SHINSEI BANK

SHIFTING GEARS

Interim Report 2011

Six months ended September 30, 2011

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Shinsei Bank is a leading diversified Japanese financial institution providing a full range of financial products and services to both institutional and individual customers. The Bank has total assets of ¥8.9 trillion (U.S.$116.6 billion) on a consolidated basis (as of September 2011) and a network of outlets throughout Japan. Shinsei Bank demands uncompromising levels of integrity and transparency in all its activities to earn the trust of customers, staff and shareholders. The Bank is committed to delivering long-term profit growth and increasing value for all its stakeholders.

SHIFTING GEARS

While the impact of the Great East Japan Earthquake has cast some uncertainty over the Japanese economic environment, it is precisely in such circumstances that banks' mission weighs heaviest.

In fiscal year 2011, the second year of our Medium-Term Management Plan, Shinsei Bank is shifting gears and leveraging its diverse human talent and high-level expertise to diversify earnings through new business development, while working harder than ever to exceed the expectations of its institutional and individual customers, shareholders and society at large.

FINANCIAL HIGHLIGHTS

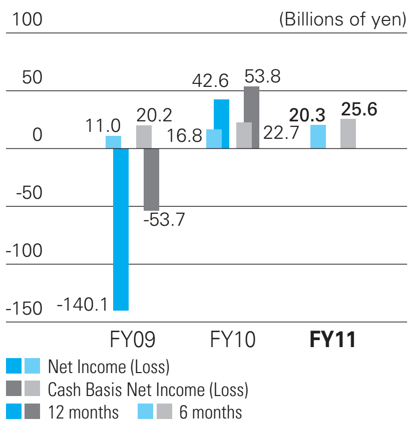
Shinsei Bank, Limited, and Consolidated Subsidiaries
Six months ended September 30, 2009, 2010 and 2011, and years ended March 31, 2010 and 2011*1

	Billions of yen				
	September 30 (6 months)			March 31 (12 months)	
	2009	2010	**2011**	2010	2011
For the fiscal year:					
Net interest income	¥ 109.4	¥ 86.1	**¥ 60.7**	¥ 207.9	¥ 156.6
Non-interest income	44.6	65.1	**44.9**	56.2	106.0
Net fees and commissions	10.9	12.2	**13.8**	25.1	26.0
Net trading income	3.1	7.1	**6.5**	9.0	11.6
Net other business income	30.5	45.6	**24.4**	22.1	68.3
Total revenue	154.0	151.3	**105.6**	264.2	262.6
General and administrative expenses	88.0	74.0	**64.5**	170.8	145.3
Net business profit	55.1	70.3	**34.9**	72.5	104.2
Net credit costs	39.2	52.3	**8.8**	112.2	68.3
Net business profit (loss) after net credit costs	15.9	18.0	**26.1**	(39.7)	35.8
Net income (loss)	11.0	16.8	**20.3**	(140.1)	42.6
Cash basis net income (loss)*2	20.2	22.7	**25.6**	(53.7)	53.8
Balances at fiscal year-end:					
Securities	3,282.2	2,639.9	**2,220.1**	3,233.3	3,286.3
Loans and bills discounted	5,469.9	4,604.4	**4,125.5**	5,163.7	4,291.4
Total assets	12,183.5	10,464.0	**8,940.5**	11,376.7	10,231.5
Deposits, including negotiable certificates of deposit	7,046.5	5,890.1	**5,537.3**	6,475.3	5,610.6
Debentures	527.5	425.2	**313.1**	483.7	348.2
Total liabilities	11,383.5	9,849.8	**8,310.4**	10,741.8	9,620.3
Total equity	799.9	614.1	**630.1**	634.9	611.1
Total liabilities and equity	¥ 12,183.5	¥ 10,464.0	**¥ 8,940.5**	¥ 11,376.7	¥ 10,231.5
	Yen				
Per share data:					
Common equity	¥ 312.05	¥ 232.54	**¥ 214.07**	¥ 232.72	¥ 205.83
Fully diluted equity*3	312.05	232.54	**214.07**	232.72	205.83
Basic net income (loss)	5.63	8.59	**7.66**	(71.36)	21.36
Diluted net income	—	—	**—**	—	—
Dividends	—	—	**—**	—	1.00
Cash basis per share data:					
Basic net income	¥ 10.31	¥ 11.57	**¥ 9.67**	¥ (27.37)	¥ 26.96
Diluted net income	—	—	**—**	—	—
	%				
Ratios:					
Return on assets*4	0.2	0.3	**0.4**	(1.2)	0.4
Cash basis return on assets	0.3	0.4	**0.5**	(0.5)	0.5
Return on equity (fully diluted)*5	3.8	7.4	**7.3**	(27.6)	8.5
Cash basis return on equity (fully diluted)	6.9	9.9	**9.2**	(10.6)	10.7
Expense-to-revenue ratio	57.1	48.9	**61.1**	64.6	55.3
Total capital adequacy ratio	9.36	8.94	**10.46**	8.35	9.76
Tier I capital ratio	7.00	6.97	**8.74**	6.35	7.76
Risk weighted assets	8,449.2	7,180.8	**6,203.3**	7,722.1	6,653.7

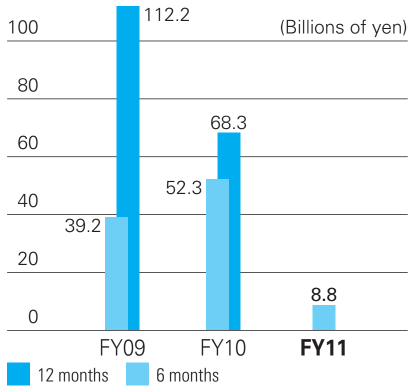
*1 Since all yen figures have been truncated rather than rounded, the totals do not necessarily equal the sum of the individual amounts.
*2 Cash basis net income is calculated by excluding impairment and amortization of goodwill and other intangible assets, net of tax benefit, from net income (loss) under Japanese Generally Accepted Accounting Principles (GAAP).
*3 Fully diluted equity per share is calculated by dividing equity at the end of the periods presented by the number of common shares that would have been outstanding had all securities convertible into or exercisable for common shares been converted or exercised with an applicable conversion or exercise price within the predetermined range at the end of the period.
*4 Return on assets is calculated by dividing net income (loss) by the average of total assets at the beginning and end of the period presented.
*5 Return on equity (fully diluted) is calculated by dividing net income (loss) by the average of fully diluted equity at the beginning and end of the period presented.

EARNINGS

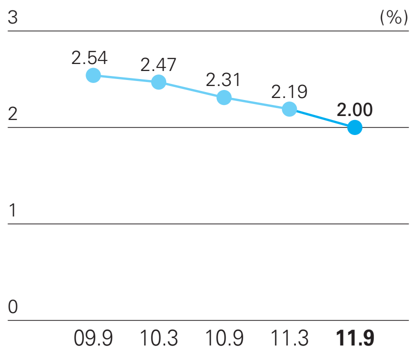
Net Income (Loss) and Cash Basis Net Income (Loss)



Net Credit Costs

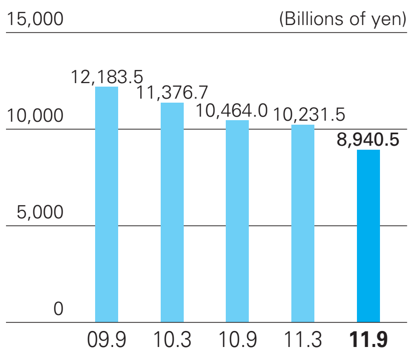


Net Interest Margin

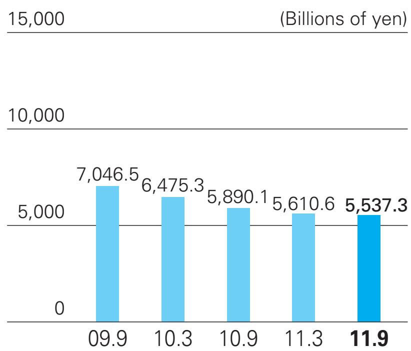


ASSETS AND LIABILITIES

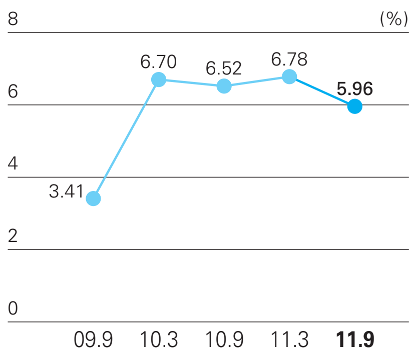
Total Assets



Deposits, including Negotiable Certificates of Deposit

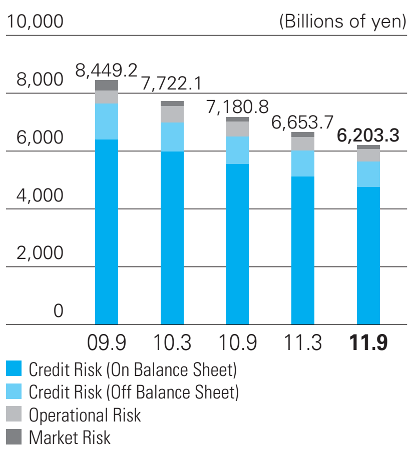


Ratio of Non-Performing Claims to Total Claims (Non-Consolidated)

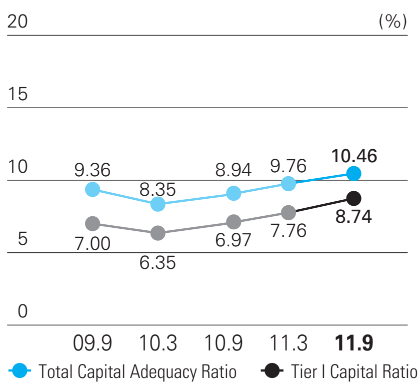


CAPITAL

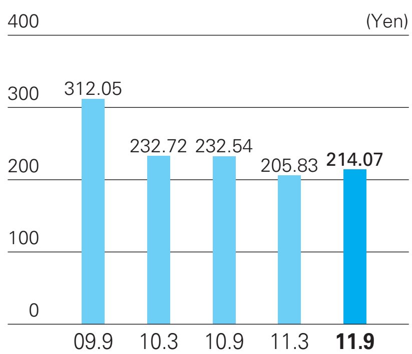
Risk Weighted Assets



Total Capital Adequacy Ratio and Tier I Capital Ratio



Common Equity per Share



TO OUR SHAREHOLDERS, CUSTOMERS AND EMPLOYEES

In fiscal year 2011, the second year of its Medium-Term Management Plan, Shinsei Bank has shifted gears to go back on the offensive. We have implemented a range of strategies aiming to meet the expectations of our customers and of society with unique services, while diversifying our earnings base through new business development.

Our return to profitability has continued throughout the first half of fiscal year 2011 with stronger net income year-on-year, as our businesses have performed solidly and we move towards the firm establishment of a stable earnings structure.

Shigeki Toma
President and Chief Executive Officer

On behalf of the Shinsei Bank Group, I would first like to offer my deepest condolences and prayers for a swift recovery to all those affected by the Great East Japan Earthquake.

In fiscal year 2010, Shinsei Bank renewed its management structure and made a new start, aiming to return to a normal and stable growth trajectory. The new management team formulated a Medium-Term Management Plan centering around the basic concepts of "rebuilding the customer franchise in Japan" and "establishing a stabilized earnings base," and made steady progress during the first year of the plan, which culminated in a return to profitability. In addition, we were able to set out the path to solving most of our legacy problems, while laying the foundations for stabilized earnings.

Building on the achievements of fiscal year 2010, in fiscal year 2011, the second year of our Medium-Term Management Plan, we have shifted gears to go back on the offensive and have implemented various strategies aimed at diversifying our earnings base through new business development.

Initiatives and Achievements in the Interim Period of Fiscal Year 2011

In the first half of fiscal year 2011, we continued to face a challenging operating environment with low visibility going forward, as the turmoil in financial markets due to the European debt crisis and domestic and overseas economic trends, was compounded, particularly in Japan, by the accidents at the Fukushima Daiichi Nuclear Power Plant, a delay in reconstruction demand related to the Great East Japan Earthquake and the strong yen. Amid these circumstances, Shinsei Bank continued to work towards its goal of "rebuilding the customer franchise in Japan" and "establishing a stabilized earnings base."

The Bank's overall business performance was strong in the first half of fiscal year 2011 as earnings power continued to grow stronger across our businesses, and we implemented comprehensive cost reductions and recorded lower net credit costs as a result of factors including progress with the disposal of non-core assets and improved asset quality in our consumer finance businesses.

As a result, we recorded a consolidated reported basis net income of ¥20.3 billion for the first half ended September 30, 2011, up ¥3.4 billion year-on-year. On a non-consolidated basis, we recorded net income of ¥4.5 billion in the first half of fiscal year 2011, down ¥4.7 billion year-on-year, due to factors including losses on the valuation of certain stocks in the second quarter of this fiscal year as a result of the downturn in financial markets.

As such we have been able to generate solid results in the interim period of the second year of our Medium-Term Management Plan. I would like to offer my sincere appreciation to our customers, shareholders and all of our stakeholders, for it is due entirely to your understanding and support that Shinsei has been able to make this progress. Going forward, we will continue to work towards our goals for this fiscal year and for fiscal year 2012, which will be the final year of the current Medium-Term Management Plan.

Business Strategy and Direction

As we work towards our Medium-Term Management Plan goals of "rebuilding the customer franchise in Japan" and "establishing a stabilized earnings base," Shinsei aims to continue recording stable profits by focusing on the speedy provision of high quality value-added products and services to our institutional and individual customers, and making comprehensive Group-wide efforts to rationalize our businesses.

In our institutional business, we provide a wide range of financial products and services to meet the needs of our corporate, public sector and financial institution clients. In addition to corporate banking such as lending, which has traditionally been at the center of our customers' needs, we are actively pursuing customer-centric businesses and businesses where we can use existing strengths and which allow us to differentiate ourselves from the competition, as our "core businesses." These core businesses include real estate finance, where we aim to ensure appropriate levels of risk and return, M&A finance centering around high value-added transactions and other specialty finance; capital markets, which centers around customer transactions; credit trading, which aims to capture trends in financial markets; and advisory, which brokers the merger and acquisition of companies. In our lending operations to corporate customers, we are focusing on transactions with middle-market and small- and medium-sized corporations, while continuously working to expand our customer base. In addition, in our role as a financial institution, we seek to identify and proactively support new financial needs and industries born of societal and economic change, centering around business domains that will contribute to society's sustainable growth, including the fields of welfare, such as healthcare, environmental protection and renewable energy. We have established a team dedicated to supporting the creation of these new industries and are ramping up our efforts in this area. Amidst these challenging business conditions, we are also enhancing provision of solutions that leverage our expertise in areas such as support for corporate restructuring and expansion by corporate clients into Asian and other overseas markets. We are also aiming to expand business with the public sector and strengthen cooperation with regional financial institutions as we look to increase transactions with financial institutions, and strive to provide value-added financial products, services and solutions to these customers.

Our individual customer business comprises retail banking and consumer finance operations. By unifying the Bank

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and our Group companies to realize seamless provision of a wide variety of financial products and services, we aim to establish our position as a highly trusted provider of comprehensive financial services for individuals.

In our retail banking operations, we aim to further refine our ability to offer asset management and loan products for every stage of our customers' lives, while enhancing our ability to provide solutions appropriately through a wide range of channels and meet our customers' needs for financial transactions and products.

In our consumer finance operations, we continue to face a difficult operating environment due to factors including legislative changes, market contraction and industry realignment. Despite these circumstances, we are striving to utilize management resources effectively throughout our Group subsidiaries, and review expense structures and implement appropriate credit cost management by leveraging Shinsei's information technology capabilities. As part of these efforts, we have transferred a portion of the unsecured personal loan business previously operated by Shinsei Financial to the Bank, and launched *Shinsei Bank Card Loan—Lake* on October 1, 2011, the first full-scale unsecured personal loan service to be offered by a Japanese bank.

Regarding our efforts in the area of financial facilitation, in compliance with the Act on Provisional Measures for the Facilitation of Financing to Small- and Medium-sized Businesses, we are working to respond quickly and flexibly to the needs of both our institutional and individual customers, while putting in place a framework for enhanced consulting capabilities.

The Need for a New Type of Financial Institution

The impact of the Great East Japan Earthquake and the ensuing accidents at the Fukushima Daiichi Nuclear Power Plant, together with the turmoil in global financial markets stemming from the European debt crisis, as well as the persistently strong yen, continue to cast a shroud of uncertainty over the Japanese financial and economic environment. As a result, Japanese financial institutions will continue to face a severe operating environment.

Meanwhile, in line with socio-economic changes and regulatory reform, the role that the private sector should play has become increasingly important. In particular, as efforts to recover from the Earthquake get underway in various different forms, we financial institutions bear a heavy mission. Never has our role been brought into question so much as it is being now. We must be ready to go beyond the passive function of providing traditional services, and shift gears to contribute proactively to economic development through supporting the rise and growth of new businesses.

Shinsei is by no means a large bank. But we have unique strengths, such as the diversity of our employees and the expertise we have amassed in certain core competencies, and I believe that we can utilize these strengths to meet the expectations of our customers and society at large. Indeed, I believe this is the only way that we can generate stable, long-term earnings power, and become the bank that our customers want us to be. The Shinsei Bank Group as a whole is united in moving forward together to achieve our goals.

I would like to thank our shareholders, customers, and all other stakeholders for your continued support and guidance.

December 2011

Shigeki Toma
President and Chief Executive Officer

SPECIAL FEATURE: OUR BUSINESS MODEL

Management Principles

- A banking group that has stable earnings power, is truly depended upon by customers and that contributes to the development of both domestic and international industrial economies
- A banking group that has built on its past experiences and history, values diverse talents and cultures and continually takes on new challenges
- A banking group that strives for transparent management, valued and trusted by all stakeholders, including customers, investors and employees

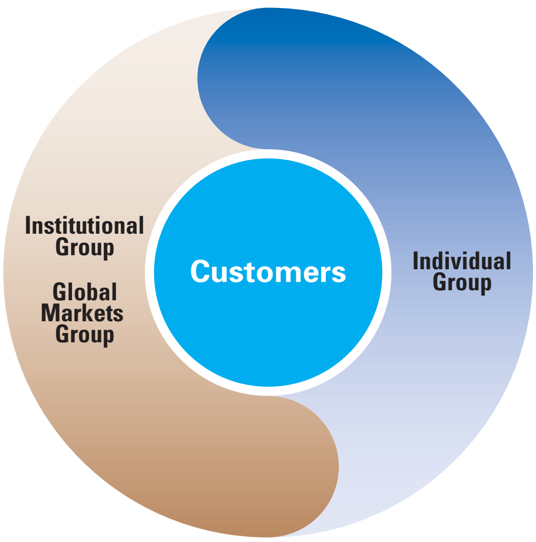
Medium-Term Goals*

Rebuilding the Customer Franchise and Establishing a Stabilized Earnings Base for the Mid- to Long-Term

Institutional Group / Global Markets Group

Concentrate Resources in Core Businesses

- Build customer-centric organization
- Actively promote corporate, financial institution and public sector businesses (such as loans and fee businesses)
- Improve ability to provide solutions and cross-selling
- Actively pursue specific sectors and areas where the Bank can leverage its specialties and uniqueness:
  - Healthcare Finance
  - Corporate Restructuring and others
- Consider new business opportunities in Asia
- Provide appropriate products and services to small- and medium-sized enterprises
- Enhance abilities of relationship managers, promote appropriate reallocation of the workforce and upgrade risk assessment capability
- Reduce divestible non-core business assets by 50%



Individual Group

Enhance Core Businesses

- Retail Banking
  - Stabilize funding base and promote lower funding costs
  - Expand housing loan business
  - Strengthen asset management business by expanding access points (Consulting Spots)
- Consumer Finance
  - Appropriate measures to comply with Money Lending Business Control and Regulation Law (MLBL)
  - Build a portfolio focused on profitability and strict credit assessment
  - Promote effective operations throughout the Group
- Explore synergy between retail banking and consumer finance operations

Strengths	Opportunities
• Diversity • Tailor made solutions • High customer satisfaction • Swift decision making, agile execution	• New customers • "Responsible consumer lending" • Niche businesses • Ever-changing lending and investment needs of customers
Weaknesses	**Threats**
• Volatility of earnings • Smaller customer base	• Fierce competition • Political, legislative and economic uncertainties

* Reflects revisions to original Medium-Term Management Plan announced on September 28, 2010, and organizational changes that became effective from April 1, 2011.

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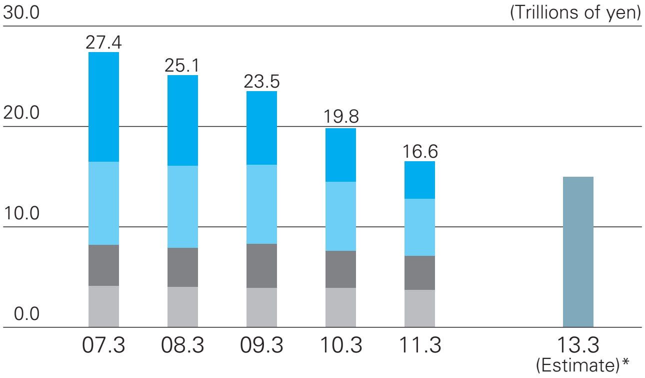
SPECIAL FEATURE:
SHINSEI BANK CARD LOAN—LAKE

Aiming to strengthen mid-to-long-term earnings power through full-scale launch of a bank-based unsecured personal loan service

Current State of the Japanese Unsecured Personal Loan Market

UPL Market (Overall)



■ Consumer Finance ■ Sales finance/credit card
■ Bank/shinkin (other financing) ■ Bank/shinkin (card loan etc.)

* Estimates of market size at 13.3 are Shinsei Bank's estimates
(Source) Statistics from Bank of Japan and Japan Financial Services Association

Factors such as the full-scale implementation of the revised Money Lending Business Control and Regulation Law in 2010 and the excess interest repayment issue have brought about an improvement in the transparency and social value of the Japanese unsecured personal loan (UPL) market. On the other hand, the market has also reached an unprecedented turning point with its size shrinking significantly and an increasing number of lenders shutting down their operations.

As shown in the adjacent chart, consumer finance companies' UPL market has contracted by approximately 60% over the past four years. However, while bank-based borrowing is also declining due to slumping consumption and other factors, the decline is smaller than at consumer finance or sales finance and credit card companies. At Shinsei, we believe that the demand for sound small-lot personal finance in Japan remains strong, and that lenders must face up to the challenge of providing smooth and flexible service to meet this social need.

A First in Japanese Banking

Following regulatory approval for the transfer of a portion of consolidated subsidiary Shinsei Financial's UPL business to the Bank, effective October 1, 2011, Shinsei Bank acquired the Lake brand, the entire network of unmanned branches and automated contract machines (ACM) and Card Loan—Lake ATMs, and other assets necessary for the Bank to operate this business directly. On the same day, the Bank began offering a new unsecured personal card loan service, *Shinsei Bank Card Loan—Lake*, becoming the first bank in Japan to offer full-scale unsecured card loan services for individual customers through a large-scale unmanned branch network. The Bank undertakes the marketing, customer service, risk management, credit assessment, loan servicing and other operations associated with this business. Going forward, Shinsei Financial will aim to generate stable earnings and pursue further growth by continuing to serve existing customers and through expansion of its credit guarantee business for the *Shinsei Bank Card Loan—Lake* service and for other financial institutions.

Shinsei Bank Card Loan—Lake Logo

Shinsei Bank Card Loan—Lake combines the highly convenient and speedy service provided until now by Shinsei Financial—including immediate loan disbursement, a no-branch-visit application process, fee-free usage of partner ATMs and a nationwide network of approximately 800 proprietary unstaffed branches—with the peace-of-mind and reassurance of Bank service. In doing so, Shinsei Bank aims to provide 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 the leading bank in this sector.

An October 3, 2011 newspaper advertisement announcing the launch of *Shinsei Bank Card Loan—Lake*

REVIEW OF OPERATIONS

AT A GLANCE

INSTITUTIONAL GROUP/ GLOBAL MARKETS GROUP

The Institutional Group focuses primarily on corporate and public sector finance and advisory business, while the Global Markets Group concentrates on financial markets business and serving financial institution clients

Major Business

Institutional Group

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

Global Markets Group

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

Major Subsidiaries

SHINSEI TRUST
SHINSEI SECURITIES
SHINSEI SERVICER
SHINSEI INVESTMENT MANAGEMENT
SHOWA LEASING CO.,LTD.

INDIVIDUAL GROUP

The Individual Group serves six million core customers in its retail banking, and unsecured personal loan, installment sales and other consumer finance businesses, offering products and services ranging from asset management to loans

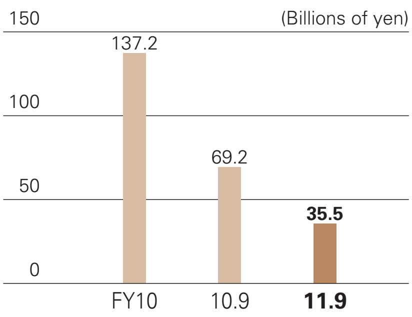
Major Business

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

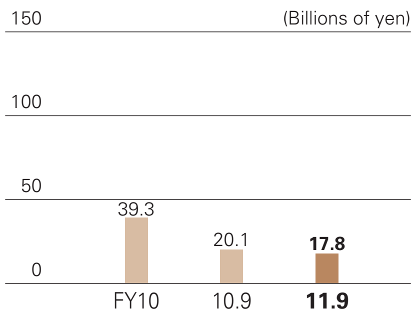
Major Subsidiaries

SHINSEI FINANCIAL
A Financial Venture シンキ株式会社
APLUS FINANCIAL

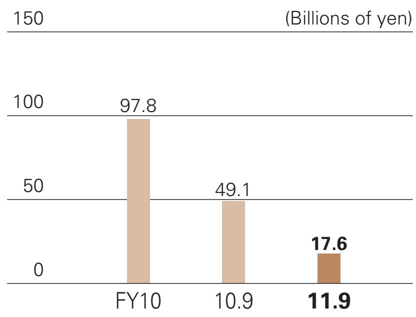
Total Revenue



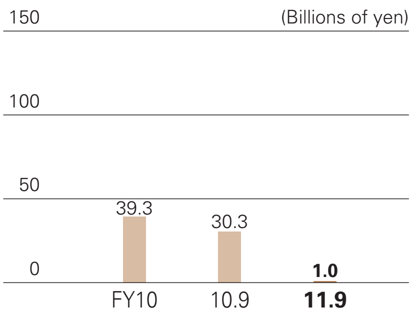
General and Administrative Expenses



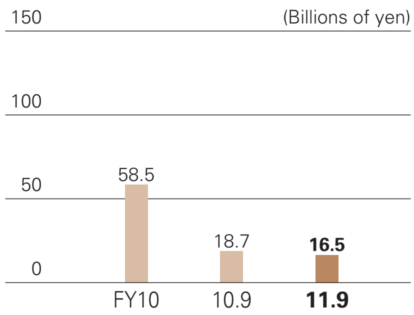
Ordinary Business Profit



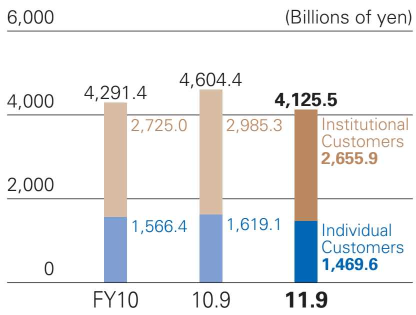
Net Credit Costs



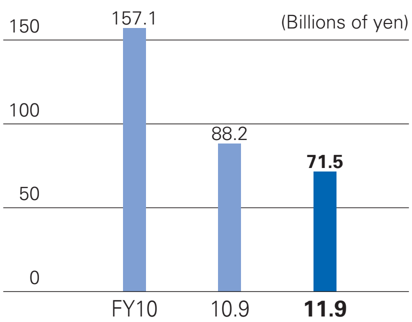
Ordinary Business Profit after Net Credit Costs



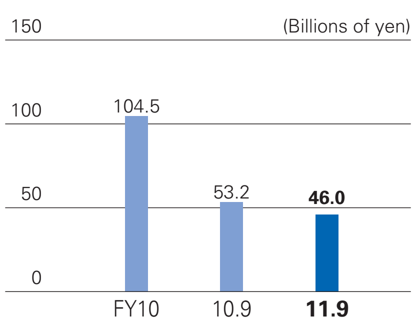
Total Loans and Bills Discounted



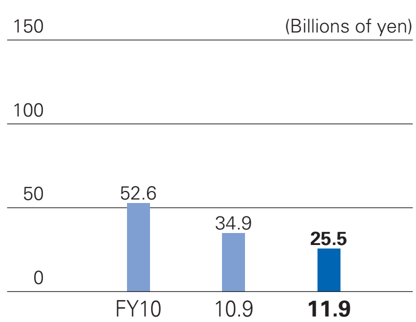
Total Revenue



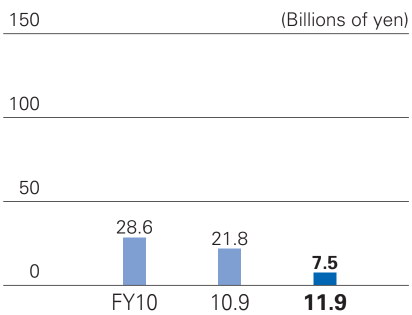
General and Administrative Expenses



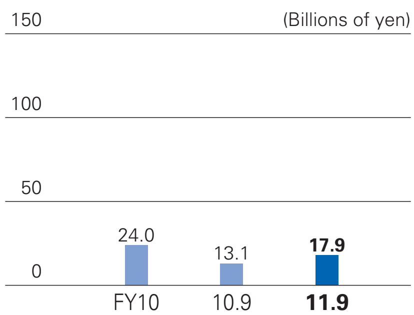
Ordinary Business Profit



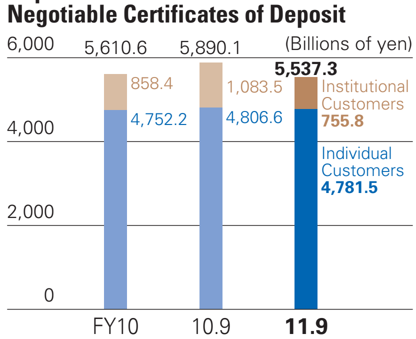
Net Credit Costs



Ordinary Business Profit after Net Credit Costs



Deposits and Negotiable Certificates of Deposit



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INSTITUTIONAL GROUP/ GLOBAL MARKETS GROUP

As of April 1, 2011, we have refined our organizational framework for serving institutional customers. A newly defined Institutional Group is focusing primarily on corporate and public sector finance and advisory business, while the Global Markets Group concentrates on financial markets and serving our financial institution clients. Amidst challenging conditions defined by the slump in economies and financial markets around the world, we have pressed on with key initiatives centered around new customer acquisition, providing support for the development of new industries and corporate restructuring, continued reduction of non-core assets, enhancing capital markets capabilities and refining our asset and liability management (ALM). As a result, we are making steady progress in rebuilding our customer base, revitalizing our portfolio with high quality assets, and making inroads into new business domains. At the same time, we have succeeded in meeting our Medium-Term Management Plan target for non-core asset reduction 1.5 years ahead of schedule, as our efforts to “rebuild the customer franchise in Japan” and “establish a stabilized earnings base” have borne solid results.

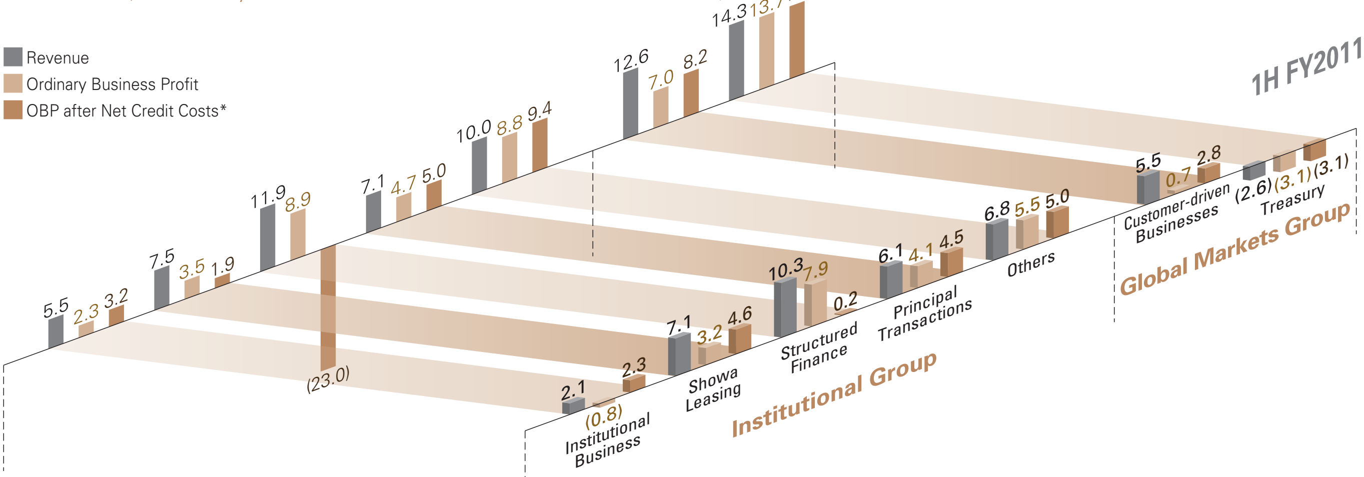
(Note) Effective April 1, 2011, the Bank reorganized its institutional businesses into a newly defined Institutional Group and the Global Markets Group. Figures for the previous fiscal year have been adjusted to conform to current period presentation.

Results

In the first half of fiscal year 2011, the Institutional Group’s ordinary business profit after net credit costs rose to ¥16.8 billion, improving significantly from a loss of ¥3.2 billion in the first half of fiscal year 2010, as the customer franchise expanded with an increase in borrower numbers, and the real estate non-recourse finance and credit trading businesses performed strongly. The Global Markets Group recorded an ordinary business loss after net credit costs of ¥0.3 billion in the first half of fiscal year 2011, compared to a profit of ¥21.9 billion in the same period of 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 subordinated debt that were recorded in the first half of fiscal year 2010.

Performance by Segment

(Consolidated, Billions of yen)



* 1H FY2011 results include ¥0.4 billion of recoveries of written-off claims in Institutional Group and ¥0.9 billion in Global Markets Group

OBP after Net Credit Costs:

	1H FY2010	**1H FY2011**
Institutional Group Total	(3.2)	**16.8**
Global Markets Group Total	21.9	**(0.3)**

Institutional Group

- Institutional Business (Corporate & public sector finance, Healthcare finance etc.)
- Showa Leasing
- Structured Finance (Real estate non-recourse finance, Specialty finance, Corporate restructuring etc.)
- Principal Transactions (Credit trading, Private equity etc.)
- Others (Advisory, Asset-backed investment etc.)

Global Markets Group

- Customer-driven Businesses (Financial institutions business, Markets, Asset management etc.)
- Treasury (ALM-related operations)

Operating Environment & Challenges

The Eurozone debt crisis has caused turmoil in global financial markets and the yen's strength has been driven to record levels, while the blueprint for Japan's recovery from the Great East Japan Earthquake remains uncertain. Although the economy showed signs of a quicker-than-anticipated rebound in the months immediately following the disaster, more recent data suggest weak funding demand, while recovery-related loan demand has not yet fully materialized. In the real estate market, vacancy rates for office buildings are gradually improving and there are signs of a bottoming-out in rents. Nevertheless, investors remain cautious and risk appetite is low, fuelling competition for what business there is in the market. However, this challenging business environment itself presents various opportunities, and we have been stepping up our business in providing solutions to combat the yen's strength and cross-border M&A advisory, as well as asset management solutions and capital markets products.

Strategy

Key Points of Institutional Business Strategy

- Expanding Client Franchise
  - Focus on expanding customer franchise
  - Further enhancing the provision of appropriate solutions for corporate, financial institutions and public sector customers, by leveraging our product development capabilities
  - Enhancing asset management proposals for institutional customers
- Shinsei's Unique Approach
  - Preparation and action to support development of new industries
  - Group-wide efforts to provide capital, credit, consulting services and staffing support to customers with restructuring needs and growth companies
  - Proactive efforts to support recovery after Great East Japan Earthquake
  - Concrete development of Asia-related business
- Continue Reduction of Non-core Assets
- Strengthening Markets Business and ALM Capabilities

Progress

The Institutional Group

Institutional Business and Showa Leasing

Financial products and services for corporate and public sector customers, leasing business

As the result of a continuing branch-wide campaign to approach new customers, the growth of our client base has outpaced internal targets. Despite weak demand for funding in Japan, the balance of our corporate loans is showing clear signs of having bottomed out. Over the first half of fiscal year 2011, our division specializing in support for the development of new industries and technology has identified its areas of focus, which include new recycling technologies, renewable energy and power generation, and teamed up with Group companies to begin marketing activities. In addition, in Healthcare Finance, we have continued to expand our networks in the nursing home sector and with real estate securitization investors.

Showa Leasing has continued efforts to establish next-generation core businesses through enhancing its product and service range, alongside its traditional strengths in the leasing of industrial equipment and machine tools to mid-market and small- and medium-sized enterprises. Meanwhile, the Bank's Institutional Business continues working in close collaboration with Showa Leasing to expand the client base further.

Structured Finance

Real estate related non-recourse and corporate finance, M&A and other specialty finance, Corporate restructuring, Trust business

Our lending to real estate companies and J-REITs has turned positive, and we made new disbursements in the non-recourse real estate finance, a business which we restarted in the fourth quarter of fiscal year 2010 for the first time in approximately two years. In the first half of fiscal year 2011, operating conditions have remained harsh, however we are working selectively on high quality deals sourced through the international network and expertise we have built up over many years in this business. The decline in real estate-related loan balances has largely subsided, and going forward we expect to see an increase driven by new disbursement, even as we continue to dispose of non-performing loans.

