DATA SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

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

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

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

OVERVIEW

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

- As of April 1, 2011, We have implemented organizational changes as part of its efforts to achieve an even more appropriate provision of financial products and services that meet institutional customer needs, by building a more strategic and systematic business promotion structure. To better serve our customers, the Institutional Group focuses primarily on corporate and public sector finance and advisory business, while the Global Markets Group concentrates on financial markets business and serving financial institution clients. The Institutional Group consists of business promoted by the Bank and Showa Leasing Co., Ltd. (Showa Leasing).
- The Individual Group consists of retail banking business and the Consumer Finance business. We continue to improve the quality of our retail banking services to suit customer needs through strengthening our housing loan business and expanding our branch network including Consulting Spots to efficiently develop asset management operations. For the Consumer Finance business, Shinsei launched unsecured personal loan service from October 1, 2011 in addition to existing installment sales credit, credit card and settlement businesses through APLUS FINANCIAL Co., Ltd. (APLUS FINANCIAL), unsecured personal loan service through Shinsei Financial Co., Ltd. (Shinsei Financial) and Shinki Co., Ltd (Shinki).

FISCAL YEAR ENDED MARCH 31, 2012

We recognized net business profit after net credit costs of ¥48.3 billion for the fiscal year ended March 31, 2012 mainly due to continuous efforts since last year to expand the customer base, intensive cost reduction measures and reduction of credit costs, which resulted in steady performance. However, additional provision of reserve for losses on interest repayments of ¥32.8 billion against potential future costs have been recorded, resulting in ¥6.4 billion of consolidated net income for the fiscal year ended March 31, 2012. This represents a decline compared to the net income of ¥42.6 billion for the previous fiscal year. Net income for the previous fiscal year included considerable non-recurring gains, such as gains on repurchases of perpetual preferred securities and subordinated debts. Consolidated cash basis net income for the fiscal year ended March 31, 2012 was ¥16.0 billion, declining from ¥53.8 billion for the previous fiscal year.

Total revenue was ¥202.9 billion for the fiscal year ended March 31, 2012, a decrease of ¥59.7 billion compared to the previous fiscal year. During the fourth quarter of the fiscal year ended March 31, 2012, net loan balance increased from ¥4,076.5 billion as of the end of December 2011 to ¥4,136.8 billion as of the end of March 2012, due to commencement of consumer finance operations provided through the Bank, and as a result of active commitment by each of our businesses to continuously expand our customer base. However, as compared to the previous fiscal year, the loan balance has decreased, mainly due to a decrease in non-core assets, and revenue from derivatives and securities was reduced stemming from stagnant financial markets. General and administrative expenses decreased to ¥142.3 billion for the fiscal year ended March 31, 2012, a reduction of ¥16.1 billion compared to the previous fiscal year as a result of continued efforts at each business group. Net credit costs significantly decreased to ¥12.2 billion for the fiscal year ended March 31, 2012 compared to the previous fiscal year. While additional provisions were recorded for specialty

OVERVIEW (continued)

finance and others, credit quality improvements contributed due to continued divestiture of non-core assets, strict credit management and the strong framework for loan collections within Shinsei Financial as well as the impact from the income-linked borrowing limitation regulations implemented in the previous fiscal year. In addition to the above factors, the overall decrease in loan balance, recoveries of written-off claims and a large amount of credit recoveries resulted in the decrease of net credit costs. Additional provisions of reserve for losses on interest repayments of ¥32.8 billion against future potential costs have been recorded in the fiscal year ended March 31, 2012, a considerable increase as compared to ¥10.1 billion for the previous fiscal year.

The Institutional Group over-performed for the fiscal year ended March 31, 2012 compared to the previous fiscal year, due to a steady increase in the number of borrowers as a result of continued efforts made to rebuild our customer base, and a decrease in both expenses and net credit costs which included the impact from non-core asset reduction. The Global Markets Group's performance for the fiscal year ended March 31, 2012 was lower compared to the previous fiscal year mainly due to stagnant financial markets, the European debt crisis, and the absence of gains on repurchases of perpetual preferred securities and subordinated debt in the fiscal year ended March 31, 2012 which were recorded in the previous fiscal year. The Individual Group considerably improved ordinary business profit after net credit costs for the fiscal year ended March 31, 2012 compared to the previous fiscal year, as the pace of decline in loan balance in our Consumer Finance business as a result of the revised Money-Lending Business Control and Regulation Law has become less pronounced, and due to continued efforts to reduce expenses and net credit costs. However, it was offset partly due to a considerable amount of provision of reserve for losses on interest repayments.

Balance of loans and bills discounted declined from ¥4,291.4 billion as of March 31, 2011 to ¥4,136.8 billion as of March 31, 2012. This was mainly due to a reduction of non-core assets and the decrease of loan balance in the Consumer Finance business. However, the balance increased by ¥60.3 billion during the fourth quarter of the fiscal year ended March 31, 2012. This was because the rate of decrease in the Consumer Finance loan balance has gradually become less pronounced, mainly due to commencement of Consumer Finance operations provided from the Bank, and because loans for institutional customers and housing loans expanded.

Net interest margin declined to 2.04% for the fiscal year ended March 31, 2012, as compared to 2.19% for the previous fiscal year, mainly due to loan balance reductions within our consumer finance operations. However, it increased by 0.04% as compared to the first half of the fiscal year ended March 31, 2012, due in part to an increase in yield on interest-earning assets.

Tier I capital and total capital increased due to accumulation of yearly net income over the fiscal year ended March 31, 2012 and amortization of goodwill and other intangible assets, which resulted in improvement of the total capital adequacy ratio and Tier I capital ratio to 10.3% and 8.8%, as of March 31, 2012 respectively, compared to 9.8% and 7.8% as of March 31, 2011.

The ratio of non-performing loans to total claims was 6.7%, a decrease of 0.1% compared to the ratio as of March 31, 2011. Balance of non-performing loans under the Financial Revitalization Law totaled ¥295.9 billion as of March 31, 2012 compared to ¥279.5 billion as of March 31, 2011, an increase of ¥16.3 billion for the fiscal year ended March 31, 2012, due to additional provisions recorded in the specialty finance and other businesses. Although the balance of non-performing loan increased, an increase in the amount of total claims resulted in an improvement in the ratio.

SIGNIFICANT EVENTS

LAUNCH OF SHINSEI BANK CARD LOAN SERVICE UNDER THE LAKE BRAND

From October 1, 2011, Shinsei started offering its new unsecured personal card loan service, Shinsei Bank Card Loan - Lake, by taking over a portion of the business previously operated by its consolidated subsidiary Shinsei Financial following regulatory approval. Shinsei became the first bank in Japan to offer full-scale unsecured card loan services for individual customers through a large-scale unmanned branch network.

While customer needs for sound small-lot personal finance remain strong, the Japanese unsecured personal loan market has reached an unprecedented turning point with its size shrinking significantly and an increasing number of lenders shutting down their operations after full-scale implementation of the revised Money-Lending Business Control and Regulation Law in 2010.

Shinsei aims to offer small-lot personal finance more smoothly and flexibly to individual customers whom it was unable to serve adequately at the Bank level in the past, and to contribute to the development of a sound and healthy market as one of the leading providers in the sector, by leveraging the brand equity, marketing expertise and credit assessment capabilities it has honed within our group.

SELECTED FINANCIAL DATA (CONSOLIDATED)

Shinsei Bank, Limited and Consolidated Subsidiaries
As of or for the fiscal years ended March 31, 2012, 2011, 2010, 2009 and 2008

	Billions of yen (except per share data and percentages)				
	2012	2011	2010	2009	2008
Statements of income data:					
Net interest income	**¥ 116.9**	¥ 156.6	¥ 207.9	¥ 202.9	¥ 137.7
Net fees and commissions	**25.1**	26.0	25.1	26.5	40.8
Net trading income (loss)	**13.6**	11.6	9.0	(4.6)	9.0
Net other business income (loss)	**47.2**	68.3	22.1	(41.7)	74.9
Total revenue	**202.9**	262.6	264.2	183.1	262.6
General and administrative expenses	**130.3**	145.3	170.8	182.0	158.7
Amortization of goodwill and other intangible assets	**11.9**	13.0	20.9	17.5	12.5
Total general and administrative expenses	**142.3**	158.4	191.7	199.5	171.2
Net credit costs	**12.2**	68.3	112.2	129.0	73.5
Net business profit (loss) after net credit costs	**48.3**	35.8	(39.7)	(145.5)	17.8
Other gains (losses), net	**(32.9)**	21.9	(83.3)	26.4	74.7
Income (loss) before income taxes and minority interests	**15.3**	57.7	(123.0)	(119.0)	92.5
Current income tax	**2.9**	1.9	1.5	3.4	4.9
Deferred income tax	**2.4**	5.2	6.7	7.0	9.5
Minority interests in net income of subsidiaries	**3.5**	7.9	8.8	13.5	18.0
Net income (loss)	**¥ 6.4**	¥ 42.6	¥ (140.1)	¥ (143.0)	¥ 60.1
Balance sheet data:					
Trading assets	**¥ 202.6**	¥ 195.3	¥ 223.2	¥ 375.1	¥ 315.2
Securities	**1,873.4**	3,286.3	3,233.3	2,174.1	1,980.2
Loans and bills discounted	**4,136.8**	4,291.4	5,163.7	5,876.9	5,622.2
Customers' liabilities for acceptances and guarantees	**562.6**	575.7	623.7	675.2	701.7
Reserve for credit losses	**(180.6)**	(199.2)	(196.6)	(192.5)	(145.9)
Total assets	**8,609.6**	10,231.5	11,376.7	11,949.1	11,525.7
Deposits, including negotiable certificates of deposit	**5,362.4**	5,610.6	6,475.3	6,272.1	5,806.6
Debentures	**294.1**	348.2	483.7	675.5	662.4
Trading liabilities	**176.0**	147.7	177.8	307.5	205.0
Borrowed money	**476.7**	1,672.7	1,186.8	1,012.3	1,127.2
Acceptances and guarantees	**562.6**	575.7	623.7	675.2	701.7
Total liabilities	**7,982.0**	9,620.3	10,741.8	11,181.7	10,560.5
Common stock	**512.2**	512.2	476.2	476.2	476.2
Total equity	**627.6**	611.1	634.9	767.4	965.2
Total liabilities and equity	**¥ 8,609.6**	¥10,231.5	¥11,376.7	¥11,949.1	¥11,525.7
Per share data:					
Common equity[1]	**¥ 212.67**	¥ 205.83	¥ 232.72	¥ 284.95	¥ 364.35
Basic net income (loss)	**2.42**	21.36	(71.36)	(72.85)	38.98
Capital adequacy data:					
Total capital adequacy ratio	**10.3%**	9.8%	8.4%	8.4%	11.7%
Tier I capital ratio	**8.8%**	7.8%	6.4%	6.0%	7.4%
Average balance data:					
Securities	**¥ 2,394.6**	¥ 3,056.4	¥ 3,212.6	¥ 2,388.7	¥ 2,058.7
Loans and bills discounted	**4,159.8**	4,680.7	5,457.6	5,910.3	5,390.3
Total assets	**9,420.6**	10,804.1	11,662.9	11,737.4	11,181.7
Interest-bearing liabilities	**7,237.5**	8,507.2	9,354.5	9,303.7	9,065.8
Total liabilities	**8,801.2**	10,181.1	10,961.7	10,871.1	10,232.4
Total equity	**619.4**	623.0	701.2	866.3	949.2
Other data:					
Return on assets	**0.1%**	0.4%	(1.2)%	(1.2)%	0.5%
Return on equity[1]	**1.2%**	8.5%	(27.6)%	(22.4)%	8.8%
Ratio of deposits, including negotiable certificates of deposit, to total liabilities	**67.2%**	58.3%	60.3%	56.1%	55.0%
Expense-to-revenue ratio[2]	**64.2%**	55.3%	64.6%	99.4%	60.4%
Non-performing claims, non-consolidated	**¥ 295.9**	¥ 279.5	¥ 333.0	¥ 145.8	¥ 53.1
Ratio of non-performing claims to total claims, non-consolidated	**6.7%**	6.8%	6.7%	2.5%	1.0%
Net deferred tax assets	**¥ 15.2**	¥ 17.9	¥ 17.4	¥ 20.5	¥ 23.9
Net deferred tax assets as a percentage of Tier I capital	**2.8%**	3.5%	3.5%	3.5%	3.5%

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

RESULTS OF OPERATIONS (CONSOLIDATED)

FISCAL YEAR ENDED MARCH 31, 2012 COMPARED WITH FISCAL YEAR ENDED MARCH 31, 2011 (CONSOLIDATED)

We reported total revenue of ¥202.9 billion for the fiscal year ended March 31, 2012 which was ¥59.7 billion lower than the ¥262.6 billion for the previous fiscal year.

Net interest income amounted to ¥116.9 billion for the fiscal year ended March 31, 2012, a decrease of ¥39.7 billion, as compared to ¥156.6 billion for the previous fiscal year. Loans and bills discounted balance increased in the fourth quarter of the fiscal year ended March 31, 2012, from ¥4,076.5 billion as of December 31, 2011 to ¥4,136.8 billion as of March 31, 2012. The core business assets increased due to commencement of Consumer Finance business provided through the Bank and active commitment by each business to provide high value-added financial products and services, and continuous efforts to expand our customer base. However, as compared to the previous fiscal year, net interest income decreased due to reduction of non-core assets and a lower loan balance of Consumer Finance loans. Non-interest income amounted to ¥86.0 billion for the fiscal year ended March 31, 2012, a decrease of ¥19.9 billion, as compared to ¥106.0 billion for the previous fiscal year, due to lower growth of revenue releted to derivatives and securities which was impacted from the slump in financial markets. Net fees and commissions decreased to ¥25.1 billion for the fiscal year ended March 31, 2012 from ¥26.0 billion for the previous fiscal year mainly due to lower fee income from investment products such as structured deposits. Net trading income increased from ¥11.6 billion to ¥13.6 billion and net other business income decreased from ¥68.3 billion to ¥47.2 billion, respectively, for the fiscal year ended March 31, 2012 as compared to the previous fiscal year. Net other business income included income on lease transactions and installment receivables from Showa Leasing, APLUS FINANCIAL and Shinsei Financial of ¥36.6 billion for the fiscal year ended March 31, 2012, as compared to ¥38.7 billion for the previous fiscal year. Net other business income for the previous fiscal year included non-recurring gains such as ¥7.3 billion of gains on sales of asset backed investments and securities, and ¥4.3 billion of gains on sales of CLO.

General and administrative expenses, excluding amortization of goodwill and other intangible assets, were ¥130.3 billion for the fiscal year ended March 31, 2012, a decrease of ¥14.9 billion compared to the previous fiscal year. This was mainly due to substantial expense reductions achieved through rationalization and efficiency improvements across our business, especially within the consumer finance business where the business was appropriately scaled down in anticipation of a decrease in the loan balance due to the impact of the revised Money-Lending Business Control and Regulation Law.

Net credit costs showed a significant decrease as compared to the previous fiscal year. Although additional provisions were recorded for specialty finance, the decrease of net credit costs was a result of continued divestiture of risk potential bearing non-core assets, improvements of asset quality in Consumer Finance business, due to the stricter credit management and strengthening of collection systems that Shinsei Financial has been implementing incrementally to date, as well as following the income-linked borrowing limitation regulations implemented in the previous fiscal year, coupled with large-scale credit recovery. From the fiscal year ended March 31, 2012, recoveries of written-off claims are categorized into net credit costs according to revised Report No.14 "Practical Guidelines on Accounting Standards for Financial Instruments" issued by the Accounting Practice Committee of the Japanese Institute of Certified Public Accountants (JICPA), on March 29 2011, while net credit costs stated in the previous fiscal year consisted of provision of reserve for loan losses, reversal of reserve for loan losses, losses on write-off of loans and losses on sale of loans. For the fiscal year ended March 31, 2012, net credit costs were ¥12.2 billion, while net credit costs excluding recoveries of written-off claims of ¥10.8 billion were ¥23.1 billion, showing a substantial decrease from ¥68.3 billion for the previous fiscal year.

Amortization of goodwill and other intangible assets associated with the acquisition of consumer finance and commercial finance companies was ¥11.9 billion for the fiscal year ended March 31, 2012 as compared to ¥13.0 billion for the previous fiscal year. The lower amount was attributable to factors including the sum-of-the-years' digits method for amortization of goodwill and intangible assets related to Shinsei Financial.

Other losses were ¥32.9 billion for the fiscal year ended March 31, 2012, mainly due to ¥32.8 billion of additional reserves for losses on interest repayments, which were processed in the fiscal year ended March 31, 2012 in case of additional future cost. From the fiscal year ended March 31, 2012, recoveries of written-off claims are categorized into net credit costs and not included in other gains (losses), according to revised Report No.14 "Practical Guidelines on Accounting Standards for Financial Instruments" issued by the Accounting Practice Committee of JICPA, on March 29 2011. Other gains of ¥21.9 billion for the previous fiscal year were recorded due to ¥10.1 billion of additional provisions of reserve for losses on interest repayments, ¥4.4 billion of restructuring cost at Shinsei Financial, ¥3.6 billion of asset retirement obligation costs at Shinsei Bank and its subsidiaries, offset by ¥29.4 billion of gains on the repurchase of perpetual preferred securities and subordinated debt and ¥14.8 billion of recoveries of written-off claims.

Current and deferred income taxes reflected a net expense

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

of ¥5.3 billion for the fiscal year ended March 31, 2012, which was impacted from tax reform as well.

Minority interests in net income of subsidiaries largely reflect dividends accrued on perpetual preferred securities and minority interests in consolidated subsidiaries. Due to factors including the repurchase of perpetual preferred securities in the previous fiscal year, minority interests in net income of subsidiaries declined by ¥4.3 billion from ¥7.9 billion for the previous fiscal year to ¥3.5 billion for the fiscal year ended March 31, 2012.

We realized consolidated net income of ¥6.4 billion on a reported-basis for the fiscal year ended March 31, 2012. This is a decline compared to the net income of ¥42.6 billion for the previous fiscal year. This reflects ¥32.8 billion of additional provisions of reserve for losses on interest repayments recorded in the fiscal year ended March 31, 2012. In contrast, a considerable amount of non-recurring gains, such as ¥29.4 billion in gains on repurchases of perpetual preferred securities and subordinated debts were included in consolidated net income for the previous fiscal year, together with additional provisions of reserve for losses on interest repayments which were limited to ¥10.1 billion. Consolidated cash basis net income for the fiscal year ended March 31, 2012 was ¥16.0 billion, a decrease as compared to ¥53.8 billion for the previous fiscal year. 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 GAAP.

SUPPLEMENTAL FINANCIAL DATA AND RECONCILIATIONS TO JAPANESE GAAP MEASURES

Shinsei Bank, Limited and Consolidated Subsidiaries

For the fiscal year ended March 31, 2012	Billions of yen (except per share data and percentages)
Amortization of goodwill and other intangible assets	
Amortization of other intangible assets	¥ 4.2
Associated deferred tax income	(2.3)
Amortization of goodwill	7.6
Total amortization of goodwill and other intangible assets, net of tax benefit	¥ 9.6
Reconciliation of net income to cash basis net income	
Net income	¥ 6.4
Amortization of goodwill and other intangible assets, net of tax benefit	9.6
Cash basis net income	¥ 16.0
Reconciliation of basic net income per share to cash basis basic net income per share	
Basic net income per share	¥ 2.42
Effect of amortization of goodwill and other intangible assets, net of tax benefit	3.63
Cash basis basic net income per share	¥ 6.05
Reconciliation of return on assets to cash basis return on assets	
Return on assets	0.1%
Effect of amortization of goodwill and other intangible assets, net of tax benefit	0.1%
Cash basis return on assets	0.2%
Reconciliation of return on equity to cash basis return on equity	
Return on equity	1.2%
Effect of amortization of goodwill and other intangible assets, net of tax benefit	1.7%
Cash basis return on equity	2.9%
Reconciliation of return on equity to return on tangible equity	
Return on equity	1.2%
Effect of goodwill and other intangible assets	2.1%
Return on tangible equity[1]	3.2%

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

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

NET REVENUE ON INTEREST-EARNING ASSETS

The table below shows the principal components of net revenue on interest-earning assets.

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

Billions of yen (except Yield/Rate)

	2012			2011		
Fiscal years ended March 31	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate
Interest-earning assets:						
Loans and bills discounted	¥ 4,159.8	¥ 140.3	3.37%	¥ 4,680.7	¥ 178.5	3.82%
Lease receivables and leased investment assets/ installment receivables	545.6	36.6	6.72	566.7	38.7	6.83
Securities	2,394.6	17.8	0.74	3,056.4	23.8	0.78
Other interest-earning assets[1]	351.3	1.5	n.m.[3]	540.4	4.7	n.m.[3]
Total revenue on interest-earning assets (A)	¥ 7,451.4	¥ 196.4	2.64%	¥ 8,844.4	¥ 245.8	2.78%
Interest-bearing liabilities:						
Deposits, including negotiable certificates of deposit	¥ 5,623.5	¥ 29.0	0.52	¥ 5,946.6	¥ 34.5	0.58
Debentures	320.5	1.4	0.46	426.3	2.3	0.56
Borrowed money	647.2	5.5	0.86	1,422.1	7.0	0.50
Subordinated debt	94.5	1.7	1.86	101.9	0.8	0.88
Other borrowed money	552.7	3.8	0.69	1,320.1	6.2	0.47
Corporate bonds	170.1	5.7	3.38	190.8	5.5	2.88
Subordinated bonds	145.6	5.3	3.67	157.0	5.1	3.28
Other corporate bonds	24.5	0.4	1.67	33.7	0.3	1.03
Other interest-bearing liabilities[1]	476.0	0.9	n.m.[3]	521.2	0.9	n.m.[3]
Total expense on interest-bearing liabilities (B)	¥ 7,237.5	¥ 42.8	0.59%	¥ 8,507.2	¥ 50.4	0.59%
Net interest margin (A) - (B)	—	—	2.04%	—	—	2.19%
Non-interest-bearing sources of funds:						
Non-interest-bearing (assets) liabilities, net	¥ (342.8)	—	—	¥ (166.0)	—	—
Total equity excluding minority interest[2]	556.7	—	—	503.2	—	—
Total non-interest-bearing sources of funds (C)	213.8	—	—	337.1	—	—
Total interest-bearing liabilities and non-interest-bearing sources of funds (D) = (B) +(C)	¥ 7,451.4	¥ 42.8	0.57%	¥ 8,844.4	¥ 50.4	0.57%
Net revenue on interest-earning assets/ yield on interest-earning assets (A) - (D)	—	¥ 153.5	2.06%	—	¥ 195.3	2.21%
Reconciliation of total revenue on interest-earning assets to total interest income						
Total revenue on interest-earning assets	¥ 7,451.4	¥ 196.4	2.64%	¥ 8,844.4	¥ 245.8	2.78%
Less: Income on lease transactions and installment receivables	545.6	36.6	6.72	566.7	38.7	6.83
Total interest income	¥ 6,905.7	¥ 159.7	2.31%	¥ 8,277.6	¥ 207.1	2.50%
Total interest expenses	—	42.8	—	—	50.4	—
Net interest income	—	¥ 116.9	—	—	¥ 156.6	—

Notes: (1) Other interest-earning assets and other interest-bearing liabilities include interest swaps and funding swaps.
(2) Represents a simple average of the balance as of the beginning and the end of the fiscal years presented.
(3) n.m. is not meaningful.

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

Net revenue on interest-earning assets for the fiscal year ended March 31, 2012 was ¥153.5 billion, a decrease of ¥41.7 billion compared to the previous fiscal year. Total revenue on interest-earning assets and total expense on interest-bearing liabilities decreased by ¥49.4 billion and ¥7.6 billion, respectively, for the fiscal year ended March 31, 2012 compared to the previous fiscal year. The net interest margin was 2.04% for the fiscal year ended March 31, 2012, compared to 2.19% for the previous fiscal year. The change in net interest margin largely reflected loan balance reductions within our consumer finance operations and lower yield of loans and bills discounted and securities, partly offset by lower interest expense for deposits, including negotiable certificates of deposit, and debentures. However, the net interest margin of 2.04% for the fiscal year ended March 31, 2012 showed a slight improvement compared to 2.00% for the six months ended September 30, 2011. This improvement reflects an increase in the yield on interest-earning assets.

NET FEES AND COMMISSIONS

Net fees and commissions is mainly from non-recourse finance on domestic real estate, guarantee and other businesses operated by consumer finance subsidiaries, and sales of mutual funds and variable annuities. Net fees and commissions was ¥25.1 billion for the fiscal year ended March 31, 2012, a decrease of ¥0.8 billion from ¥26.0 billion for the previous fiscal year.

NET TRADING INCOME

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

TABLE 2. NET TRADING INCOME (CONSOLIDATED)

Fiscal years ended March 31	Billions of yen 2012	2011	% Change
Income from trading securities	**¥ 0.2**	¥ 0.7	(73.5)
Income from securities held to hedge trading transactions	**(3.0)**	(2.8)	(7.5)
Income from trading-related financial derivatives	**16.5**	13.6	20.8
Other, net	**(0.0)**	0.0	(139.5)
Net trading income	**¥ 13.6**	¥11.6	17.0

Net trading income includes revenues from derivatives with customer-driven transactions and those from proprietary trading. ¥13.6 billion was recorded for the fiscal year ended March 31, 2012, an increase of ¥1.9 billion from ¥11.6 billion for the previous fiscal year.

NET OTHER BUSINESS INCOME

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

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

Fiscal years ended March 31	Billions of yen 2012	2011	% Change
Net gain on monetary assets held in trust	**¥ 8.1**	¥ 5.2	54.1
Net gain on foreign exchanges	**0.5**	4.7	(88.0)
Net gain (loss) on securities	**(3.3)**	15.2	(121.8)
Net gain (loss) on other monetary claims purchased	**1.4**	(0.4)	450.6
Other, net	**3.7**	4.6	(20.1)
Income (loss) from derivatives for banking purposes, net	**(1.0)**	1.7	(161.4)
Equity in net income (loss) of affiliates	**3.4**	1.3	157.2
Gain on lease cancellation and other lease income (loss), net	**(0.2)**	(0.0)	(160.4)
Other, net	**1.6**	1.7	(7.2)
Net other business income before income on lease transactions and installment receivables, net	**10.5**	29.6	(64.4)
Income on lease transactions and installment receivables, net	**36.6**	38.7	(5.2)
Net other business income	**¥ 47.2**	¥ 68.3	(30.9)

Net other business income was ¥47.2 billion for the fiscal year ended March 31, 2012, compared to ¥68.3 billion for the previous fiscal year. This included income on lease transactions and installment receivables of ¥36.6 billion at Showa Leasing, APLUS FINANCIAL, Shinsei Financial and others, compared to ¥38.7 billion for the previous fiscal year. Net other business income included ¥6.3 billion, net of withholding tax, of gains on sale of foreign equities that had been classified as non-core assets, ¥5.2 billion of impairment on major listed shares, ¥3.3 billion of impairment on bonds related to domestic real estate non-recourse finance, and ¥1.5 billion of impairment on private equity investments for the fiscal year ended March 31, 2012.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

Net other business income for the previous fiscal year included ¥7.3 billion of gains on sales of asset backed investments and securities, ¥4.3 billion of gains on sales of CLO, ¥3.7 billion of revaluation loss and impairments on bonds related to domestic real estate non-recourse finance, and ¥1.1 billion of revaluation loss and impairments on real estate related investments.

TOTAL REVENUE

Due to the factors described above, total revenue in the fiscal year ended March 31, 2012 was ¥202.9 billion, as compared with ¥262.6 billion for the previous fiscal year.

GENERAL AND ADMINISTRATIVE EXPENSES

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

TABLE 4. GENERAL AND ADMINISTRATIVE EXPENSES (CONSOLIDATED)

	Billions of yen		
Fiscal years ended March 31	**2012**	2011	% Change
Personnel expenses	**¥ 53.4**	¥ 57.5	(7.1)
Premises expenses	**20.4**	23.2	(12.0)
Technology and data processing expenses	**17.2**	19.2	(10.1)
Advertising expenses	**9.1**	9.2	(1.0)
Consumption and property taxes	**6.3**	7.7	(18.1)
Deposit insurance premium	**4.6**	5.4	(14.1)
Other general and administrative expenses	**18.9**	22.8	(17.0)
General and administrative expenses	**130.3**	145.3	(10.3)
Amortization of goodwill and other intangible assets	**11.9**	13.0	(8.7)
Total general and administrative expenses	**¥ 142.3**	¥ 158.4	(10.2)

General and administrative expenses, excluding amortization of goodwill and other intangible assets, were ¥130.3 billion for the fiscal year ended March 31, 2012, a decrease of ¥14.9 billion compared to ¥145.3 billion for the previous fiscal year, as a result of steady expense reduction and streamlining in each expense category.

Personnel expenses of ¥53.4 billion for the fiscal year ended March 31, 2012 decreased by ¥4.0 billion, from ¥57.5 billion for the previous fiscal year, through ongoing personnel expense rationalization and streamlining across our business.

Non-personnel expenses of ¥76.9 billion decreased by ¥10.8 billion from ¥87.7 billion for the previous fiscal year. Expenses were reduced across all of our business lines through strict expense control discipline. The Bank relocated its head office from Uchisaiwai-cho to Nihonbashi-muromachi and began operations in its new head office building on January 4, 2011. We have been able to reduce our office space significantly and enhanced energy conservation through the relocation. Premises expenses declined by ¥2.7 billion to ¥20.4 billion, mainly due to Shinsei Bank's head office relocation and consumer finance subsidiaries' branch optimization. Technology and data processing expenses were ¥1.9 billion lower than the previous fiscal year mainly due to automated contract machine sharing and optimization between Shinsei Financial and Shinki. Advertising expenses of ¥9.1 billion were lower than ¥9.2 billion for the previous fiscal year, as a result of efficient management of diversified advertising activities required for our commencement of consumer finance business at the Bank in October 2011.

AMORTIZATION OF GOODWILL AND OTHER INTANGIBLE ASSETS

Amortization of goodwill and other intangible assets associated with the acquisition of consumer and commercial finance companies totaled ¥11.9 billion for the fiscal year ended March 31, 2012 compared to ¥13.0 billion for the previous fiscal year. The difference is mainly attributable to the sum-of-the-years' digits method applied for amortization of goodwill and intangible assets related to Shinsei Financial. Amortization of goodwill and other intangible assets for APLUS FINANCIAL was ¥0.8 billion in the fiscal year ended March 31, 2012, which is related to the amortization of goodwill for Zen-Nichi Shinpan, a subsidiary of APLUS FINANCIAL. Full impairment of goodwill and intangible assets for APLUS FINANCIAL was taken as of March 31, 2010.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

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

Fiscal years ended March 31	Billions of yen 2012	2011	% Change
Shinsei Financial	**¥ 8.5**	¥ 9.6	(11.0)
Shinki	**(0.3)**	(0.3)	0.0
APLUS FINANCIAL	**0.8**	0.8	(6.0)
Showa Leasing	**2.9**	2.9	(1.1)
Others	**(0.0)**	(0.0)	(0.0)
Amortization of goodwill and other intangible assets	**¥ 11.9**	¥ 13.0	(8.7)

NET CREDIT COSTS

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

TABLE 6. NET CREDIT COSTS (CONSOLIDATED)

Fiscal years ended March 31	Billions of yen 2012	2011	% Change
Losses on write-off or sales of loans	**¥ 5.7**	¥ 7.5	(23.9)
Net provision of reserve for loan losses:			
Net provision (reversal) of general reserve for loan losses	**(5.9)**	30.4	(119.5)
Net provision of specific reserve for loan losses	**42.2**	31.2	35.0
Net provision (reversal) of reserve for loan losses to restructuring countries	**(0.0)**	(0.0)	(971.3)
Subtotal	**36.3**	61.7	(41.2)
Net provision (reversal) of specific reserve for other credit losses	**(17.2)**	0.0	n.m.[2]
Other credit costs (recoveries) relating to leasing business	**(1.6)**	(0.9)	(86.8)
Recoveries of written-off claims[1]	**(10.8)**	—	—
Net credit costs	**¥ 12.2**	¥ 68.3	(82.1)

Notes: (1) Accounted for net credit costs from the fiscal year ended March 31, 2012
(2) n.m. is not meaningful.

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 for the fiscal year ended March 31, 2012 showed a significant decrease as compared to the previous fiscal year. Although additional provisions were recorded for specialty finance, net credit costs in the Institutional Group decreased as a result of continued divestiture of non-core assets, coupled with large-scale credit recovery. In consumer finance, net credit costs significantly decreased from asset quality improvements due to stricter credit management and strengthening of collection systems that Shinsei Financial has been implementing incrementally to date, as well as following the income-linked borrowing limitation regulations implemented in the previous fiscal year, coupled with the overall decrease in loan balance.

From the fiscal year ended March 31, 2012, recoveries of written-off claims are categorized into net credit costs according to revised Report No.14 "Practical Guidelines on Accounting Standards for Financial Instruments" issued by the Accounting Practice Committee of JICPA, on March 29, 2011, while net credit costs stated in the previous fiscal year consisted of provision of reserve for loan losses, reversal of reserve for loan losses, losses on write-off of loans and losses on sale of loans.

For the fiscal year ended March 31, 2012, net credit costs were ¥12.2 billion, while net credit costs excluding recoveries of written-off claims of ¥10.8 billion were ¥23.1 billion, showing a substantial decrease from ¥68.3 billion for the previous fiscal year. Shinsei Financial and Shinsei Bank Card Loan - Lake ("Shinsei Bank Lake") recorded net credit recoveries of ¥8.0 billion for the fiscal year ended March 31, 2012. Net credit recoveries, excluding recoveries of written-off claims, were ¥0.4 billion, an improvement compared to net credit costs of ¥7.7 billion for the previous fiscal year. ¥10.8 billion of recoveries of written-off claims for the fiscal year ended March 31, 2012 include ¥7.6 billion for Shinsei Financial, ¥2.0 billion for Shinsei Bank (non-consolidated basis), and ¥1.0 billion for Shinki.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

OTHER GAINS (LOSSES), NET

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

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

	Billions of yen		
Fiscal years ended March 31	**2012**	2011	% Change
Net gain (loss) on disposal of premises and equipment	**¥ (0.5)**	¥ (0.5)	6.2
Pension-related costs	**(0.3)**	(0.9)	66.4
Gains on write-off of unclaimed debentures	**1.2**	0.5	121.6
Recoveries of written-off claims	**—**	14.8	(100.0)
Provision of reserve for losses on interest repayments	**(32.8)**	(10.1)	(224.1)
Impairment losses on long lived assets	**(1.0)**	(2.3)	53.9
Gains from the cancellation of issued corporate bonds and other instruments	**—**	29.4	(100.0)
Losses on application of new accounting standard for asset retirement obligations[1]	**—**	(3.6)	100.0
Business restructuring cost	**—**	(4.7)	100.0
Gain on sale of subsidiary's stock	**2.4**	—	—
Other, net	**(1.9)**	(0.5)	(64.0)
Total	**¥ (32.9)**	¥ 21.9	(250.2)

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

Other losses were ¥32.9 billion for the fiscal year ended March 31, 2012, including additional provisions of reserve for losses on interest repayments of ¥15.9 billion for Shinsei Financial, ¥11.5 billion for Shinki, and ¥5.3 billion for APLUS FINANCIAL. Additional provisions for losses on interest repayments of Shinsei Financial were recorded for the portion of the portfolio not covered by the GE indemnity included in the purchase agreement of Shinsei Financial from GE. From the fiscal year ended March 31, 2012, recoveries of written-off claims are categorized into net credit costs and not included in other gains (losses), according to revised Report No.14 "Practical Guidelines on Accounting Standards for Financial Instruments" issued by the Accounting Practice Committee of JICPA, on March 29, 2011. Other gains of ¥21.9 billion for the previous fiscal year included ¥29.4 billion of gains on the repurchase of perpetual preferred securities and subordinated debt, ¥14.8 billion of recoveries of written-off claims and asset retirement obligation costs of ¥3.6 billion at Shinsei Bank and its subsidiaries.

INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS

As a result of the foregoing, income before income taxes and minority interests totaled ¥15.3 billion for the fiscal year ended March 31, 2012, as compared to ¥57.7 billion for the previous fiscal year.

INCOME TAXES

Current and deferred income taxes reflected a net expense of ¥5.3 billion compared to a net expense of ¥7.2 billion in the previous fiscal year. For the fiscal year ended March 31, 2012, we recorded ¥2.9 billion of current tax expense and ¥2.4 billion of deferred income tax expense, which was impacted from tax reform as well. For the previous fiscal year, ¥1.9 billion of current income tax expense and ¥5.2 billion of deferred income tax expense.

MINORITY INTERESTS IN NET INCOME OF SUBSIDIARIES

Minority interests in net income of subsidiaries for the fiscal year ended March 31, 2012 were ¥3.5 billion largely reflect dividends accrued on perpetual preferred securities and minority interests in the net income of other consolidated subsidiaries. Due to factors including the repurchase of perpetual preferred securities in the previous fiscal year, minority interests in net income of subsidiaries declined by ¥4.3 billion from ¥7.9 billion for the previous fiscal year.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

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

	Billions of yen		
Fiscal years ended March 31	**2012**	2011	% Change
Dividends on preferred securities (hybrid Tier I capital) issued by foreign SPCs	**¥ 3.0**	¥ 7.5	(59.4)
Others	**0.4**	0.3	36.4
Minority interests in net income of subsidiaries	**¥ 3.5**	¥ 7.9	(55.0)

NET INCOME

We recognized a consolidated net income of ¥6.4 billion for the fiscal year ended March 31, 2012, compared to ¥42.6 billion for the previous fiscal year.

Consolidated cash basis net income for the fiscal year ended March 31, 2012 was ¥16.0 billion, compared to ¥53.8 billion for the previous fiscal year. 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 GAAP.

RECONCILIATION FROM REPORTED-BASIS RESULTS TO OPERATING-BASIS RESULTS

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

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

	Billions of yen					
	2012			2011		
Fiscal years ended March 31	**Reported-basis**	**Reclassifications**	**Operating-basis**	Reported-basis	Reclassifications	Operating-basis
Revenue:						
Net interest income	**¥ 116.9**	**¥ —**	**¥ 116.9**	¥ 156.6	¥ —	¥ 156.6
Non-interest income[1]	**86.0**	**—**	**86.0**	106.0	29.4	135.4
Total revenue	**202.9**	**—**	**202.9**	262.6	29.4	292.1
General and administrative expenses[2]	**130.3**	**(2.4)**	**127.9**	145.3	(2.5)	142.8
Amortization of goodwill and other intangible assets	**11.9**	**(11.9)**	**—**	13.0	(13.0)	—
Total general and administrative expenses	**142.3**	**(14.3)**	**127.9**	158.4	(15.6)	142.8
Net business profit/Ordinary business profit[3]	**60.6**	**14.3**	**74.9**	104.2	45.0	149.2
Net credit costs	**12.2**	**—**	**12.2**	68.3	—	68.3
Amortization of goodwill and other intangible assets	**—**	**11.9**	**11.9**	—	13.0	13.0
Other gains (losses), net[1][2]	**(32.9)**	**2.4**	**(35.4)**	21.9	(31.9)	(10.0)
Income before income taxes and minority interests	**15.3**	**—**	**15.3**	57.7	—	57.7
Income taxes and minority interests	**8.9**	**—**	**8.9**	15.1	—	15.1
Net income	**¥ 6.4**	**¥ —**	**¥ 6.4**	¥ 42.6	¥ —	¥ 42.6

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

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

BUSINESS LINES RESULTS

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

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

	Billions of yen		
Fiscal years ended March 31	**2012**	2011	% Change
Institutional Group:			
Net interest income	**¥ 27.2**	¥ 34.0	(19.9)
Non-interest income	**35.0**	39.5	(11.3)
Total revenue	**62.3**	73.5	(15.3)
General and administrative expenses	**25.0**	27.2	(8.3)
Ordinary business profit	**37.3**	46.3	(19.4)
Net credit costs	**17.8**	37.9	(53.0)
Ordinary business profit after net credit costs	**¥ 19.4**	¥ 8.3	132.2
Global Markets Group:			
Net interest income	**¥ (6.1)**	¥ 9.2	(166.5)
Non-interest income	**11.3**	54.3	(79.1)
Total revenue	**5.1**	63.6	(91.9)
General and administrative expenses	**10.8**	12.1	(10.7)
Ordinary business profit (loss)	**(5.6)**	51.5	(110.9)
Net credit costs (recoveries)	**(2.6)**	1.4	(289.9)
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ (2.9)**	¥ 50.1	(105.9)
Individual Group:			
Net interest income	**¥ 98.7**	¥ 117.3	(15.8)
Non-interest income	**39.3**	39.8	(1.1)
Total revenue	**138.1**	157.1	(12.1)
General and administrative expenses	**92.6**	104.5	(11.3)
Ordinary business profit	**45.4**	52.6	(13.6)
Net credit costs (recoveries)	**(1.7)**	28.6	(106.2)
Ordinary business profit after net credit costs (recoveries)	**¥ 47.2**	¥ 24.0	96.8
Corporate/Other[1]:			
Net interest income	**¥ (2.9)**	¥ (4.0)	26.3
Non-interest income	**0.2**	1.7	(83.8)
Total revenue	**(2.6)**	(2.2)	(18.4)
General and administrative expenses	**(0.5)**	(1.0)	50.9
Ordinary business profit (loss)	**(2.1)**	(1.2)	(76.9)
Net credit costs (recoveries)	**(1.0)**	0.4	(355.1)
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ (1.0)**	¥ (1.6)	34.0
Total:			
Net interest income	**¥ 116.9**	¥ 156.6	(25.4)
Non-interest income	**86.0**	135.4	(36.5)
Total revenue	**202.9**	292.1	(30.5)
General and administrative expenses	**127.9**	142.8	(10.4)
Ordinary business profit	**74.9**	149.2	(49.8)
Net credit costs	**12.2**	68.3	(82.1)
Ordinary business profit after net credit costs	**¥ 62.7**	¥ 80.8	(22.5)

Note: (1) Corporate/Other largely includes company-wide accounts, allocation variance of indirect expense and elimination amount of inter-segment transactions.

INSTITUTIONAL GROUP

The Institutional Group consists of: 1) Institutional Business Sub-Group which provides financial products and services for the corporate and public sectors, 2) Structured Finance Sub-Group which includes businesses such as real estate finance and specialty finance, 3) Principal Transactions Sub-Group which covers credit trading and private equity business, 4) Showa Leasing and 5) Others including advisory business and asset-backed investment.

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

	Billions of yen		
Fiscal years ended March 31	**2012**	2011	% Change
Institutional Business Sub-Group:			
Net interest income	**¥ 9.2**	¥ 9.3	(0.8)
Non-interest income	**0.1**	1.4	(92.9)
Total revenue	**9.3**	10.7	(13.2)
General and administrative expenses	**5.8**	6.2	(7.2)
Ordinary business profit	**3.5**	4.4	(21.6)
Net credit costs (recoveries)	**1.4**	(0.1)	1,103.4
Ordinary business profit after net credit costs (recoveries)	**¥ 2.0**	¥ 4.6	(54.6)
Structured Finance Sub-Group:			
Net interest income	**¥ 16.9**	¥ 21.4	(21.3)
Non-interest income	**4.1**	1.1	272.9
Total revenue	**21.0**	22.5	(6.9)
General and administrative expenses	**4.8**	5.8	(17.1)
Ordinary business profit	**16.2**	16.7	(3.4)
Net credit costs	**14.1**	39.0	(63.8)
Ordinary business profit (loss) after net credit costs	**¥ 2.0**	¥ (22.2)	109.2
Principal Transactions Sub-Group:			
Net interest income	**¥ 4.5**	¥ 2.8	61.5
Non-interest income	**6.6**	5.7	15.6
Total revenue	**11.2**	8.5	30.7
General and administrative expenses	**3.8**	4.2	(8.5)
Ordinary business profit	**7.3**	4.3	69.3
Net credit costs (recoveries)	**0.9**	(0.6)	251.7
Ordinary business profit after net credit costs (recoveries)	**¥ 6.4**	¥ 4.9	29.6
Showa Leasing:			
Net interest income	**¥ (2.5)**	¥ (3.1)	18.6
Non-interest income	**15.0**	18.5	(18.7)
Total revenue	**12.4**	15.3	(18.7)
General and administrative expenses	**7.8**	8.0	(3.0)
Ordinary business profit	**4.6**	7.2	(36.1)
Net credit costs (recoveries)	**(1.3)**	3.4	(139.6)
Ordinary business profit after net credit costs (recoveries)	**¥ 6.0**	¥ 3.8	57.6
Others:			
Net interest income	**¥ (0.8)**	¥ 3.6	(123.4)
Non-interest income	**9.1**	12.6	(28.1)
Total revenue	**8.2**	16.3	(49.3)
General and administrative expenses	**2.6**	2.8	(7.6)
Ordinary business profit	**5.6**	13.4	(58.2)
Net credit costs (recoveries)	**2.7**	(3.8)	170.7
Ordinary business profit after net credit costs (recoveries)	**¥ 2.9**	¥ 17.2	(83.2)
Institutional Group:			
Net interest income	**¥ 27.2**	¥ 34.0	(19.9)
Non-interest income	**35.0**	39.5	(11.3)
Total revenue	**62.3**	73.5	(15.3)
General and administrative expenses	**25.0**	27.2	(8.3)
Ordinary business profit	**37.3**	46.3	(19.4)
Net credit costs	**17.8**	37.9	(53.0)
Ordinary business profit after net credit costs	**¥ 19.4**	¥ 8.3	132.2

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

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

The Institutional Group business recorded total revenue of ¥62.3 billion for the fiscal year ended March 31, 2012, compared to ¥73.5 billion for the previous fiscal year. The decrease was mainly due to impairment on securities caused by a sluggish financial market, despite an increase in the number of new borrowers as we continued to focus on rebuilding our customer base.

In order to rebuild our customer base, the Institutional Business Sub-Group focused on areas where the Bank can demonstrate its strengths and put efforts into identifying new outlets for corporate lending. However, impairment on listed stocks of ¥3.9 billion was recorded as a result of the stagnant financial market, resulting in total revenue of ¥9.3 billion for the fiscal year ended March 31, 2012 compared to ¥10.7 billion for the previous fiscal year, or ¥1.4 billion lower year-on-year.

The Structured Finance Sub-Group recorded total revenue of ¥21.0 billion for the fiscal year ended March 31, 2012, compared to ¥22.5 billion for the previous fiscal year. Total revenue decreased due to impairment on bonds related to real estate non-recourse finance of ¥3.3 billion and lower interest income as a result of divestitures in the real estate finance portfolio to optimize risk weighted assets in the previous fiscal year. However, there have been new loan disbursements in specialty finance and progress with higher quality asset replacement for the fiscal year ended March 31, 2012.

The Principal Transactions Sub-Group recorded total revenue of ¥11.2 billion for the fiscal year ended March 31, 2012, compared to ¥8.5 billion for the previous fiscal year. This was a result of the solid performance of credit trading business in spite of ¥1.5 billion of impairment on private equity investment.

Others recorded total revenue of ¥8.2 billion, including gains of ¥6.3 billion, net of withholding tax, from sales of foreign equities which had been classified as non-core assets offset by ¥1.2 billion of impairment on listed stocks for the fiscal year ended March 31, 2012. Total revenue for the previous fiscal year included ¥7.3 billion gains on the sales and valuation gains on asset-backed securities and asset-backed investments.

General and administrative expenses were ¥25.0 billion for the fiscal year ended March 31, 2012, decreasing by ¥2.2 billion from ¥27.2 billion for the previous fiscal year. The decrease was chiefly due to the scale-down and exit from non-core businesses and cost controls in each section. However, the Bank is channeling financial resources into areas where it can demonstrate its strengths to rebuild the customer base.

Net credit costs were ¥17.8 billion for the fiscal year ended March 31, 2012, considerably lower than ¥37.9 billion recorded for the previous fiscal year. Net credit costs improved significantly as a result of the continued divestiture of non-core assets to mitigate potential risks, and strict credit management and collection from unprofitable obligors as well as a large amount of credit recoveries, in spite of additional provision of reserve in specialty finance. From the fiscal year ended March 31, 2012, credit costs include recoveries of written-off claims. Excluding recoveries of written-off claims, credit costs for the fiscal year ended March 31, 2012 were ¥18.5 billion for the overall Institutional Group.

As a result, the Institutional Group recorded an ordinary business profit after net credit costs of ¥19.4 billion for the fiscal year ended March 31, 2012, improving by ¥11.0 billion from ¥8.3 billion for the previous fiscal year.

Showa Leasing recorded ¥12.4 billion of total revenue for the fiscal year ended March 31, 2012 lower than the ¥15.3 billion in the previous fiscal year as operating assets declined amidst the stagnant economy while impairment on equity holdings were realized. However, lower expenses and net credit recoveries contributed to ¥6.0 billion of ordinary business profit after net credit costs including consolidation adjustments for the fiscal year ended March 31, 2012, compared to ¥3.8 billion for the previous fiscal year.

GLOBAL MARKETS GROUP

The Global Markets Group consists of: 1) Financial Institutions Sub-Group which provides financial products and services for financial institutions, 2) Markets Sub-Group which deals with foreign exchange, derivatives and other capital markets business, 3) Treasury Sub-Group which undertakes ALM related transactions and capital funding, and 4) Others including asset management, wealth management, and Shinsei Securities' businesses.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

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

	Billions of yen		
Fiscal years ended March 31	**2012**	2011	% Change
Financial Institutions Sub-Group:			
Net interest income	**¥ 1.4**	¥ 1.2	17.2
Non-interest income	**1.9**	1.3	39.9
Total revenue	**3.3**	2.6	29.1
General and administrative expenses	**2.3**	2.5	(7.1)
Ordinary business profit	**1.0**	0.0	1,032.4
Net credit costs (recoveries)	**(0.4)**	(0.8)	41.5
Ordinary business profit after net credit costs (recoveries)	**¥ 1.5**	¥ 0.9	63.6
Markets Sub-Group:			
Net interest income	**¥ 1.1**	¥ 2.6	(57.6)
Non-interest income	**5.1**	9.8	(48.3)
Total revenue	**6.2**	12.5	(50.2)
General and administrative expenses	**3.2**	4.6	(30.1)
Ordinary business profit	**2.9**	7.8	(62.2)
Net credit costs (recoveries)	**(1.4)**	1.5	(195.3)
Ordinary business profit after net credit costs (recoveries)	**¥ 4.4**	¥ 6.3	(29.6)
Treasury Sub-Group:			
Net interest income	**¥ (9.2)**	¥ 4.8	(290.1)
Non-interest income	**3.1**	40.9	(92.3)
Total revenue	**(6.1)**	45.8	(113.4)
General and administrative expenses	**1.0**	1.1	(7.9)
Ordinary business profit (loss)	**(7.2)**	44.6	(116.1)
Net credit costs	**—**	—	—
Ordinary business profit (loss) after net credit costs	**¥ (7.2)**	¥ 44.6	(116.1)
Others:			
Net interest income	**¥ 0.5**	¥ 0.5	(3.7)
Non-interest income	**1.1**	2.1	(46.4)
Total revenue	**1.6**	2.7	(38.1)
General and administrative expenses	**4.1**	3.7	10.1
Ordinary business profit (loss)	**(2.4)**	(1.0)	(137.8)
Net credit costs (recoveries)	**(0.7)**	0.7	(202.4)
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ (1.7)**	¥ (1.7)	1.5
Global Markets Group:			
Net interest income	**¥ (6.1)**	¥ 9.2	(166.5)
Non-interest income	**11.3**	54.3	(79.1)
Total revenue	**5.1**	63.6	(91.9)
General and administrative expenses	**10.8**	12.1	(10.7)
Ordinary business profit (loss)	**(5.6)**	51.5	(110.9)
Net credit costs (recoveries)	**(2.6)**	1.4	(289.9)
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ (2.9)**	¥ 50.1	(105.9)

The Global Markets Group generated total revenue of ¥5.1 billion for the fiscal year ended March 31, 2012, compared to ¥63.6 billion for the previous fiscal year due to stagnant financial markets following the European debt crisis and the Great East Japan Earthquake as well as the absence of gains on repurchases of perpetual preferred securities and subordinated debt which were recorded for the previous fiscal year.

The Financial Institutions Sub-Group's total revenue was ¥3.3 billion for the fiscal year ended March 31, 2012, compared to ¥2.6 billion for the previous fiscal year. Steady revenues from transactions with clients contributed to the solid performance.

