

Quarterly Consolidated Financial Statements and Notes

For the Three-Month Period Ended June 30, 2017

*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, 2017 and June 30, 2017

(Millions of yen)

	March 31, 2017	June 30, 2017
ASSETS		
Cash and due from banks	¥ 1,398,691	¥ 1,504,707
Call loans and bills bought	4,472	—
Receivables under securities borrowing transactions	1,625	5,654
Other monetary claims purchased	44,243	40,194
Trading assets	244,113	226,398
Monetary assets held in trust	241,681	230,071
Securities	1,014,635	1,099,989
Loans and bills discounted	1 4,833,452	1 4,859,742
Foreign exchanges	19,617	22,312
Lease receivables and leased investment assets	191,488	184,029
Other assets	1,2 895,158	1,2 824,496
Premises and equipment	47,980	50,652
Intangible assets	3,4 52,020	3,4 54,372
Assets for retirement benefits	7,075	7,800
Deferred issuance expenses for debentures	0	0
Deferred tax assets	15,542	15,778
Customers' liabilities for acceptances and guarantees	346,675	346,691
Reserve for credit losses	(100,154)	(94,206)
[Total assets]	¥ 9,258,324	¥ 9,378,686
LIABILITIES AND EQUITY		
Liabilities:		
Deposits	¥ 5,489,248	¥ 5,562,216
Negotiable certificates of deposit	373,673	343,625
Debentures	6,561	5,377
Call money and bills sold	53,600	110,400
Payables under repurchase agreements	36,467	32,120
Payables under securities lending transactions	337,952	370,825
Trading liabilities	212,241	207,250
Borrowed money	789,670	777,507
Foreign exchanges	102	64
Short-term corporate bonds	168,000	199,400
Corporate bonds	112,600	110,600
Other liabilities	388,307	375,501
Accrued employees' bonuses	8,519	2,482
Accrued directors' bonuses	75	17
Liabilities for retirement benefits	8,256	8,293
Reserve for reimbursement of debentures	3,737	3,299
Reserve for losses on interest repayments	101,846	94,665
Acceptances and guarantees	346,675	346,691
[Total liabilities]	8,437,537	8,550,338
Equity:		
Shareholders' equity:		
Common stock	512,204	512,204
Capital surplus	78,506	78,506
Retained earnings	312,538	320,897
Treasury stock, at cost	(79,539)	(79,539)
[Total shareholders' equity]	823,710	832,068
Accumulated other comprehensive income:		
Unrealized gain (loss) on available-for-sale securities	10,299	10,879
Deferred gain (loss) on derivatives under hedge accounting	(13,925)	(14,769)
Foreign currency translation adjustments	199	(331)
Defined retirement benefit plans	(1,344)	(1,135)
[Total accumulated other comprehensive income]	(4,770)	(5,356)
Stock acquisition rights	584	328
Noncontrolling interests	1,262	1,307
[Total equity]	820,786	828,347
[Total liabilities and equity]	¥ 9,258,324	¥ 9,378,686

Quarterly Consolidated Statements of Income

Shinsei Bank, Limited, and Consolidated Subsidiaries

For the three-month periods ended June 30, 2016 and 2017

(Millions of yen)

	June 30, 2016 (3 months)		June 30, 2017 (3 months)	
ORDINARY INCOME	¥ 90,658		¥ 92,427	
Interest income	34,356		36,646	
Interest on loans and bills discounted	31,311		32,925	
Interest and dividends on securities	2,462		3,256	
Fees and commissions income	11,721		12,029	
Trading income	2,975		1,946	
Other business income	1	37,327	1	36,239
Other ordinary income	2	4,276	2	5,564
ORDINARY EXPENSES	79,699		80,392	
Interest expenses	3,957		4,711	
Interest on deposits	1,812		2,056	
Interest on borrowings	982		855	
Interest on corporate bonds	288		272	
Fees and commissions expenses	5,800		6,301	
Trading losses	9		—	
Other business expenses	3	22,788	3	20,896
General and administrative expenses	4	37,018	4	37,219
Other ordinary expenses	5	10,126	5	11,263
ORDINARY PROFIT	10,958		12,035	
Extraordinary gains	6	309	6	293
Extraordinary losses	7	542		61
Income before income taxes	10,726		12,267	
Income taxes (benefit)	2,494		1,257	
Profit	8,231		11,010	
Profit (loss) attributable to noncontrolling interests	41		63	
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 8,190		¥ 10,946	

