1,403	—
Shinsei Financial Group	38,467	—	42,557	—
Other subsidiaries	6,265	—	5,858	—

Note: 1. APLUS, APLUS PERSONAL LOAN and Zen-Nichi Shinpan which are subsidiaries of APLUS FINANCIAL adopt FIRB.

(2) Portfolios under the Internal Ratings-Based Approach (IRB)

Millions of yen

	As of September 30, 2010		As of March 31, 2010	
	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
Corporate (Excluding Specialized Lending)[1]	¥ 193,480	¥ 199,086	¥ 204,804	¥ 215,386
Specialized Lending[2]	278,173	276,504	264,724	262,960
Sovereign	8,592	8,560	8,298	8,265
Bank	15,972	14,487	18,395	16,732
Residential mortgages	3,565	—	3,564	—
Qualified revolving retails	62,697	—	65,054	—
Other retails	150,561	—	155,580	—
Equity	29,884	161,711	25,378	157,068
Regarded (Fund)	27,058	20,408	30,195	22,958
Securitization[3]	56,836	66,544	68,578	74,775
(Unrated securitization exposure)	(33,294)	(33,242)	(32,779)	(32,684)
Purchase receivables	79,381	79,381	98,803	98,803
Other assets	6,563	2,387	6,689	2,707
Total	¥ 912,767	¥ 829,071	¥ 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 September 30, 2010		As of March 31, 2010	
	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
Market-Based Approach				
Simplified Method	**¥ 23,464**	**¥ 26,376**	¥ 18,181	¥ 21,724
PD/LGD Method	**5,699**	**133,706**	6,410	133,688
Grandfathering Rule	**720**	**1,628**	786	1,656
Total	**¥ 29,884**	**¥ 161,711**	¥ 25,378	¥ 157,068

AMOUNT OF REQUIRED CAPITAL FOR REGARDED-METHOD EXPOSURE UNDER IRB

Millions of yen

	As of September 30, 2010		As of March 31, 2010	
	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
Look Through	**¥ 2,792**	**¥ 2,792**	¥ 3,363	¥ 3,363
Revised Naivete Majority	**21,488**	**13,903**	23,400	14,921
Simplified [400%]	**1,761**	**2,968**	2,119	3,575
Simplified [1,250%]	**1,015**	**743**	1,311	1,097
Total	**¥ 27,058**	**¥ 20,408**	¥ 30,195	¥ 22,958

AMOUNT OF REQUIRED CAPITAL FOR MARKET RISK

Millions of yen

	As of September 30, 2010		As of March 31, 2010	
	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
The Standardized Approach				
(Specific Risk)	**¥ 6,089**	**¥ 5,637**	¥ 7,212	¥ 6,804
Interest rate risk	**4,520**	**4,081**	5,243	4,889
Equity position risk	**6**	**6**	12	11
FX risk	**1,563**	**1,549**	1,956	1,903
The Standardized Approach (General Market Risk)	**—**	**—**	—	—
The Internal Models Approach (IMA) (General Market Risk)	**7,209**	**7,003**	5,932	5,728

AMOUNT OF REQUIRED CAPITAL FOR OPERATIONAL RISK

Millions of yen

	As of September 30, 2010		As of March 31, 2010	
	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
The Standardized Approach	**¥ 41,795**	**¥ 13,262**	¥ 46,036	¥ 14,217

TOTAL CAPITAL ADEQUACY RATIO AND TIER I CAPITAL RATIO

	As of September 30, 2010		As of March 31, 2010	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Total capital adequacy ratio	**8.94%**	**11.97%**	8.35%	11.44%
Tier I capital ratio	**6.97%**	**9.61%**	6.35%	9.04%

TOTAL REQUIRED CAPITAL (DOMESTIC CRITERIA)

Millions of yen

	As of September 30, 2010		As of March 31, 2010	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Total required capital	**¥ 514,047**	**¥ 410,232**	¥ 550,801	¥ 434,058
Total risk assets x 4%	**¥ 287,233**	**¥ 273,131**	¥ 308,884	¥ 289,672

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

AMOUNT OF CREDIT RISK EXPOSURE

Geographic, Industries or Maturity (Consolidated)

Millions of yen

	As of September 30, 2010				As of March 31, 2010			
	Total	Amount of Credit Risk Exposure			Total	Amount of Credit Risk Exposure		
		Loans,etc.[1]	Securities[2]	Derivatives[3]		Loans,etc.[1]	Securities[2]	Derivatives[3]
Manufacturing	¥ 399,405	¥ 394,886	¥ 0	¥ 4,519	¥ 403,154	¥ 395,550	¥ —	¥ 3,935
Agriculture	2,862	2,862	—	—	3,028	3,028	—	—
Mining	3,009	3,009	—	—	3,677	3,677	—	—
Construction	26,287	26,251	36	—	28,627	28,590	36	—
Electric power, gas, water supply	37,892	37,812	35	44	46,967	46,878	35	53
Information and communication	36,843	36,842	—	1	39,595	39,595	—	—
Transportation	302,254	265,354	12,401	24,498	293,660	269,572	4,030	20,057
Wholesale and retail	168,237	167,799	—	437	185,299	184,881	—	417
Finance and insurance	1,124,796	1,017,476	53,219	54,100	1,230,819	1,144,231	54,011	32,576
Real estate	1,044,692	712,258	329,393	3,039	1,185,290	891,158	290,498	3,633
Services	509,261	480,357	26,119	2,784	481,540	450,345	27,561	3,633
Government	1,921,514	141,651	1,779,862	—	2,512,322	148,930	2,363,391	—
Individuals	2,564,889	2,564,175	—	713	2,807,124	2,806,521	—	602
Others	20,650	2,097	18,552	—	6,142	2,409	3,732	—
Domestic Total	8,162,598	5,852,836	2,219,622	90,139	9,227,249	6,415,373	2,746,966	64,909
Foreign	816,557	297,946	253,882	264,728	845,171	322,674	224,160	298,335
Consolidated Total	¥ 8,979,155	¥ 6,150,783	¥ 2,473,504	¥ 354,868	¥ 10,072,421	¥ 6,738,048	¥ 2,971,127	¥ 363,245
To 1 year	2,425,945	1,570,266	793,270	62,409	2,144,783	1,770,529	306,332	67,921
1 to 3 years	2,748,269	1,470,867	1,115,406	161,996	3,575,676	1,621,216	1,800,557	153,902
3 to 5 years	1,482,491	1,063,742	364,028	54,720	1,929,382	1,152,899	712,365	64,117
Over 5 years	1,515,716	1,259,058	180,915	75,742	1,553,625	1,333,742	142,579	77,303
Undated	806,732	786,848	19,884	—	868,953	859,661	9,291	—
Consolidated Total	¥ 8,979,155	¥ 6,150,783	¥ 2,473,504	¥ 354,868	¥ 10,072,421	¥ 6,738,048	¥ 2,971,127	¥ 363,245

Geographic, Industries or Maturity (Non-consolidated)