The Markets Sub-Group earned total revenue of ¥6.2 billion for the fiscal year ended March 31, 2012, compared to ¥12.5 billion for the previous fiscal year. Total revenue decreased due to the absence of gains on sales of CLO, which are non-core assets, while gains on CLO sales of ¥4.3 billion were included in the previous fiscal year. Other factors include a decrease in net interest income as a result of the divestiture of non-core assets, as well as stagnant trade activities due to sluggish financial markets following the European debt crisis and other events.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

The Treasury Sub-Group's total revenue was a loss of ¥6.1 billion for the fiscal year ended March 31, 2012, compared to total revenue of ¥45.8 billion for the previous fiscal year. This sub-group manages ALM for the bank overall. For the fiscal year ended March 31, 2012, there were no gains recorded through the repurchase of perpetual preferred securities and subordinated debt, and only limited gains were recorded from Japanese national government bond trading. In contrast, for the previous fiscal year, the Treasury Sub-Group traded Japanese government bonds frequently to facilitate liquidity management, earning gains on sales, as well as recording ¥29.4 billion of gains on repurchases of perpetual preferred securities and subordinated debt.

Others earned total revenue of ¥1.6 billion for the fiscal year ended March 31, 2012, compared to ¥2.7 billion for the previous fiscal year.

The Global Markets Group reduced general and administrative expenses by ¥1.2 billion from ¥12.1 billion for the previous fiscal year to ¥10.8 billion for the fiscal year ended March 31, 2012. The decrease was largely due to continuous cost rationalization and efficiency improvements implemented by the overall group and the scale-down and exit from non-core businesses.

Net credit recoveries of ¥2.6 billion were recorded for the fiscal year ended March 31, 2012 compared to net credit costs of ¥1.4 billion for the previous fiscal year. The Global Markets Group has been continuing to reduce non-core assets and recorded a reversal of reserve for these assets. Credit costs include recoveries of written-off claims from the fiscal year ended March 31, 2012. Excluding recoveries of written-off claims, net credit recoveries of ¥1.3 billion were recorded for the fiscal year ended March 31, 2012.

As a result, the Global Markets Group recorded a ¥2.9 billion ordinary business loss after net credit costs for the fiscal year ended March 31, 2012, compared with a ¥50.1 billion ordinary business profit after net credit costs for the previous fiscal year. Excluding the Treasury Sub-Group's losses related to the ALM activities of the overall Bank, the Global Markets Group recorded an ordinary business profit after net credit costs of ¥4.2 billion.

INDIVIDUAL GROUP

The Individual Group consists of: 1) Retail Banking, 2) Shinsei Financial and Shinsei Bank Lake, 3) Shinki, 4) APLUS FINANCIAL and 5) Others including Shinsei Property Finance Co., Ltd and Consumer Finance Sub-Group.

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

	Billions of yen		
Fiscal years ended March 31	**2012**	2011	% Change
Retail Banking:	**¥ 36.0**	¥ 43.3	(16.7)
Deposits and Debentures Net Interest Income	**21.3**	24.9	(14.3)
Deposits and Debentures Non-Interest Income(1)	**4.1**	5.8	(29.8)
Asset management	**4.3**	4.5	(6.1)
Loans	**6.3**	7.9	(20.5)
Shinsei Financial and Shinsei Bank Lake(2)	**43.9**	58.9	(25.4)
Shinki	**7.8**	10.7	(27.5)
APLUS FINANCIAL	**48.5**	50.8	(4.6)
Others	**1.7**	(6.7)	126.2
Total revenue	**¥ 138.1**	¥ 157.1	(12.1)

Notes: (1) Includes revenue from structured deposits of ¥5.2 billion and ¥6.2 billion for the fiscal year ended March 31, 2012 and 2011, respectively.
(2) Results for Shinsei Financial and "Shinsei Bank Card Loan - Lake" in the Lake business (started on October 1, 2011) are combined on a management accounting basis from 3Q of the current fiscal year.

The Individual Group's ordinary business profit after net credit costs increased to ¥47.2 billion for the fiscal year ended March 31, 2012 compared to ¥24.0 billion for the previous fiscal year. Ordinary business profit after net credit costs of Shinsei Financial and Shinsei Bank Lake, Shinki and APLUS FINANCIAL for the fiscal year ended March 31, 2012 were above their respective performance for the previous fiscal year.

RETAIL BANKING

Total revenue of Retail Banking decreased to ¥36.0 billion for the fiscal year ended March 31, 2012 from ¥43.3 billion for the previous fiscal year. Net interest income decreased to ¥29.1 billion for the fiscal year ended March 31, 2012 from ¥33.8 billion for the previous fiscal year. This was due to prevailing low interest rates resulting in a decrease in net interest income from deposits. Non-interest income also decreased to ¥6.9 billion for the fiscal year ended March 31, 2012 from ¥9.5 billion for the previous fiscal year. This decrease was due to lower fee income from investment products such as structured deposits caused by the stagnant domestic and international markets following the European debt crisis and the Great East Japan Earthquake.

Due to continued rationalization and efficient business processes, general and administrative expenses decreased to ¥31.3 billion for the fiscal year ended March 31, 2012 compared

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

to ¥33.1 billion for the previous fiscal year.

Net credit costs totaled ¥1.2 billion for the fiscal year ended March 31, 2012 compared to ¥2.5 billion for the previous fiscal year. As a result, the ordinary business profit after net credit costs was ¥3.5 billion for the fiscal year ended March 31, 2012 compared to an ordinary business profit after net credit costs of ¥7.5 billion for the previous fiscal year.

SHINSEI FINANCIAL AND SHINSEI BANK LAKE

Ordinary business profit after net credit costs of Shinsei Financial and Shinsei Bank Lake was ¥24.7 billion for the fiscal year ended March 31, 2012 compared to ¥17.7 billion for the previous fiscal year.

Total revenue decreased for the fiscal year ended March 31, 2012 due to the decrease in loan balance caused by the revised Money-Lending Business Control and Regulation Law. However, as the Bank itself started Consumer Finance business from October 2011, the decrease has become less pronounced. As the impact of the revised Money-Lending Business Control and Regulation Law was anticipated earlier, business was appropriately scaled down to reduce expenses. Also, we were able to greatly reduce net credit costs by implementing strict credit management and establishing a strong structure for loan collections. This, together with the income-linked borrowing limitation regulation implemented last year helped to improve credit quality. In addition to the above, the decrease in loan balance also helped in reducing the net credit costs resulting in an increase in ordinary business profit after net credit costs. From the fiscal year ended March 31, 2012, recoveries of written-off claims are included in net credit costs.

Net credit costs for the fiscal year ended March 31, 2012 included ¥7.6 billion from recoveries of written-off claims. The ordinary business profit after net credit costs excluding recoveries of written-off claims for the fiscal year ended March 31, 2012 was ¥17.1 billion.

Although the loan balance of Shinsei Financial decreased by ¥126.3 billion in the previous fiscal year, the decrease was limited to ¥64.8 billion for the fiscal year ended March 31, 2012 (after including the loan balance of the Bank's Consumer Finance business.)

SHINKI

Ordinary business profit after net credit costs of Shinki was ¥4.7 billion for the fiscal year ended March 31, 2012 compared to ¥2.4 billion for the previous fiscal year. Similar to Shinsei Financial, Shinki's total revenue also decreased due to the revised Money-Lending Business Control and Regulation Law. However, the decrease in total revenue was offset by decrease in expense and credit costs. From the fiscal year ended March 31, 2012, recoveries of written-off claims are included in net credit costs.

Net credit costs for the fiscal year ended March 31, 2012 included ¥1.0 billion from recoveries of written-off claims. The ordinary business profit after net credit costs excluding recoveries of written-off claims for the fiscal year ended March 31, 2012 was ¥3.6 billion which is still higher than the ¥2.4 billion for the previous fiscal year.

APLUS

Ordinary business profit after net credit costs of APLUS FINANCIAL increased to ¥13.0 billion for the fiscal year ended March 31, 2012, compared to ¥4.2 billion for the previous fiscal year. Total revenue decreased to ¥48.5 billion for the fiscal year ended March 31, 2012, compared to ¥50.8 billion for the previous fiscal year due to the decrease in loan balance following implementation of the revised Money-Lending Business Control and Regulation Law. However, due to continued rationalization and efficient business processes, general and administrative expenses decreased to ¥30.2 billion for the fiscal year ended March 31, 2012 from ¥32.8 billion for the previous fiscal year. Also, due to strict credit management, net credit costs decreased to ¥5.2 billion for the fiscal year ended March 31, 2012 from ¥13.8 billion for the previous fiscal year.

INTEREST REPAYMENT

With regard to reserve for losses on interest repayments, an additional provision of reserve of ¥32.8 billion was made for the fiscal year ended March 31, 2012. Shinsei Financial's usage of reserve for losses on interest repayments and others amounted to ¥7.7 billion for the fiscal year ended March 31, 2012. The business made an additional provision of reserve of ¥15.9 billion resulting in a total balance of ¥26.2 billion in reserve for losses on interest repayments as of March 31, 2012 compared to ¥18.0 billion as of March 31, 2011. Additional provisions for losses on interest repayments at Shinsei Financial were recorded for the portion of the portfolio not covered by the GE indemnity included in the purchase agreement of Shinsei Financial from GE.

Shinki's usage of reserve for losses on interest repayments amounted to ¥11.0 billion for the fiscal year ended March 31, 2012. The business made an additional provision of reserve of ¥11.5 billion resulting in a total balance of ¥14.0 billion in reserve for losses on interest repayments as of March 31, 2012 compared to ¥13.4 billion as of March 31, 2011.

APLUS FINANCIAL and its consolidated subsidiaries' usage of reserve for losses on interest repayments amounted to ¥6.4 billion for the fiscal year ended March 31, 2012. The business made an additional provision of reserve of ¥5.3 billion resulting in a total balance of ¥10.6 billion in reserve for losses on interest repayments as of March 31, 2012 compared to ¥11.7 billion as of March 31, 2011.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

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

	Billions of yen		
Fiscal years ended March 31	**2012**	2011	% Change
Retail Banking:			
Net interest income	**¥ 29.1**	¥ 33.8	(13.8)
Non-interest income	**6.9**	9.5	(26.9)
Total revenue	**36.0**	43.3	(16.7)
General and administrative expenses	**31.3**	33.1	(5.5)
Ordinary business profit	**4.7**	10.1	(53.4)
Net credit costs	**1.2**	2.5	(52.6)
Ordinary business profit after net credit costs	**¥ 3.5**	¥ 7.5	(53.7)
Shinsei Financial and Shinsei Bank Lake[1]:			
Net interest income	**¥ 47.0**	¥ 64.1	(26.6)
Non-interest income	**(3.0)**	(5.1)	40.8
Total revenue	**43.9**	58.9	(25.4)
General and administrative expenses	**27.2**	33.4	(18.6)
Ordinary business profit	**16.7**	25.4	(34.3)
Net credit costs (recoveries)	**(8.0)**	7.7	(203.7)
Ordinary business profit after net credit costs (recoveries)	**¥ 24.7**	¥ 17.7	39.7
Shinki:			
Net interest income	**¥ 8.4**	¥ 11.7	(28.1)
Non-interest income	**(0.6)**	(1.0)	35.3
Total revenue	**7.8**	10.7	(27.5)
General and administrative expenses	**3.4**	4.6	(24.6)
Ordinary business profit	**4.3**	6.1	(29.6)
Net credit costs (recoveries)	**(0.4)**	3.6	(111.3)
Ordinary business profit after net credit costs (recoveries)	**¥ 4.7**	¥ 2.4	92.4
APLUS FINANCIAL:			
Net interest income	**¥ 12.5**	¥ 14.4	(13.4)
Non-interest income	**35.9**	36.3	(1.1)
Total revenue	**48.5**	50.8	(4.6)
General and administrative expenses	**30.2**	32.8	(7.9)
Ordinary business profit	**18.2**	18.0	1.3
Net credit costs	**5.2**	13.8	(62.3)
Ordinary business profit after net credit costs	**¥ 13.0**	¥ 4.2	208.5
Others[2]:			
Net interest income	**¥ 1.5**	¥ (6.8)	122.9
Non-interest income	**0.1**	0.1	15.1
Total revenue	**1.7**	(6.7)	126.2
General and administrative expenses	**0.3**	0.4	(17.4)
Ordinary business profit (loss)	**1.3**	(7.1)	119.5
Net credit costs	**0.2**	0.8	(72.1)
Ordinary business profit (loss) after net credit costs	**¥ 1.1**	¥ (7.9)	114.6
Total Individual Group:			
Net interest income	**¥ 98.7**	¥ 117.3	(15.8)
Non-interest income	**39.3**	39.8	(1.1)
Total revenue	**138.1**	157.1	(12.1)
General and administrative expenses	**92.6**	104.5	(11.3)
Ordinary business profit	**45.4**	52.6	(13.6)
Net credit costs (recoveries)	**(1.7)**	28.6	(106.2)
Ordinary business profit after net credit costs (recoveries)	**¥ 47.2**	¥ 24.0	96.8

Notes: (1) Results for Shinsei Financial and "Shinsei Bank Card Loan - Lake" in the Lake business (started on October 1, 2011) are combined on a management accounting basis from 3Q of the current fiscal year.
(2) Includes Shinsei Property Finance and unallocated Consumer Finance Sub-Group financials.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

CORPORATE/OTHER

Corporate/Other includes company-wide accounts, allocation variance of indirect expense and elimination amount of inter-segment transactions. For the fiscal year ended March 31, 2012, ordinary business loss after net credit recoveries was ¥1.0 billion.

RESULTS OF OPERATIONS (NON-CONSOLIDATED)

OVERVIEW

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.

Shinsei recorded a net income for the fiscal year ended March 31, 2012 of ¥13.8 billion on a non-consolidated basis. Differences between the net incomes on a non-consolidated basis and consolidated basis are mainly because of the gains and losses from our consolidated subsidiaries, including Showa Leasing, Shinsei Financial, APLUS FINANCIAL and Shinki, the gains and losses on our investment in our equity-method affiliate, Jih Sun Financial Holding Co., Ltd., and the dividends received from our major consolidated subsidiaries.

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

Billions of yen (except percentages)

Fiscal years ended March 31	2012 Target	2012 Actual	2011 Target	2011 Actual
Net income	**¥ 15.0**	**¥ 13.8**	¥ 10.0	¥ 11.1
Total expenses (without taxes) (1)	**64.0**	**59.1**	63.9	57.3
Return on equity based on net business profit(2)	**5.2%**	**5.1%**	5.3%	9.3%

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

SUPPLEMENTAL MEASURES

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

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

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

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

While these non-Japanese GAAP business profit measures should not be viewed as a substitute for net income, management believes that these measures provide a meaningful way of comparing a number of the important components of Shinsei's revenues and profitability from year to year. The table below sets forth these supplemental financial data and corresponding reconciliations to net income under Japanese GAAP for the fiscal years ended March 31, 2012 and 2011.

RESULTS OF OPERATIONS (NON-CONSOLIDATED) (continued)

TABLE 16. SUPPLEMENTAL MEASURES (NON-CONSOLIDATED)

	Billions of yen	
Fiscal years ended March 31	**2012**	2011
Gross business profit *(gyomu sorieki)*:		
Net interest income	**¥ 70.3**	¥ 70.5
Net fees and commissions[1]	**18.0**	15.5
Net trading income	**13.4**	10.6
Net other business income (loss)	**(6.9)**	18.4
Total gross business profit	**94.8**	115.1
Expenses[2]	**62.6**	60.5
Net business profit *(jisshitsu gyomu jun-eki)*	**32.1**	54.6
Net credit costs	**10.9**	40.3
Other, net[3]	**(3.0)**	(6.3)
Net operating income *(keijo rieki)*	**18.1**	7.9
Extraordinary income (loss)	**(1.8)**	4.1
Income before income taxes	**16.2**	12.1
Current income taxes (benefit)	**0.1**	(0.5)
Deferred income taxes	**2.1**	1.5
Net income	**¥ 13.8**	¥ 11.1

Notes: (1) Includes net gain (loss) on monetary assets held in trust of ¥12.2 billion in the fiscal year ended March 31, 2012 and ¥11.5 billion in the previous fiscal year.
(2) General and administrative expenses with certain adjustment.
(3) Excludes net gain (loss) on monetary assets held in trust.

CRITICAL ACCOUNTING POLICIES

GENERAL

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

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

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

RESERVE FOR CREDIT LOSSES

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

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

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

CRITICAL ACCOUNTING POLICIES (continued)

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

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

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

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

RESERVE FOR LOSSES ON INTEREST REPAYMENTS

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

In addition, a reserve for losses on interest repayments of Shinsei Financial is calculated considering the terms stipulated in the share transfer agreement entered into by and between the Bank and the seller, GE Japan Holdings Co., Ltd. ("GE"), for the acquisition of Shinsei Financial, under which the sharing of interest repayment costs between the Bank and GE is determined.

VALUATION OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

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

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

AVAILABLE-FOR-SALE SECURITIES

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

Available-for-sale securities include some securities without readily obtainable market prices or quotes. These securities primarily consist of residual interests and debt investments in collateralized debt obligations as well as illiquid corporate bonds. We estimate the fair values of these securities based on histori-

CRITICAL ACCOUNTING POLICIES (continued)

cal data concerning market prices and quotes. In some cases, we determine fair value using internal valuation methodologies that are subject to complex assumptions, including those relating to scenarios, interest rates and volatility.

IMPAIRMENT IN VALUE OF DEBT AND EQUITY SECURITIES

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

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

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

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

FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING PURPOSES

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

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

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

CREDIT TRADING ACTIVITIES

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

VALUATION OF DEFERRED TAX ASSETS

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

CRITICAL ACCOUNTING POLICIES (continued)

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

As a result of Taxable Income (as defined in the previous paragraph) recorded in recent periods, we could have recorded deferred tax assets realizable based on a reasonable estimate of income for at least a part of the next five fiscal years if we would have demonstrated that we would record actual Taxable Income for the foreseeable future. We have evaluated the available evidence concerning our future Taxable Income and other possible sources of the realization of deferred tax assets, and have concluded that we should record deferred tax assets that are realizable only in the following fiscal year for Shinsei and most of its subsidiaries. We have recorded a valuation allowance to reduce deferred tax assets accordingly. The actual Taxable Income amount for the fiscal year ended March 31, 2013 may be different from our estimate, which would result in a larger or smaller amount of deferred tax assets that should have been recognized.

"Act for Partial Revision to the Income Tax Act, etc. in order to Build a Tax Framework in Response to Changes in the Structure of the Economic Society" (Law No. 114 for 2011) and "Act on Special Measures for Securing Financial Resources Required to Implement Actions for Recovery from the Great East Japan Earthquake" (Law No. 117 for 2011) were promulgated in December 2, 2011. From the fiscal year beginning on or after April 1, 2012, the corporate tax rate will be reduced and the reconstruction special corporate tax will be imposed. In connection with this change, the effective statutory tax rate for calculating deferred tax assets and deferred tax liabilities will be changed from the existing 40.7% to 38.0% for temporary differences and tax loss carryforwards that are expected to be realized between the fiscal year beginning on April 1, 2012 and the fiscal year beginning on April 1, 2014; and to 35.6% for temporary differences and tax loss carryforwards that are expected to be realized in and after the fiscal year beginning on April 1, 2015. With these tax rate changes, deferred tax assets have decreased by ¥824 million and deferred tax liabilities have decreased by ¥162 million while unrealized gain (loss) on available-for-sale securities has increased by ¥30 million and income taxes-deferred have increased by ¥851 million.

From the fiscal year beginning on or after April 1, 2012, the use of tax loss carryforwards will be limited to the equivalent of 80% of taxable income before deducting tax loss carryforwards. Due to this limitation, deferred tax assets have decreased by ¥202 million and deferred tax liabilities have increased by ¥291 million while income taxes-deferred have increased by ¥494 million.

RESERVE FOR EMPLOYEES' RETIREMENT BENEFITS

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

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

We have selected the interest rate for Japanese government bonds with a maturity which is the closest to the period of time for effective settlement of the benefit obligation under the pension plan as the basis for the discount rate. If we become aware of information that leads us to determine that a different period for settling the benefit obligation is required, the discount rate could be changed accordingly, which may have an impact on the related amounts reported in our financial statements. Changing our methodologies for calculating the estimated settlement period would also affect our estimate of the discount rate and related amounts in our financial statements.

HEDGE ACCOUNTING

We follow guidelines issued by the JICPA regarding hedge accounting applicable to financial assets and liabilities exposed to a risk of change in fair value or cash flow. Derivative transactions that meet the hedge accounting criteria are primarily accounted for under a deferral method whereby unrealized gains and losses are deferred in a separate component of equity until the gains and losses on the hedged items are realized.

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

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

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

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

IMPAIRMENT OF LONG-LIVED ASSETS

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

BUSINESS COMBINATIONS

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

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

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

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

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

We also recognized certain identifiable other intangible assets in connection with the acquisition of APLUS FINANCIAL, Showa Leasing, Shinki and Shinsei Financial because they arose

CRITICAL ACCOUNTING POLICIES (continued)

from contractual or other legal rights, or were separable. The identified other intangible assets consist of trade names and customer and/or merchant relationships, among others, which are valued using variations of the income approach and which are being amortized over various periods and using different methodologies depending on the nature of the asset. See Note 2 (C) to the Consolidated Financial Statements.

The excess of the purchase price over the fair value of the net assets acquired, including identified other intangible assets, was recorded as goodwill and is being amortized on a consistent basis primarily over 20 years. The amortization period of 20 years is the maximum period allowed under Japanese GAAP and was determined based upon the Bank's business strategy. With regard to the acquisitions undertaken before April 1, 2010, accounted for under previous accounting standards, when the purchase price is lower than the fair value of the net assets acquired, including identified other intangible assets, the difference is recorded as negative goodwill and primarily amortized on a straight-line basis over 20 years, which is the maximum period allowed under previous accounting standards. Any unamortized balances of identified other intangible assets and goodwill are subject to impairment testing periodically.

IMPAIRMENT OF GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

As the first step of the impairment test, we estimate the undiscounted future cash flows of the business. If the value of the undiscounted future cash flows is less than the book value of the net assets, including goodwill and other intangible assets, of the business, it is determined that impairment exists and the next step of the impairment test is performed to measure the amount of impairment loss.

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

ASSET RETIREMENT OBLIGATIONS

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

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

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

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

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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

FINANCIAL CONDITION

TOTAL ASSETS

As of March 31, 2012, we had consolidated total assets of ¥8,609.6 billion, representing a 15.9% decrease from March 31, 2011.

Our loans and bills discounted balance was ¥4,136.8 billion as of March 31, 2012. It declined compared to the balance of ¥4,291.4 billion as of March 31, 2011, however, increased compared to the balance of ¥4,076.5 billion as of December 31, 2011. The Institutional Group and Global Markets Group accumulated core business assets after continued reduction of risk assets including non-core assets. The rate of decrease of the loan balance in Consumer Finance has gradually become less pronounced after continued decrease due to the impact of the revised Money-Lending Business Control and Regulation Law. Commencement of the Consumer Finance business through the bank from October 2011 contributed as well.

SECURITIES

The following table sets forth the composition of our consolidated portfolio of trading securities in the banking book, available-for-sale securities and held-to-maturity securities as of March 31, 2012. As reflected below, 80.0% of the securities will mature during the next five years. The balance of securities as of March 31, 2012 was ¥1,873.4 billion compared to ¥3,286.3 billion as of March 31, 2011. Over half of the investments in securities were made in Japanese national government bonds for ALM purposes as a liquidity reserve. In the course of portfolio management, the total balance of Japanese national government bonds was ¥1,285.1 billion as of March 31, 2012, down from ¥2,462.6 billion as of March 31, 2011.

TABLE 17. SECURITIES BY MATURITY (CONSOLIDATED)

Billions of yen

	As of March 31, 2012							
	One year or less	**Over one year to three years**	**Over three years to five years**	**Over five years to seven years**	**Over seven years to ten years**	**Over ten years**	**Unspecified term**	**Total**
Japanese national government bonds	**¥ 362.7**	**¥ 509.8**	**¥ 242.0**	**¥ 95.0**	**¥ 75.4**	**¥ —**	**¥ —**	**¥ 1,285.1**
Japanese local government bonds	**1.2**	**—**	**0.5**	**—**	**—**	**—**	**—**	**1.7**
Japanese corporate bonds	**129.3**	**81.5**	**36.4**	**3.8**	**—**	**—**	**—**	**251.0**
Japanese equity securities	**—**	**—**	**—**	**—**	**—**	**—**	**27.7**	**27.7**
Foreign bonds and other	**66.7**	**25.7**	**42.5**	**31.6**	**31.8**	**7.2**	**101.9**	**307.7**
Total securities	**¥ 560.0**	**¥ 617.0**	**¥ 321.5**	**¥130.6**	**¥ 107.3**	**¥ 7.2**	**¥ 129.6**	**¥ 1,873.4**

Billions of yen

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

FINANCIAL CONDITION (continued)

LOAN PORTFOLIO

As of March 31, 2012, loans and bills discounted totaled ¥4,136.8 billion. This represented 48.0% of total consolidated assets. Installment receivables of APLUS FINANCIAL, Showa Leasing and our other non-bank subsidiaries are classified in our consolidated balance sheets as other assets, and are not reflected in our data on loans and bills discounted.

Most of our loan portfolio was originated by Shinsei and our domestic subsidiaries. Of loans we originated, loans to the finance and insurance industry and the real estate industry accounted for 32.0% of total loans as of March 31, 2012. Loans to the real estate industry consisted, in part, of non-recourse and project finance loans. Loans to others of ¥1,622.4 billion as of March 31, 2012 included loans extended to Shinsei's retail banking, Shinsei Bank Lake, Shinsei Financial's, APLUS FINANCIAL's and Shinki's individual customers amounting, in aggregate, to ¥1,439.4 billion.

TABLE 18. LOANS BY BORROWER INDUSTRY (CONSOLIDATED)

Billions of yen (except percentages)

As of March 31	2012		2011	
Domestic offices (excluding Japan offshore market account):				
Manufacturing	**¥ 244.5**	**6.0%**	¥ 231.5	5.5%
Agriculture and Forestry	**0.3**	**0.0**	0.0	0.0
Fishery	**—**	**—**	2.2	0.1
Mining, quarrying and gravel extraction	**0.2**	**0.0**	0.4	0.0
Construction	**15.9**	**0.4**	8.3	0.2
Electric power, gas, heat supply and water supply	**48.6**	**1.2**	27.1	0.6
Information and communications	**39.9**	**1.0**	12.6	0.3
Transportation, postal service	**245.0**	**6.1**	284.3	6.7
Wholesale and retail	**86.0**	**2.1**	101.4	2.4
Finance and insurance	**694.7**	**17.2**	722.6	17.1
Real estate	**598.3**	**14.8**	597.4	14.1
Services	**307.5**	**7.6**	330.4	7.8
Local government	**139.5**	**3.5**	158.8	3.8
Others	**1,622.4**	**40.1**	1,752.1	41.4
Total domestic (A)	**¥ 4,043.4**	**100.0%**	¥ 4,229.7	100.0%
Overseas offices (including Japan offshore market accounts):				
Governments	**¥ 2.0**	**2.2%**	¥ 2.2	3.6%
Financial institutions	**1.0**	**1.1**	1.6	2.7
Others	**90.2**	**96.7**	57.7	93.7
Total overseas (B)	**¥ 93.3**	**100.0%**	¥ 61.6	100.0%
Total (A+B)	**¥ 4,136.8**		¥ 4,291.4	

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

Billions of yen

As of March 31	2012	2011
United States	**¥ 40.2**	¥ 35.1
Asset-backed investments in the U.S.	**5.2**	4.1
Europe	**50.3**	66.2
Asset-backed investments in Europe	**27.6**	30.9
Others	**118.1**	108.1
Total overseas and offshore loans	**¥ 208.7**	¥ 209.5
Total asset-backed investments	**¥ 32.9**	¥ 35.1

FINANCIAL CONDITION (continued)

LOAN MATURITY

The following table sets forth the composition of Shinsei's non-consolidated loan portfolio by type of interest rate and maturity as of the dates indicated. In the fiscal year ended March 31, 2012, the increase in total loans resulted from a increase in both variable-interest rate loans and fixed-interest rate loans.

TABLE 20. LOAN MATURITY (NON-CONSOLIDATED)

As of March 31	Billions of yen 2012	2011
Fixed-interest loans:		
One year or less[1]	¥ —	¥ —
Over one year to three years	57.5	63.4
Over three years to five years	35.9	82.9
Over five years to seven years	191.7	26.9
Over seven years	475.9	441.0
Indefinite term	28.9	13.7
Variable-interest loans:		
One year or less[1]	¥ —	¥ —
Over one year to three years	764.2	691.0
Over three years to five years	629.8	485.6
Over five years to seven years	131.7	138.8
Over seven years	627.2	631.6
Indefinite term	61.9	113.2
Total loans:		
One year or less	¥ 1,097.5	¥ 1,284.5
Over one year to three years	821.7	754.4
Over three years to five years	665.8	568.6
Over five years to seven years	323.4	165.8
Over seven years	1,103.2	1,072.7
Indefinite term	90.8	127.0
Total loans	¥ 4,102.6	¥ 3,973.2

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

ASSET QUALITY AND DISPOSAL OF NON-PERFORMING LOANS OF SHINSEI

At March 31, 2012, 72.2% of our consolidated non-performing loans as disclosed in accordance with the guidelines of the Japanese Bankers Association (JBA) were held by Shinsei and most of the remaining non-performing loans were held by Shinsei Financial and APLUS FINANCIAL. This discussion of our asset quality presents information of Shinsei on a non-consolidated basis unless specified otherwise. In particular, non-performing claims as defined in the Financial Revitalization Law are only disclosed on a non-consolidated basis, and therefore do not include non-performing loans held by Shinsei Financial, APLUS FINANCIAL, Showa Leasing and Shinki. For a discussion of the non-performing claims of Shinsei Financial, APLUS FINANCIAL, Showa Leasing and Shinki see "—Asset Quality of Shinsei Financial, APLUS FINANCIAL, Showa Leasing and Shinki."

We classify our obligors and assess our asset quality based on our self-assessment guidelines developed in accordance with guidelines published by the FSA. We generally perform our self-assessment quarterly. The self-assessment process involves classifying obligors based on their financial condition and then categorizing claims against obligors in order of collection risk. Based on these classifications, we establish reserves and disclose our non-performing loans and other claims using criteria specified in the Financial Revitalization Law. We also disclose our non-performing loans under a format devised by the JBA for the disclosure of risk-monitored loans.

The following table compares the scope of each category of claim under the Financial Revitalization Law and each type of risk-monitored loan, as well as the obligor type to which they relate as of March 31, 2012:

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

(Billions of yen)

Obligor Classifications	Internal Ratings	Reserve Ratios for Borrowers Type	Claims Classified under the Financial Revitalization Law[2][3]	Other	Risk-monitored Loans[2]
			Total loans and bills discounted: 4,102.6	Other 343.1	Total loans and bills discounted: 4,102.6
Legally bankrupt	9E	100.0% for unsecured portion	Claims against bankrupt and quasi-bankrupt obligors 49.1 (Amount of coverage, coverage ratio) (49.1*, 100.0%) *Amount of reserve for loan losses is 3.6, collateral and guarantees is 45.4		Loans to bankrupt obligors 3.5
Virtually bankrupt	9D	100.0% for unsecured portion			Non-accrual delinquent loans 263.3
Possibly bankrupt	9C	95.4% for unsecured portion	Doubtful claims 245.2 (Amount of coverage, coverage ratio) (235.4*, 96.0%) *Amount of reserve for loan losses is 72.5, collateral and guarantees is 162.9		
Need caution: Substandard	9B	240.9%[4] for unsecured portion	Substandard claims (loan account only) 1.5 (Amount of coverage, coverage ratio) (1.5*, 99.0%) *Amount of reserve for loan losses is 0.4, collateral and guarantees is 1.1		Loans past due for three months or more Restructured loans 1.5
Need caution: Other need caution	9A	5.8% for total claims			
Normal	0A–6C	0.6% for total claims	Normal claims 4,149.8		Normal 3,834.1
			Total non-performing claims and ratio to total claims 295.9, 6.7% (Total amount of coverage, coverage ratio) (286.1*, 96.7%) *Total amount of reserve for loan losses is 76.6, collateral and guarantees is 209.5		Total risk-monitored loans and ratio to total loans and bills discounted 268.4, 6.5%

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

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

FINANCIAL CONDITION (continued)

SELF-ASSESSMENT GUIDELINES AND RESERVE POLICIES

DEFINITION OF OBLIGOR CLASSIFICATIONS

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

DEFINITIONS OF CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW

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

DEFINITIONS OF CATEGORIES OF RISK-MONITORED LOANS

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

FINANCIAL CONDITION (continued)

RESERVE POLICIES

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

CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW

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

DISCLOSURE OF CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW

Our current management team has consistently emphasized the monitoring of non-performing loans. Shinsei's total amount of non-performing claims as disclosed pursuant to the Financial Revitalization Law increased by ¥16.3 billion, or 5.9%, to ¥295.9 billion, between March 31, 2011 and 2012. During the fiscal year ended March 31, 2012, claims against bankrupt and quasi-bankrupt obligors decreased from ¥62.4 billion to ¥49.1 billion, doubtful claims increased from ¥210.7 billion to ¥245.2 billion, and substandard claims decreased from ¥6.3 billion to ¥1.5 billion as a result of our self assessment. The ratio of non-performing claims disclosed under the Financial Revitalization Law to total non-consolidated claims as of March 31, 2012 decreased to 6.7%, compared to 6.8% as of March 31, 2011.

Shinsei's claims against other need caution obligors, excluding substandard claims, totaled ¥293.9 billion as of March 31, 2012, a 34.8% decrease from ¥450.8 billion as of March 31, 2011. These include private placement bonds guaranteed by Shinsei and classified as claims against other need caution obligors. These claims represented 6.6% of total non-consolidated claims as of March 31, 2012, down from 10.9% as of March 31, 2011.

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

Billions of yen (except percentages)

As of March 31	2012	2011
Claims against bankrupt and quasi-bankrupt obligors	¥ 49.1	¥ 62.4
Doubtful claims	245.2	210.7
Substandard claims	1.5	6.3
Total claims disclosed under the Financial Revitalization Law[1]	295.9	279.5
Normal claims and claims against other need caution obligors, excluding substandard claims	4,149.8	3,840.8
Total claims	¥ 4,445.7	¥ 4,120.3
Ratio of total claims disclosed under the Financial Revitalization Law to total claims	6.7%	6.8%

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

FINANCIAL CONDITION (continued)

COVERAGE RATIOS

As of March 31, 2012, Shinsei's non-consolidated coverage ratios for claims classified under the Financial Revitalization Law, which for each category of claims is the total of collateral pledged against claims, guarantees for claims and reserve for loan losses, measured against total claims, were 100.0% for claims against bankrupt and quasi-bankrupt obligors, 96.0% for doubtful claims and 99.0% for substandard claims. For all claims classified under the Financial Revitalization Law, the coverage ratio was 96.7%, a decrease from 96.8% as of March 31, 2011.

Shinsei directly writes off, rather than reserves, the portion of claims against bankrupt and quasi-bankrupt obligors that are estimated to be uncollectible. In the fiscal years ended March 31, 2012 and 2011, ¥74.9 billion and ¥90.2 billion, respectively, of such claims were written off on a non-consolidated basis.

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

Billions of yen (except percentages)

	Amount of claims	Amounts of coverage: Reserve for loan losses	Collateral and guarantees	Total	Coverage ratio
As of March 31, 2012:					
Claims against bankrupt and quasi-bankrupt obligors	**¥ 49.1**	**¥ 3.6**	**¥ 45.4**	**¥ 49.1**	**100.0%**
Doubtful claims	**245.2**	**72.5**	**162.9**	**235.4**	**96.0**
Substandard claims	**1.5**	**0.4**	**1.1**	**1.5**	**99.0**
Total	**¥ 295.9**	**¥ 76.6**	**¥ 209.5**	**¥ 286.1**	**96.7%**
As of March 31, 2011:					
Claims against bankrupt and quasi-bankrupt obligors	¥ 62.4	¥ 3.7	¥ 58.7	¥ 62.4	100.0%
Doubtful claims	210.7	39.0	164.6	203.7	96.7
Substandard claims	6.3	2.4	1.9	4.4	69.1
Total	¥ 279.5	¥ 45.2	¥ 225.3	¥ 270.5	96.8%

CHANGES IN AMOUNT OF NON-PERFORMING CLAIMS

The table below sets forth Shinsei's experience since March 31, 2010 with the removal of non-performing claims and the emergence of new claims on a non-consolidated basis:

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

Billions of yen

	Substandard claims	Doubtful claims	Claims against bankrupt and quasi-bankrupt obligors	Total
Balance of non-performing claims as of March 31, 2010	¥ 5.1	¥ 215.6	¥ 112.2	¥ 333.0
Claims newly added April 1, 2010 to March 31, 2011	5.1	76.5	2.9	84.5
Claims removed April 1, 2010 to March 31, 2011	(3.0)	(79.3)	(55.6)	(138.0)
Claims migrating between classifications April 1, 2010 to March 31, 2011	(0.8)	(2.1)	2.9	—
Net change	1.2	(4.9)	(49.7)	(53.4)
Balance of non-performing claims as of March 31, 2011	¥ 6.3	¥ 210.7	¥ 62.4	¥ 279.5
Claims newly added April 1, 2011 to March 31, 2012	**0.7**	**59.5**	**1.4**	**61.7**
Claims removed April 1, 2011 to March 31, 2012	**(2.1)**	**(27.7)**	**(15.5)**	**(45.4)**
Claims migrating between classifications April 1, 2011 to March 31, 2012	**(3.4)**	**2.6**	**0.7**	**—**
Net change	**(4.8)**	**34.5**	**(13.3)**	**16.3**
Balance of non-performing claims as of March 31, 2012	**¥ 1.5**	**¥ 245.2**	**¥ 49.1**	**¥ 295.9**

In the fiscal year ended March 31, 2012, ¥61.7 billion of claims were newly classified as substandard or worse, while Shinsei removed ¥45.4 billion of claims in these categories during the same period. Of the newly added non-performing claims, ¥59.5 billion were classified as doubtful claims, and ¥1.4 billion were claims against bankrupt and quasi-bankrupt obligors.

For the fiscal year ended March 31, 2011, ¥84.5 billion of claims were newly classified as substandard or worse, while Shinsei removed ¥138.0 billion of claims in these categories during the same period.

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

FINANCIAL CONDITION (continued)

RESERVE FOR CREDIT LOSSES

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

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

Billions of yen (except percentages)

As of March 31	2012	2011
General reserve for loan losses	**¥ 39.6**	¥ 48.3
Specific reserve for loan losses	**77.6**	45.2
Reserve for loans to restructuring countries	**0.0**	0.0
Subtotal of reserve for loan losses	**117.2**	93.6
Specific reserve for other credit losses	**3.9**	21.1
Total reserve for credit losses	**¥ 121.1**	¥ 114.8
Total claims[1]	**¥ 4,445.7**	¥ 4,120.3
Ratio of total reserve for loan losses to total claims	**2.6%**	2.3%
Ratio of total reserve for credit losses to total claims	**2.7%**	2.8%

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

As of March 31, 2012 and 2011, Shinsei's total reserve for credit losses on a non-consolidated basis was ¥121.1 billion and ¥114.8 billion, respectively, constituting 2.7% and 2.8%, respectively, of total claims.

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

Percentages

As of March 31		2012	2011
Legally and virtually bankrupt	(unsecured portion)	**100.0%**	100.0%
Possibly bankrupt	(unsecured portion)	**95.4%**	92.1%
Substandard	(unsecured portion)	**240.9%[1]**	55.1%
Need caution	(total claims)	**5.8%**	4.8%
	(unsecured portion)	**15.1%**	17.7%
Normal	(total claims)	**0.6%**	0.6%

Note: (1) The general reserve is calculated to total claims and contains the reserve to secured portion as well.

RISK-MONITORED LOANS

Consolidated risk-monitored loans decreased by 5.8% during the fiscal year ended March 31, 2012 to ¥371.9 billion. The decrease of ¥15.6 billion in restructured loans during the period were primarily attributable to collection of non-consolidated loans.

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

TABLE 26. RISK-MONITORED LOANS (CONSOLIDATED)

Billions of yen (except percentages)

As of March 31	2012	2011
Total loans and bills discounted	**¥ 4,136.8**	¥ 4,291.4
Loans to bankrupt obligors (A)	**8.1**	13.9
Non-accrual delinquent loans (B)	**316.7**	317.9
Subtotal (A)+(B)	**¥ 324.8**	¥ 331.8
Ratio to total loans and bills discounted	**7.9%**	7.7%
Loans past due for three months or more (C)	**¥ 1.7**	¥ 2.2
Restructured loans (D)	**45.3**	60.9
Total risk-monitored loans (A)+(B)+(C)+(D)	**¥ 371.9**	¥ 395.0
Ratio to total loans and bills discounted	**9.0%**	9.2%
Reserve for credit losses	**¥ 180.6**	¥ 199.2

FINANCIAL CONDITION (continued)

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

As of March 31	2012	2011
	Billions of yen (except percentages)	
Total loans and bills discounted	¥ 4,102.6	¥ 3,973.2
Loans to bankrupt obligors (A)	3.5	7.2
Non-accrual delinquent loans (B)	263.3	237.7
Subtotal (A)+(B)	¥ 266.8	¥ 244.9
Ratio to total loans and bills discounted	6.5%	6.2%
Loans past due for three months or more (C)	¥ 0.7	¥ 1.6
Restructured loans (D)	0.8	4.7
Total risk-monitored loans (A)+(B)+(C)+(D)	¥ 268.4	¥ 251.3
Ratio to total loans and bills discounted	6.5%	6.3%
Reserve for credit losses	¥ 121.1	¥ 114.8

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

As of March 31	2012	2011
	Billions of yen	
Domestic offices (excluding Japan offshore market account):		
Manufacturing	¥ 10.8	¥ 3.5
Agriculture and Forestry	—	—
Fishery	—	—
Mining, quarrying and gravel extraction	—	—
Construction	—	—
Electric power, gas, heat supply and water supply	—	—
Information and communications	—	0.5
Transportation and postal service	5.5	—
Wholesale and retail	—	0.0
Finance and insurance	43.7	22.7
Real estate	158.5	172.3
Services	26.2	2.0
Local government	—	—
Individual	3.6	6.8
Overseas yen loan and overseas loans booked domestically	19.9	43.3
Total domestic (A)	¥ 268.4	¥ 251.3
Overseas offices (including Japan offshore market accounts):		
Governments	¥ —	¥ —
Financial institutions	—	—
Commerce and industry	—	—
Others	—	—
Total overseas (B)	¥ —	¥ —
Total (A+B)	¥ 268.4	¥ 251.3

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

As of March 31	2012	2011
	Billions of yen	
United States	¥ —	¥ 6.7
Asset-backed investments in the U.S.	—	—
Europe	16.1	36.4
Asset-backed investments in Europe	15.9	13.1
Others	3.7	0.0
Total overseas and offshore loans	¥ 19.9	¥ 43.3
Total asset-backed investments[1]	¥ 15.9	¥ 13.1

Note: (1) As of March 31, 2012, reserve for loan losses and collateral/guarantees for risk monitored loans related to asset-backed investments were ¥6.8 billion and ¥8.6 billion, respectively, and the coverage ratio was 97.0%.

FINANCIAL CONDITION (continued)

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

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

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

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

	Billions of yen					
	Shinsei	Shinsei Financial	APLUS FINANCIAL	Shinki	Other subsidiaries	Total
As of March 31, 2012:						
Loans to bankrupt obligors	**¥ 3.5**	**¥ 1.1**	**¥ 0.1**	**¥ 0.0**	**¥ 3.3**	**¥ 8.1**
Non-accrual delinquent loans	**263.3**	**7.8**	**15.8**	**1.1**	**28.5**	**316.7**
Loans past due for three months or more	**0.7**	**0.0**	**0.0**	**—**	**0.9**	**1.7**
Restructured loans	**0.8**	**29.6**	**11.4**	**3.2**	**0.2**	**45.3**
Total	**¥ 268.4**	**¥ 38.6**	**¥ 27.4**	**¥ 4.3**	**¥ 33.0**	**¥ 371.9**
As of March 31, 2011:						
Loans to bankrupt obligors	¥ 7.2	¥ 1.8	¥ 0.0	¥ 0.0	¥ 4.7	¥ 13.9
Non-accrual delinquent loans	237.7	14.0	12.3	2.7	51.0	317.9
Loans past due for three months or more	1.6	0.0	0.0	—	0.5	2.2
Restructured loans	4.7	39.1	12.2	4.6	0.0	60.9
Total	¥ 251.3	¥ 55.0	¥ 24.6	¥ 7.4	¥ 56.5	¥ 395.0

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

	Billions of yen				
	Shinsei Financial	APLUS FINANCIAL	Showa Leasing	Other subsidiaries	Total
As of March 31, 2012:					
Credits to bankrupt obligors	**¥ 0.0**	**¥ 0.0**	**¥ 0.1**	**¥ 0.1**	**¥ 0.3**
Non-accrual delinquent credits	**0.0**	**4.4**	**5.2**	**0.5**	**10.2**
Credits past due for three months or more	**—**	**0.2**	**0.0**	**—**	**0.3**
Restructured credits	**0.0**	**1.3**	**0.2**	**—**	**1.5**
Total	**¥ 0.0**	**¥ 6.0**	**¥ 5.6**	**¥ 0.7**	**¥ 12.5**
As of March 31, 2011:					
Credits to bankrupt obligors	¥ 0.0	¥ —	¥ 0.0	¥ 0.3	¥ 0.4
Non-accrual delinquent credits	0.0	0.4	2.9	0.4	3.9
Credits past due for three months or more	—	0.2	0.1	—	0.4
Restructured credits	0.0	1.9	0.4	0.2	2.6
Total	¥ 0.1	¥ 2.6	¥ 3.6	¥ 1.0	¥ 7.3

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

FUNDING AND LIQUIDITY

Shinsei Bank continues to optimize its funding base through deposits from retail customers. Total deposits and negotiable certificates of deposit decreased from ¥5,610.6 billion as of March 31, 2011 to ¥5,362.4 billion as of March 31, 2012. The retail deposits balance totaled ¥4,662.4 billion as of March 31, 2012, a decrease of ¥89.8 billion compared to March 31, 2011. Retail Banking constitutes 87.2% of the Bank's total funding through customer deposits and debentures. The table below shows changes in the proportion of our overall funding represented by funds raised from deposits and debentures in our Retail and Institutional Banking businesses.

FINANCIAL CONDITION (continued)

TABLE 32. DIVERSIFICATION BY FUNDING TYPE (CONSOLIDATED)

As of March 31	Billions of yen 2012	2011
Retail deposits	**¥ 4,662.4**	¥ 4,752.2
Retail debentures[1]	**268.5**	279.9
Institutional deposits	**700.0**	858.4
Institutional debentures	**25.6**	68.3
Total	**¥ 5,656.5**	¥ 5,958.9

Note: (1) Excludes unclaimed matured debentures.

DEPOSITS

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

TABLE 33. MATURITY SCHEDULE OF TIME DEPOSITS (CONSOLIDATED)

As of March 31	Billions of yen 2012	2011
Less than three months[1]	**¥ 1,626.4**	¥ 1,373.3
Three months or more, but less than six months	**260.7**	246.7
Six months or more, but less than one year	**167.3**	405.2
One year or more, but less than two years	**609.5**	470.4
Two years or more, but less than three years	**464.6**	593.9
Three years or more	**164.0**	513.2
Total	**¥ 3,292.7**	¥ 3,602.9

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

DEBENTURES AND CORPORATE BONDS

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

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

Debentures

Fiscal year ending March 31	Billions of yen
2013	¥ 60.4
2014	52.3
2015	50.7
2016	64.7
2017 and thereafter	65.8
Total	¥ 294.1

Corporate Bonds

Fiscal year ending March 31	Billions of yen
2013	¥ 1.9
2014	1.5
2015	34.7
2016	59.1
2017 and thereafter	71.3
Total	¥ 168.7

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

CREDIT RATINGS
Our borrowing costs and ability to raise funds are impacted directly by our credit ratings and changes thereto. On August 24, 2011, Moody's downgraded Shinsei's long-term credit rating to Ba1, outlook "Negative" from Baa3, outlook "Stable" and Shinsei's short-term credit rating from Prime-3 to Not Prime. Shinsei's credit ratings as of July 1, 2012 are set forth in the table below:

TABLE 35. SHINSEI'S CREDIT RATINGS AS OF JULY 2012

Rating agency	Long-term	Short-term
Moody's	Ba1	Not Prime
Standard & Poor's	BBB+	A-2
JCR	BBB	J-2
R&I	BBB+	a-2

OTHER CONTRACTUAL CASH OBLIGATIONS

We use other contractual cash obligations for funding purposes. The following table sets forth a summary of our primary consolidated other contractual cash obligations as of March 31, 2012 and 2011:

TABLE 36. OTHER CONTRACTUAL CASH OBLIGATIONS (CONSOLIDATED)

	Billions of yen		
Payments due by period as of March 31, 2012	**One year or less**	**Over one year**	**Total**
Borrowed money	**¥ 217.9**	**¥ 258.7**	**¥ 476.7**
Lease obligations	**0.7**	**4.3**	**5.0**
Total	**¥ 218.6**	**¥ 263.1**	**¥ 481.8**

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

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

FINANCIAL CONDITION (continued)

TAXATION

SCHEDULE OF TAX LOSS CARRYFORWARDS

As of March 31, 2012, Shinsei had ¥141.6 billion of tax loss carryforwards based on the consolidated corporate tax system.

TABLE 37. SCHEDULE OF TAX LOSS CARRY-FORWARDS

Year tax loss carry-forwards generated/renewed	Billions of yen Amount	Date of expiry
Shinsei Bank		
March 31, 2009	¥ 108.0	March 31, 2018
March 31, 2011	21.0	March 31, 2020
March 31, 2012	12.5	March 31, 2021
Total	¥ 141.6	
APLUS FINANCIAL		
September 30, 2005	¥ 2.6	March 31, 2013
March 31, 2006	4.3	March 31, 2013
March 31, 2007	29.5	March 31, 2014
March 31, 2008	11.8	March 31, 2015
March 31, 2009	0.0	March 31, 2018
March 31, 2010	0.0	March 31, 2019
March 31, 2012	4.6	March 31, 2021
Total	¥ 53.1	
Shinsei Financial		
December 31, 2007	¥ 28.3	March 31, 2014
December 31, 2008	38.7	March 31, 2018
March 31, 2009	27.5	March 31, 2018
March 31, 2010	148.4	March 31, 2019
March 31, 2011	22.8	March 31, 2020
March 31, 2012	26.6	March 31, 2021
Total	¥ 292.5	
Showa Leasing		
March 31, 2007	¥ 4.0	March 31, 2014
March 31, 2008	0.7	March 31, 2015
March 31, 2009	0.0	March 31, 2018
March 31, 2010	0.1	March 31, 2019
Total	¥ 4.9	
Shinki		
March 31, 2008	¥ 19.0	March 31, 2015
March 31, 2009	9.2	March 31, 2018
March 31, 2010	5.6	March 31, 2019
March 31, 2011	14.0	March 31, 2020
March 31, 2012	5.3	March 31, 2021
Total	¥ 53.3	

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

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

We record deferred tax assets for tax loss carryforwards and evaluate them in accordance with the JICPA guidelines. See "—Critical Accounting Policies—Valuation of Deferred Tax Assets" on pages 83-84.

CONSOLIDATED CORPORATE TAX SYSTEM

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

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

FINANCIAL CONDITION (continued)

CAPITAL RESOURCES AND ADEQUACY

EQUITY

The following table sets forth a summary of our equity as of March 31, 2012 and 2011:

TABLE 38. EQUITY (CONSOLIDATED)

Billions of yen (except percentages)

As of March 31	2012	2011
Common stock	**¥ 512.2**	¥ 512.2
Capital surplus	**79.4**	79.4
Stock acquisition rights	**1.3**	1.4
Retained earnings	**58.8**	55.0
Treasury stock, at cost	**(72.5)**	(72.5)
Accumulated other comprehensive income:		
Unrealized gain (loss) on available-for-sale securities	**(0.6)**	(15.2)
Deferred gain (loss) on derivatives under hedge accounting	**(11.7)**	(10.1)
Foreign currency translation adjustments	**(1.1)**	(2.5)
Total	**¥ 565.7**	¥ 547.6
Minority interests	**61.8**	63.4
Total equity	**¥ 627.6**	¥ 611.1
Ratio of total equity to total assets	**7.3%**	6.0%

CAPITAL RATIOS

From the fiscal year ended March 31, 2007, the Basel II methodology has been adopted to calculate capital ratios. For credit risk, the Foundation Internal Ratings Based Approach (FIRB) has been applied. For operational risk, the Standardized Approach (TSA) has been adopted and the Internal Model Method has been used for market risk.