In the corporate restructuring business, our Corporate Support Division has reviewed many requests for financing


related to business restructuring since its establishment in September 2010. One example of our efforts in this area came to fruition in September 2011, when the Bank concluded a financing contract with Corona Kogyo Corporation, a company selected to receive assistance from the Enterprise Turnaround Initiative Corporation of Japan, for the construction of production facilities in Vietnam.

At Shinsei Trust & Banking, the balance of trust assets has also turned positive for the first time in 2.5 years.

Principal Transactions

Credit Trading, Private Equity

In Credit Trading, while our domestic business has continued to perform strongly throughout the first half of fiscal year 2011, we also restarted investment in the Korean distressed debt market in September 2011 for the first time in approximately 3 years. We are also proactively offering assistance to going-concern companies with special issues through arranging financing in collaboration with our subsidiary Shinseigin Finance.

In Private Equity, we are actively pursuing opportunities to provide growth financing through pre-IPO investment in unlisted stock of mid-to-late stage ventures that are planning a stock market listing in the future. At the same time, we are also working on initiatives to meet the growing succession needs of small-and-medium enterprises.

Advisory (included within "Others" in financial results)

Our Advisory business has won various mandates in the first half of fiscal year 2011, particularly in areas requiring advanced expertise, ranging from sponsor sourcing for high-profile clients undergoing business restructuring to provision of M&A advisory in the retail, service, financial and other sectors. We are also actively utilizing the partnerships forged last fiscal year with Baoviet Holdings in Vietnam and YES BANK in India, and are currently working on a number of inward-bound M&A deals from India, and supporting Japanese companies in entering the Vietnamese market.

The Global Markets Group

Markets

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

The strong yen and decline in equity markets and interest rates made for a challenging operating environment, as customer demand for primarily investment-related products was delayed. Nevertheless, we succeeded in increasing transactions by ramping up provision of credit-linked loans, and funding and currency exchange-related products. In addition, we have also begun supporting regional financial institutions in arranging syndicated loans. As a first step, in September 2011, we acted as co-arranger and contributed to the smooth arrangement of the first syndicated loan to be led by The Daito Bank, Ltd. ("Daito Bank"). The loan was made to finance new outlets and restoration work by one of Daito Bank's corporate clients located in the area affected by the Great East Japan Earthquake.

Additionally, in October 2011, we opened the Osaka Business Department in our Markets Sub-Group to offer greater support to our customers in western Japan.

Financial Institutions Business

Products and services for Financial Institutions

Working ever more closely with the Markets Sub-Group, our Financial Institutions business is providing investment products, including structured loans, structured deposits and credit-linked notes, to regional financial institutions in search of yield amidst the low-interest-rate environment. We also continue to promote our "white label business" in which partner financial institutions sell structured deposits and other financial products developed by Shinsei Bank under their own brands, and started new contracts in the first half of fiscal year 2011. In addition, we have also been engaged for advisory on revenue enhancement strategies, in areas such as M&A and expense reduction, and assistance with balance sheet restructuring through asset replacement, as part of the wide range of services we offer to financial institution customers.

Asset Management

Investment trusts, Wealth management

We established our new Asset Management Sub-Group in April 2011, and have since begun full-scale marketing activities in preparation for the launch of a privately offered investment trust specifically geared for the needs of financial institution customers. We are also enhancing the level of support we provide to Retail Banking sales staff, while working with subsidiary Shinsei Investment Management on a cross-organizational project to expand our investment trust sales channels to include institutional and wealth management customers.

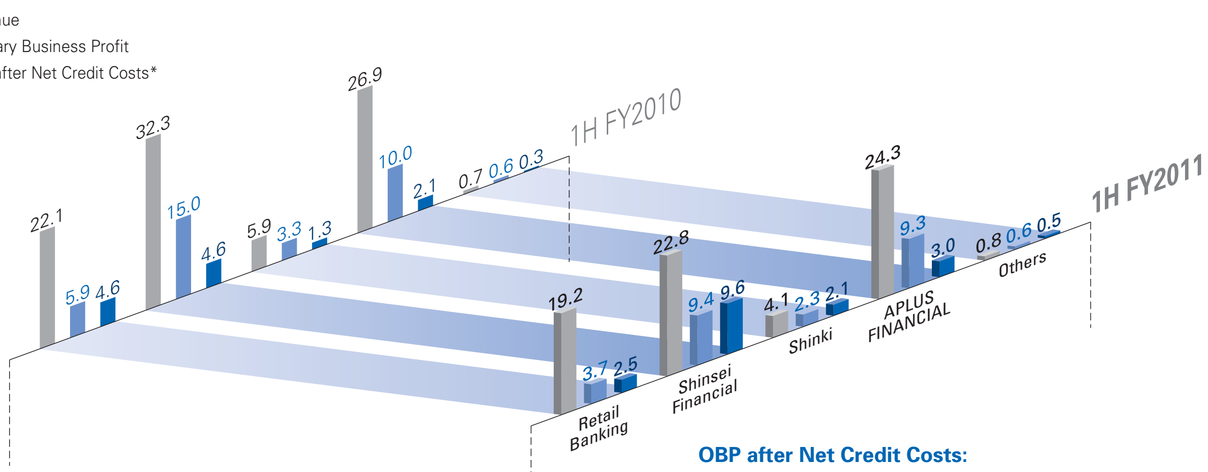
INDIVIDUAL GROUP

Shinsei Bank's Individual Group combines Shinsei's retail banking operations with the major consumer finance subsidiaries Shinsei Financial, Shinki, and APLUS FINANCIAL under a single management structure to provide a wide range of financial products and services for our individual customers. As of October 1, 2011, Shinsei Bank has taken over a portion of the Lake-branded unsecured personal loan business previously operated by Shinsei Financial (including the Lake brand, the network of unstaffed branches and automated contract machines and Card Loan—Lake ATMs), and launched *Shinsei Bank Card Loan—Lake*, a new, full-scale, Bank-based unsecured card loan service. As a result, Shinsei Bank now offers a full range of financial products and services, from retail banking to consumer finance, directly from the Bank, to better meet the ever-changing needs of our individual customers.

Results

In the interim period of fiscal year 2011, Shinsei Financial, Shinki and APLUS FINANCIAL outperformed year-on-year at the ordinary business profit after net credit costs level. As a result, the Individual Group's ordinary business profit after net credit costs increased to ¥17.9 billion in the first half of fiscal year 2011 compared to ¥13.1 billion in the first half of fiscal year 2010.

Performance by Segment
(Consolidated, Billions of yen)



* Provision of reserves for losses on grey zone interest repayment is included in "Other losses," not in "Net credit costs."
1H FY2011 results include JPY4.5 billion of recoveries of written-off claims

OBP after Net Credit Costs:

	1H FY2010	**1H FY2011**
Individual Group Total	13.1	**17.9**


Operating Environment & Challenges

In the first half of fiscal year 2011, consumer and individual investor sentiment was dealt a blow by the impact of the Great East Japan Earthquake, while slumping equity markets, an historically strong yen and confusion in global financial markets fueled risk aversion. Against this backdrop, in retail banking we saw steady demand for our housing loans which offer unique product features, and for our two-week maturity and other yen-denominated deposit products, while relatively fewer customers availed themselves of our investment-related products, such as structured deposits and investment trusts.

In our consumer finance operations, the effects of full-scale implementation of the revised Money-Lending Business Control and Regulation Law (MLBL) have begun to subside as we saw the number of new unsecured personal loan customers turning positive year-on-year. As a result, there are now signs of a bottoming out in the unsecured personal loan balance at Shinsei Financial. Meanwhile, "grey zone" interest repayment losses and disclosure claims, their leading indicator, continue on a downward trend across our subsidiaries. In addition, our ongoing indemnification agreement with GE, covering the majority of "grey zone" interest repayment liabilities at Shinsei Financial, continues to limit our risk of losses in this area.

Strategy

Retail Banking

- Strengthening Internet banking, call center and other convenient remote channels
- Continuing the roll-out of compact-sized Shinsei Consulting Spots to provide high-quality service for customers' asset management needs
- Enhancing our asset management product development and consultation services to assist customers, especially those approaching retirement, in finding the optimal financial solutions for their individual needs
- Further building out our business in housing loan products with unique features, such as guarantee fee waivers and a free-of-charge early repayment facility
- Offering a wide range of distinctive deposit products that contribute to stabilizing the Bank's funding base and lowering funding costs

Consumer Finance

- Combining convenience, speed and product strength—hallmarks of the Lake brand—with the reassurance and peace-of-mind of Bank service, to establish our position as a trusted lender for customers and secure income amidst a shrinking domestic unsecured personal loan market due to the revised MLBL and "grey zone" interest repayment issue
- Maximizing Shinsei Bank Financial Institutions Sub-Group's relationships with regional banks to win new partnerships in the unsecured personal loan guarantee business
- Continue growing high-quality assets in the installment sales credit and credit card businesses through differentiation, and strict management of credit costs and expenses

Progress

Retail Banking

In retail banking, total account numbers continued to grow steadily, topping 2.6 million as of September 30, 2011, while assets under management now total ¥5.9 trillion.

The deposit balance has stabilized and increased slightly on March 2011 to ¥4.7 trillion, as the decline through maturities of time deposits sold in previous campaigns subsided. Buoyed by the continued strength of the yen, as well as the "Foreign Exchange Commission Discount Time" campaign launched in July 2011, foreign currency deposits have also grown strongly on March 2011. In addition, the balance of our Two-Week Maturity Deposit surpassed ¥1 trillion as of February 2011 on the back of continued strong sales. This and other factors have resulted in a further decline in the Bank's consolidated deposit-based funding costs year-on-year.

Following the turmoil in global financial markets there was a trend towards relatively weaker customer need for asset management products. However, aggregate sales of structured bonds (financial product intermediary business) surpassed ¥100 billion as we focused on providing appropriate asset management consultation services to meet customers' needs. Targeting the retirement-aged demographic, in June 2011, we launched a series of campaigns for customers wishing to invest their retirement allowance. In addition, in November 2011 we began sales of Taiyo Life Insurance Company's first bancassurance product, *Minori no Jikan*, a yen-denominated fixed individual annuity for customers desiring a stable investment option for funds for the future.

Alongside these branch-based consultancy services, we

also began offering personal accident insurance (underwritten by Zurich Insurance Company) by direct mail, and medical insurance (underwritten by Cardif Assurance Vie) by telemarketing as we work to enhance our services for customers who have previously had few opportunities to visit a branch.

We have also seen stronger performance in our housing loan business following improvements to our application process and customer relationship management. The overall balance of housing loans has trended strongly, and there was particularly strong year-on-year growth in the amount of new disbursements, reflecting the popularity of our *PowerSmart Housing Loan*'s unique features, such as a waiver of guarantee fees and a commission-free early repayment facility, as well as competitive interest rates.

Shinsei Financial & Unsecured Personal Loan Business

During the first half of fiscal year 2011, the unsecured personal loan business operated by our consolidated subsidiary Shinsei Financial maintained a top 2 market share of new loan applications, and top 3 share in new customer acquisition. While loan balance and revenues have fallen in an industry-wide trend reflecting the impact of the income-linked borrowing limitation and interest rate ceiling caps stipulated in the revised MLBL, we have worked to offset this through ongoing strict credit control, enhanced collections and expense discipline. Moreover, the pace of loan balance decline appears to be slowing, as the number of new applications and new contracts have begun growing since May 2011, after consecutive years of decline.

Following regulatory approval for the transfer to Shinsei Bank of a portion of the Lake unsecured personal loan business operated by Shinsei Financial, on October 1, 2011, the Bank successfully launched the *Shinsei Bank Card Loan—Lake* service to become the first bank in Japan to offer full-scale unsecured card loan services for individual customers through a network of approximately 800 unstaffed branches. We will continue to provide Lake's highly convenient and speedy service—including immediate loan disbursement, a no-branch-visit application process, fee-free usage of partner ATMs and a network of unstaffed branches throughout Japan—together with the peace-of-mind and reassurance of Bank service. Our initial focus will be on serving Lake's traditional customer profile, and growing our customer base and loan balance. Going forward, we will also work to provide services that meet the needs of retail banking customers. As a result, we soon expect to see a rebound in the Group's overall unsecured personal loan balance, and plan to grow the business into an important contributor to profitability over the mid-to-long-term.

Going forward, Shinsei Financial will continue serving existing unsecured personal loan customers while pursuing further growth through expansion of its credit guarantee business for the *Shinsei Bank Card Loan—Lake* service and for other financial institutions. As at September 2011, Shinsei Financial currently has credit guarantee agreements with five regional financial institutions. In August 2011, the company announced an expansion of its partnership with The Towa Bank, Ltd. ("Towa Bank") to provide the bank with core card loan systems on an ASP (application service provider) basis. A breakthrough in the industry, this arrangement allows Towa Bank to develop new products drawing on Shinsei Financial's wide-ranging expertise without having to build its own proprietary systems.

APLUS FINANCIAL

During the first half of fiscal year 2011, APLUS FINANCIAL, one of Japan's three largest listed *shinpan* (sales finance) companies has continued to make steady progress towards its medium-term management plan vision of "becoming a *shinpan* (sales finance) company chosen by customers, supported by business partners, and fit for the new age," and breaking away from dependence on consumer finance loan income.

In installment sales credit, a core business, APLUS FINANCIAL has continued to diversify away from highly competitive auto sales finance to focus on growth areas such as solar power generation systems and EcoCute energy-efficient water heating systems. In addition, it has secured powerful differentiation in this commoditized market through a new service launched in May 2011 that allows customers to acquire T points* with APLUS' installment sales credit. As of October 2011, over 1,600 companies have already begun offering the service. In the credit card business, volumes have picked up rapidly after an initial drop immediately following the Great East Japan Earthquake. On September 1, 2011, APLUS FINANCIAL renewed the *Shinsei Visa Card* and introduced *Shinsei Bank Gold Card Visa/JCB*, which offers a broad range of high-quality benefits in return for a competitive annual fee.

* The T Point Loyalty Program is an integrated loyalty point program, operated by Culture Convenience Club Co., Ltd. ("CCC"), which allows holders of a T card to accumulate T points when making purchases at participating retailers. Points can be redeemed across a spectrum of retailers including convenience stores and supermarkets. APLUS FINANCIAL has an alliance with CCC in the credit card business, where it offers the credit-enabled "T Card Plus" card.

DIRECTORS AND EXECUTIVES

As of December 5, 2011

BOARD OF DIRECTORS (6)

Shigeki Toma	Representative Director, President
Yukio Nakamura	Representative Director, Senior Managing Executive Officer
J. Christopher Flowers*	Chairman, J.C. Flowers & Co. LLC
Shigeru Kani*	Former Director, Administration Department, The Bank of Japan, and Professor, Yokohama College of Commerce
Jun Makihara*	Chairman of the Board, Neoteny Co., Ltd.
Hiroyuki Takahashi*	Former Director, Japan Corporate Auditors Association

*Outside Directors

SENIOR ADVISOR (1)

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

ADVISOR (1)

Yuji Tsushima

STATUTORY AUDITORS (3)

Akira Kagiichi	Standing Statutory Auditor
Kozue Shiga*	Lawyer
Tatsuya Tamura*	Former Executive Director, The Bank of Japan, and President, Global Management Institute Inc.

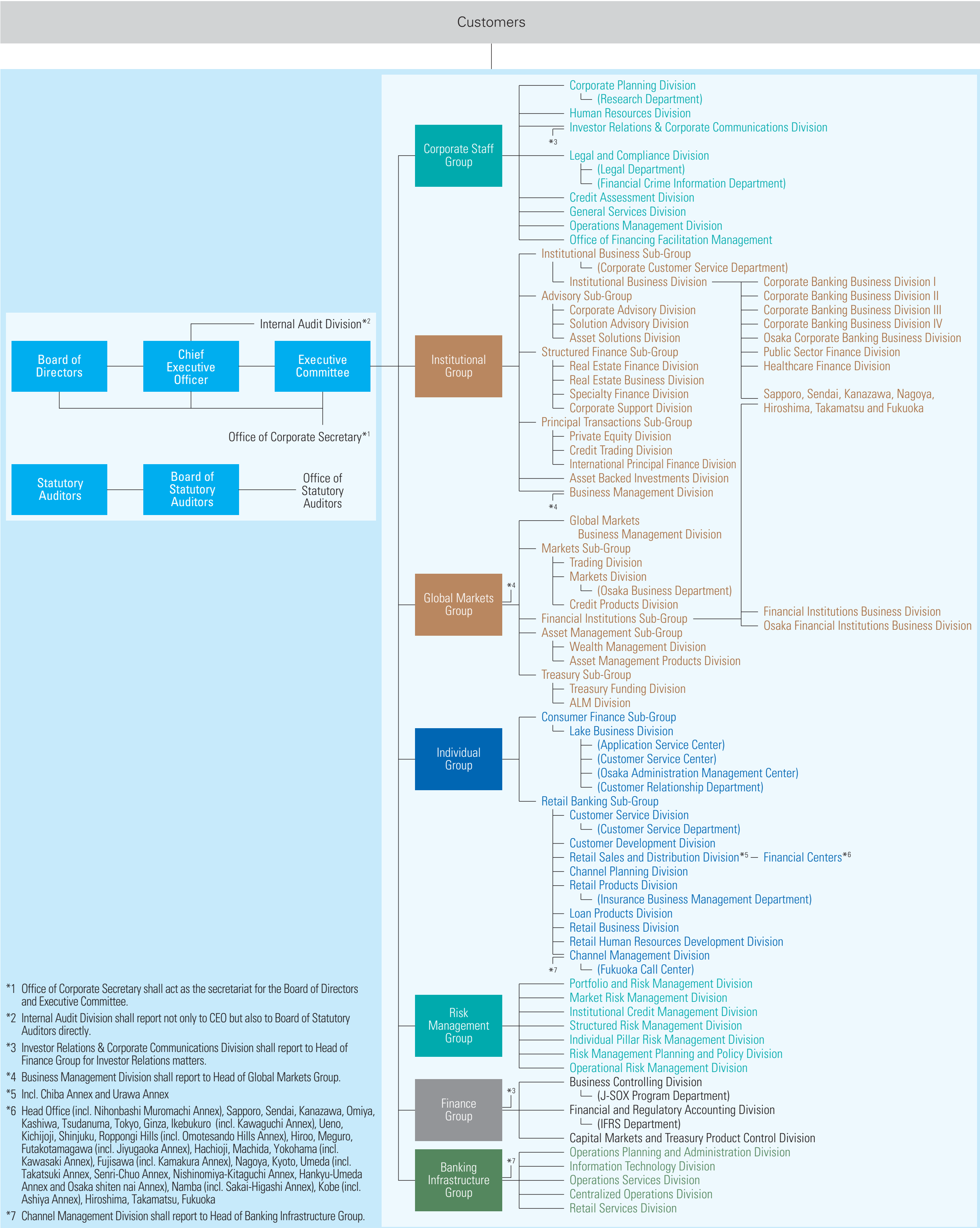
*Outside Statutory Auditors

EXECUTIVE OFFICERS (19)

Shigeki Toma	Representative Director, President, Chief Executive Officer
Yukio Nakamura	Representative Director, Senior Managing Executive Officer, Head of Risk Management Group, Chief Risk Officer
Sanjeev Gupta	Senior Managing Executive Officer, Head of Individual Group
Michiyuki Okano	Senior Managing Executive Officer, Group Chief Information Officer, Head of Banking Infrastructure Group
Hitomi Sato	Senior Managing Executive Officer, Head of Institutional Group
Shigeru Tsukamoto	Senior Managing Executive Officer, Chief Financial Officer, Head of Finance Group
Norio Funayama	Managing Executive Officer, General Manager of Osaka Branch
Yoshiaki Kozano	Managing Executive Officer, Head of Principal Transactions Sub-Group
Hideyuki Kudo	Managing Executive Officer, Head of Structured Finance Sub-Group
Takao Matsuzaki	Managing Executive Officer, Head of Institutional Business Sub-Group
Akira Watanabe	Managing Executive Officer, Head of Global Markets Group
Masashi Yamashita	Managing Executive Officer, Chief of Staff, Head of Corporate Staff Group
Souichirou Hasegawa	Executive Officer, General Manager of Office of Corporate Secretary
Satoshi Koiso	Executive Officer, General Manager of Corporate Planning Division
Yuji Matsuura	Executive Officer, Head of Markets Sub-Group
Shinya Nagata	Executive Officer, General Manager of Financial and Regulatory Accounting Division
Masayuki Nankouin	Executive Officer, Head of Consumer Finance Sub-Group
Akimori Nomura	Executive Officer, Head of Financial Institutions Sub-Group
Shinichirou Seto	Executive Officer, General Manager of Institutional Business Division

ORGANIZATION

As of December 5, 2011



*1 Office of Corporate Secretary shall act as the secretariat for the Board of Directors and Executive Committee.

*2 Internal Audit Division shall report not only to CEO but also to Board of Statutory Auditors directly.

*3 Investor Relations & Corporate Communications Division shall report to Head of Finance Group for Investor Relations matters.

*4 Business Management Division shall report to Head of Global Markets Group.

*5 Incl. Chiba Annex and Urawa Annex

*6 Head Office (incl. Nihonbashi Muromachi Annex), Sapporo, Sendai, Kanazawa, Omiya, Kashiwa, Tsudanuma, Tokyo, Ginza, Ikebukuro (incl. Kawaguchi Annex), Ueno, Kichijoji, Shinjuku, Roppongi Hills (incl. Omotesando Hills Annex), Hiroo, Meguro, Futakotamagawa (incl. Jiyugaoka Annex), Hachioji, Machida, Yokohama (incl. Kawasaki Annex), Fujisawa (incl. Kamakura Annex), Nagoya, Kyoto, Umeda (incl. Takatsuki Annex, Senri-Chuo Annex, Nishinomiya-Kitaguchi Annex, Hankyu-Umeda Annex and Osaka shiten nai Annex), Namba (incl. Sakai-Higashi Annex), Kobe (incl. Ashiya Annex), Hiroshima, Takamatsu, Fukuoka

*7 Channel Management Division shall report to Head of Banking Infrastructure Group.

SUMMARY OF MAJOR EVENTS

2000	March	Launched as an innovative Japanese bank under new management and new ownership
	June	Changed name from The Long-Term Credit Bank of Japan, Limited (LTCB), to Shinsei Bank, Limited
2001	May	Commenced operations of Shinsei Securities Co., Ltd.
2003	April	Commenced operations of Shinsei Investment Management Co., Ltd.
2004	February	Listed the Bank's common shares on the First Section of the Tokyo Stock Exchange
	April	Converted the Bank's long-term credit bank charter to an ordinary bank charter
	May	Achieved one million retail accounts
	June	Converted to a Company with Committees board model
	September	Acquired a controlling interest in APLUS Co., Ltd.
2005	March	Acquired a controlling interest in Showa Leasing Co., Ltd.
	May	Commenced operations of Shinsei International Limited
2006	July	Commenced resolution of public funds
2007	April	Achieved two million retail accounts
	July	Launched new *Shinsei Platinum Services*
	December	Acquired a controlling interest in SHINKI Co., Ltd.
2008	January	Reached a mutual agreement with Seven Bank, Ltd. to share sales channels and develop products and services together
	February	Completed a tender offer bid for the Bank's common shares and a third-party allotment of new common shares of the Bank to the investor group led by J.C. Flowers & Co. LLC and affiliates
		Concluded an Operational Alliance Agreement with Towa Bank, Ltd.
	April	Launched *Shinsei Mobile Banking*
	September	Opened first joint ATM corner with Seven Bank, Ltd.
		Acquired GE Consumer Finance Co., Ltd. (Changed company name to Shinsei Financial Co., Ltd. on April 1, 2009)
2009	January	Launched *Shinsei Step Up Program*
	March	Concluded tender offer for the shares of common stock of SHINKI Co., Ltd.
	June	Opened first Shinsei Consulting Spots
		Launched *Two Weeks Maturity Deposit*
	October	Issued JPY-denominated preferred securities
	November	Issued non-dilutive subordinated bonds to retail investors
2010	March	Partially repurchased and cancelled Tier I preferred securities
		Received "Best Retail Bank in Japan" award from *The Asian Banker* for the fourth time, following awards in 2005, 2006 and 2009
	June	Moved to a "Company with Board of Statutory Auditors" board model
	November	Announced business alliance with YES BANK LIMITED in Japan-India cross-border M&A business
		Formed business alliance with Baoviet Holdings to support Japanese institutional customers in the Vietnamese market
		Established corporate restructuring investment subsidiary, Shinsei Corporate Support Finance Co., Ltd.
2011	January	Commenced operations at new head office
	March	Issued new shares through international common share offering
		Signed memorandum of understanding on business collaboration with Taiwanese equity-method affiliate, Jih Sun Financial Holding Co., Ltd.
		Expanded joint ATM installations with Seven Bank, Ltd.
	April	Reorganized institutional business groups
	September	Added gold card (Visa/JCB) to Shinsei Visa Card line-up
		Corporate Support Division provided financing for Corona Kogyo Corporation's construction of factory in Vietnam
		Began offering Zurich Insurance Company's personal accident insurance to Shinsei Bank account holders via direct mail
		Assisted The Daito Bank, Ltd. in arranging its first syndicated loan
	October	Commenced unsecured personal card loan service under the Lake brand
	November	Began offering Cardif Assurance Vie's *MediReturn Shinsei*, a medical insurance product with a maturity benefit, to Shinsei Bank female account holders via direct telemarketing

DATA SECTION

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

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

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

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

OVERVIEW

Shinsei Bank, Limited is a diversified 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 our 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 meet customer needs through strengthening our housing loan business and expanding our branch network, including Consulting Spots, to efficiently develop asset management operations. In the Consumer Finance business, Shinsei launched an unsecured personal loan service directly from the Bank on October 1, 2011, in addition to providing installment sales credit, credit card and settlement services through APLUS FINANCIAL Co., Ltd. (APLUS FINANCIAL), and unsecured personal loans through Shinsei Financial Co., Ltd. (Shinsei Financial) and Shinki Co., Ltd (Shinki).

FINANCIAL SUMMARY FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2011

We recognized higher consolidated net income of ¥20.3 billion on a reported basis for the six months ended September 30, 2011, compared to consolidated net income of ¥16.8 billion for the six months ended September 30, 2010. Consolidated cash basis net income for the six months ended September 30, 2011 also improved to ¥25.6 billion compared to ¥22.7 billion for the six months ended September 30, 2010.

Our results for the six months ended September 30, 2011 were affected by instability in the economy and domestic and foreign financial markets, due to the European debt crisis and the Great East Japan Earthquake, but showed better performance compared to the results for the six months ended September 30, 2010. This was due to continuous efforts to raise the level of profitability since last year, through intensive cost reduction measures and reduction of credit costs, resulting in steady results.

Regarding revenue for the six months ended September 30, 2011, each business actively committed to provide high value added financial products and services, resulting in increased net fees and commission income. However, impairments of securities were recorded as a result of a slump in financial markets. In addition, non-core assets were reduced to minimize potential risks, and the loan balance decreased due to the impact of the revised Money-Lending Business Control and Regulation Law in the Consumer Finance business. These factors resulted in revenue of ¥105.6 billion, a decrease of ¥45.6 billion compared to the results for the six months ended September 30, 2010. However, through rationalization improvements, especially within the Consumer Finance business where the business was appropriately scaled down in anticipation of the impact of the revised Money-Lending Business Control and Regulation Law, general and administrative expenses, excluding amortization of goodwill and other intangible assets, were ¥64.5 billion, ¥9.5 billion lower compared to the results for the six months ended September 30, 2010. Net credit costs of ¥8.8 billion showed a significant decrease as compared to the six months ended September 30, 2010. The decrease in net credit costs was a result of continued divestiture of non-core assets, in addition to improvements in credit quality due to the stricter credit management and strengthening of collection systems that Shinsei Financial has been implementing incrementally to date, as well as an improvement in asset quality following the income-linked borrowing limitation regulations implemented last year, coupled with the overall decrease in operating assets.

OVERVIEW (continued)

The Institutional Group recorded impairment on securities due to the downturn in financial markets. However, results for the six months ended September 30, 2011 outperformed the six months ended September 30, 2010, due to increase in the number of borrowers as a result of continuous progress made in rebuilding our client base and a decrease in expenses and net credit costs as a result of non-core asset reduction. The Global Markets Group's performance was lower compared to the six months ended September 30, 2010 due to the impact of stagnant financial markets, due to the European debt crisis and the Great East Japan Earthquake, and because no gains on repurchases of subordinated debt were recorded as in the six months ended September 30, 2010. The Individual Group performed well compared to the six months ended September 30, 2010. In the Consumer Finance business, the pace of decline in operating assets due to implementation of the revised Money-Lending Business Control and Regulation Law gradually became less pronounced in the six months ended September 30, 2011. In addition, continued efforts to reduce expenses and net credit costs contributed to better results.

Balance of Loans and bills discounted declined from ¥4,291.4 billion as of March 2011 to ¥4,125.5 billion as of September 2011 mainly due to reduction of non-core assets and the decrease in loan balance in the Consumer Finance business. However, the rate of decrease of loan balance in Consumer Finance has gradually become less pronounced.

In terms of capital ratios, Tier I capital and total capital increased due to strong financial results, which resulted in improvement of the Total capital adequacy ratio and Tier I capital ratio to 10.5% and 8.7%, as of September 30, 2011 respectively, compared to 9.8% and 7.8% as of March 31, 2011.

Basic net income per share for the six months ended September 30, 2011 was ¥7.66, as compared to basic net income per share of ¥8.59 for the six months ended September 30, 2010. Cash basis basic net income per share for the six months ended September 30, 2011 was ¥9.67, as compared to cash basis basic net income per share of ¥11.57 for the six months ended September 30, 2010.

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 unstaffed 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 the Shinsei Bank Group.

SELECTED FINANCIAL DATA (CONSOLIDATED)

Shinsei Bank, Limited and Consolidated Subsidiaries

As of and for the six months ended September 30, 2011 and 2010, and as of and for the fiscal year ended March 31, 2011

Billions of yen (except per share data and percentages)

	Sept. 30, 2011 (6 months)	Sept. 30, 2010 (6 months)	Mar. 31, 2011 (1 year)
Statements of income data:			
Net interest income	¥ 60.7	¥ 86.1	¥ 156.6
Net fees and commissions	13.8	12.2	26.0
Net trading income	6.5	7.1	11.6
Net other business income	24.4	45.6	68.3
Total revenue	105.6	151.3	262.6
General and administrative expenses	64.5	74.0	145.3
Amortization of goodwill and other intangible assets	6.2	6.8	13.0
Total general and administrative expenses	70.7	80.9	158.4
Net credit costs	8.8	52.3	68.3
Other gains (losses), net	(0.3)	6.6	21.9
Income before income taxes and minority interests	25.7	24.7	57.7
Current income tax	1.6	1.1	1.9
Deferred income tax	1.7	1.7	5.2
Minority interests in net income of subsidiaries	1.9	4.8	7.9
Net income	¥ 20.3	¥ 16.8	¥ 42.6
Balance sheet data:			
Trading assets	¥ 239.1	¥ 246.9	¥ 195.3
Securities	2,220.1	2,639.9	3,286.3
Loans and bills discounted	4,125.5	4,604.4	4,291.4
Customers' liabilities for acceptances and guarantees	557.2	606.1	575.7
Reserve for credit losses	(184.3)	(218.1)	(199.2)
Total assets	8,940.5	10,464.0	10,231.5
Deposits, including negotiable certificates of deposit	5,537.3	5,890.1	5,610.6
Debentures	313.1	425.2	348.2
Trading liabilities	191.2	196.9	147.7
Borrowed money	547.2	1,336.1	1,672.7
Acceptances and guarantees	557.2	606.1	575.7
Total liabilities	8,310.4	9,849.8	9,620.3
Common stock	512.2	476.2	512.2
Total equity	630.1	614.1	611.1
Total liabilities and equity	¥ 8,940.5	¥ 10,464.0	¥ 10,231.5
Per share data:			
Common equity(1)	¥ 214.07	¥ 232.54	¥ 205.83
Basic net income	7.66	8.59	21.36
Capital adequacy data:			
Total capital adequacy ratio	10.5%	8.9%	9.8%
Tier I capital ratio	8.7%	7.0%	7.8%
Average balance data:			
Securities	¥ 2,762.0	¥ 2,941.8	¥ 3,056.4
Loans and bills discounted	4,220.3	4,870.9	4,680.7
Total assets	9,586.0	10,920.4	10,804.1
Interest-bearing liabilities	7,621.1	8,619.4	8,507.2
Total liabilities	8,965.4	10,295.8	10,181.1
Total equity	620.6	624.5	623.0
Other data:			
Return on assets	0.4%	0.3%	0.4%
Return on equity(1)	7.3%	7.4%	8.5%
Ratio of deposits, including negotiable certificates of deposit, to total liabilities	66.6%	59.8%	58.3%
Expense-to-revenue ratio(2)	61.1%	48.9%	55.3%
Non-performing claims, non-consolidated	¥ 254.4	¥ 316.6	¥ 279.5
Ratio of non-performing claims to total claims, non-consolidated	6.0%	6.5%	6.8%
Net deferred tax assets	¥ 15.6	¥ 13.8	¥ 17.9
Net deferred tax assets as a percentage of Tier I capital	2.9%	2.8%	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)

SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2011 COMPARED WITH SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2010 (CONSOLIDATED)

We reported total revenue for the six months ended September 30, 2011 of ¥105.6 billion. This was ¥45.6 billion lower than the ¥151.3 billion total revenue recorded for the six months ended September 30, 2010.

Net interest income decreased due to reduction in non-core assets and decreasing loan balance in Consumer Finance. Non interest income also decreased due to impairments of securities caused by the slump in financial markets. In addition, gains on repurchases of subordinated debt, which were recorded for the six months ended September 30, 2010, were not present for the six months ended September 30, 2011. This resulted in the decrease in revenue. Net interest income amounted to ¥60.7 billion for the six months ended September 30, 2011, a decrease of ¥25.4 billion, as compared to ¥86.1 billion for the six months ended September 30, 2010. Non interest income amounted to ¥44.9 billion for the six months ended September 30, 2011, a decrease of ¥20.2 billion, as compared to ¥65.1 billion for the six months ended September 30, 2010. Net fees and commission income increased by ¥1.5 billion to ¥13.8 billion for the six months ended September 30, 2011 from ¥12.2 billion for the six months ended September 30, 2010. However, net trading income decreased by ¥0.6 billion from ¥7.1 billon to ¥6.5 billion, and net other business income decreased to ¥24.4 billion from ¥45.6 billion, for the six months ended September 30, 2011 compared with the six months ended September 30, 2010, respectively. Net other business income included income on lease transactions and installment receivables from Showa Leasing, APLUS FINANCIAL, and Shinsei Financial of ¥18.6 billion for the six months ended September 30, 2011, as compared to ¥19.7 billion for the six months ended September 30, 2010. Net other business income also included ¥6.3 billion of gains on sale of foreign equities, net of withholding tax and expenses relating to the sale, that had been classified as non-core assets, ¥5.2 billion of impairment on major listed stocks, ¥2.2 billion of impairment on bonds related to domestic real estate non-recourse finance, and ¥0.7 billion of impairment on private equity investments for the six months ended September 30, 2011. Net other business income for the six months ended September 30, 2010 included ¥4.3 billion of gains on sales of CLO, ¥4.1 billion of gains on sales of asset backed investments and securities as well as ¥1.8 billion of impairments on bonds related to domestic real estate non-recourse finance and ¥0.5 billion of revaluation loss and impairments on real estate related investments.

General and administrative expenses, excluding amortization of goodwill and other intangible assets, were ¥64.5 billion for the six months ended September 30, 2011, a decrease of ¥9.5 billion compared to the six months ended September 30, 2010. This was mainly due to substantial expense reductions achieved through rationalization and efficiency improvements, 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 for the six months ended September 30, 2011 decreased substantially from the six months ended September 30, 2010 due to continuous reduction of non-core assets. In our Consumer Finance business, further improvements in asset quality as a result of the stricter credit management and strengthening of collection systems that Shinsei Financial has been implementing incrementally to date, as well as the income-linked borrowing limitation regulations implemented last year, coupled with the overall decrease in operating assets, has led to substantial reduction of net credit costs. From the fiscal year beginning on April 1, 2011, recoveries of written-off claims are categorized as 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 previous periods 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 six months ended September 30, 2011, net credit costs were ¥8.8 billion, while net credit costs excluding recoveries of written-off claims of ¥5.9 billion were ¥14.7 billion, showing a substantial decrease from ¥52.3 billion for the six months ended September 30, 2010. Shinsei Financial recorded net recoveries of ¥0.2 billion or credit costs of ¥3.7 billion excluding recoveries of written-off claims for the six months ended September 30, 2011, which was an improvement from net credit costs of ¥10.3 billion for the six months ended September 30, 2010.

Amortization of goodwill and other intangible assets associated with the acquisition of consumer finance and commercial finance companies was ¥6.2 billion for the six months ended September 30, 2011 as compared to ¥6.8 billion for the six months ended September 30, 2010. 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 ¥0.3 billion for the six months ended September 30, 2011. From the fiscal year beginning on April 1, 2011, recoveries of written-off claims are categorized as 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

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

Practice Committee of JICPA, on March 29, 2011. Other gains of ¥6.6 billion for the six months ended September 30, 2010 included ¥7.0 billion of recoveries of written-off claims and ¥4.3 billion of gains on repurchases of subordinated debts which were partially offset by asset retirement obligation costs of ¥3.5 billion at the Bank and its subsidiaries.

Current and deferred income taxes reflected a net expense of ¥3.4 billion for the six months ended September 30, 2011, including withholding tax of ¥0.6 billion on sale of foreign equities that had been classified as non-core assets.

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 preferred securities conducted in the six months ended September 30, 2010, minority interests in net income of subsidiaries declined ¥2.9 billion from ¥4.8 billion for the six months ended September 30, 2010 to ¥1.9 billion for the six months ended September 30, 2011.