Millions of yen

	As of September 30, 2010				As of March 31, 2010			
	Total	Amount of Credit Risk Exposure			Total	Amount of Credit Risk Exposure		
		Loans,etc.[1]	Securities[2]	Derivatives[3]		Loans,etc.[1]	Securities[2]	Derivatives[3]
Manufacturing	¥ 319,043	¥ 314,523	¥ 0	¥ 4,519	¥ 317,221	¥ 309,617	¥ —	¥ 3,935
Agriculture	2,400	2,400	—	—	2,500	2,500	—	—
Mining	2,569	2,569	—	—	3,090	3,090	—	—
Construction	5,024	5,024	—	—	7,563	7,563	—	—
Electric power, gas, water supply	37,682	37,602	35	44	46,758	46,670	35	53
Information and communication	20,439	20,437	—	1	20,557	20,557	—	—
Transportation	284,395	247,494	12,401	24,498	275,914	251,826	4,030	20,057
Wholesale and retail	106,556	106,119	—	437	117,168	116,750	—	417
Finance and insurance	1,454,885	1,361,370	60,752	32,762	1,624,860	1,528,434	54,011	42,415
Real estate	1,018,904	686,471	329,393	3,039	1,158,772	864,640	290,498	3,633
Services	457,482	428,443	26,223	2,815	431,391	399,575	27,665	4,150
Government	1,911,157	131,330	1,779,827	—	2,501,521	138,165	2,363,356	—
Individuals	746,339	745,626	—	713	884,632	884,029	—	602
Others	—	—	—	—	—	—	—	—
Domestic Total	6,366,881	4,089,413	2,208,634	68,833	7,391,953	4,573,421	2,743,266	75,265
Foreign	825,671	291,611	269,058	265,000	857,346	316,387	241,539	299,419
Bank Total	¥ 7,192,552	¥ 4,381,025	¥ 2,477,693	¥ 333,834	¥ 8,249,299	¥ 4,889,808	¥ 2,984,806	¥ 374,685
To 1 year	2,489,203	1,632,966	793,495	62,741	2,261,047	1,880,339	306,558	74,149
1 to 3 years	2,202,252	938,649	1,115,406	148,196	3,013,788	1,056,547	1,800,557	156,684
3 to 5 years	1,082,493	670,197	364,028	48,267	1,529,402	750,665	712,365	66,371
Over 5 years	1,269,350	998,630	196,091	74,628	1,317,201	1,079,762	159,958	77,480
Undated	149,253	140,581	8,671	—	127,858	122,492	5,366	—
Bank Total	¥ 7,192,552	¥ 4,381,025	¥ 2,477,693	¥ 333,834	¥ 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

AMOUNT OF DEFAULT EXPOSURE BEFORE PARTIAL WRITE-OFF

Geographic, Industries

Millions of yen

	As of September 30, 2010		As of March 31, 2010	
	Default Exposure		Default Exposure	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Manufacturing	**¥ 14,584**	**¥ 11,356**	¥ 4,905	¥ 1,578
Agriculture	**63**	**—**	68	—
Mining	**—**	**—**	31	—
Construction	**833**	**11**	853	11
Electric power, gas, water supply	**—**	**—**	1	—
Information and communication	**1,785**	**546**	1,761	564
Transportation	**18,581**	**18,277**	19,679	19,217
Wholesale and retail	**961**	**39**	1,101	39
Finance and insurance	**49,310**	**48,937**	50,967	50,876
Real estate	**300,711**	**290,684**	311,791	300,549
Services	**7,761**	**4,195**	6,893	2,879
Government	**—**	**—**	—	—
Individuals	**174,343**	**9,208**	174,847	7,355
Others	**468**	**—**	3,948	2,227
Domestic Total	**569,405**	**383,258**	576,851	385,301
Foreign	**41,989**	**44,434**	37,799	40,531
Total	**¥ 611,394**	**¥ 427,692**	¥ 614,650	¥ 425,832

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

Consolidated

Millions of yen

	As of September 30, 2010			As of March 31, 2010			As of September 30, 2009		
	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount
General	**¥ 112,064**	**¥ 19,235**	**¥ 131,299**	¥ 105,619	¥ 6,445	¥ 112,064	¥ 105,619	¥ 22,304	¥ 127,923
Specific	**282,080**	**7,430**	**289,510**	261,108	20,972	282,080	261,108	(9,186)	251,922
Country	**13**	**(1)**	**12**	14	(1)	13	14	(1)	13
Total	**¥ 394,157**	**¥ 26,664**	**¥ 420,823**	¥ 366,741	¥ 27,416	¥ 394,157	¥ 366,741	¥ 13,119	¥ 379,860

Non-consolidated

Millions of yen

	As of September 30, 2010			As of March 31, 2010			As of September 30, 2009		
	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount
General	**¥ 50,677**	**¥ 11,528**	**¥ 62,205**	¥ 65,544	¥ (14,867)	¥ 50,677	¥ 65,544	¥ (1,833)	¥ 63,711
Specific	**148,323**	**8,700**	**157,023**	124,696	23,627	148,323	124,696	(16,191)	108,505
Country	**13**	**(1)**	**12**	14	(1)	13	14	(1)	13
Total	**¥ 199,013**	**¥ 20,229**	**¥ 219,242**	¥ 190,255	¥ 8,759	¥ 199,013	¥ 190,255	¥ (18,025)	¥ 172,230

Geographic (Consolidated)

Millions of yen

	As of September 30, 2010				As of March 31, 2010				As of September 30, 2009			
	Total	Reserve Amount			Total	Reserve Amount			Total	Reserve Amount		
		General	Specific	Country		General	Specific	Country		General	Specific	Country
Domestic	**¥ 375,700**	**¥ 121,975**	**¥ 253,725**	**¥ —**	¥ 342,156	¥ 94,550	¥ 247,606	¥ —	¥ 324,627	¥ 109,199	¥ 215,428	¥ —
Foreign	**45,122**	**9,324**	**35,785**	**12**	52,000	17,513	34,474	13	55,232	18,724	36,494	13
Total	**¥ 420,823**	**¥ 131,299**	**¥ 289,510**	**¥ 12**	¥ 394,157	¥ 112,064	¥ 282,080	¥ 13	¥ 379,860	¥ 127,923	¥ 251,922	¥ 13

Geographic (Non-consolidated)

Millions of yen

	As of September 30, 2010				As of March 31, 2010				As of September 30, 2009			
	Total	Reserve Amount			Total	Reserve Amount			Total	Reserve Amount		
		General	Specific	Country		General	Specific	Country		General	Specific	Country
Domestic	**¥ 174,602**	**¥ 53,363**	**¥ 121,238**	**¥ —**	¥ 147,210	¥ 33,361	¥ 113,848	¥ —	¥ 117,192	¥ 45,181	¥ 72,010	¥ —
Foreign	**44,639**	**8,841**	**35,785**	**12**	51,803	17,316	34,474	13	55,037	18,529	36,494	13
Total	**¥ 219,242**	**¥ 62,205**	**¥ 157,023**	**¥ 12**	¥ 199,013	¥ 50,677	¥ 148,323	¥ 13	¥ 172,230	¥ 63,711	¥ 108,505	¥ 13

QUANTITATIVE DISCLOSURE (CONTINUED)

