

Quarterly Consolidated Financial Statements and Notes

For the Nine-Month Period Ended December 31, 2015

*This is an English translation of quarterly consolidated financial statements and notes of Shinsei Bank, Limited (the "Bank") and its consolidated subsidiaries (collectively, the "Group") prepared in Japanese under JGAAP. Please note that this translation is provided for your reference and convenience only, pursuant to Rule 12g3-2(b) under the U.S. Securities Exchange Act of 1934. In the event of any discrepancy between the translation and the Japanese original, the Japanese original shall take precedence over this translation.

Shinsei Bank, Limited
(Code 8303, TSE First Section)

Quarterly Consolidated Balance Sheets

Shinsei Bank, Limited, and Consolidated Subsidiaries

As of March 31, 2015 and December 31, 2015

(Millions of yen)

	March 31, 2015	December 31, 2015
ASSETS		
Cash and due from banks	¥ 881,776	¥ 1,569,068
Call loans and bills bought	30,000	30,000
Receivables under resale agreements	53,216	34,853
Receivables under securities borrowing transactions	8,750	21,577
Other monetary claims purchased	93,412	85,656
Trading assets	317,399	288,793
Monetary assets held in trust	233,918	251,802
Securities	1,477,352	1,193,467
Loans and bills discounted	1 4,461,281	1 4,513,560
Foreign exchanges	18,537	16,951
Lease receivables and leased investment assets	227,047	212,398
Other assets	1.2 788,647	1.2 810,097
Premises and equipment	46,285	47,729
Intangible assets	3.4 49,655	3.4 46,467
Assets for retirement benefits	3,625	4,211
Deferred issuance expenses for debentures	12	4
Deferred tax assets	15,373	15,965
Customers' liabilities for acceptances and guarantees	291,795	285,957
Reserve for credit losses	(108,232)	(98,928)
[Total assets]	¥ 8,889,853	¥ 9,329,634
LIABILITIES AND EQUITY		
Liabilities:		
Deposits	¥ 5,367,167	¥ 5,542,394
Negotiable certificates of deposit	85,565	449,779
Debentures	32,300	19,239
Call money and bills sold	230,000	245,000
Payables under repurchase agreements	29,152	62,749
Payables under securities lending transactions	103,369	168,780
Trading liabilities	267,976	254,162
Borrowed money	805,217	738,060
Foreign exchanges	27	142
Short-term corporate bonds	96,000	121,100
Corporate bonds	157,505	95,467
Other liabilities	481,359	404,504
Accrued employees' bonuses	8,774	6,138
Accrued directors' bonuses	88	52
Liabilities for retirement benefits	8,749	7,680
Reserve for directors' retirement benefits	95	—
Reserve for losses on interest repayments	170,250	140,073
Deferred tax liabilities	694	1,255
Acceptances and guarantees	291,795	285,957
[Total liabilities]	8,136,091	8,542,539
Equity:		
Shareholders' equity:		
Common stock	512,204	512,204
Capital surplus	79,461	79,461
Retained earnings	209,419	254,890
Treasury stock, at cost	(72,558)	(72,559)
[Total shareholders' equity]	728,526	773,998
Accumulated other comprehensive income:		
Unrealized gain (loss) on available-for-sale securities	10,830	9,977
Deferred gain (loss) on derivatives under hedge accounting	(11,501)	(11,534)
Foreign currency translation adjustments	3,682	2,432
Defined retirement benefit plans	(515)	(200)
[Total accumulated other comprehensive income]	2,496	674
Stock acquisition rights	1,211	512
Noncontrolling interests	21,528	11,908
[Total equity]	753,762	787,094
[Total liabilities and equity]	¥ 8,889,853	¥ 9,329,634

Quarterly Consolidated Statements of Income

Shinsei Bank, Limited, and Consolidated Subsidiaries

For the nine-month periods ended December 31, 2014 and 2015

(Millions of yen)

	December 31, 2014 (9 months)	December 31, 2015 (9 months)
ORDINARY INCOME	¥ 292,447	¥ 278,958
Interest income	114,575	104,436
Interest on loans and bills discounted	94,139	93,675
Interest and dividends on securities	18,267	8,918
Fees and commissions income	33,506	35,612
Trading income	7,820	6,634
Other business income	1 111,263	1 109,951
Other ordinary income	2 25,280	2 22,324
ORDINARY EXPENSES	235,220	228,354
Interest expenses	16,958	13,949
Interest on deposits	8,231	6,127
Interest on borrowings	3,545	3,618
Interest on corporate bonds	4,040	2,570
Fees and commissions expenses	15,931	15,886
Trading losses	260	153
Other business expenses	3 71,526	3 74,807
General and administrative expenses	4 114,268	4 110,985
Other ordinary expenses	5 16,275	5 12,572
ORDINARY PROFIT	57,227	50,603
Extraordinary gains	6 423	6 1,161
Extraordinary losses	7 1,132	7 769
Income before income taxes	56,519	50,996
Income taxes (benefit)	2,763	2,502
Profit	53,756	48,494
Profit attributable to noncontrolling interests	1,391	368
Profit attributable to owners of the parent	¥ 52,364	¥ 48,125