The Bank realized consolidated net income of ¥20.3 billion on a reported basis for the six months ended September 30, 2011, improving from a consolidated net income of ¥16.8 billion for the six months ended September 30, 2010. Consolidated cash basis net income for the six months ended September 30, 2011 was ¥25.6 billion, improving from a cash basis net income of ¥22.7 billion for the six months ended September 30, 2010. 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 six months ended September 30, 2011	Billions of yen (except per share data and percentages)
Amortization of goodwill and other intangible assets	
Amortization of other intangible assets	¥ 2.2
Associated deferred tax income	(0.9)
Amortization of goodwill	4.0
Total amortization of goodwill and other intangible assets, net of tax benefit	¥ 5.3
Reconciliation of net income to cash basis net income	
Net income	¥ 20.3
Amortization of goodwill and other intangible assets, net of tax benefit	5.3
Cash basis net income	¥ 25.6
Reconciliation of basic net income per share to cash basis basic net income per share	
Basic net income per share	¥ 7.66
Effect of amortization of goodwill and other intangible assets, net of tax benefit	2.00
Cash basis basic net income per share	¥ 9.67
Reconciliation of return on assets to cash basis return on assets	
Return on assets	0.4%
Effect of amortization of goodwill and other intangible assets, net of tax benefit	0.1%
Cash basis return on assets	0.5%
Reconciliation of return on equity to cash basis return on equity	
Return on equity	7.3%
Effect of amortization of goodwill and other intangible assets, net of tax benefit	1.9%
Cash basis return on equity	9.2%
Reconciliation of return on equity to return on tangible equity	
Return on equity	7.3%
Effect of goodwill and other intangible assets	3.0%
Return on tangible equity[1]	10.3%

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

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

NET REVENUE ON INTEREST-EARNING ASSETS

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

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

Billions of yen (except Yield/Rates)

	Six months ended September 30, 2011			Six months ended September 30, 2010		
	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate
Interest-earning assets:						
Loans and bills discounted	¥ 4,220.3	¥ 72.5	3.43%	¥ 4,870.9	¥ 96.5	3.96
Lease receivables and leased investment assets/ installment receivables	544.0	18.6	6.83	575.6	19.7	6.84
Securities	2,762.0	9.7	0.70	2,941.8	12.7	0.87
Other interest-earning assets[1]	331.9	0.8	n.m.[3]	637.3	3.4	n.m.[3]
Total revenue on interest-earning assets (A)	¥ 7,858.3	¥ 101.7	2.58%	¥ 9,025.7	¥ 132.5	2.93%
Interest-bearing liabilities:						
Deposits, including negotiable certificates of deposit	¥ 5,669.6	¥ 15.1	0.53	¥ 6,127.4	¥ 18.5	0.61
Debentures	333.4	0.8	0.50	460.1	1.3	0.59
Borrowed money	814.4	2.9	0.72	1,301.5	3.7	0.58
Subordinated debt	96.1	0.7	1.66	102.0	0.4	0.91
Other borrowed money	718.3	2.1	0.59	1,199.5	3.2	0.55
Corporate bonds	168.4	2.8	3.35	187.1	2.4	2.65
Subordinated bonds	141.9	2.6	3.68	155.6	2.3	3.05
Other corporate bonds	26.5	0.2	1.56	31.5	0.1	0.65
Other interest-bearing liabilities[1]	635.1	0.6	n.m.[3]	543.1	0.4	n.m.[3]
Total expense on interest-bearing liabilities (B)	¥ 7,621.1	¥ 22.3	0.59%	¥ 8,619.4	¥ 26.6	0.62%
Net interest margin (A) - (B)	—	—	2.00%	—	—	2.31%
Non-interest-bearing sources of funds:						
Non-interest-bearing (assets) liabilities, net	¥ (321.4)	—	—	¥ (52.2)	—	—
Total equity excluding minority interest[2]	558.5	—	—	458.5	—	—
Total non-interest-bearing sources of funds (C)	¥ 237.1	—	—	¥ 406.2	—	—
Total interest-bearing liabilities and non-interest-bearing sources of funds (D) = (B) + (C)	¥ 7,858.3	¥ 22.3	0.57%	¥ 9,025.7	¥ 26.6	0.59%
Net revenue on interest-earning assets/ yield on interest-earning assets (A) - (D)	—	¥ 79.3	2.01%	—	¥ 105.9	2.34%
Reconciliation of total revenue on interest-earning assets to total interest income						
Total revenue on interest-earning assets	¥ 7,858.3	¥ 101.7	2.58%	¥ 9,025.7	¥ 132.5	2.93%
Less: Income on lease transactions and installment receivables	544.0	18.6	6.83	575.6	19.7	6.84
Total interest income	¥ 7,314.2	¥ 83.1	2.27%	¥ 8,450.1	¥ 112.8	2.66%
Total interest expenses	—	22.3	—	—	26.6	—
Net interest income	—	¥ 60.7	—	—	¥ 86.1	—

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

Net revenue on interest-earning assets includes net interest income as well as revenue earned on lease receivables, 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 interim consolidated statements of income, income on lease transactions and installment receivables is reported in net other business income under Japanese GAAP.

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RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

Net revenue on interest-earning assets for the six months ended September 30, 2011 was ¥79.3 billion, a decrease of ¥26.5 billion compared to the six months ended September 30, 2010. Total revenue on interest-earning assets decreased by ¥30.8 billion and total expense on interest-bearing liabilities decreased by ¥4.2 billion for the six months ended September 30, 2011 compared to the six months ended September 30, 2010. The net interest margin was 2.00% for the six months ended September 30, 2011, compared with 2.31% for the six months ended September 30, 2010. The change in net interest margin largely reflected lower volume and lower yield of loans and bills discounted and securities, partly offset by lower interest expense for deposits and debentures.

NET FEES AND COMMISSIONS

Net fees and commissions were mainly from non-recourse finance on domestic real estate, guarantee and other business by consumer finance subsidiaries, and sales of mutual funds and variable annuities. Net fees and commissions of ¥13.8 billion were earned for the six months ended September 30, 2011, up by ¥1.5 billion from ¥12.2 billion for the six months ended September 30, 2010.

NET TRADING INCOME

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

TABLE 2. NET TRADING INCOME (CONSOLIDATED)

	Billions of yen		
	Six months ended September 30, 2011	Six months ended September 30, 2010	% Change
Income from trading securities	**¥ 0.0**	¥ 1.4	(95.5)
Income (loss) from securities held to hedge trading transactions	**(2.7)**	(5.4)	48.6
Income from trading-related financial derivatives	**9.2**	11.1	(17.0)
Other, net	**0.0**	0.0	36.6
Net trading income	**¥ 6.5**	¥ 7.1	(8.9)

Net trading income includes revenues from derivatives with customer-driven transactions and those from proprietary trading. ¥6.5 billion was recorded for the six months ended September 30, 2011, a decrease of ¥0.6 billion from ¥7.1 billion for the six months ended September 30, 2010.

NET OTHER BUSINESS INCOME

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

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

	Billions of yen		
	Six months ended September 30, 2011	Six months ended September 30, 2010	% Change
Net gain on monetary assets held in trust	**¥ 3.9**	¥ 3.4	13.6
Net gain on foreign exchanges	**1.7**	2.9	(39.8)
Net gain (loss) on securities	**(0.7)**	14.6	(104.8)
Net gain on other monetary claims purchased	**0.4**	3.4	(85.9)
Other business income (loss), net:			
Income (loss) from derivatives for banking purposes, net	**(1.6)**	(0.4)	(276.9)
Equity in net income of affiliates	**1.0**	1.0	2.8
Gain on lease cancellation and other lease income (loss), net	**(0.4)**	(0.2)	(49.6)
Other, net	**1.3**	1.0	28.7
Net other business income before income on lease transactions and installment receivables, net	**5.8**	25.9	(77.4)
Income on lease transactions and installment receivables, net	**18.6**	19.7	(5.5)
Net other business income	**¥ 24.4**	¥ 45.6	(46.4)

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

Net other business income was ¥24.4 billion for the six months ended September 30, 2011, compared to ¥45.6 billion for the six months ended September 30, 2010. This included income on lease transactions and installment receivables of ¥18.6 billion by Showa Leasing, APLUS FINANCIAL, Shinsei Financial and others, compared to ¥19.7 billion for the six months ended September 30, 2010. Net other business income also included ¥6.3 billion of gain on sale of foreign equities, net of withholding tax and expenses relating to the sale, that had been classified as non-core assets, ¥5.2 billion of impairment on major listed shares, ¥2.2 billion of impairment on bonds related to domestic real estate non-recourse finance and ¥0.7 billion of impairment on private equity investments for the six months ended September 30, 2011. Net other business income for the six months ended September 30, 2010 included ¥4.3 billion of gains on sales of CLO, ¥4.1 billion of gains on sales of asset backed investments and securities as well as ¥1.8 billion of impairments on bonds related to domestic real estate non-recourse finance and ¥0.5 billion of revaluation loss and impairments on real estate related investments.

TOTAL REVENUE

Due to the factors described above, total revenue for the six months ended September 30, 2011 was ¥105.6 billion as compared with ¥151.3 billion for the six months ended September 30, 2010.

GENERAL AND ADMINISTRATIVE EXPENSES

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

TABLE 4. GENERAL AND ADMINISTRATIVE EXPENSES (CONSOLIDATED)

Billions of yen

	Six months ended September 30, 2011	Six months ended September 30, 2010	% Change
Personnel expenses	¥ 26.6	¥ 28.9	(8.2)
Premises expenses	10.2	11.6	(11.7)
Technology and data processing expenses	8.3	9.9	(15.8)
Advertising expenses	4.4	5.1	(14.1)
Consumption and property taxes	2.8	4.1	(30.0)
Deposit insurance premium	2.3	2.7	(14.1)
Other general and administrative expenses	9.5	11.4	(16.6)
General and administrative expenses	64.5	74.0	(12.9)
Amortization of goodwill and other intangible assets	6.2	6.8	(9.0)
Total general and administrative expenses	¥ 70.7	¥ 80.9	(12.6)

General and administrative expenses, excluding amortization of goodwill and other intangible assets, were ¥64.5 billion for the six months ended September 30, 2011, a decrease of ¥9.5 billion compared to the six months ended September 30, 2010.

Personnel expenses of ¥26.6 billion decreased by ¥2.3 billion from the six months ended September 30, 2010. We have been able to reduce our personnel expenses through the integration of call centers and the termination of all manned branches at Shinsei Financial during the fiscal year ended March 31, 2011, reflecting a forecast for decline in loan balance due to the revision of the Money-Lending Business Control and Regulation Law and through ongoing personnel expense rationalization across our business.

Non-personnel expenses of ¥37.8 billion declined by ¥7.1 billion from the six months ended September 30, 2010, as we have worked to reduce expenses across all of our business lines through strict expense control discipline. Shinsei relocated its head office from Uchisaiwai-cho to Nihonbashi-muromachi and began operations from its new head office building on January 4, 2011. We have been able to reduce our office space significantly and enhanced energy conservation through the relocation. Premises expenses declined by ¥1.3 billion to ¥10.2 billion mainly due to Shinsei head office relocation and consumer finance subsidiaries' branch optimization. Technology and data processing expenses were ¥1.5 billion lower than the six months ended September 30, 2010 mainly due to automated contract machine sharing and optimization between Shinsei Financial and Shinki.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

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 ¥6.2 billion for the six months ended September 30, 2011 compared to ¥6.8 billion in the six months ended September 30, 2010. The lower amount is attributable to factors including the sum-of-the-years' digits method for amortization of goodwill and intangible assets related to Shinsei Financial. Amortization of goodwill and other intangible assets of APLUS FINANCIAL was ¥0.4 billion for the six months ended September 30, 2011 related to the amortization of goodwill for Zen-Nichi Shinpan Co., Ltd., a subsidiary of APLUS FINANCIAL. Full impairment of goodwill and intangible assets for APLUS FINANCIAL was taken as of March 31, 2010.

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

Billions of yen

	Six months ended September 30, 2011	Six months ended September 30, 2010	% Change
Shinsei Financial	**¥ 4.5**	¥ 5.0	(10.8)
Shinki	**(0.1)**	(0.1)	0.0
APLUS FINANCIAL	**0.4**	0.4	(11.4)
Showa Leasing	**1.4**	1.4	(1.1)
Others	**(0.0)**	(0.0)	(0.0)
Amortization of goodwill and other intangible assets	**¥ 6.2**	¥ 6.8	(9.0)

NET CREDIT COSTS

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

TABLE 6. NET CREDIT COSTS (CONSOLIDATED)

Billions of yen

	Six months ended September 30, 2011	Six months ended September 30, 2010	% Change
Losses on write-off or sales of loans	**¥ 4.1**	¥ 7.4	(44.0)
Net provision of reserve for loan losses:			
Net provision of general reserve for loan losses	**4.0**	28.0	(85.4)
Net provision of specific reserve for loan losses	**7.4**	17.2	(56.6)
Net provision (reversal) of reserve for loan losses to restructuring countries	**(0.0)**	(0.0)	(2,159.7)
Subtotal	**11.5**	45.2	(74.5)
Net provision of specific reserve for other credit losses	**—**	0.0	(100.0)
Other credit costs (recoveries) relating to leasing business	**(0.9)**	(0.3)	(175.3)
Recoveries of written-off claims(1)	**(5.9)**	—	—
Net credit costs	**¥ 8.8**	¥ 52.3	(83.2)

Note: (1) Accounted for net credit costs from the fiscal year beginning on April 1, 2011

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

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 six months ended September 30, 2011 decreased substantially from the six months ended September 30, 2010 due to continuous reduction of non-core assets. Showa Leasing recorded net credit recoveries of ¥1.4 billion for the six months ended September 30, 2011 compared to net credit costs of ¥1.5 billion for the six months ended September 30, 2010 due to strict credit management and a decrease in operating assets. In our Consumer Finance business, further improvements in asset quality as a result of the stricter credit management and strengthening of collection systems that Shinsei Financial has been implementing incrementally to date, as well as the income-linked borrowing limitation regulations implemented last year, coupled with the overall decrease in operating assets, have led to substantially reduced net credit costs.

From the fiscal year beginning on April 1, 2011, recoveries of written-off claims are categorized as 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 previous periods 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 six months ended September 30, 2011, net credit costs were ¥8.8 billion, while net credit costs excluding recoveries of written-off claims of ¥5.9 billion were ¥14.7 billion, showing a substantial decrease from ¥52.3 billion for the six months ended September 30, 2010. Shinsei Financial recorded net recoveries of ¥0.2 billion or credit costs of ¥3.7 billion excluding recoveries of written-off claims for the six months ended September 30, 2011, which was an improvement from net credit costs of ¥10.3 billion for the six months ended September 30, 2010. Recoveries of written-off claims of ¥5.9 billion included ¥3.9 billion at Shinsei Financial, ¥1.4 billion at the Bank (non-consolidated) and ¥0.5 billion at Shinki.

OTHER GAINS (LOSSES), NET

Other losses of ¥0.3 billion were recorded in the six months ended September 30, 2011, including additional provisions of reserve for losses on interest repayment of ¥0.8 billion in Shinsei Financial. From the fiscal year beginning on April 1, 2011, recoveries of written-off claims are categorized as 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 ¥6.6 billion for the six months ended September 30, 2010 included ¥7.0 billion of recoveries of written-off claims and ¥4.3 billion of gains on repurchases of subordinated debt which were partially offset by asset retirement obligation costs of ¥3.5 billion at the Bank and its subsidiaries.

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

	Billions of yen		
	Six months ended September 30, 2011	Six months ended September 30, 2010	% Change
Net gain (loss) on disposal of premises and equipment	**¥ (0.1)**	¥ (0.2)	47.9
Pension-related costs	**(0.0)**	(0.4)	96.9
Gain on write-off of unclaimed debentures	**0.7**	0.4	60.9
Recoveries of written-off claims	**—**	7.0	(100.0)
Provision of reserve for losses on interest repayments	**(0.8)**	—	—
Impairment losses on long-lived assets	**(0.9)**	(1.1)	20.8
Gains from the cancellation of issued corporate bonds and other instruments	**—**	4.3	(100.0)
Losses on application of new accounting standard for asset retirement obligations(1)	**—**	(3.5)	100.0
Other, net	**0.7**	0.2	227.3
Total	**¥ (0.3)**	¥ 6.6	(105.2)

Note: (1) "Losses on application of new accounting standard for asset retirement obligations" is a cumulative effect recognized at the beginning of the six-month period ended September 30, 2010 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).

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS

As a result of the foregoing, income before income taxes and minority interests totaled ¥25.7 billion for the six months ended September 30, 2011, as compared to an income before income taxes and minority interests of ¥24.7 billion for the six months ended September 30, 2010.

INCOME TAXES (BENEFIT)

Current and deferred income taxes reflected a net expense of ¥3.4 billion for the six months ended September 30, 2011, as compared to a net expense of ¥2.9 billion for the six months ended September 30, 2010.

MINORITY INTERESTS IN NET INCOME OF SUBSIDIARIES

Minority interests in net income of subsidiaries were ¥1.9 billion for the six months ended September 30, 2011. Minority interests in net income of subsidiaries 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 preferred securities conducted in the fiscal year ended March 2011, minority interests in net income of subsidiaries declined by ¥2.9 billion from ¥4.8 billion for the six months ended September 30, 2010.

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

	Billions of yen		
	Six months ended September 30, 2011	Six months ended September 30, 2010	% Change
Dividends on preferred securities (hybrid Tier I capital) issued by foreign SPCs	**¥ 1.5**	¥ 4.6	(67.0)
Others	**0.3**	0.2	54.5
Minority interests in net income of subsidiaries	**¥ 1.9**	¥ 4.8	(60.7)

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

NET INCOME

We recognized consolidated net income of ¥20.3 billion on a reported basis for the six months ended September 30, 2011, compared to consolidated net income of ¥16.8 billion for the six months ended September 30, 2010.

Consolidated cash basis net income for the six months ended September 30, 2011 was ¥25.6 billion, compared to cash basis net income of ¥22.7 billion for the six months ended September 30, 2010. 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

	Six months ended September 30, 2011			Six months ended September 30, 2010		
	Reported-basis	Reclassifications	Operating-basis	Reported-basis	Reclassifications	Operating-basis
Revenue:						
Net interest income	¥ 60.7	¥ —	¥ 60.7	¥ 86.1	¥ —	¥ 86.1
Non-interest income[1]	44.9	—	44.9	65.1	4.3	69.4
Total revenue	105.6	—	105.6	151.3	4.3	155.6
General and administrative expenses[2]	64.5	(1.1)	63.3	74.0	(1.2)	72.8
Amortization of goodwill and other intangible assets	6.2	(6.2)	—	6.8	(6.8)	—
Total general and administrative expenses	70.7	(7.4)	63.3	80.9	(8.1)	72.8
Net business profit/Ordinary business profit[3]	34.9	7.4	42.3	70.3	12.4	82.8
Net credit costs	8.8	—	8.8	52.3	—	52.3
Amortization of goodwill and other intangible assets	—	6.2	6.2	—	6.8	6.8
Other gains (losses), net[1][2]	(0.3)	(1.1)	(1.5)	6.6	(5.5)	1.0
Income before income taxes and minority interests	25.7	—	25.7	24.7	—	24.7
Income taxes and minority interests	5.4	—	5.4	7.8	—	7.8
Net income	¥ 20.3	¥ —	¥ 20.3	¥ 16.8	¥ —	¥ 16.8

Notes: (1) Reclassifications consist principally of adjustments relating to other business income between other gains (losses), net and non-interest income.
(2) Reclassifications consist principally of adjustments relating to lump-sum compensation and amortization of net actuarial gains or losses from general and administrative expenses to other gains (losses), net.
(3) Ordinary business profit is an operating-basis measure, derived after reclassifying certain items from net business profit.

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		
	Six months ended September 30, 2011	Six months ended September 30, 2010	% Change
Institutional Group:			
Net interest income	**¥ 12.7**	¥ 17.9	(28.9)
Non-interest income	**19.7**	24.2	(18.7)
Total revenue	**32.5**	42.2	(23.0)
General and administrative expenses	**12.4**	13.8	(10.3)
Ordinary business profit	**20.0**	28.4	(29.3)
Net credit costs	**3.2**	31.6	(89.8)
Ordinary business profit (loss) after net credit costs	**¥ 16.8**	¥ (3.2)	619.7
Global Markets Group:			
Net interest income	**¥ (2.4)**	¥ 2.3	(204.8)
Non-interest income	**5.4**	24.6	(77.8)
Total revenue	**2.9**	26.9	(89.0)
General and administrative expenses	**5.4**	6.2	(13.1)
Ordinary business profit (loss)	**(2.4)**	20.7	(111.8)
Net credit costs (recoveries)	**(2.1)**	(1.2)	(71.5)
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ (0.3)**	¥ 21.9	(101.4)
Individual Group:			
Net interest income	**¥ 51.9**	¥ 68.2	(23.9)
Non-interest income	**19.5**	19.9	(2.1)
Total revenue	**71.5**	88.2	(18.9)
General and administrative expenses	**46.0**	53.2	(13.6)
Ordinary business profit	**25.5**	34.9	(27.0)
Net credit costs	**7.5**	21.8	(65.5)
Ordinary business profit after net credit costs	**¥ 17.9**	¥ 13.1	37.0
Corporate/Other[1]:			
Net interest income	**¥ (1.5)**	¥ (2.4)	37.2
Non-interest income	**0.1**	0.6	(77.0)
Total revenue	**(1.4)**	(1.8)	24.3
General and administrative expenses	**(0.5)**	(0.5)	2.4
Ordinary business profit (loss)	**(0.8)**	(1.2)	34.2
Net credit costs	**0.1**	0.1	51.4
Ordinary business profit (loss) after net credit costs	**¥ (1.0)**	¥ (1.3)	27.5
Total:			
Net interest income	**¥ 60.7**	¥ 86.1	(29.5)
Non-interest income	**44.9**	69.4	(35.4)
Total revenue	**105.6**	155.6	(32.1)
General and administrative expenses	**63.3**	72.8	(13.0)
Ordinary business profit	**42.3**	82.8	(48.9)
Net credit costs	**8.8**	52.3	(83.2)
Ordinary business profit after net credit costs	**¥ 33.5**	¥ 30.4	10.0

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

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

INSTITUTIONAL GROUP

The Institutional Group consists of: 1) Institutional Business Sub-Group which provides financial products and services for the corporate and public sectors, 2) Structured Finance Sub-Group which includes business 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)[1]

	Billions of yen		
	Six months ended September 30, 2011	Six months ended September 30, 2010	% Change
Institutional Business Sub-Group:			
Net interest income	¥ 4.3	¥ 4.6	(5.4)
Non-interest income	(2.2)	0.9	(336.7)
Total revenue	2.1	5.5	(61.9)
General and administrative expenses	2.9	3.2	(9.8)
Ordinary business profit (loss)	(0.8)	2.3	(134.9)
Net credit costs (recoveries)	(3.1)	(0.9)	(233.1)
Ordinary business profit after net credit costs (recoveries)	¥ 2.3	¥ 3.2	(27.0)
Structured Finance Sub-Group:			
Net interest income	¥ 8.5	¥ 11.7	(27.3)
Non-interest income	1.7	0.1	1,011.7
Total revenue	10.3	11.9	(13.4)
General and administrative expenses	2.4	2.9	(18.8)
Ordinary business profit	7.9	8.9	(11.7)
Net credit costs	7.7	32.0	(76.0)
Ordinary business profit (loss) after net credit costs	¥ 0.2	¥ (23.0)	101.0
Principal Transactions Sub-Group:			
Net interest income	¥ 1.3	¥ 0.5	143.5
Non-interest income	4.7	6.6	(28.5)
Total revenue	6.1	7.1	(14.8)
General and administrative expenses	1.9	2.3	(17.1)
Ordinary business profit	4.1	4.7	(13.6)
Net credit costs (recoveries)	(0.3)	(0.2)	(34.8)
Ordinary business profit after net credit costs (recoveries)	¥ 4.5	¥ 5.0	(11.1)
Showa Leasing:			
Net interest income	¥ (1.5)	¥ (1.7)	11.5
Non-interest income	8.7	9.2	(6.2)
Total revenue	7.1	7.5	(4.9)
General and administrative expenses	3.8	3.9	(3.1)
Ordinary business profit	3.2	3.5	(6.9)
Net credit costs (recoveries)	(1.4)	1.5	(192.0)
Ordinary business profit after net credit costs (recoveries)	¥ 4.6	¥ 1.9	134.3
Others:			
Net interest income	¥ 0.0	¥ 2.7	(99.0)
Non-interest income	6.8	7.3	(6.9)
Total revenue	6.8	10.0	(32.4)
General and administrative expenses	1.2	1.2	(1.1)
Ordinary business profit	5.5	8.8	(37.0)
Net credit costs (recoveries)	0.5	(0.6)	173.8
Ordinary business profit after net credit costs (recoveries)	¥ 5.0	¥ 9.4	(46.8)
Institutional Group:			
Net interest income	¥ 12.7	¥ 17.9	(28.9)
Non-interest income	19.7	24.2	(18.7)
Total revenue	32.5	42.2	(23.0)
General and administrative expenses	12.4	13.8	(10.3)
Ordinary business profit	20.0	28.4	(29.3)
Net credit costs	3.2	31.6	(89.8)
Ordinary business profit (loss) after net credit costs	¥ 16.8	¥ (3.2)	619.7

Note: (1) Net of consolidation adjustments, if applicable.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

The Institutional Group business recorded total revenue of ¥32.5 billion for the six months ended September 30, 2011, compared to ¥42.2 billion for the six months ended September 30, 2010. 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 franchise.

In order to rebuild our client 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, ¥3.9 billion of impairment on listed stocks was recorded as a result of the stagnant financial market, resulting in total revenue of ¥2.1 billion for the six months ended September 30, 2011, a decrease of ¥3.4 billion from ¥5.5 billion for the six months ended September 30, 2010.

The Structured Finance Sub-Group recorded total revenue of ¥10.3 billion for the six months ended September 30, 2011, compared to ¥11.9 billion for the six months ended September 30, 2010. Revenues decreased due to ¥2.2 billion of impairment on bonds related to real estate non-recourse finance and lower interest income as a result of divestitures in the real estate finance portfolio in the fiscal year ended March 31, 2011 to optimize risk weighted assets. However, new loans including specialty finance started to replace the existing asset portfolio during the six months ended September 30, 2011.

The Principal Transactions Sub-Group recorded total revenue of ¥6.1 billion for the six months ended September 30, 2011, compared to ¥7.1 billion for the six months ended September 30, 2010. This was caused by ¥0.7 billion of impairment on private equity investment as well as the effects of a stagnant domestic and overseas economy.

Others recorded total revenue of ¥6.8 billion, including ¥6.3 billion of gain on sale of foreign equities, net of withholding tax and expenses relating to the sale, which had been classified as non-core assets and ¥1.2 billion of impairment on listed stocks for the six months ended September 30, 2011. Total revenue for the six months ended September 30, 2010 included ¥4.1 billion gains from the sales on asset-backed securities and asset-backed investments.

General and administrative expenses were ¥12.4 billion for the six months ended September 30, 2011, decreasing by ¥1.4 billion from ¥13.8 billion for the six months ended September 30, 2010. 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 such as health care and corporate restructuring businesses where the Bank can demonstrate its strength to rebuild the client base.

Net credit costs were ¥3.2 billion for the six months ended September 30, 2011, considerably lower than ¥31.6 billion recorded in the six months ended September 30, 2010. 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. Especially, the Structured Finance Sub-Group, which includes specialty finance and domestic real estate non-recourse finance, decreased costs to ¥7.7 billion for the six months ended September 30, 2011 from ¥32.0 billion for the six months ended September 30, 2010. From the fiscal year beginning on April 1, 2011, credit costs include recoveries of written-off claims. Credit costs excluding recoveries of written-off claims were ¥3.6 billion for the overall Institutional Group.

As a result, the Institutional Group recorded an ordinary business profit after net credit costs of ¥16.8 billion for the six months ended September 30, 2011, improving significantly from losses of ¥3.2 billion for the six months ended September 30, 2010.

Showa Leasing recorded ¥4.6 billion of ordinary business profit after net credit costs for the six months ended September 30, 2011, improving from ¥1.9 billion for the six months ended September 30, 2010. Total revenue decreased to ¥7.1 billion for the six months ended September 30, 2011 from ¥7.5 billion for the six months ended September 30, 2010 as operating assets declined amidst the stagnant economy. On the other hand, ordinary business profit after net credit costs improved due to strict credit management and the decrease in operating assets, resulting in net credit recoveries of ¥1.4 billion for the six months ended September 30, 2011 compared to net credit costs of ¥1.5 billion for the six months ended September 30, 2010.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

GLOBAL MARKETS GROUP

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

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

	Billions of yen		
	Six months ended September 30, 2011	Six months ended September 30, 2010	% Change
Financial Institutions Sub-Group:			
Net interest income	¥ 0.7	¥ 0.6	10.8
Non-interest income	0.8	0.7	2.1
Total revenue	1.5	1.4	6.0
General and administrative expenses	1.1	1.3	(14.7)
Ordinary business profit	0.3	0.0	327.0
Net credit costs (recoveries)	(0.2)	(0.7)	63.0
Ordinary business profit after net credit costs (recoveries)	¥ 0.6	¥ 0.8	(22.6)
Markets Sub-Group:			
Net interest income	¥ 0.4	¥ 1.7	(72.6)
Non-interest income	2.0	7.8	(74.2)
Total revenue	2.5	9.6	(73.9)
General and administrative expenses	1.6	2.4	(32.4)
Ordinary business profit	0.9	7.2	(87.6)
Net credit costs (recoveries)	(1.3)	(0.6)	(96.7)
Ordinary business profit after net credit costs (recoveries)	¥ 2.2	¥ 7.9	(72.0)
Treasury Sub-Group:			
Net interest income	¥ (3.9)	¥ (0.3)	(984.8)
Non-interest income	1.3	14.6	(90.5)
Total revenue	(2.6)	14.3	(118.2)
General and administrative expenses	0.5	0.5	(3.9)
Ordinary business profit (loss)	(3.1)	13.7	(123.1)
Net credit costs	—	—	—
Ordinary business profit (loss) after net credit costs	¥ (3.1)	¥ 13.7	(123.1)
Others:			
Net interest income	¥ 0.2	¥ 0.2	4.6
Non-interest income	1.2	1.2	(4.4)
Total revenue	1.5	1.5	(2.8)
General and administrative expenses	2.0	1.8	9.6
Ordinary business profit (loss)	(0.5)	(0.3)	(65.9)
Net credit costs (recoveries)	(0.5)	0.1	(396.5)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ (0.0)	¥ (0.5)	95.7
Global Markets Group:			
Net interest income	¥ (2.4)	¥ 2.3	(204.8)
Non-interest income	5.4	24.6	(77.8)
Total revenue	2.9	26.9	(89.0)
General and administrative expenses	5.4	6.2	(13.1)
Ordinary business profit (loss)	(2.4)	20.7	(111.8)
Net credit costs (recoveries)	(2.1)	(1.2)	(71.5)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ (0.3)	¥ 21.9	(101.4)

Note: (1) Net of consolidation adjustments, if applicable.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

The Global Markets Group generated total revenue of ¥2.9 billion for the six months ended September 30, 2011, compared to ¥26.9 billion for the six months ended September 30, 2010 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 subordinated debt in the first half of fiscal year 2011 which were recorded in the six months ended September 30, 2010.

The Financial Institutions Sub-Group's total revenue was ¥1.5 billion for the six months ended September 30, 2011, compared to ¥1.4 billion for the six months ended September 30, 2010. Steady revenues from transactions with clients contributed to the solid performance.

The Markets Sub-Group earned total revenue of ¥2.5 billion for the six months ended September 30, 2011, a decrease from ¥9.6 billion for the six months ended September 30, 2010. Total revenue decreased due to the absence of gains on sales of CLO, which are non-core assets, for the six months ended September 30, 2011 while gains on CLO sales of ¥4.3 billion were included for the six months ended September 30, 2010. Other factors include a decrease in net interest income as a result of the divestiture of non-core assets, as well as stagnant trading due to sluggish financial markets following the European debt crisis and the Great East Japan Earthquake.

The Treasury Sub-Group recorded a loss of ¥2.6 billion for the six months ended September 30, 2011, compared to total revenue of ¥14.3 billion for the six months ended September 30, 2010. The sub-group manages ALM for the bank overall. For the six months ended September 30, 2011, there were no gains recorded through repurchase of subordinated debt, and only limited gains were recorded from Japanese national government bond trading. In contrast, for the six months ended September 30, 2010, the Treasury Sub-Group traded Japanese government bonds frequently to facilitate liquidity management, earning gains on sales, while also recording ¥4.3 billion of gains on repurchases of subordinated debt.

Others earned ¥1.5 billion for the six months ended September 30, 2011, flat on ¥1.5 billion for the six months ended September 30, 2010.

The Global Markets Group reduced general and administrative expenses by ¥0.8 billion to ¥5.4 billion for the six months ended September 30, 2011 from ¥6.2 billion for the six months ended September 30, 2010. The decrease was largely due to the scale-down and exit from non-core businesses and also continuous cost rationalization and efficiency improvements implemented by the overall group.

Net credit recoveries of ¥2.1 billion were recorded for the six months ended September 30, 2011, compared to net credit recoveries of ¥1.2 billion for the six months ended September 30, 2010. Recoveries were realized due to the divestiture of non-core assets to mitigate potential risks for the six months ended September 30, 2010. The Global Markets Group has continued to reduce non-core assets and enabled further recoveries for the six months ended September 30, 2011 as well. Credit costs include recoveries of written-off claims from the fiscal year beginning on April 1, 2011. Net credit recoveries excluding recoveries of written-off claims were ¥1.1 billion for the six months ended September 30, 2011.

As a result, the Global Markets Group recorded a ¥0.3 billion ordinary business loss after net credit costs for the six months ended September 30, 2011, compared with a ¥21.9 billion ordinary business profit after net credit costs for the six months ended September 30, 2010. Excluding the Treasury Sub-group's losses related to ALM activities for the overall bank, the ordinary business profit after net credit costs was a gain of ¥2.8 billion.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

INDIVIDUAL GROUP

The Individual Group consists of 1) Retail Banking, 2) Shinsei Financial, 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

	Six months ended September 30, 2011	Six months ended September 30, 2010	% Change
Retail Banking:	¥ 19.2	¥ 22.1	(13.0)
Deposits and Debentures Net Interest Income	11.3	12.9	(12.5)
Deposits and Debentures Non-Interest Income	2.5	2.8	(11.6)
Asset management	2.3	2.4	(5.2)
Loans	3.1	3.9	(20.6)
Shinsei Financial	22.8	32.3	(29.5)
Shinki	4.1	5.9	(29.3)
APLUS FINANCIAL	24.3	26.9	(9.7)
Others	0.8	0.7	15.7
Total revenue	¥ 71.5	¥ 88.2	(18.9)
(Reference) Revenue from Structured Deposits in Retail Banking	2.8	2.9	

Individual Group's ordinary business profit after net credit costs increased to ¥17.9 billion for the six months ended September 30, 2011 compared to ¥13.1 billion for the six months ended September 30, 2010. The ordinary business profit after net credit costs of Shinsei Financial, Shinki and APLUS FINANCIAL for the six months ended September 30, 2011 was above their respective performance for the six months ended September 30, 2010.

RETAIL BANKING

Total revenue of Retail Banking decreased to ¥19.2 billion for the six months ended September 30, 2011 from ¥22.1 billion for the six months ended September 30, 2010. Net interest income decreased to ¥15.3 billion for the six months ended September 30, 2011 from ¥17.3 billion for the six months ended September 30, 2010. This was due to prevailing low interest rates resulting in a decrease in net interest income from deposits. Non-interest income also decreased to ¥3.9 billion for the six months ended September 30, 2011 from ¥4.8 billion for the six months ended September 30, 2010. This 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 ¥15.4 billion for the six months ended September 30, 2011 compared to ¥16.1 billion for the six months ended September 30, 2010.

Net credit costs remained at the same level with the six months ended September 30, 2010 at ¥1.2 billion. As a result, the ordinary business profit after net credit costs was ¥2.5 billion for the six months ended September 30, 2011 compared to an ordinary business profit after net credit costs of ¥4.6 billion for the six months ended September 30, 2010.

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RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

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

Billions of yen

	Six months ended September 30, 2011	Six months ended September 30, 2010	% Change
Retail Banking:			
Net interest income	¥ 15.3	¥ 17.3	(11.2)
Non-interest income	3.9	4.8	(19.6)
Total revenue	19.2	22.1	(13.0)
General and administrative expenses	15.4	16.1	(4.3)
Ordinary business profit	3.7	5.9	(36.7)
Net credit costs	1.2	1.2	(2.2)
Ordinary business profit after net credit costs	¥ 2.5	¥ 4.6	(46.3)
Shinsei Financial:			
Net interest income	¥ 24.5	¥ 34.9	(29.7)
Non-interest income	(1.7)	(2.5)	31.4
Total revenue	22.8	32.3	(29.5)
General and administrative expenses	13.3	17.3	(22.9)
Ordinary business profit	9.4	15.0	(37.2)
Net credit costs (recoveries)	(0.2)	10.3	(102.0)
Ordinary business profit after net credit costs (recoveries)	¥ 9.6	¥ 4.6	107.8
Shinki:			
Net interest income	¥ 4.5	¥ 6.5	(30.6)
Non-interest income	(0.3)	(0.5)	43.9
Total revenue	4.1	5.9	(29.3)
General and administrative expenses	1.8	2.6	(28.4)
Ordinary business profit	2.3	3.3	(30.1)
Net credit costs	0.1	1.9	(93.7)
Ordinary business profit after net credit costs	¥ 2.1	¥ 1.3	58.5
APLUS FINANCIAL:			
Net interest income	¥ 6.7	¥ 8.8	(23.7)
Non-interest income	17.6	18.1	(3.0)
Total revenue	24.3	26.9	(9.7)
General and administrative expenses	15.0	16.9	(11.3)
Ordinary business profit	9.3	10.0	(7.1)
Net credit costs	6.2	7.9	(21.2)
Ordinary business profit after net credit costs	¥ 3.0	¥ 2.1	45.6
Others[2]:			
Net interest income	¥ 0.8	¥ 0.6	16.0
Non-interest income	0.0	0.0	13.0
Total revenue	0.8	0.7	15.7
General and administrative expenses	0.2	0.1	54.2
Ordinary business profit	0.6	0.6	5.8
Net credit costs	0.1	0.3	(65.1)
Ordinary business profit after net credit costs	¥ 0.5	¥ 0.3	77.9
Total Individual Group:			
Net interest income	¥ 51.9	¥ 68.2	(23.9)
Non-interest income	19.5	19.9	(2.1)
Total revenue	71.5	88.2	(18.9)
General and administrative expenses	46.0	53.2	(13.6)
Ordinary business profit	25.5	34.9	(27.0)
Net credit costs	7.5	21.8	(65.5)
Ordinary business profit after net credit costs	¥ 17.9	¥ 13.1	37.0

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

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

SHINSEI FINANCIAL

The ordinary business profit after net credit costs of Shinsei Financial was ¥9.6 billion for the six months ended September 30, 2011 compared to ¥4.6 billion for the six months ended September 30, 2010. Total revenue for the six months ended September 30, 2011 decreased due to the decrease in the loan balance caused by the revised Money-Lending Business Control and Regulation Law. As this 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. The income-linked borrowing limitation regulation implemented last year helped to improve credit quality as well. In addition to the above, the decrease in loan balance helped in reducing the net credit costs resulting in an increase in ordinary business profit after net credit costs.