Industries

Millions of yen

	As of September 30, 2010		As of March 31, 2010		As of September 30, 2009	
	Reserve Amount		Reserve Amount		Reserve Amount	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Manufacturing	¥ 17,691	¥ 11,149	¥ 11,556	¥ 4,587	¥ 8,942	¥ 2,954
Agriculture	108	42	100	25	94	18
Mining	91	31	37	14	131	21
Construction	1,762	46	1,948	275	1,896	386
Electric power, gas, water supply	93	91	112	109	178	169
Information and communication	2,374	434	2,336	457	1,502	527
Transportation	8,569	7,360	7,247	6,467	6,919	6,029
Wholesale and retail	4,070	919	4,149	847	5,002	882
Finance and insurance	38,491	40,668	33,059	32,728	23,183	30,885
Real estate	86,644	80,801	75,773	70,159	51,329	43,121
Services	14,695	4,716	12,099	4,601	15,410	3,545
Government	104	—	112	—	118	—
Individuals	177,047	7,102	171,309	5,698	187,726	6,411
Others	21,841	21,236	21,386	21,235	21,405	21,233
Foreign	45,122	44,639	52,000	51,803	55,232	55,037
Non-classified	2,114	—	927	—	785	—
Total	¥ 420,823	¥ 219,242	¥ 394,157	¥ 199,013	¥ 379,860	¥ 172,230

AMOUNT OF WRITE-OFFS

Industries

Millions of yen

	Six months ended September 30, 2010		Fiscal year ended March 31, 2010		Six months ended September 30, 2009	
	Amount of write-off		Amount of write-off		Amount of write-off	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Manufacturing	¥ 187	¥ —	¥ 401	¥ —	¥ 2	¥ —
Agriculture	—	—	—	—	—	—
Mining	0	—	8	—	—	—
Construction	48	—	776	649	632	625
Electric power, gas, water supply	—	—	—	—	—	—
Information and communication	13	—	71	—	45	—
Transportation	18	—	1,007	936	3	0
Wholesale and retail	60	—	327	147	210	147
Finance and insurance	1,981	1,981	7,307	7,307	1,824	1,824
Real estate	4,143	4,136	6,015	6,004	1,462	1,462
Services	255	118	320	27	166	27
Government	—	—	—	—	—	—
Individuals	47,257	493	127,199	120	61,137	329
Others	—	—	3	—	—	—
Foreign	—	—	2,387	2,387	—	—
Non-classified	—	—	—	—	0	—
Total	¥ 53,966	¥ 6,730	¥ 145,828	¥ 17,581	¥ 65,485	¥ 4,417

AMOUNT OF EXPOSURES UNDER SA (AFTER CREDIT RISK MITIGATION)

Millions of yen

	As of September 30, 2010				As of March 31, 2010			
	Consolidated		Non-consolidated		Consolidated		Non-consolidated	
	Rated	Unrated	Rated	Unrated	Rated	Unrated	Rated	Unrated
0%	¥ 20	¥ 9,092	¥ —	¥ —	¥ 352	¥ 8,582	¥ —	¥ —
10%	—	—	—	—	—	—	—	—
20%	60,201	0	—	—	61,624	10	—	—
35%	—	560,981	—	557,245	—	668,179	—	664,386
50%	27,985	14,900	—	1,315	921	13,557	—	1,561
75%	—	737,331	—	176,162	—	857,511	—	206,127
100%	119	117,330	—	4,067	1,244	105,858	—	2,499
150%	—	5,533	—	928	1	7,199	—	532
350%	—	—	—	—	—	—	—	—
Capital Deduction	—	—	—	—	—	—	—	—
Total	¥ 88,326	¥ 1,445,170	¥ —	¥ 739,718	¥ 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 September 30, 2010		As of March 31, 2010	
	Amount of Exposure		Amount of Exposure	
Risk weight ratio	Consolidated	Non-consolidated	Consolidated	Non-consolidated
50%	¥ 42,066	¥ 42,066	¥ 44,981	¥ 44,275
70%	73,689	71,505	151,928	149,427
90%	19,089	19,089	63,386	63,386
115%	6,445	6,445	189,527	189,527
250%	306,367	301,125	144,177	138,782
0% (Default)	175,554	175,554	160,195	160,195
Total	¥ 623,213	¥ 615,788	¥ 754,197	¥ 745,594

(2) Specialized lending for high-volatility commercial real estate

Millions of yen

	As of September 30, 2010		As of March 31, 2010	
	Amount of Exposure		Amount of Exposure	
Risk weight ratio	Consolidated	Non-consolidated	Consolidated	Non-consolidated
70%	¥ —	¥ —	¥ 93	¥ 93
95%	7,969	7,969	7,973	7,973
120%	—	—	9,000	9,000
140%	4,997	4,997	13,750	13,750
250%	102,949	102,949	95,789	95,789
0% (Default)	121,194	121,194	140,477	140,477
Total	¥ 237,110	¥ 237,110	¥ 267,084	¥ 267,084

(3) Equity exposure under Market-Based Simplified Method

Millions of yen

	As of September 30, 2010		As of March 31, 2010	
Risk weight ratio	Amount Consolidated	Amount Non-consolidated	Amount Consolidated	Amount Non-consolidated
300%	¥ 631	¥ 466	¥ 791	¥ 627
400%	68,702	77,411	53,008	63,574
Total	¥ 69,334	¥ 77,877	¥ 53,799	¥ 64,201

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 September 30, 2010					As of March 31, 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%	25.72%	¥ 15,587	¥ —	0.03%	45.00%	25.55%	¥ 17,301	¥ —
1	0.03%	45.00%	20.04%	40,561	—	0.03%	45.00%	21.55%	39,456	—
2	0.06%	44.37%	18.99%	136,161	40,646	0.06%	44.32%	19.94%	156,489	40,585
3	0.15%	44.91%	35.52%	512,700	59,486	0.15%	44.90%	36.67%	497,548	56,959
4	0.39%	44.82%	55.18%	462,564	67,338	0.42%	44.86%	57.37%	441,643	75,471
5	1.21%	44.30%	87.75%	188,153	26,985	1.31%	44.69%	85.62%	505,375	40,881
6	3.14%	40.59%	108.58%	134,262	10,686	3.12%	41.32%	112.00%	177,508	15,559
9A	11.46%	46.01%	211.99%	309,609	36,303	12.20%	46.71%	209.44%	234,823	17,853
Default	100.00%	45.89%	—	71,851	1,052	100.00%	44.32%	—	75,568	297

QUANTITATIVE DISCLOSURE (CONTINUED)

Sovereign (Consolidated)

Millions of yen (except percentages)

	As of September 30, 2010					As of March 31, 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%**	**—**	**¥ 2,397,681**	**¥ 7,500**	0.00%	45.00%	—	¥ 2,947,411	¥ —
1	**0.01%**	**45.00%**	**8.22%**	**95,705**	**33**	0.01%	45.00%	8.05%	47,312	37
2	**0.06%**	**45.00%**	**26.29%**	**138,799**	**883**	0.06%	45.00%	26.74%	119,531	918
3	**0.10%**	**44.97%**	**35.14%**	**134,232**	**2,363**	0.10%	44.97%	37.47%	145,697	2,871
4	**0.36%**	**45.00%**	**72.90%**	**5,022**	**33**	0.41%	45.00%	82.26%	4,529	74
5	**0.89%**	**45.00%**	**69.58%**	**7**	**617**	0.96%	45.00%	71.74%	5	—
6	**—**	**—**	**—**	**—**	**—**	3.52%	45.00%	116.02%	0	—
9A	**11.46%**	**45.00%**	**231.38%**	**1,025**	**—**	12.20%	45.00%	197.22%	301	—
Default	**100.00%**	**45.00%**	**—**	**52**	**—**	100.00%	45.00%	—	53	—

