

# Quarterly Consolidated Financial Statements and Notes

For the Three-Month Period Ended June 30, 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 June 30, 2015

(Millions of yen)

	March 31, 2015	June 30, 2015
<b>ASSETS</b>		
Cash and due from banks	¥ 881,776	¥ 922,299
Call loans and bills bought	30,000	20,000
Receivables under resale agreements	53,216	53,216
Receivables under securities borrowing transactions	8,750	25,487
Other monetary claims purchased	93,412	87,805
Trading assets	317,399	313,926
Monetary assets held in trust	233,918	256,797
Securities	1,477,352	1,495,887
Loans and bills discounted	1 4,461,281	1 4,384,698
Foreign exchanges	18,537	16,758
Lease receivables and leased investment assets	227,047	222,417
Other assets	1.2 788,647	1.2 888,183
Premises and equipment	46,285	49,527
Intangible assets	3.4 49,655	3.4 47,539
Assets for retirement benefits	3,625	3,659
Deferred issuance expenses for debentures	12	8
Deferred tax assets	15,373	15,690
Customers' liabilities for acceptances and guarantees	291,795	310,072
Reserve for credit losses	(108,232)	(101,433)
[Total assets]	¥ 8,889,853	¥ 9,012,542
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities:</b>		
Deposits	¥ 5,367,167	¥ 5,393,228
Negotiable certificates of deposit	85,565	108,939
Debentures	32,300	28,020
Call money and bills sold	230,000	330,000
Payables under repurchase agreements	29,152	45,770
Payables under securities lending transactions	103,369	99,935
Trading liabilities	267,976	259,197
Borrowed money	805,217	777,175
Foreign exchanges	27	19
Short-term corporate bonds	96,000	104,200
Corporate bonds	157,505	169,294
Other liabilities	481,359	439,668
Accrued employees' bonuses	8,774	2,597
Accrued directors' bonuses	88	26
Liabilities for retirement benefits	8,749	8,061
Reserve for directors' retirement benefits	95	—
Reserve for losses on interest repayments	170,250	159,562
Deferred tax liabilities	694	730
Acceptances and guarantees	291,795	310,072
[Total liabilities]	8,136,091	8,236,501
<b>Equity:</b>		
<b>Shareholders' equity:</b>		
Common stock	512,204	512,204
Capital surplus	79,461	79,461
Retained earnings	209,419	229,287
Treasury stock, at cost	(72,558)	(72,558)
[Total shareholders' equity]	728,526	748,395
<b>Accumulated other comprehensive income:</b>		
Unrealized gain (loss) on available-for-sale securities	10,830	10,703
Deferred gain (loss) on derivatives under hedge accounting	(11,501)	(9,811)
Foreign currency translation adjustments	3,682	4,674
Defined retirement benefit plans	(515)	(329)
[Total accumulated other comprehensive income]	2,496	5,237
Stock acquisition rights	1,211	514
Noncontrolling interests	21,528	21,893
[Total equity]	753,762	776,040
[Total liabilities and equity]	¥ 8,889,853	¥ 9,012,542

## Quarterly Consolidated Statements of Income

Shinsei Bank, Limited, and Consolidated Subsidiaries

For the three-month periods ended June 30, 2014 and 2015

(Millions of yen)