Quarterly Consolidated Statements of Comprehensive Income

Shinsei Bank, Limited, and Consolidated Subsidiaries

For the nine-month periods ended December 31, 2014 and 2015

(Millions of yen)

	December 31, 2014 (9 months)	December 31, 2015 (9 months)
PROFIT	¥ 53,756	¥ 48,494
OTHER COMPREHENSIVE INCOME	8,785	(1,808)
Unrealized gain (loss) on available-for-sale securities	4,398	(886)
Deferred gain (loss) on derivatives under hedge accounting	(3,468)	(32)
Foreign currency translation adjustments	3,160	(184)
Defined retirement benefit plans	1,871	309
Share of other comprehensive income in affiliates	2,822	(1,014)
COMPREHENSIVE INCOME	¥ 62,541	¥ 46,685

(Breakdown)

Attributable to:

Owners of the parent	¥ 59,716	¥ 46,304
Noncontrolling interests	2,824	381

(Change in accounting policy)

(Application of "Accounting Standards for Business Combinations," etc.)

Revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations" (issued September 13, 2013), revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements" (issued September 13, 2013) and revised ASBJ Statement No. 7, "Accounting Standards for Business Divestitures" (issued September 13, 2013) have been applied from the first quarter of the fiscal year ending March 31, 2016, and the amount by which the Bank's ownership interest in a subsidiary is changed will now be accounted for under capital surplus as long as the Bank retains control over its subsidiary and acquisition related costs will now be accounted for as expenses in the periods in which the costs are incurred. Additionally, regarding business combinations which are undertaken after the first quarter of the fiscal year ending March 31, 2016, the effects of adjustments to provisional amounts recorded in a business combination on profit or loss will now be recognized as if the accounting for the business combination had been completed on the acquisition date. Additionally, the Bank has altered the presentation of profit, etc. and the presentation of "minority interests" has been changed to "noncontrolling interests." In order to reflect the preceding presentation changes, the quarterly consolidated financial statements for the nine-month period ended December 31, 2014 and consolidated financial statements for the fiscal year ending March 31, 2015 have been reclassified in accordance with the new presentation.

Regarding the application of Accounting Standards for Business Combinations, the Bank is following the transitional provisions defined in Accounting Standard for Business Combinations Section 58-2 (4), Accounting Standard for Consolidated Financial Statements 44-5 (4) and Accounting Standards for Business Divestitures Section 57-4 (4). The aforementioned transitional provisions have been applied as of the first quarter of the fiscal year ending March 31, 2016 and will continue to be applied going forward.

The effect of this application on profit and loss for the nine-month period ended December 31, 2015 and capital surplus as of December 31, 2015 was immaterial.

(Accounting method specific to quarterly consolidated financial statements)

(1) Income taxes

Income taxes (benefit) are calculated based on income before income taxes for the nine-month period ended December 31, 2015 and the reasonably estimated effective tax rate for the fiscal year ending March 31, 2016.

(Quarterly consolidated balance sheets as of March 31, 2015 and December 31, 2015)

1. Risk-monitored loans included in “Loans and bills discounted” were as follows.

(Millions of yen)

	March 31, 2015	December 31, 2015
Loans to bankrupt obligors	¥ 3,248	¥ 4,295
Nonaccrual delinquent loans	87,796	64,893
Loans past due for three months or more	1,366	1,525
Restructured loans	29,114	26,622
Total	¥ 121,526	¥ 97,336

Risk-monitored credits included in installment receivables in “Other assets” were as follows.

(Millions of yen)

	March 31, 2015	December 31, 2015
Credits to bankrupt obligors	¥ 151	¥ 123
Nonaccrual delinquent credits	9,027	8,538
Credits past due for three months or more	807	588
Restructured credits	506	364
Total	¥ 10,492	¥ 9,614

The above amounts represent the outstanding balance before the reduction of the reserve for credit losses.

2. Installment receivables included in “Other assets” were as follows.

(Millions of yen)

	March 31, 2015	December 31, 2015
Installment receivables	¥ 459,133	¥ 501,434

3. Goodwill and negative goodwill are offset and the net amounts are included in “Intangible assets.” The gross amounts were as follows.

(Millions of yen)

	March 31, 2015	December 31, 2015
Goodwill	¥ 27,732	¥ 23,552
Negative goodwill	4,534	4,262
Net	¥ 23,197	¥ 19,290

4. “Intangible assets” include intangible assets that have been recognized by applying the purchase method to the acquisition of certain consolidated subsidiaries.