Bank (Consolidated)

Millions of yen (except percentages)

	As of September 30, 2010					As of March 31, 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%**	**16.14%**	**¥ 38,234**	**¥ 2**	0.03%	45.00%	17.62%	¥ 38,412	¥ 1
1	**0.03%**	**45.00%**	**7.58%**	**16**	**—**	0.03%	45.00%	7.58%	13	—
2	**0.06%**	**45.15%**	**19.81%**	**176,115**	**189,417**	0.06%	45.15%	21.10%	171,354	193,619
3	**0.11%**	**45.61%**	**27.42%**	**149,555**	**98,116**	0.12%	45.52%	29.53%	166,206	133,988
4	**0.35%**	**45.00%**	**52.26%**	**12,385**	**5,652**	0.37%	45.00%	58.93%	10,027	5,937
5	**1.27%**	**45.00%**	**94.39%**	**1,308**	**1,788**	1.31%	45.00%	101.35%	874	2,132
6	**3.55%**	**45.00%**	**163.80%**	**9,719**	**152**	3.39%	45.00%	152.92%	12,302	663
9A	**11.46%**	**45.02%**	**221.96%**	**1,815**	**784**	12.20%	45.03%	223.90%	1,141	688
Default	**100.00%**	**45.00%**	**—**	**—**	**150**	100.00%	45.00%	—	—	150

Corporate (Non-consolidated)

Millions of yen (except percentages)

	As of September 30, 2010					As of March 31, 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%**	**25.73%**	**¥ 15,575**	**¥ —**	0.03%	45.00%	25.55%	¥ 17,301	¥ —
1	**0.03%**	**45.00%**	**20.10%**	**40,354**	**—**	0.03%	45.00%	21.56%	39,308	135
2	**0.06%**	**44.36%**	**18.76%**	**133,789**	**40,646**	0.06%	44.29%	20.20%	147,409	40,635
3	**0.15%**	**44.91%**	**34.81%**	**491,111**	**59,486**	0.15%	44.89%	36.71%	487,235	56,959
4	**0.44%**	**44.88%**	**54.72%**	**711,161**	**67,890**	0.44%	44.91%	53.92%	722,353	77,423
5	**1.38%**	**44.37%**	**89.09%**	**212,127**	**26,860**	1.37%	44.68%	85.85%	490,882	40,881
6	**3.27%**	**38.83%**	**107.08%**	**88,304**	**15,296**	3.21%	40.25%	111.78%	128,407	21,130
9A	**11.46%**	**46.03%**	**209.39%**	**302,380**	**36,303**	12.20%	46.54%	206.41%	262,358	17,918
Default	**100.00%**	**45.91%**	**—**	**70,147**	**1,052**	100.00%	44.29%	—	73,122	297

Sovereign (Non-consolidated)

Millions of yen (except percentages)

	As of September 30, 2010					As of March 31, 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%**	**—**	**¥ 2,387,119**	**¥ 7,500**	0.00%	45.00%	—	¥ 2,928,349	¥ —
1	**0.01%**	**45.00%**	**8.22%**	**95,705**	**33**	0.01%	45.00%	8.05%	47,312	37
2	**0.06%**	**45.00%**	**26.58%**	**135,909**	**883**	0.06%	45.00%	27.07%	116,694	918
3	**0.10%**	**44.97%**	**35.14%**	**134,232**	**2,363**	0.10%	44.97%	37.47%	145,679	2,871
4	**0.36%**	**45.00%**	**72.90%**	**5,022**	**33**	0.41%	45.00%	82.26%	4,529	74
5	**0.89%**	**45.00%**	**69.58%**	**7**	**617**	0.96%	45.00%	71.74%	5	—
6	**—**	**—**	**—**	**—**	**—**	—	—	—	—	—
9A	**11.46%**	**45.00%**	**231.38%**	**1,025**	**—**	12.20%	45.00%	197.22%	301	—
Default	**100.00%**	**45.00%**	**—**	**52**	**—**	100.00%	45.00%	—	53	—

QUANTITATIVE DISCLOSURE (CONTINUED)

Bank (Non-consolidated)

Millions of yen (except percentages)

	As of September 30, 2010					As of March 31, 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%	17.60%	¥ 32,657	¥ 2	0.03%	45.00%	18.55%	¥ 35,176	¥ 1
1	0.03%	45.00%	7.58%	16	—	0.03%	45.00%	7.58%	13	—
2	0.06%	45.15%	19.84%	173,627	189,417	0.06%	45.15%	21.18%	163,430	193,619
3	0.10%	45.87%	29.19%	75,453	97,897	0.11%	45.76%	31.63%	72,163	133,702
4	0.34%	45.00%	52.15%	9,394	18,189	0.30%	45.00%	47.35%	20,701	21,147
5	1.30%	45.00%	105.31%	—	1,788	1.43%	45.00%	112.65%	—	2,132
6	3.56%	45.00%	164.55%	9,599	152	3.49%	45.00%	161.27%	10,248	663
9A	11.46%	45.03%	230.89%	812	784	12.20%	45.04%	235.02%	685	688
Default	100.00%	45.00%	—	—	150	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 September 30, 2010				As of March 31, 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%	4,066	0.06%	90.00%	200.02%	5,431
3	0.17%	90.00%	200.29%	2,001	0.18%	90.00%	200.24%	2,220
4	0.53%	90.00%	283.02%	2,744	0.48%	90.00%	269.25%	4,026
5	1.57%	90.00%	381.33%	6,075	1.68%	90.00%	389.76%	8,087
6	2.56%	90.00%	425.87%	1,340	2.63%	90.00%	418.42%	1,385
9A	11.46%	90.00%	366.73%	4,134	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 September 30, 2010				As of March 31, 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%	4,066	0.06%	90.00%	200.02%	5,431
3	0.17%	90.00%	200.00%	1,995	0.19%	90.00%	200.00%	2,215
4	0.51%	90.00%	278.78%	430,304	0.43%	90.00%	277.06%	431,807
5	1.62%	90.00%	402.11%	4,838	1.73%	90.00%	408.21%	6,708
6	3.41%	90.00%	485.19%	8,331	2.34%	90.00%	447.73%	9,959
9A	11.46%	90.00%	653.51%	36,988	12.20%	90.00%	671.67%	35,668
Default	100.00%	90.00%	—	810	100.00%	90.00%	—	325

(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

Residential mortgage exposure

Millions of yen (except percentages)

	As of September 30, 2010							As of March 31, 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	1.41%	72.89%	103.13%	¥ 14,383	¥ 10,942	¥ —	—	1.29%	72.13%	100.54%	¥ 15,876	¥ 12,093	¥ —	—
Need caution	79.01%	51.70%	126.03%	4	284	—	—	80.31%	50.10%	115.10%	6	302	—	—
Default	100.00%	59.58%	—	1,140	488	—	—	100.00%	60.14%	—	967	335	—	—

QUANTITATIVE DISCLOSURE (CONTINUED)

Qualified revolving retail exposure

Millions of yen (except percentages)