Quarterly Consolidated Statements of Comprehensive Income

Shinsei Bank, Limited, and Consolidated Subsidiaries

For the three-month periods ended June 30, 2016 and 2017

(Millions of yen)

	June 30, 2016 (3 months)	June 30, 2017 (3 months)
PROFIT	¥ 8,231	¥ 11,010
OTHER COMPREHENSIVE INCOME	(5,141)	(588)
Unrealized gain (loss) on available-for-sale securities	1,365	(325)
Deferred gain (loss) on derivatives under hedge accounting	(3,209)	(843)
Foreign currency translation adjustments	(1,298)	(435)
Defined retirement benefit plans	(15)	205
Share of other comprehensive income in affiliates	(1,983)	810
COMPREHENSIVE INCOME	¥ 3,089	¥ 10,422

(Breakdown)

Attributable to:

Owners of the parent	¥ 3,826	¥ 10,360
Noncontrolling interests	(736)	61

(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, 2017 and the reasonably estimated effective tax rate for the fiscal year ending March 31, 2018.

(Quarterly consolidated balance sheets as of March 31, 2017 and June 30, 2017)

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

(Millions of yen)

	March 31, 2017	June 30, 2017
Loans to bankrupt obligors	¥ 4,618	¥ 4,912
Nonaccrual delinquent loans	33,358	31,416
Loans past due for three months or more	1,728	1,922
Restructured loans	32,023	33,228
Total	¥ 71,728	¥ 71,479

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

(Millions of yen)

	March 31, 2017	June 30, 2017
Credits to bankrupt obligors	¥ 113	¥ 114
Nonaccrual delinquent credits	9,306	7,616
Credits past due for three months or more	423	481
Restructured credits	184	160
Total	¥ 10,028	¥ 8,372

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, 2017	June 30, 2017
Installment receivables	¥ 541,401	¥ 533,067

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, 2017	June 30, 2017
Goodwill	¥ 18,492	¥ 17,626
Negative goodwill	3,808	3,717
Net	¥ 14,683	¥ 13,909

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, 2017	June 30, 2017
Intangible assets acquired in business combinations	¥ 2,504	¥ 2,147

(Quarterly consolidated statements of income for the three-month periods ended June 30, 2016 and 2017)

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

(Millions of yen)

	June 30, 2016 (3 months)	June 30, 2017 (3 months)
Leasing revenue	¥ 20,611	¥ 19,066

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

(Millions of yen)

	June 30, 2016 (3 months)	June 30, 2017 (3 months)
Recoveries of written-off claims	¥ 1,267	¥ 1,590
Equity in net income of affiliates	238	1,432
Gain on monetary assets held in trust	1,328	765

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

(Millions of yen)

	June 30, 2016 (3 months)	June 30, 2017 (3 months)
Leasing cost	¥ 18,520	¥ 17,495

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

(Millions of yen)

	June 30, 2016 (3 months)	June 30, 2017 (3 months)
Amortization of goodwill	¥ 1,067	¥ 774
Amortization of intangible assets acquired in business combinations ^(Note)	474	357

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)

	June 30, 2016 (3 months)	June 30, 2017 (3 months)
Provision of reserve for credit losses	¥ 8,906	¥ 10,437

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

(Millions of yen)