(Millions of yen)

	March 31, 2015	December 31, 2015
Intangible assets acquired in business combinations	¥ 6,350	¥ 4,670

(Quarterly consolidated statements of income for the nine-month periods ended December 31, 2014 and 2015)

1. In "Other business income," the following was included.

(Millions of yen)

	December 31, 2014 (9 months)	December 31, 2015 (9 months)
Leasing revenue	¥ 67,462	¥ 67,721

2. In "Other ordinary income," the following were included.

(Millions of yen)

	December 31, 2014 (9 months)	December 31, 2015 (9 months)
Recoveries of written-off claims	¥ 6,614	¥ 6,865
Gain on monetary assets held in trust	5,579	6,021
Gain on sale of equity securities	6,429	5,496

3. In "Other business expenses," the following was included.

(Millions of yen)

	December 31, 2014 (9 months)	December 31, 2015 (9 months)
Leasing cost	¥ 60,749	¥ 60,899

4. In "General and administrative expenses," the following were included.

(Millions of yen)

	December 31, 2014 (9 months)	December 31, 2015 (9 months)
Amortization of goodwill	¥ 4,406	¥ 4,080
Amortization of intangible assets acquired in business combinations ^(Note)	2,188	1,679

Note: Represents amortization of intangible assets that have been recognized by applying the purchase method to the acquisitions of Showa Leasing Co., Ltd., Shinsei Financial Co., Ltd. and their consolidated subsidiaries.

5. In "Other ordinary expenses," the following was included.

(Millions of yen)

	December 31, 2014 (9 months)	December 31, 2015 (9 months)
Provision of reserve for credit losses	¥ 10,058	¥ 9,791

6. In "Extraordinary gains," the following was included.

(Millions of yen)

	December 31, 2014 (9 months)	December 31, 2015 (9 months)
Gain on reversal of stock acquisition rights	¥ 9	¥ 698

7. In “Extraordinary losses,” the following was included.

(Millions of yen)

	December 31, 2014 (9 months)	December 31, 2015 (9 months)
Impairment losses on premises and equipment	¥ 992	¥ 409

(Quarterly consolidated statements of cash flows for the nine-month periods ended December 31, 2014 and 2015)

Quarterly consolidated statements of cash flows for the nine-month periods ended December 31, 2014 and 2015 were not prepared. Depreciation, including amortization of intangible assets other than those acquired in business combinations, and amortization of goodwill and intangible assets acquired in business combinations were as follows.

(Millions of yen)

	December 31, 2014 (9 months)	December 31, 2015 (9 months)
Depreciation (other than depreciation of leased assets as lessor)	¥ 7,792	¥ 7,744
Amortization of goodwill	4,406	4,080
Amortization of intangible assets acquired in business combinations	2,188	1,679

(Shareholders equity)

Nine-month period ended December 31, 2014

1. Dividends paid

(Resolution)	Type of shares	Total amount	Per share amount	Record date	Effective date	Source of dividend
The board of directors meeting on May 8, 2014	Common stock	¥ 2,653 million	¥ 1.00	March 31, 2014	May 29, 2014	Retained earnings

2. There was no dividend of which the record date belongs to the nine-month period ended December 31, 2014, and of which the effective date was after December 31, 2014.

Nine-month period ended December 31, 2015**1. Dividends paid**

(Resolution)	Type of shares	Total amount	Per share amount	Record date	Effective date	Source of dividend
The board of directors meeting on May 12, 2015	Common stock	¥ 2,653 million	¥ 1.00	March 31, 2015	May 28, 2015	Retained earnings

2. There was no dividend of which the record date belongs to the nine-month period ended December 31, 2015, and of which the effective date was after December 31, 2015.

(Segment information)**Nine-month period ended December 31, 2014****1. Revenue and profit (loss) by reportable segments**

(Millions of yen)

	Institutional Group				Global Markets Group	
	Institutional Business	Structured Finance	Principal Transactions	Showa Leasing	Markets Sub-Group	Other Global Markets Group
Revenue:	¥ 12,943	¥ 14,857	¥ 19,240	¥ 11,832	¥ 6,062	¥ 2,493
Net interest income	9,154	9,831	11,630	(1,820)	1,741	128
Noninterest income	3,788	5,026	7,610	13,652	4,320	2,364
Expenses	7,157	3,805	4,412	6,109	2,480	2,823
Net credit costs (recoveries)	(521)	(4,208)	610	(1,442)	69	(73)
Segment profit (loss)	¥ 6,307	¥ 15,261	¥ 14,217	¥ 7,165	¥ 3,511	¥ (256)

(Millions of yen)

	Individual Group				Corporate/Other		Total
	Retail Banking	Consumer Finance			Treasury Sub-Group	Other	
		Shinsei Financial	APLUS FINANCIAL	Other			
Revenue:	¥ 21,670	¥ 40,608	¥ 37,597	¥ 1,102	¥ 7,169	¥ 116	¥ 175,695
Net interest income	17,124	42,597	5,070	936	947	272	97,617
Noninterest income	4,546	(1,989)	32,527	166	6,221	(156)	78,078
Expenses	26,143	23,421	26,925	514	1,215	436	105,444
Net credit costs (recoveries)	103	6,569	4,697	(80)	—	0	5,724
Segment profit (loss)	¥ (4,576)	¥ 10,617	¥ 5,975	¥ 669	¥ 5,954	¥ (320)	¥ 64,526

(Notes)

1. "Revenue," which represents gross operating profit under 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, net other business income, net gain or loss on monetary assets held in trust and equity related transactions on the management reporting basis. "Revenue" represents income and related cost attributable to core businesses.