	As of September 30, 2010							As of March 31, 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	**5.18%**	**85.86%**	**96.56%**	**¥ 129,541**	**¥ 22,214**	**¥ 2,449,414**	**0.91%**	5.30%	85.68%	99.11%	¥ 137,924	¥ 23,062	¥ 2,723,960	0.85%
Need caution	**74.96%**	**87.55%**	**170.97%**	**4,312**	**—**	**—**	**—**	77.57%	87.28%	156.22%	5,066	—	—	—
Default	**100.00%**	**85.70%**	**—**	**46,711**	**—**	**—**	**—**	100.00%	85.78%	—	46,701	—	—	—

Other retail exposure

Millions of yen (except percentages)

	As of September 30, 2010							As of March 31, 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	**2.51%**	**61.99%**	**76.11%**	**¥ 325,872**	**¥ 700,388**	**¥ 203,797**	**1.46%**	2.61%	61.60%	76.16%	¥ 328,363	¥ 728,336	¥ 206,902	1.16%
Need caution	**81.09%**	**60.53%**	**84.43%**	**7,732**	**3,568**	**—**	**—**	81.51%	59.37%	81.98%	8,681	3,535	—	—
Default	**100.00%**	**58.06%**	**—**	**105,110**	**568**	**—**	**—**	100.00%	58.50%	—	106,171	1,065	—	—

Note: LGD is shown after credit risk mitigation

COMPARATIVE RESULTS OF ACTUAL LOSSES AND EXPECTED LOSSES FOR THE LAST TWO YEARS UNDER F-IRB APPROACH

Millions of yen

	As of September 30, 2010	As of September 30, 2009
Results of actual losses (a)	**¥ 33,525**	¥ 14,177
Expected losses (b)	**15,179**	11,863
Differences ((b) - (a))	**(18,345)**	(2,313)

The above matrix shows the results of default (downgrade below substandard) losses (increase of reserve, write-offs and loss on sale) for the twelve-month period ended September 30, 2009 and 2010 for the Bank's non-default corporate exposure at the start of the twelve-month period, with expected losses calculated using estimated PD at the end of September 2010.

In the first half of fiscal year 2010, the actual losses greatly exceeded from the expected losses due to the additional credit cost with regard to specialty finance.

5. CREDIT RISK MITIGATION (CRM)

COVERED AMOUNT OF CRM BY COLLATERAL

FIRB

Millions of yen

	As of September 30, 2010		As of March 31, 2010	
	Eligible financial collateral	Other eligible FIRB collateral	Eligible financial collateral	Other eligible FIRB collateral
Corporate	**¥ 16,378**	**¥ 158,550**	¥ 19,784	¥ 149,900
Sovereign	**—**	**80**	—	107
Bank	**—**	**—**	—	—
Total	**¥ 16,378**	**¥ 158,630**	¥ 19,784	¥ 150,007

COVERED AMOUNT OF CRM BY GUARANTEE OR CREDIT DERIVATIVES

Millions of yen

	As of September 30, 2010		As of March 31, 2010	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
SA Exposures	**¥ —**	**¥ —**	¥ —	¥ —
IRB Exposures	**182,537**	**182,537**	214,332	214,332
Corporate	**47,413**	**47,413**	56,088	56,088
Sovereign	**66,629**	**66,629**	86,939	86,939
Bank	**68,495**	**68,495**	71,305	71,305
Residential mortgages	**—**	**—**	—	—
Qualified revolving retail	**—**	**—**	—	—
Other retail	**—**	**—**	—	—

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 September 30, 2010		As of March 31, 2010	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Total amount of gross positive fair value	¥ 793,288	¥ 801,887	¥ 740,072	¥ 745,564
Amount of gross add-on	301,523	285,536	344,670	333,692
EAD before CRM	1,094,812	1,087,423	1,084,742	1,079,257
FX-related	575,291	575,804	563,393	564,916
Interest-related	277,534	277,989	242,566	242,803
Equity-related	30,556	26,550	43,392	40,880
Commodity-related	—	—	—	—
Credit derivatives	211,374	207,023	235,232	230,498
Others	55	55	159	159
Amount of net	739,888	753,534	689,615	704,412
EAD after net	354,923	333,889	395,127	374,844
Amount covered collateral	—	—	—	—
EAD after CRM	354,923	333,889	395,127	374,844

(7) Notional amount of credit derivatives which have counterparty risk

Millions of yen

	As of September 30, 2010		As of March 31, 2010	
Notional amount	Protection-buy	Protection-sell	Protection-buy	Protection-sell
Single name	¥ 577,204	¥ 650,566	¥ 600,186	¥ 688,750
Multi name	169,063	119,064	294,450	245,936

(8) Notional amount of credit derivatives which cover exposures by CRM

Millions of yen

	As of September 30, 2010		As of March 31, 2010	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Notional amount	¥ 8,324	¥ 8,324	¥ 12,058	¥ 12,058

7. SECURITIZATION

SECURITIZATION EXPOSURE ORIGINATED BY THE BANK GROUP

(1) Amount of original assets
Securitization by transfer of assets
Consolidated

Millions of yen

	As of September 30, 2010	As of March 31, 2010
Type of original assets	Amount of original asset	Amount of original asset
Residential mortgages	¥ 397,044	¥ 291,931
Consumer loans	18,529	42,404
Commercial real estate loans	30,805	39,346
Corporate loans	29,954	33,614
Others	27	33
Total	¥ 476,361	¥ 407,330

QUANTITATIVE DISCLOSURE (CONTINUED)

Non-consolidated

	Millions of yen	
	As of September 30, 2010	As of March 31, 2010
Type of original assets	Amount of original asset	Amount of original asset
Residential mortgages	**¥ 397,044**	¥ 291,931
Consumer loans	**416,511**	439,372
Commercial real estate loans	**30,805**	39,346
Corporate loans	**29,954**	33,614
Others	**216,489**	383,263
Total	**¥ 1,090,805**	¥ 1,187,527

Synthetic Securitization

Consolidated/Non-consolidated

	Millions of yen	
	As of September 30, 2010	As of March 31, 2010
Type of original assets	Amount of original asset	Amount of original asset
Corporate loans	**¥ 30,100**	¥ 30,100
Total	**¥ 30,100**	¥ 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

	Millions of yen	
	As of September 30, 2010	As of March 31, 2010
Type of original assets	Amount of Default	Amount of Default
Residential mortgages	**¥ 5,429**	¥ 5,600
Consumer loans	**86**	2
Commercial real estate loans	**22,354**	24,594
Corporate loans	**29,954**	33,614
Others	**—**	—
Total	**¥ 57,825**	¥ 63,812

Non-consolidated

	Millions of yen	
	As of September 30, 2010	As of March 31, 2010
Type of original assets	Amount of Default	Amount of Default
Residential mortgages	**¥ 5,429**	¥ 5,600
Consumer loans	**—**	—
Commercial real estate loans	**22,354**	24,594
Corporate loans	**29,954**	33,614
Others	**—**	—
Total	**¥ 57,738**	¥ 63,809

Synthetic Securitization

Consolidated/Non-consolidated

	Millions of yen	
	As of September 30, 2010	As of March 31, 2010
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