From the fiscal year beginning on April 1, 2011, recoveries of written-off claims are included in net credit costs. Net credit costs for the six months ended September 30, 2011 included recoveries of written-off claims of ¥3.9 billion. The ordinary business profit after net credit costs excluding recoveries of written-off claims was ¥5.6 billion for the six months ended September 30, 2011 which was higher than the ¥4.6 billion for the six months ended September 30, 2010.

Although the loan balance of Shinsei Financial decreased by ¥126.3 billion to ¥385.7 billion as of March 31, 2011 from ¥512.1 billion as of March 31, 2010, the loan balance as of September 30, 2011 was ¥347.0 billion, showing that the rate of decrease has become less pronounced.

SHINKI

The ordinary business profit after net credit costs of Shinki was ¥2.1 billion for the six months ended September 30, 2011 compared to ¥1.3 billion for the six months ended September 30, 2010. Similar to Shinsei Financial, Shinki's total revenue decreased due to the decrease in loan balance as a result of the revised Money-Lending Business Control and Regulation Law. However, the decrease in total revenue was offset by the decrease in expense and credit costs.

From the fiscal year beginning on April 1, 2011, recoveries of written-off claims are included in net credit costs. Net credit costs for the six months ended September 30, 2011 included recoveries of written-off claims of ¥0.5 billion. The ordinary business profit after net credit costs excluding recoveries of written-off claims was ¥1.6 billion for the six months ended September 30, 2011 which was higher than the ¥1.3 billion for the six months ended September 30, 2010.

APLUS FINANCIAL

The ordinary business profit after net credit costs of APLUS FINANCIAL increased to ¥3.0 billion for the six months ended September 30, 2011, compared to ¥2.1 billion for the six months ended September 30, 2010. Total revenue decreased to ¥24.3 billion for the six months ended September 30, 2011, compared to ¥26.9 billion for the six months ended September 30, 2010 due to the decrease in loan balance caused by the revised Money-Lending Business Control and Regulation Law. However, due to continued rationalization and efficient business processes, general and administrative expenses decreased to ¥15.0 billion for the six months ended September 30, 2011 from ¥16.9 billion for the six months ended September 30, 2010. Also, due to strict credit management, net credit costs decreased to ¥6.2 billion for the six months ended September 30, 2011 from ¥7.9 billion for the six months ended September 30, 2010.

INTEREST REPAYMENT

Shinsei Financial's usage of reserve for losses on interest repayment, and reversal of reserve for losses on interest repayment amounted to ¥4.7 billion for the six months ended September 30, 2011. Additional provision of reserves of ¥0.8 billion was recorded and the outstanding balance of the reserve was ¥14.0 billion as of September 30, 2011 compared to ¥18.0 billion as of March 31, 2011. When the Consumer Finance business was purchased from GE, the purchase agreement included an indemnity from GE that provides protection on the purchased assets of Shinsei Financial against potential losses beyond ¥203.9 billion from the majority of the legacy accounts with interest repayment risk exposure.

Shinki's usage of reserve for losses on interest repayment amounted to ¥5.8 billion for the six months ended September 30, 2011. No additional provision of the reserve was recorded and the outstanding balance of the reserve was ¥7.6 billion as of September 30, 2011 compared to ¥13.4 billion as of March 31, 2011.

APLUS FINANCIAL's usage of reserve for losses on interest repayment amounted to ¥3.4 billion for the six months ended September 30, 2011. No additional provision of the reserve was recorded and the outstanding balance of the reserve was ¥8.2 billion as of September 30, 2011 compared to ¥11.7 billion as of March 31, 2011.

CORPORATE/OTHER

Corporate/Other includes company-wide accounts, allocation variance of indirect expense and elimination amount of inter-segment transactions. For the six months ended September 30, 2011, ordinary business loss after net credit costs was ¥1.0 billion.

FINANCIAL CONDITION

TOTAL ASSETS

As of September 30, 2011, we had consolidated total assets of ¥8,940.5 billion, representing a ¥1,290.9 billion decrease from March 31, 2011 and a ¥1,523.5 billion decrease from September 30, 2010. Our loans and bills discounted balance declined to ¥4,125.5 billion as of September 30, 2011 compared to ¥4,291.4 billion as of March 31, 2011. The decrease was mainly due to continued reduction of risk assets including non-core assets by the Institutional Group, selling certain housing loans in order to optimize the retail banking credit portfolio and also a decrease in the loan balance within our consumer finance subsidiaries due to the impact of the revised Money-Lending Business Control and Regulation Law. The pace of decline in the Consumer Finance business loan balance has become less pronounced. Loans to Shinsei Financial customers were ¥347.0 billion as of September 30, 2011, although they had previously decreased by ¥126.3 billion from ¥512.1 billion as of March 31, 2010 to ¥385.7 billion as of March 31, 2011.

TABLE 15. LOANS BY BORROWER INDUSTRY (CONSOLIDATED)

Billions of yen (except percentages)

	As of September 30, 2011		As of September 30, 2010	
Domestic offices (excluding Japan offshore market account):				
Manufacturing	¥ 246.9	6.1%	¥ 252.0	5.6%
Agriculture and Forestry	1.2	0.0	0.0	0.0
Fishery	1.0	0.0	2.4	0.1
Mining, quarrying and gravel extraction	0.4	0.0	2.2	0.1
Construction	16.1	0.4	5.6	0.1
Electric power, gas, heat supply and water supply	37.6	0.9	25.9	0.6
Information and communications	34.9	0.9	16.1	0.4
Transportation, postal service	276.0	6.8	272.7	6.0
Wholesale and retail	80.2	2.0	99.0	2.2
Finance and insurance	680.0	16.8	892.6	19.7
Real estate	610.8	15.1	722.2	15.9
Services	310.8	7.7	255.5	5.6
Local government	140.9	3.5	164.1	3.6
Others	1,603.9	39.7	1,820.8	40.2
Total domestic (A)	¥ 4,041.4	100.0%	¥ 4,531.7	100.0%
Overseas offices (including Japan offshore market accounts):				
Governments	¥ 2.1	2.6%	¥ 2.2	3.1%
Financial institutions	1.1	1.4	2.1	2.9
Others	80.7	96.0	68.4	94.0
Total overseas (B)	¥ 84.0	100.0%	¥ 72.7	100.0%
Total (A+B)	¥ 4,125.5		¥ 4,604.4	

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

Billions of yen

	As of September 30, 2011	As of September 30, 2010
United States	¥ 52.1	¥ 35.7
Asset-backed investments in the U.S.	4.6	3.7
Europe	33.5	94.2
Asset-backed investments in Europe	25.7	56.9
Others	101.5	111.2
Total overseas and offshore loans	¥ 187.2	¥ 241.2
Total asset-backed investments	¥ 30.4	¥ 60.6

Securities balance as of September 30, 2011 was ¥2,220.1 billion compared to ¥3,286.3 billion as of March 31, 2011. Over half of the investments in securities consisted of Japanese national government bonds for ALM purposes as a liquidity reserve. After portfolio operations, the total balance of Japanese national government bonds declined to ¥1,604.4 billion as of September 30, 2011 from ¥2,462.6 billion as of March 31, 2011.

FINANCIAL CONDITION (continued)

FUNDING AND LIQUIDITY

Shinsei 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 ¥5,537.3 billion as of September 30, 2011.

The retail deposits balance totaled ¥4,781.5 billion as of September 30, 2011, an increase of ¥29.2 billion compared to ¥4,752.2 billion as of March 31, 2011. Retail Banking constitutes 86.4% of the Bank's total funding through customer deposits and debentures.

TABLE 17. DIVERSIFICATION BY FUNDING TYPE (CONSOLIDATED)

Billions of yen

	As of September 30, 2011	As of March 31, 2011	As of March 31, 2010	As of March 31, 2009
Retail deposits	¥ 4,781.5	¥ 4,752.2	¥ 5,305.0	¥ 5,023.0
Retail debentures[1]	274.8	279.9	300.1	319.8
Institutional deposits	755.8	858.4	1,170.3	1,249.0
Institutional debentures	38.3	68.3	183.5	355.7
Total	¥ 5,850.5	¥ 5,958.9	¥ 6,959.1	¥ 6,947.6

Note: (1) Excludes unclaimed matured debentures.

TOTAL EQUITY

Total equity as of September 30, 2011 was ¥630.1 billion and included minority interests of ¥60.6 billion.

SUMMARY OF NON-CONSOLIDATED FINANCIAL RESULTS

We disclose non-consolidated financial information in addition to our consolidated financial statements. As a recipient of public funds, we are required by the FSA to update and report on non-consolidated performance in relation to targets set forth in our Revitalization Plan on a quarterly basis and to publicly disclose that information semi-annually. We recorded net income of ¥4.5 billion on a non-consolidated basis for the six months ended September 30, 2011. Current results on a non-consolidated basis differ from our consolidated results primarily because our non-consolidated results do not include the net income or loss from our consolidated subsidiaries, including APLUS FINANCIAL, Shinsei Financial, Shinki, and Showa Leasing nor do they include the gain from our share in the net gain of our equity method affiliate, Jih Sun Financial Holding Co., Ltd. We received dividends of ¥5.2 billion from our major consolidated subsidiaries in the six months ended September 30, 2011.

TABLE 18. SUPPLEMENTAL MEASURES (NON-CONSOLIDATED)

Billions of yen

	Six months ended September 30, 2011	Six months ended September 30, 2010
Gross business profit *(gyomu soerieki)*:		
Net interest income	¥ 29.3	¥ 38.3
Net fees and commissions[1]	9.4	10.5
Net trading income	6.7	5.4
Net other business income	(7.1)	15.8
Total gross business profit	38.3	70.2
Expenses[2]	27.4	30.0
Net business profit *(jisshitsu gyomu jun-eki)*	10.8	40.2
Other, net[3]	(2.5)	(34.1)
Net operating income *(keijo rieki)*	8.3	6.1
Extraordinary income (loss)	(1.3)	4.6
Income before income taxes	6.9	10.7
Current income taxes (benefit)	0.3	(0.3)
Deferred income taxes	2.0	1.8
Net income	¥ 4.5	¥ 9.3

Notes: (1) Includes net gain (loss) on monetary assets held in trust of ¥6.4 billion in the six months ended September 30, 2011 and ¥8.8 billion in the six months ended September 30, 2010.
(2) General and administrative expenses with certain adjustment.
(3) Excludes net gain (loss) on monetary assets held in trust.

FINANCIAL CONDITION (continued)

SUPPLEMENTAL NON-CONSOLIDATED 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 on the previous page sets forth such supplemental financial data and corresponding reconciliations to net income under Japanese GAAP for the six months ended September 30, 2011 and 2010.

ASSET QUALITY AND DISPOSAL OF NON-PERFORMING LOANS OF SHINSEI

At September 30, 2011, 65.7% of our consolidated non-performing loans as disclosed in accordance with the guidelines of the Japanese Bankers' Association (JBA) were held by Shinsei and most of the rest were held by Shinsei Financial, APLUS FINANCIAL and Shinki. This discussion of our asset quality presents information of Shinsei on a non-consolidated basis unless specified otherwise. In particular, non-performing claims as defined in the Financial Revitalization Law are only disclosed on a non-consolidated basis, and therefore do not include non-performing claims held by Shinsei Financial, APLUS FINANCIAL, Showa Leasing and Shinki. For a discussion regarding the non-performing claims of Shinsei Financial, APLUS FINANCIAL, Showa Leasing and Shinki see—"Asset Quality of Shinsei Financial, APLUS FINANCIAL, Showa Leasing and Shinki."

We classify our obligors and assess our asset quality based on our self-assessment 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.

CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW

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

DISCLOSURE OF CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW

Our current management team has consistently emphasized the monitoring of non-performing claims. Shinsei's total amount of non-performing claims as disclosed pursuant to the Financial Revitalization Law decreased ¥25.1 billion, or 9.0%, to ¥254.4 billion, between March 31, 2011 and September 30, 2011. During the six months ended September 30, 2011, claims against bankrupt and quasi-bankrupt obligors decreased from ¥62.4 billion to ¥53.3 billion, and doubtful claims decreased from ¥210.7 billion to ¥196.7 billion, and substandard claims decreased from ¥6.3 billion to ¥4.3 billion, as a result of our self assessment. The ratio of non-performing claims disclosed under the Financial Revitalization Law to total non-consolidated claims as of September 30, 2011 decreased to 6.0%, compared to 6.8% as of March 31, 2011.

Shinsei's claims against other need caution obligors, excluding substandard claims, totaled ¥386.9 billion as of September 30, 2011, a 14.2% decrease from ¥450.8 billion as of March 31, 2011, which included private placement bonds guaranteed by Shinsei classified as claims against other need caution obligors.

These claims represented 9.1% of total non-consolidated claims as of September 30, 2011, down from 10.9% as of March 31, 2011.

FINANCIAL CONDITION (continued)

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

(Billions of yen)

Obligor Classifications		Internal Ratings	Reserve Ratios for Borrowers Type	Claims Classified under the Financial Revitalization Law[2][3]	Risk-monitored Loans[2]
				Total loans and bills discounted: 4,060.8 Other 207.3	Total loans and bills discounted: 4,060.8
Legally bankrupt		9E	100.0% for unsecured portion	Claims against bankrupt and quasi-bankrupt obligors 53.3 (Amount of coverage, coverage ratio) (53.3*, 100.0%) *Amount of reserve for loan losses is 3.6, collateral and guarantees is 49.7	Loans to bankrupt obligors 6.5
Virtually bankrupt		9D	100.0% for unsecured portion		Non-accrual delinquent loans 216.2
Possibly bankrupt		9C	97.5% for unsecured portion	Doubtful claims 196.7 (Amount of coverage, coverage ratio) (190.7*, 97.0%) *Amount of reserve for loan losses is 38.9, collateral and guarantees is 151.8	
Need caution	Substandard	9B	52.0% for unsecured portion	Substandard claims (loan account only) 4.3 (Amount of coverage, coverage ratio) (2.7*, 62.8%) *Amount of reserve for loan losses is 1.7, collateral and guarantees is 1.0	Loans past due for three months or more Restructured loans 4.3
Need caution	Other need caution	9A	3.7% for total claims		
Normal		0A–6C	0.7% for total claims	Normal claims 4,013.7	Normal 3,833.7
				Total non-performing claims and ratio to total claims 254.4, 6.0% (Total amount of coverage, coverage ratio) (246.8*, 97.0%) *Total amount of reserve for loan losses is 44.3, collateral and guarantees is 202.5	Total risk-monitored loans and ratio to total loans and bills discounted 227.1, 5.6%

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.
(3) Shaded claims denoted claims that are considered to be non-performing under the Financial Revitalization Law.

FINANCIAL CONDITION (continued)

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

Billions of yen (except percentages)

	As of September 30, 2011	As of September 30, 2010	As of March 31, 2011
Claims against bankrupt and quasi-bankrupt obligors	**¥ 53.3**	¥ 92.1	¥ 62.4
Doubtful claims	**196.7**	218.2	210.7
Substandard claims	**4.3**	6.3	6.3
Total claims disclosed under the Financial Revitalization Law[1]	**254.4**	316.6	279.5
Normal claims and claims against other need caution obligors excluding substandard claims	**4,013.7**	4,541.7	3,840.8
Total claims	**¥ 4,268.1**	¥ 4,858.4	¥ 4,120.3
Ratio of total claims disclosed under the Financial Revitalization Law to total claims	**6.0%**	6.5%	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.

COVERAGE RATIOS

As of September 30, 2011, 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, 97.0% for doubtful claims and 62.8% for substandard claims. For all claims classified under the Financial Revitalization Law, the coverage ratio was 97.0%.

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 six months ended September 30, 2011, ¥83.1 billion of such claims were written off on a non-consolidated basis.

TABLE 20. COVERAGE RATIOS FOR NON-PERFORMING CLAIMS DISCLOSED UNDER THE FINANCIAL REVITALIZATION LAW (NON-CONSOLIDATED)

Billions of yen (except percentages)

		Amounts of coverage			
	Amount of claims	Reserve for loan losses	Collateral and guarantees	Total	Coverage ratio
As of September 30, 2011:					
Claims against bankrupt and quasi-bankrupt obligors	**¥ 53.3**	**¥ 3.6**	**¥ 49.7**	**¥ 53.3**	**100.0%**
Doubtful claims	**196.7**	**38.9**	**151.8**	**190.7**	**97.0**
Substandard claims	**4.3**	**1.7**	**1.0**	**2.7**	**62.8**
Total	**¥ 254.4**	**¥ 44.3**	**¥ 202.5**	**¥ 246.8**	**97.0%**
As of September 30, 2010:					
Claims against bankrupt and quasi-bankrupt obligors	¥ 92.1	¥ 5.4	¥ 86.6	¥ 92.1	100.0%
Doubtful claims	218.1	31.1	176.8	208.0	95.3
Substandard claims	6.3	3.0	1.6	4.7	74.8
Total	¥ 316.6	¥ 39.6	¥ 265.2	¥ 304.8	96.3%
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%

FINANCIAL CONDITION (continued)

RESERVE FOR CREDIT LOSSES

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

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

Billions of yen (except percentages)

	As of September 30, 2011	As of September 30, 2010
General reserve for loan losses	¥ 44.8	¥ 62.2
Specific reserve for loan losses	44.0	38.5
Reserve for loans to restructuring countries	0.0	0.0
Subtotal reserve for loan losses	88.9	100.7
Specific reserve for other credit losses	21.1	21.1
Total reserve for credit losses	¥ 110.1	¥ 121.9
Total claims[1]	¥ 4,268.1	¥ 4,858.3
Ratio of total reserve for loan losses to total claims	2.1%	2.1%
Ratio of total reserve for credit losses to total claims	2.6%	2.5%

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

As of September 30, 2011 and September 30, 2010, total reserve for credit losses on a non-consolidated basis was ¥110.1 billion and ¥121.9 billion, respectively, constituting 2.6% and 2.5%, respectively, of total claims.

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

Percentages

		As of September 30, 2011	As of September 30, 2010
Legally and virtually bankrupt	(unsecured portion)	100.00%	100.00%
Possibly bankrupt	(unsecured portion)	97.50%	78.44%
Substandard	(unsecured portion)	52.00%	66.50%
Need caution	(total claims)	3.70%	6.50%
	(unsecured portion)	12.80%	23.47%
Normal	(total claims)	0.70%	0.50%

RISK-MONITORED LOANS

Consolidated risk-monitored loans decreased by ¥49.0 billion during the six months ended September 30, 2011 to ¥345.9 billion.

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

TABLE 23. RISK-MONITORED LOANS (CONSOLIDATED)

Billions of yen (except percentages)

	As of September 30, 2011	As of September 30, 2010
Total loans and bills discounted	¥ 4,125.5	¥ 4,604.4
Loans to bankrupt obligors (A)	14.9	18.5
Non-accrual delinquent loans (B)	274.1	357.2
Subtotal (A)+(B)	¥ 289.1	¥ 375.8
Ratio to total loans and bills discounted	7.0%	8.2%
Loans past due for three months or more (C)	¥ 1.7	¥ 2.2
Restructured loans (D)	54.9	61.5
Total risk-monitored loans (A)+(B)+(C)+(D)	¥ 345.9	¥ 439.5
Ratio to total loans and bills discounted	8.4%	9.5%
Reserve for credit losses	¥ 184.3	¥ 218.1

FINANCIAL CONDITION (continued)

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

Billions of yen (except percentages)

	As of September 30, 2011	As of September 30, 2010
Total loans and bills discounted	¥ 4,060.8	¥ 4,176.9
Loans to bankrupt obligors (A)	6.5	10.1
Non-accrual delinquent loans (B)	216.2	273.0
Subtotal (A)+(B)	¥ 222.8	¥ 283.2
Ratio to total loans and bills discounted	5.5%	6.8%
Loans past due for three months or more (C)	¥ 0.7	¥ 1.7
Restructured loans (D)	3.5	4.5
Total risk-monitored loans (A)+(B)+(C)+(D)	¥ 227.1	¥ 289.6
Ratio to total loans and bills discounted	5.6%	6.9%
Reserve for credit losses	¥ 110.1	¥ 121.9

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

Billions of yen

	As of September 30, 2011	As of September 30, 2010
Domestic offices (excluding Japan offshore market account):		
Manufacturing	¥ 3.2	¥ 3.3
Agriculture and Forestry	—	—
Fishery	—	—
Mining, quarrying and gravel extraction	—	—
Construction	—	—
Electric power, gas, heat supply and water supply	—	—
Information and communications	0.5	0.5
Transportation, postal service	—	13.2
Wholesale and retail	0.0	0.0
Finance and insurance	23.8	26.5
Real estate	183.0	218.3
Services	0.1	2.9
Local government	—	—
Others	—	—
Individual	4.2	6.1
Overseas yen loan and overseas loans booked domestically	11.9	18.4
Total domestic (A)	¥ 227.1	¥ 289.6
Overseas offices (including Japan offshore market accounts):		
Governments	¥ —	¥ —
Financial institutions	—	—
Others	—	—
Total overseas (B)	¥ —	¥ —
Total (A+B)	¥ 227.1	¥ 289.6

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

Billions of yen

	As of September 30, 2011	As of September 30, 2010
United States	¥ —	¥ —
Asset-backed investments in the U.S.(1)	—	—
Europe	11.9	18.4
Asset-backed investments in Europe(1)	11.6	17.7
Others	0.0	0.0
Total overseas and offshore loans	¥ 11.9	¥ 18.4
Total asset-backed investments(1)(2)	¥ 11.6	¥ 17.7

Notes: (1) As of September 30, 2011, reserve for loan losses and collateral/guarantees for risk monitored loans related to asset-backed investments were ¥3.6 billion and ¥8.0 billion, respectively, and the coverage ratio was 100.0%

FINANCIAL CONDITION (continued)

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

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

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

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

Billions of yen

	Shinsei	Shinsei Financial	APLUS FINANCIAL	Shinki	Other subsidiaries	Total
As of September 30, 2011:						
Loans to bankrupt obligors	**¥ 6.5**	**¥ 1.4**	**¥ 0.6**	**¥ 0.0**	**¥ 6.3**	**¥ 14.9**
Non-accrual delinquent loans	**216.2**	**10.3**	**10.3**	**1.8**	**35.2**	**274.1**
Loans past due for three months or more	**0.7**	**0.0**	**0.0**	**—**	**0.9**	**1.7**
Restructured loans	**3.5**	**34.8**	**12.6**	**3.9**	**0.0**	**54.9**
Total	**¥ 227.1**	**¥ 46.5**	**¥ 23.8**	**¥ 5.7**	**¥ 42.6**	**¥ 345.9**
As of September 30, 2010:						
Loans to bankrupt obligors	¥ 10.1	¥ 3.3	¥ 0.0	¥ 0.0	¥ 5.0	¥ 18.5
Non-accrual delinquent loans	273.0	18.1	12.3	3.3	50.3	357.2
Loans past due for three months or more	1.7	0.0	0.0	—	0.3	2.2
Restructured loans	4.5	38.0	12.6	5.2	1.0	61.5
Total	¥ 289.6	¥ 59.6	¥ 25.0	¥ 8.5	¥ 56.7	¥ 439.5
As of 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 28. RISK-MONITORED INSTALLMENT RECEIVABLES INCLUDED IN OTHER ASSETS (CONSOLIDATED)(1)

Billions of yen

	Shinsei Financial	APLUS FINANCIAL	Showa Leasing	Other subsidiaries	Total
As of September 30, 2011:					
Credits to bankrupt obligors	**¥ 0.0**	**¥ —**	**¥ 0.0**	**¥ 0.1**	**¥ 0.2**
Non-accrual delinquent credits	**0.0**	**0.5**	**3.2**	**0.5**	**4.3**
Credits past due for three months or more	**—**	**0.2**	**0.1**	**—**	**0.3**
Restructured credits	**0.0**	**2.1**	**0.2**	**—**	**2.4**
Total	**¥ 0.0**	**¥ 2.8**	**¥ 3.7**	**¥ 0.7**	**¥ 7.4**
As of September 30, 2010:					
Credits to bankrupt obligors	¥ 0.0	¥ —	¥ 0.0	¥ 0.3	¥ 0.4
Non-accrual delinquent credits	0.1	1.0	2.3	0.4	4.0
Credits past due for three months or more	—	0.3	0.3	0.0	0.6
Restructured credits	0.0	2.0	0.7	0.2	3.0
Total	¥ 0.1	¥ 3.4	¥ 3.5	¥ 1.0	¥ 8.2
As of 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) Shinsei and Shinki have no such installment receivables.

FINANCIAL CONDITION (continued)

CAPITAL RATIOS

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

Our total capital adequacy ratio as of September 30, 2011 was 10.5%, compared with 8.9% as of September 30, 2010.

The main factors of reduction in risk assets are balance reduction of real estate non-recourse finance, funds, securitization and subsidiary assets, which resulted in further improvement of the Total capital adequacy ratio and Tier I capital ratio to 10.5% and 8.7%, as of September 30, 2011 respectively, compared to 8.9% and 7.0% as of September 30, 2010.

TABLE 29. CAPITAL RATIOS (CONSOLIDATED)

Billions of yen (except percentages)

	As of September 30, 2011	As of September 30, 2010
Basic items (Tier I):		
Common stock	¥ 512.2	¥ 476.2
Capital surplus	79.4	43.5
Retained earnings	72.7	29.3
Treasury stock, at cost	(72.5)	(72.5)
Expected income distribution	—	—
Unrealized loss on available-for-sale securities[1]	—	—
Foreign currency translation adjustments	(3.4)	(3.6)
Stock acquisition rights	1.3	1.6
Minority interests in consolidated subsidiaries	60.0	153.4
Preferred securities issued by foreign SPC	56.4	148.7
Goodwill	(45.5)	(53.5)
Other intangible assets acquired in business combinations	(18.2)	(22.7)
Gain on sale of securitization	(9.6)	(9.4)
50% of expected loss provision shortfall	(33.7)	(41.7)
Total Tier I (A)	542.7	500.5
Step-up preferred securities	23.4	77.0
Supplementary items (Tier II):		
General reserve for loan losses	8.6	10.2
Perpetual preferred stocks	—	—
Perpetual subordinated debt and bonds	28.1	28.8
Non-perpetual preferred stocks	—	—
Non-perpetual subordinated debt and bonds	174.4	212.1
Total	¥ 211.2	¥ 251.2
Amount eligible for inclusion in capital (B)	211.2	251.2
Deduction (C)	¥ 105.0	¥ 109.6
Intentional capital investment to other financial institutions	6.0	6.1
Capital investment to affiliated companies	33.8	37.6
50% of expected loss provision shortfall	33.7	41.7
Expected losses on exposures under PD/LCD measures such as equities	0.9	0.2
Unrated securitization exposure	30.4	23.8
Exclusion from deductions	—	—
Total capital (D) [(A)+(B)-(C)]	¥ 648.8	¥ 642.1
Risk assets:		
On-balance sheet items	¥ 4,758.8	¥ 5,546.4
Off-balance sheet items	880.7	945.7
Market Risk[2]	145.8	166.2
Operational Risk[2]	417.8	522.4
Total (E)	¥ 6,203.3	¥ 7,180.8
Consolidated capital adequacy ratio (D) / (E)	10.5%	8.9%
Consolidated Tier I capital ratio (A) / (E)	8.7%	7.0%

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%).

EXPOSURE TO SECURITIZED PRODUCTS AND RELATED INVESTMENTS

EXPOSURE TO SECURITIZED PRODUCTS AND RELATED INVESTMENTS

Tables 30 through 33 below set forth certain information regarding our exposure to securitized products and related investments as of March 31, 2011, and as of and for six months ended September 30, 2011. Table 34 provides definitions for the defined terms used in Tables 30 through 33.

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

Billions of yen

	Credit Ratings of Securities[2] (September 30, 2011)				As of Sep. 30, 2011 (a)	As of Mar. 31, 2011 (b)	Change (a)-(b)
	AAA	AA	A or lower	N/A			
RMBS	15%	1%	5%	79%	¥ 38.9	¥ 44.8	¥ (5.9)
Japan	15%	1%	5%	79%	38.9	44.8	(5.9)
U.S.	—	—	—	—	0.0	0.0	0.0
Europe	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—
CMBS	—	—	—	—	¥ 0.0	¥ 7.9	¥ (7.9)
Japan	—	—	—	—	0.0	5.5	(5.5)
U.S.	—	—	—	—	—	—	—
Europe	—	—	—	—	—	—	—
Other	—	—	—	—	—	2.4	(2.4)
CLO	6%	93%	0%	1%	¥ 38.6	¥ 42.0	¥ (3.3)
Japan	—	—	—	—	—	—	—
U.S.	8%	91%	0%	1%	29.3	31.6	(2.2)
Europe	0%	100%	0%	0%	9.3	10.4	(1.1)
Other	—	—	—	—	—	—	—
ABS CDO (Resecuritized Products)	—	—	—	—	¥ —	¥ —	¥ —
Japan	—	—	—	—	—	—	—
U.S.	—	—	—	—	—	—	—
Europe	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—
Total	10%	47%	2%	40%	¥ 77.6	¥ 94.9	¥(17.2)
Japan	15%	1%	5%	79%	¥ 38.9	¥ 50.3	¥(11.4)
U.S.	8%	91%	0%	1%	29.3	31.6	(2.2)
Europe	0%	100%	0%	0%	9.3	10.4	(1.1)
Other	—	—	—	—	—	2.4	(2.4)
Securities					¥ 39.7	¥ 48.3	¥ (8.5)
RMBS					1.0	1.8	(0.7)
CMBS					—	4.4	(4.4)
CLO					38.6	42.0	(3.3)
ABS CDO					—	—	—
Other monetary claims purchased[3]					37.8	46.5	(8.6)
RMBS (Japan)					37.8	43.0	(5.2)
CMBS (Japan)					0.0	3.4	(3.4)
CLO (Japan)					—	—	—
ABS CDO (Japan)					—	—	—
Total					¥ 77.6	¥ 94.9	¥(17.2)

Notes: (1) The amount is the outstanding balance, after mark-downs and other comprehensive income (OCI) adjustments, at the end of each period. This table excludes securitized products backed by consumer loans, credit card loans, and other similar exposure to individuals.
(2) Based on ratings by S&P or ratings equivalent to S&P ratings matrix as of September 30, 2011. The "N/A" rating for Japanese RMBS represents senior portions of other monetary claims purchased for the purpose of warehousing for future securitization.
(3) Includes Japanese RMBS recorded as monetary assets held in trust of ¥4.7 billion as at September 30, 2011.

EXPOSURE TO SECURITIZED PRODUCTS AND RELATED INVESTMENTS (continued)

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

SECURITIES

Billions of yen, %

	As of September 30, 2011			
	Balance before Mark-to-Market Evaluation	Market Value or Balance	Unrealized Gains/Losses (OCI)	Price Increase (Decrease) Ratio (%)
Trading Securities		¥ 0.4		
RMBS (U.S.)		0.0		
CLO (U.S.)		0.4		
Securities Being Held to Maturity with Readily Determinable Fair Value		¥ 38.2		
CLO (U.S.)		28.9		
CLO (Europe)		9.3		
Securities Available for Sale	¥ 1.0	¥ 1.0	¥ 0.0	0.6
Other	1.0	1.0	0.0	0.6
Foreign Securities	1.0	1.0	0.0	0.6
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
Yen-Denominated Foreign Corporate and Government Bonds	1.0	1.0	0.0	0.6
RMBS (Japan)	1.0	1.0	0.0	0.6
Securities		¥ 39.7		
RMBS		1.0		
CLO		38.6		

OTHER MONETARY CLAIMS PURCHASED(2)

Billions of yen, %

	As of September 30, 2011			
	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	¥ 29.5	¥ 29.5	¥ 0.0	0.2
RMBS (Japan)	29.5	29.5	0.0	0.2
CMBS (Japan)	0.0	0.0	0.0	0.0
Other Monetary Claims Purchased		¥ 37.8		
RMBS (Japan)		37.8		
CMBS (Japan)		0.0		

Total		¥ 77.6		
Securities		39.7		
Other Monetary Claims Purchased		37.8		

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 ¥4.7 billion as at September 30, 2011.