Our total capital adequacy ratio as of March 31, 2012 was 10.3%, compared with 9.8% as of March 31, 2011. Our Tier I capital ratio, or the ratio of Tier I capital to risk assets, increased from 7.8% as of March 31, 2011 to 8.8% as of March 31, 2012.

FINANCIAL CONDITION (continued)

TABLE 39. CAPITAL RATIOS (CONSOLIDATED)

Billions of yen (except percentages)

As of March 31	2012	2011
Basic items (Tier I):		
Common stock	¥ 512.2	¥ 512.2
Capital surplus	79.4	79.4
Retained earnings	58.8	55.0
Treasury stock, at cost	(72.5)	(72.5)
Expected income distribution	(2.6)	(2.6)
Unrealized loss on available-for-sale securities(1)	—	—
Foreign currency translation adjustments	(1.1)	(2.5)
Stock acquisition rights	1.3	1.4
Minority interests in subsidiaries	59.7	60.6
Preferred securities issued by foreign SPC	56.7	56.8
Goodwill	(41.9)	(49.5)
Other intangible assets acquired in business combinations	(16.2)	(20.5)
Gain on sale of securitization	(9.7)	(10.0)
50% of expected loss provision shortfall	(30.2)	(34.2)
Total Tier I (A)	537.1	516.7
Step-up preferred securities	23.6	23.6
Supplementary items (Tier II):		
General reserve for loan losses	9.1	9.4
Perpetual preferred stocks	—	—
Perpetual subordinated debt and bonds	28.7	28.8
Non-perpetual preferred stocks	—	—
Non-perpetual subordinated debt and bonds	159.1	193.5
Total	¥ 197.0	¥ 231.8
Amount eligible for inclusion in capital (B)	197.0	231.8
Deduction (C)	¥ 107.2	¥ 98.6
Intentional capital investment to other financial institutions	6.1	6.0
Capital investment to affiliate companies	38.6	35.7
50% of expected loss provision shortfall	30.2	34.2
Expected losses on exposures under PD/LGD measures such as equities	1.4	1.0
Unrated securitization exposure	30.8	21.4
Exclusion from deductions	—	—
Total capital (D) [(A)+(B)-(C)]	¥ 626.9	¥ 649.9
Risk assets:		
On-balance sheet items	¥ 4,537.4	¥ 5,110.2
Off-balance sheet items	908.6	907.5
Market Risk(2)	268.8	170.0
Operational Risk(2)	387.5	465.8
Total (E)	¥ 6,102.5	¥ 6,653.7
Consolidated capital adequacy ratio (D) / (E)	10.3%	9.8%
Consolidated Tier I capital ratio (A) / (E)	8.8%	7.8%

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 available-for-sale securities were not included in the Tier I capital of Japanese banks that use a domestic standard for calculating capital adequacy ratios.
(2) Derived by multiplying the capital requirement by 12.5 (i.e., the reciprocal of the minimum capital ratio of 8%).

COMPOSITION OF TIER I CAPITAL

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

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

FINANCIAL CONDITION (continued)

enhance its credit position and support efforts to expand its customer base and stabilize earnings as it works towards sustainable growth. The amount of proceeds of ¥71.8 billion obtained from the international offering was used for general corporate purposes. This capital increase led to an increase of Tier I through an increase of the capital stock and the capital surplus.

PREFERRED SECURITIES ISSUED BY SUBSIDIARIES OUTSIDE JAPAN

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

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

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

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

COMPOSITION OF TIER II CAPITAL

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

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

The principal components of our Tier II capital are subordinated debt and bonds. As of March 31, 2012, we had ¥145.7 billion of subordinated bonds, ¥145.2 billion of which were issued by Shinsei and ¥93.0 billion of subordinated debt from private lenders, ¥17.0 billion of which were perpetual loans. None of our current Tier II capital consists of public funds. The other major element of our Tier II capital is the general reserve for loan losses.

Tier II capital is subject to the limitation that it cannot exceed the amount of Tier I capital, and non-perpetual subordinated debt and bonds amortized on a straight line basis in the remaining five years before maturity cannot exceed half of the amount of Tier I capital. Subject to those ceilings, the entire amount of perpetual subordinated debt and bonds can be included in Tier II capital and a portion of non-perpetual subordinated debt and bonds cannot be included in Tier II capital as of March 31, 2012. The table below sets forth the amount of our subordinated debt and bonds, as well as the portion included in our Tier II capital:

TABLE 40. SUBORDINATED DEBT AND BONDS (CONSOLIDATED)

Billions of yen

As of March 31, 2012	Perpetual[1]	Perpetual included in Tier II	Non-perpetual[1]	Non-perpetual included in Tier II[2]	Total	Total included in Tier II[2]
Subordinated debt	**¥ 17.0**	**¥ 17.0**	**¥ 76.0**	**¥ —**	**¥ 93.0**	**¥ —**
Subordinated bonds	**11.7**	**11.7**	**133.9**	**—**	**145.7**	**—**
Total	**¥ 28.7**	**¥ 28.7**	**¥ 209.9**	**¥ 159.1**	**¥ 238.7**	**¥ 187.8**

Billions of yen

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

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

FINANCIAL CONDITION (continued)

Interest rates on ¥28.2 billion of our perpetual subordinated debt and bonds included in Tier II capital as of March 31, 2012 will increase between January 2013 and December 2015.

¥28.2 billion of our perpetual subordinated debt and bonds included in Tier II capital as of March 31, 2012 will become prepayable between January 2013 and December 2015. ¥0.5 billion of perpetual subordinated bonds are currently prepayable.

Interest rates on ¥2.0 billion of non-perpetual subordinated debt as of March 31, 2012 will increase in September 2014. Interest rates on ¥6.0 billion of non-perpetual subordinated debt as of March 31, 2012 has already increased due to step-up clause. Interest rates on the remaining ¥68.0 billion of non-perpetual subordinated debt as of March 31, 2012 are fixed rates until maturity.

¥76.0 billion of non-perpetual subordinated debt as of March 31, 2012 will become prepayable between April 2012 and September 2016.

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

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

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

OFF-BALANCE SHEET ARRANGEMENTS

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

SECURITIZATION

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

REPACKAGING

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

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

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

FINANCIAL CONDITION (continued)

ARRANGEMENT

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

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

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

As of March 31, 2012 and 2011, we held ¥42.9 billion and ¥40.1 billion, respectively, of debt securities and residual interests from securitization transactions.

LOAN PARTICIPATIONS

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

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

As of March 31, 2012 and 2011, the total principal amount of participation interests in loans transferred to third-parties removed from the loan account was ¥18.4 billion and ¥28.8 billion, respectively.

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

We have off-balance sheet commitments to extend credit to customers up to certain predetermined amounts at current market rates, in consideration of which we receive fee income that is recorded on an accrual basis for the period of the commitments. The unfunded amounts of these commitments and established credit line of overdrafts were ¥4,026.2 billion and ¥4,752.1 billion as of March 31, 2012 and 2011, out of which the accounts with original agreement terms of less than one year or which were cancelable, were ¥3,806.5 billion and ¥4,604.2 billion as of March 31, 2012 and 2011, respectively.

In addition, we provide acceptances and guarantees, which include lines and letters of credit and guarantees on customers' borrowings from other creditors. These acceptances and guarantees require us to satisfy our customers' obligations in the event they fail to do so, although we would have a claim for reimbursement against them. Under Japanese GAAP for banks, these acceptances and guarantees are deemed to be both contingent assets and liabilities, and are recorded as both assets and liabilities in the principal amount of the acceptances and guarantees. We record the fees we earn from providing acceptances and guarantees on an accrual basis over the period of the acceptance or guarantee. As of March 31, 2012 and 2011, we had ¥562.6 billion and ¥575.7 billion, respectively, of outstanding acceptances and guarantees.

APLUS FINANCIAL extends credit in the form of guarantees. The most significant component of APLUS FINANCIAL's guarantee business is providing guarantees on installment shopping credit provided by other lenders to customers of APLUS FINANCIAL's partner merchants. APLUS FINANCIAL also offers collection guarantees for foreign automobile dealers. Off-balance sheet commitments and acceptances and guarantees increased as a result of our acquisition of APLUS FINANCIAL and the consolidation from September 30, 2004. As of March 31, 2012 and 2011, ¥548.1 billion and ¥563.8 billion of our outstanding acceptances or guarantees, respectively, were attributable to this guarantee business.

EXPOSURE TO SECURITIZED PRODUCTS AND RELATED INVESTMENTS

EXPOSURE TO SECURITIZED PRODUCTS AND RELATED INVESTMENTS

Tables 41 through 44 below set forth certain information regarding our exposure to securitized products and related investments as of March 31, 2011, as of September 30, 2011 and as of and for the fiscal year ended March 31, 2012. Table 45 provides definitions for the defined terms used in Tables 41 through 44.

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

Billions of yen

	Credit Ratings of Securities(2) (Mar 31, 2012) AAA	AA	A or lower	N/A	**Mar 31 2012 (a)**	Mar 31 2011 (b)	Change (a)-(b)	Sep 30 2011 (c)	Change (a)-(c)
RMBS	15%	0%	2%	83%	**¥ 36.3**	¥ 44.8	¥ (8.4)	¥ 38.9	¥ (2.5)
Japan	15%	0%	2%	83%	**36.3**	44.8	(8.4)	38.9	(2.5)
U.S.	—	—	—	—	**0.0(4)**	0.0	0.0	0.0	0.0
Europe	—	—	—	—	**—**	—	—	—	—
Other	—	—	—	—	**—**	—	—	—	—
CMBS	—	—	—	—	**¥ 0.0(4)**	¥ 7.9	¥ (7.9)	¥ 0.0	¥ 0.0
Japan	—	—	—	—	**0.0**	5.5	(5.5)	0.0	0.0
U.S.	—	—	—	—	**—**	—	—	—	—
Europe	—	—	—	—	**—**	0.0	(0.0)	—	—
Other	—	—	—	—	**—**	2.4	(2.4)	0.0	0.0
CLO	13%	86%	0%	1%	**¥ 41.6**	¥ 42.0	¥ (0.4)	¥ 38.6	¥ 2.9
Japan	—	—	—	—	**—**	—	—	—	—
U.S.	17%	81%	0%	2%	**31.7**	31.6	0.1	29.3	2.3
Europe	0%	100%	0%	0%	**9.8**	10.4	(0.6)	9.3	0.5
Other	—	—	—	—	**—**	0.0	(0.0)	—	—
ABS CDO (Resecuritized Products)	—	—	—	—	**¥ —**	¥ —	¥ —	¥ —	¥ —
Japan	—	—	—	—	**—**	—	—	—	—
U.S.	—	—	—	—	**—**	—	—	—	—
Europe	—	—	—	—	**—**	—	—	—	—
Other	—	—	—	—	**—**	—	—	—	—
Total	14%	46%	1%	39%	**¥ 77.9**	¥ 94.9	¥ (16.9)	¥ 77.6	¥ 0.3
Japan	15%	0%	2%	83%	**¥ 36.3**	¥ 50.3	¥ (14.0)	¥ 38.9	¥ (2.5)
U.S.	17%	81%	0%	2%	**31.7**	31.6	0.1	29.3	2.3
Europe	0%	100%	0%	0%	**9.8**	10.4	(0.6)	9.3	0.5
Other	—	—	—	—	**—**	2.4	(2.4)	—	0.0
Securities					**¥ 41.6**	¥ 48.3	¥ (6.7)	¥ 39.7	¥ 1.8
RMBS					**0.0(4)**	1.8	(1.8)	1.0	(1.0)
CMBS					**—**	4.4	(4.4)	0.0	0.0
CLO					**41.6**	42.0	(0.4)	38.6	2.9
ABS CDO					**—**	—	—	—	—
Other monetary claims purchased(3)					**36.3**	46.5	(10.1)	37.8	(1.4)
RMBS (Japan)					**36.3**	43.0	(6.6)	37.8	(1.4)
CMBS (Japan)					**0.0(4)**	3.4	(3.4)	0.0	0.0
CLO (Japan)					**—**	—	—	—	—
ABS CDO (Japan)					**—**	—	—	—	—
Total					**¥ 77.9**	¥ 94.9	¥ (16.9)	¥ 77.6	¥ 0.3

Notes: (1) The amount is the outstanding balance, after mark-downs and other comprehensive income (OCI) adjustments, at the end of each period. This table excludes securitized products backed by consumer loans, credit card loans, and other similar exposure to individuals.
(2) Based on ratings by S&P or ratings equivalent to S&P ratings matrix as of March 31, 2012. The "N/A" rating for Japanese RMBS represents senior portions of other monetary claims purchased for the purpose of warehousing for future securitization.
(3) Includes Japanese RMBS recorded as monetary assets held in trust of ¥5.0 billion as at March 31, 2012.
(4) Residual value

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

EXPOSURE TO SECURITIZED PRODUCTS AND RELATED INVESTMENTS (continued)

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

SECURITIES

	Billions of yen, %			
	As of March 31, 2012			
	Balance before Mark-to-Market Evaluation	**Market Value or Balance**	Unrealized Gains/Losses (OCI)	Price Increase (Decrease) Ratio (%)
Trading Securities		**¥ 0.5**		
RMBS (U.S.)		**0.0**[3]		
CLO (U.S.)		**0.5**		
Securities Being Held to Maturity with Readily Determinable Fair Value		**¥ 41.0**		
CLO (U.S.)		**31.2**		
CLO (Europe)		**9.8**		
Securities Available for Sale	¥ 0.0	**¥ 0.0**[3]	¥ 0.0	0.0
Other	0.0	**0.0**	0.0	0.0
Foreign Securities	0.0	**0.0**	0.0	0.0
Foreign Currency Denominated Foreign Corporate and Government Bonds	0.0	**0.0**	0.0	0.0
CLO	0.0	**0.0**	0.0	0.0
U.S.	0.0	**0.0**	0.0	0.0
Total		**¥ 41.6**		
RMBS		**0.0**[3]		
CLO		**41.6**		

OTHER MONETARY CLAIMS PURCHASED[2]

	Billions of yen, %			
	As of March 31, 2012			
	Balance before Mark-to-Market Evaluation	**Market Value or Balance**	Unrealized Gains/Losses (OCI)	Price Decline Ratio (%)
Trading Purposes		**¥ 8.2**		
RMBS (Japan)[2]		**8.2**		
Others	¥ 28.1	**¥ 28.1**	¥ 0.0	0.1
RMBS (Japan)	28.1	**28.1**	0.0	0.1
CMBS (Japan)	0.0	**0.0**[3]	0.0	0.0
Total		**¥ 36.3**		
RMBS (Japan)		**36.3**		
CMBS (Japan)		**0.0**[3]		

RMBS, CMBS, CLO, ABS CDO Total		**¥ 77.9**		
Securities		**41.6**		
Other Monetary Claims Purchased		**36.3**		

Notes: (1) This table excludes securitized products backed by consumer loans, credit card loans, and other similar exposure to individuals.
(2) Includes Japanese RMBS recorded as monetary assets held in trust of ¥5.0 billion as at March 31, 2012.
(3) Residual value

EXPOSURE TO SECURITIZED PRODUCTS AND RELATED INVESTMENTS (continued)

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

	Billions of yen				
	Mar 31, 2012 (a)	Mar 31, 2011 (b)	Change (a)-(b)	Sep 30, 2010 (c)	Change (a)-(c)
LBO[1][3]	**¥ 198.1**	¥ 203.3	¥ (5.2)	¥ 199.0	¥ (0.9)
Japan	**195.8**[2]	199.7	(3.9)	195.9	(0.1)
U.S.	**1.7**	2.1	(0.4)	1.8	(0.1)
Europe	**—**	—	—	—	—
Other	**0.4**	1.4	(1.0)	1.2	(0.8)
(Breakdown by Industry Sector)					
Manufacturing	**11.6%**				
Information and Communications	**1.1%**				
Wholesale and Retail	**6.5%**				
Finance and Insurance	**22.3%**				
Services	**58.5%**				
Others	**—**				
Total	**100.0%**				

Notes: (1) The amount includes unfunded commitment line.
(2) As of March 31, 2012, unfunded commitment line (only domestic) is ¥2.9 billion.
(3) This table includes deals made through foreign SPCs, but classification is by risk location.

Monoline, SIV, ABCP

We have no exposure to Monoline, SIV, ABCP.

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

	Billions of yen							
	As of March 31, 2012							FY2011
	Nominal Amount		Fair Value		Netted Nominal Amount and Fair Value[2]			Realized profits (losses)
					Nominal Value	Fair Value		
	Protection (buy)	Protection (sell)	Protection (buy)	Protection (sell)		Protection (buy)	Protection (sell)	
Total	**¥ 488.0**	**¥ 579.3**	**¥ 0.1**	**¥ (0.6)**	**¥ 433.5**	**¥ (0.1)**	**¥ (0.2)**	**¥ 0.1**
Japan	**396.6**	**488.3**	**0.6**	**(0.9)**	**349.4**	**0.4**	**(0.5)**	**0.0**
U.S.	**40.4**	**41.6**	**(0.1)**	**0.1**	**37.5**	**(0.2)**	**0.1**	**0.0**
Europe	**23.9**	**23.7**	**0.0**	**(0.0)**	**23.4**	**0.0**	**(0.0)**	**0.0**
Other	**26.9**	**25.5**	**(0.3)**	**0.2**	**23.2**	**(0.3)**	**0.2**	**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 45. DEFINED TERMS FOR TABLES 41-44

Names	Definitions
RMBS	Residential mortgage-backed securities and other related assets, including beneficial interests backed by mortgage loans. Recorded in "trading securities," "securities available-for-sale" and "other monetary claims."
CMBS	Commercial mortgage-backed securities. Recorded in "securities available-for-sale" and "other monetary claims."
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."
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.
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.
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).
CDS	Credit default swap is a type of derivative in which the buyer receives credit protection by making periodic payments to a counterparty and the seller provides credit protection by giving the promise of a payoff if a third-party defaults.

CONSOLIDATED BALANCE SHEETS

Shinsei Bank, Limited, and Consolidated Subsidiaries
As of March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
ASSETS			
Cash and due from banks (Notes 4, 23 and 37)	**¥ 413,721**	¥ 452,751	**$ 5,049,083**
Call loans (Note 37)	**15,745**	—	**192,159**
Receivables under resale agreements (Note 37)	**18,362**	—	**224,101**
Receivables under securities borrowing transactions (Note 37)	**114,080**	10,388	**1,392,250**
Other monetary claims purchased (Notes 5 and 37)	**130,943**	157,006	**1,598,042**
Trading assets (Notes 6, 23, 37 and 38)	**202,675**	195,396	**2,473,468**
Monetary assets held in trust (Notes 7, 23 and 37)	**267,628**	253,688	**3,266,154**
Securities (Notes 8, 23 and 37)	**1,873,493**	3,286,382	**22,864,215**
Loans and bills discounted (Notes 9, 23 and 37)	**4,136,827**	4,291,462	**50,486,060**
Foreign exchanges (Note 10)	**18,896**	42,069	**230,615**
Lease receivables and leased investment assets (Notes 23, 34 and 37)	**197,432**	206,216	**2,409,471**
Other assets (Notes 11, 23, 37 and 38)	**686,716**	794,798	**8,380,721**
Premises and equipment (Notes 12, 23 and 34)	**54,131**	50,099	**660,623**
Intangible assets (Notes 13 and 34)	**81,053**	96,013	**989,183**
Deferred issuance expenses for debentures	**135**	182	**1,653**
Deferred tax assets (Note 31)	**15,834**	18,603	**193,247**
Customers' liabilities for acceptances and guarantees (Note 22)	**562,624**	575,700	**6,866,295**
Reserve for credit losses (Note 14)	**(180,633)**	(199,211)	**(2,204,456)**
Total assets	**¥ 8,609,672**	¥ 10,231,548	**$ 105,072,884**
LIABILITIES AND EQUITY			
Liabilities:			
Deposits, including negotiable certificates of deposit (Notes 15, 23 and 37)	**¥ 5,362,411**	¥ 5,610,687	**$ 65,443,145**
Debentures (Notes 16 and 37)	**294,139**	348,270	**3,589,691**
Call money (Notes 23 and 37)	**210,163**	160,330	**2,564,851**
Payables under securities lending transactions (Notes 23 and 37)	**148,590**	269,697	**1,813,411**
Trading liabilities (Notes 17, 37 and 38)	**176,044**	147,787	**2,148,455**
Borrowed money (Notes 18, 23 and 37)	**476,731**	1,672,790	**5,818,051**
Foreign exchanges (Note 10)	**11**	39	**140**
Short-term corporate bonds (Note 37)	**50,700**	22,800	**618,745**
Corporate bonds (Notes 19, 23 and 37)	**168,797**	179,611	**2,060,014**
Other liabilities (Notes 20, 23, 37 and 38)	**465,698**	569,362	**5,683,408**
Accrued employees' bonuses	**7,262**	8,084	**88,628**
Accrued directors' bonuses	**40**	38	**490**
Reserve for employees' retirement benefits (Note 21)	**7,027**	11,016	**85,760**
Reserve for directors' retirement benefits	**231**	285	**2,825**
Reserve for losses on interest repayments	**50,913**	43,199	**621,351**
Reserve under special law	**1**	1	**15**
Deferred tax liabilities (Note 31)	**626**	690	**7,647**
Acceptances and guarantees (Notes 22, 23 and 37)	**562,624**	575,700	**6,866,295**
Total liabilities	**7,982,014**	9,620,394	**97,412,922**
Equity:			
Common stock (Note 25)	**512,204**	512,204	**6,250,971**
Capital surplus	**79,461**	79,461	**969,757**
Stock acquisition rights (Note 26)	**1,354**	1,413	**16,532**
Retained earnings	**58,863**	55,087	**718,369**
Treasury stock, at cost (Note 25)	**(72,558)**	(72,558)	**(885,511)**
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities (Note 8)	**(674)**	(15,225)	**(8,229)**
Deferred gain (loss) on derivatives under hedge accounting	**(11,754)**	(10,197)	**(143,448)**
Foreign currency translation adjustments	**(1,117)**	(2,511)	**(13,634)**
Total	**565,779**	547,673	**6,904,807**
Minority interests (Note 24)	**61,877**	63,481	**755,155**
Total equity	**627,657**	611,154	**7,659,962**
Total liabilities and equity	**¥ 8,609,672**	¥ 10,231,548	**$ 105,072,884**

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

CONSOLIDATED STATEMENTS OF INCOME

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the fiscal years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Interest income:			
Interest on loans and bills discounted	**¥ 140,423**	¥ 178,682	**$ 1,713,740**
Interest and dividends on securities	**17,811**	23,857	**217,375**
Interest on deposits with banks	**370**	296	**4,520**
Other interest income	**1,116**	4,301	**13,625**
Total interest income	**159,722**	207,137	**1,949,260**
Interest expenses:			
Interest on deposits, including negotiable certificates of deposit	**29,039**	34,546	**354,397**
Interest and discounts on debentures	**1,478**	2,392	**18,042**
Interest on other borrowings	**5,750**	7,305	**70,177**
Interest on corporate bonds	**5,749**	5,504	**70,162**
Other interest expenses	**804**	725	**9,823**
Total interest expenses	**42,821**	50,475	**522,601**
Net interest income	**116,900**	156,662	**1,426,659**
Fees and commissions income	**46,915**	49,112	**572,559**
Fees and commissions expenses	**21,723**	23,080	**265,118**
Net fees and commissions	**25,191**	26,032	**307,441**
Net trading income (loss) (Note 27)	**13,635**	11,649	**166,406**
Other business income (loss), net:			
Income on lease transactions and installment receivables, net	**36,696**	38,705	**447,852**
Net gain (loss) on monetary assets held in trust	**8,121**	5,270	**99,114**
Net gain (loss) on foreign exchanges	**576**	4,788	**7,029**
Net gain (loss) on securities	**(3,322)**	15,267	**(40,545)**
Net gain (loss) on other monetary claims purchased	**1,408**	(401)	**17,189**
Other, net (Note 28)	**3,754**	4,696	**45,815**
Net other business income (loss)	**47,234**	68,325	**576,454**
Total revenue	**202,962**	262,670	**2,476,960**
General and administrative expenses:			
Personnel expenses	**53,488**	57,586	**652,770**
Premises expenses	**20,468**	23,248	**249,801**
Technology and data processing expenses	**17,296**	19,230	**211,086**
Advertising expenses	**9,172**	9,260	**111,939**
Consumption and property taxes	**6,369**	7,776	**77,737**
Deposit insurance premium	**4,684**	5,452	**57,171**
Other general and administrative expenses	**18,919**	22,804	**230,892**
General and administrative expenses	**130,399**	145,360	**1,591,396**
Amortization of goodwill and other intangible assets	**11,955**	13,099	**145,903**
Total general and administrative expenses	**142,354**	158,459	**1,737,299**
Net business profit (loss)	**60,607**	104,210	**739,661**
Net credit costs (Note 29)	**12,267**	68,397	**149,712**
Other gains (losses), net (Note 30)	**(32,994)**	21,969	**(402,668)**
Income (loss) before income taxes and minority interests	**15,345**	57,782	**187,281**
Income taxes (benefit) (Note 31):			
Current	**2,925**	1,993	**35,707**
Deferred	**2,433**	5,229	**29,700**
Net income (loss) before minority interests	**9,986**	50,558	**121,874**
Minority interests in net income of subsidiaries	**3,555**	7,908	**43,392**
Net income (loss)	**¥ 6,430**	¥ 42,650	**$ 78,482**
	Yen		U.S. dollars (Note 1)
Basic net income (loss) per common share (Note 32)	**¥ 2.42**	¥ 21.36	**$ 0.03**

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the fiscal years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Net income (loss) before minority interests	**¥ 9,986**	¥ 50,558	**$ 121,874**
Other comprehensive income (Note 33):			
Unrealized gain (loss) on available-for-sale securities	**14,516**	(16,703)	**177,162**
Deferred gain (loss) on derivatives under hedge accounting	**(1,556)**	(6,870)	**(18,995)**
Foreign currency translation adjustments	**1,027**	(11,897)	**12,535**
Share of other comprehensive income in affiliates	**32**	(110)	**394**
Total other comprehensive income	**14,019**	(35,581)	**171,096**
Comprehensive income	**¥ 24,006**	¥ 14,977	**$ 292,970**
Total comprehensive income attributable to:			
Owners of the parent	**¥ 20,820**	¥ 17,385	**$ 254,092**
Minority interests	**3,185**	(2,407)	**38,878**

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the fiscal years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Common stock:			
Balance at beginning of the year	**¥ 512,204**	¥ 476,296	**$ 6,250,971**
Issuance of new shares (Note 25)	**—**	35,907	**—**
Balance at end of the year	**512,204**	512,204	**6,250,971**
Capital surplus:			
Balance at beginning of the year	**79,461**	43,554	**969,757**
Issuance of new shares (Note 25)	**—**	35,907	**—**
Balance at end of the year	**79,461**	79,461	**969,757**
Stock acquisition rights:			
Balance at beginning of the year	**1,413**	1,672	**17,244**
Net change during the year	**(58)**	(259)	**(712)**
Balance at end of the year	**1,354**	1,413	**16,532**
Retained earnings:			
Balance at beginning of the year	**55,087**	12,438	**672,292**
Dividends from surplus	**(2,653)**	—	**(32,389)**
Net income (loss)	**6,430**	42,650	**78,482**
Changes by inclusion of subsidiaries (former non-consolidated subsidiaries)	**(0)**	(0)	**(12)**
Changes by exclusion of consolidated subsidiaries	**(0)**	(0)	**(4)**
Balance at end of the year	**58,863**	55,087	**718,369**
Treasury stock, at cost:			
Balance at beginning of the year	**(72,558)**	(72,558)	**(885,511)**
Balance at end of the year	**(72,558)**	(72,558)	**(885,511)**
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities:			
Balance at beginning of the year	**(15,225)**	1,398	**(185,817)**
Net change during the year	**14,551**	(16,624)	**177,588**
Balance at end of the year	**(674)**	(15,225)	**(8,229)**
Deferred gain (loss) on derivatives under hedge accounting:			
Balance at beginning of the year	**(10,197)**	(3,327)	**(124,453)**
Net change during the year	**(1,556)**	(6,870)	**(18,995)**
Balance at end of the year	**(11,754)**	(10,197)	**(143,448)**
Foreign currency translation adjustments:			
Balance at beginning of the year	**(2,511)**	(741)	**(30,651)**
Net change during the year	**1,394**	(1,770)	**17,017**
Balance at end of the year	**(1,117)**	(2,511)	**(13,634)**
Minority interests:			
Balance at beginning of the year	**63,481**	176,221	**774,727**
Net change during the year	**(1,603)**	(112,740)	**(19,572)**
Balance at end of the year	**61,877**	63,481	**755,155**
Total equity:			
Balance at beginning of the year	**611,154**	634,954	**7,458,559**
Issuance of new shares	**—**	71,815	**—**
Net change in stock acquisition rights during the year	**(58)**	(259)	**(712)**
Dividends from surplus	**(2,653)**	—	**(32,389)**
Net income (loss)	**6,430**	42,650	**78,482**
Changes by inclusion of subsidiaries (former non-consolidated subsidiaries)	**(0)**	(0)	**(12)**
Changes by exclusion of consolidated subsidiaries	**(0)**	(0)	**(4)**
Net change in accumulated other comprehensive income during the year	**14,389**	(25,265)	**175,610**
Net change in minority interests during the year	**(1,603)**	(112,740)	**(19,572)**
Balance at end of the year	**¥ 627,657**	¥ 611,154	**$ 7,659,962**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the fiscal years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	¥ 15,345	¥ 57,782	$ 187,281
Adjustments for:			
Income taxes paid	(3,092)	(1,326)	(37,746)
Depreciation (other than leased assets as lessor)	10,130	11,823	123,632
Amortization of goodwill and other intangible assets	11,955	13,099	145,903
Impairment losses on long-lived assets	1,092	2,367	13,331
Net change in reserve for credit losses	(11,946)	2,568	(145,793)
Net change in reserve for losses on interest repayments	7,714	(26,889)	94,148
Net change in other reserves	(4,873)	(3,360)	(59,479)
Interest income	(159,722)	(207,137)	(1,949,260)
Interest expenses	42,821	50,475	522,601
Investment (gains) losses	(3,714)	(7,602)	(45,334)
Net exchange (gain) loss	9,216	15,215	112,478
Gains from the cancellation of issued corporate bonds and other instruments	—	(29,486)	—
Net change in trading assets	(7,279)	27,688	(88,834)
Net change in trading liabilities	28,257	(30,048)	344,852
Net change in loans and bills discounted	128,328	897,712	1,566,128
Net change in deposits, including negotiable certificates of deposit	(247,047)	(864,708)	(3,014,984)
Net change in debentures	(54,131)	(135,443)	(660,619)
Net change in borrowed money (other than subordinated debt)	(1,182,159)	486,924	(14,427,133)
Net change in corporate bonds (other than subordinated corporate bonds)	(6,546)	4,357	(79,895)
Net change in interest-bearing deposits with banks	69,883	5,007	852,859
Net change in call loans, receivables under repurchase agreements, receivables under securities borrowing transactions and other monetary claims purchased	(113,809)	75,186	(1,388,936)
Net change in call money, payables under repurchase agreements, payables under securities lending transactions, and short-term corporate bonds (liabilities)	(43,373)	(432,268)	(529,332)
Net change in foreign exchange assets and liabilities	23,144	(31,070)	282,459
Interest received	163,093	212,983	1,990,403
Interest paid	(39,870)	(41,372)	(486,584)
Net change in securities for trading purposes	438	1,887	5,352
Net change in monetary assets held in trust for trading purposes	31,937	36,246	389,769
Net change in lease receivables and leased investment assets	9,629	9,158	117,513
Other, net	3,307	(5,209)	40,366
Total adjustments	(1,336,616)	36,780	(16,312,135)
Net cash provided by (used in) operating activities	(1,321,270)	94,562	(16,124,854)
Cash flows from investing activities:			
Purchase of investments	(786,802)	(3,910,967)	(9,602,182)
Proceeds from sales of investments	1,278,910	1,921,619	15,607,886
Proceeds from maturity of investments	883,190	1,899,787	10,778,505
Purchase of premises and equipment (other than leased assets as lessor)	(5,944)	(7,284)	(72,541)
Purchase of intangible assets (other than leased assets as lessor)	(6,702)	(7,842)	(81,796)
Proceeds from sale of subsidiary's stocks	4,912	708	59,956
Other, net	1,006	(120)	12,286
Net cash provided by (used in) investing activities	1,368,571	(104,099)	16,702,114
Cash flows from financing activities:			
Proceeds from issuance of subordinated debt	38,600	2,400	471,076
Repayment of subordinated debt	(47,000)	(3,000)	(573,590)
Payment for redemption of subordinated corporate bonds	—	(3,607)	—
Proceeds from minority shareholders of subsidiaries	91	9	1,115
Payment for capital returned to minority shareholders of subsidiaries	(760)	(81,425)	(9,275)
Proceeds from issuance of stock	—	71,313	—
Dividends paid	(2,653)	—	(32,389)
Dividends paid to minority shareholders of subsidiaries	(3,297)	(9,833)	(40,238)
Net cash provided by (used in) financing activities	(15,019)	(24,144)	(183,301)
Foreign currency translation adjustments on cash and cash equivalents	43	(82)	526
Net change in cash and cash equivalents	32,324	(33,763)	394,485
Cash and cash equivalents at beginning of year	300,474	334,238	3,667,007
Cash and cash equivalents at end of year (Note 4)	¥ 332,798	¥ 300,474	$ 4,061,492

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the fiscal years ended March 31, 2012 and 2011

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED

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

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

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

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

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥81.94 to U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on March 31, 2012. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATED

(A) PRINCIPLES OF CONSOLIDATION

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

The numbers of subsidiaries and affiliates as of March 31, 2012 and 2011 were as follows:

	2012	2011
Consolidated subsidiaries	**133**	121
Unconsolidated subsidiaries	**80**	84
Affiliates accounted for by the equity method	**15**	17
Affiliates accounted for not applying the equity method	**1**	0

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

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

Major consolidated subsidiaries as of March 31, 2012 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%

All significant inter-company transactions, related account balances and unrealized gains have been eliminated in consolidation. As of March 31, 2012, the fiscal year ending dates are March 31 for 90 subsidiaries, July 31 for 3 subsidiaries, August 31 for 1 subsidiary, September 30 for 1 subsidiary, December 31 for 34 subsidiaries, January 31 for 1 subsidiary and February 28 for 3 subsidiaries. Except for 8 subsidiaries which are consolidated as of March 31 rather than their fiscal year ends, those consolidated subsidiaries whose fiscal years end at dates other than March 31 are consolidated using their fiscal year end financial statements with appropriate adjustments made for significant transactions during the period from the ending dates of their fiscal years to the date of the Group's consolidated financial statements.

Major affiliates accounted for by the equity method as of March 31, 2012 were as listed below:

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

(B) BUSINESS COMBINATIONS

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

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

Under the previous standard, the Group accounted for the acquisitions of APLUS FINANCIAL Co., Ltd. ("APLUS FINANCIAL"), Showa Leasing Co., Ltd. ("Showa Leasing"), Shinki Co., Ltd. ("Shinki"), Shinsei Financial Co., Ltd. ("Shinsei Financial") and their consolidated subsidiaries by the purchase method of accounting, 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 Showa Leasing, Shinsei Financial and their consolidated subsidiaries, because they were separable such as contractual or other legal rights.

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

Showa Leasing

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

Shinsei Financial

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

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

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

(D) IMPAIRMENT OF GOODWILL AND OTHER INTANGIBLE ASSETS

The Bank conducts impairment testing for goodwill and other intangible assets as a result of certain triggering events including:

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

As the first step of the impairment test, we estimate the undiscounted future cash flows of the business. If the value of the undiscounted future cash flows is less than the book value of the net assets, including goodwill and other intangible assets, of the business, it is determined that impairment exists and the next step of the impairment test is performed to measure the amount of the impairment loss.

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

(E) TRANSLATION OF FOREIGN CURRENCY FINANCIAL STATEMENTS AND TRANSACTIONS

(a) The financial statements of consolidated foreign subsidiaries are translated into Japanese yen at exchange rates as of their respective balance sheet dates, except for equity, which is translated at historical exchange rates. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity in the accompanying consolidated balance sheets.
(b) Foreign currency accounts held by consolidated foreign subsidiaries are translated into the currency of the subsidiary at exchange rates as of their respective balance sheet dates.
(c) Foreign currency-denominated assets and liabilities of the Bank and consolidated domestic subsidiaries are translated into Japanese yen at exchange rates as of their respective balance sheet dates, except for investments in unconsolidated subsidiaries and affiliates which are translated at the relevant historical exchange rates.

(F) CASH AND CASH EQUIVALENTS

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

(G) OTHER MONETARY CLAIMS PURCHASED

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

(H) VALUATION OF TRADING ACCOUNT ACTIVITIES

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

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

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

(I) MONETARY ASSETS HELD IN TRUST

The components of trust assets are accounted for based on the accounting standards appropriate for each asset type. Instruments held in trust for trading purposes are recorded at fair value and unrealized gains and losses are recorded in other business income (loss), net. Instruments held in trust classified as available-for-sale are recorded at fair value with the corresponding unrealized gains and losses recorded directly in a separate component of equity.

Instruments held in trust classified as available-for-sale for which fair value cannot be reliably determined are carried at cost.

(J) SECURITIES

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

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

Securities being held to maturity are debt securities for which the Group has both the positive intent and ability to hold until maturity. Securities being held to maturity are carried at amortized cost determined by the moving average method.

Securities available for sale are securities other than trading securities and securities being held to maturity. Securities available for sale are carried at fair value with the corresponding unrealized gains and losses, net of applicable taxes, recorded directly in a separate component of equity. The cost of these securities upon sale is determined by the moving average method. Securities available for sale for which fair value cannot be reliably determined are carried at cost determined by the moving average method.

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

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

(K) PREMISES AND EQUIPMENT

Premises and equipment are stated at cost less accumulated depreciation.

Depreciation of the Group's buildings and the Bank's computer equipment (including ATMs) other than personal computers is computed principally using the straight-line method, and depreciation of other equipment is computed principally using the declining-balance method. Principal estimated useful lives of buildings and equipment as of March 31, 2012 were as follows:

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

(L) SOFTWARE

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

(M) IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of an asset or asset group. The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(N) DEFERRED CHARGES

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

(O) RESERVE FOR CREDIT LOSSES

The reserve for credit losses of the Bank and the consolidated domestic trust and banking subsidiary has been established as described below based on the Bank's internal rules for establishing the reserve.

For claims to obligors who are legally bankrupt due to bankruptcy, special liquidation proceedings or similar legal proceedings ("legally bankrupt obligors") or to obligors who are effectively in similar conditions ("virtually bankrupt obligors"), a specific reserve is provided based on the amount of claims, after the charge-off stated below, net of amounts expected to be collected through the disposal of collateral or execution of guarantees.

For claims to obligors who are not yet bankrupt but are in financial difficulties and are very likely to go bankrupt in the future ("possibly bankrupt obligors"), except claims to obligors with larger claims than a predetermined amount, a specific reserve is provided for the amount considered to be necessary based on an overall solvency assessment performed for the amount of claims net of amounts expected to be collected through the disposal of collateral or execution of guarantees.

With regard to claims to possibly bankrupt obligors, restructured loans and certain claims for which the reserve has been provided based on the discounted cash flow method (as mentioned below) in previous fiscal years, provided that obligors' cash flows for debt service are reasonably estimable and the balance of claims to such obligors are at or larger than a predetermined amount, the reserve for credit losses is determined as the difference between (i) relevant estimated cash flows discounted by the original contractual interest rate and (ii) the book value of the claim (discounted cash flow method). In case where it is difficult to reasonably estimate future cash flows, the reserve is provided based on expected loss amount for the remaining term of respective claims.

For other claims, a general reserve is provided based on historical loan loss experience.

For specific foreign claims, there is a reserve for loans to restructuring countries which has been provided based on losses estimated by considering the political and economic conditions in those countries.

All claims are assessed by business divisions based on the predetermined internal rules for self-assessment of asset quality. The Credit Assessment Division, which is independent from business divisions, conducts verifications of these assessments, and additional reserves may be provided based on the verification results.

The consolidated subsidiaries other than the domestic trust and banking subsidiary calculate the general reserve for general claims based on the actual historical loss ratio, and the specific reserve for claims to possibly bankrupt obligors, virtually bankrupt obligors and legally bankrupt obligors based on estimated losses, considering the recoverable value.

For collateralized or guaranteed claims of the Bank and certain consolidated subsidiaries to legally bankrupt obligors or virtually bankrupt obligors, the amount of claims exceeding the estimated value of collateral or guarantees, which is deemed

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

uncollectible, has been charged off and totaled ¥165,992 million (U.S.$ 2,025,783 thousand) and ¥190,876 million as of March 31, 2012 and 2011, respectively.

(P) ACCRUED BONUSES FOR EMPLOYEES AND DIRECTORS

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

(Q) RESERVE FOR EMPLOYEES' RETIREMENT BENEFITS

The Bank, APLUS FINANCIAL and Showa Leasing 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 at the end of fiscal year. Net actuarial gains and losses and prior service costs are amortized using the straight-line method over the average remaining service period primarily from the fiscal year of occurrence.

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

(R) RESERVE FOR DIRECTORS' RETIREMENT BENEFITS

Retirement allowances for directors and statutory auditors are recorded to state the liability at the amount that would be required if all directors and statutory auditors retired at each balance sheet date.

(S) RESERVE FOR LOSSES ON INTEREST REPAYMENTS

The reserve for losses on interest repayments is provided for estimated losses on reimbursements of excess interest payments and loan losses related to consumer finance loans extended at interest rates in excess of the maximum interest rate prescribed in the Interest Rate Restriction Act of Japan. The reserve is established in the amount of the estimated future reimbursement requests based on past experience.

In addition, a reserve for losses on interest repayments of Shinsei Financial is calculated considering the terms stipulated in the share transfer agreement entered into by and between the Bank and the seller, GE Japan Holdings Co., Ltd. ("GE"), for the acquisition of Shinsei Financial, under which the sharing of interest repayment costs between the Bank and GE is determined.

(T) RESERVE 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.

(U) ASSET RETIREMENT OBLIGATIONS

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

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

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

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

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

The Group applied this accounting standard effective April 1, 2010. The effect of this change was to decrease income before income taxes and minority interests by ¥4,122 million for the fiscal year ended March 31, 2011.

(V) STOCK OPTIONS

In December 2005, the ASBJ issued ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised.

(W) LEASE TRANSACTIONS

In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993.

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

(As lessee)

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the consolidated balance sheets.

Depreciation of lease assets from finance lease transactions that do not deem to transfer ownership of the lease property to the lessee is computed using the straight-line method over the leasing period. Residual values of lease assets are the guaranteed value determined in the lease contracts or zero for assets without such guaranteed value.

With regard to finance lease transactions entered into prior to April 1, 2008, that do not deem to transfer ownership of the leased property to the lessee, lease assets are recognized at the amount of lease obligations as of March 31, 2008.

(As lessor)

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information was disclosed in the note to the lessor's financial statements. The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee be recognized as lease receivables, and that all finance leases that are not deemed to transfer ownership of the leased property to the lessee be recognized as leased investment assets.

In addition, depreciation of tangible leased assets as lessor for operating lease transactions is computed using the straight-line method over the leasing period assuming that residual values are the disposal price estimable at the end of the estimated lease period.

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

With regard to finance lease transactions entered into prior to April 1, 2008, that do not deem to transfer ownership of the property to the lessee, leased investment assets are recognized at the amount of book values of those leased properties as of March 31, 2008.

As a result of this transitional treatment, income before income taxes and minority interests increased by ¥1,974 million (U.S.$24,097 thousand) and ¥2,776 million for the fiscal years ended March 31, 2012 and 2011, respectively, as compared to what would have been reported if the revised accounting standard was applied retroactively to all finance lease transactions as lessor.

(X) 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.

(Y) REVENUE RECOGNITION FOR INTEREST ON CONSUMER LENDING BUSINESS

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

(Z) INCOME TAXES

Deferred income taxes relating to temporary differences between financial reporting and tax bases of assets and liabilities and tax loss carryforwards have been recognized. The asset and liability approach is used to recognize deferred income taxes.

The Bank files its corporate income tax return under the consolidated corporate tax system, which allows companies to base tax payments on the combined profits and losses of the Bank and its wholly-owned domestic subsidiaries.

A valuation allowance is recognized for any portion of the deferred tax assets where it is considered more likely than not that it will not be realized.

(AA) DERIVATIVES AND HEDGE ACCOUNTING

Derivatives are stated at fair value. Derivative transactions that

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

meet the hedge accounting criteria are primarily accounted for using the deferral method whereby unrealized gains and losses are deferred in a separate component of equity until the gains and losses on the hedged items are realized.

(a) Hedge of interest rate risks

Derivative transactions that meet the hedge accounting criteria for mitigating interest rate risks of the Bank's financial assets and liabilities are accounted for using the deferral method. The Bank adopted portfolio hedging to determine the effectiveness of its hedging instruments in accordance with Industry Audit Committee Report No. 24 of the Japanese Institute of Certified Public Accountants (JICPA). Under portfolio hedging activities to mitigate the change in fair value, a portfolio of hedged items with common maturities such as deposits or loans is designated and matched with a group of hedging instruments such as interest rate swaps, which offset the effect of fair value fluctuations of the hedged items by identified maturities. The effectiveness of the portfolio hedging is assessed by each group.

As for portfolio hedging activities to fix cash flows, the effectiveness is assessed based on the correlation between the base interest rate index of the hedged cash flow and that of the hedging instrument.

The interest rate swaps of certain consolidated subsidiaries which qualify for hedge accounting and meet specific matching criteria are not measured at fair value, but the net payments or receipts under the swap agreements are recognized and included in interest expenses or income.

(b) Hedge of foreign exchange fluctuation risks

The Bank applies either deferral hedge accounting or fair value hedge accounting in accordance with Industry Audit Committee Report No. 25 of the JICPA to the derivative transactions that meet the hedge accounting criteria for mitigating foreign currency fluctuation risks of the Bank's financial assets and liabilities.

Fund swap transactions are foreign exchange swaps, and consist of spot foreign exchange contracts bought or sold and forward foreign exchange contracts sold or bought. Such transactions are contracted for the purpose of lending or borrowing in a different currency and converting the corresponding principal equivalents and foreign currency equivalents to pay and receive, whose amounts and due dates are predetermined at the time of the transactions, into forward foreign exchange contracts sold or bought.

Under deferral hedge accounting, hedged items are identified by grouping the foreign currency-denominated financial assets and liabilities by currencies and designating derivative transactions such as currency swap transactions, fund swap transactions and forward exchange contracts as hedging instruments. Hedge effectiveness is reviewed by comparing the total foreign currency position of the hedged items and hedging instruments by currency.

The Bank also applies deferral hedge accounting and fair value hedge accounting to translation gains or losses from foreign currency assets of net investments in foreign unconsolidated subsidiaries, affiliates and securities available for sale (other than bonds denominated in foreign currencies) when such foreign currency exposures recorded as assets are hedged with offsetting foreign currency liabilities and the liabilities equal or exceed the acquisition cost of such foreign currency assets.

(c) Inter-company and intra-company derivative transactions

Gains and losses on inter-company and intra-company derivative hedging transactions between the trading book and the banking book are not eliminated since offsetting transactions with third parties are appropriately entered into in conformity with the non-arbitrary and strict hedging policy in accordance with Industry Audit Committee Reports No. 24 and No. 25 of the JICPA. As a result, in the banking book, realized gains and losses on such inter-company and intra-company transactions are reported in current earnings and valuation gains and losses which meet the hedge accounting criteria are deferred. On the other hand, in the trading book, realized gains and losses and valuation gains and losses on such inter-company and intra-company transactions are substantially offset with covering contracts entered into with third parties.

(AB) PER SHARE INFORMATION

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

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

(AC) ACCOUNTING CHANGES AND ERROR CORRECTIONS

In December 2009, ASBJ issued ASBJ Statement No.24 "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No.24 "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) CONSOLIDATED

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

(b) Changes in Presentations
When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.

(c) Changes in Accounting Estimates
A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(d) Corrections of Prior-Period Errors
When an error in prior-period financial statements is discovered, those statements are restated.

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

The Group has presented "Recoveries of written-off claims" as part of "Net credit costs" since April 1, 2011, based on the revised Report No.14 "Practical Guidelines on Accounting Standards for Financial Instruments" issued by the Accounting Practice Committee of the JICPA. However, retrospective application was not made for the fiscal year ended March 31, 2011.

(AD) NEW ACCOUNTING PRONOUNCEMENTS

Accounting Standard for Retirement Benefits

On May 17, 2012, ASBJ issued ASBJ Statement No.26 "Accounting Standard for Retirement Benefits" and ASBJ Guidance No.25 "Guidance on Accounting Standard for Retirement Benefits", which replaced the Accounting Standard for Retirement Benefits that had been issued by Business Accounting Council in 1998 with effective date of April 1, 2000 and the other related practical guidances, being followed by partial amendments from time to time through 2009. Major changes are as follows:

(a) Treatment in the balance sheet
Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, are recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized under accumulated other comprehensive income in a separate component of equity, after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) Treatment in the statement of income and the statement of comprehensive income
The revised accounting standard would not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and yet to be recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

This accounting standard and the guidance are effective for the end of fiscal year beginning on or after April 1, 2013 with earlier application being permitted from the beginning of fiscal year beginning on or after April 1, 2013. However no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Bank expects to apply the revised accounting standard from the end of the fiscal year beginning on April 1, 2013 and is in the process of measuring the effects of applying the revised accounting standard for the year ending March 31, 2014.

3. BUSINESS COMBINATIONS CONSOLIDATED

On October 1, 2011, the Bank acquired a portion of the business operated by Shinsei Financial, a consolidated subsidiary of the Bank, in accordance with the business transfer agreement dated September 30, 2011.

(A) OUTLINE OF THE TRANSACTION

(a) Business to be transferred
A portion of the unsecured personal loan business operated by Shinsei Financial

(b) Date of business transfer
October 1, 2011

(c) Overview and purpose of the transaction
Through the business transfer, the Bank acquired the Lake brand, the entire network of unmanned branches, ATMs, ACMs (automated contract machines), and a portion of other infrastruc-

3. BUSINESS COMBINATIONS (CONTINUED)

CONSOLIDATED

tural assets relating to the unsecured personal loan business. The Bank aims to improve its earnings power as well as to contribute to the development of a sound and healthy unsecured personal loan market, as one of the leading companies in the sector, by providing the service at the Bank, leveraging the Lake brand which has already achieved a certain level of recognition in the market.

(B) ACCOUNTING TREATMENT

In accordance with ASBJ Statement No.21 "Accounting Standard for Business Combinations" and ASBJ Guidance No.10 "Guidance on Accounting Standard for Business Combinations and Business Divestitures," the Bank accounted for the transaction as business combinations involving entities or operations of entities under common control, which has been eliminated in the consolidated financial statements.

4. CASH AND CASH EQUIVALENTS

CONSOLIDATED

The reconciliation of cash and cash equivalents and cash and due from banks in the consolidated balance sheets as of March 31, 2012 and 2011 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Cash and due from banks	**¥ 413,721**	¥ 452,751	**$ 5,049,083**
Interest-bearing deposits included in due from banks	**(80,923)**	(152,277)	**(987,591)**
Cash and cash equivalents	**¥ 332,798**	¥ 300,474	**$ 4,061,492**

5. OTHER MONETARY CLAIMS PURCHASED

CONSOLIDATED

(a) Other monetary claims purchased as of March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Trading purposes	**¥ 67,226**	¥ 105,345	**$ 820,435**
Other	**63,717**	51,661	**777,607**
Total	**¥ 130,943**	¥ 157,006	**$ 1,598,042**

(b) The fair value and the unrealized loss which is included in net gain (loss) on other monetary claims purchased for trading purposes as of March 31, 2012 and 2011 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2012		2011		**2012**	
	Fair value	**Unrealized loss**	Fair value	Unrealized loss	**Fair value**	**Unrealized loss**
Trading purposes	**¥ 67,226**	**¥ 20,052**	¥ 105,345	¥ 23,296	**$ 820,435**	**$ 244,722**

6. TRADING ASSETS

CONSOLIDATED

Trading assets as of March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Trading securities	**¥ 45,542**	¥ 5,567	**$ 555,808**
Derivatives for trading securities	**2,247**	2,632	**27,427**
Securities held to hedge trading transactions	**12,901**	8,439	**157,450**
Derivatives for securities held to hedge trading transactions	**33,845**	53,855	**413,055**
Trading-related financial derivatives	**108,138**	119,384	**1,319,728**
Other	**—**	5,518	**—**
Total	**¥ 202,675**	¥ 195,396	**$ 2,473,468**

7. MONETARY ASSETS HELD IN TRUST — CONSOLIDATED

(a) Monetary assets held in trust as of March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Trading purposes	**¥ 132,025**	¥ 163,963	**$ 1,611,249**
Other	**135,602**	89,724	**1,654,905**
Total	**¥ 267,628**	¥ 253,688	**$ 3,266,154**

(b) The fair value and the unrealized loss which is included in net gain (loss) on monetary assets held in trust for trading purposes as of March 31, 2012 and 2011 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2012		2011		**2012**	
	Fair value	**Unrealized loss**	Fair value	Unrealized loss	**Fair value**	**Unrealized loss**
Trading purposes	**¥ 132,025**	**¥ 6,637**	¥ 163,963	¥ 12,741	**$ 1,611,249**	**$ 81,000**

(c) The carrying amount of monetary assets held in trust for other than trading purposes is the same as the acquisition cost as of March 31, 2012 and 2011.