Millions of yen

Type of original assets	As of September 30, 2010 Amount of Exposure	As of March 31, 2010 Amount of Exposure
Residential mortgages	¥ 130,626	¥ 10,040
Consumer loans	18,529	42,404
Commercial real estate loans	2,679	2,706
Corporate loans	26,058	29,672
Others	—	—
Total	¥ 177,894	¥ 84,823

Non-consolidated

Millions of yen

Type of original assets	As of September 30, 2010 Amount of Exposure	As of March 31, 2010 Amount of Exposure
Residential mortgages	¥ 130,626	¥ 10,040
Consumer loans	269,300	253,008
Commercial real estate loans	2,679	2,706
Corporate loans	26,058	29,672
Others	171,996	309,219
Total	¥ 600,661	¥ 604,647

Synthetic Securitization

Consolidated/Non-consolidated

Millions of yen

Type of original assets	As of September 30, 2010 Amount of Exposure	As of March 31, 2010 Amount of Exposure
Corporate loans	¥ 6,890	¥ 13,353
Total	¥ 6,890	¥ 13,353

(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 September 30, 2010		As of March 31, 2010	
Band of risk weight ratio	Amount	Required Capital amount	Amount	Required Capital amount
To 12%	¥ 26,649	¥ 160	¥ 30,290	¥ 182
Over 12% to 20%	107,105	1,816	6,146	104
Over 20% to 50%	—	—	—	—
Over 50% to 75%	—	—	—	—
Over 75% to 100%	25,957	2,168	9,871	788
Over 100% to 250%	15,305	1,579	35,661	3,860
Over 250% to 425%	33	7	74	16
Over 425%	2,841	1,533	2,778	1,482
Total	¥ 177,894	¥ 7,266	¥ 84,823	¥ 6,434

Non-consolidated

Millions of yen

	As of September 30, 2010		As of March 31, 2010	
Band of risk weight ratio	Amount	Required Capital amount	Amount	Required Capital amount
To 12%	¥ 442,946	¥ 4,140	¥ 456,818	¥ 4,150
Over 12% to 20%	113,405	1,923	12,446	211
Over 20% to 50%	—	—	—	—
Over 50% to 75%	5,400	343	129,400	6,652
Over 75% to 100%	22,929	1,944	3,275	277
Over 100% to 250%	—	—	—	—
Over 250% to 425%	—	—	—	—
Over 425%	15,979	8,751	2,706	1,434
Total	¥ 600,661	¥ 17,103	¥ 604,647	¥ 12,726

QUANTITATIVE DISCLOSURE (CONTINUED)

Synthetic Securitization

Consolidated/Non-consolidated

Millions of yen

Band of risk weight ratio	As of September 30, 2010 Amount	As of September 30, 2010 Required Capital amount	As of March 31, 2010 Amount	As of March 31, 2010 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%	6,890	739	—	—
Over 250% to 425%	—	—	—	—
Over 425%	—	—	—	—
Total	¥ 6,890	¥ 739	¥ 13,353	¥ 746

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

Millions of yen

Type of original assets	As of September 30, 2010 Consolidated	As of September 30, 2010 Non-consolidated	As of March 31, 2010 Consolidated	As of March 31, 2010 Non-consolidated
Residential mortgages	¥ 9,406	¥ 9,406	¥ 9,337	¥ 9,337
Consumer loans, installment receivables	28	—	65	—
Commercial real estate loans	0	0	0	0
Others	—	—	—	—
Total	¥ 9,434	¥ 9,406	¥ 9,402	¥ 9,337

(6) Amount of securitization exposure which should be deducted from capital under the Accord Article 247

Millions of yen

Type of original assets	As of September 30, 2010 Consolidated	As of September 30, 2010 Non-consolidated	As of March 31, 2010 Consolidated	As of March 31, 2010 Non-consolidated
Residential mortgages	¥ 3,048	¥ 3,048	¥ 1,052	¥ 1,052
Consumer loans, installment receivables	—	—	—	—
Commercial real estate loans	185	185	185	185
Others	23	—	29	—
Total	¥ 3,257	¥ 3,233	¥ 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

Millions of yen

Type of original assets	As of September 30, 2010 Amount of Exposure	As of March 31, 2010 Amount of Exposure
Residential mortgages	¥ 11,948	¥ 17,277
Consumer loans	—	—
Commercial real estate loans	75,409	87,147
Corporate loans	42,430	55,262
Others	105,737	145,806
Total	¥ 235,526	¥ 305,494

QUANTITATIVE DISCLOSURE (CONTINUED)

Non-consolidated

	Millions of yen	
	As of September 30, 2010	As of March 31, 2010
Type of original assets	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ 11,948	¥ 17,277
Consumer loans	—	—
Commercial real estate loans	75,409	87,147
Corporate loans	42,430	55,262
Others	92,840	145,806
Total	¥ 222,628	¥ 305,494

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

Consolidated

	Millions of yen			
	As of September 30, 2010		As of March 31, 2010	
Band of risk weight ratio	Amount	Required Capital amount	Amount	Required Capital amount
To 12%	¥ 141,064	¥ 1,080	¥ 186,188	¥ 1,555
Over 12% to 20%	11,881	158	22,701	298
Over 20% to 50%	5,463	109	10,163	354
Over 50% to 75%	10,173	647	12,872	818
Over 75% to 100%	1,149	97	1,268	107
Over 100% to 250%	30,849	4,130	28,605	4,376
Over 250% to 425%	34,915	9,510	8,227	2,310
Over 425%	29	16	35,465	18,817
Total	¥ 235,526	¥ 15,748	¥ 305,494	¥ 28,638

Non-consolidated

	Millions of yen			
	As of September 30, 2010		As of March 31, 2010	
Band of risk weight ratio	Amount	Required Capital amount	Amount	Required Capital amount
To 12%	¥ 128,166	¥ 1,003	¥ 186,188	¥ 1,555
Over 12% to 20%	11,881	158	22,701	298
Over 20% to 50%	5,463	109	10,163	354
Over 50% to 75%	10,173	647	12,872	818
Over 75% to 100%	1,149	97	1,268	107
Over 100% to 250%	30,849	4,130	28,605	4,376
Over 250% to 425%	34,915	9,510	8,227	2,310
Over 425%	29	16	35,465	18,817
Total	¥ 222,628	¥ 15,672	¥ 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 September 30, 2010		As of March 31, 2010	
Type of original assets	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Residential mortgages	¥ 1,339	¥ 1,339	¥ 3,686	¥ 3,686
Consumer loans, installment receivables	—	—	—	—
Commercial real estate loans	3,829	3,829	2,167	2,167
Corporate loans	15,433	15,433	16,254	16,254
Others	—	—	—	—
Total	¥ 20,602	¥ 20,602	¥ 22,109	¥ 22,109

(4) Amount of credit risk asset of securitization under SA subject to the Accord Supplementary Provision 15.

None.