	June 30, 2014 ( 3 months )		June 30, 2015 ( 3 months )	
<b>ORDINARY INCOME</b>	¥ 98,299		¥ 94,474	
Interest income	36,916		35,598	
Interest on loans and bills discounted	31,648		30,996	
Interest and dividends on securities	4,527		4,005	
Fees and commissions income	10,189		11,610	
Trading income	3,700		3,322	
Other business income	1	38,050	1	36,450
Other ordinary income	2	9,442	2	7,492
<b>ORDINARY EXPENSES</b>	76,941		71,560	
Interest expenses	6,015		4,458	
Interest on deposits	3,168		1,665	
Interest on borrowings	1,163		1,200	
Interest on corporate bonds	1,327		1,140	
Fees and commissions expenses	5,371		5,322	
Trading losses	108		43	
Other business expenses	3	24,623	3	23,969
General and administrative expenses	4	37,885	4	37,118
Other ordinary expenses	5	2,937	5	646
<b>ORDINARY PROFIT</b>	21,358		22,914	
Extraordinary gains	6	350	6	710
Extraordinary losses	222		81	
Income before income taxes	21,486		23,543	
Income taxes (benefit)	681		822	
Profit	20,804		22,721	
Profit attributable to noncontrolling interests	809		198	
<b>Profit attributable to owners of parent</b>	¥ 19,994		¥ 22,522	

## Quarterly Consolidated Statements of Comprehensive Income

Shinsei Bank, Limited, and Consolidated Subsidiaries

For the three-month periods ended June 30, 2014 and 2015

(Millions of yen)

	June 30, 2014 ( 3 months )	June 30, 2015 ( 3 months )
<b>Profit</b>	¥ 20,804	¥ 22,721
<b>OTHER COMPREHENSIVE INCOME</b>	200	2,927
Unrealized gain (loss) on available-for-sale securities	604	(133)
Deferred gain (loss) on derivatives under hedge accounting	(612)	1,690
Foreign currency translation adjustments	(363)	531
Defined retirement benefit plans	556	186
Share of other comprehensive income in affiliates	15	652
<b>COMPREHENSIVE INCOME</b>	¥ 21,005	¥ 25,649

(Breakdown)

Attributable to:

Owners of parent	¥ 20,294	¥ 25,263
Noncontrolling interests	711	385

**(Change in accounting policy)**

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

As of the first quarter of fiscal year 2015, “Accounting Standard for Business Combinations,” (ASBJ Statement No.21, issued September 13, 2013), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22, issued September 13, 2013) “Accounting Standard for Business Divestitures” (ASBJ Statement No.22, issued September 13, 2013), etc., have been applied , and in addition to the amount by which the Bank’s ownership interest in a subsidiary is changed will now be accounted for as capital surplus as long as the Bank retains control over its subsidiary, 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 fiscal year 2015, 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 at the acquisition date. Furthermore, the Bank has altered the presentation of profit, etc. and the presentation of “minority interest” is changed to “noncontrolling interest.” In order to reflect the preceding changes, quarterly consolidated financial statements and consolidated financial statements in the previous quarterly consolidated accumulated period and in the previous consolidated accounting period are being reclassified.

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, Accounting Standard for Consolidated Financial Statements Section 44-5 and Accounting Standard for Business Divestitures Section 57-4, and as of the first quarter of fiscal year 2015, the changes have been applied and will continue to be applied going forward.

The effect of this application on net income for the three-month period ended June 30, 2015 and capital surplus as of June 30, 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 three-month period ended June 30, 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 June 30, 2015)**

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

(Millions of yen)

	March 31, 2015	June 30, 2015
Loans to bankrupt obligors	¥ 3,248	¥ 3,310
Nonaccrual delinquent loans	87,796	68,217
Loans past due for three months or more	1,366	1,732
Restructured loans	29,114	28,547
Total	¥ 121,526	¥ 101,807

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

(Millions of yen)

	March 31, 2015	June 30, 2015
Credits to bankrupt obligors	¥ 151	¥ 116
Nonaccrual delinquent credits	9,027	8,556
Credits past due for three months or more	807	442
Restructured credits	506	455
Total	¥ 10,492	¥ 9,570

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	June 30, 2015
Installment receivables	¥ 459,133	¥ 464,728

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	June 30, 2015
Goodwill	¥ 27,732	¥ 26,288
Negative goodwill	4,534	4,443
Net	¥ 23,197	¥ 21,844

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	June 30, 2015
Intangible assets acquired in business combinations	¥ 6,350	¥ 5,757