EXPOSURE TO SECURITIZED PRODUCTS AND RELATED INVESTMENTS (continued)

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

Billions of yen

	Sep. 30, 2011 (a)	Mar. 31, 2011 (b)	Change (a)-(b)
LBO[1][3]	¥ 199.0	¥ 203.3	¥ (4.3)
Japan	195.9[2]	199.7	(3.8)
U.S.	1.8	2.1	(0.3)
Europe	—	—	—
Other	1.2	1.4	(0.2)
(Breakdown by Industry Sector as of September 30, 2010)			
Manufacturing	12.2%		
Information and communications	1.2%		
Wholesale and retail	6.9%		
Finance and insurance	23.4%		
Services	56.3%		
Others	—		
Total	100.0%		

Notes: (1) The amount includes unfunded commitment line.
(2) As of September 30, 2011, unfunded commitment line (only domestic) is ¥3.4 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 33. CREDIT DEFAULT SWAPS (CDS) (NON-CONSOLIDATED)[1]

Billions of yen

	As of September 30, 2011							Six months ended September 30, 2011
	Nominal Amount		Fair Value		Netted Nominal Amount and Fair Value[2]			Realized profits (losses)
					Nominal Amount	Fair Value		
	Protection (buy)	Protection (sell)	Protection (buy)	Protection (sell)		Protection (buy)	Protection (sell)	
Total	¥ 541.4	¥ 622.6	¥ 4.5	¥ (5.0)	¥ 452.0	¥ 3.2	¥ (3.8)	¥ (0.2)
Japan	447.3	532.1	3.6	(4.0)	367.8	2.6	(3.0)	(0.3)
U.S.	41.8	41.0	0.3	(0.4)	37.5	0.1	(0.3)	0.0
Europe	22.7	22.5	0.3	(0.4)	22.1	0.4	(0.4)	0.0
Other	29.5	26.9	0.1	(0.1)	24.4	(0.0)	(0.1)	0.0

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

EXPOSURE TO SECURITIZED PRODUCTS AND RELATED INVESTMENTS (continued)

TABLE 34. DEFINED TERMS FOR TABLES 30-33

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

INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)

Shinsei Bank, Limited, and Consolidated Subsidiaries
As of September 30, 2011 and March 31, 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Sept. 30, 2011	Mar. 31, 2011	Sept. 30, 2011
ASSETS			
Cash and due from banks (Notes 3, 21 and 32)	¥ 329,447	¥ 452,751	$ 4,299,203
Call loans (Note 32)	30,187	—	393,938
Collateral related to securities borrowing transactions (Note 32)	52,412	10,388	683,966
Other monetary claims purchased (Notes 4 and 32)	147,015	157,006	1,918,512
Trading assets (Notes 5, 21, 32 and 33)	239,195	195,396	3,121,430
Monetary assets held in trust (Notes 6, 21 and 32)	276,498	253,688	3,608,234
Securities (Notes 7, 21 and 32)	2,220,124	3,286,382	28,972,004
Loans and bills discounted (Notes 8, 21 and 32)	4,125,538	4,291,462	53,837,122
Foreign exchanges (Note 9)	22,201	42,069	289,726
Lease receivables and leased investment assets (Notes 21, 30 and 32)	198,368	206,216	2,588,649
Other assets (Notes 10, 21, 32 and 33)	772,359	794,798	10,079,080
Premises and equipment (Notes 11, 21 and 30)	48,647	50,099	634,832
Intangible assets (Notes 12 and 30)	89,499	96,013	1,167,943
Deferred issuance expenses for debentures	159	182	2,076
Deferred tax assets	16,017	18,603	209,025
Customers' liabilities for acceptances and guarantees (Note 20)	557,226	575,700	7,271,645
Reserve for credit losses (Note 13)	(184,330)	(199,211)	(2,405,463)
Total assets	¥ 8,940,569	¥ 10,231,548	$ 116,671,922
LIABILITIES AND EQUITY			
Liabilities:			
Deposits, including negotiable certificates of deposit (Notes 14, 21 and 32)	¥ 5,537,359	¥ 5,610,687	$ 72,260,986
Debentures (Notes 15 and 32)	313,190	348,270	4,087,051
Call money (Notes 21 and 32)	140,229	160,330	1,829,961
Collateral related to securities lending transactions (Notes 21 and 32)	223,069	269,697	2,910,994
Trading liabilities (Notes 16, 32 and 33)	191,246	147,787	2,495,719
Borrowed money (Notes 17, 21 and 32)	547,252	1,672,790	7,141,493
Foreign exchanges (Note 9)	16	39	210
Short-term corporate bonds (Note 32)	43,600	22,800	568,968
Corporate bonds (Notes 18, 21 and 32)	163,603	179,611	2,134,984
Other liabilities (Notes 19, 21, 32 and 33)	551,702	569,362	7,199,561
Accrued employees' bonuses	4,335	8,084	56,579
Accrued directors' bonuses	22	38	291
Reserve for employees' retirement benefits	7,085	11,016	92,459
Reserve for directors' retirement benefits	195	285	2,552
Reserve for losses on interest repayments	29,934	43,199	390,639
Reserve under special law	1	1	19
Deferred tax liabilities	381	690	4,974
Acceptances and guarantees (Notes 20, 21 and 32)	557,226	575,700	7,271,645
Total liabilities	8,310,453	9,620,394	108,449,085
Equity:			
Common stock (Note 23)	512,204	512,204	6,684,126
Capital surplus	79,461	79,461	1,036,956
Stock acquisition rights (Note 24)	1,357	1,413	17,721
Retained earnings	72,783	55,087	949,806
Treasury stock, at cost (Note 23)	(72,558)	(72,558)	(946,872)
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities (Note 7)	(7,489)	(15,225)	(97,736)
Deferred gain (loss) on derivatives under hedge accounting	(12,870)	(10,197)	(167,953)
Foreign currency translation adjustments	(3,406)	(2,511)	(44,458)
Total	569,482	547,673	7,431,590
Minority interests (Note 22)	60,633	63,481	791,247
Total equity	630,116	611,154	8,222,837
Total liabilities and equity	¥ 8,940,569	¥ 10,231,548	$ 116,671,922

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

INTERIM CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the six months ended September 30, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Sept. 30, 2011 (6 months)	Sept. 30, 2010 (6 months)	**Sept. 30, 2011 (6 months)**
Interest income:			
Interest on loans and bills discounted	**¥ 72,603**	¥ 96,641	**$ 947,457**
Interest and dividends on securities	**9,715**	12,763	**126,788**
Interest on deposits with banks	**219**	146	**2,870**
Other interest income	**584**	3,285	**7,625**
Total interest income	**83,123**	112,837	**1,084,740**
Interest expenses:			
Interest on deposits, including negotiable certificates of deposit	**15,180**	18,590	**198,101**
Interest and discounts on debentures	**829**	1,360	**10,826**
Interest on other borrowings	**3,009**	3,874	**39,275**
Interest on corporate bonds	**2,828**	2,483	**36,912**
Other interest expenses	**525**	352	**6,863**
Total interest expenses	**22,374**	26,660	**291,977**
Net interest income	**60,749**	86,177	**792,763**
Fees and commissions income	**25,146**	24,426	**328,157**
Fees and commissions expenses	**11,269**	12,131	**147,067**
Net fees and commissions	**13,876**	12,295	**181,090**
Net trading income (loss) (Note 25)	**6,542**	7,181	**85,378**
Other business income (loss), net:			
Income on lease transactions and installment receivables, net	**18,633**	19,727	**243,166**
Net gain (loss) on monetary assets held in trust	**3,965**	3,491	**51,746**
Net gain (loss) on foreign exchanges	**1,781**	2,957	**23,251**
Net gain (loss) on securities	**(705)**	14,673	**(9,203)**
Net gain (loss) on other monetary claims purchased	**488**	3,472	**6,370**
Other, net (Note 26)	**327**	1,352	**4,270**
Net other business income (loss)	**24,490**	45,675	**319,600**
Total revenue	**105,659**	151,329	**1,378,831**
General and administrative expenses:			
Personnel expenses	**26,607**	28,974	**347,224**
Premises expenses	**10,277**	11,639	**134,121**
Technology and data processing expenses	**8,383**	9,953	**109,403**
Advertising expenses	**4,444**	5,175	**58,000**
Consumption and property taxes	**2,894**	4,136	**37,776**
Deposit insurance premium	**2,342**	2,726	**30,566**
Other general and administrative expenses	**9,556**	11,463	**124,705**
General and administrative expenses	**64,506**	74,070	**841,795**
Amortization of goodwill and other intangible assets	**6,244**	6,864	**81,488**
Total general and administrative expenses	**70,751**	80,935	**923,283**
Net business profit (loss)	**34,908**	70,394	**455,548**
Net credit costs (Note 27)	**8,801**	52,359	**114,858**
Other gains (losses), net (Note 28)	**(344)**	6,676	**(4,500)**
Income (loss) before income taxes and minority interests	**25,762**	24,711	**336,190**
Income taxes (benefit):			
Current	**1,699**	1,177	**22,182**
Deferred	**1,799**	1,785	**23,485**
Net income (loss) before minority interests	**22,262**	21,748	**290,523**
Minority interests in net income of subsidiaries	**1,911**	4,865	**24,950**
Net income (loss)	**¥ 20,350**	¥ 16,883	**$ 265,573**

	Yen		U.S. dollars (Note 1)
Basic net income (loss) per common share (Note 29)	**¥ 7.66**	¥ 8.59	**$ 0.10**

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

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the six months ended September 30, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Sept. 30, 2011 (6 months)	Sept. 30, 2010 (6 months)	**Sept. 30, 2011 (6 months)**
Net income (loss) before minority interests	**¥ 22,262**	¥ 21,748	**$ 290,523**
Other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities	**7,714**	(9,754)	**100,666**
Deferred gain (loss) on derivatives under hedge accounting	**(2,672)**	(4,632)	**(34,876)**
Foreign currency translation adjustments	**(1,421)**	(13,518)	**(18,555)**
Share of other comprehensive income in affiliates	**(577)**	(668)	**(7,530)**
Total other comprehensive income	**3,042**	(28,573)	**39,705**
Comprehensive income	**¥ 25,305**	¥ (6,825)	**$ 330,228**
Total comprehensive income attributable to:			
Owners of the parent	**¥ 24,519**	¥ (361)	**$ 319,971**
Minority interests	**785**	(6,463)	**10,257**

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

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the six months ended September 30, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Sept. 30, 2011 (6 months)	Sept. 30, 2010 (6 months)	**Sept. 30, 2011 (6 months)**
Common stock:			
Balance at beginning of period	**¥ 512,204**	¥ 476,296	**$ 6,684,126**
Balance at end of period	**512,204**	476,296	**6,684,126**
Capital surplus:			
Balance at beginning of period	**79,461**	43,554	**1,036,956**
Balance at end of period	**79,461**	43,554	**1,036,956**
Stock acquisition rights:			
Balance at beginning of period	**1,413**	1,672	**18,440**
Net change during the period	**(55)**	(60)	**(719)**
Balance at end of period	**1,357**	1,611	**17,721**
Retained earnings:			
Balance at beginning of period	**55,087**	12,438	**718,877**
Dividends from surplus	**(2,653)**	—	**(34,633)**
Net income (loss)	**20,350**	16,883	**265,573**
Changes by inclusion of subsidiaries (former non-consolidated subsidiaries)	**(0)**	—	**(7)**
Changes by exclusion of consolidated subsidiaries	**(0)**	—	**(4)**
Balance at end of period	**72,783**	29,321	**949,806**
Treasury stock, at cost:			
Balance at beginning of period	**(72,558)**	(72,558)	**(946,872)**
Balance at end of period	**(72,558)**	(72,558)	**(946,872)**
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities:			
Balance at beginning of period	**(15,225)**	1,398	**(198,693)**
Net change during the period	**7,736**	(9,673)	**100,957**
Balance at end of period	**(7,489)**	(8,274)	**(97,736)**
Deferred gain (loss) on derivatives under hedge accounting:			
Balance at beginning of period	**(10,197)**	(3,327)	**(133,076)**
Net change during the period	**(2,672)**	(4,632)	**(34,877)**
Balance at end of period	**(12,870)**	(7,959)	**(167,953)**
Foreign currency translation adjustments:			
Balance at beginning of period	**(2,511)**	(741)	**(32,775)**
Net change during the period	**(895)**	(2,939)	**(11,683)**
Balance at end of period	**(3,406)**	(3,680)	**(44,458)**
Minority interests:			
Balance at beginning of period	**63,481**	176,221	**828,411**
Net change during the period	**(2,847)**	(20,334)	**(37,164)**
Balance at end of period	**60,633**	155,886	**791,247**
Total equity:			
Balance at beginning of period	**611,154**	634,954	**7,975,393**
Net change in stock acquisition rights during the period	**(55)**	(60)	**(719)**
Dividends from surplus	**(2,653)**	—	**(34,633)**
Net income (loss)	**20,350**	16,883	**265,573**
Changes by inclusion of subsidiaries (former non-consolidated subsidiaries)	**(0)**	—	**(7)**
Changes by exclusion of consolidated subsidiaries	**(0)**	—	**(4)**
Net change in accumulated other comprehensive income during the period	**4,168**	(17,244)	**54,398**
Net change in minority interests during the period	**(2,847)**	(20,334)	**(37,164)**
Balance at end of period	**¥ 630,116**	¥ 614,197	**$ 8,222,837**

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the six months ended September 30, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Sept. 30, 2011 (6 months)	Sept. 30, 2010 (6 months)	Sept. 30, 2011 (6 months)
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	¥ 25,762	¥ 24,711	$ 336,190
Adjustments for:			
Income taxes paid	(1,873)	(742)	(24,451)
Depreciation (other than leased assets as lessor)	4,968	6,127	64,832
Amortization of goodwill and other intangible assets	6,244	6,864	81,488
Impairment losses on long-lived assets	906	1,144	11,835
Net change in reserve for credit losses	(8,201)	21,512	(107,032)
Net change in reserve for losses on interest repayments	(13,264)	(23,311)	(173,097)
Net change in other reserves	(7,783)	(10,165)	(101,571)
Interest income	(83,123)	(112,837)	(1,084,740)
Interest expenses	22,374	26,660	291,977
Investment (gains) losses	(3,473)	(17,326)	(45,332)
Net exchange (gain) loss	18,126	18,352	236,542
Gains from the cancellation of issued corporate bonds and other instruments	—	(4,336)	—
Net change in trading assets	(43,798)	(23,870)	(571,556)
Net change in trading liabilities	43,459	19,164	567,138
Net change in loans and bills discounted	137,941	584,135	1,800,094
Net change in deposits, including negotiable certificates of deposit	(73,326)	(585,212)	(956,889)
Net change in debentures	(35,079)	(58,465)	(457,779)
Net change in borrowed money (other than subordinated debt)	(1,116,278)	149,873	(14,567,120)
Net change in corporate bonds (other than subordinated corporate bonds)	(8,064)	7,818	(105,233)
Net change in interest-bearing deposits with banks	67,609	27,217	882,280
Net change in call loans, collateral related to securities borrowing transactions and other monetary claims purchased	(66,344)	(3,114)	(865,782)
Net change in call money, payables under repurchase agreements, collateral related to securities lending transactions and short-term corporate bonds (liabilities)	(45,928)	(563,395)	(599,359)
Net change in foreign exchange assets and liabilities	19,844	(1,321)	258,962
Interest received	86,652	111,544	1,130,787
Interest paid	(14,313)	(24,329)	(186,791)
Net change in securities for trading purposes	269	530	3,519
Net change in monetary assets held in trust for trading purposes	18,261	11,900	238,309
Net change in lease receivables and leased investment assets	8,692	9,289	113,440
Other, net	822	(12,349)	10,729
Total adjustments	(1,084,682)	(438,640)	(14,154,800)
Net cash provided by (used in) operating activities	(1,058,920)	(413,929)	(13,818,610)
Cash flows from investing activities:			
Purchase of investments	(583,988)	(1,372,957)	(7,620,890)
Proceeds from sales of investments	960,587	1,408,535	12,535,396
Proceeds from maturity of investments	645,786	405,815	8,427,326
Purchase of premises and equipment (other than leased assets as lessor)	(2,307)	(3,414)	(30,116)
Purchase of Intangible assets (other than leased assets as lessor)	(3,758)	(4,410)	(49,043)
Other, net	1,507	(262)	19,672
Net cash provided by (used in) investing activities	1,017,826	433,306	13,282,345
Cash flows from financing activities:			
Proceeds from issuance of subordinated debt	38,600	—	503,719
Repayment of subordinated debt	(47,000)	—	(613,337)
Payment for redemption of subordinated corporate bonds	—	(3,607)	—
Proceeds from minority shareholders of subsidiaries	4	8	62
Payment for capital returned to minority shareholders of subsidiaries	(482)	(289)	(6,301)
Dividends paid	(2,653)	—	(34,633)
Dividends paid to minority shareholders of subsidiaries	(3,157)	(9,745)	(41,202)
Net cash provided by (used in) financing activities	(14,689)	(13,633)	(191,692)
Foreign currency translation adjustments on cash and cash equivalents	(52)	(25)	(685)
Net change in cash and cash equivalents	(55,835)	5,718	(728,642)
Cash and cash equivalents at beginning of period	300,474	334,238	3,921,109
Cash and cash equivalents at end of period (Note 3)	¥ 244,638	¥ 339,956	$ 3,192,467

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the six months ended September 30, 2011

1. BASIS OF PRESENTING INTERIM CONSOLIDATED FINANCIAL STATEMENTS — CONSOLIDATED

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

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

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

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

The interim consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. The 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 ¥76.63 to U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2011. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONSOLIDATED

(A) PRINCIPLES OF CONSOLIDATION

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

The numbers of subsidiaries and affiliates as of September 30, 2011 and March 31, 2011 were as follows:

	September 30, 2011	March 31, 2011
Consolidated subsidiaries	**123**	121
Unconsolidated subsidiaries	**81**	84
Affiliates accounted for by the equity method	**16**	17
Affiliate that is not accounted for by 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, liabilities, profit and loss virtually belong to each silent partner, and the Group does not have any material transactions with these subsidiaries. Therefore, these subsidiaries are excluded from consolidation in order to avoid any material misunderstanding by the Bank's stakeholders.

Other unconsolidated subsidiaries are excluded from consolidation because they are not material to the financial condition or results of operations of the Group.

Major consolidated subsidiaries as of September 30, 2011 were as listed below:

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

All significant inter-company transactions, related account balances and unrealized gains have been eliminated in consolidation. As of September 30, 2011, the six month period ending dates are September 30 for 70 subsidiaries, January 31 for 3 subsidiaries, February 28 for 1 subsidiary, June 30 for 44 subsidiaries, July 31 for 1 subsidiary, and August 31 for 4 subsidiaries. Except for 9 subsidiaries which are consolidated as of September 30 rather than their interim period ends, those consolidated subsidiaries whose six month periods end at dates other than September 30 are consolidated using their six month period-end interim financial statements with appropriate adjustments made for significant transactions during the period from the ending dates of their six month periods to the date of the Group's interim consolidated financial statements.

Major affiliates accounted for by the equity method as of September 30, 2011 were as listed below:

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

(B) BUSINESS COMBINATION

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

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

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

Showa Leasing

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

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 is lower than the fair value of the net assets acquired, including identified intangible assets, the difference is recorded as negative goodwill and primarily amortized on a straight-line basis over 20 years, which is the maximum period allowed under the previous accounting standard.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

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

(b) Foreign currency accounts held by consolidated foreign subsidiaries are translated into the currency of the subsidiary at exchange rates as of their respective interim 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 interim balance sheet dates, except for investments in unconsolidated subsidiaries and affiliates which are translated at the relevant historical exchange rates.

(F) CASH AND CASH EQUIVALENTS

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

(G) OTHER MONETARY CLAIMS PURCHASED

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

(H) VALUATION OF TRADING ACCOUNT ACTIVITIES

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

(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, net of applicable taxes, 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, such as non-marketable equity securities etc., 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. The depreciation cost for the interim period is calculated by proportionally allocating the estimated annual cost to the interim period. Principal estimated useful lives of buildings and equipment as of September 30, 2011 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 primarily amortized using the straight-line method over the term of the debentures and corporate bonds.

(O) RESERVE FOR CREDIT LOSSES

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

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

For claims to obligors who are possibly bankrupt, a specific reserve is provided for the amount considered to be necessary based on an overall solvency assessment performed for the amount of claims net of amounts expected to be collected through the disposal of collateral or execution of guarantees.

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

For other claims, the Bank provides a general reserve based on historical loan loss experience.

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

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

The reserve for other credit losses primarily consists of a reserve taken on the financial stabilization fund contribution.

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

For collateralized or guaranteed claims of the Bank and certain consolidated subsidiaries to obligors who are legally bankrupt or virtually bankrupt, the amount of claims exceeding the estimated value of collateral or guarantees, which is deemed uncollectible, has been charged off and totaled ¥184,197 million (U.S.$2,403,721 thousand) and ¥190,876 million as of September 30, 2011 and March 31, 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 period.

(Q) RESERVE FOR EMPLOYEES' RETIREMENT BENEFITS

The Bank, APLUS FINANCIAL, Showa Leasing, and Shinki each have a non-contributory defined benefit pension plan, and Shinsei Financial and certain of the other consolidated domestic subsidiaries have unfunded severance indemnity plans, which cover substantially all of the Group's employees. The reserve for employees' retirement benefits is provided for the payment of employees' retirement benefits based on the estimated amounts of the projected benefit obligation and the fair value of pension plan assets. Net actuarial gains and losses and prior service costs are amortized using the straight-line method over the average remaining service period primarily from the period of occurrence.

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

(R) RESERVE FOR DIRECTORS' RETIREMENT BENEFITS

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

(S) RESERVE FOR LOSSES ON INTEREST REPAYMENTS

The reserve for losses on interest repayments is provided for 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 ¥3,750 million for the six months ended September 30, 2010.

(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 to recognize 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 leased property to the lessee is computed using the straight-line method over the leasing period. Residual values of lease assets are the guaranteed value determined in the lease contracts or zero for assets without such guaranteed value.

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

(As lessor)

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

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 the leased property as of March 31, 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

As a result of this transitional treatment, income before income taxes and minority interests increased by ¥1,118 million (U.S.$14,593 thousand) and ¥1,416 million for the six months ended September 30, 2011 and 2010, 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 consumer lending business accrued interest income at the interim balance sheet date at the lower of the amount determined using a rate permissible under the Interest Rate Restriction Act of Japan or the amount determined using rates on contracts with customers.

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

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

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

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

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) CONSOLIDATED

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

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

(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:

(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.

The Group has applied this accounting standard and the guidance for accounting changes and corrections of prior period errors which are made 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 Japanese Institute of Certified Public Accountants (JICPA). However, retrospective application was not made for the six months ended September 30, 2010.

3. CASH AND CASH EQUIVALENTS CONSOLIDATED

The reconciliation of cash and cash equivalents and cash and due from banks in the interim consolidated balance sheets as of September 30, 2011 and 2010 was as follows:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	2011	2010	2011
Cash and due from banks	¥ 329,447	¥ 469,875	$ 4,299,203
Interest-bearing deposits included in due from banks	(84,809)	(129,919)	(1,106,736)
Cash and cash equivalents	¥ 244,638	¥ 339,956	$ 3,192,467

4. OTHER MONETARY CLAIMS PURCHASED CONSOLIDATED

(a) Other monetary claims purchased as of September 30, 2011 and March 31, 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2011	Mar. 31, 2011	Sept. 30, 2011
Trading purposes	¥ 79,783	¥ 105,345	$ 1,041,152
Other	67,232	51,661	877,360
Total	¥ 147,015	¥ 157,006	$ 1,918,512

(b) The fair value and the unrealized loss which is included in net gain (loss) on other monetary claims purchased for trading purposes as of September 30, 2011 and March 31, 2011 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	Sept. 30, 2011		Mar. 31, 2011		Sept. 30, 2011	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Trading purposes	¥ 79,783	¥ 19,443	¥ 105,345	¥ 23,296	$ 1,041,152	$ 253,731

5. TRADING ASSETS CONSOLIDATED

Trading assets as of September 30, 2011 and March 31, 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2011	Mar. 31, 2011	Sept. 30, 2011
Trading securities	¥ 44,178	¥ 5,567	$ 576,518
Derivatives for trading securities	2,823	2,632	36,843
Securities held to hedge trading transactions	20,358	8,439	265,675
Derivatives for securities held to hedge trading transactions	56,272	53,855	734,337
Trading-related financial derivatives	115,562	119,384	1,508,057
Other trading assets	—	5,518	—
Total	¥ 239,195	¥ 195,396	$ 3,121,430

6. MONETARY ASSETS HELD IN TRUST

CONSOLIDATED

(a) Monetary assets held in trust as of September 30, 2011 and March 31, 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2011	Mar. 31, 2011	**Sept. 30, 2011**
Trading purposes	**¥ 145,701**	¥ 163,963	**$ 1,901,367**
Other	**130,797**	89,724	**1,706,867**
Total	**¥ 276,498**	¥ 253,688	**$ 3,608,234**

(b) The fair value and the unrealized loss which is included in net gain (loss) on monetary assets held in trust for trading purposes as of September 30, 2011 and March 31, 2011 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	Sept. 30, 2011		Mar. 31, 2011		**Sept. 30, 2011**	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Trading purposes	**¥ 145,701**	**¥ 8,146**	¥ 163,963	¥ 12,741	**$ 1,901,367**	**$ 106,315**

(c) The carrying amount of monetary assets held in trust for other than trading purposes is the same as the acquisition cost as of September 30, 2011 and March 31, 2011.

7. SECURITIES

CONSOLIDATED

(a) Securities as of September 30, 2011 and March 31, 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2011	Mar. 31, 2011	**Sept. 30, 2011**
Trading securities	**¥ 781**	¥ 1,051	**$ 10,204**
Securities being held to maturity	**669,159**	553,992	**8,732,337**
Securities available for sale:			
Securities carried at fair value	**1,428,556**	2,600,007	**18,642,263**
Securities carried at cost whose fair value cannot be reliably determined	**84,339**	91,460	**1,100,613**
Investments in unconsolidated subsidiaries and affiliates	**37,287**	39,870	**486,587**
Total	**¥ 2,220,124**	¥ 3,286,382	**$ 28,972,004**

The above balances do not include securities held in connection with securities borrowing transactions with or without cash collateral, securities purchased under resale agreements or securities accepted as collateral for derivative transactions, where the Group has the right to sell or pledge such securities without restrictions. The balances of those securities as of September 30, 2011 and March 31, 2011 were ¥31,200 million (U.S.$407,162 thousand) and ¥24,964 million, respectively. In addition, ¥4,164 million (U.S.$54,343 thousand) and ¥2,032 million of those securities were further pledged as of September 30, 2011 and March 31, 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 September 30, 2011 and March 31, 2011 were ¥43,961 million (U.S.$573,686 thousand) and ¥43,585 million, respectively.

7. SECURITIES (CONTINUED) CONSOLIDATED

(b) The amortized/acquisition cost and the fair values of securities (other than trading securities) as of September 30, 2011 and March 31, 2011 were as follows:

	Millions of yen							
	Sept. 30, 2011				Mar. 31, 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	**¥ 594,745**	**¥ 5,127**	**¥ 30**	**¥ 599,842**	¥ 443,851	¥ 4,042	¥ 86	¥ 447,806
Japanese corporate bonds	**27,672**	**407**	**—**	**28,080**	59,558	653	—	60,211
Other	**46,741**	**3,320**	**575**	**49,486**	50,583	3,635	468	53,750
Total	**¥ 669,159**	**¥ 8,855**	**¥ 606**	**¥ 677,408**	¥ 553,992	¥ 8,331	¥ 555	¥ 561,769
Securities available for sale:								
Equity securities	**¥ 13,546**	**¥ 1,082**	**¥ 851**	**¥ 13,777**	¥ 17,690	¥ 1,678	¥ 4,514	¥ 14,854
Japanese national government bonds	**1,008,520**	**2,077**	**888**	**1,009,708**	2,020,466	882	2,595	2,018,753
Japanese local government bonds	**1,734**	**56**	**—**	**1,790**	1,729	56	—	1,786
Japanese corporate bonds	**245,292**	**698**	**2,625**	**243,365**	289,025	723	5,279	284,469
Other, primarily foreign debt securities	**180,228**	**3,143**	**5,093**	**178,278**	308,531	4,176	4,183	308,524
Total	**¥ 1,449,321**	**¥ 7,058**	**¥ 9,459**	**¥ 1,446,920**	¥ 2,637,444	¥ 7,518	¥ 16,573	¥ 2,628,388

	Thousands of U.S. dollars			
	Sept. 30, 2011			
	Amortized/ Acquisition cost	Gross unrealized gain	Gross unrealized loss	Fair value
Securities being held to maturity:				
Japanese national government bonds	**$ 7,761,259**	**$ 66,907**	**$ 395**	**$ 7,827,771**
Japanese corporate bonds	**361,116**	**5,323**	**—**	**366,439**
Other	**609,962**	**43,332**	**7,514**	**645,780**
Total	**$ 8,732,337**	**$ 115,562**	**$ 7,909**	**$ 8,839,990**
Securities available for sale:				
Equity securities	**$ 176,774**	**$ 14,127**	**$ 11,111**	**$ 179,790**
Japanese national government bonds	**13,160,910**	**27,109**	**11,600**	**13,176,419**
Japanese local government bonds	**22,632**	**732**	**—**	**23,364**
Japanese corporate bonds	**3,200,995**	**9,117**	**34,262**	**3,175,850**
Other, primarily foreign debt securities	**2,351,927**	**41,024**	**66,471**	**2,326,480**
Total	**$ 18,913,238**	**$ 92,109**	**$ 123,444**	**$ 18,881,903**

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

7. SECURITIES (CONTINUED) CONSOLIDATED

Individual securities, other than trading securities, are written down when a decline in fair value below the cost of such securities is deemed to be other than temporary. The amount written down is accounted for as an impairment loss. Impairment losses on securities other than for trading purposes carried at fair value for the six months ended September 30, 2011 were ¥7,617 million (U.S. $99,412 thousand), which consisted of ¥4,094 million (U.S.$53,433 thousand) for equity securities, ¥2,250 million (U.S.$ 29,372 thousand) for Japanese corporate bonds, and ¥1,272 million (U.S.$ 16,607 thousand) for other securities.

Impairment losses on securities other than for 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

"Legally bankrupt" obligors are those who have already gone bankrupt from a legal and/or formal perspective.

"Virtually bankrupt" obligors are those who have not yet gone legally or formally bankrupt but who are substantially bankrupt because they are in serious financial difficulties and are not deemed to be capable of restructuring.

"Possibly bankrupt" obligors are those who are not yet bankrupt but are in financial difficulties and are very likely to go bankrupt in the future.

"Need caution" obligors are those who require close attention because there are problems with their borrowings.

"Normal" obligors are those whose business conditions are favorable and who are deemed not to have any particular problems in terms of their financial position.

(c) Unrealized gain (loss) on available-for-sale securities as of September 30, 2011 and March 31, 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2011	Mar. 31, 2011	**Sept. 30, 2011**
Unrealized gain (loss) before deferred tax on:			
Available-for-sale securities	**¥ (2,401)**	¥ (9,055)	**$ (31,335)**
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	**(19)**	(67)	**(259)**
Securities being held to maturity, reclassified from available-for-sale in October 2008, under extremely illiquid market conditions	**(5,153)**	(5,922)	**(67,246)**
Deferred tax assets (liabilities)	**9**	(232)	**126**
Unrealized gain (loss) on available-for-sale securities before interest adjustments	**(7,564)**	(15,278)	**(98,714)**
Minority interests	**6**	(4)	**80**
The Bank's interests in unrealized gain (loss) on available-for-sale securities held by affiliates to which the equity method is applied	**68**	57	**898**
Unrealized gain (loss) on available-for-sale securities	**¥ (7,489)**	¥ (15,225)	**$ (97,736)**

8. LOANS AND BILLS DISCOUNTED

CONSOLIDATED

Loans and bills discounted as of September 30, 2011 and March 31, 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2011	Mar. 31, 2011	**Sept. 30, 2011**
Loans on deeds	**¥ 3,448,313**	¥ 3,550,636	**$ 44,999,524**
Loans on bills	**28,028**	30,785	**365,764**
Bills discounted	**4,384**	2,603	**57,211**
Overdrafts	**644,812**	707,436	**8,414,623**
Total	**¥ 4,125,538**	¥ 4,291,462	**$ 53,837,122**

(a) Risk-monitored loans

Loans and bills discounted include loans to bankrupt obligors of ¥14,997 million (U.S.$195,712 thousand) and ¥13,905 million as of September 30, 2011 and March 31, 2011, respectively, as well as non-accrual delinquent loans of ¥274,174 million (U.S.$3,577,895 thousand) and ¥317,951 million as of September 30, 2011 and March 31, 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 September 30, 2011 and March 31, 2011 were ¥1,796 million (U.S.$23,443 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 September 30, 2011 and March 31, 2011 were ¥54,978 million (U.S.$717,457 thousand) and ¥60,926 million, respectively.

(b) Loan participation

The total outstanding amounts deducted from the loan account for loan participations as of September 30, 2011 and March 31, 2011 were ¥19,944 million (U.S.$260,268 thousand) and ¥28,854 million, respectively. This "off-balance sheet" treatment is in accordance with guidelines issued by the JICPA.

The total amount of such loans in which the Bank participated was ¥15,366 million as of March 31, 2011.

(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 the Industry Audit Committee Report No. 24 issued by the JICPA, although the Group has the right to sell or pledge them without restrictions. The face amounts of such bills discounted held as of September 30, 2011 and March 31, 2011 were ¥4,491 million (U.S.$58,608 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 ¥4,123,449 million (U.S.$53,809,862 thousand) and ¥4,752,171 million as of September 30, 2011 and March 31, 2011, out of which the amounts with original agreement terms of less than one year or which were cancelable were ¥3,914,763 million (U.S.$51,086,562 thousand) and ¥4,604,262 million as of September 30, 2011 and March 31, 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.

9. FOREIGN EXCHANGES CONSOLIDATED

Foreign exchange assets and liabilities as of September 30, 2011 and March 31, 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2011	Mar. 31, 2011	Sept. 30, 2011
Foreign exchange assets:			
Foreign bills bought	¥ 107	¥ 128	$ 1,398
Foreign bills receivable	4,704	5,088	61,392
Due from foreign banks	17,390	36,853	226,936
Total	**¥ 22,201**	¥ 42,069	**$ 289,726**
Foreign exchange liabilities:			
Foreign bills payable	¥ 13	¥ 37	$ 178
Due to foreign banks	2	2	32
Total	**¥ 16**	¥ 39	**$ 210**

10. OTHER ASSETS CONSOLIDATED

Other assets as of September 30, 2011 and March 31, 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2011	Mar. 31, 2011	Sept. 30, 2011
Accrued income	¥ 17,299	¥ 21,191	$ 225,753
Prepaid expenses	3,443	3,277	44,939
Fair value of derivatives	180,254	181,793	2,352,270
Financial stabilization fund contribution	41,500	70,239	541,563
Accounts receivable	54,118	59,828	706,231
Installment receivables	324,403	330,485	4,233,377
Security deposits	14,810	15,984	193,269
Suspense payments	17,050	21,920	222,503
Other	119,479	90,077	1,559,175
Total	**¥ 772,359**	¥ 794,798	**$ 10,079,080**

Installment receivables as of September 30, 2011 and March 31, 2011 include credits to bankrupt obligors of ¥291 million (U.S.$3,800 thousand) and ¥430 million, non-accrual delinquent credits of ¥4,391 million (U.S.$57,306 thousand) and ¥3,931 million, credits past due for three months or more of ¥326 million (U.S.$4,263 thousand) and ¥426 million, and restructured credits of ¥2,416 million (U.S.$31,529 thousand) and ¥2,610 million, respectively.

11. PREMISES AND EQUIPMENT CONSOLIDATED

Premises and equipment as of September 30, 2011 and March 31, 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2011	Mar. 31, 2011	Sept. 30, 2011
Buildings	¥ 29,024	¥ 30,495	$ 378,766
Land	7,634	8,805	99,634
Tangible leased assets as lessor	45,512	50,989	593,921
Other	19,870	19,071	259,311
Subtotal	102,042	109,361	1,331,632
Accumulated depreciation	(53,395)	(59,262)	(696,800)
Net book value	**¥ 48,647**	¥ 50,099	**$ 634,832**

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12. INTANGIBLE ASSETS CONSOLIDATED

Intangible assets as of September 30, 2011 and March 31, 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2011	Mar. 31, 2011	Sept. 30, 2011
Software	¥ 24,625	¥ 25,044	$ 321,350
Goodwill, net:			
Goodwill	51,329	55,512	669,838
Negative goodwill	(5,804)	(5,986)	(75,753)
Intangible assets acquired in business combinations	18,278	20,521	238,529
Intangible leased assets as lessor	19	30	250
Other	1,052	890	13,729
Total	¥ 89,499	¥ 96,013	$ 1,167,943

13. RESERVE FOR CREDIT LOSSES CONSOLIDATED

Reserve for credit losses as of September 30, 2011 and March 31, 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2011	Mar. 31, 2011	Sept. 30, 2011
Reserve for loan losses:			
General reserve for loan losses	¥ 96,922	¥ 102,752	$ 1,264,816
Specific reserve for loan losses	66,210	75,251	864,030
Reserve for loan losses to restructuring countries	0	12	11
Subtotal	163,134	178,015	2,128,857
Specific reserve for other credit losses	21,196	21,196	276,606
Total	¥ 184,330	¥ 199,211	$ 2,405,463

14. DEPOSITS, INCLUDING NEGOTIABLE CERTIFICATES OF DEPOSIT CONSOLIDATED

Deposits, including negotiable certificates of deposit, as of September 30, 2011 and March 31, 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2011	Mar. 31, 2011	Sept. 30, 2011
Current	¥ 18,359	¥ 11,151	$ 239,587
Ordinary	1,398,432	1,452,943	18,249,149
Notice	11,679	12,269	152,413
Time	3,584,454	3,602,989	46,776,132
Negotiable certificates of deposit	152,986	174,046	1,996,427
Other	371,446	357,285	4,847,278
Total	¥ 5,537,359	¥ 5,610,687	$ 72,260,986

15. DEBENTURES

CONSOLIDATED

(a) Debentures as of September 30, 2011 and March 31, 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2011	Mar. 31, 2011	Sept. 30, 2011
Coupon debentures	¥ 313,190	¥ 348,270	$ 4,087,051

(b) Annual maturities of debentures as of September 30, 2011 were as follows:

Year ending September 30,	Millions of yen	Thousands of U.S. dollars
2012	¥ 67,865	$ 885,631
2013	64,329	839,477
2014	49,500	645,970
2015	60,622	791,103
2016 and thereafter	70,872	924,870
Total	¥ 313,190	$ 4,087,051

16. TRADING LIABILITIES

CONSOLIDATED

Trading liabilities as of September 30, 2011 and March 31, 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2011	Mar. 31, 2011	Sept. 30, 2011
Derivatives for trading securities	¥ 1,862	¥ 1,794	$ 24,307
Derivatives for securities held to hedge trading transactions	47,741	40,300	623,019
Trading-related financial derivatives	106,860	103,049	1,394,500
Trading securities sold for short sales	34,781	2,643	453,893
Total	¥ 191,246	¥ 147,787	$ 2,495,719

17. BORROWED MONEY

CONSOLIDATED

(a) Borrowed money as of September 30, 2011 and March 31, 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2011	Mar. 31, 2011	Sept. 30, 2011
Subordinated debt	¥ 93,000	¥ 101,400	$ 1,213,624
Other borrowed money	454,252	1,571,390	5,927,869
Total	¥ 547,252	¥ 1,672,790	$ 7,141,493

(b) Annual maturities of borrowed money as of September 30, 2011 were as follows:

Year ending September 30,	Millions of yen	Thousands of U.S. dollars
2012	¥ 319,956	$ 4,175,342
2013	56,852	741,914
2014	17,968	234,483
2015	25,346	330,768
2016 and thereafter	127,128	1,658,986
Total	¥ 547,252	$ 7,141,493

18. CORPORATE BONDS CONSOLIDATED

(a) Corporate bonds as of September 30, 2011 and March 31, 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2011	Mar. 31, 2011	Sept. 30, 2011
Subordinated bonds	¥ 142,000	¥ 149,944	$ 1,853,065
Other corporate bonds	21,603	29,667	281,919
Total	¥ 163,603	¥ 179,611	$ 2,134,984

(b) Subordinated bonds as of September 30, 2011 and March 31, 2011 consisted of the following:

Issuer	Description	Issue	Maturity	Interest Rate (%)	Millions of yen Sept. 30, 2011	Millions of yen Mar. 31, 2011	Thousands of U.S. dollars Sept. 30, 2011
Shinsei Bank, Limited	Unsecured subordinated bonds, payable in Yen(1)	Mar. 2005 to Dec. 2009	Mar. 2015 to Dec. 2017	1.96 to 3.40	¥ 74,000	¥ 74,000	$ 965,679
	Unsecured subordinated notes, payable in Euro(2)	Feb. 2006 and Sept. 2010	Feb. 2016 and Sept. 2020	3.483 and 7.375	56,831	64,069	741,641
	Unsecured perpetual subordinated notes, payable in Euroyen(3)	Oct. 2005	—	2.35 and 2.435	4,500	4,500	58,724
	Unsecured perpetual subordinated note, payable in Pounds Sterling	Dec. 2006	—	5.625	6,168	6,874	80,496
Shinsei Bank Finance N.V.	Unsecured perpetual subordinated bond, payable in Yen	Dec. 1996	—	1.89156	500	500	6,525
	Total				¥ 142,000	¥ 149,944	$ 1,853,065

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

(c) Annual maturities of corporate bonds as of September 30, 2011 were as follows:

Year ending September 30,	Millions of yen	Thousands of U.S. dollars
2012	¥ 2,119	$ 27,662
2013	1,727	22,537
2014	1,721	22,469
2015	34,720	453,095
2016 and thereafter	123,314	1,609,221
Total	¥ 163,603	$ 2,134,984

19. OTHER LIABILITIES CONSOLIDATED

Other liabilities as of September 30, 2011 and March 31, 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2011	Mar. 31, 2011	Sept. 30, 2011
Accrued expenses	¥ 64,813	¥ 57,372	$ 845,802
Unearned income	3,631	889	47,392
Income taxes payable	1,994	2,072	26,022
Fair value of derivatives	221,128	234,580	2,885,661
Matured debentures, including interest	15,278	16,472	199,385
Trust account	7,507	7,386	97,969
Accounts payable	79,897	73,588	1,042,637
Deferred gains on installment receivables and credit guarantees	26,044	29,113	339,870
Asset retirement obligations	7,702	7,960	100,512
Deposits payable	90,362	89,479	1,179,200
Other	33,342	50,446	435,111
Total	¥ 551,702	¥ 569,362	$ 7,199,561

20. ACCEPTANCES AND GUARANTEES

CONSOLIDATED

Acceptances and guarantees as of September 30, 2011 and March 31, 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2011	Mar. 31, 2011	Sept. 30, 2011
Guarantees	¥ 557,226	¥ 575,700	$ 7,271,645

21. ASSETS PLEDGED AS COLLATERAL

CONSOLIDATED

Assets pledged as collateral and liabilities collateralized as of September 30, 2011 and March 31, 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2011	Mar. 31, 2011	Sept. 30, 2011
Assets pledged as collateral:			
Cash and due from banks	¥ 197	¥ 866	$ 2,582
Trading assets	23,644	—	308,560
Monetary assets held in trust	1,752	1,752	22,873
Securities	911,665	2,131,834	11,896,985
Loans and bills discounted	222,215	315,268	2,899,844
Lease receivables and leased investment assets	82,947	83,980	1,082,442
Other assets	21,462	27,542	280,077
Premises and equipment	—	1,352	—
Liabilities collateralized:			
Deposits, including negotiable certificates of deposit	¥ 702	¥ 1,752	$ 9,166
Call money	140,000	160,000	1,826,961
Collateral related to securities lending transactions	214,707	265,028	2,801,869
Borrowed money	254,629	1,346,543	3,322,844
Corporate bonds	15,952	17,816	208,175
Other liabilities	17	26	235
Acceptances and guarantees	922	922	12,041

In addition, ¥426,111 million (U.S.$5,560,636 thousand) and ¥239,836 million of securities as of September 30, 2011 and March 31, 2011, were pledged as collateral for transactions, including exchange settlements, swap transactions and replacement of margin for futures transactions.