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

- "Expenses" are general and administrative expenses deducting amortization of goodwill and other intangible assets acquired in business combinations, amortization of net actuarial gains or losses of retirement benefit cost and lump-sum payments.
- "Net credit costs (recoveries)" consist of provision/reversal of reserve for credit losses, losses on write-off or sales of loans, and recoveries of written-off claims.
- "Shinsei Financial" includes profit/loss on "Shinsei Bank Card Loan - Lake," the unsecured personal card loan business transferred from Shinsei Financial Co., Ltd. to Shinsei Bank, Limited on October 1, 2011, as well as profit/loss of SHINKI Co., Ltd.
- "Other" under the Corporate/Other includes company-wide accounts which are not included in reportable segments, allocation variance of indirect expenses and elimination amount of inter-segment transactions.

2. Reconciliation between total segment profit and ordinary profit on the quarterly consolidated statement of income for the nine-month period ended December 31, 2014

(Millions of yen)

Profit	Amount
Total segment profit	¥ 64,526
Amortization of goodwill acquired in business combinations	(4,300)
Amortization of intangible assets acquired in business combinations	(2,188)
Lump-sum payments	(2,293)
Provision of reserve for losses on interest repayments	(850)
Other	2,333
Ordinary profit on the quarterly consolidated statement of income	¥ 57,227

Nine-month period ended December 31, 2015

1. Revenue and profit (loss) by reportable segments

(Millions of yen)

	Institutional Group				Global Markets Group	
	Institutional Business	Structured Finance	Principal Transactions	Showa Leasing	Markets Sub-Group	Other Global Markets Group
Revenue:	¥ 10,921	¥ 13,469	¥ 5,022	¥ 13,234	¥ 6,674	¥ 2,205
Net interest income	7,678	8,474	3,524	(1,513)	1,368	71
Noninterest income	3,242	4,994	1,497	14,747	5,305	2,133
Expenses	7,953	4,208	3,856	6,179	2,607	3,059
Net credit costs (recoveries)	827	(13,396)	30	(1,045)	(88)	(271)
Segment profit (loss)	¥ 2,139	¥ 22,657	¥ 1,134	¥ 8,099	¥ 4,155	¥ (581)

(Millions of yen)

	Individual Group				Corporate/Other		Total
	Retail Banking	Consumer Finance			Treasury Sub-Group	Other	
		Shinsei Financial	APLUS FINANCIAL	Other			
Revenue:	¥ 20,648	¥ 44,141	¥ 39,039	¥ 1,043	¥ 7,256	¥ 727	¥ 164,382
Net interest income	16,012	45,812	4,998	853	3,212	(7)	90,486
Noninterest income	4,635	(1,670)	34,040	189	4,043	735	73,896
Expenses	24,792	23,148	27,257	584	1,272	(227)	104,691
Net credit costs (recoveries)	262	11,143	6,194	(136)	—	(2)	3,517
Segment profit (loss)	¥ (4,406)	¥ 9,850	¥ 5,588	¥ 595	¥ 5,983	¥ 958	¥ 56,173

(Notes)

1. "Revenue," which represents gross operating profit under 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, net other business income, net gain or loss on monetary assets held in trust and equity related transactions on the management reporting basis. "Revenue"

represents income and related cost attributable to core businesses.

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

2. "Expenses" are general and administrative expenses deducting amortization of goodwill and other intangible assets acquired in business combinations, amortization of net actuarial gains or losses of retirement benefit cost and lump-sum payments.
3. "Net credit costs (recoveries)" consist of provision/reversal of reserve for credit losses, losses on write-off or sales of loans, and recoveries of written-off claims.
4. "Shinsei Financial" includes profit/loss on "Shinsei Bank Card Loan - Lake," the unsecured personal card loan business transferred from Shinsei Financial Co., Ltd. to Shinsei Bank, Limited on October 1, 2011, as well as profit/loss of SHINKI Co., Ltd.5. "Other" under the Corporate/Other includes company-wide accounts which are not included in reportable segments, allocation variance of indirect expenses and elimination amount of inter-segment transactions.