**(Quarterly consolidated statements of income for the three-month periods ended June 30, 2014 and 2015)**

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

(Millions of yen)

	June 30, 2014 (3 months)	June 30, 2015 (3 months)
Leasing revenue	¥ 22,262	¥ 22,931

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

(Millions of yen)

	June 30, 2014 (3 months)	June 30, 2015 (3 months)
Gain on monetary assets held in trust	¥ 4,229	¥ 3,788
Recoveries of written-off claims	2,520	1,424
Reversal of reserve for credit losses	—	854

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

(Millions of yen)

	June 30, 2014 (3 months)	June 30, 2015 (3 months)
Leasing cost	¥ 20,053	¥ 20,738

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

(Millions of yen)

	June 30, 2014 (3 months)	June 30, 2015 (3 months)
Amortization of goodwill	¥ 1,517	¥ 1,353
Amortization of intangible assets acquired in business combinations <sup>(Note)</sup>	760	592

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 were included.

(Millions of yen)

	June 30, 2014 (3 months)	June 30, 2015 (3 months)
Provision of reserve for credit losses	¥ 952	¥ —
Losses on write-off or sales of loans	904	214

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

(Millions of yen)

	June 30, 2014 (3 months)	June 30, 2015 (3 months)
Reversal of stock acquisition rights	¥ 1	¥ 696

**(Quarterly consolidated statements of cash flows for the three-month periods ended June 30, 2014 and 2015)**

Quarterly consolidated statements of cash flows for the three-month periods ended June 30, 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)

	June 30, 2014 (3 months)	June 30, 2015 (3 months)
Depreciation (other than depreciation of leased assets as lessor)	¥ 2,537	¥ 2,548
Amortization of goodwill	1,517	1,353
Amortization of intangible assets acquired in business combinations	760	592

**(Shareholders equity)**

**Three-month period ended June 30, 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 three-month period ended June 30, 2014, and of which the effective date was after June 30, 2014.

**Three-month period ended June 30, 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 three-month period ended June 30, 2015, and of which the effective date was after June 30, 2015.



## (Segment information)

### Three-month period ended June 30, 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:	¥ 4,327	¥ 6,379	¥ 7,635	¥ 3,092	¥ 2,113	¥ 661
Net interest income	3,361	4,051	1,546	(566)	893	43
Noninterest income	966	2,328	6,088	3,658	1,219	618
Expenses	2,392	1,233	1,718	1,979	851	857
Net credit costs (recoveries)	(410)	(1,251)	(42)	(1,256)	26	(24)
Segment profit (loss)	¥ 2,345	¥ 6,398	¥ 5,960	¥ 2,369	¥ 1,235	¥ (170)

(Millions of yen)

	Individual Group				Corporate/Other		Total
	Retail Banking	Consumer Finance			Treasury Sub-Group	Other	
		Shinsei Financial	APLUS FINANCIAL	Other			
Revenue:	¥ 6,930	¥ 13,135	¥ 12,176	¥ 366	¥ 926	¥ 140	¥ 57,885
Net interest income	5,917	13,893	1,676	310	(225)	(1)	30,901
Noninterest income	1,012	(758)	10,500	55	1,151	141	26,984
Expenses	8,349	8,100	9,123	143	403	(116)	35,037
Net credit costs (recoveries)	77	112	2,031	(6)	—	7	(735)
Segment profit (loss)	¥ (1,497)	¥ 4,922	¥ 1,021	¥ 228	¥ 522	¥ 248	¥ 23,584

#### (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 three-month period ended June 30, 2014

(Millions of yen)

Profit	Amount
Total segment profit	¥ 23,584
Amortization of goodwill acquired in business combinations	(1,482)
Amortization of intangible assets acquired in business combinations	(760)
Lump-sum payments	(605)
Other	622
Ordinary profit on the quarterly consolidated statement of income	¥ 21,358