8. MARKET RISK (UNDER INTERNAL MODEL APPROACH)

VAR AT THE END OF SEPTEMBER 2010 AND MARCH 2010 AND THE HIGH, MEAN AND LOW VAR

Millions of yen

	As of September 30, 2010		As of March 31, 2010	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
VaR at term end	¥ 2,736	¥ 2,689	¥ 1,646	¥ 1,603
VaR through this term				
High	4,744	4,535	4,744	4,535
Mean	2,471	2,366	3,124	2,848
Low	1,494	1,453	1,528	1,475

For the six months ended September 30, 2010, 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

	As of September 30, 2010		As of March 31, 2010	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Market-based approach				
Listed equity exposure	¥ 631	¥ 466	¥ 791	¥ 627
Unlisted equity exposure	68,702	77,411	53,008	63,574
PD/LGD method				
Listed equity exposure	12,719	110,520	15,900	113,701
Unlisted equity exposure	7,671	376,824	8,263	378,423

GAIN OR LOSS ON SALE OR DEPRECIATION OF EQUITY EXPOSURE

Millions of yen

	Six months ended September 30, 2010		Fiscal year ended March 31, 2010	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Gain (loss) on sale	¥ 182	¥ 176	¥ 2,771	¥ 2,445
Loss of depreciation	114	9	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

	As of September 30, 2010		As of March 31, 2010	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Unrealized gain (loss)	¥ (3,654)	¥ (4,557)	¥ 105	¥ (189)

UNREALIZED GAIN OR LOSS WHICH IS NOT RECOGNIZED BOTH ON BALANCE SHEET AND ON PROFIT AND LOSS STATEMENT

Millions of yen

	As of September 30, 2010		As of March 31, 2010	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Equity to subsidiaries and affiliates	¥ —	¥ (48,636)	¥ —	¥ 2,511

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

Millions of yen

	As of September 30, 2010		As of March 31, 2010	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Grandfathering rule (100% risk weight apply)	¥ 8,498	¥ 19,200	¥ 9,278	¥ 19,537

10. AMOUNT OF REGARDED EXPOSURE UNDER THE ACCORD ARTICLE 167

	Millions of yen			
	As of September 30, 2010		As of March 31, 2010	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Regarded exposure (fund)	**¥ 76,802**	**¥ 57,744**	¥ 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

The gain (loss) from an upward interest rate shock of 2% in the banking book is shown below:

	Billions of yen			
	As of September 30, 2010		As of March 31, 2010	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
JPY	**¥ 23.5**	**¥ 48.1**	¥ 11.0	¥ 4.4
USD	**0.3**	**0.3**	0.0	0.8
Others	**0.7**	**0.7**	0.1	0.4
Total	**¥ 24.6**	**¥ 49.2**	¥ 11.2	¥ 5.7

CORPORATE INFORMATION

SHINSEI BANK GROUP — AS OF SEPTEMBER 30, 2010

As of September 30, 2010, the Shinsei Bank Group consisted of Shinsei Bank, Limited, 212 subsidiaries (comprising 127 consolidated companies including APLUS FINANCIAL Co., Ltd., Showa Leasing Co., Ltd. and Shinsei Financial Co., Ltd. and 85 unconsolidated subsidiaries) and 21 affiliated companies (affiliates accounted for using the equity method, such as Jih Sun Financial Holding Co., Ltd.). The Shinsei Bank Group is an integrated financial services group which engages principally in the banking business and conducts securities, trust and other businesses.

Shinsei Bank, Limited

- **Banking** — Head office and domestic branch offices
  Major subsidiaries: • APLUS FINANCIAL Co., Ltd. • Showa Leasing Co., Ltd. • SHINKI Co., Ltd. • Shinsei Financial Co., Ltd.
- **Securities** — Major subsidiary: • Shinsei Securities Co., Ltd.
- **Trust business** — Major subsidiary: • Shinsei Trust & Banking Co., Ltd.
- **Other business** — Major subsidiaries: • Shinsei Investment Management Co., Ltd. • Shinsei Servicing Company

MAJOR SUBSIDIARIES AND AFFILIATES — AS OF SEPTEMBER 30, 2010

Name	Location	Main business	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
Major Domestic Subsidiaries							
Shinsei Property Finance Co., Ltd.	Tokyo, Japan	Real estate collateral finance	¥ 2,750	(2002.3)	100.0%	100.0%	—%
Shinsei Information Technology Co., Ltd.	Tokyo, Japan	Information technology	100	1983.8	100.0	100.0	—
Shinseigin Finance Co., Ltd.	Tokyo, Japan	Finance	10	(2000.9)	100.0	100.0	—
Shinsei Trust & Banking Co., Ltd.	Tokyo, Japan	Trust banking	5,000	1996.11	100.0	100.0	—
Shinsei Securities Co., Ltd.	Tokyo, Japan	Securities	8,750	1997.8	100.0	100.0	—
Shinsei Servicing Company	Tokyo, Japan	Servicing business	500	2001.10	100.0	—	100.0
Shinsei Investment Management Co., Ltd.	Tokyo, Japan	Investment trust and discretionary investment advisory	495	2001.12	100.0	100.0	—
APLUS FINANCIAL Co., Ltd.	Osaka, Japan	Holding company	15,000	(2004.9)	95.0	95.0	—
APLUS Co., Ltd.	Osaka, Japan	Installment credit	15,000	(2009.4)	100.0	—	100.0
APLUS Personal Loan Co., Ltd.	Osaka, Japan	Finance	1,000	(2009.4)	100.0	—	100.0
Zen-Nichi Shinpan Co., Ltd.	Okayama, Japan	Installment credit	1,000	(2006.3)	97.3	—	97.3
Showa Leasing Co., Ltd.	Tokyo, Japan	Leasing	29,360	(2005.3)	97.0	97.0	—
SHINKI Co., Ltd.	Tokyo, Japan	Finance	24,119	(2007.12)	100.0	—	100.0
Shinsei Financial Co., Ltd.	Tokyo, Japan	Finance	66,518	(2008.9)	100.0	99.8	0.2
Major Overseas Subsidiaries							
Shinsei Bank Finance N.V.	Curaçao, Netherlands Antilles	Finance	$ 2.1	1976.3	100.0%	100.0%	—%
Shinsei International Limited	London, UK	Securities	£ 3	2004.9	100.0	100.0	—
Shinsei Finance (Cayman), Limited	Grand Cayman, Cayman Islands	Finance	$ 673	2006.2	100.0	100.0	—
Shinsei Finance II (Cayman), Limited	Grand Cayman, Cayman Islands	Finance	$ 497	2006.3	100.0	100.0	—
Shinsei Finance III (Cayman), Limited	Grand Cayman, Cayman Islands	Finance	¥ 36,013	2009.3	100.0	100.0	—
Shinsei Finance IV (Cayman), Limited	Grand Cayman, Cayman Islands	Finance	9,107	2009.3	100.0	100.0	—
Shinsei Finance V (Cayman), Limited	Grand Cayman, Cayman Islands	Finance	9,008	2009.9	100.0	100.0	—
Major Affiliates Accounted for Using the Equity Method							
Jih Sun Financial Holding Co., Ltd.	Taipei, Taiwan	Finance	NT$ 25,816	(2006.7)	30.4%	—%	30.4%
Hillcot Holdings Limited	Hamilton, Bermuda	Holding company	$ 0.01	2002.11	49.9	49.9	—

STOCK INFORMATION

AS OF SEPTEMBER 30, 2010

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

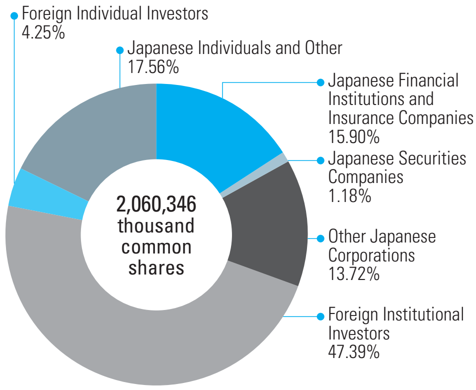
* Figure includes number of preferred shares outstanding