2. Reconciliation between total segment profit and ordinary profit on the quarterly consolidated statement of income for the nine-month period ended December 31, 2015

(Millions of yen)

Profit	Amount
Total segment profit	¥ 56,173
Amortization of goodwill acquired in business combinations	(3,974)
Amortization of intangible assets acquired in business combinations	(1,679)
Lump-sum payments	(643)
Provision of reserve for losses on interest repayments	—
Other	727
Ordinary profit on the quarterly consolidated statement of income	¥ 50,603

3. Changes in reportable segments

Changes in classification of reportable segments

On April 1, 2015, we integrated the Financial Institutions Sub-Group, which was formerly in the Global Markets Group, into the Institutional Business in the Institutional Group. On May 1, 2015, we made organization changes within Institutional Group to strengthen planning and promotion functions of Institutional Group and transferred Overseas Banking Division in Institutional Group to Corporate Planning Division in Corporate Staff Group, in order to integrate the planning/promotion/management of each Group's overseas banking business as the Bank as a whole. On May 31, 2015, we abolished Asset-Based Investment Division in Institutional Group and integrated its business into Principal Investments Department of Institutional Business Planning Division. On July 1, 2015, we promoted Markets Research Department in Markets Sub-Group to Markets Research Division. On October 1, 2015, we reassigned the New Energy and PFI Department of the Institutional Business Planning Division to be under the authority of the Project Finance Division and renamed it the New Energy Promotion Department. As the result, the reportable segments for the nine-month periods ended December 31, 2015 were revised as shown below:

“Institutional Business” segment in Institutional Group includes institutional business, which was formerly included in “Institutional Business Sub-Group” segment and “Financial Institutions Sub-Group” segment in Global Markets Group.

“Structured Finance” segment in Institutional Group includes structured finance business and the business of the New Energy Promotion Department, which was formerly included in “Institutional Business Sub-Group” segment.

“Principal Transactions” segment in Institutional Group includes principal transaction business, which was formerly included in “Principal Transactions Sub-Group” segment, corporate support business, which was formerly included in “Institutional Business Sub-Group” segment and asset-backed investment and incubation businesses, which were formerly included in “Other Institutional Group” segment.

“Markets Sub-Group” segment in Global Markets Group includes investment business, which was formerly included in “Other Global Markets Group” segment. Also, “Other Global Markets Group” segment in Global Markets Group includes market research operation, which was formerly included in “Markets Sub-Group” segment.

“Other” segment in Corporate/Other includes planning and controlling operations of international business, which were formerly included in “Other Institutional Group” segment in Institutional Group.

On June 1, 2015, in the Individual Group, the Retail Banking Sub-Group and the Consumer Finance Sub-Group were abolished and the Individual Planning Sub-Group and the Individual Business Sub-Group were newly established, in order to realize best practices and pursue synergy effect for retail businesses of the Bank and Group entities by concentrating the Individual Group’s planning functions in the Individual Planning Sub-Group. As the result, “Retail Banking Sub-Group” segment was changed to “Retail Banking” segment and “Consumer Finance Sub-Group” segment was changed to “Consumer Finance” segment. These name changes have no impact on the segment information.

On March 1, 2015, APLUS in “APLUS FINANCIAL” segment in Individual Group merged with Shinsei Card Co., Ltd, which was formerly included in “Shinsei Financial” segment. As the result, there is a revision in the reportable segments.

As a result of this organizational change, classification of reportable segments was changed, and “Revenue and profit (loss) by reportable segments” for the nine-month periods ended December 31, 2014 and 2015 on the above tables are presented based on the new classification of reportable segments.

(Financial instruments)

Fair values of financial instruments as of March 31, 2015

(Millions of yen)

	Carrying amount	Fair value	Unrealized gain (loss)
(1) Other monetary claims purchased ¹	¥ 91,898	¥ 92,933	¥ 1,035
(2) Trading assets			
Securities held for trading purposes	37,954	37,954	—
(3) Monetary assets held in trust ¹	233,791	238,593	4,802
(4) Securities ²	1,414,567	1,406,555	(8,011)
(5) Loans and bills discounted ³	4,461,281		
Reserve for credit losses	(70,548)		
Net	4,390,732	4,499,552	108,819
(6) Lease receivables and leased investment assets ¹	222,871	224,768	1,897
(7) Other assets			
Installment receivables	459,133		
Deferred gains on installment receivables	(14,963)		
Reserve for credit losses	(10,996)		
Net	433,173	451,169	17,996
(8) Deposits	5,367,167	5,375,455	(8,287)
(9) Negotiable certificates of deposit	85,565	85,563	1
(10) Debentures	32,300	32,322	(22)
(11) Trading liabilities			
Trading securities sold for short sales	10,349	10,349	—
(12) Borrowed money	805,217	805,470	(252)
(13) Short-term corporate bonds	96,000	96,000	—
(14) Corporate bonds	157,505	160,033	(2,528)
(15) Derivative instruments ⁴ :			
Hedge accounting is not applied	(15,411)	(15,411)	—
Hedge accounting is applied	(9,474)	(9,474)	—
Derivative instruments total	(24,885)	(24,885)	—

(Millions of yen)

	Contract amount	Fair value
Other: Guarantee contracts ⁵	¥ 291,795	¥ (1,376)

¹ Carrying amounts of other monetary claims purchased, monetary assets held in trust, and lease receivables and leased investment assets are presented as the amount net of reserve for credit losses, because they are immaterial.