	June 30, 2016 (3 months)	June 30, 2017 (3 months)
Gains on unexercised and forfeited stock acquisition rights	¥ —	¥ 293
Gain on sale of subsidiary's stock	257	—

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

(Millions of yen)

	June 30, 2016 (3 months)	June 30, 2017 (3 months)
Loss on liquidation of affiliates	¥ 528	¥ —

(Quarterly consolidated statements of cash flows for the three-month periods ended June 30, 2016 and 2017)

Quarterly consolidated statements of cash flows for the three-month periods ended June 30, 2016 and 2017 have not been 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, 2016 (3 months)	June 30, 2017 (3 months)
Depreciation (other than leased assets as lessor)	¥ 2,659	¥ 2,616
Amortization of goodwill	1,067	774
Amortization of intangible assets acquired in business combinations	474	357

(Shareholders equity)

Three-month period ended June 30, 2016

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 11, 2016	Common stock	¥ 2,653 million	¥ 1.00	March 31, 2016	June 2, 2016	Retained earnings

2. There was no dividend of which the record date belongs to the three-month period ended June 30, 2016, and of which the effective date was after June 30, 2016.

Three-month period ended June 30, 2017

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 10, 2017	Common stock	¥ 2,588 million	¥ 1.00	March 31, 2017	June 2, 2017	Retained earnings

2. There was no dividend of which the record date belongs to the three-month period ended June 30, 2017, and of which the effective date was after June 30, 2017.

(Segment information)

Three-month period ended June 30, 2016

1. Revenue and profit (loss) by reportable segments

(Millions of yen)

	Institutional Business				Global Markets Business	
	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Revenue:	¥ 3,768	¥ 3,744	¥ 2,509	¥ 3,100	¥ 2,324	¥ 585
Net interest income (loss)	2,862	2,377	926	(277)	451	45
Noninterest income (loss)	905	1,366	1,583	3,378	1,873	540
Expenses	2,699	1,236	1,005	2,027	818	880
Net credit costs (recoveries)	127	732	129	(267)	(27)	(0)
Segment profit (loss)	¥ 941	¥ 1,774	¥ 1,374	¥ 1,340	¥ 1,533	¥ (294)

(Millions of yen)

	Individual Business				Corporate/Other		Total
	Retail Banking	Consumer Finance			Treasury	Other	
		Shinsei Financial	APLUS FINANCIAL	Other			
Revenue:	¥ 6,562	¥ 15,337	¥ 13,172	¥ 304	¥ 4,070	¥ 147	¥ 55,628
Net interest income (loss)	5,866	15,710	2,068	255	112	(0)	30,398
Noninterest income (loss)	696	(373)	11,103	48	3,957	148	25,229
Expenses	8,447	8,453	9,361	204	428	(134)	35,429
Net credit costs (recoveries)	92	5,102	2,199	(13)	—	9	8,086
Segment profit (loss)	¥ (1,976)	¥ 1,781	¥ 1,610	¥ 112	¥ 3,642	¥ 272	¥ 12,111

(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 intangible assets acquired in business combinations, amortization of actuarial gains or losses of retirement benefit cost and lump-sum payments.
3. "Net credit costs (recoveries)" consists of provision/reversal of reserve for credit losses, losses on write-off/sales of loans and recoveries of written-off claims.
4. "Shinsei Financial" includes profit/loss on "Shinsei Bank Card Loan - Lake," the unsecured personal card loan business, as well as profit/loss of Shinsei Personal Loan 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, 2016

(Millions of yen)

Profit	Amount
Total segment profit	¥ 12,111
Amortization of goodwill acquired in business combinations	(1,067)
Amortization of intangible assets acquired in business combinations	(474)
Lump-sum payments	(50)
Provision for reimbursement of debentures	(49)
Gains on debentures derecognized from liabilities	131
Other	357
Ordinary profit on the quarterly consolidated statement of income	¥ 10,958