Largest Shareholders[(1)(2)]

Rank	Shareholders	Thousands of Common Shares	%
1	SATURN IV SUB LP (JPMCB 380111)	322,964	15.67
2	Deposit Insurance Corporation of Japan	269,128	13.06
3	THE RESOLUTION AND COLLECTION CORPORATION	200,000	9.70
4	SATURN JAPAN III SUB C.V. (JPMCB 380113)	110,449	5.36
5	SHINSEI BANK,LIMITED	96,427	4.68
6	J.CHRISTOPHER FLOWERS	86,326	4.18
7	CREDIT SUISSE SEC (EUROPE) LTD PB SEC INT NON-TR CLT	61,896	3.00
8	GOLDMAN,SACHS & CO.REG	37,817	1.83
9	SANTANDER INVESTMENT SA,C.CENTRAL VALORES	36,398	1.76
10	SSBT OD05 OMNIBUS ACCOUNT–TREATY CLIENTS	33,290	1.61
11	JAPAN TRUSTEE SERVICE BANK,LTD. (TRUST ACCOUNT)	28,812	1.39
	Total (includes treasury shares)	2,060,346	100.00

(1) As of September 30, 2010, a group of investors, including affiliates of J.C. Flowers & Co. LLC., holds 562,429,693 common shares or 28.6% of Shinsei's outstanding common shares, excluding treasury shares.
(2) As of September 30, 2010, in total, the Deposit Insurance Corporation and the Resolution and Collection Corporation hold 469,128,888 common shares or 23.9% 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.

EMPLOYEES

	Six months ended September 30, 2009	FY2009	**Six months ended September 30, 2010**
Consolidated			
Number of Employees	6,254	6,116	**5,969**
Non-Consolidated			
Number of Employees	2,067	2,011	**1,997**
Male	1,115	1,085	**1,086**
Female	952	926	**911**
Average age	38 years 6 months	39 years	**39 years 6 months**
Average years of service	10 years 1 month	10 years 7 months	**11 years**
Average monthly salary	¥495 thousand	¥498 thousand	**¥504 thousand**

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

NETWORK

DOMESTIC OUTLETS:	AS OF DECEMBER 1, 2010
42 outlets (30 branches including head office, 12 annexes) 29 Shinsei Financial Centers (branches including head office) and 12 Shinsei Consulting Spots (annexes) 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

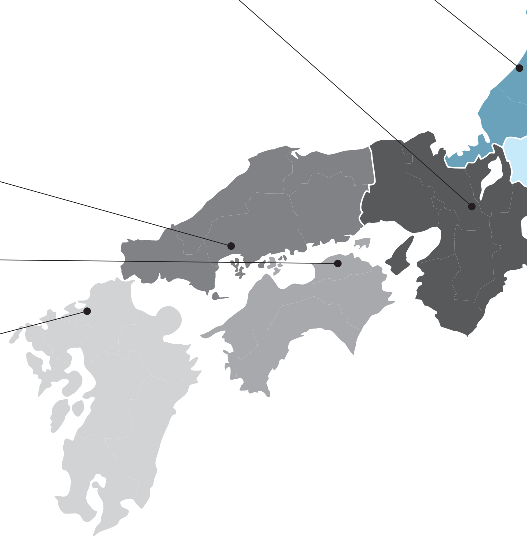
Hiroshima Branch

SHIKOKU

Takamatsu Branch

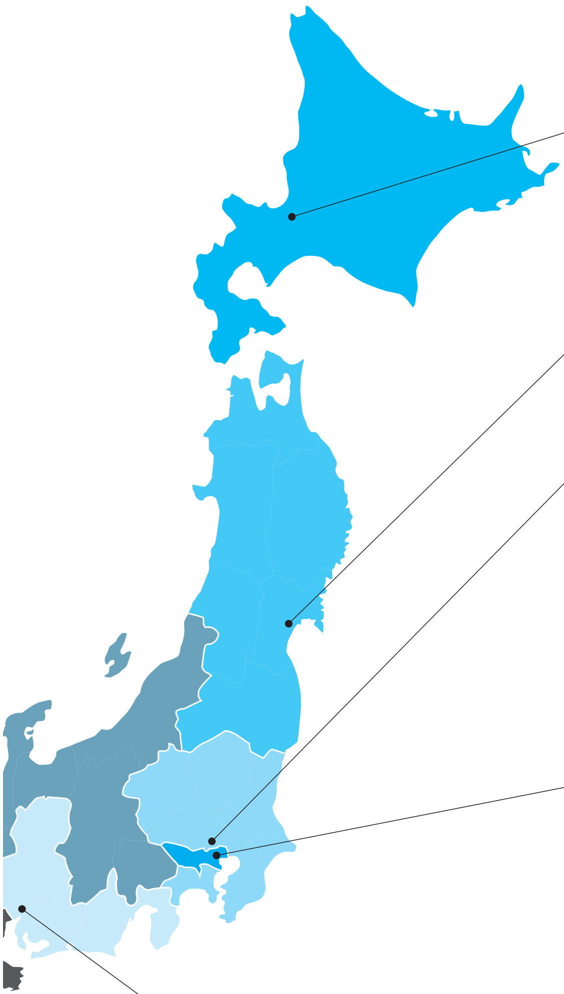
KYUSHU

Fukuoka Branch



DOMESTIC SUB-BRANCHES (ATM ONLY):	AS OF DECEMBER 1, 2010
Tokyo Metro stations	53 locations
Other train stations	11 locations
Other	76 locations

ACCESS TO SEVEN BANK, LTD. ATMS	AS OF DECEMBER 1, 2010
Access to Seven Bank, Ltd. ATMs	13,760 locations



HOKKAIDO

Sapporo Branch

TOHOKU

Sendai Branch

KANTO (EXCEPT TOKYO)

Omiya Branch
Ikebukuro Branch—Kawaguchi Annex
Head Office—Chiba Consulting Spot
Kashiwa Branch
LaLaport Branch
LaLaport Branch—Tsudanuma Annex
Yokohama Branch
Yokohama Branch—Kamakura Annex
Fujisawa Branch

TOKYO

Head Office
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

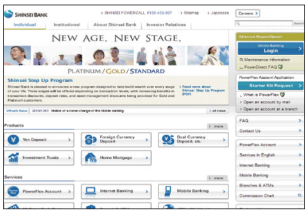
TOKAI

Nagoya Branch

WEBSITE

Our English and Japanese websites provide a wide range of information for individual and Institutional customers, corporate data and investor relations.

RETAIL



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.

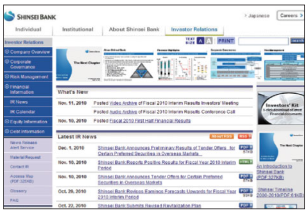
INSTITUTIONAL

http://www.shinseibank.com/institutional/en/
Our website for institutional customers provides information for our institutional customers on our products, services and solutions. 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 IR calendar. It also provides equity- and debt-related information.

For further information, please contact:

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