**Three-month period ended June 30, 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:	¥ 3,516	¥ 5,070	¥ 4,799	¥ 3,059	¥ 2,418	¥ 1,020
Net interest income	2,670	3,140	1,745	(490)	350	36
Noninterest income	846	1,929	3,053	3,549	2,067	983
Expenses	2,616	1,401	1,284	2,006	917	996
Net credit costs (recoveries)	614	(7,039)	(32)	(928)	(29)	19
Segment profit (loss)	¥ 285	¥ 10,708	¥ 3,547	¥ 1,982	¥ 1,530	¥ 4

(Millions of yen)

	Individual Group				Corporate/Other		Total
	Retail Banking	Consumer Finance			Treasury Sub-Group	Other	
		Shinsei Financial	APLUS FINANCIAL	Other			
Revenue:	¥ 7,497	¥ 14,321	¥ 12,654	¥ 369	¥ 3,000	¥ 232	¥ 57,961
Net interest income	5,420	14,979	1,611	317	1,364	(5)	31,139
Noninterest income	2,077	(657)	11,043	52	1,636	238	26,821
Expenses	8,273	8,050	9,102	177	426	(329)	34,924
Net credit costs (recoveries)	124	3,463	1,913	(131)	—	0	(2,026)
Segment profit (loss)	¥ (901)	¥ 2,807	¥ 1,638	¥ 323	¥ 2,574	¥ 562	¥ 25,064

(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 three-month period ended June 30, 2015

(Millions of yen)

Profit	Amount
Total segment profit	¥ 25,064
Amortization of goodwill acquired in business combinations	(1,318)
Amortization of intangible assets acquired in business combinations	(592)
Lump-sum payments	(271)
Other	32
Ordinary profit on the quarterly consolidated statement of income	¥ 22,914

3. Changes in reportable segments, etc.

Changes in classification of reportable segments

The Shinsei Bank Group, on April 1, 2015, integrated the "Financial Institutions Sub-Group" of the Global Markets Group into the "Institutional Business Sub-Group" of the Institutional Group. Additionally, on May 1, 2015, the Shinsei Bank Group has altered the organizational structure of the Institutional Group through the abolition of the Sub-Group structure in the Institutional Group as part of its efforts for creating a centralized planning promotion function to strengthen the corporate sales structure and for promoting a more integrated operation of the Institutional Group. Furthermore, the "Overseas Banking Division" of the Institutional Group was transferred to the "Corporate Planning Division" of the Corporate Staff Group in order to centralize the planning promotion function and management of overseas business of the Bank. Also, as of May 31, 2015, the "Asset Backed Investments Division" of the Institutional Group was abolished and its businesses were transferred to the Principal Investments Department of the Institutional Business Planning Division. As a result, the classification of reportable segments for the three-month period ended June 30, 2015 has been changed as follows:

The "Institutional Business" segment of the Institutional Group includes institutional business services which were previously part of the "Institutional Business Sub-Group" and business services which were previously part of the "Financial Institutions Sub-Group" of the

Global Markets Group.

The “Structured Finance” segment of the Institutional Group includes structured finance services which were previously part of the “Institutional Business Sub-Group” segment.

The “Principal Transactions” segment of the Institutional Group includes principal transaction services which were previously part of the “Principal Transactions Sub-Group,” corporate support services which were previously included in the “Institutional Business Sub-Group” segment and asset-backed investment and business incubation services which were previously included in the “Other Institutional Group” segment.

The “Other” segment of Corporate/Other includes a planning promotion function and a planning function for overseas business which were previously part of the “Other Institutional Group” segment of the Institutional Group.