Also, ¥927 million (U.S.$12,103 thousand) and ¥12,150 million of margin deposits for futures transactions outstanding were included in other assets as of September 30, 2011 and March 31, 2011, respectively. In addition, ¥28,990 million (U.S.$378,321 thousand) and ¥11,819 million of cash collateral pledged for derivative transactions were included in other assets as of September 30, 2011 and March 31, 2011, respectively.

22. PREFERRED SECURITIES ISSUED BY SUBSIDIARIES OUTSIDE JAPAN

CONSOLIDATED

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

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

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

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

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

The Bank repurchased U.S.$100 million, U.S.$22 million and U.S.$615 million of step-up non-cumulative perpetual preferred securities of Shinsei Finance (Cayman) Limited, and U.S.$121 million, U.S.$97 million and U.S.$458 million of non-cumulative perpetual preferred securities of Shinsei Finance II (Cayman) Limited in open-market transactions and cancelled all of the repurchased securities during the fiscal years ended March 31, 2009, 2010, and 2011, respectively. Also, the Bank repurchased ¥3,100 million and ¥2,400 million of non-cumulative perpetual preferred securities of Shinsei Finance III (Cayman) Limited in open-market transactions and cancelled all of the repurchased securities during the fiscal years ended March 31, 2010 and 2011. No repurchase was made during the six months ended September 30, 2011.

These preferred securities are accounted for as minority interests in the consolidated balance sheets. The amounts recognized as minority interests as of September 30, 2011 and March 31, 2011 were ¥57,036 million (U.S.$744,316 thousand) and ¥59,621 million, respectively.

23. EQUITY CONSOLIDATED

The authorized number of shares of common stock as of September 30, 2011 was 4,000,000 thousand shares.

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

	Thousands	
	Issued number of shares	Number of treasury stock
Six months ended September 30, 2011:		
Beginning of period	**2,750,346**	**96,427**
Increase	**—**	**—**
Decrease	**—**	**—**
End of period	**2,750,346**	**96,427**
Six months ended September 30, 2010:		
Beginning of period	2,060,346	96,427
Increase	—	—
Decrease	—	—
End of period	2,060,346	96,427

24. STOCK ACQUISITION RIGHTS CONSOLIDATED

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

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

On December 27, 2005, the ASBJ issued "Accounting Standard for Stock Options" and related guidance, which requires companies to recognize compensation expense for stock acquisition rights based on the fair value at the date of grant and over the vesting periods for stock acquisition rights newly granted on and after May 1, 2006.

Net stock-based compensation expenses were ¥4 million (U.S.$63 thousand) and ¥26 million for the six months ended September 30, 2011 and 2010, respectively. Gains on unexercised and forfeited stock acquisition rights included in other gains (losses), net were ¥59 million (U.S.$782 thousand) and ¥87 million for the six months ended September 30, 2011 and 2010, respectively. There were no stock acquisition rights issued during the six months ended September 30, 2011.

25. NET TRADING INCOME (LOSS) CONSOLIDATED

Net trading income (loss) for the six months ended September 30, 2011 and 2010 consisted of the following:

Six months ended September 30,	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars 2011
Income (loss) from trading securities	**¥ 65**	¥ 1,469	**$ 859**
Income (loss) from securities held to hedge trading transactions	**(2,798)**	(5,443)	**(36,514)**
Income (loss) from trading-related financial derivatives	**9,248**	11,136	**120,685**
Other, net	**26**	19	**348**
Total	**¥ 6,542**	¥ 7,181	**$ 85,378**

26. OTHER BUSINESS INCOME (LOSS), NET CONSOLIDATED

"Other, net" in other business income (loss), net, for the six months ended September 30, 2011 and 2010 consisted of the following:

Six months ended September 30,	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars 2011
Income (loss) from derivatives entered into for banking purposes, net	**¥ (1,656)**	¥ (439)	**$ (21,612)**
Equity in net income (loss) of affiliates	**1,049**	1,021	**13,701**
Gain on lease cancellation and other lease income (loss), net	**(414)**	(277)	**(5,413)**
Other, net	**1,348**	1,047	**17,594**
Total	**¥ 327**	¥ 1,352	**$ 4,270**

27. NET CREDIT COSTS CONSOLIDATED

Net credit costs for the six months ended September 30, 2011 and 2010 consisted of the following:

Six months ended September 30,	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars 2011
Losses on write-off or sales of loans	**¥ 4,185**	¥ 7,479	**$ 54,620**
Net provision (reversal) of reserve for loan losses:			
Net provision (reversal) of general reserve for loan losses	**4,081**	28,002	**53,267**
Net provision (reversal) of specific reserve for loan losses	**7,470**	17,203	**97,484**
Net provision (reversal) of reserve for loan losses to restructuring countries	**(11)**	(0)	**(148)**
Subtotal	**11,540**	45,205	**150,603**
Net provision (reversal) of specific reserve for other credit losses	**—**	15	**—**
Other credit costs (recoveries) relating to leasing business	**(937)**	(340)	**(12,237)**
Recoveries of written-off claims	**(5,986)**	—	**(78,128)**
Total	**¥ 8,801**	¥ 52,359	**$ 114,858**

Note: "Recoveries of written-off claims" are included in "Net credit costs" for the six months ended September 30, 2011, and included in "Other gains (losses), net" for the six months ended September 30, 2010, as described in "(AC) ACCOUNTING CHANGES AND ERROR CORRECTIONS" in Note 2 "SUMMARY OF SIGINIFICANT ACCOUNTING POLICIES."

28. OTHER GAINS (LOSSES), NET

CONSOLIDATED

Other gains (losses), net for the six months ended September 30, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
Six months ended September 30,	**2011**	2010	**2011**
Net gain (loss) on disposal of premises and equipment	**¥ (110)**	¥ (212)	**$ (1,443)**
Pension-related costs	**(13)**	(451)	**(180)**
Gain on write-off of unclaimed debentures	**767**	476	**10,011**
Recoveries of written-off claims	**—**	7,019	**—**
Impairment losses on long-lived assets	**(906)**	(1,144)	**(11,835)**
Provision of reserve for losses on interest repayments	**(832)**	—	**(10,870)**
Gains from the cancellation of issued corporate bonds and other instruments	**—**	4,336	**—**
Losses on application of new accounting standard for asset retirement obligations	**—**	(3,577)	**—**
Other, net	**752**	229	**9,817**
Total	**¥ (344)**	¥ 6,676	**$ (4,500)**

Note: "Recoveries of written-off claims" are included in "Net credit costs" for the six months ended September 30, 2011, and included in "Other gains (losses), net" for the six months ended September 30, 2010, as described in "(AC) ACCOUNTING CHANGES AND ERROR CORRECTIONS" in Note 2 "SUMMARY OF SIGINIFICANT ACCOUNTING POLICIES."

(a) Impairment losses on long-lived assets

For the six months ended September 30, 2011, impairment losses on long-lived assets of ¥767 million (U.S.$10,020 thousand) were recognized by the Bank on the properties of the branches which were decided to be closed and the software assets that were segregated as idle assets in consequence of IT integration, assuming their recoverable amount to be zero.

For the six months ended September 30, 2010, impairment losses on long-lived assets of ¥569 million were recognized by Shinki for unused properties whose fair value declined significantly and assets that were planned to be disposed of in consequence of IT integration. 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 six months ended September 30, 2010, the Bank recognized ¥4,336 million of gains from the cancellation of issued corporate bonds and other instruments, in connection with the repurchase of €343 million and £63 million of subordinated notes of the Bank in consequence of an exchange offering and repurchase in open-market transaction.

29. NET INCOME (LOSS) PER COMMON SHARE

CONSOLIDATED

Diluted net income per share for the six months ended September 30, 2011 and 2010 are not disclosed because there is no effect from dilutive securities.

Basic net income (loss) per common share ("EPS") for the six months ended September 30, 2011 and 2010 were as follows:

	Net income (loss) (Millions of yen)	Weighted average shares (Thousands)	EPS (Yen)	EPS (U.S. dollars)
For the six months ended September 30, 2011:				
Basic EPS				
Net income (loss) available to common shareholders	**¥ 20,350**	**2,653,919**	**¥ 7.66**	**$ 0.10**
For the six months ended September 30, 2010:				
Basic EPS				
Net income (loss) available to common shareholders	¥ 16,883	1,963,919	¥ 8.59	

30. LEASE TRANSACTIONS

CONSOLIDATED

(A) DISCLOSURES FOR FINANCE LEASE TRANSACTIONS AS OF SEPTEMBER 30, 2011 AND MARCH 31, 2011

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 Note 2 "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

AS LESSOR

(a) Breakdown of "Lease receivables and leased investment assets" as of September 30, 2011 and March 31, 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2011	Mar. 31, 2011	**Sept. 30, 2011**
Lease receivables	**¥ 26,339**	¥ 26,069	**$ 343,729**
Leased investment assets:			
Lease payment receivables	**186,501**	195,289	**2,433,797**
Estimated residual value	**8,177**	8,832	**106,714**
Interest equivalent	**(22,818)**	(24,150)	**(297,781)**
Other	**167**	176	**2,190**
Subtotal	**172,028**	180,146	**2,244,920**
Total	**¥ 198,368**	¥ 206,216	**$ 2,588,649**

(b) Lease payment receivables for "Lease receivables and leased investment assets" as of September 30, 2011 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	**¥ 7,432**	**$ 96,993**	**¥ 65,105**	**$ 849,602**
Due after one year within two years	**6,611**	**86,277**	**48,355**	**631,031**
Due after two years within three years	**5,425**	**70,801**	**32,090**	**418,767**
Due after three years within four years	**3,918**	**51,140**	**19,540**	**254,993**
Due after four years within five years	**2,566**	**33,492**	**8,890**	**116,020**
Due after five years	**2,529**	**33,009**	**12,520**	**163,384**
Total	**¥ 28,484**	**$ 371,712**	**¥ 186,501**	**$ 2,433,797**

(B) NON-CANCELABLE OPERATING LEASE OBLIGATIONS AS LESSEE AND LEASE PAYMENT RECEIVABLES AS LESSOR AS OF SEPTEMBER 30, 2011 AND MARCH 31, 2011

AS LESSEE

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2011	Mar. 31, 2011	**Sept. 30, 2011**
Lease obligations:			
Due within one year	**¥ 4,417**	¥ 4,135	**$ 57,643**
Due after one year	**22,818**	22,668	**297,771**
Total	**¥ 27,235**	¥ 26,804	**$ 355,414**

AS LESSOR

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2011	Mar. 31, 2011	**Sept. 30, 2011**
Lease payment receivables:			
Due within one year	**¥ 3,762**	¥ 3,447	**$ 49,096**
Due after one year	**13,070**	13,011	**170,565**
Total	**¥ 16,832**	¥ 16,459	**$ 219,661**

31. SEGMENT INFORMATION

CONSOLIDATED

(A) SEGMENT INFORMATION

(a) DESCRIPTION OF REPORTABLE SEGMENTS

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

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

On October 1, 2010 and April 1, 2011, we implemented organizational changes. As a result of these organizational changes, classification of reportable segments was changed, and "REVENUE, PROFIT (LOSS), ASSETS AND LIABILITIES BY REPORTABLE SEGMENTS" for the six months ended September 30, 2010 is presented based on the new classification of reportable segments.

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

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

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. Interest on inter-segment fund transactions is calculated using an inter-office rate.

Related to the organizational change implemented on October 1, 2010, we changed the revenue allocation method as follows.

The revenues of certain financial products and/or services for customers of the "Institutional Business Sub-Group" provided by other reportable segments, previously recognized as the revenue of the reportable segment which provided those products and/or services, are equally allocated to the "Institutional Business Sub-Group" and the reportable segment which provided those products and services.

The new allocation method is retrospectively applied to "REVENUE, PROFIT (LOSS), ASSETS AND LIABILITIES BY REPORTABLE SEGMENTS" for the six months ended September 30, 2010.

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 six months ended September 30, 2010.

As a result of this change, net credit costs decreased and segment profits increased by ¥1 million for the "Institutional Business Sub-Group," by ¥361 million for the "Structured Finance Sub-Group," by ¥63 million for the "Principal Transactions Sub-Group," by ¥8 million for the "Other Institutional Group," by ¥417 million for the "Financial Institutions Sub-Group," by ¥559 million for the "Other Global Markets Group," by ¥41 million for the "Retail Banking Sub-Group," by ¥4,504 million for "Shinsei Financial," and by ¥29 million for "APLUS FINANCIAL," for the six months ended September 30, 2011, compared to the amounts that would have been calculated under the previous treatment.

31. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

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

	Millions of yen								
	Institutional Group					Global Markets Group			
Six months ended September 30, 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:	¥ 2,112	¥ 10,343	¥ 6,112	¥ 7,143	¥ 6,828	¥ 1,544	¥ 2,525	¥ (2,606)	¥ 1,509
Net Interest Income	4,357	8,571	1,390	(1,560)	27	730	491	(3,999)	295
Non-interest Income[1]	(2,244)	1,772	4,721	8,704	6,801	814	2,034	1,392	1,213
Expenses	2,921	2,413	1,966	3,869	1,282	1,167	1,624	561	2,075
Net Credit Costs (Recoveries)	(3,196)	7,701	(363)	(1,400)	500	(282)	(1,324)	—	(543)
Segment Profit (loss)	¥ 2,388	¥ 228	¥ 4,508	¥ 4,674	¥ 5,045	¥ 659	¥ 2,225	¥ (3,167)	¥ (22)
Segment Assets[2]	¥ 1,656,477	¥ 983,707	¥ 341,567	¥ 370,743	¥ 139,097	¥ 106,328	¥ 407,614	¥ 1,664,664	¥ 81,282
Segment Liabilities	¥ 335,638	¥ 59,494	¥ 4,711	¥ —	¥ 2,208	¥ 329,219	¥ 155,149	¥ 39,099	¥ 66,668
Includes:									
1. Equity in net income (loss) of affiliates	¥ —	¥ —	¥ (9)	¥ —	¥ 1,057	¥ —	¥ —	¥ —	¥ 2
2. Investment in affiliates	—	—	3,849	—	31,446	—	—	—	1,828
Other:									
Goodwill (Negative Goodwill):									
Amortization	¥ —	¥ —	¥ —	¥ 1,132	¥ —	¥ —	¥ —	¥ —	¥ —
Unamortized balance	—	—	—	29,184	—	—	—	—	—
Other intangible assets:								—	—
Amortization	¥ —	¥ —	¥ —	¥ 332	¥ —	¥ —	¥ —	¥ —	¥ —
Unamortized balance	—	—	—	3,951	—	—	—	—	—
Impairment losses on long-lived assets	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 1	¥ —	¥ 3

	Millions of yen					
	Individual Group					
		Consumer Finance Sub-Group				
Six months ended September 30, 2011	Retail Banking Sub-Group	Shinsei Financial	APLUS FINANCIAL	Other	Corporate/ Other	Total
Revenue:	¥ 19,272	¥ 27,024	¥ 24,368	¥ 890	¥ (1,409)	¥ 105,659
Net Interest Income	15,365	29,111	6,715	800	(1,548)	60,749
Non-interest Income[1]	3,907	(2,087)	17,652	89	138	44,910
Expenses	15,496	15,282	15,008	243	(566)	63,345
Net Credit Costs (Recoveries)	1,263	(89)	6,263	107	164	8,801
Segment Profit (loss)	¥ 2,513	¥ 11,831	¥ 3,095	¥ 539	¥ (1,007)	¥ 33,512
Segment Assets[2]	¥ 899,953	¥ 403,724	¥ 995,188	¥ 51,912	¥ —	¥ 8,102,262
Segment Liabilities	¥ 5,056,413	¥ 4,781	¥ 545,596	¥ 42	¥ —	¥ 6,599,023
Includes:						
1. Equity in net income (loss) of affiliates	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 1,049
2. Investment in affiliates	—	—	—	—	—	37,124
Other:						
Goodwill (Negative Goodwill):						
Amortization	¥ —	¥ 2,448	¥ 420	¥ (0)	¥ —	¥ 4,001
Unamortized balance	—	12,562	3,784	(6)	—	45,524
Other intangible assets:						
Amortization	¥ —	¥ 1,909	¥ —	¥ —	¥ —	¥ 2,242
Unamortized balance	—	14,327	—	—	—	18,278
Impairment losses on long-lived assets	¥ 46	¥ 139	¥ —	¥ —	¥ 716	¥ 906

31. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

Millions of yen

Six months ended September 30, 2010	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:	¥ 5,553	¥ 11,949	¥ 7,172	¥ 7,513	¥ 10,098	¥ 1,456	¥ 9,664	¥ 14,303	¥ 1,552
Net Interest Income	4,604	11,789	571	(1,762)	2,792	659	1,794	(368)	282
Non-interest Income[1]	948	159	6,601	9,275	7,305	797	7,870	14,672	1,270
Expenses	3,240	2,972	2,373	3,995	1,297	1,368	2,403	583	1,893
Net Credit Costs (Recoveries)	(959)	32,034	(269)	1,522	(678)	(763)	(673)	—	183
Segment Profit (loss)	¥ 3,272	¥ (23,057)	¥ 5,068	¥ 1,995	¥ 9,479	¥ 851	¥ 7,934	¥ 13,719	¥ (524)
Segment Assets[2]	¥ 1,837,951	¥ 1,105,470	¥ 418,795	¥ 385,804	¥ 262,009	¥ 83,061	¥ 459,358	¥ 1,948,812	¥ 90,360
Segment Liabilities	¥ 469,467	¥ 76,235	¥ 13,442	¥ —	¥ 3,401	¥ 493,664	¥ 173,984	¥ 136,683	¥ 55,349
Includes:									
1. Equity in net income (loss) of affiliates	¥ —	¥ —	¥ (156)	¥ —	¥ 1,273	¥ —	¥ —	¥ —	¥ (95)
2. Investment in affiliates	—	—	4,699	—	31,482	—	—	—	5,257
Other:									
Goodwill (Negative Goodwill):									
Amortization	¥ —	¥ —	¥ —	¥ 1,132	¥ —	¥ —	¥ —	¥ —	¥ —
Unamortized balance	—	—	—	31,449	—	—	—	—	—
Other intangible assets:								—	—
Amortization	¥ —	¥ —	¥ —	¥ 349	¥ —	¥ —	¥ —	¥ —	¥ —
Unamortized balance	—	—	—	4,631	—	—	—	—	—
Impairment losses on long-lived assets	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —

Millions of yen

Six months ended September 30, 2010	Individual Group					
		Consumer Finance Sub-Group				
	Retail Banking Sub-Group	Shinsei Financial	APLUS FINANCIAL	Other	Corporate/ Other	Total
Revenue:	¥ 22,163	¥ 38,334	¥ 26,996	¥ 769	¥ (1,861)	¥ 155,666
Net Interest Income	17,301	41,481	8,805	690	(2,465)	86,177
Non-interest Income[1]	4,861	(3,147)	18,190	79	603	69,489
Expenses	16,195	20,005	16,923	157	(580)	72,828
Net Credit Costs (Recoveries)	1,291	12,307	7,946	308	108	52,359
Segment Profit (loss)	¥ 4,676	¥ 6,020	¥ 2,126	¥ 303	¥ (1,389)	¥ 30,478
Segment Assets[2]	¥ 889,103	¥ 528,621	¥ 1,055,219	¥ 59,978	¥ —	¥ 9,124,547
Segment Liabilities	¥ 5,096,190	¥ 8,558	¥ 591,500	¥ 47	¥ —	¥ 7,118,525
Includes:						
1. Equity in net income (loss) of affiliates	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 1,021
2. Investment in affiliates	—	—	—	—	—	41,438
Other:						
Goodwill (Negative Goodwill):						
Amortization	¥ —	¥ 2,777	¥ 474	¥ (0)	¥ —	¥ 4,384
Unamortized balance	—	17,445	4,624	(7)	—	53,513
Other intangible assets:						
Amortization	¥ —	¥ 2,130	¥ —	¥ —	¥ —	¥ 2,480
Unamortized balance	—	18,136	—	—	—	22,768
Impairment losses on long-lived assets	¥ 219	¥ 690	¥ —	¥ —	¥ 233	¥ 1,144

31. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

	Thousands of U.S. dollars								
	Institutional Group					Global Markets Group			
Six months ended September 30, 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:	$ 27,573	$ 134,983	$ 79,761	$ 93,222	$ 89,113	$ 20,153	$ 32,960	$ (34,019)	$ 19,697
Net Interest Income	56,859	111,859	18,151	(20,364)	360	9,530	6,410	(52,188)	3,857
Non-interest Income[1]	(29,286)	23,124	61,610	113,586	88,753	10,623	26,550	18,169	15,840
Expenses	38,119	31,494	25,665	50,498	16,741	15,232	21,198	7,321	27,080
Net Credit Costs (Recoveries)	(41,711)	100,503	(4,738)	(18,274)	6,534	(3,682)	(17,278)	—	(7,091)
Segment Profit (loss)	$ 31,165	$ 2,986	$ 58,834	$ 60,998	$ 65,838	$ 8,603	$ 29,039	$ (41,340)	$ (292)
Segment Assets[2]	$ 21,616,573	$ 12,837,107	$ 4,457,364	$ 4,838,104	$ 1,815,186	$ 1,387,552	$ 5,319,251	$ 21,723,409	$ 1,060,709
Segment Liabilities	$ 4,379,982	$ 776,389	$ 61,479	$ —	$ 28,820	$ 4,296,223	$ 2,024,657	$ 510,232	$ 869,999
Includes:									
1. Equity in net income (loss) of affiliates	$ —	$ —	$ (127)	$ —	$ 13,796	$ —	$ —	$ —	$ 32
2. Investment in affiliates	—	—	50,233	—	410,364	—	—	—	23,866
Other:									
Goodwill (Negative Goodwill):									
Amortization	$ —	$ —	$ —	$ 14,780	$ —	$ —	$ —	$ —	$ —
Unamortized balance	—	—	—	380,853	—	—	—	—	—
Other intangible assets:									
Amortization	$ —	$ —	$ —	$ 4,343	$ —	$ —	$ —	$ —	$ —
Unamortized balance	—	—	—	51,560	—	—	—	—	—
Impairment losses on long-lived assets	$ —	$ —	$ —	$ —	$ —	$ —	$ 23	$ —	$ 42

	Thousands of U.S. dollars					
	Individual Group					
		Consumer Finance Sub-Group				
Six months ended September 30, 2011	Retail Banking Sub-Group	Shinsei Financial	APLUS FINANCIAL	Other	Corporate/ Other	Total
Revenue:	$ 251,506	$ 352,659	$ 317,996	$ 11,625	$ (18,398)	$ 1,378,831
Net Interest Income	200,517	379,898	87,634	10,451	(20,211)	792,763
Non-interest Income[1]	50,989	(27,239)	230,362	1,174	1,813	586,068
Expenses	202,219	199,433	195,863	3,175	(7,395)	826,643
Net Credit Costs (Recoveries)	16,486	(1,174)	81,733	1,408	2,142	114,858
Segment Profit (loss)	$ 32,801	$ 154,400	$ 40,400	$ 7,042	$ (13,144)	$ 437,330
Segment Assets[2]	$ 11,744,134	$ 5,268,495	$ 12,986,932	$ 677,439	$ —	$ 105,732,255
Segment Liabilities	$ 65,984,782	$ 62,400	$ 7,119,884	$ 554	$ —	$ 86,115,401
Includes:						
1. Equity in net income (loss) of affiliates	$ —	$ —	$ —	$ —	$ —	$ 13,701
2. Investment in affiliates	—	—	—	—	—	484,463
Other:						
Goodwill (Negative Goodwill):						
Amortization	$ —	$ 31,959	$ 5,487	$ (4)	$ —	$ 52,222
Unamortized balance	—	163,936	49,380	(84)	—	594,085
Other intangible assets:						
Amortization	$ —	$ 24,924	$ —	$ —	$ —	$ 29,267
Unamortized balance	—	186,968	—	—	—	238,528
Impairment losses on long-lived assets	$ 603	$ 1,815	$ —	$ —	$ 9,352	$ 11,835

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 six months ended September 30, 2011. Recoveries of written-off claims are not included in "Net credit cost" for the six months ended September 30, 2010.
(4) "Segment Assets" consists of other monetary claims purchased, trading assets, monetary assets held in trust, securities, loans and bills discounted, lease receivables and leased investment assets, installment receivables, tangible leased assets, intangible leased assets and customer's liabilities for acceptances and guarantees.
(5) "Segment Liabilities" consists of deposits, including negotiable certificates of deposit, debentures, trading liabilities and acceptances and guarantees.
(6) "Shinsei Financial" includes profit and loss on Shinki.
(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.

31. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

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

(i) A reconciliation between total segment profit and income (loss) before income taxes and minority interests on the interim consolidated statements of income for the six months ended September 30, 2011 and 2010 was as follows:

	Millions of yen		Thousands of U.S. dollars
Six months ended September 30,	2011	2010	2011
Total segment profit	¥ 33,512	¥ 30,478	$ 437,330
Lump-sum payments	(1,161)	(1,241)	(15,152)
Amortization of goodwill and other intangible assets	(6,244)	(6,864)	(81,488)
Other gains (losses), net, excluding gains from the cancellation of issued corporate bonds and other instruments	(344)	2,340	(4,500)
Income (loss) before income taxes and minority interests	¥ 25,762	¥ 24,711	$ 336,190

(ii) A reconciliation between total segment assets and total assets on the interim consolidated balance sheets as of September 30, 2011 and 2010 was as follows:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	2011	2010	2011
Total segment assets	¥ 8,102,262	¥ 9,124,547	$ 105,732,255
Cash and due from banks	329,447	469,875	4,299,203
Call loans	30,187	31,526	393,938
Collateral related to securities borrowing transactions	52,412	33,352	683,966
Foreign exchanges	22,201	12,327	289,726
Other assets excluding installment receivables	447,956	857,101	5,845,703
Premises and equipment excluding tangible leased assets	34,774	33,994	453,800
Intangible assets excluding intangible leased assets	89,480	102,845	1,167,693
Deferred issuance expense for debentures	159	181	2,076
Deferred tax assets	16,017	16,496	209,025
Reserve for credit losses	(184,330)	(218,155)	(2,405,463)
Total assets	¥ 8,940,569	¥ 10,464,094	$ 116,671,922

(iii) A reconciliation between total segment liabilities and total liabilities on the interim consolidated balance sheets as of September 30, 2011 and 2010 was as follows:

	Millions of yen		Thousands of U.S. dollars
As of September 30,	2011	2010	2011
Total segment liabilities	¥ 6,599,023	¥ 7,118,525	$ 86,115,401
Call money	140,229	160,494	1,829,961
Collateral related to securities lending transactions	223,069	140,806	2,910,994
Borrowed money	547,252	1,336,159	7,141,493
Foreign exchanges	16	46	210
Short-term corporate bonds	43,600	20,400	568,968
Corporate bonds	163,603	180,897	2,134,984
Other liabilities	551,702	830,551	7,199,561
Accrued employees' bonuses	4,335	4,921	56,579
Accrued directors' bonuses	22	29	291
Reserve for employees' retirement benefits	7,085	7,423	92,459
Reserve for directors' retirement benefits	195	252	2,552
Reserve for losses on interest repayments	29,934	46,777	390,639
Reserve under special law	1	3	19
Deferred tax liabilities	381	2,606	4,974
Total liabilities	¥ 8,310,453	¥ 9,849,897	$ 108,449,085

31. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

(B) RELATED INFORMATION

(a) INFORMATION BY SERVICES

Income regarding major services for the six months ended September 30, 2011 and 2010 were as follows:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Loan Businesses	¥ 78,590	¥ 96,641	$ 1,025,585
Lease Businesses	7,047	7,389	91,973
Securities Investment Businesses	9,010	27,437	117,585

(b) GEOGRAPHICAL INFORMATION

(i) REVENUE

Revenue from external domestic customers exceeded 90% of total revenue on the interim consolidated statements of income for the six months ended September 30, 2011 and 2010, therefore geographical revenue information is not presented.

(ii) PREMISES AND EQUIPMENT

The balance of domestic premises and equipment exceeded 90% of total balance of premises and equipment on the interim consolidated balance sheets as of September 30, 2011 and 2010, therefore geographical premises and equipment information is not presented.

(c) MAJOR CUSTOMER INFORMATION

Revenue to a specific customer did not reach 10% of total revenue on the interim consolidated statements of income for the six months ended September 30, 2011 and 2010, therefore major customer information is not presented.

32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

CONSOLIDATED

Fair values of financial instruments as of September 30, 2011 and March 31, 2011 were as follows:

	Millions of yen					
	Sept. 30, 2011			Mar. 31, 2011		
	Carrying amount	Fair value	Unrealized gain (loss)	Carrying amount	Fair value	Unrealized gain (loss)
Assets:						
(1) Cash and due from banks	¥ 329,447	¥ 329,447	¥ —	¥ 452,751	¥ 452,751	¥ —
(2) Call loans	30,187	30,187	—	—	—	—
(3) Collateral related to securities borrowing transactions	52,412	52,412	—	10,388	10,388	—
(4) Other monetary claims purchased						
Trading purposes	79,783	79,783	—	105,345	105,345	—
Other[1]	65,909	66,209	299	50,736	50,850	114
(5) Trading assets						
Securities held for trading purpose	64,537	64,537	—	19,524	19,524	—
(6) Monetary assets held in trust[1]	276,145	278,749	2,604	253,529	255,448	1,918
(7) Securities						
Trading securities	781	781	—	1,051	1,051	—
Securities being held to maturity	669,159	677,408	8,249	553,992	561,769	7,776
Securities available for sale	1,428,556	1,428,556	—	2,600,007	2,600,007	—
Equity securities in affiliates	18,202	16,905	(1,297)	20,041	27,913	7,872
(8) Loans and bills discounted[2]	4,125,538			4,291,462		
Reserve for credit losses	(123,572)			(140,368)		
Net	4,001,966	4,104,906	102,939	4,151,093	4,306,255	155,162
(9) Lease receivables and leased investment assets[1]	193,716	199,038	5,321	200,826	205,230	4,403
(10) Other assets						
Installment receivables	324,403			330,485		
Deferred gains on installment receivables	(11,754)			(12,244)		
Reserve for credit losses	(9,486)			(10,389)		
Net	303,162	322,913	19,750	307,852	328,812	20,960
Total	¥ 7,513,969	¥ 7,651,836	¥ 137,867	¥ 8,727,141	¥ 8,925,350	¥ 198,208
Liabilities:						
(1) Deposit, including negotiable certificates of deposit	¥ 5,537,359	¥ 5,571,027	¥ (33,668)	¥ 5,610,687	¥ 5,656,807	¥ (46,119)
(2) Debentures	313,190	314,676	(1,485)	348,270	350,222	(1,952)
(3) Call money	140,229	140,229	—	160,330	160,330	—
(4) Collateral related to securities lending transactions	223,069	223,069	—	269,697	269,697	—
(5) Trading liabilities						
Trading securities sold for short sales	34,781	34,781	—	2,643	2,643	—
(6) Borrowed money	547,252	542,138	5,114	1,672,790	1,661,932	10,858
(7) Short-term corporate bonds	43,600	43,600	(0)	22,800	22,800	—
(8) Corporate bonds	163,603	145,861	17,742	179,611	164,379	15,232
Total	¥ 7,003,087	¥ 7,015,386	¥ (12,298)	¥ 8,266,831	¥ 8,288,813	¥ (21,981)
Derivative instruments[3]:						
Hedge accounting is not applied	¥ (12,030)	¥ (12,030)	¥ —	¥ (11,012)	¥ (11,012)	¥ —
Hedge accounting is applied	(10,650)	(10,650)	—	(11,046)	(11,046)	—
Total	¥ (22,680)	¥ (22,680)	¥ —	¥ (22,058)	¥ (22,058)	¥ —

	Sept. 30, 2011		Mar. 31, 2011	
	Contract amount	Fair value	Contract amount	Fair value
Other:				
Guarantee contracts[4]	¥ 557,226	¥ (3,578)	¥ 575,700	¥ (4,639)

32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

	Thousands of U.S. dollars		
	Sept. 30, 2011		
	Carrying amount	Fair value	Unrealized gain (loss)
Assets:			
(1) Cash and due from banks	$ 4,299,203	$ 4,299,203	$ —
(2) Call loans	393,938	393,938	—
(3) Collateral related to securities borrowing transactions	683,966	683,966	—
(4) Other monetary claims purchased			
Trading purposes	1,041,152	1,041,152	—
Other[1]	860,103	864,010	3,907
(5) Trading assets			
Securities held for trading purpose	842,194	842,194	—
(6) Monetary assets held in trust[1]	3,603,617	3,637,599	33,982
(7) Securities			
Trading securities	10,204	10,204	—
Securities being held to maturity	8,732,337	8,839,990	107,653
Securities available for sale	18,642,263	18,642,263	—
Equity securities in affiliates	237,538	220,611	(16,927)
(8) Loans and bills discounted[2]	53,837,122		
Reserve for credit losses	(1,612,580)		
Net	52,224,542	53,567,878	1,343,336
(9) Lease receivables and leased investment assets[1]	2,527,951	2,597,392	69,441
(10) Other assets			
Installment receivables	4,233,377		
Deferred gains on installment receivables	(153,399)		
Reserve for credit losses	(123,792)		
Net	3,956,186	4,213,926	257,740
Total	**$ 98,055,194**	**$ 99,854,326**	**$ 1,799,132**
Liabilities:			
(1) Deposit, including negotiable certificates of deposit	$ 72,260,986	$ 72,700,352	$ (439,366)
(2) Debentures	4,087,051	4,106,437	(19,386)
(3) Call money	1,829,961	1,829,961	—
(4) Collateral related to securities lending transactions	2,910,994	2,910,994	—
(5) Trading liabilities			
Trading securities sold for short sales	453,893	453,893	—
(6) Borrowed money	7,141,493	7,074,754	66,739
(7) Short-term corporate bonds	568,968	568,978	(10)
(8) Corporate bonds	2,134,984	1,903,451	231,533
Total	**$ 91,388,330**	**$ 91,548,820**	**$ (160,490)**
Derivative instruments[3]:			
Hedge accounting is not applied	$ (156,990)	$ (156,990)	$ —
Hedge accounting is applied	(138,990)	(138,990)	—
Total	**$ (295,980)**	**$ (295,980)**	**$ —**

	Contract amount	Fair value
Other:		
Guarantee contracts[4]	$ 7,271,645	$ (46,693)

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 ¥517,753 million (U.S.$6,756,542 thousand) and ¥578,276 million held by consolidated subsidiaries included in Loans and bills discounted, reserve for losses on interest repayments of ¥29,934 million (U.S.$390,639 thousand) and ¥43,199 million is recognized for estimated losses on reimbursements of excess interest payments as of September 30, 2011 and March 31, 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 contract presents the amount of "Acceptances and guarantees" on the interim consolidated balance sheet.

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32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

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(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 (3) Collateral related to securities borrowing transactions

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

(4) Other monetary claims purchased

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

(5) Trading assets

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

(6) Monetary assets held in trust

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

(7) Securities

The fair values of marketable equity securities are measured at 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.

(8) Loans and bills discounted

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

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

(9) Lease receivables and leased investment assets

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

(10) Installment receivables

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

Liabilities:

(1) Deposits, including negotiable certificates of deposit

The fair values of demand deposits, such as current deposits and ordinary deposits are recognized as the payment amount at the interim 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 interim 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 within the past three months of the interim balance sheet date.

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

The fair values of step-up callable subordinated bonds are determined by discounting expected cash flows which reflect the probability of early redemption at the rates that consist of the risk free rate and the CDS spread of the Bank.

32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED) CONSOLIDATED

(3) Call money and (4) Collateral related to securities lending transactions
The fair values approximate carrying amounts because most of these instruments 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 based on forward rates, at the rates that reflect the credit risk of the borrower.

The fair values of step-up callable subordinated borrowings are determined by discounting expected cash flows which reflect the probability of early redemption at the rates that consist of the risk free rate and the CDS spread of the Bank.

(7) Short-term corporate bonds
The fair values of short-term corporate bonds with maturity of six months or less approximate carrying amounts, because of their short term maturity. Otherwise, the fair values of short-term corporate bonds with maturity of more than six months are determined by discounting contractual cash flows at the rates that reflect the credit risk of the borrower.