8. SECURITIES — CONSOLIDATED

(a) Securities as of March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Trading securities	**¥ 613**	¥ 1,051	**$ 7,482**
Securities being held to maturity	**658,558**	553,992	**8,037,084**
Securities available for sale:			
Securities carried at fair value	**1,092,393**	2,600,007	**13,331,633**
Securities carried at cost whose fair value cannot be reliably determined	**80,207**	91,460	**978,859**
Investments in unconsolidated subsidiaries and affiliates	**41,720**	39,870	**509,157**
Total	**¥ 1,873,493**	¥ 3,286,382	**$ 22,864,215**

The above balances do not include securities held in connection with securities borrowing transactions with or without cash collateral, securities purchased under resale agreements or securities accepted as collateral for derivative transactions, where the Group has the right to sell or pledge such securities without restrictions. The balances of those securities as of March 31, 2012 and 2011 were ¥87,441 million (U.S.$1,067,146 thousand) and ¥24,964 million, respectively. In addition, ¥11,066 million (U.S.$135,051 thousand) and ¥2,032 million of those securities were further pledged as of March 31, 2012 and 2011, respectively.

The amount of guarantee obligations for privately-placed bonds (Paragraph 3 of Article 2 of the Financial Instruments and Exchange Act) included in securities as of March 31, 2012 and 2011 were ¥ 45,008 million (U.S.$549,288 thousand) and ¥43,585 million, respectively.

8. SECURITIES (CONTINUED)

CONSOLIDATED

(b) The amortized/acquisition cost and the fair values of securities (other than trading securities) as of March 31, 2012 and 2011 were as follows:

	Millions of yen							
	2012				2011			
	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	¥ 585,601	¥ 5,302	¥ —	¥ 590,903	¥ 443,851	¥ 4,042	¥ 86	¥ 447,806
Japanese corporate bonds	22,834	259	—	23,094	59,558	653	—	60,211
Other	50,122	4,006	574	53,555	50,583	3,635	468	53,750
Total	¥ 658,558	¥ 9,568	¥ 574	¥ 667,553	¥ 553,992	¥ 8,331	¥ 555	¥ 561,769
Securities available for sale:								
Equity securities	¥ 14,313	¥ 5,547	¥ 602	¥ 19,258	¥ 17,690	¥ 1,678	¥ 4,514	¥ 14,854
Japanese national government bonds	698,357	1,973	769	699,562	2,020,466	882	2,595	2,018,753
Japanese local government bonds	1,738	46	—	1,785	1,729	56	—	1,786
Japanese corporate bonds	231,061	378	3,212	228,227	289,025	723	5,279	284,469
Other, primarily foreign debt securities	158,236	4,411	3,160	159,488	308,531	4,176	4,183	308,524
Total	¥ 1,103,707	¥ 12,358	¥ 7,744	¥ 1,108,321	¥ 2,637,444	¥ 7,518	¥ 16,573	¥ 2,628,388

	Thousands of U.S. dollars			
	2012			
	Amortized/ Acquisition cost	Gross unrealized gain	Gross unrealized loss	Fair value
Securities being held to maturity:				
Japanese national government bonds	$ 7,146,710	$ 64,707	$ —	$ 7,211,417
Japanese corporate bonds	278,674	3,171	—	281,845
Other	611,700	48,898	7,009	653,589
Total	$ 8,037,084	$ 116,776	$ 7,009	$ 8,146,851
Securities available for sale:				
Equity securities	$ 174,678	$ 67,700	$ 7,350	$ 235,028
Japanese national government bonds	8,522,789	24,089	9,387	8,537,491
Japanese local government bonds	21,218	573	—	21,791
Japanese corporate bonds	2,819,888	4,614	39,201	2,785,301
Other, primarily foreign debt securities	1,931,128	53,843	38,571	1,946,400
Total	$ 13,469,701	$ 150,819	$ 94,509	$ 13,526,011

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

Individual securities, other than trading securities, are written down when a decline in fair value below the cost of such securities is deemed to be other than temporary. The amount written down is accounted for as an impairment loss. Impairment losses on securities other than trading purposes carried at fair value for the fiscal year ended March 31, 2012 were ¥8,761 million (U.S.$106,926 thousand), which consisted of ¥4,094 million (U.S.$49,971 thousand) for equity securities, ¥3,351 million (U.S.$40,899 thousand) for Japanese corporate bonds and ¥1,315 million (U.S.$16,056 thousand) for other securities.

Impairment losses on securities other than trading purposes carried at fair value for the fiscal year ended March 31, 2011 were ¥6,416 million, which consisted of ¥675 million for equity securities, ¥4,716 million for Japanese corporate bonds, ¥243 million for other securities and ¥780 million for other monetary claims purchased.

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

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

8. SECURITIES (CONTINUED) CONSOLIDATED

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

(c) Unrealized gain (loss) on available-for-sale securities as of March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Unrealized gain (loss) before deferred tax on:			
Available-for-sale securities	**¥ 4,614**	¥ (9,055)	**$ 56,310**
The Bank's interests in available-for-sale securities held by partnerships recorded as securities whose fair value cannot be reliably determined and other adjustments	**(10)**	(67)	**(133)**
Securities being held to maturity, reclassified from available-for-sale in the past, under extremely illiquid market conditions	**(5,186)**	(5,922)	**(63,299)**
Deferred tax liabilities	**(177)**	(232)	**(2,171)**
Unrealized gain (loss) on available-for-sale securities before interest adjustments	**(761)**	(15,278)	**(9,293)**
Minority interests	**(6)**	(4)	**(77)**
The Bank's interests in unrealized gain (loss) on available-for-sale securities held by affiliates to which the equity method is applied	**93**	57	**1,141**
Unrealized gain (loss) on available-for-sale securities	**¥ (674)**	¥ (15,225)	**$ (8,229)**

(d) Available-for-sale securities sold during the fiscal year ended March 31, 2012 and 2011 were as follows:

	Millions of yen					
	2012			2011		
	Proceeds from sales	**Gains on sales**	**Losses on sales**	Proceeds from sales	Gains on sales	Losses on sales
Available-for-sale securities sold:						
Equity securities	**¥ 1,901**	**¥ 1,256**	**¥ 22**	¥ 1,530	¥ 33	¥ 2
Japanese national government bonds	**1,043,509**	**1,887**	**81**	1,701,469	8,685	717
Japanese local government bonds	**27,176**	**20**	**18**	25,459	16	37
Japanese corporate bonds	**51,047**	**114**	**312**	40,916	137	207
Other	**109,273**	**7,662**	**215**	101,150	13,776	131
Total	**¥ 1,232,908**	**¥ 10,940**	**¥ 650**	¥ 1,870,526	¥ 22,649	¥ 1,096

	Thousands of U.S. dollars		
	2012		
	Proceeds from sales	**Gains on sales**	**Losses on sales**
Available-for-sale securities sold:			
Equity securities	**$ 23,211**	**$ 15,329**	**$ 270**
Japanese national government bonds	**12,735,043**	**23,034**	**998**
Japanese local government bonds	**331,660**	**247**	**225**
Japanese corporate bonds	**622,983**	**1,392**	**3,813**
Other	**1,333,576**	**93,516**	**2,635**
Total	**$ 15,046,473**	**$ 133,518**	**$ 7,941**

9. LOANS AND BILLS DISCOUNTED

CONSOLIDATED

Loans and bills discounted as of March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Loans on deeds	**¥ 3,481,830**	¥ 3,550,636	**$ 42,492,435**
Loans on bills	**26,192**	30,785	**319,657**
Bills discounted	**11,054**	2,603	**134,915**
Overdrafts	**617,750**	707,436	**7,539,053**
Total	**¥ 4,136,827**	¥ 4,291,462	**$ 50,486,060**

(a) Risk-monitored loans

Loans and bills discounted included loans to bankrupt obligors of ¥8,145 million (U.S.$99,409 thousand) and ¥13,905 million as of March 31, 2012 and 2011, respectively, as well as non-accrual delinquent loans of ¥316,727 million (U.S.$3,865,363 thousand) and ¥317,951 million as of March 31, 2012 and 2011, respectively.

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

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

Loans past due for three months or more consist of loans for which the principal and/or interest is three months or more past due but exclude loans to bankrupt obligors and non-accrual delinquent loans. The balances of loans past due for three months or more as of March 31, 2012 and 2011 were ¥1,754 million (U.S.$21,414 thousand) and ¥2,259 million, respectively.

Restructured loans are loans where the Group relaxes lending conditions, such as by reducing the original interest rate, or by forbearing interest payments or principal repayments to support the borrower's reorganization, but exclude loans to bankrupt obligors, non-accrual delinquent loans or loans past due for three months or more. The outstanding balances of restructured loans as of March 31, 2012 and 2011 were ¥45,321 million (U.S.$553,106 thousand) and ¥60,926 million, respectively.

(b) Loan participations

The total outstanding amounts deducted from the loan account for loan participations as of March 31, 2012 and 2011 were ¥18,441 million (U.S.$225,059 thousand) and ¥28,854 million, respectively. This "off-balance sheet" treatment is in accordance with guidelines issued by the JICPA. The total amounts of such loans in which the Bank participated were ¥7,891 million (U.S.$96,313 thousand) and ¥15,366 million as of March 31, 2012 and 2011, respectively.

(c) Bills discounted

Bills discounted, such as bank acceptances bought, commercial bills discounted, documentary bills and foreign exchange contracts bought, are accounted for as financing transactions in accordance with Industry Audit Committee Report No. 24 issued by the JICPA, although the Group has the right to sell or pledge them without restrictions. The face amounts of such bills discounted held as of March 31, 2012 and 2011 were ¥11,169 million (U.S.$136,313 thousand) and ¥2,731 million, respectively.

(d) Loan commitments

The Bank and certain of its consolidated subsidiaries issue commitments to extend credit and establish credit lines for overdrafts to meet the financing needs of their customers. The unfunded amounts of these commitments were ¥4,026,211 million (U.S.$49,136,097 thousand) and ¥4,752,171 million as of March 31, 2012 and 2011, out of which the amounts with original agreement terms of less than one year or which were cancelable were ¥3,806,561 million (U.S.$46,455,475 thousand) and ¥4,604,262 million as of March 31, 2012 and 2011, 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.

10. FOREIGN EXCHANGES CONSOLIDATED

Foreign exchange assets and liabilities as of March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Foreign exchange assets:			
Foreign bills bought	¥ 114	¥ 128	$ 1,398
Foreign bills receivable	8,133	5,088	99,262
Due from foreign banks	10,648	36,853	129,955
Total	¥ 18,896	¥ 42,069	$ 230,615
Foreign exchange liabilities:			
Foreign bills payable	¥ 9	¥ 37	$ 110
Due to foreign banks	2	2	30
Total	¥ 11	¥ 39	$ 140

11. OTHER ASSETS CONSOLIDATED

Other assets as of March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Accrued income	¥ 16,300	¥ 21,191	$ 198,938
Prepaid expenses	2,888	3,277	35,250
Fair value of derivatives	81,914	181,793	999,691
Financial stabilization fund contribution	41,500	70,239	506,468
Accounts receivable	42,543	59,828	519,208
Installment receivables	347,935	330,485	4,246,226
Security deposits	13,269	15,984	161,940
Suspense payments	26,341	21,920	321,474
Margin deposits for futures transactions	5,383	12,150	65,702
Cash collateral pledged for derivative transactions	23,935	11,819	292,112
Other	84,702	66,107	1,033,712
Total	¥ 686,716	¥ 794,798	$ 8,380,721

Installment receivables in other assets as of March 31, 2012 and 2011 include credits to bankrupt obligors of ¥368 million (U.S.$4,498 thousand) and ¥430 million, non-accrual delinquent credits of ¥10,259 million (U.S.$125,210 thousand) and ¥3,931 million, credits past due for three months or more of ¥320 million (U.S.$3,911 thousand) and ¥426 million, and restructured credits of ¥1,564 million (U.S.$19,098 thousand) and ¥2,610 million, respectively.

12. PREMISES AND EQUIPMENT CONSOLIDATED

Premises and equipment as of March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Buildings	¥ 30,693	¥ 30,495	$ 374,588
Land	7,634	8,805	93,178
Tangible leased assets as lessor	48,047	50,989	586,376
Other	19,851	19,071	242,269
Subtotal	106,227	109,361	1,296,411
Accumulated depreciation	(52,096)	(59,262)	(635,788)
Net book value	¥ 54,131	¥ 50,099	$ 660,623

13. INTANGIBLE ASSETS CONSOLIDATED

Intangible assets as of March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Software	¥ 22,766	¥ 25,044	$ 277,838
Goodwill, net:			
Goodwill	47,574	55,512	580,607
Negative goodwill	(5,623)	(5,986)	(68,629)
Intangible assets acquired in business combinations	16,262	20,521	198,473
Intangible leased assets as lessor	7	30	91
Other	65	890	803
Total	¥ 81,053	¥ 96,013	$ 989,183

14. RESERVE FOR CREDIT LOSSES CONSOLIDATED

Reserve for credit losses as of March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Reserve for loan losses:			
General reserve for loan losses	¥ 80,949	¥ 102,752	$ 987,908
Specific reserve for loan losses	95,768	75,251	1,168,758
Reserve for loan losses to restructuring countries	0	12	10
Subtotal	176,718	178,015	2,156,676
Specific reserve for other credit losses	3,915	21,196	47,780
Total	¥ 180,633	¥ 199,211	$ 2,204,456

15. DEPOSITS, INCLUDING NEGOTIABLE CERTIFICATES OF DEPOSIT CONSOLIDATED

Deposits, including negotiable certificates of deposit, as of March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Current	¥ 14,995	¥ 11,151	$ 183,007
Ordinary	1,485,682	1,452,943	18,131,341
Notice	12,711	12,269	155,126
Time	3,292,790	3,602,989	40,185,382
Negotiable certificates of deposit	178,084	174,046	2,173,355
Other	378,147	357,285	4,614,934
Total	¥ 5,362,411	¥ 5,610,687	$ 65,443,145

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

16. DEBENTURES

CONSOLIDATED

(a) Debentures as of March 31, 2012 and 2011 consisted of the following:

Issuer	Description	Issue	Maturity	Interest Rate (%)	Millions of yen 2012	Millions of yen 2011	Thousands of U.S. dollars 2012
Shinsei Bank, Limited	Five-year coupon debentures[1]	Apr. 2006 to Apr. 2012	Apr. 2011 to Apr. 2017	0.08 to 1.75	**¥ 292,239**	¥ 331,370	**$ 3,566,503**
	Three-year coupon debentures[2]	Apr. 2008 to Sept. 2008	Apr. 2011 to Sept. 2011	1.20 to 1.65	**—**	14,800	**—**
	Coupon debentures, payable in Euroyen[3]	Sept. 2004 to Aug. 2005	Sept. 2014 and Feb. 2025	0.00 to 3.105[4]	**1,900**	2,100	**23,188**
	Total				**¥ 294,139**	¥ 348,270	**$ 3,589,691**

Notes: (1)This includes a series of five-year Long-Term Credit Debentures.
(2)This includes a series of three-year Long-Term Credit Debentures.
(3)This includes a series of Long-Term Credit Debentures issued under Euro Note Programme.
(4)The maximum and minimum rates under contracts are presented if the interest rates are not decided as of March 31, 2012 and 2011.

(b) Annual maturities of debentures as of March 31, 2012 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	**¥ 60,441**	**$ 737,628**
2014	**52,353**	**638,929**
2015	**50,773**	**619,637**
2016	**64,719**	**789,838**
2017 and thereafter	**65,851**	**803,659**
Total	**¥ 294,139**	**$ 3,589,691**

17. TRADING LIABILITIES

CONSOLIDATED

Trading liabilities as of March 31, 2012 and 2011 consisted of the following:

	Millions of yen 2012	Millions of yen 2011	Thousands of U.S. dollars 2012
Derivatives for trading securities	**¥ 1,589**	¥ 1,794	**$ 19,403**
Derivatives for securities held to hedge trading transactions	**39,649**	40,300	**483,880**
Trading-related financial derivatives	**86,746**	103,049	**1,058,661**
Trading securities sold for short sales	**48,058**	2,643	**586,511**
Total	**¥ 176,044**	¥ 147,787	**$ 2,148,455**

18. BORROWED MONEY

CONSOLIDATED

(a) Borrowed money as of March 31, 2012 and 2011 consisted of the following:

	Millions of yen 2012	Millions of yen 2011	Thousands of U.S. dollars 2012
Subordinated debt	**¥ 93,000**	¥ 101,400	**$ 1,134,977**
Other	**383,731**	1,571,390	**4,683,074**
Total	**¥ 476,731**	¥ 1,672,790	**$ 5,818,051**

(b) The weighted average interest rate applicable to the total balance of borrowed money as of March 31, 2012 was 1.20%.

18. BORROWED MONEY (CONTINUED) CONSOLIDATED

(c) Annual maturities of borrowed money as of March 31, 2012 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥ 217,985	$ 2,660,309
2014	49,502	604,132
2015	40,653	496,143
2016	26,738	326,313
2017 and thereafter	141,850	1,731,154
Total	¥ 476,731	$ 5,818,051

19. CORPORATE BONDS CONSOLIDATED

(a) Corporate bonds as of March 31, 2012 and 2011 consisted of the following:

Issuer	Description	Issue	Maturity	Interest Rate (%)	Millions of yen 2012	Millions of yen 2011	Thousands of U.S. dollars 2012
Shinsei Bank, Limited	Unsecured straight bonds, payable in Euroyen[1]	Nov. 2005 to Aug. 2009	Jul. 2011 to Sept. 2037	0.00 to 10.00[5]	¥ 5,551	¥ 10,851	$ 67,745
	Unsecured subordinated bonds, payable in Yen[2]	Mar. 2005 to Dec. 2009	Mar. 2015 to Dec. 2017	1.96 to 3.40	74,000	74,000	903,100
	Unsecured subordinated notes, payable in Euro[3]	Feb. 2006 and Sept. 2010	Feb. 2016 and Sept. 2020	2.976 and 7.375	59,909	64,069	731,139
	Unsecured perpetual subordinated notes, payable in Euroyen[4]	Oct.2005	—	2.35 and 2.435	4,500	4,500	54,918
	Unsecured perpetual subordinated note, payable in Pounds Sterling	Dec.2006	—	5.625	6,767	6,874	82,585
Kusatsu GK	Unsecured straight bond, payable in Yen	Jul. 2010	Jun. 2011	2.30	—	1,000	—
Hotaka GK	Unsecured straight bond, payable in Yen	Dec. 2011	Dec. 2016	1.635	3,000	—	36,612
Marusei GK	Unsecured straight bond, payable in Yen	Jan. 2012	Dec. 2016	3.16586	500	—	6,102
AMOne GK	Unsecured straight bond, payable in Yen	Jan. 2009	Feb. 2046	2.18	14,069	17,815	171,711
Shinsei Bank Finance N.V.	Unsecured perpetual subordinated bond, payable in Yen	Dec.1996	—	1.88571	500	500	6,102
	Total				¥ 168,797	¥179,611	$ 2,060,014

Notes: (1) This includes a series of straight bonds issued under Euro Note Programme.
(2) This includes a series of subordinated bonds, payable in Yen.
(3) This includes a series of subordinated notes, payable in Euro.
(4) This includes a series of perpetual subordinated notes issued under Euro Note Programme.
(5) The maximum and minimum rates under contracts are presented if the interest rates are not decided as of March 31, 2012 and 2011.

(b) Annual maturities of corporate bonds as of March 31, 2012 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥ 1,961	$ 23,943
2014	1,586	19,359
2015	34,789	424,568
2016	59,131	721,639
2017 and thereafter	71,329	870,505
Total	¥ 168,797	$ 2,060,014

20. OTHER LIABILITIES

CONSOLIDATED

Other liabilities as of March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Accrued expenses	**¥ 61,258**	¥ 57,372	**$ 747,605**
Unearned income	**3,788**	889	**46,234**
Income taxes payable	**2,130**	2,072	**26,002**
Fair value of derivatives	**142,223**	234,580	**1,735,697**
Matured debentures, including interest	**14,097**	16,472	**172,043**
Trust account	**7,526**	7,386	**91,850**
Accounts payable	**70,348**	73,588	**858,543**
Deferred gains on installment receivables and credit guarantees	**26,751**	29,113	**326,471**
Asset retirement obligations	**7,663**	7,960	**93,526**
Deposits payable	**91,595**	89,479	**1,117,838**
Other	**38,315**	50,446	**467,599**
Total	**¥ 465,698**	¥ 569,362	**$ 5,683,408**

21. RESERVE FOR EMPLOYEES' RETIREMENT BENEFITS

CONSOLIDATED

(a) The following table presents the funded status of the plans as of March 31, 2012 and 2011:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Projected benefit obligation	**¥ 70,239**	¥ 74,248	**$ 857,212**
Fair value of plan assets	**(59,483)**	(57,591)	**(725,935)**
Funded status (projected benefit obligation in excess of plan assets)	**10,756**	16,657	**131,277**
Unrecognized prior service cost	**3,015**	3,535	**36,800**
Unrecognized net actuarial losses	**(9,742)**	(11,734)	**(118,893)**
Unrecognized obligation at transition	**(1,816)**	(2,421)	**(22,166)**
Net amount accrued on the balance sheets	**2,213**	6,036	**27,018**
Prepaid pension cost included in other assets	**(4,813)**	(4,980)	**(58,742)**
Reserve for employees' retirement benefits	**¥ 7,027**	¥ 11,016	**$ 85,760**

The table includes benefit obligations of certain consolidated subsidiaries that calculate their obligations based on the full amount due to eligible employees as of the fiscal year-end.

As of March 31, 2011, "Projected benefit obligation" included ¥3,695 million of extraordinary severance benefit as a part of a business restructuring at Shinsei Financial.

(b) The following table provides the components of net periodic retirement benefit cost for the fiscal years ended March 31, 2012 and 2011:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Service cost	**¥ 3,225**	¥ 3,488	**$ 39,358**
Interest cost	**1,463**	1,518	**17,867**
Expected return on plan assets	**(1,344)**	(1,307)	**(16,413)**
Amortization of prior service cost	**(520)**	(453)	**(6,349)**
Amortization of net actuarial losses	**2,521**	2,583	**30,768**
Amortization of unrecognized obligation at transition	**605**	605	**7,389**
Other (primarily consists of extraordinary severance benefit)	**754**	5,699	**9,210**
Net periodic retirement benefit cost	**¥ 6,705**	¥ 12,134	**$ 81,830**

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

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

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

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

	2012	2011
Discount rate	**1.40-2.20%**	1.40-2.20%
Expected rate of return on plan assets	**2.00-3.50%**	0.75-3.50%
Method of attributing the projected benefits to periods of service	**Straight-line basis**	Straight-line basis
Period of amortization of prior service cost	**5.00-14.74 years**	5.00-14.74 years
Period of amortization of net actuarial losses	**5.00-14.74 years**	5.00-14.74 years
Period of amortization of unrecognized obligation at transition	**15 years**	15 years

22. ACCEPTANCES AND GUARANTEES CONSOLIDATED

Acceptances and guarantees as of March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Guarantees	**¥ 562,624**	¥ 575,700	**$ 6,866,295**

23. ASSETS PLEDGED AS COLLATERAL CONSOLIDATED

Assets pledged as collateral and liabilities collateralized as of March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Assets pledged as collateral:			
Cash and due from banks	**¥ 203**	¥ 866	**$ 2,484**
Trading assets	**33,915**	—	**413,900**
Monetary assets held in trust	**1,767**	1,752	**21,570**
Securities	**625,163**	2,131,834	**7,629,530**
Loans and bills discounted	**191,990**	315,268	**2,343,068**
Lease receivables and leased investment assets	**85,050**	83,980	**1,037,956**
Other assets	**32,278**	27,542	**393,932**
Premises and equipment	**—**	1,352	**—**
Liabilities collateralized:			
Deposits, including negotiable certificates of deposit	**¥ 568**	¥ 1,752	**$ 6,937**
Call money	**210,000**	160,000	**2,562,851**
Payables under securities lending transactions	**136,006**	265,028	**1,659,835**
Borrowed money	**172,673**	1,346,543	**2,107,320**
Corporate bonds	**14,069**	17,816	**171,710**
Other liabilities	**33**	26	**411**
Acceptances and guarantees	**920**	922	**11,234**

In addition, ¥364,798 million (U.S.$4,452,019 thousand) and ¥239,836 million of securities as of March 31, 2012 and 2011, were pledged as collateral for transactions, including exchange settlements, swap transactions and replacement of margin for future trading.

Also, ¥5,383 million (U.S.$65,702 thousand) and ¥12,150 million of margin deposits for futures transactions outstanding, ¥13,269 million (U.S.$161,940 thousand) and ¥15,984 million of security deposits, ¥23,935 million (U.S.$292,112 thousand) and ¥11,819 million of cash collateral pledged for derivative transactions were included in other assets as of March 31, 2012 and 2011, respectively.

24. PREFERRED SECURITIES ISSUED BY SUBSIDIARIES OUTSIDE JAPAN

CONSOLIDATED

The non-cumulative perpetual preferred securities issued by the Bank's wholly owned subsidiaries outside Japan as of March 31, 2012 and 2011 were as follows:

Issuer	Issued date	Issue amount (in millions)	Dividend rate(1)	Floating dividend start date	Type	Redemption date at the issuer's option	Millions of yen 2012	Millions of yen 2011	Thousands of U.S. dollars 2012
Shinsei Finance (Cayman) Limited	Feb. 2006	U.S.$775	6.418%	Jul. 2016	step-up	Jul. 2016(2)	**¥ 2,478**	¥2,500	**$ 30,250**
Shinsei Finance II (Cayman) Limited	Mar. 2006	U.S.$700	7.16%	Jul. 2016	non step-up	Jul. 2016(3)	**1,408**	1,420	**17,187**
Shinsei Finance III (Cayman) Limited	Mar. 2009	¥19,000	5.5%	Jul. 2014	non step-up	Jul. 2014(2)	**15,600**	15,600	**190,383**
	Mar. 2009	¥20,100	5.0%	Jul. 2019	step-up	Jul. 2014(2)	**18,000**	18,000	**219,673**
Shinsei Finance IV (Cayman) Limited	Mar. 2009	¥2,500	5.0%	Jul. 2019	step-up	Jul. 2014(2)	**2,500**	2,500	**30,510**
	Mar. 2009	¥6,600	5.5%	Jul. 2014	non step-up	Jul. 2014(2)	**6,600**	6,600	**80,547**
Shinsei Finance V (Cayman) Limited	Oct. 2009	¥4,000	5.5%	Jul. 2015	non step-up	Jul. 2015(2)	**4,000**	4,000	**48,816**
	Oct. 2009	¥5,000	floating	—	non step-up	Jul. 2015(2)	**5,000**	5,000	**61,020**
Total							**¥ 55,586**	¥55,621	**$ 678,386**

Notes: (1) Fixed dividend rates shown in this column are to be changed to floating dividend rates on the dividend payment date shown in "Floating dividend start date" column.
(2) These preferred securities are redeemable on any dividend payment date shown in this column or thereafter, at a price equal to the liquidation preference together with any dividends otherwise payable, subject to the prior approval of the Financial Services Agency of Japan ("FSA").
(3) The preferred securities issued by Shinsei Finance II (Cayman) Limited are redeemable on dividend payment date shown in this column or on each dividend payment date falling at ten year intervals thereafter, at a price equal to the liquidation preference together with any dividends otherwise payable, subject to the prior approval of the FSA.

The Bank repurchased U.S.$615 million of preferred securities of Shinsei Finance (Cayman) Limited, U.S.$458 million of preferred securities of Shinsei Finance II (Cayman) Limited and ¥2,400 million of preferred securities of Shinsei Finance III (Cayman) Limited in open-market transactions and cancelled all of the repurchased securities during the fiscal year ended March 31, 2011. No repurchase was made during the fiscal year ended March 31, 2012.

These preferred securities are accounted for as minority interests in the consolidated balance sheets.

25. EQUITY

CONSOLIDATED

The authorized number of shares of common stock as of March 31, 2012 was 4,000,000 thousand shares.

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

	Thousands: Issued number of shares	Thousands: Number of treasury stock
Fiscal year ended March 31, 2011:		
Beginning of year	2,060,346	96,427
Increase	690,000	—
Decrease	—	—
End of year	2,750,346	96,427
Fiscal year ended March 31, 2012:		
Beginning of year	**2,750,346**	**96,427**
Increase	**—**	**—**
Decrease	**—**	**—**
End of year	**2,750,346**	**96,427**

25. EQUITY (CONTINUED)

CONSOLIDATED

In March, 2011, the Bank issued 690,000,000 new shares of common stock through an international offering, at a issue price of ¥108 per share and the aggregate amount paid to the Bank was ¥71,815 million. As a result, the amount of common stock and capital surplus increased by ¥35,907 million, respectively.

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

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

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

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

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

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

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

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

26. STOCK ACQUISITION RIGHTS

CONSOLIDATED

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

Stock acquisition rights provide eligible individuals (the "holders") with the right to purchase common stock of the Bank without any cash consideration at an exchange rate of one thousand common shares to one stock acquisition right. The amount of money to be paid upon exercising stock acquisition rights is the amount calculated by multiplying the payment amount per share (the "exercise price") by the number of common shares that can be purchased through the exercise of one stock acquisition right. Conditions are stipulated in the "Agreement on the Grant of Stock Acquisition Rights" entered into between the Bank and the holders to whom stock acquisition rights were allotted based on the resolution of the annual general meeting of shareholders and the meetings of the Board of Directors which resolves the issuance of stock acquisition rights subsequent to the shareholders' meeting.

In December 2005, the ASBJ issued "Accounting Standard for Stock Options" and related guidance, which requires companies to recognize compensation expense for stock acquisition rights based on the fair value at the date of grant and over the vesting periods for stock acquisition rights newly granted on and after May 1, 2006.

Net stock-based compensation expense was ¥11 million (U.S.$135 thousand) for the fiscal year ended March 31, 2012. However, income of ¥34 million was recognized for the fiscal year ended March 31, 2011, due to reversal of expenses associated with rights that were cancelled before vesting dates which exceeded compensation expense during the fiscal year. Gains on unexercised and forfeited stock acquisition rights was included in other gains (losses), net were ¥69 million (U.S.$847 thousand) and ¥225 million for the fiscal years ended March 31, 2012 and 2011, respectively. There were no stock acquisition rights issued during the fiscal year ended March 31, 2012 and 2011.

(a) Details of stock options

Stock options outstanding as of March 31, 2012 were as follows:

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

26. STOCK ACQUISITION RIGHTS (CONTINUED)

CONSOLIDATED

(b) Number of stock options and movement therein

Numbers of stock options and price information are as follows:

	1st	4th	5th	6th
Fiscal year ended March 31, 2011				
Non-vested (share)				
Outstanding at the beginning of the year	—	—	—	—
Granted during the year	—	—	—	—
Forfeited during the year	—	—	—	—
Vested during the year	—	—	—	—
Outstanding at the end of the year	—	—	—	—
Vested (share)				
Outstanding at the beginning of the year	5,298,000	250,000	2,693,000	1,921,000
Vested during the year	—	—	—	—
Exercised during the year	—	—	—	—
Forfeited during the year	229,000	—	364,000	377,000
Exercisable at the end of the year	5,069,000	250,000	2,329,000	1,544,000
Exercise price (Yen)	684	551	601	601
Weighted average stock price at the date of exercise (Yen)	—	—	—	—
Fiscal year ended March 31, 2012				
Non-vested (share)				
Outstanding at the beginning of the year	**—**	**—**	**—**	**—**
Granted during the year	**—**	**—**	**—**	**—**
Forfeited during the year	**—**	**—**	**—**	**—**
Vested during the year	**—**	**—**	**—**	**—**
Outstanding at the end of the year	**—**	**—**	**—**	**—**
Vested (share)				
Outstanding at the beginning of the year	**5,069,000**	**250,000**	**2,329,000**	**1,544,000**
Vested during the year	**—**	**—**	**—**	**—**
Exercised during the year	**—**	**—**	**—**	**—**
Forfeited during the year	**156,000**	**—**	**110,000**	**—**
Exercisable at the end of the year	**4,913,000**	**250,000**	**2,219,000**	**1,544,000**
Exercise price (Yen)	**684**	**551**	**601**	**601**
Weighted average stock price at the date of exercise (Yen)	**—**	**—**	**—**	**—**

	7th	8th	9th	10th
Fiscal year ended March 31, 2011				
Non-vested (share)				
Outstanding at the beginning of the year	261,000	109,000	—	18,000
Granted during the year	—	—	—	—
Forfeited during the year	69,000	—	—	—
Vested during the year	192,000	109,000	—	18,000
Outstanding at the end of the year	—	—	—	—
Vested (share)				
Outstanding at the beginning of the year	428,000	128,000	108,000	18,000
Vested during the year	192,000	109,000	—	18,000
Exercised during the year	—	—	—	—
Forfeited during the year	114,000	50,000	—	—
Exercisable at the end of the year	506,000	187,000	108,000	36,000
Exercise price (Yen)	601	601	697	697
Weighted average stock price at the date of exercise (Yen)	—	—	—	—
Fiscal year ended March 31, 2012				
Non-vested (share)				
Outstanding at the beginning of the year	**—**	**—**	**—**	**—**
Granted during the year	**—**	**—**	**—**	**—**
Forfeited during the year	**—**	**—**	**—**	**—**
Vested during the year	**—**	**—**	**—**	**—**
Outstanding at the end of the year	**—**	**—**	**—**	**—**
Vested (share)				
Outstanding at the beginning of the year	**506,000**	**187,000**	**108,000**	**36,000**
Vested during the year	**—**	**—**	**—**	**—**
Exercised during the year	**—**	**—**	**—**	**—**
Forfeited during the year	**32,000**	**—**	**—**	**—**
Exercisable at the end of the year	**474,000**	**187,000**	**108,000**	**36,000**
Exercise price (Yen)	**601**	**601**	**697**	**697**
Weighted average stock price at the date of exercise (Yen)	**—**	**—**	**—**	**—**

26. STOCK ACQUISITION RIGHTS (CONTINUED)

CONSOLIDATED

	13th	14th	15th	16th
Fiscal year ended March 31, 2011				
Non-vested (share)				
Outstanding at the beginning of the year	—	—	317,000	17,000
Granted during the year	—	—	—	—
Forfeited during the year	—	—	113,000	—
Vested during the year	—	—	87,000	—
Outstanding at the end of the year	—	—	117,000	17,000
Vested (share)				
Outstanding at the beginning of the year	2,820,000	2,044,000	431,000	20,000
Vested during the year	—	—	87,000	—
Exercised during the year	—	—	—	—
Forfeited during the year	430,000	247,000	103,000	—
Exercisable at the end of the year	2,390,000	1,797,000	415,000	20,000
Exercise price (Yen)	825	825	825	825
Weighted average stock price at the date of exercise (Yen)	—	—	—	—
Fiscal year ended March 31, 2012				
Non-vested (share)				
Outstanding at the beginning of the year	**—**	**—**	**117,000**	**17,000**
Granted during the year	**—**	**—**	**—**	**—**
Forfeited during the year	**—**	**—**	**1,000**	**—**
Vested during the year	**—**	**—**	**116,000**	**17,000**
Outstanding at the end of the year	**—**	**—**	**—**	**—**
Vested (share)				
Outstanding at the beginning of the year	**2,390,000**	**1,797,000**	**415,000**	**20,000**
Vested during the year	**—**	**—**	**116,000**	**17,000**
Exercised during the year	**—**	**—**	**—**	**—**
Forfeited during the year	**154,000**	**—**	**19,000**	**—**
Exercisable at the end of the year	**2,236,000**	**1,797,000**	**512,000**	**37,000**
Exercise price (Yen)	**825**	**825**	**825**	**825**
Weighted average stock price at the date of exercise (Yen)	**—**	**—**	**—**	**—**

	17th	18th	19th	20th
Fiscal year ended March 31, 2011				
Non-vested (share)				
Outstanding at the beginning of the year	669,000	165,000	52,000	1,967,000
Granted during the year	—	—	—	—
Forfeited during the year	231,000	85,000	—	361,000
Vested during the year	250,000	24,000	4,000	1,280,000
Outstanding at the end of the year	188,000	56,000	48,000	326,000
Vested (share)				
Outstanding at the beginning of the year	1,162,000	881,000	88,000	47,000
Vested during the year	250,000	24,000	4,000	1,280,000
Exercised during the year	—	—	—	—
Forfeited during the year	192,000	86,000	—	230,000
Exercisable at the end of the year	1,220,000	819,000	92,000	1,097,000
Exercise price (Yen)	555	555	527	416
Weighted average stock price at the date of exercise (Yen)	—	—	—	—
Fiscal year ended March 31, 2012				
Non-vested (share)				
Outstanding at the beginning of the year	**188,000**	**56,000**	**48,000**	**326,000**
Granted during the year	**—**	**—**	**—**	**—**
Forfeited during the year	**—**	**—**	**—**	**71,000**
Vested during the year	**188,000**	**56,000**	**48,000**	**14,000**
Outstanding at the end of the year	**—**	**—**	**—**	**241,000**
Vested (share)				
Outstanding at the beginning of the year	**1,220,000**	**819,000**	**92,000**	**1,097,000**
Vested during the year	**188,000**	**56,000**	**48,000**	**14,000**
Exercised during the year	**—**	**—**	**—**	**—**
Forfeited during the year	**69,000**	**—**	**—**	**124,000**
Exercisable at the end of the year	**1,339,000**	**875,000**	**140,000**	**987,000**
Exercise price (Yen)	**555**	**555**	**527**	**416**
Weighted average stock price at the date of exercise (Yen)	**—**	**—**	**—**	**—**

26. STOCK ACQUISITION RIGHTS (CONTINUED)

CONSOLIDATED

	21st	22nd	23rd
Fiscal year ended March 31, 2011			
Non-vested (share)			
Outstanding at the beginning of the year	970,000	183,000	76,000
Granted during the year	—	—	—
Forfeited during the year	563,000	2,000	17,000
Vested during the year	326,000	109,000	35,000
Outstanding at the end of the year	81,000	72,000	24,000
Vested (share)			
Outstanding at the beginning of the year	—	10,000	—
Vested during the year	326,000	109,000	35,000
Exercised during the year	—	—	—
Forfeited during the year	132,000	3,000	—
Exercisable at the end of the year	194,000	116,000	35,000
Exercise price (Yen)	416	407	221
Weighted average stock price at the date of exercise (Yen)	—	—	—
Fiscal year ended March 31, 2012			
Non-vested (share)			
Outstanding at the beginning of the year	**81,000**	**72,000**	**24,000**
Granted during the year	**—**	**—**	**—**
Forfeited during the year	**—**	**—**	**2,000**
Vested during the year	**—**	**—**	**—**
Outstanding at the end of the year	**81,000**	**72,000**	**22,000**
Vested (share)			
Outstanding at the beginning of the year	**194,000**	**116,000**	**35,000**
Vested during the year	**—**	**—**	**—**
Exercised during the year	**—**	**—**	**—**
Forfeited during the year	**73,000**	**—**	**3,000**
Exercisable at the end of the year	**121,000**	**116,000**	**32,000**
Exercise price (Yen)	**416**	**407**	**221**
Weighted average stock price at the date of exercise (Yen)	**—**	**—**	**—**

(c) Measurement of the fair value of stock options

There were no stock options granted or whose fair value was changed due to the modification to the terms and conditions during the fiscal years ended March 31, 2012 and 2011.

(d) Method of determining the vested number of stock options

Incorporated only the actual forfeited options, as the reasonable estimate of future forfeitures is not determinable.

27. NET TRADING INCOME (LOSS)

CONSOLIDATED

Net trading income (loss) for the fiscal years ended March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Income (loss) from trading securities	**¥ 204**	¥ 771	**$ 2,493**
Income (loss) from securities held to hedge trading transactions	**(3,072)**	(2,857)	**(37,498)**
Income (loss) from trading-related financial derivatives	**16,525**	13,678	**201,683**
Other, net	**(22)**	56	**(272)**
Total	**¥ 13,635**	¥11,649	**$ 166,406**

28. OTHER BUSINESS INCOME (LOSS), NET CONSOLIDATED

"Other, net" in other business income (loss), net, for the fiscal years ended March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Income (loss) from derivatives entered into for banking purposes, net	**¥(1,057)**	¥ 1,722	**$(12,900)**
Equity in net income (loss) of affiliates	**3,429**	1,333	**41,856**
Gain on lease cancellation and other lease income (loss), net	**(220)**	(84)	**(2,691)**
Other, net	**1,601**	1,725	**19,550**
Total	**¥ 3,754**	¥ 4,696	**$ 45,815**

29. NET CREDIT COSTS CONSOLIDATED

Net credit costs for the fiscal years ended March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Losses on write-off or sales of loans	**¥ 5,777**	¥ 7,587	**$ 70,505**
Net provision (reversal) of reserve for loan losses:			
Net provision (reversal) of general reserve for loan losses	**(5,924)**	30,417	**(72,300)**
Net provision (reversal) of specific reserve for loan losses	**42,237**	31,286	**515,470**
Net provision (reversal) of reserve for loan losses to restructuring countries	**(11)**	(1)	**(138)**
Subtotal	**36,302**	61,703	**443,032**
Net provision (reversal) of specific reserve for other credit losses	**(17,281)**	15	**(210,901)**
Other credit costs (recoveries) relating to leasing business	**(1,698)**	(909)	**(20,722)**
Recoveries of written-off claims	**(10,832)**	—	**(132,202)**
Total	**¥ 12,267**	¥ 68,397	**$ 149,712**

Note: "Recoveries of written-off claims" are included in "Net credit costs" for the fiscal year ended March 31, 2012, and included in "Other gains(losses), net" for the fiscal year ended March 31, 2011, as described in "(AC) ACCOUNTING CHANGES AND ERROR CORRECTIONS" in Note 2 "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

30. OTHER GAINS (LOSSES), NET CONSOLIDATED

Other gains (losses), net for the fiscal years ended March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Net gain (loss) on disposal of premises and equipment	**¥ (518)**	¥ (552)	**$ (6,330)**
Pension-related costs	**(317)**	(944)	**(3,878)**
Gains on write-off of unclaimed debentures	**1,232**	556	**15,047**
Recoveries of written-off claims	**—**	14,854	**—**
Provision of reserve for losses on interest repayments	**(32,885)**	(10,145)	**(401,342)**
Impairment losses on long-lived assets	**(1,092)**	(2,367)	**(13,331)**
Gains from the cancellation of issued corporate bonds and other instruments	**—**	29,486	**—**
Losses on application of new accounting standard for asset retirement obligations	**—**	(3,639)	**—**
Business restructuring cost	**(86)**	(4,737)	**(1,051)**
Gain on sale of subsidiary's stock	**2,488**	485	**30,370**
Loss on retirement of software at APLUS FINANCIAL	**(1,901)**	—	**(23,207)**
Other, net	**86**	(1,024)	**1,054**
Total	**¥ (32,994)**	¥ 21,969	**$ (402,668)**

Note: "Recoveries of written-off claims" are included in "Net credit costs" for the fiscal year ended March 31, 2012, and included in "Other gains(loses), net" for the fiscal year ended March 31, 2011, as described in "(AC) ACCOUNTING CHANGES AND ERROR CORRECTIONS" in Note 2 "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

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

(a) Impairment losses on long-lived assets
For the fiscal year ended March 31, 2012, impairment losses on long-lived assets of ¥898 million (U.S.$10,971 thousand) were recognized by the Bank on the annex of the branches which were decided to be closed and the unused IT related properties, assuming their recoverable amount to be zero.

For the fiscal year ended March 31, 2011, impairment losses on long-lived assets of ¥816 million were recognized by the Bank on the properties of the branches which were decided to be closed and the unused IT related properties, assuming their recoverable amount to be zero. In addition, impairment losses on long-lived assets of ¥860 million were recognized by Shinsei Financial on the properties of personal loan business which were decided to be closed or to be disposed earlier than original plan and the properties for rent and for sale whose fair value declined significantly. The recoverable amount of the assets was primarily measured at the net selling price at disposition.

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

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

31. INCOME TAXES CONSOLIDATED

The Group is subject to a number of taxes based on income, such as corporate tax, inhabitant tax and enterprise tax, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.7% for each of the fiscal years ended March 31, 2012 and 2011.

(a) A reconciliation of the normal effective statutory tax rate with the actual effective tax rate for the fiscal years ended March 31, 2012 and 2011 was as follows:

	2012	2011
Normal effective statutory tax rate	**40.7%**	40.7%
Increase (decrease) in taxes resulting from:		
Permanently tax-exempt income	**(0.0)**	(0.9)
Amortization and impairment of goodwill	**20.4**	5.9
Equity in net income/loss of affiliates	**(9.1)**	(0.9)
Other non-deductible expenses	**0.5**	0.5
Foreign tax	**4.6**	0.1
Change in valuation allowance	**(340.2)**	(3.5)
Loss on sale of consolidated subsidiaries	**—**	(22.3)
Effect of tax rate reduction	**5.6**	—
Expiration of tax loss carryforwards	**316.7**	0.4
Other	**(4.3)**	(7.5)
Actual effective tax rate	**34.9%**	12.5%

"Act for Partial Revision to the Income Tax Act, etc. in order to Build a Tax Framework in Response to Changes in the Structure of the Economic Society" (Law No. 114 for 2011) and "Act on Special Measures for Securing Financial Resources Required to Implement Actions for Recovery from the Great East Japan Earthquake" (Law No. 117 for 2011) were promulgated in December 2, 2011. From the fiscal year beginning on or after April 1, 2012, the corporate tax rate will be reduced and the reconstruction special corporate tax will be imposed. In connection with this change, the effective statutory tax rate for calculating deferred tax assets and deferred tax liabilities will be changed from the existing 40.7% to 38.0% for temporary differences and tax loss carryforwards that are expected to be realized between the fiscal year beginning on April 1, 2012 and the fiscal year beginning on April 1, 2014; and to 35.6% for temporary differences and tax loss carryforwards that are expected to be realized in and after the fiscal year beginning on April 1, 2015. With these tax rate changes, deferred tax assets have decreased by ¥824 million (U.S.$10,063 thousand) and deferred tax liabilities have decreased by ¥162 million (U.S.$1,985 thousand) while unrealized gain (loss) on available-for-sale securities has increased by ¥30 million (U.S.$377 thousand) and income taxes-deferred have increased by ¥851 million (U.S.$10,395 thousand).

31. INCOME TAXES (CONTINUED)

CONSOLIDATED

From the fiscal year beginning on or after April 1, 2012, the use of tax loss carryforwards will be limited to the equivalent of 80% of taxable income before deducting tax loss carryforwards. Due to this limitation, deferred tax assets have decreased by ¥202 million (U.S.$2,475 thousand) and deferred tax liabilities have increased by ¥291 million (U.S.$3,561 thousand) while income taxes-deferred have increased by ¥494 million (U.S.$6,037 thousand) .

(b) The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities, as of March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Deferred tax assets:			
Tax loss carryforwards	**¥ 197,705**	¥ 268,434	**$ 2,412,803**
Reserve for credit losses	**156,784**	197,974	**1,913,407**
Securities	**38,362**	43,623	**468,175**
Reserve for losses on interest repayments	**18,145**	17,577	**221,450**
Monetary assets held in trust	**16,539**	20,994	**201,853**
Deferred loss on derivatives under hedge accounting	**5,299**	5,357	**64,673**
Unrealized loss on available-for-sale securities	**1,107**	6,122	**13,518**
Other	**38,470**	47,909	**469,501**
Subtotal	**472,415**	607,993	**5,765,380**
Valuation allowance	**(446,257)**	(576,842)	**(5,446,152)**
Total deferred tax assets	**26,157**	31,150	**319,228**
Offset with deferred tax liabilities	**(10,322)**	(12,547)	**(125,981)**
Net deferred tax assets	**¥ 15,834**	¥ 18,603	**$ 193,247**
Deferred tax liabilities:			
Temporary differences due to business combination (primarily related to identified intangible assets)	**¥ 6,591**	¥ 9,125	**$ 80,442**
Deferred gain on derivatives under hedge accounting	**1,700**	1,901	**20,747**
Asset retirement costs included in premises and equipment	**1,333**	1,453	**16,270**
Unrealized gain on available-for-sale securities	**212**	232	**2,595**
Other	**1,112**	524	**13,574**
Total deferred tax liabilities	**10,949**	13,238	**133,628**
Offset with deferred tax assets	**(10,322)**	(12,547)	**(125,981)**
Net deferred tax liabilities	**¥ 626**	¥ 690	**$ 7,647**

(c) The Bank has ¥141,619 million (U.S.$1,728,331 thousand) of tax loss carryforward related to corporate tax as of March 31, 2012. The schedule of tax loss carryforward and its expiration date are as follows:

	Amount		
Fiscal year ended March 31	Millions of yen	Thousands of U.S. dollars	Date of expiry
2009	¥ 108,010	$ 1,318,168	March 31, 2018
2011	21,017	256,496	March 31, 2020
2012	12,591	153,667	March 31, 2021
Total	¥ 141,619	$ 1,728,331	

31. INCOME TAXES (CONTINUED) CONSOLIDATED

In addition, other significant tax loss carryforwards of major subsidiaries as of March 31, 2012 are as follows:

Subsidiary	Fiscal period ended	Millions of yen	Thousands of U.S. Dollars	Date of expiry
APLUS FINANCIAL	September 30, 2005	¥ 2,649	$ 32,330	March 31, 2013
	March 31, 2006	4,399	53,696	March 31, 2013
	March 31, 2007	29,537	360,481	March 31, 2014
	March 31, 2008	11,826	144,337	March 31, 2015
	March 31, 2009	2	36	March 31, 2018
	March 31, 2010	10	122	March 31, 2019
	March 31, 2012	4,677	57,090	March 31, 2021
	Total	¥ 53,104	$ 648,092	
Shinsei Financial	December 31, 2007	¥ 28,327	$ 345,713	March 31, 2014
	December 31, 2008	38,731	472,675	March 31, 2018
	March 31, 2009	27,530	335,981	March 31, 2018
	March 31, 2010	148,459	1,811,812	March 31, 2019
	March 31, 2011	22,894	279,411	March 31, 2020
	March 31, 2012	26,621	324,889	March 31, 2021
	Total	¥ 292,565	$ 3,570,481	
Showa Leasing	March 31, 2007	¥ 4,081	$ 49,807	March 31, 2014
	March 31, 2008	707	8,629	March 31, 2015
	March 31, 2009	18	225	March 31, 2018
	March 31, 2010	106	1,302	March 31, 2019
	Total	¥ 4,913	$ 59,963	
Shinki	March 31, 2008	¥ 19,037	$ 232,338	March 31, 2015
	March 31, 2009	9,280	113,259	March 31, 2018
	March 31, 2010	5,605	68,404	March 31, 2019
	March 31, 2011	14,064	171,639	March 31, 2020
	March 31, 2012	5,351	65,309	March 31, 2021
	Total	¥ 53,338	$ 650,949	

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

32. NET INCOME (LOSS) PER COMMON SHARE CONSOLIDATED

Diluted net income per common share for the fiscal year ended March 31, 2012 and 2011 are not disclosed because there is no effect from dilutive securities.