² Equity securities without readily available market price and some of investments in partnerships are out of the scope of fair value disclosure because their fair values cannot be reliably determined.

³ For consumer loans held by consolidated subsidiaries included in loans and bills discounted, reserve for losses on interest repayments of ¥170,250 million was recognized for estimated losses on reimbursements of excess interest payments, which included the reserve for losses on interest repayments that have a possibility of being appropriated for loan principal in the future.

⁴ 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.

⁵ Contract amount for guarantee contracts presents the amount of "Acceptances and guarantees" on the consolidated balance sheets. Unearned guarantee fees of ¥22,201 million were recognized as

“Other liabilities.”

Fair values of financial instruments as of December 31, 2015 (Millions of yen)

	Carrying amount	Fair value	Unrealized gain (loss)
(1) Other monetary claims purchased ¹	¥ 84,198	¥ 85,917	¥ 1,718
(2) Trading assets			
Securities held for trading purposes	42,003	42,003	—
(3) Monetary assets held in trust ¹	250,998	256,873	5,875
(4) Securities ²	1,142,960	1,130,971	(11,988)
(5) Loans and bills discounted ³	4,513,560		
Reserve for credit losses	(60,789)		
Net	4,452,771	4,573,941	121,170
(6) Lease receivables and leased investment assets ¹	209,347	210,738	1,391
(7) Other assets			
Installment receivables	501,434		
Deferred gains on installment receivables	(15,222)		
Reserve for credit losses	(11,314)		
Net	474,897	494,532	19,635
(8) Deposits	5,542,394	5,548,976	(6,581)
(9) Negotiable certificates of deposit	449,779	449,794	(14)
(10) Debentures	19,239	19,249	(9)
(11) Trading liabilities			
Trading securities sold for short sales	21,585	21,585	—
(12) Borrowed money	738,060	738,079	(19)
(13) Short-term corporate bonds	121,100	121,100	—
(14) Corporate bonds	95,467	96,832	(1,365)
(15) Derivative instruments ⁴ :			
Hedge accounting is not applied	(10,299)	(10,299)	—
Hedge accounting is applied	(8,008)	(8,008)	—
Derivative instruments total	(18,307)	(18,307)	—

(Millions of yen)

	Contract amount	Fair value
Other: Guarantee contracts ⁵	¥ 285,957	¥ (456)

¹ Carrying amounts of other monetary claims purchased, monetary assets held in trust, and lease receivables and leased investment assets are presented as the amount net of reserve for credit losses, because they are immaterial.

² Equity securities without readily available market price and some of investments in partnerships are out of the scope of fair value disclosure because their fair values cannot be reliably determined.

³ For consumer loans held by consolidated subsidiaries included in loans and bills discounted, reserve for losses on interest repayments of ¥140,073 million was recognized for estimated losses on reimbursements of excess interest payments, which included the reserve for losses on interest repayments that have a possibility of being appropriated for loan principal in the future.

⁴ 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.

⁵ Contract amount for guarantee contracts presents the amount of “Acceptances and guarantees” on

the quarterly consolidated balance sheets. Unearned guarantee fees of ¥21,858 million were recognized as “Other liabilities.”

(Note) Valuation methodologies for financial instruments

(1) Other monetary claims purchased

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

(2) Trading assets

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

(3) Monetary assets held in trust

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

Notes on monetary assets held in trust for other than trading purposes are included in notes for “Monetary assets held in trust.”

(4) Securities

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

Notes on securities being held to maturity and available for sale are included in notes for “Securities.”

(5) Loans and bills discounted

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

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

(6) Lease receivables and leased investment assets

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

(7) Installment receivables

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

(8) Deposits and (9) Negotiable certificates of deposit

The fair values of demand deposits, such as current deposits and ordinary deposits are recognized as the payment amount at the consolidated balance sheet date. The fair values of the deposits with maturity of six months or less approximate carrying amounts because of their short-term maturity.

The fair values of time deposits are determined by discounting the contractual cash flows at the rates that consist of the risk free rate and the spreads that would be applied for the new contracts with the same terms at the consolidated balance sheet date.

(10) Debentures and (14) Corporate bonds

The fair values of marketable debentures and corporate bonds are measured at market prices.

The fair values of nonmarketable corporate debentures and corporate bonds under the Medium Term Note program are determined by discounting expected cash flows at the actual average funding rates of corporate time deposits and debentures funded in the past three months of the consolidated balance sheet date. The fair values of retail debentures are determined by discounting contractual cash flows at the latest actual funding rates.

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.