Three-month period ended June 30, 2017

1. Revenue and profit (loss) by reportable segments

(Millions of yen)

	Institutional Business				Global Markets Business	
	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Revenue:	¥ 4,352	¥ 3,990	¥ 4,555	¥ 3,200	¥ 2,304	¥ 750
Net interest income (loss)	2,766	2,279	1,152	(44)	504	130
Noninterest income (loss)	1,586	1,711	3,402	3,244	1,799	620
Expenses	2,632	1,290	918	1,957	909	811
Net credit costs (recoveries)	(444)	329	(287)	236	(11)	(1)
Segment profit (loss)	¥ 2,164	¥ 2,370	¥ 3,925	¥ 1,006	¥ 1,407	¥ (59)

(Millions of yen)

	Individual Business				Corporate/Other		Total
	Retail Banking	Consumer Finance			Treasury	Other	
		Shinsei Financial	APLUS FINANCIAL	Other			
Revenue:	¥ 5,781	¥ 16,719	¥ 14,024	¥ 796	¥ 1,233	¥ 161	¥ 57,871
Net interest income (loss)	5,694	16,842	2,719	452	(562)	(0)	31,935
Noninterest income (loss)	86	(122)	11,304	343	1,795	161	25,935
Expenses	8,668	8,302	9,412	243	448	335	35,931
Net credit costs (recoveries)	63	6,604	2,654	18	—	(4)	9,155
Segment profit (loss)	¥ (2,950)	¥ 1,812	¥ 1,957	¥ 533	¥ 784	¥ (169)	¥ 12,784

(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 intangible assets acquired in business combinations, amortization of actuarial gains or losses of retirement benefit cost and lump-sum payments.
3. "Net credit costs (recoveries)" consists of provision/reversal of reserve for credit losses, losses on write-off/sales of loans and recoveries of written-off claims.
4. "Shinsei Financial" includes profit/loss on "Shinsei Bank Card Loan - Lake," the unsecured personal card loan business, as well as profit/loss of Shinsei Personal Loan 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, 2017

(Millions of yen)

Profit	Amount
Total segment profit	¥ 12,784
Amortization of goodwill acquired in business combinations	(774)
Amortization of intangible assets acquired in business combinations	(357)
Lump-sum payments	(155)
Provision for reimbursement of debentures	(175)
Gains on debentures derecognized from liabilities	461
Other	252
Ordinary profit on the quarterly consolidated statement of income	¥ 12,035

3. Changes in reportable segments

On June 1, 2017, the Bank integrated the Asset Management Products Division, which was formerly in the Global Markets Business, into the Retail Products Division in the Individual Business. On June 30, 2017, the Bank transferred part of asset management business, which was formerly related to the Asset Management Division in the Global Markets Business, into the Principal Investments Department in the Institutional Business. As a result, the reportable segments in the three-month period ended June 30, 2017 have been revised as follows:

The "Principal Transactions" segment in the Institutional Business includes part of asset management business, which was formerly included in the "Other Global Markets" segment in the Global Markets Business.

The "Retail Banking" segment in the Individual Business includes asset management products business, which was formerly included in the "Other Global Markets" segment in the Global Markets Business.

As a result of these organizational changes, the classifications of reportable segments have changed and "Revenue and profit (loss) by reportable segments" for the three-month period ended June 30, 2016, has been presented in accordance with the new classification of

reportable segments.

Additionally, on April 1, 2017, the Shinsei Bank Group established the virtual “Group Headquarters” within the Bank by integrating and centralizing the administrative functions of the Bank and the Group member companies in order to increase the value of the Group through “selection and concentration” of businesses and the Group integration set as the overall strategies of the Third Medium-Term Management Plan. This organizational change has no impact on the segment information.