Basic net income (loss) per common share ("EPS") for the fiscal years ended March 31, 2012 and 2011 were as follows:

	Net income (loss) (Millions of yen)	Weighted average shares (Thousands)	EPS (Yen)	EPS (U.S. dollars)
For the fiscal year ended March 31, 2012:				
Basic EPS				
Net income (loss) available to common shareholders	**¥ 6,430**	**2,653,919**	**¥ 2.42**	**$ 0.03**
For the fiscal year ended March 31, 2011:				
Basic EPS				
Net income (loss) available to common shareholders	¥ 42,650	1,996,056	¥ 21.36	

33. OTHER COMPREHENSIVE INCOME CONSOLIDATED

The components of other comprehensive income for the fiscal year ended March 31, 2012 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2012	**2012**
Unrealized gain (loss) on available-for-sale securities:		
Gains (losses) arising during the fiscal year	**¥ 7,296**	**$ 89,042**
Reclassification adjustment to profit or loss	**7,165**	**87,448**
Amount before income tax effect	**14,461**	**176,490**
Income tax effect	**55**	**672**
Total	**14,516**	**177,162**
Deferred gain (loss) on derivatives under hedge accounting:		
Gains (losses) arising during the fiscal year	**(4,799)**	**(58,575)**
Reclassification adjustment to profit or loss	**3,132**	**38,224**
Amount before income tax effect	**(1,667)**	**(20,351)**
Income tax effect	**111**	**1,356**
Total	**(1,556)**	**(18,995)**
Foreign currency translation adjustments:		
Gains (losses) arising during the fiscal year	**520**	**6,351**
Reclassification adjustment to profit or loss	**506**	**6,184**
Amount before income tax effect	**1,027**	**12,535**
Income tax effect	**—**	**—**
Total	**1,027**	**12,535**
Share of other comprehensive income in affiliates:		
Gains (losses) arising during the fiscal year	**32**	**394**
Total	**32**	**394**
Total other comprehensive income	**¥ 14,019**	**$ 171,096**

The corresponding information for the year ended March 31, 2011 was not required under the accounting standard for presentation of comprehensive income as an exemption for the first year of adopting that standard and not disclosed herein.

34. LEASE TRANSACTIONS CONSOLIDATED

(A) FINANCE LEASE TRANSACTIONS

AS LESSEE

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

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

(b) Depreciation method is described in "(W) LEASE TRANSACTIONS" in Note2 "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

AS LESSOR

(a) Breakdown of "Lease receivables and leased investment assets" as of March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Lease receivables	**¥ 31,759**	¥ 26,069	**$ 387,598**
Leased investment assets:			
Lease payment receivables	**179,777**	195,289	**2,194,015**
Estimated residual value	**7,676**	8,832	**93,686**
Interest equivalent	**(21,988)**	(24,150)	**(268,348)**
Other	**206**	176	**2,520**
Subtotal	**165,672**	180,146	**2,021,873**
Total	**¥ 197,432**	¥ 206,216	**$ 2,409,471**

34. LEASE TRANSACTIONS (CONTINUED) CONSOLIDATED

(b) Lease payment receivables for "Lease receivables and leased investment assets" as of March 31, 2012 were as follows:

	Lease receivables		Leased investment assets	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Due within one year	**¥ 8,981**	**$ 109,605**	**¥ 62,193**	**$ 759,012**
Due after one year within two years	**8,158**	**99,570**	**44,563**	**543,854**
Due after two years within three years	**6,408**	**78,210**	**30,900**	**377,115**
Due after three years within four years	**4,591**	**56,039**	**18,579**	**226,744**
Due after four years within five years	**3,037**	**37,066**	**9,404**	**114,772**
Due after five years	**2,957**	**36,091**	**14,136**	**172,518**
Total	**¥ 34,134**	**$ 416,581**	**¥ 179,777**	**$ 2,194,015**

(B) OPERATING LEASE TRANSACTIONS

Non-cancelable operating lease obligations as lessee and lease payment receivables as lessor as of March 31, 2012 and 2011 were as follows:

AS LESSEE

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Lease obligations:			
Due within one year	**¥ 4,046**	¥ 4,135	**$ 49,380**
Due after one year	**21,021**	22,668	**256,553**
Total	**¥ 25,068**	¥ 26,804	**$ 305,933**

AS LESSOR

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Lease payment receivables:			
Due within one year	**¥ 3,832**	¥ 3,447	**$ 46,778**
Due after one year	**17,101**	13,011	**208,708**
Total	**¥ 20,934**	¥ 16,459	**$ 255,486**

35. SEGMENT INFORMATION CONSOLIDATED

(A) SEGMENT INFORMATION

Under the ASBJ Statement No. 17 "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No.20 "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(a) DESCRIPTION OF REPORTABLE SEGMENTS

Our reportable segments are components of the Group about which separate financial information is available and such information is evaluated regularly by the Executive Committee in deciding how to allocate resources and in assessing performance.

The Group provides a wide variety of financial products and services to institutional and individual customers through our Institutional Group, Global Markets Group and Individual Group, respectively. These groups consist of operating segments which provide their respective financial products and services. The Institutional Group consists of the "Institutional Business Sub-

Group," "Structured Finance Sub-Group," "Principal Transactions Sub-Group," "Showa Leasing" and "Other Institutional Group," and the Global Markets Group consists of the "Financial Institutions Sub-Group," "Markets Sub-Group," "Treasury Sub-Group" and "Other Global Markets Group" as reportable segments. The Individual Group consists of "Retail Banking Sub-Group," "Shinsei Financial" and "APLUS FINANCIAL."

In the Institutional Group, the "Institutional Business Sub-Group" provides financial products and services for corporate banking business and public sector finance. The "Structured Finance Sub-Group" provides real estate finance, such as non-recourse loans, financial products and services for the real estate and construction industries, specialty finance such as M&A finance, and trust business. The "Principal Transactions Sub-Group" provides financial products and services related to credit trading. The "Showa Leasing" primarily provides leasing related financial products and services. The "Other Institutional Group" consists of asset-backed investment, advisory services and other products and services in the Institutional Group.

In the Global Markets Group, the "Financial Institutions Sub-Group" provides financial products and services for financial institutions business. The "Markets Sub-Group" is engaged in foreign exchanges, derivatives, equity trading, and other capital markets transactions. The "Treasury Sub-Group" undertakes ALM related transactions and capital funding. The "Other Global Markets Group" consists of Shinsei Securities' businesses, alternative investment, asset management, wealth management, and other products and services in the Global Markets Group.

In the Individual Group, the "Retail Banking Sub-Group" provides financial products and services for retail customers, the "Shinsei Financial" provides consumer finance, and the "APLUS FINANCIAL" provides installment sales credit, credit cards, guarantees and settlement services. The "Other" consists of profit and loss attributable to the Consumer Finance Sub-Group and other subsidiaries. The unsecured personal card loan business, "Shinsei Bank Card Loan - Lake," transferred from Shinsei Financial to the Bank from October 1, 2011, is included in the "Shinsei Financial" segment.

On April 1, 2011, we implemented organizational changes. As a result of this organizational change, classification of reportable segments was changed, and "REVENUE, PROFIT (LOSS), ASSETS, LIABILITIES AND OTHER ITEMS BY REORTABLE SEGMENTS" for the fiscal year ended March 31, 2011 is presented based on the new classification of reportable segment.

(b) METHODS OF MEASUREMENT FOR THE AMOUNTS OF REVENUE, PROFIT (LOSS), ASSETS, LIABILITIES AND OTHER ITEMS BY REPORTABLE SEGMENTS

The accounting policies of each reportable segment are consistent to those disclosed in Note 2, "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES," except for interest on inter-segment transactions and indirect expense.

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

Effective April 1, 2011, recoveries of written-off claims are included in "Net credit cost," considering the revision of "Practical Guidelines on Accounting Standards for Financial Instruments" (JICPA Accounting Practice Committee Statement No. 14). However, retrospective application was not made for the fiscal year ended March 31, 2011.

As a result of this change, net credit costs decreased and segment profits increased by ¥16 million (U.S.$199 thousand) for the "Institutional Business Sub-Group," by ¥567 million (U.S.$6,931 thousand) for the "Structured Finance Sub-Group," by ¥90 million (U.S.$1,100 thousand) for the "Principal Transactions Sub-Group," by ¥20 million (U.S.$253 thousand) for the "Other Institutional Group," by ¥417 million (U.S.$5,097 thousand) for the "Financial Institutions Sub-Group," by ¥362 million (U.S.$4,418 thousand) for the "Markets Sub-Group," by ¥559 million (U.S.$6,824 thousand) for the "Other Global Markets Group," by ¥64 million (U.S.$793 thousand) for the "Retail Banking Sub-Group," by ¥8,676 million (U.S.$105,890 thousand) for the "Shinsei Financial," and by ¥57 million (U.S.$697 thousand) for the "APLUS FINANCIAL," for the fiscal year ended March 31, 2012, compared to the amounts that would have been calculated under the previous treatment.

35. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

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

	Millions of yen								
	Institutional Group					Global Markets Group			
Fiscal year ended March 31, 2012	Institutional Business Sub-Group	Structured Finance Sub-Group	Principal Transactions Sub-Group	Showa Leasing	Other Institutional Group	Financial Institutions Sub-Group	Markets Sub-Group	Treasury Sub-Group	Other Global Markets Group
Revenue:	¥ 9,357	¥ 21,030	¥ 11,211	¥ 12,463	¥ 8,273	¥ 3,373	¥ 6,231	¥ (6,122)	¥ 1,681
Net Interest Income	9,254	16,904	4,563	(2,588)	(846)	1,454	1,126	(9,267)	507
Non-interest Income[1]	102	4,125	6,648	15,052	9,120	1,918	5,105	3,145	1,173
Expenses	5,843	4,826	3,886	7,804	2,655	2,342	3,261	1,079	4,119
Net Credit Costs (Recoveries)	1,415	14,145	924	(1,371)	2,717	(490)	(1,471)	—	(727)
Segment Profit (Loss)	¥ 2,097	¥ 2,057	¥ 6,401	¥ 6,030	¥ 2,900	¥ 1,521	¥ 4,441	¥ (7,202)	¥ (1,710)
Segment Assets[2]	¥ 1,644,472	¥ 954,835	¥ 326,407	¥ 392,542	¥ 141,447	¥ 121,864	¥ 367,322	¥ 1,332,044	¥ 81,415
Segment Liabilities	¥ 351,374	¥ 67,383	¥ 6,012	¥ —	¥ 5,640	¥ 249,742	¥ 124,931	¥ 26,429	¥ 81,182
Includes:									
1. Equity in net income (loss) of affiliates	¥ —	¥ —	¥ 125	¥ —	¥ 2,253	¥ —	¥ —	¥ —	¥ 1,050
2. Investment in affiliates	—	—	3,762	—	34,989	—	—	—	3,003
Other:									
Goodwill (Negative Goodwill):									
Amortization	¥ —	¥ —	¥ —	¥ 2,265	¥ —	¥ —	¥ —	¥ —	¥ —
Unamortized balance	—	—	—	28,052	—	—	—	—	—
Other intangible assets:									
Amortization	¥ —	¥ —	¥ —	¥ 663	¥ —	¥ —	¥ —	¥ —	¥ —
Unamortized balance	—	—	—	3,619	—	—	—	—	—
Impairment losses on long-lived assets	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 1	¥ —	¥ 3

	Millions of yen					
	Individual Group					
		Consumer Finance Sub-Group				
Fiscal year ended March 31, 2012	Retail Banking Sub-Group	Shinsei Financial	APLUS FINANCIAL	Other	Corporate/ Other	Total
Revenue:	¥ 36,091	¥ 51,778	¥ 48,531	¥ 1,758	¥ (2,697)	¥ 202,962
Net Interest Income	29,147	55,506	12,546	1,576	(2,984)	116,900
Non-interest Income[1]	6,943	(3,728)	35,985	182	286	86,061
Expenses	31,366	30,717	30,232	364	(511)	127,988
Net Credit Costs (Recoveries)	1,221	(8,445)	5,206	231	(1,087)	12,267
Segment Profit (Loss)	¥ 3,503	¥ 29,506	¥ 13,092	¥ 1,162	¥ (1,097)	¥ 62,706
Segment Assets[2]	¥ 948,674	¥ 370,655	¥ 1,007,670	¥ 47,507	¥ —	¥ 7,736,861
Segment Liabilities	¥ 4,930,927	¥ 3,390	¥ 548,159	¥ 44	¥ —	¥ 6,395,219
Includes:						
1. Equity in net income (loss) of affiliates	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 3,429
2. Investment in affiliates	—	—	—	—	—	41,754
Other:						
Goodwill (Negative Goodwill):						
Amortization	¥ —	¥ 4,591	¥ 840	¥ (0)	¥ —	¥ 7,697
Unamortized balance	—	10,541	3,363	(6)	—	41,951
Other intangible assets:						
Amortization	¥ —	¥ 3,594	¥ —	¥ —	¥ —	¥ 4,258
Unamortized balance	—	12,643	—	—	—	16,262
Impairment losses on long-lived assets	¥ 48	¥ 193	¥ —	¥ —	¥ 845	¥ 1,092

35. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

	Millions of yen								
	Institutional Group					Global Markets Group			
Fiscal year ended March 31, 2011	Institutional Business Sub-Group	Structured Finance Sub-Group	Principal Transactions Sub-Group	Showa Leasing	Other Institutional Group	Financial Institutions Sub-Group	Markets Sub-Group	Treasury Sub-Group	Other Global Markets Group
Revenue:	¥ 10,778	¥ 22,593	¥ 8,576	¥ 15,330	¥ 16,309	¥ 2,613	¥ 12,520	¥ 45,825	¥ 2,715
Net Interest Income	9,331	21,487	2,825	(3,180)	3,617	1,241	2,653	4,875	527
Non-interest Income[1]	1,446	1,106	5,751	18,510	12,692	1,371	9,866	40,950	2,187
Expenses	6,299	5,822	4,248	8,042	2,874	2,522	4,667	1,172	3,740
Net Credit Costs (Recoveries)	(141)	39,043	(609)	3,461	(3,844)	(838)	1,544	—	710
Segment Profit (Loss)	¥ 4,620	¥ (22,272)	¥ 4,937	¥ 3,826	¥ 17,279	¥ 929	¥ 6,308	¥ 44,652	¥ (1,736)
Segment Assets[2]	¥ 1,756,325	¥ 956,214	¥ 364,431	¥ 379,981	¥ 235,287	¥ 70,177	¥ 393,695	¥ 2,655,519	¥ 63,771
Segment Liabilities	¥ 309,110	¥ 64,419	¥ 8,813	¥ —	¥ 3,227	¥ 437,602	¥ 144,208	¥ 69,228	¥ 39,439
Includes:									
1. Equity in net income (loss) of affiliates	¥ —	¥ —	¥ (313)	¥ —	¥ 2,137	¥ —	¥ —	¥ —	¥ (489)
2. Investment in affiliates	—	—	4,452	—	33,284	—	—	—	1,970
Other:									
Goodwill (Negative Goodwill):									
Amortization	¥ —	¥ —	¥ —	¥ 2,265	¥ —	¥ —	¥ —	¥ —	¥ —
Unamortized balance	—	—	—	30,317	—	—	—	—	—
Other intangible assets:									
Amortization	¥ —	¥ —	¥ —	¥ 697	¥ —	¥ —	¥ —	¥ —	¥ —
Unamortized balance	—	—	—	4,283	—	—	—	—	—
Impairment losses on long-lived assets	¥ 104	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 5

	Millions of yen					
	Individual Group					
		Consumer Finance Sub-Group				
Fiscal year ended March 31, 2011	Retail Banking Sub-Group	Shinsei Financial	APLUS FINANCIAL	Other	Corporate/ Other	Total
Revenue:	¥ 43,326	¥ 69,695	¥ 50,870	¥ (6,719)	¥ (2,279)	¥ 292,156
Net Interest Income	33,821	75,899	14,489	(6,878)	(4,048)	156,662
Non-interest Income[1]	9,504	(6,203)	36,381	158	1,769	135,493
Expenses	33,183	38,076	32,811	441	(1,043)	142,859
Net Credit Costs (Recoveries)	2,574	11,423	13,814	830	426	68,397
Segment Profit (Loss)	¥ 7,567	¥ 20,195	¥ 4,244	¥ (7,991)	¥ (1,662)	¥ 80,899
Segment Assets[2]	¥ 913,348	¥ 452,743	¥ 993,892	¥ 74,694	¥ —	¥ 9,310,083
Segment Liabilities	¥ 5,032,234	¥ 10,218	¥ 563,899	¥ 42	¥ —	¥ 6,682,445
Includes:						
1. Equity in net income (loss) of affiliates	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 1,333
2. Investment in affiliates	—	—	—	—	—	39,707
Other:						
Goodwill (Negative Goodwill):						
Amortization	¥ —	¥ 5,212	¥ 894	¥ (0)	¥ —	¥ 8,371
Unamortized balance	—	15,011	4,204	(6)	—	49,526
Other intangible assets:						
Amortization	¥ —	¥ 4,030	¥ —	¥ —	¥ —	¥ 4,728
Unamortized balance	—	16,237	—	—	—	20,521
Impairment losses on long-lived assets	¥ 364	¥ 1,551	¥ —	¥ —	¥ 341	¥ 2,367

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

35. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

Fiscal year ended March 31, 2012	Thousands of U.S. dollars								
	Institutional Group					Global Markets Group			
	Institutional Business Sub-Group	Structured Finance Sub-Group	Principal Transactions Sub-Group	Showa Leasing	Other Institutional Group	Financial Institutions Sub-Group	Markets Sub-Group	Treasury Sub-Group	Other Global Markets Group
Revenue:	$ 114,195	$ 256,652	$ 136,831	$ 152,108	$ 100,965	$ 41,166	$ 76,048	$ (74,717)	$ 20,517
Net Interest Income	112,946	206,302	55,693	(31,594)	(10,337)	17,750	13,746	(113,102)	6,200
Non-interest Income[1]	1,249	50,350	81,138	183,702	111,302	23,416	62,302	38,385	14,317
Expenses	71,319	58,902	47,427	95,243	32,406	28,589	39,798	13,178	50,276
Net Credit Costs (Recoveries)	17,273	172,635	11,285	(16,737)	33,163	(5,990)	(17,959)	—	(8,880)
Segment Profit (Loss)	$ 25,603	$ 25,115	$ 78,119	$ 73,602	$ 35,396	$ 18,567	$ 54,209	$ (87,895)	$ (20,879)
Segment Assets[2]	$20,069,227	$11,652,861	$ 3,983,498	$ 4,790,608	$ 1,726,233	$ 1,487,245	$ 4,482,827	$16,256,345	$ 993,597
Segment Liabilities	$ 4,288,197	$ 822,347	$ 73,379	$ —	$ 68,840	$ 3,047,869	$ 1,524,670	$ 322,550	$ 990,754
Includes:									
1. Equity in net income (loss) of affiliates	$ —	$ —	$ 1,535	$ —	$ 27,501	$ —	$ —	$ —	$ 12,820
2. Investment in affiliates	—	—	45,915	—	427,009	—	—	—	36,653
Other:									
Goodwill (Negative Goodwill):									
Amortization	$ —	$ —	$ —	$ 27,644	$ —	$ —	$ —	$ —	$ —
Unamortized balance	—	—	—	342,351	—	—	—	—	—
Other intangible assets:									
Amortization	$ —	$ —	$ —	$ 8,103	$ —	$ —	$ —	$ —	$ —
Unamortized balance	—	—	—	44,178	—	—	—	—	—
Impairment losses on long-lived assets	$ —	$ —	$ —	$ —	$ —	$ —	$ 22	$ —	$ 39

Fiscal year ended March 31, 2012	Thousands of U.S. dollars					
	Individual Group					
		Consumer Finance Sub-Group				
	Retail Banking Sub-Group	Shinsei Financial	APLUS FINANCIAL	Other	Corporate/ Other	Total
Revenue:	$ 440,462	$ 631,904	$ 592,287	$ 21,461	$ (32,919)	$ 2,476,960
Net Interest Income	355,719	677,402	153,118	19,236	(36,421)	1,426,658
Non-interest Income[1]	84,743	(45,498)	439,169	2,225	3,502	1,050,302
Expenses	382,802	374,875	368,964	4,444	(6,249)	1,561,974
Net Credit Costs (Recoveries)	14,901	(103,069)	63,542	2,825	(13,277)	149,712
Segment Profit (Loss)	$ 42,759	$ 360,098	$ 159,781	$ 14,192	$ (13,393)	$ 765,274
Segment Assets[2]	$11,577,673	$ 4,523,495	$12,297,668	$ 579,780	$ —	$94,421,057
Segment Liabilities	$60,177,289	$ 41,384	$ 6,689,763	$ 544	$ —	$78,047,586
Includes:						
1. Equity in net income (loss) of affiliates	$ —	$ —	$ —	$ —	$ —	$ 41,856
2. Investment in affiliates	—	—	—	—	—	509,577
Other:						
Goodwill (Negative Goodwill):						
Amortization	$ —	$ 56,035	$ 10,263	$ (7)	$ —	$ 93,935
Unamortized balance	—	128,653	41,049	(75)	—	511,978
Other intangible assets:						
Amortization	$ —	$ 43,865	$ —	$ —	$ —	$ 51,968
Unamortized balance	—	154,296	—	—	—	198,474
Impairment losses on long-lived assets	$ 596	$ 2,360	$ —	$ —	$ 10,314	$ 13,331

Notes: (1) "Revenue," which represents gross operating profit under our management reporting, is presented as a substitute for sales in other industries. "Revenue" is defined as the total of net interest income, net fees and commissions, net trading income and net other business income on the management reporting basis. "Revenue" represents income and related cost attributable to our core business.
(2) "Expenses" are general and administrative expenses deducting amortization of goodwill and other intangible assets, amortization of net actuarial gains or losses of retirement benefit cost and lump-sum payments.
(3) "Net Credit Costs (Recoveries)" consists of provision/reversal of reserve for credit losses, losses on write-off/sales of loans and recoveries of written-off claims for the fiscal year ended March 31,2012. Recoveries of written-off claims are not included in "Net Credit Costs (Recoveries)" for the fiscal year ended March 31,2011.
(4) "Segment Assets" consists of other monetary claims purchased, trading assets, monetary assets held in trust, securities, loans and bills discounted, lease receivables and leased investment assets, installment receivables, tangible leased assets, intangible leased assets and customer's liabilities for acceptances and guarantees.
(5) "Segment Liabilities" consists of deposits, including negotiable certificates of deposit ,debentures, trading liabilities and acceptance and guarantees.
(6) Regarding assets and liabilities not allocated to each business segment, based on rational allocation method, there are related revenue and expense items which are allocated to each business segment. For example, interest on other borrowings is considered a part of "Revenue" and included in segment income, although borrowed money is not allocated to each segment liabilities. In addition, depreciation is considered a part of "Expenses" and included in segment income, although premises and equipment excluding tangible leased assets and intangible assets excluding intangible leased assets are not allocated to each segment assets.
(7) "Corporate/Other" includes company-wide accounts which are not included in our reportable segments, allocation variance of indirect expense and elimination amount of inter-segment transactions.

35. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

(d) RECONCILIATION BETWEEN THE SEGMENT INFORMATION AND THE CONSOLIDATED FINANCIAL STATEMENTS

(i) A reconciliation between total segment profit and income (loss) before income taxes and minority interests on the consolidated statements of income for the fiscal years ended March 31, 2012 and 2011 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Total segment profit	**¥ 62,706**	¥ 80,899	**$ 765,274**
Lump-sum payments	**(2,410)**	(2,501)	**(29,422)**
Amortization of goodwill and other intangible assets	**(11,955)**	(13,099)	**(145,903)**
Other gains (losses), net, excluding gains from the cancellation of issued corporate bonds and other instruments	**(32,994)**	(7,516)	**(402,668)**
Income (loss) before income taxes and minority interests	**¥ 15,345**	¥ 57,782	**$ 187,281**

(ii) A reconciliation between total segment assets and total assets on the consolidated balance sheets as of March 31, 2012 and 2011 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Total segment assets	**¥ 7,736,861**	¥ 9,310,083	**$ 94,421,057**
Cash and due from banks	**413,721**	452,751	**5,049,083**
Call loans	**15,745**	—	**192,159**
Receivables under resale agreements	**18,362**	—	**224,101**
Receivables under securities borrowing transactions	**114,080**	10,388	**1,392,250**
Foreign exchanges	**18,896**	42,069	**230,615**
Other assets excluding installment receivables	**338,780**	464,312	**4,134,495**
Premises and equipment excluding tangible leased assets	**36,839**	36,386	**449,588**
Intangible assets excluding intangible leased assets	**81,046**	95,982	**989,092**
Deferred issuance expense for debentures	**135**	182	**1,653**
Deferred tax assets	**15,834**	18,603	**193,247**
Reserve for credit losses	**(180,633)**	(199,211)	**(2,204,456)**
Total assets	**¥ 8,609,672**	¥ 10,231,548	**$ 105,072,884**

(iii) A reconciliation between total segment liabilities and total liabilities on the consolidated balance sheets as of March 31, 2012 and 2011 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Total segment liabilities	**¥ 6,395,219**	¥ 6,682,445	**$ 78,047,586**
Call money	**210,163**	160,330	**2,564,851**
Payables under securities lending transactions	**148,590**	269,697	**1,813,411**
Borrowed money	**476,731**	1,672,790	**5,818,051**
Foreign exchanges	**11**	39	**140**
Short-term corporate bonds	**50,700**	22,800	**618,745**
Corporate bonds	**168,797**	179,611	**2,060,014**
Other liabilities	**465,698**	569,362	**5,683,408**
Accrued employees' bonuses	**7,262**	8,084	**88,628**
Accrued directors' bonuses	**40**	38	**490**
Reserve for employees' retirement benefits	**7,027**	11,016	**85,760**
Reserve for directors' retirement benefits	**231**	285	**2,825**
Reserve for losses on interest repayments	**50,913**	43,199	**621,351**
Reserve under special law	**1**	1	**15**
Deferred tax liabilities	**626**	690	**7,647**
Total liabilities	**¥ 7,982,014**	¥ 9,620,394	**$ 97,412,922**

35. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

(B) RELATED INFORMATION

(a) INFORMATION BY SERVICES

Income regarding major services for fiscal year ended March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Loan Businesses	**¥ 151,256**	¥ 178,682	**$ 1,854,941**
Lease Businesses	**13,112**	13,672	**160,026**
Securities Investment Businesses	**14,489**	39,124	**176,831**

(b) GEOGRAPHICAL INFORMATION

(i) REVENUE

Revenue from external domestic customers exceeded 90% of total revenue on the consolidated statements of income for the fiscal years ended March 31, 2012 and 2011, therefore geographical revenue information is not presented.

(ii) PREMISES AND EQUIPMENT

The balance of domestic premises and equipment exceeded 90% of total balance of premises and equipment on the consolidated balance sheets as of March 31, 2012 and 2011, therefore geographical premises and equipment information is not presented.

(c) MAJOR CUSTOMER INFORMATION

Revenue to a specific customer did not reach 10% of total revenue on the consolidated statements of income for the fiscal years ended March 31, 2012 and 2011, therefore major customer information is not presented.

36. RELATED PARTY TRANSACTIONS

CONSOLIDATED

Related party transactions for the fiscal years ended March 31, 2012 and 2011 were as follows:

		Amount of the transaction			Balance at the end of fiscal year			
		Millions of yen		Thousands of U.S. dollars		Millions of yen		Thousands of U.S. dollars
Related party	Description of the transaction	**2012**	2011	**2012**	Account name	**2012**	2011	**2012**
Director of the Bank								
J. Christopher Flowers	Public offering of newly issued common stock[1]	**¥ —**	¥ 577	**$ —**	—	**¥ —**	¥ —	**$ —**
Companies in which a majority of the voting rights is owned by directors (including their subsidiaries)								
J.C. Flowers II L.P.[2]	Receipt of management fee[3]	**76**	116	**936**	Unearned income	**12**	19	**158**
	Investment[4]	**84**	83	**1,030**	—	**—**	—	**—**
	Dividend	**407**	374	**4,967**	—	**—**	—	**—**
J.C. Flowers III L.P.[2]	Investment[5]	**668**	1,441	**8,159**	—	**—**	—	**—**
	Dividend	**66**	—	**817**	—	**—**	—	**—**
NIBC Bank Ltd.[6]	Loan participation[7]	**—**	—	**—**	Loans and bills discounted	**—**	629	**—**
	Receipt of loan interests[7]	**—**	27	**—**	Accrued income	**—**	0	**—**
Saturn I Sub (Cayman) Exempt Ltd.[8]	Public offering of newly issued common stock[1]	**—**	879	**—**	—	**—**	—	**—**
Saturn Japan II Sub C.V.[9]	Public offering of newly issued common stock[1]	**—**	565	**—**	—	**—**	—	**—**
Saturn Japan III Sub C.V.[9]	Public offering of newly issued common stock[1]	**—**	1,978	**—**	—	**—**	—	**—**
Saturn IV Sub L.P.[9]	Public offering of newly issued common stock[1]	**—**	13,899	**—**	—	**—**	—	**—**

Notes: (1) The Bank assigned J. Christopher Flowers and these investment vehicles as expected allottees in connection with the public offering of Bank's newly issued common stock.
(2) The fund is operated by J.C. Flowers & Co. LLC, of which J. Christopher Flowers, a director of the Bank, serves as chairman.
(3) The management fee for assisting J.C. Flowers & Co. LLC in its sponsoring and serving as an investment advisor is determined based on proportion of the investment amounts by limited partners.
(4) The committed investment amounts are U.S.$200 million based on the limited partnership agreement.
(5) The committed investment amounts are U.S.$34,975 thousand and U.S.$99,950 thousand as of March 31, 2012 and 2011, respectively, based on the limited partnership agreement.
(6) NIBC Holding N.V. owns 100% of voting rights of the NIBC Bank Ltd., and New NIB Limited, 49% of which is owned by J. Christopher Flowers, a director of the Bank, indirectly controls NIBC Holding N.V.
(7) Considering the market circumstances, the transaction was concluded with the general terms and conditions that are identical to ones with independent third parties. Drawdown under the loan participation facility was completed during the fiscal year ended March 31, 2010. The outstanding loans were fully prepaid by the ultimate borrower in the fiscal year ended March 31, 2012.
(8) The investment vehicle is represented by J. Christopher Flowers, a director of the Bank, as a director.
(9) The investment vehicle is represented by J. Christopher Flowers, a director of the Bank, as a director of the ultimate general partner.

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

CONSOLIDATED

(A) GROUP POLICY FOR FINANCIAL INSTRUMENTS

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

For conducting these businesses, the Bank obtains retail customer deposits as a long-term and stable source of funding. In addition, the Bank maintains debentures and bonds issuance as a cost effective source of funding and diversifies sources of funding by securitization of loans or other assets. Subsidiaries and affiliates also use borrowings from other financial institutions as one source of funding.

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

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

Loans and bills discounted

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

Securities

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

Other monetary claims purchased, Monetary assets held in trust

Other monetary claims purchased and Monetary assets held in trust consist of investments in various assets such as housing loans, non performing loans, and receivables in credit trading and securitization businesses, with a purpose of collection, sale, or securitization. There is a possibility that the Group's profits and losses and financial conditions will be badly affected if earnings from these assets are less than expected. These investments are exposed to risk of fluctuation in market size and price of these assets.

Lease receivables and leased investment assets, Installment receivables

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

Financial liabilities of the Group are mainly deposits. In case of deterioration in the Group's financial position, sufficient funding would become difficult, or more expensive ("liquidity risk").

By utilizing time deposits as an important Asset Liability Management (ALM) measure, the Bank is striving to diversify funding maturities and to disperse re-funding dates. Without solely relying on inter-bank funding, the Bank is aiming to cover its funding needs through core retail deposits and corporate deposits as well as capital.

Derivative transactions

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

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

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

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

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

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

(C) RISK MANAGEMENT FOR FINANCIAL INSTRUMENTS

Credit Risk Management

The Group's model for credit risk management focuses on securing adequate return on risk, avoiding excessive concentration in particular sectors or to particular customer groups, and managing the credit portfolio with an analysis of potential losses under a worst-case scenario.

Concrete policies and guidelines related to credit risk management of corporate business are clarified in the Group's detailed procedures, and credit risk management processes are roughly classified into credit risk management for individual transactions and portfolio-based credit risk management.

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

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

Credit risks in credit transactions are quantified based on the probability of default by obligor rating, loss given default, and unexpected loss ratio. In order to decrease credit risk of obligors, the Group secures collateral and guarantees for the protection of its claims, the value of which are checked more than once a year. Credit risks involved in market transactions, such as derivative transactions, are controlled based on fair value and estimations of future value fluctuations.

As for risk management of the consumer finance business, risk management divisions of subsidiaries classify by quality of screening, quality of portfolio and performance of collection of claims and monitor these leading indicators monthly to recognize and tackle the aggravation of credit cost promptly. In case of the aggravation, the Group takes action to tackle it.

To take the risk strategy above, Individual Pillar Risk Management Division in the Bank holds monthly performance review, analyzes and monitors these leading indicators and advises the persons in charge of risk management of subsidiaries on their policies and strategies. The division does not merely avoid losses but also produces a balanced strategy with appropriate risk and return attributes and reports this business performance to the Risk Policy Committee quarterly.

Market risk management

Market risk which is associated with changes in the value of financial assets and liabilities, including off -balance sheet transactions, from fluctuations in interest rates, foreign exchange rates, stock prices and other market-related indices, have an effect on our financial performance.

The Group manages market risk by segregating the overall balance sheet, including off-balance sheet transactions, into a trading book and a banking book. At the ALM Committee, the senior review and decision-making for the management mainly related to asset/liability management of the banking account are performed. At the Market Business Management Committee, the senior review and decision-making for the management of the trading account are performed, the decision-making for which was previously performed at the ALM Committee and transferred to the Market Business Management Committee upon its foundation.

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

The actual risk limits for asset/liability management of the trading account, such as the value-at-risk (VaR) method, are approved by the Executive Committee based on "Trading Business Risk Management Policy and Procedure." The Market Business Management Committee meets biweekly to review reports from the Market Risk Management Division and front office. The Market Risk Management Division is responsible for timely recognition, monitoring and reporting of market risk in both the Group's trading and banking accounts. In addition to reporting risk information to management, administrative divisions and front office units, the Market Risk Management Division carries out regular risk analyses and makes recommendations. Market risk of the balance sheet involved in the ordinary banking business operation is managed by the Treasury Sub-Group, and market risk involved in the trading transactions is managed by the Markets Sub-Group.

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

Quantitative information on market risk is as follows:

(i) Financial instruments for trading purposes

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

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

The VaR in the Group's trading business as of March 31, 2012 and 2011 was ¥1,229 million (U.S.$15,007 thousand) and ¥3,784 million in the aggregate, respectively.

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

(ii) Financial instruments for other than trading purposes
The Group's main financial instruments which are impacted by interest rate risk, one of the major risk variables, includes "Call loans," "Receivables under resale agreements," "Receivables under securities borrowing transactions," "Other monetary claims purchased," "Monetary assets held in trust," bonds classified as securities being held to maturity or securities available for sale in "Securities," "Loans and bills discounted," "Lease receivables and leased investment assets," "Installment receivables," "Deposits, including negotiable certificates of deposit," "Debentures," "Call money," "Payables under securities lending transactions," "Borrowed money," "Short-term corporate bonds," "Corporate bonds" and interest rate swaps other than trading purposes in "Derivative instruments." As for these financial assets and liabilities, the Group uses the amount of impact on fair values which is calculated using a rationally expected fluctuation range of interest rates for one year from the fiscal year end for quantitative analysis to manage fluctuation risk of interest rates. The amount of such impact on fair values is calculated by categorizing the balance of these financial assets and liabilities according to the term of interest payments and using a certain fluctuation range of interest rates. Assuming all risk variables except for interest rate are constant, the Group estimated that, fair value would decrease by ¥247 million (U.S.$3,020 thousand) and ¥1,674 million in the case of an increase of the index interest rates by 10 basis points (0.10%) and would increase by ¥478 million (U.S.$5,835 thousand) and ¥1,926 million in the case of a decrease by 10 basis points (0.10%), as of March 31, 2012 and 2011, respectively. Such amount of impact on fair value is calculated based on the assumption that all risk variables except for interest rate are constant, and correlation between interest rate and other risk variables is not taken into consideration. There is a possibility that interest rate changes beyond the rationally expected fluctuation range may cause impact greater than the calculated amount.

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

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

(D) CONCENTRATION OF CREDIT RISK

As of March 31, 2012, loans to the financial and insurance industry were approximately 17% of the total loans and bills discounted, and those to the real estate industry were approximately 15%, more than 60% of which are non recourse loans for domestic real estate.

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

(E) FAIR VALUES OF FINANCIAL INSTRUMENTS

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

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

Fair values of financial instruments as of March 31, 2012 and 2011 were as follows:

	Millions of yen					
	2012			2011		
	Carrying amount	**Fair value**	**Unrealized gain (loss)**	Carrying amount	Fair value	Unrealized gain (loss)
Assets:						
(1) Cash and due from banks	**¥ 413,721**	**¥ 413,721**	**¥ —**	¥ 452,751	¥ 452,751	¥ —
(2) Call loans	**15,745**	**15,745**	**—**	—	—	—
(3) Receivables under resale agreements	**18,362**	**18,510**	**147**	—	—	—
(4) Receivables under securities borrowing transactions	**114,080**	**114,080**	**—**	10,388	10,388	—
(5) Other monetary claims purchased						
Trading purposes	**67,226**	**67,226**	**—**	105,345	105,345	—
Other[1]	**62,521**	**62,600**	**79**	50,736	50,850	114
(6) Trading assets						
Securities held for trading purposes	**58,444**	**58,444**	**—**	19,524	19,524	—
(7) Monetary assets held in trust[1]	**267,040**	**268,932**	**1,892**	253,529	255,448	1,918
(8) Securities						
Trading securities	**613**	**613**	**—**	1,051	1,051	—
Securities being held to maturity	**658,558**	**667,553**	**8,994**	553,992	561,769	7,776
Securities available for sale	**1,092,393**	**1,092,393**	**—**	2,600,007	2,600,007	—
Equity securities of affiliates	**21,745**	**19,785**	**(1,960)**	20,041	27,913	7,872
(9) Loans and bills discounted[2]	**4,136,827**			4,291,462		
Reserve for credit losses	**(140,609)**			(140,368)		
Net	**3,996,218**	**4,106,373**	**110,155**	4,151,093	4,306,255	155,162
(10) Lease receivables and leased investment assets[1]	**192,093**	**193,838**	**1,744**	200,826	205,230	4,403
(11) Other assets						
Installment receivables	**347,935**			330,485		
Deferred gains on installment receivables	**(11,840)**			(12,244)		
Reserve for credit losses	**(11,408)**			(10,389)		
Net	**324,686**	**340,682**	**15,996**	307,852	328,812	20,960
Total	**¥ 7,303,453**	**¥ 7,440,502**	**¥ 137,049**	¥ 8,727,141	¥ 8,925,350	¥ 198,208
Liabilities:						
(1) Deposits, including negotiable certificates of deposit	**¥ 5,362,411**	**¥ 5,391,690**	**¥ (29,279)**	¥ 5,610,687	¥ 5,656,807	¥ (46,119)
(2) Debentures	**294,139**	**295,192**	**(1,053)**	348,270	350,222	(1,952)
(3) Call money	**210,163**	**210,163**	**—**	160,330	160,330	—
(4) Payables under securities lending transactions	**148,590**	**148,590**	**—**	269,697	269,697	—
(5) Trading liabilities						
Trading securities sold for short sales	**48,058**	**48,058**	**—**	2,643	2,643	—
(6) Borrowed money	**476,731**	**475,280**	**1,450**	1,672,790	1,661,932	10,858
(7) Short-term corporate bonds	**50,700**	**50,700**	**—**	22,800	22,800	—
(8) Corporate bonds	**168,797**	**154,623**	**14,173**	179,611	164,379	15,232
Total	**¥ 6,759,592**	**¥ 6,774,301**	**¥ (14,708)**	¥ 8,266,831	¥ 8,288,813	¥ (21,981)
Derivative instruments[3]:						
Hedge accounting is not applied	**¥ (25,567)**	**¥ (25,567)**	**¥ —**	¥ (11,012)	¥ (11,012)	¥ —
Hedge accounting is applied	**(18,494)**	**(18,494)**	**—**	(11,046)	(11,046)	—
Total	**¥ (44,062)**	**¥ (44,062)**	**¥ —**	¥ (22,058)	¥ (22,058)	¥ —

	Contract amount	**Fair value**	Contract amount	Fair value
Other:				
Guarantee contracts[4]	**¥ 562,624**	**¥ (4,101)**	¥ 575,700	¥ (4,639)

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

	Thousands of U.S. dollars		
	2012		
	Carrying amount	Fair value	Unrealized gain (loss)
Assets:			
(1) Cash and due from banks	$ 5,049,083	$ 5,049,083	$ —
(2) Call loans	192,159	192,159	—
(3) Receivables under resale agreements	224,101	225,900	1,799
(4) Receivables under securities borrowing transactions	1,392,250	1,392,250	—
(5) Other monetary claims purchased			
Trading purposes	820,435	820,435	—
Other(1)	763,010	763,986	976
(6) Trading assets			
Securities held for trading purposes	713,259	713,259	—
(7) Monetary assets held in trust(1)	3,258,972	3,282,066	23,094
(8) Securities			
Trading securities	7,482	7,482	—
Securities being held to maturity	8,037,084	8,146,851	109,767
Securities available for sale	13,331,633	13,331,633	—
Equity securities of affiliates	265,383	241,459	(23,924)
(9) Loans and bills discounted(2)	50,486,060		
Reserve for credit losses	(1,716,003)		
Net	48,770,057	50,114,395	1,344,338
(10) Lease receivables and leased investment assets(1)	2,344,325	2,365,613	21,288
(11) Other assets			
Installment receivables	4,246,226		
Deferred gains on installment receivables	(144,498)		
Reserve for credit losses	(139,234)		
Net	3,962,494	4,157,711	195,217
Total	$ 89,131,727	$ 90,804,282	$ 1,672,555
Liabilities:			
(1) Deposits, including negotiable certificates of deposit	$ 65,443,145	$ 65,800,475	$ (357,330)
(2) Debentures	3,589,691	3,602,544	(12,853)
(3) Call money	2,564,851	2,564,851	—
(4) Payables under securities lending transactions	1,813,411	1,813,411	—
(5) Trading liabilities			
Trading securities sold for short sales	586,511	586,511	—
(6) Borrowed money	5,818,051	5,800,346	17,705
(7) Short-term corporate bonds	618,745	618,745	—
(8) Corporate bonds	2,060,014	1,887,037	172,977
Total	$ 82,494,419	$ 82,673,920	$ (179,501)
Derivative instruments(3):			
Hedge accounting is not applied	$ (312,030)	$ (312,030)	$ —
Hedge accounting is applied	(225,714)	(225,714)	—
Total	$ (537,744)	$ (537,744)	$ —

	Contract amount	Fair value
Other		
Guarantee contracts(4)	$ 6,866,295	$ (50,056)

Notes: (1) Carrying amount of Other monetary claims purchased, Monetary assets held in trust, and Lease receivables and leased investment assets are presented as the amount net of reserve for credit losses because they are immaterial.
(2) For consumer loans of ¥463,248 million (U.S.$5,653,514 thousand) and ¥578,276 million held by consolidated subsidiaries included in Loans and bills discounted, reserve for losses on interest repayments of ¥50,913 million (U.S.$621,351 thousand) and ¥43,199 million is recognized for estimated losses on reimbursements of excess interest payments as of March 31, 2012 and 2011, respectively.
(3) Derivative instruments include derivative transactions both in trading assets and liabilities, and in other assets and liabilities. Derivative instruments are presented as net of assets and liabilities and presented with ( ) when a liability stands on net basis.
(4) Contract amount for guarantee contracts presents the amount of "Acceptances and guarantees" on the consolidated balance sheets.

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

(Note 1) Valuation methodologies for financial instruments

Assets:

(1) Cash and due from banks

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

(2) Call loans and (4) Receivables under securities borrowing transactions

The fair values approximate carrying amounts because most of them are with short maturities of three months or less.

(3) Receivables under resale agreements

The fair values of the receivables under resale agreements with maturity of three months or less approximate carrying amounts because of their short term maturity. The fair values of the receivables under resale agreements with maturity of more than three months are determined by discounting contractual cash flows in case of the transactions with fixed interest rate, or expected cash flows based on the forward rate in case of the transactions with floating interest rate, using the risk free rate adjusted to account for credit risk (after consideration of collateral) with credit default swap (CDS) spreads etc. corresponding to internal credit rating of each borrower.

(5) Other monetary claims purchased

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

(6) Trading assets

The fair values are measured at market prices or quoted prices from third parties.

(7) Monetary assets held in trust

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

(8) Securities

The fair values of marketable equity securities are measured at closing prices on exchanges. The fair values of bonds are measured at market prices or quoted prices from third parties, or determined using the discounted cash flow method.

(9) Loans and bills discounted

The fair values of loans and bills discounted with fixed interest rate are determined by discounting contractual cash flows, and the fair values of loans and bills discounted with floating interest rate are determined by discounting expected cash flows based on the forward rates, using the risk free rate adjusted to account for credit risk (after consideration of collateral) with CDS spreads etc. corresponding to internal credit rating of each borrower. The fair values of housing loans are determined by discounting expected cash flows at the rates that would be applied for the new housing loans with the same terms at the consolidated balance sheet date. The fair values of consumer loans are determined by discounting expected cash flows that reflect expected loss at the rates that consist of the risk free rate and certain costs, by group of similar product types and customer segments.

For loans to obligors "legally bankrupt," "virtually bankrupt" and "possibly bankrupt," a reserve is provided based on the discounted cash flow method, or based on amounts expected to be collected through the disposal of collateral or execution of guarantees, so that the carrying amount net of the reserve is a reasonable estimate of the fair values of those loans.

(10) Lease receivables and leased investment assets

The fair values are primarily determined by discounting contractual cash flows at the rates that consist of the risk free rate, credit risk and certain costs, by group of major product categories.

(11) Installment receivables

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

Liabilities:

(1) Deposits, including negotiable certificates of deposit

The fair values of demand deposits, such as current deposits and ordinary deposits are recognized as the payment amount at the consolidated balance sheet date. The fair values of the deposits with maturity of six months or less approximate carrying amounts because of their short term maturity. The fair values of time deposits are determined by discounting the contractual cash flows at the rates that would be applied for new contracts with the same terms at the consolidated balance sheet date.

(2) Debentures and (8) Corporate bonds

The fair values of marketable debentures and corporate bonds are measured at market prices. The fair values of 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 three months of the consolidated balance sheet date.

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

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED) CONSOLIDATED

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 consists of the risk free rate and the CDS spread of the Bank.

(3) Call money and (4) Payables under securities lending transactions
The fair values approximate carrying amounts because most of them are with short maturities of three months or less.

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

(6) Borrowed money
The fair values of borrowed money with fixed interest rates are primarily determined by discounting contractual cash flows (for borrowed money hedged by interest rate swaps which meets specific matching criteria, the contractual cash flows include the cash flows of the interest rate swaps), and the fair values of borrowed money with floating interest rates are determined by discounting expected cash flows on forward rates, at the 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 probability of early redemption at the rates that consist of the risk free rate and the CDS spread of the Bank.

(7) Short-tem corporate bonds
The fair values of short-term corporate bonds approximate carrying amounts because most of them are with short maturities of six months or less.

Derivative instruments:
The fair values are primarily measured at closing prices on exchanges or determined using the discounted cash flow method or option pricing models.

Other:
Guarantee contracts
The fair values are determined by discounting the amount of difference between the original contractual cash flows and the expected cash flows that would be applied for the new contracts with the same terms at the risk free rate.

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

	Millions of yen		Thousands of U.S. dollars
As of March 31,	**2012**	2011	**2012**
Equity securities without readily available market price[(1)(2)]	**¥ 27,762**	¥ 31,167	**$ 338,815**
Investment in partnerships and others[(1)(2)]	**72,420**	80,122	**883,818**
Total	**¥ 100,182**	¥ 111,289	**$ 1,222,633**

Notes: (1) Equity securities without readily available market price are out of the scope of fair value disclosure because their fair values cannot be reliably determined. Investments in partnerships and others, the assets of which comprise equity securities without readily available market price, are out of the scope of fair values disclosure because fair values of those investments cannot be reliably determined.
(2) For the fiscal years ended March 31, 2012 and 2011, impairment losses on equity securities without readily available market price of ¥3,172 million (U.S.$38,722 thousand) and ¥132 million, and on investment in partnerships and others of ¥1,524 million (U.S.$18,611 thousand) and ¥1,333 million were recognized, respectively.

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

	Millions of yen			
As of March 31, 2012	Less than 1 year	More than 1 year Less than 3 years	More than 3 years Less than 5 years	More than 5 years
Cash and due from banks	**¥ 413,721**	**¥ —**	**¥ —**	**¥ —**
Call loans	**15,745**	**—**	**—**	**—**
Receivables under resale agreements	**—**	**—**	**18,362**	**—**
Receivables under securities borrowing transactions	**114,080**	**—**	**—**	**—**
Other monetary claims purchased				
Other than trading purposes	**12,727**	**14,137**	**11,857**	**24,994**
Securities				
Held-to-maturity	**22,953**	**443,000**	**129,013**	**66,273**
Available-for-sale	**538,849**	**169,835**	**189,272**	**177,822**
Loans and bills discounted	**919,882**	**926,807**	**619,449**	**1,350,834**
Lease receivables and leased investment assets	**64,115**	**82,090**	**32,242**	**16,226**
Installment receivables	**137,868**	**128,648**	**40,321**	**22,704**
Total	**¥ 2,239,940**	**¥ 1,764,517**	**¥ 1,040,516**	**¥ 1,658,853**

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

As of March 31, 2012	Thousands of U.S. dollars			
	Less than 1 year	More than 1 year Less than 3 years	More than 3 years Less than 5 years	More than 5 years
Cash and due from banks	$ 5,049,083	$ —	$ —	$ —
Call loans	192,159	—	—	—
Receivables under resale agreements	—	—	224,101	—
Receivables under securities borrowing transactions	1,392,249	—	—	—
Other monetary claims purchased				
Other than trading purposes	155,327	172,538	144,704	305,038
Securities				
Held-to-maturity	280,120	5,406,395	1,574,486	808,808
Available-for-sale	6,576,147	2,072,677	2,309,886	2,170,153
Loans and bills discounted	11,226,294	11,310,812	7,559,791	16,485,660
Lease receivables and leased investment assets	782,472	1,001,832	393,494	198,029
Installment receivables	1,682,554	1,570,035	492,086	277,090
Total	$ 27,336,405	$ 21,534,289	$ 12,698,548	$ 20,244,778

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

(Note 4) Maturity analysis for financial liabilities with contractual maturities

As of March 31, 2012	Millions of yen			
	Less than 1 year	More than 1 year Less than 3 years	More than 3 years Less than 5 years	More than 5 years
Deposits, including negotiable certificates of deposit	¥ 4,110,607	¥ 1,075,126	¥ 86,874	¥ 89,803
Debentures	60,441	103,126	130,471	100
Call money	210,081	81	—	—
Payables under securities lending transactions	141,590	7,000	—	—
Trading liabilities				
Trading securities sold for short sales	48,058	—	—	—
Borrowed money	217,985	90,156	72,975	95,613
Short-term corporate bonds	50,700	—	—	—
Corporate bonds	1,961	36,375	63,940	66,560
Total	¥ 4,841,427	¥ 1,311,867	¥ 354,261	¥ 252,077

As of March 31, 2012	Thousands of U.S. dollars			
	Less than 1 year	More than 1 year Less than 3 years	More than 3 years Less than 5 years	More than 5 years
Deposits, including negotiable certificates of deposit	$ 50,166,066	$ 13,120,901	$ 1,060,216	$ 1,095,962
Debentures	737,628	1,258,565	1,592,277	1,220
Call money	2,563,851	1,000	—	—
Payables under securities lending transactions	1,727,982	85,428	—	—
Trading liabilities				
Trading securities sold for short sales	586,511	—	—	—
Borrowed money	2,660,309	1,100,275	890,592	1,166,876
Short-term corporate bonds	618,745	—	—	—
Corporate bonds	23,943	443,927	780,338	812,303
Total	$ 59,085,035	$ 16,010,096	$ 4,323,423	$ 3,076,361

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

38. DERIVATIVE FINANCIAL INSTRUMENTS

CONSOLIDATED

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

The fair values of derivatives on the consolidated balance sheets as of March 31, 2012 and 2011 are adjusted for credit risk by a reduction of ¥784 million (U.S.$9,575 thousand) and ¥1,648 million, respectively, and also adjusted for liquidity risk by a reduction of ¥2,655 million (U.S.$32,405 thousand) and ¥3,033 million, respectively.