(11) Trading liabilities

Fair values are measured at market prices.

(12) Borrowed money

The fair values of borrowed money with fixed interest rates are primarily determined by discounting contractual cash flows (for borrowed money hedged by interest rate swaps which meets specific matching criteria, the contractual cash flows include the cash flows of the interest rate swaps), and the fair values of borrowed money with floating interest rates are determined by discounting expected cash flows on forward rates, at the funding rates that reflect the credit risk of the borrower.

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

(13) Short-term corporate bonds

Fair values approximate carrying amounts because most of them are with short maturities of six months or less.

(15) Derivative instruments

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

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

(Securities)

In addition to "Securities" on the quarterly consolidated balance sheets, the figures in the following tables include beneficiary interests included in "Other monetary claims purchased" that are accounted for in the same way as securities.

1. Securities being held to maturity:

As of March 31, 2015 (Millions of yen)

	Carrying amount	Fair value	Unrealized gain (loss)
Japanese national government bonds	¥ 605,530	¥ 607,893	¥ 2,362
Other	39,002	41,647	2,644
Total	¥ 644,533	¥ 649,541	¥ 5,007

As of December 31, 2015 (Millions of yen)

	Carrying amount	Fair value	Unrealized gain (loss)
Japanese national government bonds	¥ 536,414	¥ 540,544	¥ 4,129
Other	25,984	26,982	997
Total	¥ 562,399	¥ 567,526	¥ 5,126

2. Securities available for sale:

As of March 31, 2015 (Millions of yen)

	Amortized/ Acquisition cost	Carrying amount (Fair value)	Unrealized gain (loss)
Equity securities	¥ 13,162	¥ 25,618	¥ 12,456
Domestic bonds	470,998	469,795	(1,202)
Japanese national government bonds	386,037	385,279	(757)
Japanese local government bonds	501	514	13
Japanese corporate bonds	84,459	84,001	(458)
Other	226,100	230,790	4,689
Total	¥ 710,261	¥ 726,204	¥ 15,942

As of December 31, 2015 (Millions of yen)

	Amortized/ Acquisition cost	Carrying amount (Fair value)	Unrealized gain (loss)
Equity securities	¥ 13,770	¥ 25,843	¥ 12,072
Domestic bonds	193,223	193,235	12
Japanese national government bonds	129,081	129,176	95
Japanese local government bonds	500	507	7
Japanese corporate bonds	63,640	63,550	(90)
Other	329,964	329,934	(30)
Total	¥ 536,958	¥ 549,012	¥ 12,054

(Note)

Individual securities are written down when a decline in fair value below the cost of such securities is deemed to be other than temporary. The amount written down is accounted for as an impairment loss.

Impairment loss on available-for-sale securities carried at fair value for the fiscal year ended March 31, 2015 was ¥2,072 million, which consisted of ¥2,069 million for Japanese corporate bonds and ¥2 million for other securities.

Impairment loss on available-for-sale securities carried at fair value for the nine-month period ended December 31, 2015 was ¥21 million, which consisted of ¥21 million for equity securities.

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

(Monetary assets held in trust)

1. There were no monetary assets held in trust held to maturity as of March 31, 2015 and December 31, 2015.

2. Monetary assets held in trust other than for trading purposes and held to maturity:

As of March 31, 2015 (Millions of yen)

	Acquisition cost	Carrying amount	Unrealized gain (loss)
Other monetary assets held in trust	¥ 184,880	¥ 183,633	¥ (1,246)

As of December 31, 2015 (Millions of yen)

	Acquisition cost	Carrying amount	Unrealized gain (loss)
Other monetary assets held in trust	¥ 214,816	¥ 213,876	¥ (940)

(Derivative transactions)

Fair values of derivatives are adjusted for credit risk and liquidity risk by directly reducing reasonably estimated reserves from relevant trading assets. The fair values of derivatives on the consolidated balance sheets as of March 31, 2015 and December 31, 2015 are adjusted for credit risk by a reduction of ¥995 million and ¥801 million, respectively, and also adjusted for liquidity risk by a reduction of ¥1,080 million and ¥1,123 million, respectively. Regardless of this accounting treatment, the reduction of those risks is not reflected in the fair values shown in the following tables.

(1) Interest rate-related transactions:

As of March 31, 2015 (Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Future contracts	¥ 10,068	¥ 9	¥ 9
	Interest rate options	746	(0)	0
Over the counter	Forward contracts	—	—	—
	Interest rate swaps	13,675,992	23,111	23,111
	Interest rate swaptions	1,959,825	(6,496)	(2,245)
	Interest rate options	113,500	(93)	(83)
	Other	—	—	—
Total		—	¥ 16,530	¥ 20,792

(Note) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income. Derivatives for which hedge accounting is adopted in accordance with Industry Audit Committee Report No. 24 of the Japanese Institute of Certified Public Accountant (the "JICPA") are excluded from the table above.