It should be noted that as of June 1, 2015, the “Retail Banking Sub-Group” and the “Consumer Finance Sub-Group” of the Individual Group were abolished and the “Individual Planning Sub-Group” and the “Individual Business Sub-Group” were newly established for the purpose of centralizing planning promotion functions within the Individual Group in the “Individual Planning Sub-Group,” which is expected to contribute to the strengthening of the individual business structure and facilitate a more integrated operation of the Group. As a part of this change, the “Retail Banking Sub-Group” segment and “Consumer Finance Sub-Group” segment were respectively renamed to the “Retail Banking” segment and the “Consumer Finance,” segment. There are no effects on segment information resulting from these changes of segment names.

It should be noted that the amounts of net interest income and noninterest income of reportable segments for the three-month period ended June 30, 2014 are prepared in accordance with reportable segment classifications of the three-month period ended June 30, 2015.

**(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 <sup>1</sup>	¥ 91,898	¥ 92,933	¥ 1,035
(2) Trading assets			
Securities held for trading purposes	37,954	37,954	—
(3) Monetary assets held in trust <sup>1</sup>	233,791	238,593	4,802
(4) Securities <sup>2</sup>	1,414,567	1,406,555	(8,011)
(5) Loans and bills discounted <sup>3</sup>	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 <sup>1</sup>	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 <sup>4</sup> :			
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 <sup>5</sup>	¥ 291,795	¥ (1,376)

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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.

<sup>5</sup> 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 June 30, 2015

(Millions of yen)

	Carrying amount	Fair value	Unrealized gain (loss)
(1) Other monetary claims purchased <sup>1</sup>	¥ 86,298	¥ 87,933	¥ 1,635
(2) Trading assets			
Securities held for trading purposes	56,339	56,339	—
(3) Monetary assets held in trust <sup>1</sup>	256,274	261,083	4,809
(4) Securities <sup>2</sup>	1,433,601	1,424,999	(8,602)
(5) Loans and bills discounted <sup>3</sup>	4,384,698		
Reserve for credit losses	(64,190)		
Net	4,320,508	4,428,436	107,928
(6) Lease receivables and leased investment assets <sup>1</sup>	219,035	220,427	1,391
(7) Other assets			
Installment receivables	464,728		
Deferred gains on installment receivables	(15,124)		
Reserve for credit losses	(10,726)		
Net	438,877	457,440	18,563
(8) Deposits	5,393,228	5,401,308	(8,080)
(9) Negotiable certificates of deposit	108,939	108,937	1
(10) Debentures	28,020	28,037	(16)
(11) Trading liabilities			
Trading securities sold for short sales	21,857	21,857	—
(12) Borrowed money	777,175	778,160	(985)
(13) Short-term corporate bonds	104,200	104,200	—
(14) Corporate bonds	169,294	171,501	(2,207)
(15) Derivative instruments <sup>4</sup> :			
Hedge accounting is not applied	(19,025)	(19,025)	—
Hedge accounting is applied	(9,495)	(9,495)	—
Derivative instruments total	(28,521)	(28,521)	—

(Millions of yen)

	Contract amount	Fair value
Other: Guarantee contracts <sup>5</sup>	¥ 310,072	¥ (949)

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

<sup>2</sup> 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.

<sup>3</sup> For consumer loans held by consolidated subsidiaries included in loans and bills discounted, reserve for losses on interest repayments of ¥159,562 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.

<sup>4</sup> 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.

<sup>5</sup> Contract amount for guarantee contracts presents the amount of “Acceptances and guarantees” on the quarterly consolidated balance sheets. Unearned guarantee fees of ¥22,076 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 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 maturities of six months or less are approximate carrying amounts due to their short-term maturities.