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

(a) INTEREST RATE-RELATED TRANSACTIONS

Interest rate-related transactions as of March 31, 2012 and 2011 were as follows:

	Millions of yen							
	2012				2011			
	Contract/Notional principal				Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Futures contracts (listed):								
Sold	**¥ 19,509**	**¥ 2,036**	**¥ (124)**	**¥ (124)**	¥ 23,062	¥ 5,346	¥ (33)	¥ (33)
Bought	**12,763**	**—**	**58**	**58**	15,353	4,298	10	10
Interest rate options (listed):								
Sold	**25,446**	**—**	**3**	**(2)**	—	—	—	—
Interest rate swaps (over-the-counter):								
Receive fixed and pay floating	**4,075,297**	**2,825,508**	**76,703**	**76,703**	3,706,439	3,076,033	75,834	75,834
Receive floating and pay fixed	**3,290,090**	**2,305,448**	**(49,855)**	**(49,855)**	2,964,241	2,360,654	(52,055)	(52,055)
Receive floating and pay floating	**713,713**	**611,966**	**147**	**147**	683,127	595,123	1,550	1,550
Interest rate swaptions (over-the-counter):								
Sold	**1,115,182**	**543,124**	**(32,234)**	**22**	715,560	514,330	(37,847)	(11,241)
Bought	**1,548,115**	**946,771**	**23,234**	**3,262**	1,063,178	923,418	23,691	7,436
Interest rate options (over-the-counter):								
Sold	**140,678**	**116,208**	**(447)**	**394**	112,662	83,462	(336)	332
Bought	**104,056**	**92,586**	**232**	**(273)**	133,325	54,125	142	(937)
Total			**¥ 17,718**	**¥ 30,333**			¥ 10,956	¥ 20,895

	Thousands of U.S. dollars			
	2012			
	Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**
Futures contracts (listed):				
Sold	**$ 238,095**	**$ 24,853**	**$ (1,517)**	**$ (1,517)**
Bought	**155,765**	**—**	**720**	**720**
Interest rate options (listed):				
Sold	**310,547**	**—**	**47**	**(25)**
Interest rate swaps (over-the-counter):				
Receive fixed and pay floating	**49,735,146**	**34,482,656**	**936,089**	**936,089**
Receive floating and pay fixed	**40,152,435**	**28,135,819**	**(608,441)**	**(608,441)**
Receive floating and pay floating	**8,710,195**	**7,468,470**	**1,796**	**1,796**
Interest rate swaptions (over-the-counter):				
Sold	**13,609,751**	**6,628,316**	**(393,395)**	**273**
Bought	**18,893,279**	**11,554,443**	**283,561**	**39,820**
Interest rate options (over-the-counter):				
Sold	**1,716,848**	**1,418,215**	**(5,460)**	**4,818**
Bought	**1,269,911**	**1,129,930**	**2,841**	**(3,339)**
Total			**$ 216,241**	**$ 370,194**

Notes:

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

(2) The fair values of listed transactions represent the closing price on the Tokyo Financial Exchange and other exchanges. The fair values of over-the-counter transactions are calculated primarily by using the discounted cash flow method or option pricing models.

38. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(b) CURRENCY-RELATED TRANSACTIONS

Currency-related transactions as of March 31, 2012 and 2011 were as follows:

	Millions of yen							
	2012				2011			
	Contract/Notional principal				Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Currency swaps (over-the-counter)	**¥ 737,964**	**¥ 674,022**	**¥ (28,363)**	**¥ (28,363)**	¥ 722,916	¥ 690,903	¥ (26,420)	¥ (26,420)
Forward foreign exchange contracts (over-the-counter):								
Sold	**829,500**	**154,411**	**14,721**	**14,721**	1,044,503	269,716	57,732	57,732
Bought	**786,629**	**218,088**	**(3,489)**	**(3,489)**	923,632	388,150	(46,323)	(46,323)
Currency options (over-the-counter):								
Sold	**2,958,406**	**1,497,101**	**(24,106)**	**32,210**	4,721,024	2,457,893	(94,442)	9,536
Bought	**2,989,080**	**1,546,585**	**8,786**	**(36,377)**	4,808,445	2,539,182	76,856	(585)
Total			**¥ (32,451)**	**¥ (21,297)**			¥ (32,598)	¥ (6,060)

	Thousands of U.S. dollars			
	2012			
	Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**
Currency swaps (over-the-counter)	**$ 9,006,153**	**$ 8,225,807**	**$ (346,149)**	**$ (346,149)**
Forward foreign exchange contracts (over-the-counter):				
Sold	**10,123,270**	**1,884,442**	**179,663**	**179,663**
Bought	**9,600,066**	**2,661,565**	**(42,583)**	**(42,583)**
Currency options (over-the-counter):				
Sold	**36,104,545**	**18,270,702**	**(294,192)**	**393,104**
Bought	**36,478,896**	**18,874,607**	**107,226**	**(443,952)**
Total			**$ (396,035)**	**$ (259,917)**

Notes:

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

(2) The fair values are calculated primarily by using the discounted cash flow method or option pricing models.

38. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(c) EQUITY-RELATED TRANSACTIONS

Equity-related transactions as of March 31, 2012 and 2011 were as follows:

	Millions of yen							
	2012				2011			
	Contract/Notional principal				Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Equity index futures (listed):								
Sold	**¥ 381**	**¥ —**	**¥ (1)**	**¥ (1)**	¥ 9,679	¥ —	¥ (219)	¥ (219)
Bought	**8,316**	**—**	**446**	**446**	11,813	—	238	238
Equity index options (listed):								
Sold	**309,961**	**56,550**	**(9,769)**	**397**	215,135	53,860	(7,939)	777
Bought	**216,569**	**70,075**	**6,016**	**(1,644)**	220,043	65,485	18,323	(2,509)
Equity options (over-the-counter):								
Sold	**345,501**	**162,548**	**(27,912)**	**617**	343,048	200,441	(27,849)	(504)
Bought	**386,420**	**179,440**	**22,101**	**(2,194)**	369,520	226,338	23,332	162
Other (over-the-counter):								
Sold	**26,397**	**16,400**	**(3,049)**	**(3,049)**	22,900	22,900	(5,365)	(5,304)
Bought	**123,906**	**122,456**	**7,647**	**7,647**	135,159	131,465	14,590	14,567
Total			**¥ (4,521)**	**¥ 2,218**			¥ 15,111	¥ 7,208

	Thousands of U.S. dollars			
	2012			
	Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**
Equity index futures (listed):				
Sold	**$ 4,655**	**$ —**	**$ (24)**	**$ (24)**
Bought	**101,497**	**—**	**5,449**	**5,449**
Equity index options (listed):				
Sold	**3,782,780**	**690,139**	**(119,232)**	**4,848**
Bought	**2,643,025**	**855,199**	**73,429**	**(20,071)**
Equity options (over-the-counter):				
Sold	**4,216,519**	**1,983,753**	**(340,641)**	**7,537**
Bought	**4,715,898**	**2,189,899**	**269,727**	**(26,778)**
Other (over-the-counter):				
Sold	**322,150**	**200,146**	**(37,219)**	**(37,219)**
Bought	**1,512,162**	**1,494,466**	**93,332**	**93,332**
Total			**$ (55,179)**	**$ 27,074**

Notes:

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

(2) The fair values of listed transactions represent the closing price on the Tokyo Stock Exchange and other exchanges. The fair values of over-the-counter transactions are calculated primarily by using the discounted cash flow method or option pricing model.

38. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(d) BOND-RELATED TRANSACTIONS

Bond-related transactions as of March 31, 2012 and 2011 were as follows:

	Millions of yen							
	2012				2011			
	Contract/Notional principal				Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Bond futures (listed):								
Sold	¥ 54,190	¥ —	¥ (57)	¥ (57)	¥ 6,146	¥ —	¥ 6	¥ 6
Bought	43,301	—	15	15	4,198	—	(12)	(12)
Bond futures options (listed):								
Sold	70,725	—	(130)	1	—	—	—	—
Bought	42,375	—	49	(7)	—	—	—	—
Total			¥ (122)	¥ (46)			¥ (5)	¥ (5)

	Thousands of U.S. dollars			
	2012			
	Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Bond futures (listed):				
Sold	$ 661,348	$ —	$ (696)	$ (696)
Bought	528,458	—	192	192
Bond futures options (listed):				
Sold	863,132	—	(1,595)	22
Bought	517,147	—	601	(88)
Total			$ (1,498)	$ (570)

Notes:

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

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

(e) CREDIT DERIVATIVES TRANSACTIONS

Credit derivatives transactions as of March 31, 2012 and 2011 were as follows:

	Millions of yen							
	2012				2011			
	Contract/Notional principal				Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Credit default option (over-the-counter):								
Sold	¥ 691,161	¥ 359,011	¥ 29	¥ 29	¥ 824,836	¥ 640,274	¥ (1,310)	¥ (1,310)
Bought	613,664	345,929	(81)	(81)	815,313	546,876	1,516	1,516
Other (over-the-counter):								
Bought	1,600	1,600	(2,699)	(1,099)	—	—	—	—
Total			¥ (2,751)	¥ (1,151)			¥ 205	¥ 205

	Thousands of U.S. dollars			
	2012			
	Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Credit default option (over-the-counter):				
Sold	$ 8,434,975	$ 4,381,389	$ 361	$ 361
Bought	7,489,196	4,221,746	(997)	(997)
Other (over-the-counter):				
Bought	19,526	19,526	(32,939)	(13,412)
Total			$ (33,575)	$ (14,048)

38. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

Notes:

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

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

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

(B) DERIVATIVE TRANSACTIONS TO WHICH HEDGE ACCOUNTING WAS APPLIED

(a) INTEREST RATE-RELATED TRANSACTIONS

Interest rate-related transactions which are accounted for using the deferral method as of March 31, 2012 and 2011 were as follows:

	Millions of yen					
	2012			2011		
	Contract/Notional principal			Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**	Total	Maturity over 1 year	Fair value
Interest rate swaps :						
Receive fixed and pay floating	**¥ 633,265**	**¥ 605,865**	**¥ 4,525**	¥ 672,653	¥ 590,853	¥ 4,253
Receive floating and pay fixed	**290,968**	**268,023**	**(14,248)**	359,779	309,638	(12,101)
Total			**¥ (9,722)**			¥ (7,848)

	Thousands of U.S. dollars		
	2012		
	Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**
Interest rate swaps :			
Receive fixed and pay floating	**$ 7,728,408**	**$ 7,394,017**	**$ 55,233**
Receive floating and pay fixed	**3,550,994**	**3,270,976**	**(173,888)**
Total			**$ (118,655)**

Notes:

(1) Most of the hedged items are interest-bearing assets and liabilities such as loans and bills discounted, securities available for sale (bonds) and deposits, including negotiable certificate of deposit.

(2) Interest rate swaps are primarily accounted for using deferral method in accordance with Industry Audit Committee Report No.24 of the JICPA.

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

38. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED) CONSOLIDATED

Interest rate swaps which meet specific matching criteria as of March 31, 2012 and 2011 were as follows:

	Millions of yen					
	2012			2011		
	Contract/Notional principal			Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**	Total	Maturity over 1 year	Fair value
Interest rate swaps :						
Receive floating and pay fixed	**¥ 7,750**	**¥ 1,450**	**¥ —**	¥ 40,324	¥ 7,900	¥ —

	Thousands of U.S. dollars		
	2012		
	Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**
Interest rate swaps :			
Receive floating and pay fixed	**$ 94,581**	**$ 17,696**	**$ —**

Notes:

(1) The hedged item is borrowed money.

(2) Interest rate swaps which meet specific matching criteria are accounted for as component of hedged borrowed money. Therefore, the fair value of those interest rate swaps is included in the fair value of borrowed money in fair value information shown in Note 37 "FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES."

(b) CURRENCY-RELATED TRANSACTIONS

Currency-related transactions which are accounted for using the deferral method as of March 31, 2012 and 2011 were as follows:

	Millions of yen					
	2012			2011		
	Contract/Notional principal			Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**	Total	Maturity over 1 year	Fair value
Currency swaps	**¥ 51,981**	**¥ 20,477**	**¥ (8,772)**	¥ 164,033	¥ 15,187	¥ (3,197)

	Thousands of U.S. dollars		
	2012		
	Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**
Currency swaps	**$ 634,387**	**$ 249,911**	**$ (107,059)**

Notes:

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

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

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

38. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED) CONSOLIDATED

Forward foreign exchange contracts which meet specific matching criteria as of March 31, 2012 and 2011 were as follows:

	Millions of yen					
	2012			2011		
	Contract/Notional principal			Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**	Total	Maturity over 1 year	Fair value
Forward foreign exchange contracts	**¥ 62**	**¥ —**	**¥ (3)**	¥ —	¥ —	¥ —

	Thousands of U.S. dollars		
	2012		
	Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**
Forward foreign exchange contracts	**$ 768**	**$ —**	**$ (46)**

Notes:

(1) Hedged item is other assets.

(2) Forward foreign exchange contracts which meet specific matching criteria are accounted for as component of the hedged items.

39. SUBSEQUENT EVENTS CONSOLIDATED

The following appropriation of retained earnings of the Bank for the fiscal year ended March 31, 2012 was approved at the meeting of the Board of Directors held on May 8, 2012;

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, common stock, ¥1.00 (U.S.$0.01) per share	**¥ 2,653**	**$ 32,389**

INDEPENDENT AUDITORS' REPORT

Deloitte.

Deloitte Touche Tohmatsu LLC
MS Shibaura Building
4-13-23, Shibaura
Minato-ku, Tokyo 108-8530
Japan

Tel:+81 (3) 3457 7321
Fax:+81 (3) 3457 1694
www.deloitte.com/jp

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Shinsei Bank, Limited (the "Bank") and consolidated subsidiaries (collectively, the "Group") as of March 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank and consolidated subsidiaries as of March 31, 2012 and 2011, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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

Deloitte Touche Tohmatsu LLC

June 13, 2012

Member of
Deloitte Touche Tohmatsu Limited

NON-CONSOLIDATED BALANCE SHEETS (UNAUDITED)

Shinsei Bank, Limited
As of March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note)
	2012	2011	2012
ASSETS			
Cash and due from banks	¥ 330,047	¥ 313,424	$ 4,027,915
Call loans and bills bought	15,745	—	192,159
Receivables under resale agreements	18,362	—	224,101
Receivables under securities borrowing transactions	57,647	3,050	703,537
Other monetary claims purchased	210,693	408,701	2,571,319
Trading assets	156,661	182,828	1,911,910
Monetary assets held in trust	307,526	360,976	3,753,067
Securities	2,286,669	3,701,794	27,906,627
Valuation allowance for investments	(3,370)	(3,370)	(41,136)
Loans and bills discounted	4,102,638	3,973,251	50,068,808
Foreign exchanges	18,896	42,069	230,615
Other assets	450,254	350,248	5,494,925
Premises and equipment	21,471	18,236	262,040
Intangible assets	10,650	9,987	129,975
Deferred issuance expenses for debentures	135	182	1,653
Deferred tax assets	—	1,894	—
Customers' liabilities for acceptances and guarantees	11,600	9,603	141,574
Reserve for credit losses	(121,193)	(114,877)	(1,479,051)
Total assets	¥ 7,874,437	¥ 9,258,002	$ 96,100,038
LIABILITIES AND EQUITY			
Liabilities:			
Deposits, including negotiable certificates of deposit	¥ 5,788,219	¥ 5,739,304	$ 70,639,729
Debentures	296,839	352,570	3,622,641
Call money and bills sold	210,163	160,330	2,564,851
Payables under securities lending transactions	91,805	265,028	1,120,400
Trading liabilities	127,697	144,375	1,558,422
Borrowed money	245,728	1,405,648	2,998,882
Foreign exchanges	184	218	2,254
Corporate bonds	212,235	222,268	2,590,134
Other liabilities	240,790	335,798	2,938,617
Accrued employees' bonuses	3,728	4,149	45,497
Deferred tax liabilities	1,265	—	15,444
Acceptances and guarantees	11,600	9,603	141,574
Total liabilities	7,230,258	8,639,296	88,238,445
Equity:			
Common stock	512,204	512,204	6,250,971
Capital surplus	79,465	79,465	969,806
Stock acquisition rights	1,354	1,413	16,532
Retained earnings:			
Legal reserve	11,566	11,035	141,158
Unappropriated retained earnings	117,654	106,944	1,435,863
Unrealized gain (loss) on available-for-sale securities	(1,031)	(15,346)	(12,589)
Deferred gain (loss) on derivatives under hedge accounting	(4,476)	(4,452)	(54,637)
Treasury stock, at cost	(72,558)	(72,558)	(885,511)
Total equity	644,178	618,705	7,861,593
Total liabilities and equity	¥ 7,874,437	¥ 9,258,002	$ 96,100,038

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥81.94=U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on March 31, 2012.

NON-CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Shinsei Bank, Limited
For the fiscal years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note)
	2012	2011	2012
Interest income:			
Interest on loans and bills discounted	¥ 64,073	¥ 70,900	$ 781,956
Interest and dividends on securities	42,800	39,337	522,339
Interest on deposits with banks	259	176	3,167
Other interest income	2,842	9,494	34,694
Total interest income	109,976	119,908	1,342,156
Interest expenses:			
Interest on deposits, including negotiable certificates of deposit	29,056	34,581	354,611
Interest and discounts on debentures	1,478	2,392	18,043
Interest on other borrowings	2,536	2,391	30,961
Interest on corporate bonds	8,613	12,676	105,116
Other interest expenses	393	485	4,798
Total interest expenses	42,078	52,528	513,529
Net interest income	67,897	67,380	828,627
Fees and commissions income	15,447	13,846	188,517
Fees and commissions expenses	9,673	9,841	118,053
Net fees and commissions	5,773	4,005	70,464
Net trading income	13,487	10,617	164,605
Other business income (loss), net:			
Net gain (loss) on monetary assets held in trust	12,245	11,548	149,446
Net gain (loss) on foreign exchanges	(1,313)	2,209	(16,027)
Net gain (loss) on securities	(4,049)	14,928	(49,419)
Net gain (loss) on other monetary claims purchased	82	(373)	1,011
Other, net	(175)	2,847	(2,146)
Net other business income (loss)	6,789	31,160	82,865
Total revenue	93,949	113,163	1,146,561
General and administrative expenses:			
Personnel expenses	22,347	22,436	272,730
Premises expenses	10,317	9,755	125,921
Technology and data processing expenses	7,843	8,632	95,723
Advertising expenses	3,701	1,346	45,174
Consumption and property taxes	3,521	3,136	42,971
Deposit insurance premium	4,684	5,452	57,171
Other general and administrative expenses	12,685	12,252	154,816
Total general and administrative expenses	65,101	63,011	794,506
Net business profit	28,847	50,151	352,055
Net credit costs	10,989	40,322	134,120
Other gains (losses), net	(1,614)	2,295	(19,699)
Income (loss) before income taxes	16,243	12,124	198,236
Income taxes (benefit):			
Current	163	(597)	1,990
Deferred	2,185	1,551	26,673
Net income (loss)	¥ 13,894	¥ 11,170	$ 169,573

	Yen		U.S. dollars (Note)
Basic net income (loss) per common share	¥ 5.23	¥ 5.59	$ 0.06

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥81.94=U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on March 31, 2012.

NON-CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

Shinsei Bank, Limited
For the fiscal years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note)
	2012	2011	2012
Common stock:			
Balance at beginning of the year	¥ 512,204	¥ 476,296	$ 6,250,971
Issuance of new shares	—	35,907	—
Balance at end of the year	512,204	512,204	6,250,971
Capital surplus:			
Balance at beginning of the year	79,465	43,558	969,806
Issuance of new shares	—	35,907	—
Balance at end of the year	79,465	79,465	969,806
Stock acquisition rights:			
Balance at beginning of the year	1,413	1,672	17,244
Net change during the year	(58)	(259)	(712)
Balance at end of the year	1,354	1,413	16,532
Retained earnings:			
Legal reserve:			
Balance at beginning of the year	11,035	11,035	134,681
Dividends from surplus	530	—	6,477
Balance at end of the year	11,566	11,035	141,158
Unappropriated retained earnings:			
Balance at beginning of the year	106,944	95,773	1,305,156
Dividends from surplus	(3,184)	—	(38,866)
Net income (loss)	13,894	11,170	169,573
Balance at end of the year	117,654	106,944	1,435,863
Unrealized gain (loss) on available-for-sale securities:			
Balance at beginning of the year	(15,346)	361	(187,285)
Net change during the year	14,314	(15,707)	174,696
Balance at end of the year	(1,031)	(15,346)	(12,589)
Deferred gain (loss) on derivatives under hedge accounting:			
Balance at beginning of the year	(4,452)	(192)	(54,343)
Net change during the year	(24)	(4,260)	(294)
Balance at end of the year	(4,476)	(4,452)	(54,637)
Treasury stock, at cost:			
Balance at beginning of the year	(72,558)	(72,558)	(885,511)
Balance at end of the year	(72,558)	(72,558)	(885,511)
Total equity			
Balance at beginning of the year	618,705	555,947	7,550,719
Issuance of new shares	—	71,815	—
Net change in stock acquisition rights during the year	(58)	(259)	(712)
Dividends from surplus	(2,653)	—	(32,389)
Net income (loss)	13,894	11,170	169,573
Net change in unrealized gain (loss) on available-for-sale securities during the year	14,314	(15,707)	174,696
Net change in deferred gain (loss) on derivatives under hedge accounting during the year	(24)	(4,260)	(294)
Balance at end of the year	¥ 644,178	¥ 618,705	$ 7,861,593

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥81.94=U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on March 31, 2012.

BASEL II PILLAR III (MARKET DISCIPLINE) DISCLOSURE

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

QUALITATIVE DISCLOSURE

1. RANGE OF CONSOLIDATION

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

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

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

i) Number of consolidated subsidiaries

As of March 31, 2012, there were 133 consolidated subsidiaries.

ii) Major consolidated subsidiaries

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

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

As of March 31, 2012, there were no financial affiliates applied for proportional consolidation method.

(4) NUMBER OF UNCONSOLIDATED SUBSIDIARIES SUBJECTED TO DEDUCTIONS FROM CAPITAL BASED ON THE ACCORD'S ARTICLE 31.1.2.A TO C AND NAME AND BUSINESS OF MAJOR NON-CONSOLIDATED SUBSIDIARIES

As of March 31, 2012, there were 80 non-consolidated subsidiaries. 71 of these non-consolidated subsidiaries are subsidiaries of Showa Leasing Co., Ltd. The majority of the Showa Leasing subsidiaries are partnerships set up to accommodate leveraged leases.

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

As of March 31, 2012, there were no companies which did not belong to consolidated group but came under above Banking Act.

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

As of March 31, 2012, there were no restrictions excluding restrictions under general regulations such as regulations on large-lot credit based on Banking Act.

2. TYPES OF CAPITAL INSTRUMENTS

The Bank has issued common shares, preferred securities, perpetual subordinated bonds and loans, and dated subordinated bonds and loans. Please see "Management Discussion and Analysis of Financial Condition and Results of Operations - Capital Ratios" on page 101 for details on the amount outstanding for each type of capital instrument.

QUALITATIVE DISCLOSURE (CONTINUED)

3. ASSESSMENT OF CAPITAL ADEQUACY OF THE BANK GROUP

As part of its comprehensive risk management, the Bank, at the start of its fiscal year, determines a Risk Capital budget in consideration of its regulatory capital. This Risk Capital budget is allocated to each business line and monitored. Each month the Executive Committee receives a report on the amount of Risk Capital used and the relevant regulatory capital. In this way, senior management can monitor and assess the availability of capital to support current and future activities. At least once a year, the Bank performs stress tests on its estimates of Risk Capital and regulatory capital.

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

4. CREDIT RISK MANAGEMENT POLICIES AND PROCEDURES

CREDIT RISK MANAGEMENT SYSTEM

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

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

CREDIT RISK MANAGEMENT FOR INDIVIDUAL TRANSACTIONS

(1) Organization and Systems

In principle, a credit provision is consulted jointly by the sales promotion divisions and the risk management divisions that are independent from the sales promotion div. And to secure the transparent and strict decision making process, the RMG has veto power. Thus the framework to put a brake on the sales promotion div. has been established. Each transaction is discussed and approved by the Credit Committee or other committees. The level of approval authority is decided based mainly on the total exposure to the obligor group and ratings, and the decision is made strictly.

As for transactions that require discussions about financial, legal and / or compliance issues, a certain framework has established: the relevant transactions are discussed by Transaction Approval Committee of which participants includes members of the divisions in charge of such issues so that the transactions can be assessed comprehensively and an appropriate decision can be made.

And among receivables that must be paid attention, for those that falls under a certain category decided by rating, the exposure, reserve, etc., the obligor's business performance are monitored by the Doubtful Debt Committee so that Shinsei is able to take preventive measures, and by deciding the measures to handle the obligor in future, Shinsei is making efforts to minimize credit-related costs and to ensure soundness of assets.

(2) Obligor Rating System

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

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

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

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

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

An obligor rating system and facility rating system similar to

QUALITATIVE DISCLOSURE (CONTINUED)

those adopted in the Bank have been introduced for major customers of leasing receivables at Showa Leasing.

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

PORTFOLIO-BASED CREDIT RISK MANAGEMENT
Controls must be carried out in such a way that risks are diversified in terms of industries and other criteria. This is done on a portfolio basis, which is an aggregation of transactions, and operations of individual transactions must be conducted based on appropriate risk analyses. At Shinsei Bank, the Portfolio and Risk Management Division undertakes risk analyses of portfolios, and monitors the segment-specific risk diversification status including industry classifications, ratings, specific customers/groups and also rating fluctuations related to customers within the portfolios. The Division uses this information to provide reports to senior management and the Chief Risk Officer on a monthly as well as ad hoc basis.

PRINCIPAL "CREDIT RISK MANAGEMENT STANDARDS"
For Basel II, the Foundation Internal Ratings-Based Approach (F-IRB) has been adopted by the Bank for calculation of credit risk-weighted assets. In accordance with this approach, the Bank established "Credit Risk Management Standards," which document the framework. This documentation also covers the details of the Bank's internal rating system, which covers rating design and operation, internal control, use of internal rating and risk quantification.

These Standards contain "Basic Principles of the Internal Rating System for Credit Risk," and also provide the details of management policy and procedures in the form of specific rules for each group of exposures in the portfolio.

INTERNAL CONTROL ROLES AND RESPONSIBILITIES
The Bank Group's internal control system for credit risk management has been set up in accordance with current regulations.

(1) Credit Risk Management Divisions
The risk management divisions of the Bank and its subsidiaries undertake the roles and responsibilities for the Bank's management of credit risk. Functions are divided into Credit Risk Management Sections, responsible for the management of each asset category, and the Credit Risk Control Section (a section specified in the Risk Management Group of the Bank), responsible for management across asset categories.

(2) Senior Management Control/Oversight
Control and oversight for internal rating systems by senior management is defined in "Credit Risk Management Standards," and is performed in an appropriate manner.

(3) Audit Section
The Internal Audit Division evaluates the Bank's internal rating system and ensures the system is in compliance with existing regulations.

APPLICATION OF THE INTERNAL RATING SYSTEM
The Bank uses its own internal rating systems for portfolios to which the F-IRB Approach are applied. These items are listed in the "Exhibit" for each portfolio.

The internal rating system is applied to corporate and retail exposures as categorized below. The rules for applying the internal rating system are part of the Bank's overall "Credit Risk Management Standards."

(1) Corporate Exposure
- Corporate exposure
- Financial institution exposure
- Sovereign exposure
- Non-recourse real estate loans (specialized lending using slotting criteria)
- Credit trading claims
- Claims not subject to pool management
- Claims against individuals for the purpose of funding a business
- Claims against a business with exposure after "aggregation" *(nayose)* on a consolidated basis of ¥100 million or more

(2) Retail Exposure
Retail exposures are defined as:
- Exposures subject to pool management
- Claims against an individual (except for a claim for the purpose of funding business operations), or claims against a corporation (including an individual with the purpose of funding a business) with an outstanding amount of less than ¥100 million after the "aggregation" (*nayose*) on a consolidated basis.

Features of these products and credit analysis standards may vary between the Bank and its subsidiaries. As such, spe-

QUALITATIVE DISCLOSURE (CONTINUED)

cific pool classification systems for each product are applied at each entity, in accordance with established guidelines.

ESTIMATION AND VALIDATION OF PARAMETERS

The approach for estimation and validation of parameters such as Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD) is set forth in "Credit Risk Management Standards." Ratings, pool classifications and estimated parameters are also used for internal control. Depending on the specific characteristics of the Bank Group's portfolios, the parameters used for internal control may differ from the parameters used in the course of calculating the regulatory capital ratio of the Bank Group. The existence of differences and the rationale for such differences is stated in the guidelines for parameter estimation and validation.

STRESS TESTS

Specific implementation guidelines are established for stress tests used in the assessment of capital adequacy, and credit risk stress tests to assess the effect of certain specific conditions on the Bank's regulatory capital requirements. Stress test results are reported to senior management at least once a year.

RESERVE POLICY

A reserve for credit losses of the Bank and its subsidiaries is provided as detailed below, pursuant to the predetermined internal rules for providing such reserves according to the obligor categorizations based on the self assessment of their assets.

A general reserve for claims against normal obligors, need-caution obligors and substandard obligors is provided based on the specific actual past loss experience.

A specific reserve for claims to possibly bankrupt, virtually bankrupt and legally bankrupt obligors is provided based on the full amount of the unsecured, un-guaranteed portion of the respective claims after a solvency assessment.

For claims against obligors that are possibly bankrupt (that is, those that are not presently bankrupt but are likely to go bankrupt in the future), a specific reserve is provided for the amount considered to be necessary based on an overall solvency assessment performed for the amount of claims, net of amounts expected to be collected through the disposal of collateral or execution of guarantees.

For claims against obligors that are legally bankrupt (due to bankruptcy and special liquidation) or virtually bankrupt, a specific reserve is provided based on the amount of claims, net of amounts expected to be collected through the disposal of collateral or execution of guarantees.

The reserve for loans to restructuring countries is provided based on the amount of expected losses due to the political and economic situation in each country.

Additionally, with regard to claims against possibly bankrupt obligors and substandard obligors, a reserve is provided based on the discounted cash flow method when the obligor's future cash flows for debt service are reasonably estimable and the balance of claims to such obligors is large.

TRANSITION PLAN FOR MOVING A PORTION OF THE BANK'S PORTFOLIO, WHICH HAS NOT YET APPLIED F-IRB, FROM THE STANDARDIZED APPROACH TO THE F-IRB APPROACH

The F-IRB Approach will be applied at a future date to the two portfolios and two entities listed below. Currently, these portfolios and entities are considered to be comprised of "roll-out" exposures. The Bank follows the Standardized Approach for evaluating these exposures.

(1) Residential mortgages at the Bank: because this business started in 2003, the Bank has not collected enough historical default data (especially for estimation of LGD) for F-IRB calculation. Once the Bank has collected sufficient historical default data (in three years), IRB (retail) will be applied to this portfolio.

(2) Shinki: a subsidiary consolidated to the Bank in fiscal year 2007. To secure historical data for a longer period and to further develop its internal rating system, the Bank Group plans to apply IRB (retail) for this subsidiary two years from now, the same period as expected IRB roll-out of its parent company, Shinsei Financial.

(3) Shinsei Financial: a subsidiary consolidated to the Bank in fiscal year 2008. To secure historical data for a longer period and to further develop its internal rating system, the Bank Group plans to apply IRB (retail) for this subsidiary two years from now.

(4) Card Loan Lake at the Bank: The Bank started this business in October 2011. To secure historical data and to develop its internal rating system, the Bank Group plans to apply IRB (retail) for this portfolio five years from now.

In the case of portfolios to which the Standardized Approach is applied, the Bank will use ratings from the following qualified rating agencies to determine exposure risk weights:

S&P, Moody's, Fitch, R&I and JCR.

QUALITATIVE DISCLOSURE (CONTINUED)

5. CREDIT RISK MITIGATION POLICIES AND PROCEDURES

(1) Policies and framework for mitigating credit risk
The Bank mitigates credit exposure with collateral and guarantees to reduce the credit risk of obligors. The Bank has a clear framework regarding methods for mitigating credit risk. Basic procedures and descriptions of controls, as well as types of standard collateral, guarantees necessary in granting credit, evaluation methods for different types of credit and collateral, possible "haircuts" to collateral and regular revaluation of collateral, are stipulated in the Bank's credit procedures.

(2) Controls concerning overall methods to mitigate credit risk
The Bank uses net exposure for capital calculations after netting deposit and loan claims. All collateral and guarantees are registered in a dedicated system. The information is linked to obligor and credit account data. Collateral and guarantees are revalued at least once a year. Perfection of security interest, currency, date and correlation between collateral and counterparty are checked.

(3) Eligible financial asset collateral
Financial asset collateral types are defined by the Bank to include deposits, fixed income securities, equities and commercial paper.

(4) Eligible collateralized claims
Collateral types in this category include commercial bills, rights to claim return of security deposits, rights to claim return of construction funds, loan receivables, leasing and sales installment receivables and beneficial interests in trust.

(5) Eligible real estate collateral
Collateral types in this category include land and buildings, plants and foundations including industrial foundations.

(6) Other asset-backed collateral
Eligible other asset-backed collateral is defined by the Bank as aircraft and ships.

(7) Guarantees
Guarantors are classified into the following categories: governments, central banks, municipalities, public institutions, credit guarantee associations, banks, general business entities and individuals.

6. POLICIES AND PROCEDURES FOR COUNTERPARTIES OF DERIVATIVE PRODUCT AND TRANSACTIONS WITH LONG-HORIZON SETTLEMENT PERIODS

COUNTERPARTY RISK

Credit risk arising from market trading, such as derivatives, is controlled based on current fair value and estimation of future fair value volatility.

As the risk associated with market trade changes by market rate fluctuation after the trade, the Bank strictly control it based on estimation of future fair value volatility.

ALLOCATION OF CREDIT LIMITS

Counterparty limits due to derivatives transactions are established based on counterparty's specific situation, and credit limits are managed as appropriate on both a counterparty limit basis, and total credit limit basis where counterparty limit is added to any other credit exposure for each obligor in order to accurately reflect the Bank's overall exposure.

As risk embedded in market transactions changes with market movement, the Bank strictly manages its exposures using estimation of future market volatilities.

CREDIT ENHANCEMENT BASED ON COLLATERAL AND RESERVES

Credit enhancement measures are taken to mitigate the Bank's concerns regarding certain obligors' credit quality as well as concentration risk in the Bank's portfolio.

The Bank follows the guidelines outlined in the ISDA Credit Support Annex (CSA), which has been accepted by many financial institutions. Reserves are calculated based on expected losses according to the counterparty's credit quality, and are taken into consideration in the mark-to-market process.

POSSIBILITY OF THE BANK POSTING ADDITIONAL COLLATERAL DUE TO A DECLINE IN THE BANK'S CREDIT QUALITY

If the Bank's credit quality were to decline and be reflected as such in the assignment of lower external ratings, the Bank may be required to provide additional collateral to counterparties in transactions subject to the ISDA Credit Support Annex (CSA).

QUALITATIVE DISCLOSURE (CONTINUED)

7. EQUITY RISK MANAGEMENT

The Bank's equity investments are mainly composed of strategic merger/acquisition or business alliance related transactions, which are approved by the Executive Committee, and investment business related transactions, which are approved by the Transaction Approval Committee (TAC).

The risk management methodologies for these investments are determined based on their investment types and purposes. Each risk is recognized and monitored appropriately by evaluating underlying assets/enterprise value. For securities that do not have fair market value, self assessment is conducted every quarter.

Securities of subsidiaries and affiliated companies are stated at cost calculated by the moving-average method. Securities available-for-sale whose fair value is readily determinable are stated at fair value at the end of the fiscal year (sales cost is determined by the moving-average method) and securities whose fair value cannot be reliably determined are carried at cost using the moving-average method.

8. SECURITIZATION EXPOSURE RISK MANAGEMENT POLICIES AND CHARACTERISTICS

BANK RULES

The Bank manages securitization transactions as follows:

(1) Originator

For fundraising, mitigation of exposure concentration, transfer of credit risk and balance sheet management purposes, the Bank securitizes loans and the Bank's subsidiaries securitize financial assets such as credit card and consumer loan receivables.

As an originator, the Bank manages the credit risk of its securitized transactions using the assumption that original assets are maintained on its books. Since the purpose of these transactions includes acquiring funds, mitigating exposure concentration, transferring credit risk and managing the Bank's balance sheet, securitization transactions are a tool to control liquidity risk.

(2) Investor

In order to invest in assets whose credit risks are different from those of existing corporate exposure and to enhance the profit-earning opportunity, the Bank selectively invests in securitization transactions, including re-securitization as well as securitization defined as non-re-securitization as per Clause 2 a or b in Article 1 of Administrative Notice) which are backed by various financial products.

The Bank also re-securitizes some securitized products of which the Bank has purchased and may hold the subordinated/residual portion.

As a general rule, the Risk Management Group which is fully independent from the Business Group, manages the risks arising from securitization exposure, and risk management/monitoring methodologies and risk taking/reduction policies are specified according to the types of products. Although the Bank does not actively intend to increase securitization exposure at this moment, aforementioned procedure defined in "4. Credit Risk Management and Procedures, Credit Risk Management of Specific Transactions" will be followed for new investments after specifying and recognizing the risk profile, product specifics, nature of underlying assets and structure including credit enhancement, etc.

Securitized exposure includes various risk characteristics that are unique to each product, as well as the following general risk characteristics.

(a) Market risk

Market risk is the risk of changes in the market value of positions held, caused by changes in the securitization market environment or interest rates.

(b) Credit risk

Credit risk primarily refers to the risk of interest/dividends on positions held not paid as scheduled due to default of some or all of debtors of underlying assets. Moreover, credit risk includes the risk of default of parties participating in the structure, such as originator, servicer, and swap counterparty.

(c) Liquidity risk

Liquidity risk is the risk of failure to sell the positions held at appropriate prices in a short period of time.

(d) Exchange risk

Exchange risk is the risk of changes in exchange rates in relation to the positions held in which investments were made in foreign currencies.

(e) Legal risk

Legal risk is the risk of suffering disadvantages due to inappropriate legal structure.

QUALITATIVE DISCLOSURE (CONTINUED)

PREPARATION AND MANAGEMENT STATUSES OF THE FRAMEWORK DEFINED IN CLAUSE 4-3 THROUGH CLAUSE 4-6 OF ARTICLE 249 OF ADMINISTRATIVE NOTICE ON CAPITAL ADEQUACY RULES (INCLUDING INSTANCES WHERE THE RELEVANT PROVISIONS ARE APPLIED *MUTATIS MUTANDIS* BASED ON CLAUSE 2 OF ARTICLE 254 AND CLAUSE 4-1 OF ARTICLE 302 OF ADMINISTRATIVE NOTICE ON CAPITAL ADEQUACY RULES): OVERVIEW

When the Bank acquires and monitors securitized exposures, outside ratings and their changes are closely watched as one of the effective indicators. Moreover, when the Bank assigns internal ratings, risk characteristics and structural characteristics are understood and future performance forecast is analyzed, without depending solely on outside ratings.

Investment decisions are made based on the results of such analysis and expected return. Even after an investment is made, various covenants and triggers are checked based on trustee reports and servicer reports. A continuous and regular monitoring framework is established whereby information on comprehensive risk characteristics and performance of securitized exposures and underlying assets is captured in a timely manner.

Risk capital is measured based on internal ratings assigned for each transaction. For investments in securities without a fair market value or its track record, risks are understood and controlled through self-assessments.

In terms of reporting, senior management is provided monthly reports on transactions needing caution because of changes in the environment/markets or for specific reasons, together with the Bank's overall portfolio status including securitized exposures. These comprehensive reports include credit risk amounts, outstanding investment amounts, portfolio changes, comprehensive risk characteristics, new and/or terminated transactions, etc. Furthermore, updates are provided to the Risk Management Group or the Risk Policy Committee on a quarterly basis.

In terms of the reporting, overall situation of the Bank's portfolio including the securitization exposure is reported to the senior management via the Risk Policy Committee etc on a monthly or a quarterly basis. The report includes information of exposure, risk quantification, change in the portfolio, and risk profiles.

(3) Servicer

The Bank acts as a servicer when loans, which were originated by the Bank, are used as underlying assets in securitization.

Similarly, when financial assets such as credit card and consumer loan receivables originated by the Bank's subsidiaries are used as underlying assets for a securitization, the subsidiary serves as a servicer.

(4) Swap provider

In some transactions wherein the Bank is the arranger, the Bank provides swaps in order to mitigate interest rate risk within a specified range or to manage any cashflow difference between interest from underlying assets and coupons from the securities backed by the same assets.

POLICIES USING SECURITIZATION TRANSACTIONS FOR CREDIT RISK MITIGATION

The Bank is not using securitization transactions for credit risk mitigation.

CALCULATION METHODS FOR DETERMINING THE AMOUNT OF CREDIT RISK IN THE CONTEXT OF SECURITIZATION EXPOSURE

Risk weights are calculated based on internal rules entitled "Standards for Administering Risk Weight Calculation for Securitization Exposure." In general, the amount of credit risk assets related to securitization exposures is calculated using the Ratings-Based Approach (RBA).

In certain cases, where ratings have not been assigned by qualified rating agencies, the Risk Management Group and Finance Group may approve exceptions to using the RBA. For such transactions, the Bank has sufficient data to estimate PDs and LGDs of the original assets, and therefore can calculate the transaction-specific PDs, LGDs and credit risk amount based on the Supervisory Formula Approach.

Where no ratings are assigned by qualified rating agencies and no data are available for estimating the PDs and LGDs of original assets, the Bank's investment amount is deducted from the Bank's capital.

CALCULATION METHODS FOR DETERMINING THE AMOUNT OF MARKET RISK IN THE CONTEXT OF SECURITIZATION EXPOSURE

The amount of the general market risk of the market risk related to securitization exposures is calculated using the internal model approach. The amount of the specific risk of the market risk related to securitization exposures is calculated using the standardized approach.

QUALITATIVE DISCLOSURE (CONTINUED)

NON-CONSOLIDATED SUBSUBIDIARIES AND AFFILIATES WHO HELD SECURITIZATION EXPOSURES RELATED TO THE BANK'S ORIGINATED SECURITIZATION TRANSACTIONS

No securitization exposures related to the Bank's originated securitization transactions are held by the Bank's non-consolidated subsidiaries and affiliates.

ACCOUNTING POLICY ADOPTED FOR SECURITIZATION TRANSACTIONS

(1) When assets to be securitized are owned by the Bank, securitization assets are removed from the balance sheet and assignment of gains and losses are calculated based on the financial component (*zaimu-kousei-youso*) approach.

The assets sold and retained interests are recognized as separate components of a transfer of financial assets. Those components in the transferred assets are measured by allocating the previous carrying amount between the assets sold and retained interests based on the relative fair values at the time of transfer. Based on the calculated values of assets that are sold, gains or losses on the transfer are recognized.

However, when assets are securitized for fundraising purposes, the book value to be credited on the balance sheet is adjusted in order to prevent generating any initial profits, after removing the assets from the balance sheet using the financial component approach.

(2) When the Bank purchases securitized products, Accounting Standards for Financial Products apply to each financial asset.

(3) Fee income earned by the Bank in arranging securitization for other parties (no investment) is treated as non-interest income.

QUALIFIED RATING AGENCIES WHOSE RATINGS ARE USED BY THE BANK IN DETERMINING SECURITIZED EXPOSURE TYPE-SPECIFIC RISK WEIGHTS:

S&P, Moody's, Fitch, R&I, and JCR.

SUMMARY OF INTERNAL RATINGS-BASED APPROACH FOR SECURITIZATION

The Bank is not using the internal rating-based approach for securitization.

SIGNIFICANT CHANGES OF QUANTITATIVE INFORMATION

There are no significant changes of quantitative information.

9. MARKET RISK MANAGEMENT POLICIES AND PROCEDURES

a) POLICY AND PROCEDURE FOR RISK MANAGEMENT

(1) DEFINITION OF MARKET RISK

Market risk is the risk that makes loss by effect on balance sheet (including off balance sheet) fair value through fluctuations in interest rates, FX rates, stock prices, and etc.

(2) MARKET RISK MANAGEMENT POLICY

We manage market risk by segregating the overall balance sheet into a trading book and a banking book.

Market Business Management Committee is in charge of market risk management and risk review of trading book and a part of banking book investment. The Committee is chaired by CRO, secretariat by Market Risk Management Division, and composed of representatives of related divisions. The Committee has regular meeting twice a month to review customer related business movement, profit and loss/market risk situation and inherent risk in the business as a whole, including counter party risk, issuer risk and trading products risk and make decision on risk management.

The ALM Committee has monthly regular meeting, in principle, for review and decision making market risk, mainly interest rate and FX risk of banking asset and liability , funding, liquidity risk and active ALM strategy.

Risk limits on trading, e.g. Value at Risk ("VaR"), is approved by Executive Committee. The VaR is the maximum loss amount by future price fluctuation, which is estimated stochastically at a specific confidential level, assuming holding specific position for a specific time horizon In addition, we implement multi view point risk management using interest rate sensitivities and etc.,

The Market Risk Management Division is responsible for the objective and timely recognition, monitoring and reporting of market risk in both the trading and banking activities. In addition to reporting risk information to management, administrative unit and front office units, the Market Risk Management Division carries out regular risk analyses and recommendations to them.

(3) MARKET RISK MANAGEMENT FRAMEWORK

We have risk arising from the trading and banking activities. Each desk within the front unit is assigned with risk limits.

The Market Risk Management Division is responsible for the objective and timely recognition, monitoring and reporting

QUALITATIVE DISCLOSURE (CONTINUED)

of these market risk and carries out regular risk analysis and recommendations, as well as timely and appropriately providing management, administrative and front unit with risk information which meets their needs. At market business implementation, by making The Bank has established a organization system for effective checks and balances by making front, operation and risk unit independent respectively.

(4) QUANTITATIVE MARKET RISK MANAGEMENT

The Bank is enhancing risk management by quantifying market risk, reporting it objectively, and making adjustments according to market situation on daily basis.

Market risk management is implemented by repeat of following a five-step process.

- First step : Construction of a transaction information database.
- Second step : Clarification of data according to the nature of the risk.
- Third step : Quantification of the risk based on the risk nature.
- Fourth step : Calculation and report of the overall risk.
- Fifth step : Appropriate adjustment and control based on the reported risk calculations.

To obtain a precise picture of the risk situation, transaction data must be accurate and complete. Measurement definitions must have clear rationale and valuation criteria such as rates and prices must be reliable. The Bank's market risk measurement system meets all of these requirements.

b) NAME OF METHODOLOGY FOR MARKET RISK MEASUREMENT

The internal-model method has been adopted for general market risk at market risk measurement and the standardized method for specific risk since March 31, 2007 for Shinsei Bank and Shinsei Securities. Standardized method is applied for Fx related risks except Trading.

Market Risk Methodologies

		Trading	FX-related Risks except Trading
Shinsei Bank	General Market Risk	Internal Model Method • Historical Simulation Method	Standardized Method
	Specific Risk	Standardized method	
Shinsei Securities	General Market Risk	Internal Model Method •Historical Simulation Method	Standardized Method
	Specific Risk	Standardized Method	
Other Subsidiaries		—	Standardized Method

c) ADEQUATE PRICING METHOD ACCORDING TO TRANSACTION PROFILE TAKING POSSIBILITIES INTO CONSIDERATION THAT ACTUAL HOLDING PERIOD MAY EXCEED EXPECTED HOLDING PERIOD

The expected necessary length to close a position in the trading books is ten day and the VaR framework is using this 10-day for holding period. Market liquidity of all trading book's products are high enough, and we evaluate adequately the pricing according to the products profile.

d) INTERNAL MODEL METHOD AND BACK-TESTING, STRESS-TESTING

The Bank and Shinsei Securities use a historical simulation VaR method for internal model at general market risk measurement (a 99% confidential level, 10 day holding period, 250 observation days). Please refer to following table for VaR data.

(VaR data table) VaR amounts as calculated at the end of March 2012 together with the high, mean and low VaR in this fiscal year (99% confidence level, 10 day holding period).

		Millions of yen	
		Consolidated	Non-consolidated
VaR at the end of year		1,230	1,180
through FY	High	3,961	3,869
	Mean	2,395	2,266
	Low	1,052	1,019

We have added Stress VaR to previous mentioned VaR for Basel capital requirement calculation since as of 2011 December end. Please refer to following table.

Stressed VaR amounts as calculated at the end of March 2012 together with the high, mean and low VaR in this fiscal year(99% confidence level, 10 day holding period).

		Millions of yen	
		Consolidated	Non-consolidated
Stressed VaR at the end of year		3,764	3,620
through FY	High	5,476	5,359
	Mean	4,376	4,281
	Low	3,764	3,620

QUALITATIVE DISCLOSURE (CONTINUED)

The validity of the VaR is verified through back-testing, which examines how frequently actual daily loss exceeds VaR for a one-day holding period. The back-testing results for fiscal year 2011 show that the number of days in which loss amount exceeded VaR for a one-day holding period on a consolidated basis was zero.

For complementing the Internal Model method and figuring out loss possibility at stress, the Bank implements stress testing on a weekly basis. And the stress test results are reported to the Market Business Management Committee and etc.

e) INTERNAL MODEL SUMMARY IN CASE THAT INCREMENTAL RISK IS MEASURED BY INTERNAL MODEL

Not applicable.

f) INTERNAL MODEL SUMMARY IN CASE THAT COMPREHENSIVE RISK IS MEASURED BY INTERNAL MODEL

Not applicable.

g) ASSUMPTIONS AND VALUATION METHOD FOR INTERNAL EVALUATION OF CAPITAL SUFFICIENCY ON MARKET RISK

When we evaluate capital sufficiency for market risk using risk capital, we convert the above mentioned VaR calculation method into a one year horizon basis.

10. LIQUIDITY RISK MANAGEMENT

Liquidity risk management is implemented by ALM committee, by its approval of liquidity gap structure limits (limits for required funding amount on contract maturity basis) and minimum liquidity reserve levels. In addition, stress test is implemented monthly and reported to ALM committee.

Liquidity gap limit and minimum liquidity reserve level compliance is daily monitored by the Market Risk Management Division and reported to the management. Stress test, implemented by the Market Risk Management Division, is reviewed in timely and adequate manner for its appropriateness, cooperated with front unit.

Liquidity management framework, including these monitoring and test implement, is defined by “Cash Liquidity Risk Management Policy” and periodically reviewed by ALM committee.

11. BANKING BOOK INTEREST RATE RISK MANAGEMENT

a) Risk management policy and procedure

(1) Interest Rate Risk Management policy and procedure

The Bank’s risk management of banking book assets and liabilities, which bears interest rate risk, is managed based on “Asset Liability Management Policy for Banking Account.” In addition to daily risk monitoring, the ALM Committee meets on a monthly basis, in principle, in order to provide management with timely and appropriate reports on interest rate risk situation and etc., and reviews / makes decisions on ALM strategy and related topics.

The purpose ALM is to optimize the overall net interest income for the medium- to long-term by appropriately balancing interest rate risks on assets and liabilities and liquidity risks arising in the ordinary course of operations at business units. This optimization is achieved by maintaining the appropriate balance between the following two view points.

1) Static point of view: Stabilize fluctuations and the range of changes of net interest income within the Bank’s estimation by adjusting interest rate risks within specified range resulting from gaps of the assets and liabilities’ amount, terms, interest rate conditions and etc.

2) Active point of view: Increase net interest income by restructuring the assets and liabilities into higher efficiency of risk / return.

For banking book interest rate risk management, in addition to limits or guidelines including 100bpv and etc., net interest income simulation is used for risk situation monitoring. The Bank monitors the shape of the yield curve and regularly analyzes scenarios such as steepening and flattening to evaluate the impact of these scenario changes on assets and liabilities.

(2) Outlier criteria and stress scenarios

In the context of the outlier criteria for the second pillar of Basel II, the Bank has adopted a 2% shift scenario. This measures fluctuation in the economic value of assets and liabilities on the banking book as a result of a 2% interest rate shock. This scenario is consistent with the interest rate risk sensitivity analysis, which is used for internal control purposes.

(3) Calculation method for interest rate risk

Following assumptions are set for interest rate risk management.

QUALITATIVE DISCLOSURE (CONTINUED)

• Housing loan prepayments
Instead of using contractual maturity, the Bank calculates the cash flows using a particular prepayment ratio for hosing loans, considering actual prepayment data for similar loans, pricing at the housing loan securitization and etc.

• Definition of core deposits
The Bank has adopted an internal model for the maturity of core deposits and defines maturities of ordinary deposits by customer and currency.

The parameters and models for core deposits are reviewed as timely and appropriately.

b) Banking book interest rate risk calculation method by consolidated subsidiaries for internal management purpose

In general, consolidated subsidiaries conduct risk management under the supervision of the Board of Directors or ALM committee except for SPVs and other such entities whose risk management is integrated into the Bank's business units.

Interest rate risk at consolidated subsidiaries, which have interest rate-sensitive assets and liabilities, are calculated based on each subsidiary's interest rate risk management method .The Bank calculates interest rate risk on consolidated basis using them and conducts risk management by monitoring them.

The change in economic values for applied interest rate shock of 2% in the banking book at the end of March 2012:

	Billions of yen	
	Consolidated	Non-consolidated
JPY	¥(11.1)	¥(1.3)
USD	(2.8)	(2.8)
Other	(2.6)	(2.6)
Total	¥(16.6)	¥(6.8)

12. OPERATIONAL RISK MANAGEMENT POLICIES AND PROCEDURES

MANAGEMENT POLICIES AND PROCEDURES

(1) Definition of Operational Risk
The Bank classifies operational risk into several risk categories, such as operational and administrative risk, compliance risk, labor-related risk, systems risk, extensive disaster risk and material object risk, which are applied across the Bank and its consolidated subsidiaries.