As of December 31, 2015 (Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Future contracts	¥ 86,555	¥ 5	¥ 5
	Interest rate options	68,701	36	33
Over the counter	Forward contracts	—	—	—
	Interest rate swaps	12,185,861	23,042	23,042
	Interest rate swaptions	1,915,404	(7,513)	(3,179)
	Interest rate options	100,243	(51)	(39)
	Other	—	—	—
Total		—	¥ 15,519	¥ 19,863

(Note) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income. Derivatives for which hedge accounting is adopted in accordance with Industry Audit Committee Report No. 24 of the JICPA are excluded from the table above.

(2) Currency-related transactions:

As of March 31, 2015

(Millions of yen)

	Contract type	Contract/ Notional principal	Fair value	Unrealized gain (loss)
Listed	Future foreign exchange contracts	—	—	—
	Currency options	—	—	—
Over the counter	Currency swaps	¥ 849,626	¥ (33,015)	¥ (33,015)
	Forward foreign exchange contracts	1,423,403	9,919	9,919
	Currency options	1,803,459	(15,071)	(16,090)
	Other	—	—	—
Total		—	¥ (38,167)	¥ (39,185)

(Note) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income. Fund swap transactions and currency swap transactions for which hedge accounting is adopted in accordance with Industry Audit Committee Report No. 25 of the JICPA are excluded from the table above.

As of December 31, 2015

(Millions of yen)

	Contract type	Contract/ Notional principal	Fair value	Unrealized gain (loss)
Listed	Future foreign exchange contracts	—	—	—
	Currency options	—	—	—
Over the counter	Currency swaps	¥ 798,270	¥ (31,876)	¥ (31,876)
	Forward foreign exchange contracts	1,570,837	11,365	11,365
	Currency options	1,622,211	(5,094)	(3,777)
	Other	—	—	—
Total		—	¥ (25,606)	¥ (24,289)

(Note) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income. Fund swap transactions and currency swap transactions for which hedge accounting is adopted in accordance with Industry Audit Committee Report No. 25 of the JICPA are excluded from the table above.

(3) Equity-related transactions:

As of March 31, 2015

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Equity index futures	¥ 40,895	¥(1,725)	¥(1,725)
	Equity index options	540,171	(2,098)	(3,992)
	Equity options	—	—	—
Over the counter	Equity options	111,681	12,559	10,518
	Equity index swaps	—	—	—
	Other	121,277	(404)	(404)
Total		—	¥ 8,330	¥ 4,395

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

As of December 31, 2015

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Equity index futures	¥ 15,514	¥(299)	¥(299)
	Equity index options	301,295	(2,562)	(2,721)
	Equity options	—	—	—
Over the counter	Equity options	58,436	4,599	3,574
	Equity index swaps	—	—	—
	Other	4,377	(82)	(82)
Total		—	¥ 1,654	¥ 470

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

(4) Bond-related transactions:

As of March 31, 2015 (Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Bond futures	¥ 23,334	¥ 18	¥ 18
	Bond futures options	—	—	—
Over the counter	Bond options	—	—	—
	Other	—	—	—
Total		—	¥ 18	¥ 18

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

As of December 31, 2015 (Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Bond futures	¥ 35,949	¥ 120	¥ 120
	Bond futures options	18,587	4	11
Over the counter	Bond options	—	—	—
	Other	—	—	—
Total		—	¥ 124	¥ 131

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

(5) There were no commodity derivatives transactions as of March 31, 2015 and December 31, 2015.

(6) Credit derivative transactions:

As of March 31, 2015 (Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Over the counter	Credit default options	¥ 523,613	¥ (48)	¥ (48)
	Other	—	—	—
Total		—	¥ (48)	¥ (48)

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

As of December 31, 2015 (Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Over the counter	Credit default options	¥ 422,445	¥ (67)	¥ (67)
	Other	—	—	—
Total		—	¥ (67)	¥ (67)

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

(Per share information)

Basic and diluted net income per share ("EPS") and their calculation basis were as follows.

Diluted EPS for the nine-month period ended December 31, 2014 is not presented because the existing potential common shares have no dilutive effect.

		December 31, 2014 (9 months)	December 31, 2015 (9 months)
(1) Basic EPS	(Yen)	¥ 19.73	¥ 18.13
(Calculation basis)			
Profit attributable to owners of the parent	(Millions of yen)	¥ 52,364	¥ 48,125
The amount which is not attributable to common shareholders	(Millions of yen)	—	—
Profit attributable to owners of the parent available to common shareholders	(Millions of yen)	¥ 52,364	¥ 48,125
Weighted average number of common shares	(Thousands)	2,653,918	2,653,918
(2) Diluted EPS	(Yen)	—	¥ 18.13
(Calculation basis)			
Adjustment amount of profit attributable to owners of the parent	(Millions of yen)	—	—
Increase of the number of common shares	(Thousands)	—	5

(Subsequent event)

There is no material subsequent event to be presented.