The fair values of time deposits are determined by discounting the contractual cash flows at the rates 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 June 30, 2015

(Millions of yen)

	Carrying amount	Fair value	Unrealized gain (loss)
Japanese national government bonds	¥ 590,192	¥ 592,820	¥ 2,627
Other	37,684	39,984	2,300
Total	¥ 627,877	¥ 632,805	¥ 4,927

### 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 June 30, 2015

(Millions of yen)

	Amortized/ Acquisition cost	Carrying amount (Fair value)	Unrealized gain (loss)
Equity securities	¥ 13,734	¥ 26,895	¥ 13,161
Domestic bonds	480,315	478,984	(1,331)
Japanese national government bonds	410,263	409,204	(1,059)
Japanese local government bonds	501	512	11
Japanese corporate bonds	69,551	69,267	(283)
Other	250,797	253,569	2,771
Total	¥ 744,847	¥ 759,449	¥ 14,601

(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 three-month period ended June 30, 2015 was ¥19 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 June 30, 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 June 30, 2015 (Millions of yen)

	Acquisition cost	Carrying amount	Unrealized gain (loss)
Other monetary assets held in trust	¥ 219,756	¥ 218,686	¥ (1,070)

## (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 June 30, 2015 are adjusted for credit risk by a reduction of ¥995 million and ¥996 million, respectively, and also adjusted for liquidity risk by a reduction of ¥1,080 million and ¥1,067 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 June 30, 2015

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Future contracts	¥ 11,691	¥ 10	¥ 10
	Interest rate options	108,519	9	(18)
Over the counter	Forward contracts	—	—	—
	Interest rate swaps	13,542,510	21,521	21,521
	Interest rate swaptions	1,958,259	(4,787)	87
	Interest rate options	114,465	(70)	(53)
	Other	—	—	—
Total		—	¥ 16,683	¥ 21,547

(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 June 30, 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	¥ 836,748	¥ (33,601)	¥ (33,601)
	Forward foreign exchange contracts	1,392,013	7,531	7,531
	Currency options	1,796,158	(15,087)	(14,850)
	Other	—	—	—
Total		—	¥ (41,157)	¥ (40,920)

(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 June 30, 2015

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Equity index futures	¥ 27,048	¥ (3,069)	¥ (3,069)
	Equity index options	497,794	(3,001)	(4,429)
	Equity options	—	—	—
Over the counter	Equity options	111,681	13,611	11,570
	Equity index swaps	—	—	—
	Other	27,577	(113)	(113)
Total		—	¥ 7,427	¥ 3,958

(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 June 30, 2015 (Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Bond futures	¥ 78,652	¥ 49	¥ 49
	Bond futures options	30,518	108	(50)
Over the counter	Bond options	—	—	—
	Other	—	—	—
Total		—	¥ 158	¥ (1)

(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 June 30, 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 June 30, 2015 (Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Over the counter	Credit default options	¥ 484,136	¥ (74)	¥ (74)
	Other	—	—	—
Total		—	¥ (74)	¥ (74)

(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 three-month period ended June 30, 2015 is not presented because the existing potential common shares have no dilutive effect.

		June 30, 2014 (3 months)	June 30, 2015 (3 months)
(1) Basic EPS	(Yen)	¥ 7.53	¥ 8.48
(Calculation basis)			
Profit attributable to owners of parent	(Millions of yen)	¥ 19,994	¥ 22,522
The amount which is not attributable to common shareholders	(Millions of yen)	—	—
Profit attributable to owners of parent which are applicable to common shares	(Millions of yen)	¥ 19,994	¥ 22,522
Weighted average number of common shares	(Thousands)	2,653,919	2,653,918
(2) Diluted EPS	(Yen)	—	8.48
(Calculation basis)			
Adjustment amount of profit attributable to owners of parent	(Millions of yen)	—	—
Increase of the number of common shares	(Thousands)	—	5

**(Subsequent event)**

On May 26, 2015, the Bank decided to redeem the preferred securities issued by the Bank's wholly owned subsidiaries outside Japan, which were subsequently redeemed on July 23, 2015. The outline of the redeemed preferred securities is as follows:

- (1) Issuer  
Shinsei Finance V (Cayman) Limited
- (2) Type of securities  
Japanese yen denominated preferred securities
- (3) Aggregate redemption amount  
¥9,000 million
- (4) Redemption date  
July 23, 2015
- (5) Reason for redemption  
Optional redemption date has arrived.