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 contractual cash flows and the expected cash flows that would be applied for new contracts with the same terms at the risk free rate.

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

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2011	Mar. 31, 2011	**Sept. 30, 2011**
Equity securities without readily available market price[(1)(2)]	**¥ 30,189**	¥ 31,167	**$ 393,958**
Investment in partnerships and others[(1)(2)]	**73,235**	80,122	**955,704**
Total	**¥ 103,424**	¥ 111,289	**$ 1,349,662**

Notes: (1) Equity securities without readily available market price are out of the scope of fair values disclosure because their fair values cannot be reliably determined. Investments in partnerships and others, the assets of which comprise equity securities without readily available market price, are out of the scope of fair values disclosure because fair values of those investments cannot be reliably determined.
(2) For the six months ended September 30, 2011 and for the fiscal year ended March 31, 2011, impairment losses on equity securities without readily available market price of ¥31 million (U.S.$408 thousand) and ¥132 million, and on investment in partnerships and others of ¥827 million (U.S.$10,798 thousand) and ¥1,333 million were recognized, respectively.

33. DERIVATIVE FINANCIAL INSTRUMENTS

CONSOLIDATED

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

The carrying amount of derivatives on the interim consolidated balance sheets as of September 30, 2011 and March 31, 2011 are fair values adjusted for credit risk by a reduction of ¥1,180 million (U.S.$15,399 thousand) and ¥1,648 million, respectively, and also adjusted for liquidity risk by a reduction of ¥2,929 million (U.S.$38,223 thousand) and ¥3,033 million, respectively.

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

(a) INTEREST RATE-RELATED TRANSACTIONS

Interest rate-related transactions as of September 30, 2011 and March 31, 2011 were as follows:

	Millions of yen							
	Sept. 30, 2011				Mar. 31, 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	¥ 28,083	¥ 3,923	¥ (113)	¥ (113)	¥ 23,062	¥ 5,346	¥ (33)	¥ (33)
Bought	23,889	1,616	40	40	15,353	4,298	10	10
Interest rate options (listed):								
Sold	7,701	—	1	1	—	—	—	—
Interest rate swaps (over-the-counter):								
Receive fixed and pay floating	3,664,295	2,670,747	85,271	85,271	3,706,439	3,076,033	75,834	75,834
Receive floating and pay fixed	3,323,915	2,500,779	(58,653)	(58,653)	2,964,241	2,360,654	(52,055)	(52,055)
Receive floating and pay floating	785,476	697,884	16,441	16,441	683,127	595,123	1,550	1,550
Interest rate swaptions (over-the-counter):								
Sold	730,575	534,690	(35,986)	(7,763)	715,560	514,330	(37,847)	(11,241)
Bought	733,127	312,195	13,428	(3,838)	1,063,178	923,418	23,691	7,436
Interest rate options (over-the-counter):								
Sold	113,843	100,843	(405)	436	112,662	83,462	(336)	332
Bought	78,077	78,077	146	(255)	133,325	54,125	142	(937)
Total			¥ 20,170	¥ 31,565			¥ 10,956	¥ 20,895

	Thousands of U.S. dollars			
	Sept. 30, 2011			
	Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Futures contracts (listed):				
Sold	$ 366,483	$ 51,195	$ (1,476)	$ (1,476)
Bought	311,746	21,090	525	525
Interest rate options (listed):				
Sold	100,498	—	18	18
Interest rate swaps (over-the-counter):				
Receive fixed and pay floating	47,818,029	34,852,507	1,112,763	1,112,763
Receive floating and pay fixed	43,376,160	32,634,472	(765,417)	(765,417)
Receive floating and pay floating	10,250,244	9,107,199	214,556	214,556
Interest rate swaptions (over-the-counter):				
Sold	9,533,803	6,977,556	(469,610)	(101,311)
Bought	9,567,112	4,074,058	175,238	(50,098)
Interest rate options (over-the-counter):				
Sold	1,485,630	1,315,984	(5,288)	5,695
Bought	1,018,883	1,018,883	1,915	(3,332)
Total			$ 263,224	$ 411,923

Notes:

(1) Derivatives included in the tables 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.

33. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(b) CURRENCY-RELATED TRANSACTIONS

Currency-related transactions as of September 30, 2011 and March 31, 2011 were as follows:

	Millions of yen							
	Sept. 30, 2011				Mar. 31, 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)	**¥ 694,608**	**¥ 647,390**	**¥ (43,352)**	**¥ (43,352)**	¥ 722,916	¥ 690,903	¥ (26,420)	¥ (26,420)
Forward foreign exchange contracts (over-the-counter):								
Sold	**831,755**	**195,437**	**68,395**	**68,395**	1,044,503	269,716	57,732	57,732
Bought	**799,244**	**273,646**	**(72,868)**	**(72,868)**	923,632	388,150	(46,323)	(46,323)
Currency options (over-the-counter):								
Sold	**3,674,691**	**1,852,416**	**(52,399)**	**18,768**	4,721,024	2,457,893	(94,442)	9,536
Bought	**3,727,247**	**1,839,607**	**65,168**	**9,905**	4,808,445	2,539,182	76,856	(585)
Total			**¥ (35,056)**	**¥ (19,151)**			¥ (32,598)	¥ (6,060)

	Thousands of U.S. dollars			
	Sept. 30, 2011			
	Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Currency swaps (over-the-counter)	**$ 9,064,451**	**$ 8,448,261**	**$ (565,743)**	**$ (565,743)**
Forward foreign exchange contracts (over-the-counter):				
Sold	**10,854,173**	**2,550,409**	**892,544**	**892,544**
Bought	**10,429,919**	**3,571,005**	**(950,911)**	**(950,911)**
Currency options (over-the-counter):				
Sold	**47,953,698**	**24,173,522**	**(683,804)**	**244,927**
Bought	**48,639,535**	**24,006,358**	**850,433**	**129,262**
Total			**$ (457,481)**	**$ (249,921)**

Notes:

(1) Derivatives included in the tables 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.

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(c) EQUITY-RELATED TRANACTIONS

Equity-related transactions as of September 30, 2011 and March 31, 2011 were as follows:

Millions of yen

	Sept. 30, 2011				Mar. 31, 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	¥ 7,269	¥ —	¥ 137	¥ 137	¥ 9,679	¥ —	¥ (219)	¥ (219)
Bought	7,269	—	40	40	11,813	—	238	238
Equity index options (listed):								
Sold	200,890	69,735	(10,220)	43	215,135	53,860	(7,939)	777
Bought	218,480	96,510	19,442	(2,433)	220,043	65,485	18,323	(2,509)
Equity options (over-the-counter):								
Sold	465,635	279,168	(35,419)	(2,177)	343,048	200,441	(27,849)	(504)
Bought	501,495	296,940	29,542	1,443	369,520	226,338	23,332	162
Other (over-the-counter):								
Sold	16,400	16,400	(3,553)	(3,553)	22,900	22,900	(5,365)	(5,304)
Bought	123,861	123,461	10,078	10,078	135,159	131,465	14,590	14,567
Total			¥ 10,048	¥ 3,578			¥ 15,111	¥ 7,208

Thousands of U.S. dollars

	Sept. 30, 2011			
	Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Equity index futures (listed):				
Sold	$ 94,868	$ —	$ 1,789	$ 1,789
Bought	94,868	—	526	526
Equity index options (listed):				
Sold	2,621,565	910,029	(133,378)	570
Bought	2,851,109	1,259,435	253,723	(31,753)
Equity options (over-the-counter):				
Sold	6,076,409	3,643,065	(462,215)	(28,417)
Bought	6,544,371	3,874,986	385,528	18,837
Other (over-the-counter):				
Sold	214,015	214,015	(46,372)	(46,372)
Bought	1,616,358	1,611,138	131,524	131,524
Total			$ 131,125	$ 46,704

Notes:

(1) Derivatives included in the tables 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.

33. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(d) BOND-RELATED TRANSACTIONS

Bond-related transactions as of September 30, 2011 and March 31, 2011 were as follows:

	Millions of yen							
	Sept. 30, 2011				Mar. 31, 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	¥ 1,223	¥ —	¥ 0	¥ 0	¥ 6,146	¥ —	¥ 6	¥ 6
Bought	3,375	—	(4)	(4)	4,198	—	(12)	(12)
Bond futures options (listed):								
Sold	41,394	—	(83)	7	—	—	—	—
Total			¥ (87)	¥ 2			¥ (5)	¥ (5)

	Thousands of U.S. dollars			
	Sept. 30, 2011			
	Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Bond futures (listed):				
Sold	$ 15,969	$ —	$ 6	$ 6
Bought	44,053	—	(64)	(64)
Bond futures options (listed):				
Sold	540,186	—	(1,086)	94
Total			$ (1,144)	$ 36

Notes:

(1) Derivatives included in the tables 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.

33. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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(e) CREDIT DERIVATIVES TRANSACTIONS

Credit derivative transactions as of September 30, 2011 and March 31, 2011 were as follows:

	Millions of yen							
	Sept. 30, 2011				Mar. 31, 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	**¥ 739,904**	**¥ 512,349**	**¥ (5,767)**	**¥ (5,767)**	¥ 824,836	¥ 640,274	¥ (1,310)	¥ (1,310)
Bought	**670,960**	**463,320**	**5,836**	**5,836**	815,313	546,876	1,516	1,516
Other (over-the-counter):								
Bought	**1,800**	**1,800**	**(3,063)**	**(3,063)**	—	—	—	—
Total			**¥ (2,995)**	**¥ (2,995)**			¥ 205	¥ 205

	Thousands of U.S. dollars			
	Sept. 30, 2011			
	Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Credit default option (over-the-counter):				
Sold	**$ 9,655,551**	**$ 6,686,012**	**$ (75,270)**	**$ (75,270)**
Bought	**8,755,845**	**6,046,207**	**76,162**	**76,162**
Other (over-the-counter):				
Bought	**23,489**	**23,489**	**(39,984)**	**(39,984)**
Total			**$ (39,092)**	**$ (39,092)**

Notes:

(1) Derivatives included in the tables 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.

33. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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(B) DERIVATIVES TRANSACTIONS TO WHICH HEDGE ACCOUNTING WAS APPLIED

(a) INTEREST RATE-RELATED TRANSACTIONS

Interest rate swaps which are accounted for using the deferral method as of September 30, 2011 and March 31, 2011 were as follows:

	Millions of yen					
	Sept. 30, 2011			Mar. 31, 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	**¥ 615,761**	**¥ 554,761**	**¥ 5,119**	¥ 672,653	¥ 590,853	¥ 4,253
Receive floating and pay fixed	**322,686**	**288,383**	**(15,326)**	359,779	309,638	(12,101)
Total			**¥ (10,206)**			¥ (7,848)

	Thousands of U.S. dollars		
	Sept. 30, 2011		
	Contract/Notional principal		
	Total	Maturity over 1 year	Fair value
Interest rate swaps :			
Receive fixed and pay floating	**$ 8,035,517**	**$ 7,239,484**	**$ 66,813**
Receive floating and pay fixed	**4,210,963**	**3,763,327**	**(200,007)**
Total			**$ (133,194)**

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 certificates of deposit.

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

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

33. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED) CONSOLIDATED

Interest rate swaps which meet specific matching criteria as of September 30, 2011 and March 31, 2011 were as follows:

	Millions of yen					
	Sept. 30, 2011			Mar. 31, 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	**¥ 29,250**	**¥ 3,450**	**¥ —**	¥ 40,324	¥ 7,900	¥ —

	Thousands of U.S. dollars		
	Sept. 30, 2011		
	Contract/Notional principal		
	Total	Maturity over 1 year	Fair value
Interest rate swaps :			
Receive floating and pay fixed	**$ 381,704**	**$ 45,022**	**$ —**

Notes:
(1) The hedged item is borrowed money.
(2) Interest rate swaps which meet specific matching criteria are accounted for as a 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 32 "FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES."

(b) CURRENCY-RELATED TRANSACTIONS

Currency-related transactions as of September 30, 2011 and March 31, 2011 were as follows:

	Millions of yen					
	Sept. 30, 2011			Mar. 31, 2011		
	Contract/Notional principal			Contract/Notional principal		
	Total	Maturity over 1 year	Fair value	Total	Maturity over 1 year	Fair value
Currency swaps	**¥ 88,562**	**¥ 19,065**	**¥ (444)**	¥ 164,033	¥ 15,187	¥ (3,197)

	Thousands of U.S. dollars		
	Sept. 30, 2011		
	Contract/Notional principal		
	Total	Maturity over 1 year	Fair value
Currency swaps	**$ 1,155,715**	**$ 248,801**	**$ (5,796)**

Notes:
(1) Most of the hedged items are foreign currency denominated loans and bills discounted, securities, deposits, including negotiable certificates of deposits and foreign exchanges.
(2) Currency swap transactions are primarily accounted for using the deferral method in accordance with Industry Audit Committee Report No. 25 of the JICPA.
(3) The fair values are calculated primarily by using the discounted cash flow method.

34. SUBSEQUENT EVENTS

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.

1. OUTLINE OF THE TRANSACTIONS

(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 transactions

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 infrastructural 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.

2. 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.

INTERIM NON-CONSOLIDATED BALANCE SHEETS (UNAUDITED)

Shinsei Bank, Limited
As of September 30, 2011 and March 31, 2011

	Millions of yen		Thousands of U.S. dollars (Note)
	Sept. 30, 2011	Mar. 31, 2011	**Sept. 30, 2011**
ASSETS			
Cash and due from banks	**¥ 223,180**	¥ 313,424	**$ 2,912,447**
Call loans	**30,187**	—	**393,938**
Collateral related to securities borrowing transactions	**13,784**	3,050	**179,883**
Other monetary claims purchased	**237,564**	408,701	**3,100,145**
Trading assets	**193,654**	182,828	**2,527,133**
Monetary assets held in trust	**343,854**	360,976	**4,487,200**
Securities	**2,636,008**	3,701,794	**34,399,172**
Valuation allowance for investments	**(3,370)**	(3,370)	**(43,986)**
Loans and bills discounted	**4,060,852**	3,973,251	**52,992,980**
Foreign exchanges	**22,201**	42,069	**289,726**
Other assets	**397,683**	350,248	**5,189,653**
Premises and equipment	**17,956**	18,236	**234,326**
Intangible assets	**8,306**	9,987	**108,402**
Deferred issuance expenses for debentures	**159**	182	**2,076**
Deferred tax assets	**—**	1,894	**—**
Customers' liabilities for acceptances and guarantees	**9,104**	9,603	**118,811**
Reserve for credit losses	**(110,152)**	(114,877)	**(1,437,458)**
Total assets	**¥ 8,080,974**	¥ 9,258,002	**$ 105,454,448**
LIABILITIES AND EQUITY			
Liabilities:			
Deposits, including negotiable certificates of deposit	**¥ 5,794,673**	¥ 5,739,304	**$ 75,618,869**
Debentures	**315,890**	352,570	**4,122,286**
Call money	**140,229**	160,330	**1,829,961**
Collateral related to securities lending transactions	**178,987**	265,028	**2,335,736**
Trading liabilities	**155,221**	144,375	**2,025,599**
Borrowed money	**315,428**	1,405,648	**4,116,254**
Foreign exchanges	**179**	218	**2,339**
Corporate bonds	**208,185**	222,268	**2,716,766**
Other liabilities	**329,798**	335,798	**4,303,782**
Accrued employees' bonuses	**1,922**	4,149	**25,086**
Deferred tax liability	**2,299**	—	**30,012**
Acceptances and guarantees	**9,104**	9,603	**118,811**
Total liabilities	**7,451,922**	8,639,296	**97,245,501**
Equity:			
Common stock	**512,204**	512,204	**6,684,126**
Capital surplus	**79,465**	79,465	**1,037,008**
Stock acquisition rights	**1,357**	1,413	**17,721**
Retained earnings:			
Legal reserve	**11,566**	11,035	**150,940**
Unappropriated retained earnings	**108,344**	106,944	**1,413,861**
Unrealized gain (loss) on available-for-sale securities	**(6,935)**	(15,346)	**(90,507)**
Deferred gain (loss) on derivatives under hedge accounting	**(4,393)**	(4,452)	**(57,330)**
Treasury stock, at cost	**(72,558)**	(72,558)	**(946,872)**
Total equity	**629,051**	618,705	**8,208,947**
Total liabilities and equity	**¥ 8,080,974**	¥ 9,258,002	**$ 105,454,448**

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥76.63=U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2011.

INTERIM NON-CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Shinsei Bank, Limited
For the six months ended September 30, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note)
	Sept. 30, 2011 (6 months)	Sept. 30, 2010 (6 months)	**Sept. 30, 2011 (6 months)**
Interest income:			
Interest on loans and bills discounted	**¥ 32,116**	¥ 38,226	**$ 419,105**
Interest and dividends on securities	**16,056**	20,513	**209,530**
Interest on deposits with banks	**155**	83	**2,030**
Other interest income	**1,650**	6,016	**21,540**
Total interest income	**49,978**	64,840	**652,205**
Interest expenses:			
Interest on deposits, including negotiable certificates of deposit	**15,189**	18,612	**198,223**
Interest and discounts on debentures	**829**	1,360	**10,826**
Interest on other borrowings	**1,245**	1,163	**16,256**
Interest on corporate bonds	**4,247**	6,871	**55,435**
Other interest expenses	**354**	224	**4,632**
Total interest expenses	**21,868**	28,232	**285,372**
Net interest income	**28,110**	36,607	**366,833**
Fees and commissions income	**7,830**	7,092	**102,188**
Fees and commissions expenses	**4,863**	5,402	**63,463**
Net fees and commissions	**2,967**	1,689	**38,725**
Net trading income (loss)	**6,702**	5,481	**87,461**
Other business income (loss), net:			
Net gain (loss) on monetary assets held in trust	**6,444**	8,895	**84,093**
Net gain (loss) on foreign exchanges	**(1,554)**	533	**(20,292)**
Net gain (loss) on securities	**(2,780)**	15,325	**(36,288)**
Net gain (loss) on other monetary claims purchased	**120**	209	**1,569**
Other, net	**(1,065)**	92	**(13,902)**
Net other business income (loss)	**1,163**	25,055	**15,180**
Total revenue	**38,943**	68,833	**508,199**
General and administrative expenses:			
Personnel expenses	**10,873**	11,151	**141,895**
Premises expenses	**4,163**	4,742	**54,333**
Technology and data processing expenses	**3,776**	4,360	**49,280**
Advertising expenses	**471**	539	**6,159**
Consumption and property taxes	**1,352**	1,499	**17,645**
Deposit insurance premium	**2,342**	2,726	**30,567**
Other general and administrative expenses	**5,592**	6,244	**72,985**
Total general and administrative expenses	**28,572**	31,263	**372,864**
Net business profit (loss)	**10,370**	37,570	**135,335**
Net credit costs	**2,862**	31,325	**37,354**
Other gains (losses), net	**(524)**	4,524	**(6,844)**
Income (loss) before income taxes	**6,983**	10,769	**91,137**
Income taxes (benefit):			
Current	**379**	(365)	**4,954**
Deferred	**2,019**	1,820	**26,359**
Net income (loss)	**¥ 4,584**	¥ 9,314	**$ 59,824**

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥76.63=U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2011.

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

Shinsei Bank, Limited
For the six months ended September 30, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note)
	Sept. 30, 2011 (6 months)	Sept. 30, 2010 (6 months)	**Sept. 30, 2011 (6 months)**
Common stock:			
Balance at beginning of period	**¥ 512,204**	¥ 476,296	**$ 6,684,126**
Balance at end of period	**512,204**	476,296	**6,684,126**
Capital surplus:			
Balance at beginning of period	**79,465**	43,558	**1,037,008**
Balance at end of period	**79,465**	43,558	**1,037,008**
Stock acquisition rights:			
Balance at beginning of period	**1,413**	1,672	**18,440**
Net change during the period	**(55)**	(60)	**(719)**
Balance at end of period	**1,357**	1,611	**17,721**
Retained earnings:			
Legal reserve:			
Balance at beginning of period	**11,035**	11,035	**144,013**
Dividends from surplus	**530**	—	**6,927**
Balance at end of period	**11,566**	11,035	**150,940**
Unappropriated retained earnings:			
Balance at beginning of period	**106,944**	95,773	**1,395,596**
Dividends from surplus	**(3,184)**	—	**(41,559)**
Net income (loss)	**4,584**	9,314	**59,824**
Balance at end of period	**108,344**	105,088	**1,413,861**
Unrealized gain (loss) on available-for-sale securities:			
Balance at beginning of period	**(15,346)**	361	**(200,264)**
Net change during the period	**8,410**	(9,764)	**109,757**
Balance at end of period	**(6,935)**	(9,402)	**(90,507)**
Deferred gain (loss) on derivatives under hedge accounting:			
Balance at beginning of period	**(4,452)**	(192)	**(58,109)**
Net change during the period	**59**	(1,576)	**779**
Balance at end of period	**(4,393)**	(1,769)	**(57,330)**
Treasury stock, at cost:			
Balance at beginning of period	**(72,558)**	(72,558)	**(946,872)**
Balance at end of period	**(72,558)**	(72,558)	**(946,872)**
Total equity	**¥ 629,051**	¥ 553,859	**$ 8,208,947**

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥76.63=U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2011.

BASEL II PILLAR III (MARKET DISCIPLINE) DISCLOSURE

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

QUANTITATIVE DISCLOSURE

1. NAMES OF UNCONSOLIDATED SUBSIDIARIES WITH LOWER LEVEL OF CAPITAL THAN REQUIRED LEVEL OF ADEQUACY CAPITAL AND AMOUNT OF SHORTAGE

Most of the 81 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 50 for capital calculation details. The Bank was not required to deduct any excess deferred tax assets which banks are prohibited from including in their Tier I capital. The Bank has no Tier III capital.

3. CAPITAL ADEQUACY

AMOUNT OF REQUIRED CAPITAL FOR CREDIT RISK

(1) Portfolios under the Standardized Approach (SA)

Millions of yen

	As of September 30, 2011		As of March 31, 2011	
	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
Shinsei housing loans	¥ 27,349	¥ 27,349	¥ 28,520	¥ 28,520
Subsidiaries of Showa Leasing	938	—	924	—
Shinsei Financial Group [1]	29,985	—	33,441	—
Other subsidiaries	4,604	—	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

	As of September 30, 2011		As of March 31, 2011	
	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
Corporate (Excluding Specialized Lending)[1]	¥ 182,608	¥ 185,211	¥ 190,554	¥ 197,125
Specialized Lending[2]	214,916	213,950	230,668	229,566
Sovereign	6,278	6,241	7,692	7,661
Bank	22,790	21,273	20,228	17,800
Residential mortgages	2,952	—	3,163	—
Qualified revolving retails	53,719	—	58,951	—
Other retails	155,227	—	150,820	2,149
Equity	26,870	151,007	28,282	153,993
Regarded (Fund)	22,075	16,213	25,478	18,744
Securitization[3]	57,278	65,633	52,754	56,611
(Unrated securitization exposure)	(40,155)	(40,137)	(31,567)	(31,539)
Purchase receivables	62,086	62,086	71,033	71,033
Other assets	6,608	2,412	6,728	2,719
Total	¥ 813,412	¥ 724,030	¥ 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 September 30, 2011		As of March 31, 2011	
	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
Market-Based Approach				
Simplified Method	¥ 16,681	¥ 19,733	¥ 16,767	¥ 19,863
PD/LGD Method	9,698	129,861	10,883	132,648
Grandfathering Rule	489	1,412	631	1,482
Total	¥ 26,870	¥ 151,007	¥ 28,282	¥ 153,993

AMOUNT OF REQUIRED CAPITAL FOR REGARDED-METHOD EXPOSURE UNDER IRB

Millions of yen

	As of September 30, 2011		As of March 31, 2011	
	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
Look Through	¥ 1,370	¥ 1,370	¥ 2,599	¥ 2,599
Revised Naivete Majority	15,031	8,017	21,208	13,298
Simplified [400%]	1,344	2,510	1,257	2,447
Simplified [1,250%]	331	317	412	398
Total	¥ 18,077	¥ 12,215	¥ 25,478	¥ 18,744

AMOUNT OF REQUIRED CAPITAL FOR MARKET RISK

Millions of yen

	As of September 30, 2011		As of March 31, 2011	
	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
The Standardized Approach				
(Specific Risk)	¥ 4,430	¥ 4,028	¥ 5,308	¥ 4,819
Interest rate risk	3,346	2,952	4,097	3,667
Equity position risk	172	172	12	12
FX risk	912	902	1,199	1,139
The Standardized Approach (General Market Risk)	—	—	—	—
The Internal Models Approach (IMA) (General Market Risk)	7,240	6,770	8,298	8,134

AMOUNT OF REQUIRED CAPITAL FOR OPERATIONAL RISK

Millions of yen

	As of September 30, 2011		As of March 31, 2011	
	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)	Required capital amount (Consolidated)	Required capital amount (Non-consolidated)
The Standardized Approach	¥ 33,427	¥ 11,585	¥ 37,271	¥ 11,543

TOTAL CAPITAL ADEQUACY RATIO AND TIER I CAPITAL RATIO

	As of September 30, 2011		As of March 31, 2011	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Total capital adequacy ratio	10.46%	12.96%	9.76%	12.55%
Tier I capital ratio	8.74%	10.82%	7.76%	10.13%

TOTAL REQUIRED CAPITAL (DOMESTIC CRITERIA)

Millions of yen

	As of September 30, 2011		As of March 31, 2011	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Total required capital	¥ 451,747	¥ 359,527	¥ 469,748	¥ 373,010
Total risk assets x 4%	¥ 248,134	¥ 240,946	¥ 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

	As of September 30, 2011				As of March 31, 2011			
	Total	Amount of Credit Risk Exposure			Total	Amount of Credit Risk Exposure		
		Loans,etc.[1]	Securities[2]	Derivatives[3]		Loans,etc.[1]	Securities[2]	Derivatives[3]
Manufacturing	¥ 375,024	¥ 370,668	¥ 0	¥ 4,355	¥ 368,397	¥ 363,838	¥ 0	¥ 4,559
Agriculture	2,660	2,660	—	—	2,660	2,660	—	—
Mining	1,085	1,085	—	—	1,177	1,177	—	—
Construction	38,134	38,094	36	2	29,812	29,776	36	—
Electric power, gas, water supply	46,346	46,263	33	50	38,586	38,501	34	51
Information and communication	42,961	42,942	—	18	25,448	25,436	—	12
Transportation	305,876	271,140	12,265	22,469	313,475	278,930	12,163	22,380
Wholesale and retail	150,479	149,467	287	725	169,934	169,447	—	487
Finance and insurance	1,016,760	926,963	37,684	52,112	1,019,520	921,889	50,031	47,599
Real estate	840,674	602,538	236,522	1,614	877,228	589,890	285,283	2,054
Services	458,478	435,927	20,103	2,447	480,102	454,273	23,426	2,401
Government	1,730,406	124,162	1,606,244	—	2,602,338	137,946	2,464,391	—
Individuals	2,398,534	2,397,990	—	544	2,472,049	2,471,428	—	621
Others	11,250	11,250	—	—	1,995	1,686	309	—
Domestic Total	7,418,673	5,421,153	1,913,178	84,341	8,402,726	5,486,881	2,835,677	80,168
Foreign	767,312	376,373	151,351	239,587	846,800	292,007	267,515	287,276
Consolidated Total	¥ 8,185,985	¥ 5,797,527	¥ 2,064,529	¥ 323,928	¥ 9,249,527	¥ 5,778,889	¥ 3,103,193	¥ 367,444
To 1 year	1,916,641	1,335,433	508,324	72,882	2,663,957	1,386,421	1,195,505	82,029
1 to 3 years	2,324,780	1,401,368	784,397	139,015	2,834,531	1,423,290	1,244,897	166,343
3 to 5 years	1,957,295	1,254,835	647,211	55,248	1,719,458	1,163,444	496,538	59,475
Over 5 years	1,407,863	1,228,160	122,920	56,781	1,385,453	1,161,638	164,219	59,595
Undated	579,404	577,729	1,674	—	646,125	644,094	2,031	—
Consolidated Total	¥ 8,185,985	¥ 5,797,527	¥ 2,064,529	¥ 323,928	¥ 9,249,527	¥ 5,778,889	¥ 3,103,193	¥ 367,444

Geographic, Industries or Maturity (Non-consolidated)

Millions of yen

	As of September 30, 2011				As of March 31, 2011			
	Total	Amount of Credit Risk Exposure			Total	Amount of Credit Risk Exposure		
		Loans,etc.[1]	Securities[2]	Derivatives[3]		Loans,etc.[1]	Securities[2]	Derivatives[3]
Manufacturing	¥ 308,695	¥ 304,340	¥ 0	¥ 4,355	¥ 296,962	¥ 292,403	¥ 0	¥ 4,559
Agriculture	2,220	2,220	—	—	2,200	2,200	—	—
Mining	681	681	—	—	732	732	—	—
Construction	13,817	13,814	—	2	8,331	8,331	—	—
Electric power, gas, water supply	46,172	46,089	33	50	38,417	38,332	34	51
Information and communication	29,219	29,201	—	18	16,292	16,280	—	12
Transportation	290,329	255,594	12,265	22,469	290,863	256,319	12,163	22,380
Wholesale and retail	86,520	85,507	287	725	107,026	106,539	—	487
Finance and insurance	1,351,145	1,261,655	57,610	31,879	1,376,049	1,272,653	75,717	27,678
Real estate	847,276	609,139	236,522	1,614	856,237	568,899	285,283	2,054
Services	405,307	382,638	20,209	2,460	424,131	398,361	23,296	2,473
Government	1,716,858	110,649	1,606,209	—	2,592,713	128,357	2,464,356	—
Individuals	776,368	775,823	—	544	780,567	779,945	—	621
Others	—	—	—	—	—	—	—	—
Domestic Total	5,874,614	3,877,355	1,933,138	64,121	6,790,526	3,869,355	2,860,851	60,318
Foreign	774,587	370,157	164,626	239,803	855,040	283,730	283,129	288,180
Bank Total	¥ 6,649,201	¥ 4,247,512	¥ 2,097,764	¥ 303,925	¥ 7,645,567	¥ 4,153,086	¥ 3,143,981	¥ 348,499
To 1 year	1,945,242	1,364,220	508,525	72,496	2,748,237	1,460,375	1,205,469	82,392
1 to 3 years	1,817,303	908,692	784,397	124,214	2,312,962	916,305	1,244,897	151,759
3 to 5 years	1,587,262	889,000	647,211	51,050	1,307,637	755,317	496,538	55,781
Over 5 years	1,189,920	997,560	136,195	56,164	1,164,037	925,638	179,832	58,566
Undated	109,472	88,039	21,433	—	112,691	95,449	17,242	—
Bank Total	¥ 6,649,201	¥ 4,247,512	¥ 2,097,764	¥ 303,925	¥ 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 September 30, 2011		As of March 31, 2011	
	Default Exposure		Default Exposure	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Manufacturing	¥ 9,587	¥ 5,797	¥ 15,919	¥ 12,003
Agriculture	66	—	77	—
Mining	5	—	5	—
Construction	9,646	8,266	1,331	11
Electric power, gas, water supply	—	—	—	—
Information and communication	137	88	594	528
Transportation	302	—	1,473	—
Wholesale and retail	20,703	20,000	824	39
Finance and insurance	3,531	3,421	58,263	58,209
Real estate	220,248	212,305	244,869	236,210
Services	10,149	7,704	5,767	3,298
Government	—	—	—	—
Individuals	212,435	55,878	175,436	9,190
Others	10,644	—	1,040	—
Domestic Total	497,460	313,462	505,603	319,491
Foreign	25,581	27,222	70,716	72,854
Total	¥ 523,041	¥ 340,685	¥ 576,319	¥ 392,345

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

Consolidated

Millions of yen

	As of September 30, 2011			As of March 31, 2011			As of September 30, 2010		
	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount
General	¥ 102,752	¥ (5,830)	¥ 96,922	¥ 112,064	¥ (9,312)	¥ 102,752	¥ 112,064	¥ 19,235	¥ 131,299
Specific	287,323	(15,719)	271,604	282,080	5,243	287,323	282,080	7,430	289,510
Country	12	(12)	0	13	(1)	12	13	(1)	12
Total	¥ 390,087	¥ (21,560)	¥ 368,527	¥ 394,157	¥ (4,070)	¥ 390,087	¥ 394,157	¥ 26,664	¥ 420,823

Non-consolidated

Millions of yen

	As of September 30, 2011			As of March 31, 2011			As of September 30, 2010		
	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount
General	¥ 48,379	¥ (3,485)	¥ 44,894	¥ 50,677	¥ (2,298)	¥ 48,379	¥ 50,677	¥ 11,528	¥ 62,205
Specific	156,764	(8,374)	148,390	148,323	8,441	156,764	148,323	8,700	157,023
Country	12	(12)	0	13	(1)	12	13	(1)	12
Total	¥ 205,156	¥ (11,870)	¥ 193,286	¥ 199,013	¥ 6,143	¥ 205,156	¥ 199,013	¥ 20,229	¥ 219,242

Geographic (Consolidated)

Millions of yen

	As of September 30, 2011				As of March 31, 2011				As of September 30, 2010			
	Total	Reserve Amount			Total	Reserve Amount			Total	Reserve Amount		
		General	Specific	Country		General	Specific	Country		General	Specific	Country
Domestic	¥ 333,568	¥ 93,016	¥ 240,551	¥ —	¥ 344,447	¥ 97,294	¥ 247,153	¥ —	¥ 375,700	¥ 121,975	¥ 253,725	¥ —
Foreign	34,959	3,906	31,052	0	45,640	5,457	40,170	12	45,122	9,324	35,785	12
Total	¥ 368,527	¥ 96,922	¥ 271,604	¥ 0	¥ 390,087	¥ 102,752	¥ 287,323	¥ 12	¥ 420,823	¥ 131,299	¥ 289,510	¥ 12

QUANTITATIVE DISCLOSURE (CONTINUED)

Geographic (Non-consolidated)

Millions of yen

	As of September 30, 2011				As of March 31, 2011				As of September 30, 2010			
	Total	Reserve Amount			Total	Reserve Amount			Total	Reserve Amount		
		General	Specific	Country		General	Specific	Country		General	Specific	Country
Domestic	**¥ 159,332**	**¥ 41,456**	**¥ 117,876**	**¥ —**	¥ 159,896	¥ 43,302	¥ 116,593	¥ —	¥ 174,602	¥ 53,363	¥ 121,238	¥ —
Foreign	**33,953**	**3,438**	**30,514**	**0**	45,259	5,077	40,170	12	44,639	8,841	35,785	12
Total	**¥ 193,286**	**¥ 44,894**	**¥ 148,390**	**¥ 0**	¥ 205,156	¥ 48,379	¥ 156,764	¥ 12	¥ 219,242	¥ 62,205	¥ 157,023	¥ 12

Industries

Millions of yen

	As of September 30, 2011		As of March 31, 2011		As of September 30, 2010	
	Reserve Amount		Reserve Amount		Reserve Amount	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Manufacturing	**¥ 14,799**	**¥ 9,230**	¥ 16,932	¥ 10,335	¥ 17,691	¥ 11,149
Agriculture	**69**	**2**	128	47	108	42
Mining	**81**	**10**	105	19	91	31
Construction	**1,771**	**94**	1,823	126	1,762	46
Electric power, gas, water supply	**144**	**143**	135	133	93	91
Information and communication	**1,751**	**311**	2,016	316	2,374	434
Transportation	**2,723**	**2,020**	3,205	2,334	8,569	7,360
Wholesale and retail	**3,304**	**748**	5,158	2,078	4,070	919
Finance and insurance	**23,353**	**26,891**	24,931	27,402	38,491	40,668
Real estate	**83,378**	**85,639**	83,954	79,422	86,644	80,801
Services	**13,788**	**6,651**	17,622	8,861	14,695	4,716
Government	**100**	**—**	87	—	104	—
Individuals	**162,279**	**6,351**	164,357	7,582	177,047	7,102
Others	**21,805**	**21,235**	21,859	21,234	21,841	21,236
Foreign	**34,959**	**33,953**	45,640	45,259	45,122	44,639
Non-classified	**4,214**	**—**	2,129	—	2,114	—
Total	**¥ 368,527**	**¥ 193,286**	¥ 390,087	¥ 205,156	¥ 420,823	¥ 219,242

AMOUNT OF WRITE-OFFS

Industries

Millions of yen

	Six months ended September 30, 2011		Fiscal year ended March 31, 2011		Six months ended September 30, 2010	
	Amount of write-off		Amount of write-off		Amount of write-off	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Manufacturing	**¥ 149**	**¥ —**	¥ 565	¥ 107	¥ 187	¥ —
Agriculture	**0**	**—**	—	—	—	—
Mining	**—**	**—**	0	—	0	—
Construction	**106**	**—**	103	—	48	—
Electric power, gas, water supply	**—**	**—**	—	—	—	—
Information and communication	**13**	**—**	170	—	13	—
Transportation	**100**	**—**	4,413	4,380	18	—
Wholesale and retail	**301**	**—**	225	—	60	—
Finance and insurance	**3,950**	**3,950**	1,981	1,981	1,981	1,981
Real estate	**1,790**	**1,715**	4,348	4,325	4,143	4,136
Services	**346**	**—**	662	116	255	118
Government	**—**	**—**	—	—	—	—
Individuals	**27,313**	**13**	91,638	2,346	47,257	493
Others	**—**	**—**	—	—	—	—
Foreign	**0**	**0**	—	—	—	—
Non-classified	**—**	**—**	—	—	—	—
Total	**¥ 34,072**	**¥ 5,679**	¥ 104,110	¥ 13,259	¥ 53,966	¥ 6,730

QUANTITATIVE DISCLOSURE (CONTINUED)

AMOUNT OF EXPOSURES UNDER SA (AFTER CREDIT RISK MITIGATION)