(2) Operational Risk Management System
The Bank manages operational risk at multiple levels as follows:
• Management by business lines according to the nature of each business
• Cross-organizational management by designated management divisions for respective risk categories mentioned above (hereinafter "designated management divisions") and by the firm-wide management division of operational risk (hereinafter "firm-wide management division")
• Verification by the Internal Audit Division on the appropriateness and effectiveness of the overall risk management system
• Based on reports and proposals, the Board of Directors etc. makes decisions on important items, including general rules and organizational changes related to operational risk management

The designated management divisions and the firm-wide management division are independent from business lines, which are accountable for earnings, and promoting management of overall operational risk and each risk category. The divisions develop uniform management standards and procedures, capture and evaluate errors and irregularities, conduct causal analysis and support establishment of recurrence prevention measures. Moreover, the divisions meet on a monthly basis to discuss challenges and measures for operational risk management, as well as to share information.

Operational risk is recognized and evaluated through review of internal errors and irregularities that have occurred, as well as through consideration of potential errors and irregularity scenarios that may occur less frequently but may have a significant impact. Uniform standards for collection and evaluation of errors and irregularities are established to capture and/or evaluate significant actual errors and/or irregularities on a regular basis. Procedures are determined to ensure that potential errors and irregular scenarios for each business operation are specified and their frequency and severity are evaluated in a complete and appropriate manner on an at least an annual basis.

Such identified and evaluated risks are reported to senior management by the designated management divisions and the firm-wide management division and are used in Risk Capital measurement for internal management purposes.

(3) "Operational Risk Management Standards"
"Operational Risk Management Standards" are a set of policies and procedures used to define the organizational framework, specific methods and processes for operational risk management. They are composed of the following:

QUALITATIVE DISCLOSURE (CONTINUED)

- "Operational Risk Management Policy"
- Specific management rules
- Management rules at consolidated subsidiaries

"Operational Risk Management Policy" is the highest set of rules on operational risk management. To ensure comprehensive and consistent operational risk management within the Bank Group, the Policy establishes risk definitions, governance and basic policies on operational risk management, and the basic framework for risk capture, evaluation, monitoring, reporting, control and mitigation.

Specific management rules include management standards and procedures for each respective operational risk category, and for new businesses and products.

Management rules at each consolidated subsidiary are composed of comprehensive rules on overall operational risk management and specific rules for respective operational risk categories. Consolidated subsidiaries establish, revise and repeal rules by the approval of their Board of Directors, according to their risk characteristics and specific internal controls. Their establishment, revision and repeal are subject to prior discussions with and after-the-fact reports to the Bank to ensure consistency with the Bank's risk management rules.

METHODOLOGY TO CALCULATE OPERATIONAL RISK UNDER BASEL II

The Standardized Approach is adopted by the Bank.

Amount of required capital for Operational Risk at the end of fiscal year 2011:

	Millions of yen	
	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
The Standardized Approach	¥ 31,001	¥ 12,202

QUALITATIVE DISCLOSURE (CONTINUED)

OVERVIEW OF PRINCIPAL "CREDIT RISK MANAGEMENT STANDARDS"

<table>
<tr><td></td><td colspan="4">Corporate Exposures</td><td colspan="3">Retail Exposures</td></tr>
<tr><td></td><td colspan="2">Shinsei Bank
(Corporate, Sovereign, Bank, Specialized Lending, Equity)</td><td colspan="2">Showa Leasing
(Corporate, Other Retail)</td><td>APLUS FINANCIAL, APLUS, APLUS PERSONAL LOAN
(Residential Mortgage, Qualifying Revolving Retail, Other Retail)</td><td>Zen-Nichi Shinpan
(Residential Mortgage, Other Retail)</td><td>Shinsei Bank
(Purchased Residential Mortgage, Purchased Other Retail)</td></tr>
<tr><td rowspan="2">Overall</td><td colspan="7">Basic Principles of the Internal Rating System for Credit Risk</td></tr>
<tr><td colspan="4">Internal Controls on Internal Rating System of Corporate Exposures</td><td colspan="3">Comprehensive Standards for Internal Rating System for Retail Exposures</td></tr>
<tr><td rowspan="4">Internal Rating System Design/ Operations</td><td rowspan="2">Obligor Rating Standards</td><td rowspan="3">Internal Rating System Preparation and Operation Standards for Specialized Lending</td><td colspan="2">Standards for Internal Rating System</td><td>Credit Policy/Credit Risk Management Official Regulations</td><td>Credit Policy/Credit Risk Management Official Regulations</td><td rowspan="3">Pool Categorization Methods and Parameter Estimation/Verification on Criteria regarding Purchased Housing Loans</td></tr>
<tr><td rowspan="2">Internal Rating System Operation Standards for Specialized Lending</td><td>Credit Rating Standards</td><td>Credit Risk Estimation Rules</td><td>Credit Risk Estimation Rules</td></tr>
<tr><td>Facility Rating Standards</td><td>Facility Rating Standards</td><td>Guidelines of Pool Classification</td><td>Guidelines of Pool Classification</td></tr>
<tr><td colspan="2">Self-Assessment Standards/Manual</td><td colspan="2">Self-Assessment Manual/Procedures</td><td>Self-Assessment Standards</td><td>Self-Assessment Standards</td><td>Self-Assessment Standards/Manual</td></tr>
<tr><td rowspan="2">Risk Quantification/ Validation</td><td colspan="4">Estimation/Validation Standards (for Corporate Exposures)</td><td colspan="3">Estimation/Validation Standards (for Retail Exposures)</td></tr>
<tr><td colspan="2"></td><td colspan="2">Parameter Estimation Standards</td><td>Guidelines of Parameter Estimation</td><td>Guidelines of Parameter Estimation</td><td>Pool Categorization Methods and Parameter Estimation/Verification on Criteria regarding Purchased Housing Loans</td></tr>
<tr><td rowspan="3">Others</td><td colspan="7">Standards for Implementing Stress Tests in Basel II Regulatory Capital Measurement</td></tr>
<tr><td colspan="7">Comprehensive Standards for Measuring and Managing Dilution Risks</td></tr>
<tr><td colspan="2">Standards for Measuring and Managing Dilution Risks of Purchased Loans</td><td colspan="4"></td><td>Standards for Measuring and Managing Dilution Risks of Purchased Loans</td></tr>
</table>

QUALITATIVE DISCLOSURE (CONTINUED)

EXHIBIT

Type of Exposures			Shinsei Bank (Non-Consolidated)	
			(a) Corporate Exposures, (b) Sovereign Exposures, (c) Exposures to Banks, and (d) Equity Exposures (Exposures to which Internal Rating and PD/LGD approach is applied)	(e) Specialized Lending
Type of Internal Rating Approaches to be Used			• Obligor rating based on the rating estimation model • Facility rating based on the obligor ratings/expected losses	Rating in accordance with the capital rating structure model based on LTV.
Summary of Internal Rating System	Structure of Internal Rating System	Summary of Rating System	For corporate exposures, the Bank uses an internal obligor rating system with the following characteristics: • Increasing model accuracy and reflecting appropriate qualitative factors • Benchmarked against external ratings • Properly reflecting obligors' consolidated-basis accounting systems • Ensuring conformity with rating systems among industry classifications Obligor ratings are used in the standards of credit approval authority procedures and portfolio controls, and are the foundation for credit risk management. Furthermore, the Bank also applies a facility rating system based on expected losses that allows for improvement in the credit status, such as collateral and/or covenants, from the perspective of obligor rating and the credit status of individual transactions.	"Specialized Lending" refers to a claim whose source of recovery is solely dependent on the cash flow generated from a transaction such as a real estate non-recourse loan. As the risk profile is different from that of general corporate exposure and also the frequency of occurrence of actual default is quite low, the framework of Basel II permits the classification into a designated category by using the Guideline for Judging Risks based on FSA Notification ("Slotting Criteria") and calculation of risk assets. This "Slotting Criteria" is applied for calculating required regulatory capital, and internal ratings are estimated through the following process. • Quantitative rating is estimated based on LTV. • Qualitative adjustments are made on quantitative rating.
		Obligor Rating (Corporate) Facility Rating (Corporate)	**Obligor Rating** i) Model score: A quantitative model score is derived based on the financial data of a customer by applying a neural network model prepared by using external ratings as a benchmark. Financial data from "Nikkei Needs Financial Information" and "Shinsei Financial Analysis System Data" were used for calculation of model scores. ii) Verification of reliability of obligor financial data. iii) Overall adjustment: Unrealized profit or loss future financial projection, etc. Obligor ratings for Sovereign/Bank exposures are assigned based on specific rules as "Obligors Subject to Special Treatment." **Facility Rating** Derived on the basis of expected loss rate by taking into account the following factors. i) Probability of Default (PD) corresponding to an obligor rating/term of credit. ii) Loss Given Default (LGD) corresponding to the status of credit enhancement of a facility. Facility rating system is not implemented for equity exposures.	**Obligor Rating and Facility Rating** The obligor rating is derived based on the rating approach in line with the foregoing framework. However, as the facility rating is directly calculated, no particular distinction is made between the obligor rating and the facility rating.
	Usage of Various Estimated Values (Use Test)		Facility rating is derived and assigned based on Expected Loss (EL) calculated from the PD corresponding to the credit rating. EL using the foregoing PD is also applied to pricing. PDs are used for calculating and allocating Risk Capital. No specific pricing rule with PD/LGD Approach for Equity exposures.	In the rating system, a rating derived in accordance with the above is also used for credit assessment of a transaction.
	Management of Internal Rating System and Validation Procedures	Management of Internal Rating System	Portfolio and Risk Management Division (PRMD) of the Bank is in charge of designing the rating system and ratings are assigned by the Credit Rating Review Committee. PRMD is in charge of estimation and validation of parameters. Internal Audit Division (IAD) of the Bank audits all these processes.	Structured Risk Management Division (SRMD) of the Bank is in charge of the design/management of the rating system. SRMD and PRMD are jointly in charge of validation. IAD audits all these processes.
		Validation Procedures	**Quantitative Validation** Model ratings and final credit ratings are validated in a manner as multifaceted as possible using Shinsei Bank data, Showa Leasing data and external databases. 1) Back Testing: using historical data, credit ratings goodness of fit, and Accuracy Ratio (AR) by segments, such as industry and sales scale, are validated. 2) Benchmarking: Comparison between internal and external ratings and mapping analysis are performed for the obligors with external ratings. **Qualitative Validation** Examinations of the newly defaulting obligors and rating transition analyses are conducted, and operations of individual assessments are examined.	Quantitative Validation Back Testing: using historical data, verification on the default rate order by rating and accuracy of discrimination of default obligors are conducted. Qualitative Validation Examinations of the newly defaulting obligors and rating transition analyses are conducted.
Summary of Rating Assignment Procedures for Each Portfolio	Rating Assignment Procedures		The assigned rating is determined at the Credit Rating Review Committee through assessment by the business promotion section and the risk management group. Ratings are revised at least once a year.	SRMD is in charge of the assignment of internal ratings and mapping to the slotting criteria.
	Estimation of Parameters		PDs of corporate exposures are estimated by defining a default as any of the following: i) obligor categorization under self assessment falls to sub-standard (9B) or lower, ii) sale of claims at 30% economic loss, iii) amount of overdraft exceeds the maximum amount of the overdraft facility for 3 months. 1) Characterization of the Bank's internal data: Observation period is from end of March 2001, and population is obligors with loan exposures in (a) - (c). 2) Estimated PD data of the population that is treated as the corporate exposures at Showa Leasing (observation period: from end of March 2003). 3) For obligors at 3 rank or higher where track record of default is scarce, the PDs are estimated based on cumulative default rates from internal data, corporate bond spreads and data published by external rating agencies. 4) For Sovereign exposures, estimated PD for 0A and 1A is 0.00% and 0.01% respectively for required regulatory capital calculation purposes.	The mapping of internal ratings to the slotting criteria is as follows: i) Strong: 1AF - 4BF ii) Good: 4CF iii) Satisfactory: 5AF iv) Weak: 5BF - 6CF and 9A v) Default: 9B - 9E

QUALITATIVE DISCLOSURE (CONTINUED)

EXHIBIT

Type of Exposures			Shinsei Bank (Non-Consolidated)	Showa Leasing
			(f) Purchased Residential Mortgage Exposures (A portion is classified as Purchased Other Retail Exposures)	(g) Exposures to Corporate, etc.
Type of Internal Rating Approaches to be Used			Pool classification by portfolio and by delinquency status	Obligor rating based on a rating estimation model Facility rating based on an obligor rating/ expected loss
Summary of Internal Rating System	Structure of Internal Rating System	Summary of Rating System	These exposures are housing loans originated by lenders other than the Bank, and purchased as portfolios by the Bank. Pools are classified on a portfolio basis and delinquency basis. Business purpose loans collateralized by real estate to retail customers are classified as purchased other retail exposures or purchased corporate exposures.	An obligor rating system has been introduced that is identical to the system used at the Bank. Facility ratings based on EL for each transaction are established.
		Obligor Rating (Corporate) Facility Rating (Corporate) Pool Classification (Retail)	**Pool Classification** Normal, Delinquent and Default pools are established for each portfolio.	**Obligor Rating** Same as (a) (b) and (c). **Facility Rating** The facility rating is established based on the EL of each transaction by reflecting the characteristics of risk profile of a transaction as well as the risk profile of an obligor.
	Usage of Various Estimated Values (Use Test)		PDs and LGDs are used for calculating and allocating Risk Capital.	• The facility rating is assigned based on EL using PD corresponding to the credit rating. • EL using PD is also applied to pricing. • PDs are used for calculating and allocating Risk Capital.
	Management of Internal Rating System and Validation Procedures	Management of Internal Rating System	SRMD is in charge of rating system design and pool assignment. SRMD estimates/validates parameters with support by PRMD. IAD audits all these processes.	PRMD of the Bank and Credit Risk Management Section (CRMS) of the Company are jointly responsible for the design of the rating system, and CRMS of the Company is in charge of rating assignment. PRMD of the Bank is in charge of the final approval process of parameter estimation and validation. Audit Division (AD) of the Company and IAD of the Bank jointly audit all these processes.
		Validation Procedures	**PD** Binominal test, comparison with track record of defaults in other housing loan portfolios. **LGD** Validation if estimated LGDs remain within a certain confidence level, and comparison with the track record of loss rate in other housing portfolios.	Same as (a) (b) and (c).
Summary of Rating Assignment Procedures for Each Portfolio	Rating Assignment Procedures		SRMD is in charge of pool assignment.	CRMS of the Company is in charge of rating assignment.
	Estimation of Parameters		**Definition of Default** Any of the following: i) three month delinquency, ii) relaxation of terms and conditions, iii) legal bankruptcy, iv) payment in subrogation by guarantors, v) acceleration, vi) loan sales at 30% economic loss. **PD** PDs are estimated based on historical data of each purchased housing loan portfolio. Period before loan purchase is also included in data observation period. **LGD** LGDs are estimated based on historical data of each purchased housing loan portfolio. **EAD** EAD for on-balance sheet items is the outstanding balance of beneficiary interest in trust. EAD for off-balance sheet items is zero, since no undrawn amount exists.	Default is defined as any of the following: i) three month delinquency, ii) relaxation of terms and conditions, iii) legal bankruptcy, iv) sales of receivables at 30% economic loss, v) Special Supervision or lower in self assessment of assets. PD estimation process is same as (a) (b) and (c).

QUALITATIVE DISCLOSURE (CONTINUED)

EXHIBIT

Type of Exposures			Showa Leasing (h) Other Retail Exposures	APLUS FINANCIAL, APLUS, APLUS PERSONAL LOAN, and Zen-Nichi Shinpan (i) Residential Mortgage/Qualifying Revolving Retail/Other Retail Exposures
Type of Internal Rating Approaches to be Used			Pool classification based on a matrix of obligor and transaction attributes and delinquency	Pool classification based on a matrix of obligor and transaction attributes and delinquency
Summary of Internal Rating System	Structure of Internal Rating System	Summary of Rating System	Small-lot lease receivables to corporate obligors in the Company are managed on a pool basis, and are treated as "retail" exposures. A credit rating is assigned to each obligor based on such factors as whether equity of obligor is listed or not, size of annual income, length of business history, credit score assigned by a credit agency. In addition, classification by type of asset leased is also implemented.	Main portfolio of the Group (APLUS FINANCIAL (including APLUS and APLUS PERSONAL LOAN), and Zen-Nichi Shinpan) is installment credit receivable, classified as other retail exposures. Credit is also extended through credit/loan cards, part of which are classified as qualifying revolving retail exposures. The Group retains but no longer originates housing loans. R-rating is assigned to each exposure of APLUS. R-ratings are risk grades based on obligor attributes, borrowing behavior information provided by credit information agencies and transaction history with the Company. For installment credit receivables, pool classification is also determined by type of asset being financed. For card exposures, card type and card limit amount is employed as criteria of pool classification. In APLUS FINANCIAL, a holding company, and APLUS and APLUS PERSONAL LOAN, subsidiaries, risks are managed comprehensively by APLUS FINANCIAL, as well as in each company, and major Credit Risk Management Standards, pool classification and parameter estimates are shared by these 3 companies. In Zen-Nichi Shinpan, which started adopting Foundation IRB from the end of March 2010, pool classification is established by portfolio such as installment credit receivables and card exposures.
		Pool Classification (Retail)	Criteria for pool classification are i) credit rating, ii) type of asset leased, and iii) obligor classification including delinquency.	Key criteria for pool classification are as follows: i) Obligor attributes such as R-rating ii) Transaction attributes such as type of assets financed for installment credit receivables, or card limit amount for card exposures iii) Delinquency
	Usage of Various Estimated Values (Use Test)		PDs and LGDs are used for calculating and allocating Risk Capital. For pricing purposes, PDs and LGDs, which are derived assuming that defaulted exposures do not recover to non-default status, are utilized.	PDs, LGDs and Credit Conversion Factors (CCFs) are used for calculating and allocating Risk Capital.
	Management of Internal Rating System and Validation Procedures	Management of Internal Rating System	CRMS of the Company and PRMD of the Bank are jointly in charge of the rating system design. Business Divisions/Branches of the Company assign exposures to pools, and CRMSs confirm and oversee pool assignment. CRMS and PRMD of the Bank jointly estimate and validate parameters, based on data provided by the Company. AD of the Company and IAD of the Bank jointly audit all these processes.	CRMS of the Group and PRMD of the Bank are jointly in charge of the rating system design. Business Divisions/Branches of the Group assign exposures to pools, and CRMS confirms and oversees pool assignment. CRMS and PRMD of the Bank jointly estimate and validate parameters, based on data provided by the Group. Internal Audit Section of the Group and IAD of the Bank jointly audit all these processes.
		Validation Procedures	**PD** Binominal test and verification of PDs and ratings goodness of fit. **LGD** Validation if estimated LGDs are remaining within a certain confidence level. **Pool Classification** Validation by Accuracy Ratio (AR).	**PD** Binominal test and verification of PDs and ratings goodness of fit. **LGD** Validation if estimated LGDs are remaining within a certain confidence level. **Pool Classification** Validation by Accuracy Ratio (AR).
Summary of Rating Assignment Procedures for Each Portfolio	Rating Assignment Procedures		As part of the approval process, Business Divisions/Branches of the Company assign exposures to pools, and CRMSs of the Company confirm pool assignment and oversee and control overall pool assignment processes.	Business Divisions/Branches of the Group assign exposures based on guidance provided by CRMS of the Group, and CRMS confirms pool assignment and controls overall pool assignment processes.
	Estimation of Parameters		**Definition of Default** Any of the following: i) three month delinquency, ii) relaxation of terms and conditions, iii) legal bankruptcy, iv) sales of receivables at 30% economic loss, v) Special Supervision or lower in self assessment of assets. **PD** PDs are estimated on the Company's historical data. **LGD** LGDs are estimated on the Company's historical data. **EAD** EAD for on-balance sheet items is defined as outstanding balance in compliance with U.S. Financial Accounting Standards Board (FASB). EAD for off-balance sheet items is zero, since no undrawn amount exists. **Data Observation Period** From April 2002 (from April 2005 for PD).	**Definition of Default** Any of the following: i) three month delinquency, ii) relaxation of terms and conditions, iii) legal bankruptcy, iv) sales of claims at 30% economic loss. **PD** PDs are estimated using the Group's historical data. **LGD** LGDs are estimated using the Group's historical data. **EAD** EAD for on-balance sheet items is the outstanding amount of principal plus uncollected commissions/interest/guarantee fee. EAD for off-balance sheet items is calculated by committed line amount of card exposures multiplied by Credit Conversion Factors (CCFs). CCFs are estimated for each card type, using historical data of the Group. **Data Observation Period** From April 2001 for installment credit receivables and card exposures of APLUS.

QUALITATIVE DISCLOSURE (CONTINUED)

SHINSEI BANK CORPORATE OBLIGOR RATING SYSTEM

Obligor Rating Categories	Corresponding Rating Assigned by R & I	Summary
0A		1. Japanese Government, BOJ 2. Government-affiliated agencies, expected high certainty from strong backup by the Government.
1A	AAA	Highest capability to meet its financial commitments on the obligations and many other positive factors.
2A	AA+	Very high capability to meet its financial commitment on the obligation and other positive factors.
2B	AA	
2C	AA-	
3A	A+	High capability to meet its financial commitments on the obligations and some good factors.
3B	A	
3C	A-	
4A	BBB+	There is adequate certainty of the fulfillment of obligations, but there are also some factors requiring attention in the event of serious adverse economic conditions in the future.
4B	BBB	
4C	BBB-	
5A	BB+	No problem regarding the certainty of the fulfillment of obligations for the time being, but some factors need to be closely watched in the event of adverse economic conditions in the future.
5B	BB	
5C	BB-	
6A	B+	No problem regarding the certainty of the fulfillment of obligations in the present situation, but special supervision is needed to monitor the trends in business performance and the protection of credit exposure.
6B	B	
6C	B-	
9A		Classified as "Other Need Caution" at the self-assessment
9B		Classified as "Sub-Standard" at the self-assessment
9C		Classified as "Possibly Bankrupt" at the self-assessment
9D		Classified as "Virtually Bankrupt" at the self-assessment
9E		Classified as "Bankrupt" at the self-assessment

Financial Highlights
Message from the Management
Special Feature
Review of Operations
Management Structure
Data Section
Basel II Pillar III (Market Discipline) Disclosure

QUANTITATIVE DISCLOSURE

1. NAMES OF UNCONSOLIDATED SUBSIDIARIES WITH LOWER LEVEL OF CAPITAL THAN REQUIRED LEVEL OF ADEQUACY CAPITAL AND AMOUNT OF SHORTAGE

Most of the 80 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 101 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			
	2012		2011	
As of March 31	**Required capital amount (Consolidated)**	**Required capital amount (Non-consolidated)**	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
Shinsei housing loans	**¥ 29,861**	**¥ 29,861**	¥ 28,520	¥ 28,520
Shinsei bank card loans Lake	**1,060**	**1,060**		
Subsidiaries of Showa Leasing	**1,926**	**—**	924	—
Shinsei Financial Group[1]	**25,475**	**—**	33,441	—
Other subsidiaries	**4,456**	**—**	3,953	—

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

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

	Millions of yen			
	2012		2011	
As of March 31	**Required capital amount (Consolidated)**	**Required capital amount (Non-consolidated)**	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
Corporate (Excluding Specialized Lending)[1]	**¥ 202,681**	**¥ 197,072**	¥ 190,554	¥ 197,125
Specialized Lending[2]	**193,899**	**192,271**	230,668	229,566
Sovereign	**5,906**	**5,874**	7,692	7,661
Bank	**20,799**	**19,854**	20,228	17,800
Residential mortgages	**2,507**	**—**	3,163	—
Qualified revolving retails	**50,604**	**—**	58,951	—
Other retails	**149,821**	**—**	150,820	2,149
Equity	**12,600**	**137,855**	28,282	153,993
Regarded (Fund)	**25,253**	**19,040**	25,478	18,744
Securitization[3]	**58,548**	**65,879**	52,754	56,611
(Unrated securitization exposure)	**(40,592)**	**(40,592)**	(31,567)	(31,539)
Purchase receivables	**56,956**	**56,956**	71,033	71,033
Other assets	**6,946**	**2,889**	6,728	2,719
Total	**¥ 786,525**	**¥ 697,695**	¥ 846,355	¥ 757,406

Notes: (1) "Corporate" includes "Small and Medium-sized Entities."
(2) "Specialized Lending" refers to a claim whose source of recovery is solely dependent on the cash flow generated from a transaction such as a real estate non-recourse loan.
(3) "Securitization" includes a part of amounts based on the Standardized Approach.

QUANTITATIVE DISCLOSURE (CONTINUED)

AMOUNT OF REQUIRED CAPITAL FOR EQUITY EXPOSURE UNDER IRB

Millions of yen

As of March 31	2012 Required capital amount (Consolidated)	2012 Required capital amount (Non-consolidated)	2011 Required capital amount (Consolidated)	2011 Required capital amount (Non-consolidated)
Market-Based Approach				
Simplified Method	**¥ 3,384**	**¥ 6,437**	¥ 16,767	¥ 19,863
PD/LGD Method	**8,690**	**130,004**	10,883	132,648
Grandfathering Rule	**525**	**1,413**	631	1,482
Total	**¥ 12,600**	**¥ 137,855**	¥ 28,282	¥ 153,993

AMOUNT OF REQUIRED CAPITAL FOR REGARDED-METHOD EXPOSURE UNDER IRB

Millions of yen

As of March 31	2012 Required capital amount (Consolidated)	2012 Required capital amount (Non-consolidated)	2011 Required capital amount (Consolidated)	2011 Required capital amount (Non-consolidated)
Look Through	**¥ 2,006**	**¥ 2,006**	¥ 2,599	¥ 2,599
Revised Naivete Majority	**17,891**	**10,550**	21,208	13,298
Simplified [400%]	**840**	**1,982**	1,257	2,447
Simplified [1,250%]	**4,513**	**4,501**	412	398
Total	**¥ 25,253**	**¥ 19,040**	¥ 25,478	¥ 18,744

AMOUNT OF REQUIRED CAPITAL FOR MARKET RISK

Millions of yen

As of March 31	2012 Required capital amount (Consolidated)	2012 Required capital amount (Non-consolidated)	2011 Required capital amount (Consolidated)	2011 Required capital amount (Non-consolidated)
The Standardized Approach (Specific Risk)	**¥ 3,317**	**¥ 2,941**	¥ 5,308	¥ 4,819
Interest rate risk	**2,083**	**1,796**	4,097	3,667
Equity position risk	**61**	**61**	12	12
FX risk	**1,172**	**1,083**	1,199	1,139
Securitization risk	**84**	**—**		
The Standardized Approach (General Market Risk)	**—**	**—**	—	—
The Internal Models Approach (IMA) (General Market Risk)	**18,108**	**17,699**	8,298	8,134

AMOUNT OF REQUIRED CAPITAL FOR OPERATIONAL RISK

Millions of yen

As of March 31	2012 Required capital amount (Consolidated)	2012 Required capital amount (Non-consolidated)	2011 Required capital amount (Consolidated)	2011 Required capital amount (Non-consolidated)
The Standardized Approach	**¥ 31,001**	**¥ 12,202**	¥ 37,271	¥ 11,543

TOTAL CAPITAL ADEQUACY RATIO AND TIER I CAPITAL RATIO

As of March 31	2012 Consolidated	2012 Non-consolidated	2011 Consolidated	2011 Non-consolidated
Total capital adequacy ratio	**10.27%**	**13.10%**	9.76%	12.55%
Tier I capital ratio	**8.80%**	**11.18%**	7.76%	10.13%

TOTAL REQUIRED CAPITAL (DOMESTIC CRITERIA)

Millions of yen

As of March 31	2012 Consolidated	2012 Non-consolidated	2011 Consolidated	2011 Non-consolidated
Total required capital	**¥ 440,381**	**¥ 352,517**	¥ 469,748	¥ 373,010
Total risk assets x 4%	**¥ 244,100**	**¥ 236,945**	¥ 266,150	¥ 253,551

QUANTITATIVE DISCLOSURE (CONTINUED)

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

AMOUNT OF CREDIT RISK EXPOSURE

Geographic, Industries or Maturity (Consolidated)

Millions of yen

	2012				2011			
	Total	**Amount of Credit Risk Exposure**			Total	Amount of Credit Risk Exposure		
As of March 31		**Loans,etc.[1]**	**Securities[2]**	**Derivatives[3]**		Loans,etc.[1]	Securities[2]	Derivatives[3]
Manufacturing	**¥ 381,040**	**¥ 377,123**	**¥ 0**	**¥ 3,916**	¥ 368,397	¥ 363,838	¥ 0	¥ 3,935
Agriculture	**896**	**896**	**—**	**—**	2,660	2,660	—	—
Mining	**867**	**867**	**—**	**—**	1,177	1,177	—	—
Construction	**39,290**	**39,251**	**36**	**2**	29,812	29,776	36	—
Electric power, gas, water supply	**56,635**	**56,508**	**32**	**93**	38,586	38,501	34	53
Information and communication	**44,332**	**44,313**	**—**	**18**	25,448	25,436	—	—
Transportation	**265,951**	**245,798**	**3,201**	**16,951**	313,475	278,930	12,163	20,057
Wholesale and retail	**154,523**	**153,393**	**636**	**492**	169,934	169,447	—	417
Finance and insurance	**1,168,231**	**1,083,199**	**31,651**	**53,381**	1,019,520	921,889	50,031	32,576
Real estate	**824,828**	**592,350**	**231,583**	**894**	877,228	589,890	285,283	3,633
Services	**447,765**	**438,989**	**6,825**	**1,950**	480,102	454,273	23,426	3,633
Government	**1,405,929**	**118,978**	**1,286,948**	**1**	2,602,338	137,946	2,464,391	—
Individuals	**2,396,210**	**2,395,842**	**—**	**368**	2,472,049	2,471,428	—	602
Others	**14,053**	**9,125**	**4,927**	**—**	1,995	1,686	309	—
Domestic Total	**7,200,556**	**5,556,638**	**1,565,844**	**78,072**	8,402,726	5,486,881	2,835,677	64,909
Foreign	**676,910**	**334,497**	**135,915**	**206,497**	846,800	292,007	267,515	298,335
Consolidated Total	**¥ 7,877,466**	**¥ 5,891,136**	**¥ 1,701,760**	**¥ 284,569**	¥ 9,249,527	¥ 5,778,889	¥ 3,103,193	¥ 363,245
To 1 year	**1,945,261**	**1,300,580**	**575,599**	**69,081**	2,663,957	1,386,421	1,195,505	67,921
1 to 3 years	**2,102,315**	**1,397,602**	**595,452**	**109,259**	2,834,531	1,423,290	1,244,897	153,902
3 to 5 years	**1,634,789**	**1,254,768**	**330,965**	**49,055**	1,719,458	1,163,444	496,538	64,117
Over 5 years	**1,637,460**	**1,381,687**	**198,599**	**57,173**	1,385,453	1,161,638	164,219	77,303
Undated	**557,640**	**556,497**	**1,143**	**—**	646,125	644,094	2,031	—
Consolidated Total	**¥ 7,877,466**	**¥ 5,891,136**	**¥ 1,701,760**	**¥ 284,569**	¥ 9,249,527	¥ 5,778,889	¥ 3,103,193	¥ 363,245

Geographic, Industries or Maturity (Non-consolidated)

Millions of yen

	2012				2011			
	Total	**Amount of Credit Risk Exposure**			Total	Amount of Credit Risk Exposure		
As of March 31		**Loans,etc.[1]**	**Securities[2]**	**Derivatives[3]**		Loans,etc.[1]	Securities[2]	Derivatives[3]
Manufacturing	**¥ 315,388**	**¥ 311,471**	**¥ 0**	**¥ 3,916**	¥ 296,962	¥ 292,403	¥ 0	¥ 4,559
Agriculture	**298**	**298**	**—**	**—**	2,200	2,200	—	—
Mining	**488**	**488**	**—**	**—**	732	732	—	—
Construction	**12,423**	**12,420**	**—**	**2**	8,331	8,331	—	—
Electric power, gas, water supply	**56,465**	**56,338**	**32**	**93**	38,417	38,332	34	51
Information and communication	**27,988**	**27,969**	**—**	**18**	16,292	16,280	—	12
Transportation	**249,689**	**229,536**	**3,201**	**16,951**	290,863	256,319	12,163	22,380
Wholesale and retail	**90,827**	**89,698**	**636**	**492**	107,026	106,539	—	487
Finance and insurance	**1,451,940**	**1,366,006**	**51,573**	**34,360**	1,376,049	1,272,653	75,717	27,678
Real estate	**839,211**	**606,733**	**231,583**	**894**	856,237	568,899	285,283	2,054
Services	**391,030**	**382,139**	**6,932**	**1,958**	424,131	398,361	23,296	2,473
Government	**1,393,381**	**106,466**	**1,286,913**	**1**	2,592,713	128,357	2,464,356	—
Individuals	**835,246**	**834,878**	**—**	**368**	780,567	779,945	—	621
Others	**—**	**—**	**—**	**—**	—	—	—	—
Domestic Total	**5,664,378**	**4,024,444**	**1,580,874**	**59,059**	6,790,526	3,869,355	2,860,851	60,318
Foreign	**664,919**	**307,872**	**150,308**	**206,739**	855,040	283,730	283,129	288,180
Bank Total	**¥ 6,329,298**	**¥ 4,332,316**	**¥ 1,731,182**	**¥ 265,798**	¥ 7,645,567	¥ 4,153,086	¥ 3,143,981	¥ 348,499
To 1 year	**2,027,823**	**1,388,838**	**575,835**	**63,149**	2,748,237	1,460,375	1,205,469	82,392
1 to 3 years	**1,611,605**	**917,059**	**595,417**	**99,129**	2,312,962	916,305	1,244,897	151,759
3 to 5 years	**1,265,482**	**892,215**	**325,908**	**47,358**	1,307,637	755,317	496,538	55,781
Over 5 years	**1,333,098**	**1,063,944**	**212,992**	**56,162**	1,164,037	925,638	179,832	58,566
Undated	**91,288**	**70,259**	**21,029**	**—**	112,691	95,449	17,242	—
Bank Total	**¥ 6,329,298**	**¥ 4,332,316**	**¥ 1,731,182**	**¥ 265,798**	¥ 7,645,567	¥ 4,153,086	¥ 3,143,981	¥ 348,499

Notes: (1) Excluding purchased receivables
(2) Excluding equity exposures
(3) Credit equivalent amount basis

QUANTITATIVE DISCLOSURE (CONTINUED)

AMOUNT OF DEFAULT EXPOSURE BEFORE PARTIAL WRITE-OFF

Geographic, Industries

Millions of yen

As of March 31	2012 Default Exposure Consolidated	2012 Default Exposure Non-consolidated	2011 Default Exposure Consolidated	2011 Default Exposure Non-consolidated
Manufacturing	**¥ 17,784**	**¥ 12,524**	¥ 15,919	¥ 12,003
Agriculture	**38**	**—**	77	—
Mining	**—**	**—**	5	—
Construction	**2,144**	**11**	1,331	11
Electric power, gas, water supply	**—**	**—**	—	—
Information and communication	**33**	**—**	594	528
Transportation	**7,681**	**5,532**	1,473	—
Wholesale and retail	**851**	**—**	824	39
Finance and insurance	**77,641**	**77,566**	58,263	58,209
Real estate	**223,661**	**218,702**	244,869	236,210
Services	**30,788**	**28,336**	5,767	3,298
Government	**—**	**—**	—	—
Individuals	**149,550**	**5,744**	175,436	9,190
Others	**8,875**	**—**	1,040	—
Domestic Total	**519,051**	**348,419**	505,603	319,491
Foreign	**40,830**	**40,830**	70,716	72,854
Total	**¥ 559,882**	**¥ 389,250**	¥ 576,319	¥ 392,345

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

Consolidated

Millions of yen

As of March 31	2012 Start Amount	2012 Change Amount	2012 End Amount	2011 Start Amount	2011 Change Amount	2011 End Amount
General	**¥ 102,752**	**¥ (21,803)**	**¥ 80,949**	¥ 112,064	¥ (9,312)	¥ 102,752
Specific	**287,323**	**(21,648)**	**265,675**	282,080	5,243	287,323
Country	**12**	**(12)**	**0**	13	(1)	12
Total	**¥ 390,087**	**¥ (43,462)**	**¥ 346,625**	¥ 394,157	¥ (4,070)	¥ 390,087

Non-consolidated

Millions of yen

As of March 31	2012 Start Amount	2012 Change Amount	2012 End Amount	2011 Start Amount	2011 Change Amount	2011 End Amount
General	**¥ 48,379**	**¥ (8,752)**	**¥ 39,627**	¥ 50,677	¥ (2,298)	¥ 48,379
Specific	**156,764**	**(209)**	**156,555**	148,323	8,441	156,764
Country	**12**	**(12)**	**0**	13	(1)	12
Total	**¥ 205,156**	**¥ (8,973)**	**¥ 196,183**	¥ 199,013	¥ 6,143	¥ 205,156

Geographic (Consolidated)

Millions of yen

As of March 31	2012 Total	2012 Reserve Amount General	2012 Reserve Amount Specific	2012 Reserve Amount Country	2011 Total	2011 Reserve Amount General	2011 Reserve Amount Specific	2011 Reserve Amount Country
Domestic	**¥ 313,108**	**¥ 75,880**	**¥ 237,228**	**¥ —**	¥ 344,447	¥ 97,294	¥ 247,153	¥ —
Foreign	**33,516**	**5,069**	**28,447**	**0**	45,640	5,457	40,170	12
Total	**¥ 346,625**	**¥ 80,949**	**¥ 265,675**	**¥ 0**	¥ 390,087	¥ 102,752	¥ 287,323	¥ 12

QUANTITATIVE DISCLOSURE (CONTINUED)

Geographic (Non-consolidated)

Millions of yen

As of March 31	2012 Total	2012 Reserve Amount General	2012 Reserve Amount Specific	2012 Reserve Amount Country	2011 Total	2011 Reserve Amount General	2011 Reserve Amount Specific	2011 Reserve Amount Country
Domestic	**¥ 163,748**	**¥ 35,289**	**¥ 128,458**	**¥ —**	¥ 159,896	¥ 43,302	¥ 116,593	¥ —
Foreign	**32,434**	**4,337**	**28,096**	**0**	45,259	5,077	40,170	12
Total	**¥ 196,183**	**¥ 39,627**	**¥ 156,555**	**¥ 0**	¥ 205,156	¥ 48,379	¥ 156,764	¥ 12

Industries

Millions of yen

As of March 31	2012 Reserve Amount Consolidated	2012 Reserve Amount Non-consolidated	2011 Reserve Amount Consolidated	2011 Reserve Amount Non-consolidated
Manufacturing	**¥ 19,937**	**¥ 14,320**	¥ 16,932	¥ 10,335
Agriculture	**41**	**—**	128	47
Mining	**23**	**14**	105	19
Construction	**1,925**	**41**	1,823	126
Electric power, gas, water supply	**107**	**106**	135	133
Information and communication	**1,543**	**285**	2,016	316
Transportation	**1,912**	**1,548**	3,205	2,334
Wholesale and retail	**2,780**	**839**	5,158	2,078
Finance and insurance	**29,325**	**32,487**	24,931	27,402
Real estate	**83,072**	**85,875**	83,954	79,422
Services	**26,286**	**19,326**	17,622	8,861
Government	**95**	**—**	87	—
Individuals	**134,961**	**4,975**	164,357	7,582
Others	**4,511**	**3,927**	21,859	21,234
Foreign	**33,516**	**32,434**	45,640	45,259
Non-classified	**6,585**	**—**	2,129	—
Total	**¥ 346,625**	**¥ 196,183**	¥ 390,087	¥ 205,156

AMOUNT OF WRITE-OFFS

Industries

Millions of yen

	FY2011 Amount of write-off Consolidated	FY2011 Amount of write-off Non-consolidated	FY2010 Amount of write-off Consolidated	FY2010 Amount of write-off Non-consolidated
Manufacturing	**¥ 570**	**¥ —**	¥ 565	¥ 107
Agriculture	**17**	**—**	—	—
Mining	**—**	**—**	0	—
Construction	**135**	**—**	103	—
Electric power, gas, water supply	**—**	**—**	—	—
Information and communication	**81**	**—**	170	—
Transportation	**143**	**—**	4,413	4,380
Wholesale and retail	**621**	**28**	225	—
Finance and insurance	**3,950**	**3,950**	1,981	1,981
Real estate	**4,726**	**4,645**	4,348	4,325
Services	**722**	**—**	662	116
Government	**—**	**—**	—	—
Individuals	**54,481**	**58**	91,638	2,346
Others	**0**	**—**	—	—
Foreign	**5,275**	**5,275**	—	—
Non-classified	**—**	**—**	—	—
Total	**¥ 70,726**	**¥ 13,958**	¥ 104,110	¥ 13,259

QUANTITATIVE DISCLOSURE (CONTINUED)

AMOUNT OF EXPOSURES UNDER SA (AFTER CREDIT RISK MITIGATION)

Millions of yen

As of March 31	2012 Consolidated Rated	2012 Consolidated Unrated	2012 Non—consolidated Rated	2012 Non—consolidated Unrated	2011 Consolidated Rated	2011 Consolidated Unrated	2011 Non—consolidated Rated	2011 Non—consolidated Unrated
0%	¥ 69	¥ 2,027	¥ —	¥ —	¥ 122	¥ 8,666	¥ —	¥ —
10%	—	—	—	—	—	—	—	—
20%	127,445	0	—	—	73,808	0	—	—
35%	—	634,533	—	634,533	—	575,243	—	570,486
50%	464	8,331	—	1,214	875	12,770	—	2,270
75%	—	593,394	—	215,055	—	674,259	—	200,408
100%	210	84,195	—	1,750	129	99,285	—	3,560
150%	0	2,218	—	526	—	4,978	—	1,223
350%	—	—	—	—	—	—	—	—
Capital Deduction	—	—	—	—	—	—	—	—
Total	¥ 128,190	¥ 1,324,700	¥ —	¥ 853,080	¥ 74,936	¥ 1,375,204	¥ —	¥ 777,949

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

(1) Specialized lending excluding high—volatility commercial real estate

Millions of yen

As of March 31	2012		2011	
	Amount of Exposure		Amount of Exposure	
Risk weight ratio	Consolidated	Non-consolidated	Consolidated	Non-consolidated
50%	¥ 20,921	¥ 20,921	¥ 22,451	¥ 22,451
70%	55,596	53,525	61,945	59,698
90%	49,703	49,703	13,490	13,490
115%	81,629	81,629	27,819	27,819
250%	148,516	145,219	259,675	256,389
0% (Default)	153,493	152,425	145,190	145,190
Total	¥ 509,860	¥ 503,424	¥ 530,572	¥ 525,040

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

Millions of yen

As of March 31	2012		2011	
	Amount of Exposure		Amount of Exposure	
Risk weight ratio	Consolidated	Non-consolidated	Consolidated	Non-consolidated
70%	¥ 3,657	¥ 3,657	¥ 461	¥ 461
95%	13,520	13,520	11,001	11,001
120%	—	—	—	—
140%	—	—	13,380	13,380
250%	62,845	62,845	68,644	68,644
0% (Default)	70,425	70,425	99,548	99,548
Total	¥ 150,449	¥ 150,449	¥ 193,037	¥ 193,037

(3) Equity exposure under Market-Based Simplified Method

Millions of yen

As of March 31	2012		2011	
Risk weight ratio	Amount Consolidated	Amount Non-consolidated	Amount Consolidated	Amount Non-consolidated
300%	¥ 6,973	¥ 6,919	¥ 583	¥ 421
400%	4,746	13,789	48,994	58,243
Total	¥ 11,720	¥ 20,708	¥ 49,577	¥ 58,664

QUANTITATIVE DISCLOSURE (CONTINUED)

PORTFOLIOS UNDER IRB EXCLUDING THE AMOUNT OF EXPOSURES UNDER SA (AFTER CREDIT RISK MITIGATION)

(1) Estimated average PD, LGD, Risk Weight Ratio and Exposure at Default (EAD) (on-balance and off-balance) for Corporate, Sovereign and Bank exposure

Corporate (Consolidated)

Millions of yen (except percentages)

As of March 31	2012					2011				
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%**	**21.69%**	**¥ 14,155**	**¥ —**	0.03%	45.00%	23.86%	¥ 15,839	¥ —
1	**0.03%**	**45.00%**	**11.81%**	**35,742**	**34,800**	0.03%	45.00%	14.28%	33,707	26,175
2	**0.06%**	**44.53%**	**23.48%**	**94,959**	**42,059**	0.05%	44.39%	18.49%	118,787	39,577
3	**0.12%**	**44.97%**	**32.15%**	**533,944**	**88,246**	0.14%	44.93%	35.33%	486,233	38,983
4	**0.36%**	**44.88%**	**54.58%**	**472,451**	**54,894**	0.41%	44.89%	57.06%	501,949	67,228
5	**1.09%**	**44.39%**	**86.19%**	**265,476**	**21,562**	1.30%	44.16%	89.91%	157,733	19,055
6	**3.11%**	**43.87%**	**116.58%**	**169,693**	**22,537**	3.06%	41.79%	112.46%	131,104	20,385
9A	**10.77%**	**45.24%**	**199.96%**	**243,103**	**31,596**	11.46%	45.72%	208.63%	290,041	22,516
Default	**100.00%**	**46.07%**	**—**	**113,021**	**753**	100.00%	46.75%	—	81,501	3,594

Sovereign (Consolidated)

Millions of yen (except percentages)

As of March 31	2012					2011				
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%**	**—**	**¥ 1,717,876**	**¥ 16**	0.00%	45.00%	—	¥ 3,009,792	¥ —
1	**0.01%**	**45.00%**	**3.80%**	**—**	**32**	0.01%	45.00%	7.28%	128,480	33
2	**0.07%**	**45.00%**	**23.67%**	**163,380**	**4,459**	0.06%	45.00%	25.69%	143,985	882
3	**0.10%**	**44.95%**	**36.91%**	**69,735**	**1,212**	0.10%	44.97%	35.66%	109,709	1,784
4	**0.32%**	**52.98%**	**82.68%**	**2,939**	**34**	0.36%	45.00%	71.78%	3,976	37
5	**0.76%**	**45.00%**	**84.81%**	**—**	**178**	0.89%	45.00%	119.91%	1	—
6	**3.84%**	**45.00%**	**119.62%**	**0**	**—**	—	—	—	—	—
9A	**10.77%**	**45.00%**	**227.11%**	**0**	**—**	11.46%	45.00%	185.74%	12	—
Default	**100.00%**	**45.00%**	**—**	**15**	**—**	100.00%	45.00%	—	50	—

Bank (Consolidated)

Millions of yen (except percentages)

As of March 31	2012					2011				
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%**	**11.78%**	**¥ 13,106**	**¥ —**	0.03%	45.00%	15.87%	¥ 36,076	¥ 15
1	**0.03%**	**45.00%**	**25.88%**	**18**	**—**	0.03%	45.00%	7.64%	5,873	0
2	**0.07%**	**45.48%**	**23.48%**	**68,146**	**120,227**	0.06%	45.19%	21.45%	101,950	181,510
3	**0.12%**	**45.41%**	**29.86%**	**305,035**	**100,451**	0.13%	45.55%	28.96%	173,223	108,795
4	**0.44%**	**45.00%**	**66.08%**	**9,588**	**22,720**	0.52%	45.00%	67.63%	27,498	27,703
5	**0.87%**	**45.00%**	**74.11%**	**33,461**	**1,427**	0.93%	45.00%	78.17%	20,806	1,622
6	**3.69%**	**45.00%**	**165.20%**	**10,090**	**574**	3.49%	45.00%	161.46%	9,764	56
9A	**10.77%**	**45.02%**	**186.51%**	**1,979**	**232**	11.46%	45.01%	199.26%	3,658	891
Default	**100.00%**	**45.00%**	**—**	**83**	**—**	—	—	—	—	—

Corporate (Non-consolidated)

Millions of yen (except percentages)

As of March 31	2012					2011				
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%**	**21.69%**	**¥ 14,155**	**¥ —**	0.03%	45.00%	23.95%	¥ 15,726	¥ —
1	**0.03%**	**45.00%**	**11.82%**	**35,692**	**34,800**	0.03%	45.00%	14.29%	33,525	26,175
2	**0.06%**	**44.57%**	**24.83%**	**108,121**	**42,059**	0.05%	44.39%	19.19%	118,783	39,577
3	**0.12%**	**44.97%**	**32.08%**	**515,590**	**88,246**	0.14%	44.92%	35.10%	465,335	38,983
4	**0.38%**	**44.92%**	**53.43%**	**671,473**	**55,570**	0.45%	44.92%	55.81%	763,769	68,486
5	**1.09%**	**44.21%**	**85.75%**	**202,390**	**21,412**	1.30%	43.80%	90.50%	104,445	18,955
6	**2.87%**	**44.09%**	**108.37%**	**218,182**	**22,432**	2.77%	42.44%	106.49%	165,125	24,666
9A	**10.77%**	**45.28%**	**201.31%**	**204,790**	**31,618**	11.46%	45.74%	205.79%	280,627	22,516
Default	**100.00%**	**46.18%**	**—**	**101,696**	**1,353**	100.00%	46.80%	—	79,194	3,594

QUANTITATIVE DISCLOSURE (CONTINUED)

Sovereign (Non-consolidated)

Millions of yen (except percentages)

As of March 31	2012					2011				
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%	—	¥ 1,706,167	¥ 16	0.00%	45.00%	—	¥ 3,000,670	¥ —
1	0.01%	45.00%	3.80%	—	32	0.01%	45.00%	7.28%	128,480	33
2	0.07%	45.00%	23.91%	160,180	4,459	0.06%	45.00%	25.94%	141,176	882
3	0.10%	44.95%	36.91%	69,733	1,212	0.10%	44.97%	35.66%	109,709	1,784
4	0.32%	52.98%	82.68%	2,939	34	0.36%	45.00%	71.78%	3,976	37
5	0.76%	45.00%	84.81%	—	178	0.89%	45.00%	119.91%	1	—
6	—	—	—	—	—	—	—	—	—	—
9A	10.77%	45.00%	227.11%	0	—	11.46%	45.00%	185.74%	12	—
Default	100.00%	45.00%	—	15	—	100.00%	45.00%	—	50	—

Bank (Non-consolidated)

Millions of yen (except percentages)

As of March 31	2012					2011				
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%	13.98%	¥ 8,596	¥ —	0.03%	45.00%	17.03%	¥ 31,678	¥ 15
1	0.03%	45.00%	25.88%	18	—	0.03%	45.00%	7.64%	5,873	0
2	0.07%	45.48%	23.53%	66,416	120,227	0.06%	45.19%	21.50%	99,473	181,510
3	0.12%	45.46%	31.03%	260,755	100,432	0.12%	45.78%	30.84%	89,040	108,716
4	0.41%	45.00%	59.96%	14,293	30,604	0.50%	45.00%	65.42%	25,760	37,269
5	0.85%	45.00%	74.03%	30,954	1,427	0.92%	45.00%	78.12%	19,817	1,622
6	3.71%	45.00%	166.70%	9,797	574	3.57%	45.00%	165.47%	9,157	56
9A	10.77%	45.17%	221.40%	59	232	11.46%	45.05%	223.57%	80	891
Default	100.00%	45.00%	—	83	—	—	—	—	—	—

Note: LGD after credit risk mitigation

(2) Estimated average PD, risk weight ratio and amount of exposure for equity exposure under PD/LGD method

(Consolidated)

Millions of yen (except percentages)

As of March 31	2012				2011			
Credit rating	PD	LGD	Risk Weight	Amount	PD	LGD	Risk Weight	Amount
0	0.00%	90.00%	—	¥ 1	0.00%	90.00%	—	¥ 9
1	—	—	—	—	—	—	—	—
2	0.07%	90.00%	200.02%	4,781	0.06%	90.00%	200.02%	4,136
3	0.15%	90.00%	200.52%	2,290	0.17%	90.00%	200.33%	2,245
4	0.41%	90.00%	263.64%	2,564	0.54%	90.00%	288.23%	3,026
5	0.94%	90.00%	294.61%	2,448	1.39%	90.00%	374.44%	6,345
6	2.85%	90.00%	343.90%	665	2.28%	90.00%	452.06%	50
9A	10.77%	90.00%	651.78%	8,457	11.46%	90.00%	581.24%	12,033
Default	100.00%	90.00%	—	701	100.00%	90.00%	—	19

(Non-consolidated)

Millions of yen (except percentages)

As of March 31	2012				2011			
Credit rating	PD	LGD	Risk Weight	Amount	PD	LGD	Risk Weight	Amount
0	0.00%	90.00%	—	¥ 1	0.00%	90.00%	—	¥ 9
1	—	—	—	—	—	—	—	—
2	0.07%	90.00%	200.02%	4,781	0.06%	90.00%	200.02%	4,136
3	0.15%	90.00%	200.00%	2,279	0.17%	90.00%	200.00%	2,237
4	0.38%	90.00%	299.76%	382,645	0.50%	90.00%	302.56%	382,864
5	0.95%	90.00%	294.08%	2,227	1.39%	90.00%	374.94%	6,303
6	3.73%	90.00%	337.47%	5,814	2.28%	90.00%	452.06%	50
9A	10.77%	90.00%	678.72%	38,151	11.46%	90.00%	658.96%	45,087
Default	100.00%	90.00%	—	3,827	100.00%	90.00%	—	987

QUANTITATIVE DISCLOSURE (CONTINUED)

(3) Estimated average PD, LGD, risk weight ratio, Exposure at Default (EAD) (on- and off-balance), amount of undrawn commitments and estimated average Credit Conversion Factors (CCF) of undrawn commitments for residential mortgage exposure, qualified revolving retail exposure and other retail exposure

(Consolidated)

Residential mortgage exposure

Millions of yen (except percentages)

As of March 31	2012							2011						
						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	1.57%	69.29%	104.68%	¥ 10,723	¥ 9,393	¥ —	—	1.42%	72.55%	103.13%	¥ 13,045	¥ 10,415	¥ —	—
Need caution	78.59%	52.40%	130.09%	3	168	—	—	79.01%	51.70%	126.03%	6	333	—	—
Default	100.00%	67.49%	—	500	145	—	—	100.00%	62.67%	—	970	180	—	—

Qualified revolving retail exposure

Millions of yen (except percentages)

As of March 31	2012							2011						
						Undrawn Commitments							Undrawn Commitments	
Pool	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	Amount	CCF	PD	LGD	Risk Weight	EAD (on-balance)	EAD (off-balance)	Amount	CCF
Normal	4.21%	85.61%	83.17%	¥ 108,451	¥ 20,193	¥ 2,192,205	0.92%	4.93%	85.67%	93.21%	¥ 117,233	¥ 22,540	¥ 2,729,828	0.83%
Need caution	71.48%	84.95%	182.68%	2,151	—	—	—	74.94%	87.36%	170.65%	3,984	—	—	—
Default	100.00%	84.68%	—	41,706	—	—	—	100.00%	85.63%	—	45,285	—	—	—

Other retail exposure

Millions of yen (except percentages)

As of March 31	2012							2011						
						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	2.56%	61.70%	75.98%	¥ 320,388	¥ 705,974	¥ 179,702	1.26%	2.64%	62.03%	76.94%	¥ 317,737	¥ 89,839	¥ 196,217	1.44%
Need caution	79.87%	60.03%	88.85%	7,222	2,785	—	—	82.04%	59.28%	79.50%	9,300	4,207	—	—
Default	100.00%	59.42%	—	102,848	590	—	—	100.00%	57.90%	—	103,806	665	—	—

(Non-Consolidated)

Other retail exposure

Millions of yen (except percentages)

As of March 31	2012							2011						
						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	There is no exposure as of March 31, 2012. A tie-up loan with APLUS Co., Ltd., which was the target exposure as of March 31, 2011, had been transferred to one of the Bank's consolidated subsidiaries.							3.45%	63.22%	87.16%	¥ 21,089	¥ —	¥ —	—
Need caution								76.84%	63.46%	105.33%	173	—	—	—
Default								100.00%	63.37%	—	47	—	—	—

Note: LGD is shown after credit risk mitigation.