Millions of yen

	As of September 30, 2011				As of March 31, 2011			
	Consolidated		Non-consolidated		Consolidated		Non-consolidated	
	Rated	Unrated	Rated	Unrated	Rated	Unrated	Rated	Unrated
0%	¥ 62	¥ 7,195	¥ —	¥ —	¥ 122	¥ 8,666	¥ —	¥ —
10%	—	—	—	—	—	—	—	—
20%	120,954	0	—	—	73,808	0	—	—
35%	—	602,446	—	598,293	—	575,243	—	570,486
50%	555	13,275	—	1,406	875	12,770	—	2,270
75%	—	601,105	—	172,692	—	674,259	—	200,408
100%	180	88,522	—	1,487	129	99,285	—	3,560
150%	—	2,986	—	504	—	4,978	—	1,223
350%	—	—	—	—	—	—	—	—
Capital Deduction	—	—	—	—	—	—	—	—
Total	¥ 121,753	¥ 1,315,531	¥ —	¥ 774,383	¥ 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 September 30, 2011		As of March 31, 2011	
	Amount of Exposure		Amount of Exposure	
Risk weight ratio	Consolidated	Non-consolidated	Consolidated	Non-consolidated
50%	¥ 13,537	¥ 13,537	¥ 22,451	¥ 22,451
70%	62,206	60,296	61,945	59,698
90%	21,234	21,234	13,490	13,490
115%	85,402	85,402	27,819	27,819
250%	159,378	158,316	259,675	256,389
0% (Default)	166,458	165,389	145,190	145,190
Total	¥ 508,219	¥ 504,178	¥ 530,572	¥ 525,040

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

Millions of yen

	As of September 30, 2011		As of March 31, 2011	
	Amount of Exposure		Amount of Exposure	
Risk weight ratio	Consolidated	Non-consolidated	Consolidated	Non-consolidated
70%	¥ 457	¥ 457	¥ 461	¥ 461
95%	13,664	13,664	11,001	11,001
120%	—	—	—	—
140%	13,357	13,357	13,380	13,380
250%	67,116	67,116	68,644	68,644
0% (Default)	90,760	90,760	99,548	99,548
Total	¥ 185,356	¥ 185,356	¥ 193,037	¥ 193,037

(3) Equity exposure under Market-Based Simplified Method

Millions of yen

	As of September 30, 2011		As of March 31, 2011	
Risk weight ratio	Amount Consolidated	Amount Non-consolidated	Amount Consolidated	Amount Non-consolidated
300%	¥ 595	¥ 441	¥ 583	¥ 421
400%	48,733	57,846	48,994	58,243
Total	¥ 49,329	¥ 58,287	¥ 49,577	¥ 58,664

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)

PORTFOLIOS UNDER IRB EXCLUDING THE AMOUNT OF EXPOSURES UNDER SA (AFTER CREDIT RISK MITIGATION)

(1) Estimated average PD, LGD, Risk Weight Ratio and Exposure at Default (EAD) (on-balance and off-balance) for Corporate, Sovereign and Bank exposure

Corporate (Consolidated)

Millions of yen (except percentages)

	As of September 30, 2011					As of March 31, 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%**	**23.92%**	**¥ 14,018**	**¥ —**	0.03%	45.00%	23.86%	¥ 15,839	¥ —
1	**0.03%**	**45.00%**	**12.45%**	**34,622**	**34,800**	0.03%	45.00%	14.28%	33,707	26,175
2	**0.06%**	**44.47%**	**22.99%**	**112,360**	**41,524**	0.05%	44.39%	18.49%	118,787	39,577
3	**0.12%**	**44.95%**	**31.88%**	**528,308**	**86,351**	0.14%	44.93%	35.33%	486,233	38,983
4	**0.37%**	**44.86%**	**56.02%**	**530,141**	**72,606**	0.41%	44.89%	57.06%	501,949	67,228
5	**1.09%**	**44.44%**	**87.79%**	**196,311**	**21,812**	1.30%	44.16%	89.91%	157,733	19,055
6	**3.06%**	**43.42%**	**114.54%**	**153,024**	**26,318**	3.06%	41.79%	112.46%	131,104	20,385
9A	**10.77%**	**45.05%**	**198.50%**	**280,549**	**13,000**	11.46%	45.72%	208.63%	290,041	22,516
Default	**100.00%**	**47.45%**	**—**	**62,990**	**2,768**	100.00%	46.75%	—	81,501	3,594

Sovereign (Consolidated)

Millions of yen (except percentages)

	As of September 30, 2011					As of March 31, 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%**	**—**	**¥ 1,960,362**	**¥ —**	0.00%	45.00%	—	¥ 3,009,792	¥ —
1	**0.01%**	**44.98%**	**3.77%**	**14,901**	**30**	0.01%	45.00%	7.28%	128,480	33
2	**0.06%**	**45.00%**	**25.65%**	**140,188**	**841**	0.06%	45.00%	25.69%	143,985	882
3	**0.10%**	**44.97%**	**34.70%**	**88,061**	**1,252**	0.10%	44.97%	35.66%	109,709	1,784
4	**0.26%**	**45.00%**	**43.19%**	**11,510**	**222**	0.36%	45.00%	71.78%	3,976	37
5	**—**	**—**	**—**	**—**	**—**	0.89%	45.00%	119.91%	1	—
6	**—**	**—**	**—**	**—**	**—**	—	—	—	—	—
9A	**10.77%**	**45.00%**	**189.51%**	**0**	**30**	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 September 30, 2011					As of March 31, 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%**	**14.80%**	**¥ 33,639**	**¥ 20**	0.03%	45.00%	15.87%	¥ 36,076	¥ 15
1	**0.03%**	**45.00%**	**25.88%**	**17**	**—**	0.03%	45.00%	7.64%	5,873	0
2	**0.06%**	**45.21%**	**20.98%**	**84,971**	**154,715**	0.06%	45.19%	21.45%	101,950	181,510
3	**0.11%**	**45.16%**	**32.34%**	**245,176**	**94,149**	0.13%	45.55%	28.96%	173,223	108,795
4	**0.45%**	**45.00%**	**71.66%**	**25,422**	**24,393**	0.52%	45.00%	67.63%	27,498	27,703
5	**0.92%**	**45.00%**	**82.19%**	**31,644**	**622**	0.93%	45.00%	78.17%	20,806	1,622
6	**3.70%**	**45.00%**	**163.11%**	**9,576**	**495**	3.49%	45.00%	161.46%	9,764	56
9A	**10.77%**	**45.01%**	**191.50%**	**6,007**	**876**	11.46%	45.01%	199.26%	3,658	891
Default	**100.00%**	**45.00%**	**—**	**77**	**—**	—	—	—	—	—

Corporate (Non-consolidated)

Millions of yen (except percentages)

	As of September 30, 2011					As of March 31, 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%**	**23.92%**	**¥ 14,018**	**¥ —**	0.03%	45.00%	23.95%	¥ 15,726	¥ —
1	**0.03%**	**45.00%**	**12.45%**	**34,622**	**34,800**	0.03%	45.00%	14.29%	33,525	26,175
2	**0.06%**	**44.48%**	**24.13%**	**115,953**	**41,524**	0.05%	44.39%	19.19%	118,783	39,577
3	**0.12%**	**44.95%**	**31.81%**	**505,955**	**86,351**	0.14%	44.92%	35.10%	465,335	38,983
4	**0.36%**	**44.90%**	**53.15%**	**750,774**	**73,129**	0.45%	44.92%	55.81%	763,769	68,486
5	**1.10%**	**44.30%**	**88.00%**	**149,815**	**25,198**	1.30%	43.80%	90.50%	104,445	18,955
6	**2.75%**	**43.66%**	**108.03%**	**185,512**	**26,127**	2.77%	42.44%	106.49%	165,125	24,666
9A	**10.77%**	**45.05%**	**195.66%**	**273,442**	**13,000**	11.46%	45.74%	205.79%	280,627	22,516
Default	**100.00%**	**47.65%**	**—**	**57,324**	**3,368**	100.00%	46.80%	—	79,194	3,594

QUANTITATIVE DISCLOSURE (CONTINUED)

Sovereign (Non-consolidated)

Millions of yen (except percentages)

	As of September 30, 2011					As of March 31, 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%	—	¥ 1,946,579	¥ —	0.00%	45.00%	—	¥ 3,000,670	¥ —
1	0.01%	44.98%	3.77%	14,901	30	0.01%	45.00%	7.28%	128,480	33
2	0.06%	45.00%	25.98%	136,819	841	0.06%	45.00%	25.94%	141,176	882
3	0.10%	44.97%	34.71%	87,948	1,252	0.10%	44.97%	35.66%	109,709	1,784
4	0.26%	45.00%	43.19%	11,510	222	0.36%	45.00%	71.78%	3,976	37
5	—	—	—	—	—	0.89%	45.00%	119.91%	1	—
6	—	—	—	—	—	—	—	—	—	—
9A	10.77%	45.00%	189.48%	0	30	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 September 30, 2011					As of March 31, 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%	15.96%	¥ 28,974	¥ 20	0.03%	45.00%	17.03%	¥ 31,678	¥ 15
1	0.03%	45.00%	25.88%	17	—	0.03%	45.00%	7.64%	5,873	0
2	0.06%	45.21%	21.01%	82,955	154,715	0.06%	45.19%	21.50%	99,473	181,510
3	0.11%	45.18%	34.42%	194,647	94,125	0.12%	45.78%	30.84%	89,040	108,716
4	0.41%	45.00%	61.64%	37,632	33,250	0.50%	45.00%	65.42%	25,760	37,269
5	0.92%	45.00%	82.53%	30,766	622	0.92%	45.00%	78.12%	19,817	1,622
6	3.80%	45.00%	167.66%	8,886	495	3.57%	45.00%	165.47%	9,157	56
9A	10.77%	45.04%	226.35%	415	876	11.46%	45.05%	223.57%	80	891
Default	100.00%	45.00%	—	77	—	—	—	—	—	—

Note: LGD after credit risk mitigation

(2) Estimated average PD, risk weight ratio and amount of exposure for equity exposure under PD/LGD method

(Consolidated)

Millions of yen (except percentages)

	As of September 30, 2011				As of March 31, 2011			
Credit rating	PD	LGD	Risk Weight	Amount	PD	LGD	Risk Weight	Amount
0	0.00%	90.00%	—	¥ 9	0.00%	90.00%	—	¥ 9
1	—	—	—	—	—	—	—	—
2	0.07%	90.00%	200.03%	3,831	0.06%	90.00%	200.02%	4,136
3	0.15%	90.00%	200.31%	2,270	0.17%	90.00%	200.33%	2,245
4	0.41%	90.00%	264.45%	2,531	0.54%	90.00%	288.23%	3,026
5	1.05%	90.00%	357.10%	4,738	1.39%	90.00%	374.44%	6,345
6	2.79%	90.00%	312.59%	417	2.28%	90.00%	452.06%	50
9A	10.77%	90.00%	574.83%	11,478	11.46%	90.00%	581.24%	12,033
Default	100.00%	90.00%	—	19	100.00%	90.00%	—	19

(Non-consolidated)

Millions of yen (except percentages)

	As of September 30, 2011				As of March 31, 2011			
Credit rating	PD	LGD	Risk Weight	Amount	PD	LGD	Risk Weight	Amount
0	0.00%	90.00%	—	¥ 9	0.00%	90.00%	—	¥ 9
1	—	—	—	—	—	—	—	—
2	0.07%	90.00%	200.03%	3,831	0.06%	90.00%	200.02%	4,136
3	0.15%	90.00%	200.00%	2,263	0.17%	90.00%	200.00%	2,237
4	0.33%	90.00%	299.76%	382,402	0.50%	90.00%	302.56%	382,864
5	1.06%	90.00%	357.82%	4,678	1.39%	90.00%	374.94%	6,303
6	2.79%	90.00%	312.59%	417	2.28%	90.00%	452.06%	50
9A	10.77%	90.00%	648.54%	44,532	11.46%	90.00%	658.96%	45,087
Default	100.00%	90.00%	—	1,355	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 September 30, 2011							As of March 31, 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	**1.56%**	**69.58%**	**104.54%**	**¥ 11,804**	**¥ 9,971**	**¥ —**	**—**	1.42%	72.55%	103.13%	¥ 13,045	¥ 10,415	¥ —	—
Need caution	**78.59%**	**52.40%**	**130.09%**	**2**	**142**	**—**	**—**	79.01%	51.70%	126.03%	6	333	—	—
Default	**100.00%**	**62.73%**	**-**	**972**	**199**	**—**	**—**	100.00%	62.67%	—	970	180	—	—

Qualified revolving retail exposure

Millions of yen (except percentages)

	As of September 30, 2011							As of March 31, 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	**4.45%**	**85.59%**	**85.95%**	**¥ 110,644**	**¥ 19,812**	**¥ 2,246,341**	**0.88%**	4.93%	85.67%	93.21%	¥ 117,233	¥ 22,540	¥ 2,729,828	0.83%
Need caution	**71.46%**	**85.09%**	**183.10%**	**2,702**	**—**	**—**	**—**	74.94%	87.36%	170.65%	3,984	—	—	—
Default	**100.00%**	**84.70%**	**—**	**43,975**	**—**	**—**	**—**	100.00%	85.63%	—	45,285	—	—	—

Other retail exposure

Millions of yen (except percentages)

	As of September 30, 2011							As of March 31, 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%**	**61.57%**	**75.45%**	**¥ 316,651**	**¥ 692,351**	**¥ 191,898**	**1.24%**	2.64%	62.03%	76.94%	¥ 317,737	¥ 689,839	¥ 196,217	1.44%
Need caution	**79.52%**	**60.69%**	**90.76%**	**7,908**	**3,479**	**—**	**—**	82.04%	59.28%	79.50%	9,300	4,207	—	—
Default	**100.00%**	**60.05%**	**—**	**112,244**	**831**	**—**	**—**	100.00%	57.90%	—	103,806	665	—	—

(Non-consolidated)

Other retail exposure

Millions of yen (except percentages)

	As of September 30, 2011							As of March 31, 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								3.45%	63.22%	87.16%	¥ 21,089	¥ —	¥ —	—
Need caution								76.84%	63.46%	105.33%	173	—	—	—
Default								100.00%	63.37%	—	47	—	—	—

There is no exposure as of September 30, 2011. 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.

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

	As of September 30, 2011	As of September 30, 2010	As of September 30, 2009
Results of actual losses (a)	¥ 2,371	¥ 33,525	¥ 14,177
Expected losses (b)	19,839	14,329	11,243
Differences ((b) - (a))	17,468	(19,195)	(2,933)

The above matrix shows the results of default (downgrade below substandard) losses (increase of reserve, write-offs and loss on sale) for the twelve-month period ended September 30, 2009, 2010 and 2011 for the Bank's non-default corporate exposure at the start of the twelve-month period, with expected losses calculated using estimated PD at the end of September 2011.

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

5. CREDIT RISK MITIGATION (CRM)

COVERED AMOUNT OF CRM BY COLLATERAL

FIRB

Millions of yen

	As of September 30, 2011		As of March 31, 2011	
	Eligible financial collateral	Other eligible FIRB collateral	Eligible financial collateral	Other eligible FIRB collateral
Corporate	¥ 8,882	¥ 146,453	¥ 13,833	¥ 144,062
Sovereign	—	26	—	53
Bank	—	—	—	—
Total	¥ 8,882	¥ 146,480	¥ 13,833	¥ 144,116

COVERED AMOUNT OF CRM BY GUARANTEE OR CREDIT DERIVATIVES

Millions of yen

	As of September 30, 2011		As of March 31, 2011	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
SA Exposures	¥ —	¥ —	¥ —	¥ —
IRB Exposures	93,257	93,257	134,102	134,102
Corporate	10,713	10,713	15,769	15,769
Sovereign	59,614	59,614	65,955	65,955
Bank	22,929	22,929	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 September 30, 2011		As of March 31, 2011	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Total amount of gross positive fair value	¥ 581,957	¥ 588,559	¥ 591,492	¥ 599,668
Amount of gross add-on	271,619	257,502	319,274	305,772
EAD before CRM	853,576	846,062	910,767	905,440
FX-related	366,558	366,867	422,899	423,973
Interest-related	238,103	238,612	211,906	212,314
Equity-related	81,125	78,845	71,135	68,493
Commodity-related	—	—	—	—
Credit derivatives	167,701	161,648	204,747	200,579
Others	87	87	78	78
Amount of net	529,560	542,049	543,243	556,862
EAD after net	324,015	304,012	367,523	348,578
Amount covered collateral	—	—	—	—
EAD after CRM	324,015	304,012	367,523	348,578

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

Consolidated

Millions of yen

	As of September 30, 2011		As of March 31, 2011	
Notional amount	Protection-buy	Protection-sell	Protection-buy	Protection-sell
Single name	¥ 635,142	¥ 449,728	¥ 955,195	¥ 537,335
Multi name	223,856	102,202	223,601	103,696

Non-consolidated

Millions of yen

	As of September 30, 2011		As of March 31, 2011	
Notional amount	Protection-buy	Protection-sell	Protection-buy	Protection-sell
Single name	¥ 383,035	¥ 515,655	¥ 529,394	¥ 605,368
Multi name	158,416	107,002	160,161	108,496

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

Millions of yen

	2011		2010	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Notional amount	¥ 3,212	¥ 3,212	¥ 6,405	¥ 6,405

QUANTITATIVE DISCLOSURE (CONTINUED)

7. SECURITIZATION

SECURITIZATION EXPOSURE ORIGINATED BY THE BANK GROUP

(1) Amount of original assets

Securitization by transfer of assets

Consolidated

Millions of yen

	As of September 30, 2011	As of March 31, 2011
Type of original assets	Amount of original asset	Amount of original asset
Residential mortgages	¥ 314,004	¥ 353,679
Consumer loans	5,827	13,178
Commercial real estate loans	15,240	21,733
Corporate loans	29,147	28,423
Others	21	25
Total	¥ 364,242	¥ 417,039

Non-consolidated

Millions of yen

	As of September 30, 2011	As of March 31, 2011
Type of original assets	Amount of original asset	Amount of original asset
Residential mortgages	¥ 314,004	¥ 353,679
Consumer loans	326,671	358,771
Commercial real estate loans	15,240	21,733
Corporate loans	29,147	28,423
Others	202,822	218,834
Total	¥ 887,887	¥ 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

Millions of yen

	As of September 30, 2011	As of March 31, 2011
Type of original assets	Amount of Default	Amount of Default
Residential mortgages	¥ 5,093	¥ 5,263
Consumer loans	154	125
Commercial real estate loans	15,090	21,583
Corporate loans	29,147	28,423
Others	—	—
Total	¥ 49,487	¥ 55,394

Non-consolidated

Millions of yen

	As of September 30, 2011	As of March 31, 2011
Type of original assets	Amount of Default	Amount of Default
Residential mortgages	¥ 5,093	¥ 5,263
Consumer loans	—	—
Commercial real estate loans	15,090	21,583
Corporate loans	29,147	28,423
Others	—	—
Total	¥ 49,332	¥ 55,269

QUANTITATIVE DISCLOSURE (CONTINUED)

(3) Amount of securitization exposure the Bank Group has by type of original assets

Securitization by transfer of assets

Consolidated

	Millions of yen	
	As of September 30, 2011	As of March 31, 2011
Type of original assets	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ 98,926	¥ 119,851
Consumer loans	5,827	13,178
Commercial real estate loans	—	—
Corporate loans	21,859	24,523
Others	—	—
Total	¥ 126,612	¥ 157,553

Non-consolidated

	Millions of yen	
	As of September 30, 2011	As of March 31, 2011
Type of original assets	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ 98,926	¥ 119,851
Consumer loans	206,300	177,700
Commercial real estate loans	—	—
Corporate loans	21,859	24,523
Others	165,468	180,845
Total	¥ 492,554	¥ 502,920

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

Securitization by transfer of assets

Consolidated

	Millions of yen			
	As of September 30, 2011		As of March 31, 2011	
Band of risk weight ratio	Amount	Required Capital amount	Amount	Required Capital amount
To 12%	¥ 22,405	¥ 135	¥ 25,088	¥ 151
Over 12% to 20%	86,579	1,385	96,425	1,543
Over 20% to 50%	—	—	—	—
Over 50% to 75%	—	—	—	—
Over 75% to 100%	13,617	1,086	25,115	1,994
Over 100% to 250%	3,823	347	10,723	1,102
Over 250% to 425%	—	—	20	4
Over 425%	186	121	181	128
Total	¥ 126,612	¥ 3,077	¥ 157,553	¥ 4,925

Non-consolidated

	Millions of yen			
	As of September 30, 2011		As of March 31, 2011	
Band of risk weight ratio	Amount	Required Capital amount	Amount	Required Capital amount
To 12%	¥ 216,974	¥ 1,943	¥ 321,033	¥ 2,901
Over 12% to 20%	153,379	2,502	102,725	1,650
Over 20% to 50%	56,300	2,387	50,900	2,158
Over 50% to 75%	40,800	2,594	5,400	343
Over 75% to 100%	25,100	2,071	22,862	1,828
Over 100% to 250%	—	—	—	—
Over 250% to 425%	—	—	—	—
Over 425%	—	—	—	—
Total	¥ 492,554	¥ 11,499	¥ 502,920	¥ 8,882

QUANTITATIVE DISCLOSURE (CONTINUED)

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

Millions of yen

	As of September 30, 2011		As of March 31, 2011	
Type of original assets	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Residential mortgages	**¥ 9,657**	**¥ 9,657**	¥ 10,088	¥ 10,088
Consumer loans, installment receivables	**—**	**—**	6	—
Commercial real estate loans	**0**	**0**	0	0
Others	**—**	**—**	—	—
Total	**¥ 9,657**	**¥ 9,657**	¥ 10,095	¥ 10,088

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

Millions of yen

	As of September 30, 2011		As of March 31, 2011	
Type of original assets	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Residential mortgages	**¥ 14,851**	**¥ 14,851**	¥ 3,412	¥ 3,412
Consumer loans, installment receivables	**—**	**—**	—	—
Commercial real estate loans	**150**	**150**	150	150
Others	**18**	**—**	21	—
Total	**¥ 15,019**	**¥ 15,001**	¥ 3,583	¥ 3,562

(7) Securitization exposure subject to early amortization

None.

(8) Summary of current year's securitization activities including amount of exposure securitized, and recognized gain/loss by original asset type

None.

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

None.

SECURITIZATION EXPOSURE IN WHICH THE BANK GROUP INVESTS

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

Consolidated

Millions of yen

	As of September 30, 2011	As of March 31, 2011
Type of original assets	Amount of Exposure	Amount of Exposure
Residential mortgages	**¥ 5,913**	¥ 10,313
Consumer loans	**—**	—
Commercial real estate loans	**81,716**	72,572
Corporate loans	**37,077**	41,794
Others	**56,963**	118,484
Total	**¥ 181,671**	¥ 243,165

Non-consolidated

Millions of yen

	As of September 30, 2011	As of March 31, 2011
Type of original assets	Amount of Exposure	Amount of Exposure
Residential mortgages	**¥ 5,913**	¥ 10,313
Consumer loans	**—**	—
Commercial real estate loans	**81,716**	72,572
Corporate loans	**37,077**	41,794
Others	**48,710**	106,385
Total	**¥ 173,418**	¥ 231,067

QUANTITATIVE DISCLOSURE (CONTINUED)

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

Consolidated

Millions of yen

	As of September 30, 2011		As of March 31, 2011	
Band of risk weight ratio	Amount	Required Capital amount	Amount	Required Capital amount
To 12%	¥ 101,513	¥ 627	¥ 156,984	¥ 1,160
Over 12% to 20%	6,268	79	10,385	133
Over 20% to 50%	—	—	2,450	51
Over 50% to 75%	3,587	228	6,992	444
Over 75% to 100%	5,567	452	1,000	84
Over 100% to 250%	28,235	4,614	28,265	4,094
Over 250% to 425%	36,500	8,043	37,088	10,292
Over 425%	—	—	—	—
Total	¥ 181,671	¥ 14,045	¥ 243,165	¥ 16,262

Non-consolidated

Millions of yen

	As of September 30, 2011		As of March 31, 2011	
Band of risk weight ratio	Amount	Required Capital amount	Amount	Required Capital amount
To 12%	¥ 93,260	¥ 578	¥ 144,886	¥ 1,088
Over 12% to 20%	6,268	79	10,385	133
Over 20% to 50%	—	—	2,450	51
Over 50% to 75%	3,587	228	6,992	444
Over 75% to 100%	5,567	452	1,000	84
Over 100% to 250%	28,235	4,614	28,265	4,094
Over 250% to 425%	36,500	8,043	37,088	10,292
Over 425%	—	—	—	—
Total	¥ 173,418	¥ 13,996	¥ 231,067	¥ 16,190

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

Millions of yen

	As of September 30, 2011		As of March 31, 2011	
Type of original assets	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Residential mortgages	¥ 412	¥ 412	¥ 671	¥ 671
Consumer loans, installment receivables	—	—	—	—
Commercial real estate loans	—	—	1,928	1,928
Corporate loans	15,065	15,065	15,287	15,287
Others	—	—	—	—
Total	¥ 15,478	¥ 15,478	¥ 17,888	¥ 17,888

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

None.

8. MARKET RISK (UNDER INTERNAL MODEL APPROACH)

VAR AT THE END OF SEPTEMBER 2011 AND MARCH 2011 AND THE HIGH, MEAN AND LOW VAR

Millions of yen

	As of September 30, 2011		As of March 31, 2011	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
VaR at term end	¥ 2,742	¥ 2,536	¥ 3,785	¥ 3,734
VaR through this term				
High	3,964	3,912	3,964	3,912
Mean	2,403	2,301	2,251	2,186
Low	1,478	1,434	1,478	1,434

For the six months ended September 30, 2011, the trading portfolio experienced no losses that exceeded the specified VaR threshold.

QUANTITATIVE DISCLOSURE (CONTINUED)

9. EQUITY EXPOSURE IN BANKING BOOK

BOOK VALUE AND FAIR VALUE

Millions of yen

	As of September 30, 2011		As of March 31, 2011	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Market-based approach				
Listed equity exposure	¥ 595	¥ 441	¥ 583	¥ 421
Unlisted equity exposure	48,733	57,846	48,994	58,243
PD/LGD method				
Listed equity exposure	11,941	11,941	13,842	13,842
Unlisted equity exposure	13,354	427,549	14,021	427,833

GAIN OR LOSS ON SALE OR DEPRECIATION OF EQUITY EXPOSURE

Millions of yen

	Six months ended September 30, 2011		Fiscal year ended March 31, 2011	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Gain (loss) on sale	¥ 7,146	¥ 7,145	¥ 2,284	¥ 2,280
Loss of depreciation	5,395	5,272	851	726

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

Millions of yen

	As of September 30, 2011		As of March 31, 2011	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Unrealized gain (loss)	¥ 238	¥ 248	¥ (2,891)	¥ (3,453)

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

None.

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

Millions of yen

	As of September 30, 2011		As of March 31, 2011	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Grandfathering rule (100% risk weight apply)	¥ 5,777	¥ 16,652	¥ 7,449	¥ 17,477

10. AMOUNT OF REGARDED EXPOSURE UNDER THE ACCORD ARTICLE 167

Millions of yen

	As of September 30, 2011		As of March 31, 2011	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Regarded exposure (fund)	¥ 64,140	¥ 46,887	¥ 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

Decline in economic values from a 2% interest-rate shock on the banking book is shown below:

Billions of yen

	As of September 30, 2011		As of March 31, 2011	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
JPY	¥ 8.4	¥ 0.0	¥ 33.2	¥ 3.5
USD	0.0	2.3	0.0	0.0
Others	0.0	3.0	0.2	0.2
Total	¥ 8.4	¥ 5.3	¥ 33.4	¥ 3.7

CORPORATE INFORMATION

SHINSEI BANK GROUP

AS OF SEPTEMBER 30, 2011

As of September 30, 2011, the Shinsei Bank Group consisted of Shinsei Bank, Limited, 204 subsidiaries (comprising 123 consolidated companies including APLUS FINANCIAL Co., Ltd., Showa Leasing Co., Ltd. and Shinsei Financial Co., Ltd. and 81 unconsolidated subsidiaries) and 17 affiliated companies (16 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
  - 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*4
Shinsei Finance (Cayman), Limited	Grand Cayman, Cayman Islands	Finance*4
Shinsei Finance II (Cayman), Limited	Grand Cayman, Cayman Islands	Finance*4
Shinsei Finance III (Cayman), Limited	Grand Cayman, Cayman Islands	Finance*4
Shinsei Finance IV (Cayman), Limited	Grand Cayman, Cayman Islands	Finance*4
Shinsei Finance V (Cayman), Limited	Grand Cayman, Cayman Islands	Finance*4
Major Affiliates Accounted for Using the Equity Method		
Comox Holdings Ltd.	Hamilton, Bermuda	Holding company*2
Jih Sun Financial Holding Co., Ltd.	Taipei, Taiwan	Finance*1

*1 Institutional Group *2 Global Markets Group *3 Individual Group *4 Corporate/Other

EMPLOYEES

	Six months ended September 30, 2010	FY2010	**Six months ended September 30, 2011**
Consolidated			
Number of Employees	5,969	5,718	**5,476**
Non-Consolidated			
Number of Employees	1,997	1,907	**1,916**
Male	1,086	1,042	**1,059**
Female	911	865	**857**
Average age	39 years 6 months	40 years	**40 years 2 months**
Average years of service	11 years	11 years 8 months	**11 years 10 months**
Average monthly salary	¥504 thousand	¥493 thousand	**¥487 thousand**

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

AS OF SEPTEMBER 30, 2011

Capital (in millions)	Established	Acquired	Equity stake held by Shinsei Bank and consolidated subsidiaries (%)	Equity stake held by Shinsei Bank	Equity stake held by consolidated subsidiaries of Shinsei Bank
¥ 29,360	1969.4	2005.3	97.0%	97.0%	—%
5,000	1996.11	—	100.0	100.0	—
8,750	1997.8	—	100.0	100.0	—
495	2001.12	—	100.0	100.0	—
10	1993.1	2000.9	100.0	100.0	—
500	2001.10	—	100.0	—	100.0
2,750	1959.5	2002.3	100.0	100.0	—
15,000	1956.10	2004.9	95.0	3.5	91.5
15,000	2009.4	2009.4	100.0	—	100.0
1,000	2009.4	2009.4	100.0	—	100.0
1,000	1957.4	2006.3	97.3	—	97.3
91.518	1991.6	2008.9	100.0	100.0	—
24,119	1954.12	2007.12	100.0	—	100.0
100	1983.8	—	100.0	100.0	—
£ 3	2004.9	—	100.0%	100.0%	—%
$ 2	1976.3	—	100.0	100.0	—
$ 58	2006.2	—	100.0	100.0	—
$ 39	2006.3	—	100.0	100.0	—
¥ 33.613	2009.3	—	100.0	100.0	—
9,107	2009.3	—	100.0	100.0	—
9,008	2009.9	—	100.0	100.0	—
$ 16	2007.6	2010.8	49.9%	49.9%	—%
NT$ 27,748	2002.2	2006.7	30.4	—	30.4

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NETWORK

DOMESTIC OUTLETS: AS OF DECEMBER 5, 2011

44 outlets (30 branches including head office, 14 annexes, 1 sub-branch) 29 Shinsei Financial Centers (branches including head office), 15 Shinsei Consulting Spots (annexes and sub-branch) 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

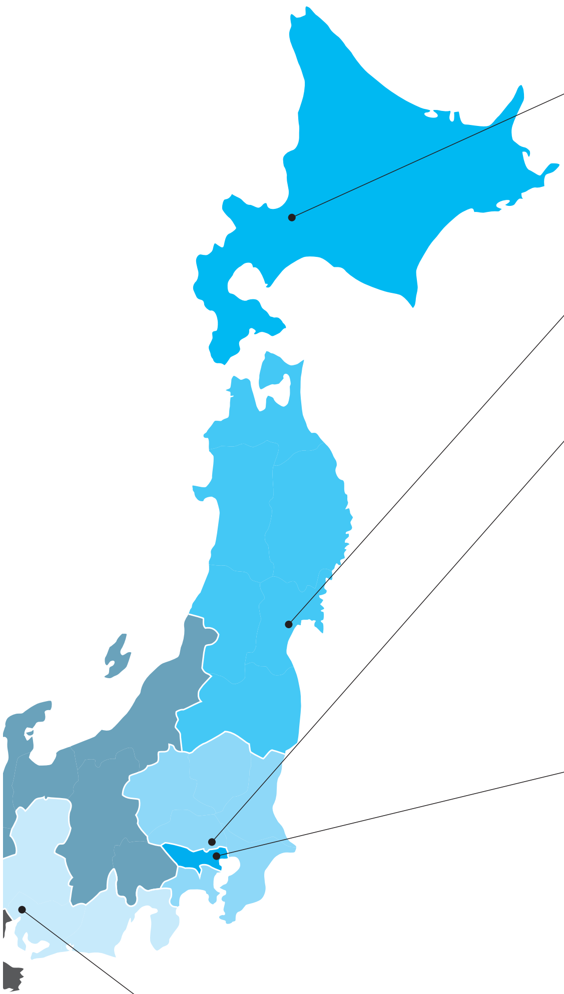
Fukuoka Branch

DOMESTIC SUB-BRANCHES (ATM ONLY):	AS OF DECEMBER 5, 2011
Tokyo Metro stations	51 locations
Other train stations	11 locations
Other	72 locations

SHINSEI BANK CARD LOAN—LAKE UNSTAFFED BRANCHES	AS OF DECEMBER 5, 2011
Shinsei Bank Card Loan—Lake unstaffed branches	790 locations

ACCESS TO SEVEN BANK, LTD. ATMS	AS OF DECEMBER 5, 2011
Access to Seven Bank, Ltd. ATMs	14,725 locations

AS OF DECEMBER 5, 2011



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
Head Office—Nihonbashi Muromachi Annex
Tokyo Branch
Ginza Branch
Ikebukuro Branch
Ueno Branch
Kichijoji Branch
Shinjuku Branch
Roppongi Hills Branch
Roppongi Branch—Omotesando Hills Annex
Hiroo Branch
Meguro Branch
Futakotamagawa Branch
Futakotamagawa Branch—Jiyugaoka Annex
Hachioji Branch
Machida Branch

TOKAI

Nagoya Branch

STOCK INFORMATION
AS OF SEPTEMBER 30, 2011

Shares Outstanding and Capital

1,000 shares, millions of yen

Date	Shares outstanding		Capital		Capital surplus		Notes
	Change	Balance	Change	Balance	Change	Balance	
July 29, 2003	(1,358,537)	2,033,065*	—	451,296	—	18,558	2-for-1 reverse share split for common shares Post reverse split common shares outstanding 1,358,537 thousand shares
July 31, 2006	(99,966)	1,933,098*	—	451,296	—	18,558	Use of call feature for Series 3 Class-B preferred shares Issuance of 200,033 thousand common shares Retirement of Series 3 Class-B preferred shares -300,000 thousand shares
November 16, 2006	(85,000)	1,848,098*	—	451,296	—	18,558	Cancellation of treasury shares (common) -85,000 thousand shares
August 1, 2007	(100,000)	1,748,098*	—	451,296	—	18,558	Mandatory acquisition of Series 3 Class-B preferred shares Issuance of 200,000 thousand common shares Retirement of Series 3 Class-B preferred shares -300,000 thousand shares
February 4, 2008	117,647	1,865,746*	25,000	476,296	25,000	43,558	Third party allocation of shares (common shares) Subscription price ¥425, par value ¥212.5
March 31, 2008	194,600	2,060,346	—	476,296	—	43,558	Use of call feature for Series 2 Class-A preferred shares Issuance of 269,128 thousand common shares Retirement of Series 2 Class-A preferred shares -74,528 thousand shares
March 15, 2011	690,000	2,750,346	35,907	512,204	35,907	79,465	New shares issued through International Offering (common shares) Subscription price ¥108, par value ¥52.04

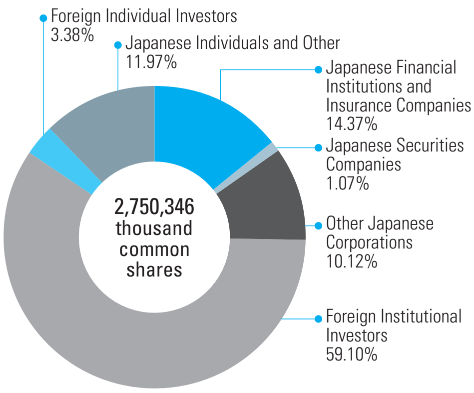
* Figure includes number of preferred shares outstanding

Largest Shareholders(1)(2)

Rank	Shareholders	Thousands of Common Shares	%
1	SATURN IV SUB LP (JPMCB 380111)	456,512	16.59
2	Deposit Insurance Corporation of Japan	269,128	9.78
3	MORGAN STANLEY & CO. LLC	220,357	8.01
4	THE RESOLUTION AND COLLECTION CORPORATION	200,000	7.27
5	SATURN JAPAN III SUB C.V. (JPMCB 380113)	129,462	4.70
6	SHINSEI BANK,LIMITED	96,427	3.50
7	J.CHRISTOPHER FLOWERS	91,879	3.34
8	SSBT OD05 OMNIBUS ACCOUNT–TREATY CLIENTS	61,619	2.24
9	JAPAN TRUSTEE SERVICE BANK, LTD. (TRUST ACCOUNT)	51,932	1.88
10	DEUTSCHE BANK AG LONDON–PB NON–TREATY CLIENTS 613	48,969	1.78
11	GOLDMAN SACHS INTERNATIONAL	46,623	1.69
	Total (includes treasury shares)	2,750,346	100.00

(1) As of September 30, 2011, a group of investors, including affiliates of J.C. Flowers & Co. LLC., holds 735,566,584 common shares or 27.71% of Shinsei's outstanding common shares, excluding treasury shares.
(2) As of September 30, 2011, in total, the Deposit Insurance Corporation and the Resolution and Collection Corporation hold 469,128,888 common shares or 17.67% of Shinsei's outstanding common shares, excluding treasury shares.

Breakdown of Shareholders



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

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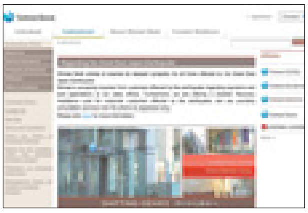
WEBSITE

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.

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