QUANTITATIVE DISCLOSURE (CONTINUED)

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

	Millions of yen		
	FY2011	FY2010	FY2009
Results of actual losses (a)	**¥ 17,113**	¥ 17,233	¥ 8,570
Expected losses (b)	**18,734**	20,830	14,953
Differences ((b) - (a))	**1,621**	3,597	6,383

The above matrix shows the results of default (downgrade below substandard) losses (increase of reserve, write-offs and loss on sale) for the fiscal years 2009, 2010 and 2011 for the Bank's non-default corporate exposure at the start of the fiscal year, with expected losses calculated using estimated PD at the end of March 2012.

5. CREDIT RISK MITIGATION (CRM)

COVERED AMOUNT OF CRM BY COLLATERAL

FIRB

	Millions of yen			
	2012		2011	
As of March 31	**Eligible financial collateral**	**Other eligible FIRB collateral**	Eligible financial collateral	Other eligible FIRB collateral
Corporate	**¥ 7,253**	**¥ 153,196**	¥ 13,833	¥ 144,062
Sovereign	**—**	**—**	—	53
Bank	**—**	**—**	—	—
Total	**¥ 7,253**	**¥ 153,196**	¥ 13,833	¥ 144,116

COVERED AMOUNT OF CRM BY GUARANTEE OR CREDIT DERIVATIVES

	Millions of yen			
	2012		2011	
As of March 31	**Consolidated**	**Non-consolidated**	Consolidated	Non-consolidated
SA Exposures	**¥ —**	**¥ —**	¥ —	¥ —
IRB Exposures	**148,890**	**148,890**	134,102	134,102
Corporate	**9,339**	**9,339**	15,769	15,769
Sovereign	**80,833**	**80,833**	65,955	65,955
Bank	**58,717**	**58,717**	52,377	52,377
Residential mortgages	**—**	**—**	—	—
Qualified revolving retail	**—**	**—**	—	—
Other retail	**—**	**—**	—	—

QUANTITATIVE DISCLOSURE (CONTINUED)

6. COUNTERPARTY CREDIT RISK OF DERIVATIVES

(1) Measurement of EAD
Current Exposure Method
(2) Total amount of gross positive fair value
Refer to below table
(3) EAD before CRM
Refer to below table
(4) Net of: (2) + amount of gross add-on - (3)
Refer to below table
(5) Amount covered collateral
Zero
(6) EAD after CRM
Refer to below table

Millions of yen

As of March 31	2012 Consolidated	2012 Non-consolidated	2011 Consolidated	2011 Non-consolidated
Total amount of gross positive fair value	**¥ 583,383**	**¥ 594,860**	¥ 591,492	¥ 599,668
Amount of gross add-on	**253,278**	**239,097**	319,274	305,772
EAD before CRM	**836,661**	**833,958**	910,767	905,440
FX-related	**277,499**	**277,727**	422,899	423,973
Interest-related	**248,152**	**248,658**	211,906	212,314
Equity-related	**64,684**	**62,423**	71,135	68,493
Commodity-related	**—**	**—**	—	—
Credit derivatives	**246,247**	**245,070**	204,747	200,579
Others	**78**	**78**	78	78
Amount of net	**544,609**	**560,677**	543,243	556,862
EAD after net	**292,051**	**273,280**	367,523	348,578
Amount covered collateral	**—**	**—**	—	—
EAD after CRM	**292,051**	**273,280**	367,523	348,578

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

Consolidated

Millions of yen

As of March 31	2012		2011	
Notional amount	**Protection-buy**	**Protection-sell**	Protection-buy	Protection-sell
Single name	**¥ 587,696**	**¥ 401,199**	¥ 955,195	¥ 537,335
Multi name	**208,511**	**107,419**	223,601	103,696

Non-consolidated

Millions of yen

As of March 31	2012		2011	
Notional amount	**Protection-buy**	**Protection-sell**	Protection-buy	Protection-sell
Single name	**¥ 341,955**	**¥ 467,131**	¥ 529,394	¥ 605,368
Multi name	**146,071**	**112,219**	160,161	108,496

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

Millions of yen

As of March 31	2012 Consolidated	2012 Non-consolidated	2011 Consolidated	2011 Non-consolidated
Notional amount	**¥ 3,717**	**¥ 3,717**	¥ 6,405	¥ 6,405

QUANTITATIVE DISCLOSURE (CONTINUED)

7. SECURITIZATION

SECURITIZATION EXPOSURE ORIGINATED BY THE BANK GROUP (CREDIT RISK)

(1) Amount of original assets

Securitization by transfer of assets

Consolidated

As of March 31	Millions of yen 2012	2011
Type of original assets	**Amount of original asset**	Amount of original asset
Residential mortgages	**¥ 276,110**	¥ 353,679
Consumer loans	**3,754**	13,178
Commercial real estate loans	**13,524**	21,733
Corporate loans	**34,009**	28,423
Others	**—**	25
Total	**¥ 327,397**	¥ 417,039

Non-consolidated

As of March 31	Millions of yen 2012	2011
Type of original assets	**Amount of original asset**	Amount of original asset
Residential mortgages	**¥ 276,110**	¥ 353,679
Consumer loans	**292,768**	358,771
Commercial real estate loans	**13,524**	21,733
Corporate loans	**34,009**	28,423
Others	**184,353**	218,834
Total	**¥ 800,765**	¥ 981,440

Note: Includes originally securitized assets originated by the Bank Group, even though the Bank Group had no exposure to these particular assets.

(2) Amount of default exposure including original assets

Securitization by transfer of assets

Consolidated

As of March 31	Millions of yen 2012	2011
Type of original assets	**Amount of Default**	Amount of Default
Residential mortgages	**¥ 5,118**	¥ 5,263
Consumer loans	**135**	125
Commercial real estate loans	**13,374**	21,583
Corporate loans	**26,909**	28,423
Others	**—**	—
Total	**¥ 45,536**	¥ 55,394

Non-consolidated

As of March 31	Millions of yen 2012	2011
Type of original assets	**Amount of Default**	Amount of Default
Residential mortgages	**¥ 5,118**	¥ 5,263
Consumer loans	**—**	—
Commercial real estate loans	**13,374**	21,583
Corporate loans	**26,909**	28,423
Others	**—**	—
Total	**¥ 45,401**	¥ 55,269

Note: Includes originally securitized assets originated by the Bank Group, even though the Bank Group had no exposure to these particular assets.

QUANTITATIVE DISCLOSURE (CONTINUED)

(3) Amount of assets held for securitization trade
None.

(4) Summary of current year's securitization activities
Originate ¥7.7 billion of Corporate loans.

(5) Amount of recognized gain/loss by original asset type during FY2012
None.

(6) Amount of securitization exposure the Bank Group has by type of original assets

Securitization by transfer of assets

Consolidated

Excluding Resecuritization

As of March 31	Millions of yen 2012	2011
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥ 88,038**	¥ 119,851
Consumer loans	**3,754**	13,178
Commercial real estate loans	**—**	—
Corporate loans	**25,185**	24,523
Others	**—**	—
Total	**¥ 116,977**	¥ 157,553

Resecuritization

As of March 31	Millions of yen 2012	2011
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥ 919**	
Consumer loans	**—**	
Commercial real estate loans	**—**	
Corporate loans	**—**	
Others	**—**	
Total	**¥ 919**	

Non-consolidated

Excluding Resecuritization

As of March 31	Millions of yen 2012	2011
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥ 88,038**	¥ 119,851
Consumer loans	**199,800**	177,700
Commercial real estate loans	**—**	—
Corporate loans	**25,185**	24,523
Others	**149,860**	180,845
Total	**¥ 462,884**	¥ 502,920

Resecuritization

As of March 31	Millions of yen 2012	2011
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥ 919**	
Consumer loans	**—**	
Commercial real estate loans	**—**	
Corporate loans	**—**	
Others	**—**	
Total	**¥ 919**	

QUANTITATIVE DISCLOSURE (CONTINUED)

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

Securitization by transfer of assets

Consolidated

Excluding Resecuritization

As of March 31	Millions of yen			
	2012		2011	
Band of risk weight ratio	**Amount**	**Required Capital amount**	Amount	Required Capital amount
To 12%	**¥ 19,667**	**¥ 116**	¥ 25,088	¥ 151
Over 12% to 20%	**76,228**	**1,219**	96,425	1,543
Over 20% to 50%	**—**	**—**	—	—
Over 50% to 75%	**—**	**—**	—	—
Over 75% to 100%	**12,987**	**1,037**	25,115	1,994
Over 100% to 250%	**7,943**	**1,103**	10,723	1,102
Over 250% to 425%	**—**	**—**	20	4
Over 425%	**151**	**99**	181	128
Total	**¥ 116,977**	**¥ 3,577**	¥157,553	¥ 4,925

Resecuritization

As of March 31	Millions of yen			
	2012		2011	
Band of risk weight ratio	**Amount**	**Required Capital amount**	Amount	Required Capital amount
To 30%	**¥ 526**	**¥ 13**		
Over 30% to 50%	**—**	**—**		
Over 50% to 100%	**392**	**21**		
Over 100% to 225%	**—**	**—**		
Over 225% to 500%	**—**	**—**		
Over 500%	**—**	**—**		
Total	**¥ 919**	**¥ 35**		

Non-consolidated

Excluding Resecuritization

As of March 31	Millions of yen			
	2012		2011	
Band of risk weight ratio	**Amount**	**Required Capital amount**	Amount	Required Capital amount
To 12%	**¥ 212,728**	**¥ 1,912**	¥ 321,033	¥ 2,901
Over 12% to 20%	**143,728**	**2,364**	102,725	1,650
Over 20% to 50%	**46,600**	**1,917**	50,900	2,158
Over 50% to 75%	**32,500**	**2,067**	5,400	343
Over 75% to 100%	**21,800**	**1,792**	22,862	1,828
Over 100% to 250%	**5,526**	**884**	—	—
Over 250% to 425%	**—**	**—**	—	—
Over 425%	**—**	**—**	—	—
Total	**¥ 462,884**	**¥ 10,937**	¥ 502,920	¥ 8,882

Resecuritization

As of March 31	Millions of yen			
	2012		2011	
Band of risk weight ratio	**Amount**	**Required Capital amount**	Amount	Required Capital amount
To 30%	**¥ 526**	**¥ 13**		
Over 30% to 50%	**—**	**—**		
Over 50% to 100%	**392**	**21**		
Over 100% to 225%	**—**	**—**		
Over 225% to 500%	**—**	**—**		
Over 500%	**—**	**—**		
Total	**¥ 919**	**¥ 35**		

Financial Highlights
Message from the Management
Special Feature
Review of Operations
Management Structure
Data Section
Basel II Pillar III (Market Discipline) Disclosure

QUANTITATIVE DISCLOSURE (CONTINUED)

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

	Millions of yen			
As of March 31	**2012**		2011	
Type of original assets	**Consolidated**	**Non-consolidated**	Consolidated	Non-consolidated
Residential mortgages	**¥ 9,740**	**¥ 9,740**	¥ 10,088	¥ 10,088
Consumer loans, installment receivables	**—**	**—**	6	—
Commercial real estate loans	**0**	**0**	0	0
Others	**—**	**—**	—	—
Total	**¥ 9,740**	**¥ 9,740**	¥ 10,095	¥ 10,088

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

	Millions of yen			
As of March 31	**2012**		2011	
Type of original assets	**Consolidated**	**Non-consolidated**	Consolidated	Non-consolidated
Residential mortgages	**¥ 15,279**	**¥ 15,279**	¥ 3,412	¥ 3,412
Consumer loans, installment receivables	**—**	**—**	—	—
Commercial real estate loans	**150**	**150**	150	150
Others	**—**	**—**	21	—
Total	**¥ 15,429**	**¥ 15,429**	¥ 3,583	¥ 3,562

(10) Securitization exposure subject to early amortization

None.

(11) Credit risk mitigation for resecuritization exposure

None.

(12) 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 (CREDIT RISK)

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

Consolidated

Excluding Resecuritization

	Millions of yen	
As of March 31	**2012**	2011
Type of original assets	Amount of Exposure	Amount of Exposure
Residential mortgages	**¥ 4,225**	¥ 10,313
Consumer loans	**—**	—
Commercial real estate loans	**85,210**	72,572
Corporate loans	**21,482**	41,794
Others	**63,699**	118,484
Total	**¥ 174,617**	¥ 243,165

Resecuritization

	Millions of yen	
As of March 31	**2012**	2011
Type of original assets	Amount of Exposure	Amount of Exposure
Residential mortgages	**¥ —**	
Consumer loans	**—**	
Commercial real estate loans	**—**	
Corporate loans	**17,792**	
Others	**—**	
Total	**¥ 17,792**	

QUANTITATIVE DISCLOSURE (CONTINUED)

Non-consolidated

Excluding Resecuritization

As of March 31	Millions of yen	
	2012	2011
Type of original assets	Amount of Exposure	Amount of Exposure
Residential mortgages	**¥ 4,225**	¥ 10,313
Consumer loans	**—**	—
Commercial real estate loans	**85,210**	72,572
Corporate loans	**21,482**	41,794
Others	**58,793**	106,385
Total	**¥ 169,711**	¥ 231,067

Resecuritization

As of March 31	Millions of yen	
	2012	2011
Type of original assets	Amount of Exposure	Amount of Exposure
Residential mortgages	**¥ —**	
Consumer loans	**—**	
Commercial real estate loans	**—**	
Corporate loans	**17,792**	
Others	**—**	
Total	**¥ 17,792**	

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

Consolidated

Excluding Resecuritization

As of March 31	Millions of yen			
	2012		2011	
Band of risk weight ratio	**Amount**	**Required Capital amount**	Amount	Required Capital amount
To 12%	**¥ 101,419**	**¥ 614**	¥ 156,984	¥ 1,160
Over 12% to 20%	**6,643**	**84**	10,385	133
Over 20% to 50%	**—**	**—**	2,450	51
Over 50% to 75%	**2,006**	**127**	6,992	444
Over 75% to 100%	**—**	**—**	1,000	84
Over 100% to 250%	**28,048**	**5,109**	28,265	4,094
Over 250% to 425%	**36,500**	**8,043**	37,088	10,292
Over 425%	**—**	**—**	—	—
Total	**¥ 174,617**	**¥ 13,978**	¥ 243,165	¥ 16,262

Resecuritization

As of March 31	Millions of yen			
	2012		2011	
Band of risk weight ratio	**Amount**	**Required Capital amount**	Amount	Required Capital amount
To 30%	**¥ 17,792**	**¥ 364**		
Over 30% to 50%	**—**	**—**		
Over 50% to 100%	**—**	**—**		
Over 100% to 225%	**—**	**—**		
Over 225% to 500%	**—**	**—**		
Over 500%	**—**	**—**		
Total	**¥ 17,792**	**¥ 364**		

QUANTITATIVE DISCLOSURE (CONTINUED)

Non-consolidated

Excluding Resecuritization

As of March 31	Millions of yen 2012		2011	
Band of risk weight ratio	**Amount**	**Required Capital amount**	Amount	Required Capital amount
To 12%	**¥ 96,513**	**¥ 584**	¥ 144,886	¥ 1,088
Over 12% to 20%	**6,643**	**84**	10,385	133
Over 20% to 50%	**—**	**—**	2,450	51
Over 50% to 75%	**2,006**	**127**	6,992	444
Over 75% to 100%	**—**	**—**	1,000	84
Over 100% to 250%	**28,048**	**5,109**	28,265	4,094
Over 250% to 425%	**36,500**	**8,043**	37,088	10,292
Over 425%	**—**	**—**	—	—
Total	**¥ 169,711**	**¥ 13,949**	¥ 231,067	¥ 16,190

Resecuritization

As of March 31	Millions of yen 2012		2011	
Band of risk weight ratio	**Amount**	**Required Capital amount**	Amount	Required Capital amount
To 30%	**¥ 17,792**	**¥ 364**		
Over 30% to 50%	**—**	**—**		
Over 50% to 100%	**—**	**—**		
Over 100% to 225%	**—**	**—**		
Over 225% to 500%	**—**	**—**		
Over 500%	**—**	**—**		
Total	**¥ 17,792**	**¥ 364**		

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

As of March 31	Millions of yen 2012		2011	
Type of original assets	**Consolidated**	**Non-consolidated**	Consolidated	Non-consolidated
Residential mortgages	**¥ 263**	**¥ 263**	¥ 671	¥ 671
Consumer loans, installment receivables	**—**	**—**	—	—
Commercial real estate loans	**—**	**—**	1,928	1,928
Corporate loans	**15,159**	**15,159**	15,287	15,287
Others	**—**	**—**	—	—
Total	**¥ 15,422**	**¥15,422**	¥ 17,888	¥ 17,888

(4) Credit risk mitigation for resecuritization exposure

None.

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

None.

QUANTITATIVE DISCLOSURE (CONTINUED)

SECURITIZATION EXPOSURE IN WHICH THE BANK GROUP INVESTS (MARKET RISK)

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

Consolidated

Excluding Resecuritization

	Millions of yen	
As of March 31	**2012**	2011
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥ 3,530**	¥
Consumer loans	**—**	
Commercial real estate loans	**—**	
Corporate loans	**—**	
Others	**—**	
Total	**¥ 3,530**	¥

Resecuritization

	Millions of yen	
As of March 31	**2012**	2011
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥ 888**	¥
Consumer loans	**—**	
Commercial real estate loans	**—**	
Corporate loans	**—**	
Others	**—**	
Total	**¥ 888**	¥

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

Consolidated

Excluding Resecuritization

	Millions of yen			
As of March 31	**2012**		2011	
Band of risk weight ratio	**Amount**	**Required Capital amount**	Amount	Required Capital amount
1.6%	**¥ 3,530**	**¥ 56**	¥	¥
4%	**—**	**—**		
8%	**—**	**—**		
28%	**—**	**—**		
Total	**¥ 3,530**	**¥ 56**	¥	¥

Resecuritization

	Millions of yen			
As of March 31	**2012**		2011	
Band of risk weight ratio	**Amount**	**Required Capital amount**	Amount	Required Capital amount
3.2%	**¥ 888**	**¥ 28**	¥	¥
8%	**—**	**—**		
18%	**—**	**—**		
52%	**—**	**—**		
Total	**¥ 888**	**¥ 28**	¥	¥

(3) Amount of securitization exposure targeted for comprehensive risk

None.

(4) Amount of securitization exposure which should be deducted from capital under the Accord Article 302.5.2

None.

QUANTITATIVE DISCLOSURE (CONTINUED)

8. MARKET RISK (UNDER INTERNAL MODEL APPROACH)

VAR AT THE END OF MARCH 2012 AND 2011 AND THE HIGH, MEAN AND LOW VAR

Millions of yen

	2012		2011	
As of March 31	**Consolidated**	**Non-consolidated**	Consolidated	Non-consolidated
VaR at term end	**¥ 1,230**	**¥ 1,180**	¥ 3,785	¥ 3,734
VaR through this term				
High	**3,961**	**3,869**	3,964	3,912
Mean	**2,395**	**2,266**	2,251	2,186
Low	**1,052**	**1,019**	1,478	1,434

STRESSED VAR AT THE END OF MARCH 2012 AND 2011 AND THE HIGH, MEAN AND LOW VAR

Millions of yen

	2012		2011	
As of March 31	**Consolidated**	**Non-consolidated**	Consolidated	Non-consolidated
VaR at term end	**¥ 3,764**	**¥ 3,620**	¥	¥
VaR through this term				
High	**5,476**	**5,359**		
Mean	**4,376**	**4,281**		
Low	**3,764**	**3,620**		

There are no additional and comprehensive risks calculated during FY 2012.
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

	2012		2011	
As of March 31	**Consolidated**	**Non-consolidated**	Consolidated	Non-consolidated
Market-based approach				
Listed equity exposure	**¥ 6,973**	**¥ 6,919**	¥ 583	¥ 421
Unlisted equity exposure	**4,746**	**13,789**	48,994	58,243
PD/LGD method				
Listed equity exposure	**10,129**	**10,129**	13,842	13,842
Unlisted equity exposure	**11,780**	**429,596**	14,021	427,833

GAIN OR LOSS ON SALE OR DEPRECIATION OF EQUITY EXPOSURE

Millions of yen

	FY2011		FY2010	
	Consolidated	**Non-consolidated**	Consolidated	Non-consolidated
Gain (loss) on sale	**¥ 8,617**	**¥ 8,602**	¥ 2,284	¥ 2,280
Loss of depreciation	**9,034**	**502**	851	726

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

Millions of yen

	2012		2011	
As of March 31	**Consolidated**	**Non-consolidated**	Consolidated	Non-consolidated
Unrealized gain (loss)	**¥ 5,332**	**¥ 5,101**	¥ (2,891)	¥ (3,453)

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

None.

QUANTITATIVE DISCLOSURE (CONTINUED)

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

	Millions of yen			
	2012		2011	
As of March 31	**Consolidated**	**Non-consolidated**	Consolidated	Non-consolidated
Grandfathering rule (100% risk weight apply)	**¥ 6,196**	**¥ 16,665**	¥ 7,449	¥ 17,477

10. AMOUNT OF REGARDED EXPOSURE UNDER THE ACCORD ARTICLE 167

	Millions of yen			
	2012		2011	
As of March 31	**Consolidated**	**Non-consolidated**	Consolidated	Non-consolidated
Regarded exposure (fund)	**¥ 61,299**	**¥ 43,010**	¥ 73,802	¥ 53,979

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

Change in economic values from a 2% interest-rate shock on the banking book:

	Billions of yen			
	2012		2011	
As of March 31	**Consolidated**	**Non-consolidated**	Consolidated	Non-consolidated
JPY	**¥ (1.1)**	**¥ (1.3)**	¥ (33.2)	¥ (3.5)
USD	**(2.8)**	**(2.8)**	(0.0)	(0.0)
Others	**(2.6)**	**(2.6)**	(0.2)	(0.2)
Total	**¥ (16.6)**	**¥ (6.8)**	¥ (33.4)	¥ (3.7)

DISCLOSURE ITEMS CONCERNING REMUNERATION, ETC.

1. MATTERS CONCERNING THE SITUATION OF SETTING UP AN ORGANIZATIONAL STRUCTURE REGARDING REMUNERATION, ETC. FOR APPLICABLE OFFICERS AND EMPLOYEES OF SHINSEI BANK (GROUP)

(1) Scope of "Applicable Officers and Employees"
The scopes of "Applicable Officers" and "Applicable Employees" (collectively, "Applicable Officers and Employees") prescribed in the announcement on remuneration subject to disclosure are as shown below.

1) Scope of "Applicable Officers"
Applicable Officers refer to the Directors and Statutory Auditors of Shinsei Bank, excluding outside Directors and outside Statutory Auditors.

2) Scope of "Applicable Employees, etc."
At Shinsei Bank, "Applicable Employees, etc." who are subject to disclosure refer to the "persons who receive a high level of remuneration, etc." and who have a material impact on the business operation or the situation of assets of Shinsei Bank and its major consolidated subsidiaries, etc. among the officers and employees of Shinsei Bank and officers and employees of its major consolidated subsidiaries, etc., excluding Applicable Officers.

(a) Scope of "major consolidated subsidiaries, etc."
Major consolidated subsidiaries etc. refer to the subsidiaries that are independently mentioned in the business report and consolidated financial statements and which are important for the operation of the Shinsei Bank Group, taking into account the significance of their impact on the financial conditions and business results of the Shinsei Bank Group. More specifically, they refer to the six companies list below. While there are five consolidated subsidiaries, etc. with total assets accounting for 2% or more of consolidated total assets, three of those five companies are included in the following six companies. The remaining two companies are an SPC established for investment purposes and another SPC established for securitization, and these companies are excluded because they do not pay any remuneration.

DISCLOSURE ITEMS CONCERNING REMUNERATION, ETC. (CONTINUED)

Shinsei Trust & Banking Co., Ltd.
Shinsei Securities Co., Ltd.
APLUS FINANCIAL Co., Ltd.
Showa Leasing Co., Ltd.
SHINKI Co., Ltd.
Shinsei Financial Co., Ltd.

(b) Scope of the "persons who receive a high level of remuneration, etc."

The "persons who receive a high level of remuneration, etc." refer to the persons who receive remuneration, etc. at the amount equal to or above the "average amount of remuneration paid to Applicable Officers (which was ¥40 million in the fiscal year reported)." In the fiscal year reported, there were eight Applicable Employees who receive remuneration at the amount equal to or above the "average amount of remuneration paid to Applicable Officers."

With respect to lump-sum retirement allowances, the amount calculated by deducting from the amount of remuneration etc. the entire amount of the lump-sum retirement allowance and then adding the "amount obtained by dividing the lump-sum retirement allowance by the number of years of service" shall be deemed as the amount of remuneration, etc. for the relevant person in making judgment as to whether the said person is a "person who receives a high level of remuneration, etc."

(c) Scope of the "persons who have a material impact on business operation or the situation of assets of the Shinsei Bank Group"

The "persons who have a material impact on business operation or the situation of assets of the Shinsei Bank Group" refer to the persons who, in their normal duties, execute transactions and manage matters that have a significant degree of impact on the business operation of Shinsei Bank, Shinsei Bank Group, and its major consolidated subsidiaries, etc. or who have a material impact on the situation of assets through losses incurred in transactions, etc. More specifically, these include the Executive Officers and persons in similar positions at Shinsei Bank, and Directors, Executive Officers, etc. of its major consolidated subsidiaries.

In the fiscal year reported, there were eight Applicable Employees who fell under (b). All of them were considered to be "persons who have a material impact on business operation or the situation of assets of the Group."

(2) Determination of remuneration, etc. for Applicable Officers and Employees

1) Determination of remuneration, etc. of Applicable Officers

At Shinsei Bank, the General Meeting of Shareholders determines the total maximum amount of remuneration paid to its officers (for Directors: up to ¥180 million a year (of this amount, ¥50 million is for outside directors); for Statutory Auditors: up to ¥60 million a year). The allocation to each individual of the remuneration of Directors approved at the General Meeting of Shareholders is left to the discretion of the Board of Directors. The allocation to each individual of the remuneration for Statutory Auditors is left to consultations among Statutory Auditors.

1) Determination of remuneration, etc. of Applicable Employees, etc.

Remuneration, etc. paid to employees of the Shinsei Bank Group is determined and paid under the remuneration system based on the management policy and human resources policy of Shinsei Bank and its major consolidated subsidiaries, etc. Such remuneration system is designed and documented by the Human Resources Divisions, etc. of Shinsei Bank and its major consolidated subsidiaries, etc., which are independent from business promotion groups. Furthermore, policies regarding salaries, etc. of Shinsei Bank's major consolidated subsidiaries, etc. are reported to the Human Resources Division of the Bank on a periodical basis for the said Division to check their content.

2. MATTERS CONCERNING THE EVALUATION OF THE APPROPRIATENESS OF THE DESIGN AND APPLICATION OF THE SYSTEM RELATED TO REMUNERATION, ETC. FOR APPLICABLE OFFICERS AND EMPLOYEES OF SHINSEI BANK (GROUP)

(1) Policy on remuneration, etc.

1) Policy on remuneration, etc. for "Applicable Officers"

Remuneration for Applicable Officers of Shinsei Bank is determined at the Board of Directors attended by four outside Directors, the Standing Statutory Auditors, and two outside Statutory Auditors, and is based on an appropriate evaluation of the responsibilities and contributions to the Bank's performance of each officer in his/her duties and sufficient discussions taking into account the Bank's business results, market standards, etc.

2) Policy on remuneration, etc. for "Applicable Employees, etc."

Remuneration for Applicable Employees of the Shinsei Bank Group is determined based on a performance evaluation against individual targets, which are broken down under the quantitative and qualitative business plan prepared with a medium- to long-term viewpoint. With its emphasis on both medium and long-term quantitative targets and achievement against qualitative targets, our system enables evaluations that do not excessively rely on short-term results.

DISCLOSURE ITEMS CONCERNING REMUNERATION, ETC. (CONTINUED)

3. MATTERS CONCERNING CONSISTENCY BETWEEN THE SYSTEM FOR REMUNERATION, ETC. OF APPLICABLE OFFICERS AND EMPLOYEES OF SHINSEI BANK (GROUP) AND RISK MANAGEMENT AND THE LINKAGE BETWEEN REMUNERATION, ETC. AND BUSINESS RESULTS

When determining remuneration, etc. of Applicable Officers, the total amount of remuneration payable to Directors and Statutory Auditors are each determined at the General Meeting of Shareholders, while the amount of remuneration, etc. payable to each Director and Statutory Auditor is determined at the Board of Directors or through consultations among Statutory Auditors, respectively. Furthermore, remuneration, etc. of Applicable Employees is determined taking into account the financial conditions, etc. of each member company of the Shinsei Bank Group.

While business results are taken into account in determining remuneration, etc. of Applicable Officers and Employees of the Shinsei Bank Group, the portion of performance-based remuneration, etc. paid to Applicable Officers and Employees is very small. Accordingly, we cannot say that our remuneration system is linked to performance. Also, our remuneration system will not have a negative impact on risk management.

4. MATTERS CONCERNING TYPES, TOTAL AMOUNTS PAYABLE, AND THE PAYMENT METHOD OF REMUNERATION, ETC. FOR APPLICABLE OFFICERS AND EMPLOYEES OF SHINSEI BANK (GROUP)

Total amount of remuneration, etc. for Applicable Officers and Employees (from April 1, 2011 to March 31, 2012)
(For both consolidated / and non-consolidated bases)

Category	Number of people	Total amount of remuneration, etc. (in million yen)										
			Total amount of fixed remuneration	Basic remuneration	Stock option given as compensation	Other	Total amount of variable remuneration	Basic remuneration	Bonus	Other	Retirement allowance	Other
Applicable Officers (excl. outside officers)	5	164	146	146	0	0	12	0	12	0	6	0
Applicable Employees, etc.	8	497	423	251	10	162	29	0	29	0	46	0

Notes: (1) Because Applicable Employees, etc. only include employees of Shinsei Bank, the figures on consolidated and non-consolidated bases are the same.
(2) Applicable Officers include five people in total consisting of two fulltime Directors, one Standing Statutory Auditor, and two Standing Statutory Auditors who resigned during the fiscal year reported.
(3) The amount of remuneration paid to Applicable Officers includes remuneration paid during the fiscal year reported; that is, remuneration paid to them as employees before being appointed as officers and remuneration paid to them as employees after resigning as officers.
(4) The total amount of remuneration paid to fulltime officers (fulltime Directors and Standing Statutory Auditors), excluding remuneration paid when they were employees, was ¥120 million (including bonuses paid to Executive Officers). The average number of the payees during the year was three and the average amount of remuneration paid to fulltime officers was ¥40 million.
(5) Eight people who received remuneration at or over ¥40 million as shown in the certificate of income and withholding tax were identified as Applicable Employees, etc. The table shows the amount of remuneration paid to these eight people during the fiscal year reported (April 2011 to March 2012).
(6) Specific comments on the breakdown of remuneration are as below.
1) Fixed remuneration
• Stock option given as compensation
This refers to the amount posted as expenses during the fiscal year reported with respect to stock options granted in previous years.
• Other
This refers to the amount posted as the reserve during the fiscal year reported with respect to deferred remuneration based on contracts concluded in previous years and bonuses for which payment is guaranteed.
2) Variable remuneration
• Bonuses
This refers to the bonuses paid during the fiscal year reported.
3) Retirement allowance
This refers to the amount posted as retirement benefit expenses (service cost) for applicable persons and severance pay during the fiscal year reported.
(7) The exercise periods of stock options granted as compensation are as shown below.

	Exercise period	
Shinsei Bank, Ltd. 1st Warrant	From July 1, 2006 to June 23, 2014	From July 1, 2007 to June 23, 2014
Shinsei Bank, Ltd. 5th Warrant	From July 1, 2007 to June 23, 2015	From July 1, 2008 to June 23, 2015
Shinsei Bank, Ltd. 6th Warrant	From July 1, 2007 to June 23, 2015	From July 1, 2008 to June 23, 2015
Shinsei Bank, Ltd. 7th Warrant	From July 1, 2008 to June 23, 2015	From July 1, 2010 to June 23, 2015
Shinsei Bank, Ltd. 8th Warrant	From July 1, 2008 to June 23, 2015	From July 1, 2010 to June 23, 2015
Shinsei Bank, Ltd. 13th Warrant	From June 1, 2008 to June 23, 2015	From June 1, 2009 to June 23, 2015
Shinsei Bank, Ltd. 14th Warrant	From June 1, 2008 to June 23, 2015	From June 1, 2009 to June 23, 2015
Shinsei Bank, Ltd. 15th Warrant	From June 1, 2009 to June 23, 2015	From June 1, 2011 to June 23, 2015
Shinsei Bank, Ltd. 16th Warrant	From June 1, 2009 to June 23, 2015	From June 1, 2011 to June 23, 2015
Shinsei Bank, Ltd. 17th Warrant	From June 1, 2009 to May 8, 2017	From June 1, 2011 to May 8, 2017
Shinsei Bank, Ltd. 18th Warrant	From June 1, 2009 to May 8, 2017	From June 1, 2011 to May 8, 2017
Shinsei Bank, Ltd. 20th Warrant	From June 1, 2010 to May 13, 2018	From June 1, 2012 to May 13, 2018
Shinsei Bank, Ltd. 21st Warrant	From June 1, 2010 to May 13, 2018	From June 1, 2012 to May 13, 2018

5. OTHER MATTERS THAT SHOULD BE REFERRED TO CONCERNING THE SYSTEM OF REMUNERATION, ETC. FOR APPLICABLE OFFICERS AND EMPLOYEES OF SHINSEI BANK (GROUP)

There is no applicable matter.

CORPORATE INFORMATION

SHINSEI BANK GROUP

AS OF MARCH 31, 2012

As of March 31, 2012, the Shinsei Bank Group consisted of Shinsei Bank, Limited, 213 subsidiaries (comprising 133 consolidated companies including APLUS FINANCIAL Co., Ltd., Showa Leasing Co., Ltd. and Shinsei Financial Co., Ltd. and 80 unconsolidated subsidiaries) and 16 affiliated companies (15 affiliated companies accounted for using the equity method, such as Jih Sun Financial Holding Co., Ltd. and 1 affiliated company not accounted for using equity method). The Shinsei Bank Group provides a wide variety of financial products and services to domestic institutional and individual customers through the "Institutional Group," "Global Markets Group" and "Individual Group."

Shinsei Bank, Limited

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

MAJOR SUBSIDIARIES AND AFFILIATES

Name	Location	Main business
Major Domestic Subsidiaries		
Showa Leasing Co., Ltd.	Tokyo, Japan	Leasing*1
Shinsei Trust & Banking Co., Ltd.	Tokyo, Japan	Trust banking*1
Shinsei Securities Co., Ltd.	Tokyo, Japan	Securities*2
Shinsei Investment Management Co., Ltd.	Tokyo, Japan	Investment trust and discretionary investment advisory*2
Shinseigin Finance Co., Ltd.	Tokyo, Japan	Finance*1
Shinsei Servicing Company	Tokyo, Japan	Servicing business*1
Shinsei Property Finance Co., Ltd.	Tokyo, Japan	Real estate collateral finance*3
APLUS FINANCIAL Co., Ltd.	Osaka, Japan	Holding company*3
APLUS Co., Ltd.	Osaka, Japan	Installment credit*3
APLUS Personal Loan Co., Ltd.	Osaka, Japan	Finance*3
Zen-Nichi Shinpan Co., Ltd.	Okayama, Japan	Installment credit*3
Shinsei Financial Co., Ltd.	Tokyo, Japan	Finance*3
SHINKI Co., Ltd.	Tokyo, Japan	Finance*3
Shinsei Information Technology Co., Ltd.	Tokyo, Japan	Information technology*4
Major Overseas Subsidiaries		
Shinsei International Limited	London, UK	Securities*1
Shinsei Bank Finance N.V.	Curaçao, Netherlands Antilles	Finance*2
Shinsei Finance (Cayman), Limited	Grand Cayman, Cayman Islands	Finance*2
Shinsei Finance II (Cayman), Limited	Grand Cayman, Cayman Islands	Finance*2
Shinsei Finance III (Cayman), Limited	Grand Cayman, Cayman Islands	Finance*2
Shinsei Finance IV (Cayman), Limited	Grand Cayman, Cayman Islands	Finance*2
Shinsei Finance V (Cayman), Limited	Grand Cayman, Cayman Islands	Finance*2
Major Affiliates Accounted for Using the Equity Method		
Comox Holdings Ltd.	Hamilton, Bermuda	Holding company*2
Jih Sun Financial Holding Co., Ltd.	Taipei, Taiwan	Finance*1

*1 Institutional Group *2 Global Markets Group *3 Individual Group *4 Corporate/Other

EMPLOYEES

	2010	2011	**2012**
Consolidated			
Number of Employees	6,116	5,718	**4,830**
Non-Consolidated			
Number of Employees	1,997	1,907	**1,895**
Male	1,086	1,042	**1,044**
Female	911	865	**851**
Average age	39 years 6 months	40 years	**40 years 6 months**
Average years of service	11 years	11 years 8 months	**12 years 1 months**
Average monthly salary	¥504 thousand	¥493 thousand	**¥489 thousand**

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

AS OF MARCH 31, 2012

Capital (in millions)	Established	Acquired	Equity stake held by Shinsei Bank and consolidated subsidiaries (%)		
				Equity stake held by Shinsei Bank	Equity stake held by consolidated subsidiaries of Shinsei Bank
¥ 29,360	1969.4	2005.3	97.0%	97.0%	—%
5,000	1996.11	—	100.0	100.0	—
8,750	1997.8	—	100.0	100.0	—
495	2001.12	—	100.0	100.0	—
50	1993.1	2000.9	100.0	100.0	—
500	2001.10	—	100.0	—	100.0
2,750	1959.5	2002.3	100.0	100.0	—
15,000	1956.10	2004.9	95.0	3.5	91.5
15,000	2009.4	2009.4	100.0	—	100.0
1,000	2009.4	2009.4	100.0	—	100.0
1,000	1957.4	2006.3	97.3	—	97.3
91.518	1991.6	2008.9	100.0	100.0	—
24,119	1954.12	2007.12	100.0	—	100.0
100	1983.8	—	100.0	100.0	—
£ 3	2004.9	—	100.0%	100.0%	—%
$ 2	1976.3	—	100.0	100.0	—
$ 58	2006.2	—	100.0	100.0	—
$ 39	2006.3	—	100.0	100.0	—
¥ 33.613	2009.3	—	100.0	100.0	—
9,107	2009.3	—	100.0	100.0	—
9,008	2009.9	—	100.0	100.0	—
$ 16	2007.6	2010.8	49.9%	49.9%	—%
NT$ 27,748	2002.2	2006.7	30.4	—	30.4

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

NETWORK

DOMESTIC OUTLETS: AS OF JULY 1, 2012

42 outlets (29 branches including head office, 13 annexes), 28 Shinsei Financial Centers (branches including head office), 12 Shinsei Consulting Spots (annexes and sub-branch), 9 Housing Loan Centers (head office/branches 8, annex 1) for the retail banking business

HOKURIKU

Kanazawa Branch

KINKI

Kyoto Branch
Osaka Branch (for Institutional business only)
Umeda Branch—Osaka Shiten nai Annex
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

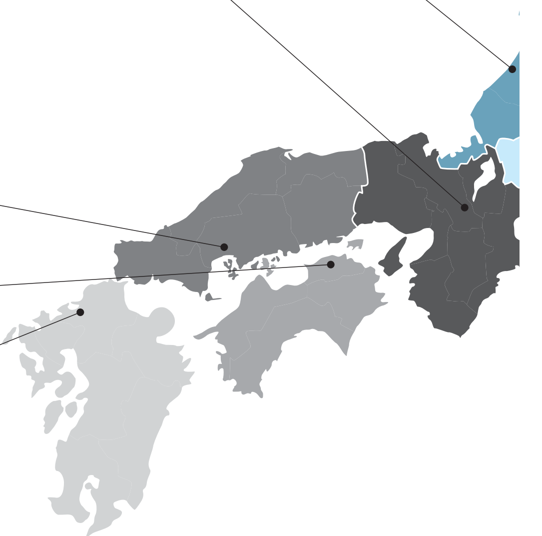
Hiroshima Branch

SHIKOKU

Takamatsu Branch

KYUSHU

Fukuoka Branch

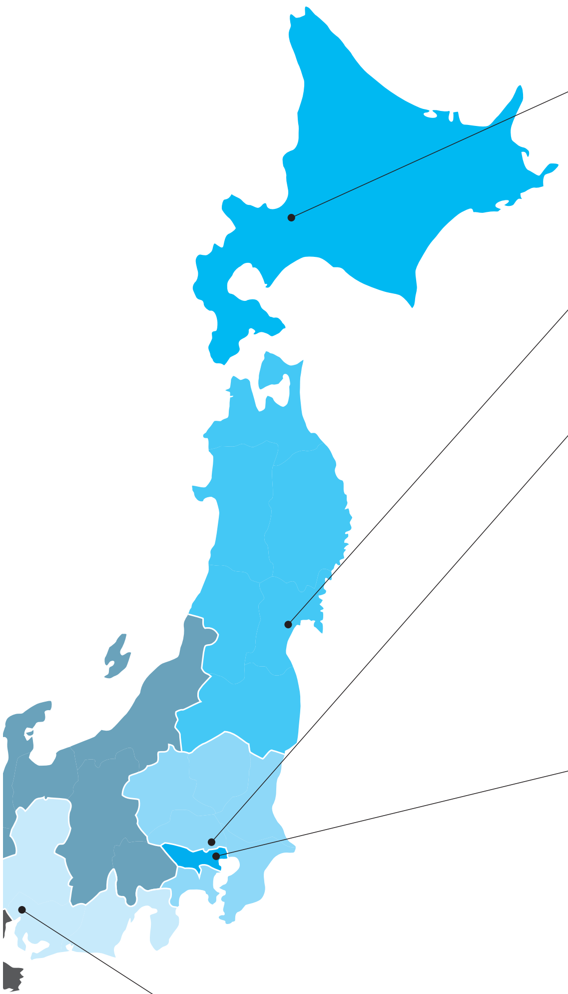


DOMESTIC SUB-BRANCHES (ATM ONLY):	AS OF JULY 1, 2012
Tokyo Metro stations	41 locations
Other train stations	11 locations
Other	59 locations

SHINSEI BANK CARD LOAN—LAKE UNSTAFFED BRANCHES	AS OF JULY 1, 2012
Shinsei Bank Card Loan—Lake unstaffed branches	790 locations

ACCESS TO SEVEN BANK, LTD. ATMS	AS OF JULY 1, 2012
Access to Seven Bank, Ltd. ATMs	15,376 locations

AS OF JULY 1, 2012



HOKKAIDO

Sapporo Branch

TOHOKU

Sendai Branch

KANTO (EXCEPT TOKYO)

Head Office—Urawa Annex
Omiya Branch
Ikebukuro Branch—Kawaguchi Annex
Head Office—Chiba Annex
Kashiwa Branch
Tsudanuma Branch
Yokohama Branch
Yokohama Branch—Kawasaki Annex
Fujisawa Branch
Fujisawa Branch—Kamakura Annex

TOKYO

Head Office
Tokyo Branch
Ginza Branch
Ikebukuro Branch
Ueno Branch
Kichijoji Branch
Shinjuku Branch
Roppongi Hills Branch
Roppongi Branch—Omotesando Hills Annex
Hiroo Branch
Futakotamagawa Branch
Futakotamagawa Branch—Jiyugaoka Annex
Hachioji Branch
Machida Branch

TOKAI

Nagoya Branch

STOCK INFORMATION

AS OF MARCH 31, 2012

Shares Outstanding and Capital

1,000 shares, millions of yen

Date	Shares outstanding		Capital		Capital surplus		Notes
	Change	Balance	Change	Balance	Change	Balance	
July 29, 2003	(1,358,537)	2,033,065*	—	451,296	—	18,558	2-for-1 reverse share split for common shares Post reverse split common shares outstanding 1,358,537 thousand shares
July 31, 2006	(99,966)	1,933,098*	—	451,296	—	18,558	Use of call feature for Series 3 Class-B preferred shares Issuance of 200,033 thousand common shares Retirement of Series 3 Class-B preferred shares -300,000 thousand shares
November 16, 2006	(85,000)	1,848,098*	—	451,296	—	18,558	Cancellation of treasury shares (common) -85,000 thousand shares
August 1, 2007	(100,000)	1,748,098*	—	451,296	—	18,558	Mandatory acquisition of Series 3 Class-B preferred shares Issuance of 200,000 thousand common shares Retirement of Series 3 Class-B preferred shares -300,000 thousand shares
February 4, 2008	117,647	1,865,746*	25,000	476,296	25,000	43,558	Third party allocation of shares (common shares) Subscription price ¥425, par value ¥212.5
March 31, 2008	194,600	2,060,346	—	476,296	—	43,558	Use of call feature for Series 2 Class-A preferred shares Issuance of 269,128 thousand common shares Retirement of Series 2 Class-A preferred shares -74,528 thousand shares
March 15, 2011	690,000	2,750,346	35,907	512,204	35,907	79,465	New shares issued through International Offering (common shares) Subscription price ¥108, par value ¥52.04

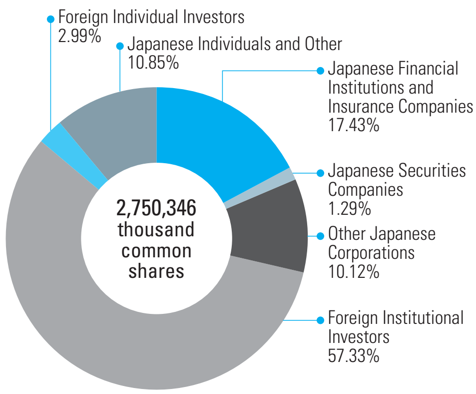
* Figure includes number of preferred shares outstanding

Largest Shareholders(1)(2)

Rank	Shareholders	Thousands of Common Shares	%
1	SATURN IV SUB LP (JPMCB 380111)	399,676	14.53
2	Deposit Insurance Corporation of Japan	269,128	9.78
3	THE RESOLUTION AND COLLECTION CORPORATION	200,000	7.27
4	SATURN JAPAN III SUB C.V. (JPMCB 380113)	119,956	4.36
5	SHINSEI BANK,LIMITED	96,427	3.50
6	UBS SECURITIES LLC–HFS CUSTOMER SEGREGATED ACCOUNT	90,540	3.29
7	J.CHRISTOPHER FLOWERS	81,135	2.95
8	THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT)	80,090	2.91
9	GOLDMAN, SACHS & CO.REG	78,858	2.86
10	SSBT OD05 OMNIBUS ACCOUNT–TREATY CLIENTS	61,880	2.24
11	JAPAN TRUSTEE SERVICE BANK,LTD. (TRUST ACCOUNT)	56,507	2.05
	Total (includes treasury shares)	2,750,346	100.00

(1) As of March 31, 2012, a group of investors, including affiliates of J.C. Flowers & Co. LLC., holds 652,848,291 common shares or 24.59% of Shinsei's outstanding common shares, excluding treasury shares.
(2) As of March 31, 2012,in total, the Deposit Insurance Corporation and the Resolution and Collection Corporation hold 469,128,888 common shares or 17.67% of Shinsei's outstanding common shares, excluding treasury shares.

Breakdown of Shareholders

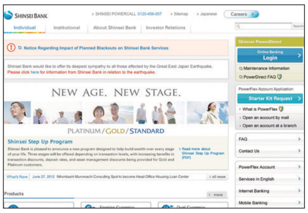


(1) "Japanese Financial Institutions and Insurance Companies" includes the Resolution and Collection Corporation.
(2) "Other Japanese Corporations" includes the Deposit Insurance Corporation.
(3) "Japanese Individuals and Other" includes treasury shares.

WEBSITE

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

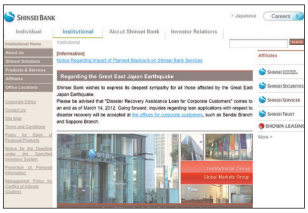
INDIVIDUAL



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

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

INSTITUTIONAL



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

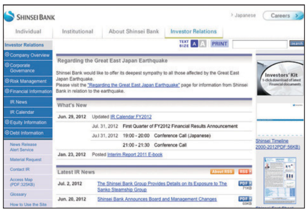
This website provides information on our products, services and solutions for institutional customers. It also contains details of our branches and affiliates.

ABOUT SHINSEI BANK

http://www.shinseibank.com/investors/en/about/

This website provides information on our corporate and management profiles, history, subsidiaries as well as CSR initiatives. It also contains news releases.

INVESTOR RELATIONS



http://www.shinseibank.com/investors/en/ir/

The Investor Relations website contains a company and management overview, information on corporate governance, shareholders, financial information, IR news and an IR calendar. It also provides equity- and debt-related information.

For further information, please contact:

Investor Relations & Corporate Communications Division
Shinsei Bank, Limited
4-3, Nihonbashi-muromachi 2-chome, Chuo-ku, Tokyo 103-8303, Japan
Tel: 81-3-6880-8303 Fax: 81-3-4560-1706
URL: http://www.shinseibank.com E-mail: Shinsei_IR@shinseibank.com