(Financial instruments)

Fair values of financial instruments as of March 31, 2017

(Millions of yen)

	Carrying amount	Fair value	Unrealized gain (loss)
(1) Other monetary claims purchased ¹	¥ 43,944	¥ 44,760	¥ 815
(2) Trading assets			
Securities held for trading purposes	15,479	15,479	—
(3) Monetary assets held in trust ¹	240,911	246,403	5,492
(4) Securities ²	969,677	959,220	(10,456)
(5) Loans and bills discounted ³	4,833,452		
Reserve for credit losses	(60,484)		
Net	4,772,968	4,934,474	161,505
(6) Lease receivables and leased investment assets	191,488		
Estimated residual value ⁴	(5,085)		
Reserve for credit losses	(2,053)		
Net	184,348	187,559	3,211
(7) Other assets			
Installment receivables	541,401		
Deferred gains on installment receivables	(14,205)		
Reserve for credit losses	(10,446)		
Net	516,750	556,047	39,297
(8) Deposits	5,489,248	5,490,787	(1,538)
(9) Negotiable certificates of deposit	373,673	373,623	50
(10) Debentures	6,561	6,564	(2)
(11) Trading liabilities			
Trading securities sold for short sales	1,621	1,621	—
(12) Borrowed money	789,670	791,278	(1,607)
(13) Short-term corporate bonds	168,000	167,946	53
(14) Corporate bonds	112,600	113,252	(652)
(15) Derivative instruments ⁵ :			
Hedge accounting is not applied	20,095	20,095	—
Hedge accounting is applied	4,758	4,758	—
Derivative instruments total	24,853	24,853	—

(Millions of yen)

	Contract amount	Fair value
Other: Guarantee contracts ⁶	¥ 346,675	¥ (122)

1 Carrying amounts of Other monetary claims purchased and Monetary assets held in trust 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 ¥101,846 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 Estimated residual value of leased investment assets arising from finance lease transactions, where

the ownership of the property is not deemed to transfer to the lessee, is deducted from leased investment assets.

5 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.

6 Contract amount for guarantee contracts presents the amount of "Acceptances and guarantees" on the quarterly consolidated balance sheets. Unearned guarantee fees of ¥21,889 million were recognized as "Other liabilities."

Fair values of financial instruments as of June 30, 2017 (Millions of yen)

	Carrying amount	Fair value	Unrealized gain (loss)
(1) Other monetary claims purchased ¹	¥ 39,908	¥ 40,597	¥ 688
(2) Trading assets			
Securities held for trading purposes	1,656	1,656	—
(3) Monetary assets held in trust ¹	229,522	234,603	5,080
(4) Securities ²	1,053,521	1,038,422	(15,099)
(5) Loans and bills discounted ³	4,859,742		
Reserve for credit losses	(61,671)		
Net	4,798,071	4,946,645	148,574
(6) Lease receivables and leased investment assets	184,029		
Estimated residual value ⁴	(5,011)		
Reserve for credit losses	(2,017)		
Net	177,000	181,214	4,213
(7) Other assets			
Installment receivables	533,067		
Deferred gains on installment receivables	(13,247)		
Reserve for credit losses	(9,979)		
Net	509,840	549,484	39,643
(8) Deposits	5,562,216	5,563,533	(1,317)
(9) Negotiable certificates of deposit	343,625	343,621	4
(10) Debentures	5,377	5,379	(1)
(11) Trading liabilities			
Trading securities sold for short sales	1,618	1,618	—
(12) Borrowed money	777,507	778,103	(595)
(13) Short-term corporate bonds	199,400	199,362	37
(14) Corporate bonds	110,600	111,072	(472)
(15) Derivative instruments ⁵ :			
Hedge accounting is not applied	25,242	25,242	—
Hedge accounting is applied	(3,103)	(3,103)	—
Derivative instruments total	22,139	22,139	—

(Millions of yen)

	Contract amount	Fair value
Other: Guarantee contracts ⁶	¥ 346,691	¥ 446

1 Carrying amounts of Other monetary claims purchased and Monetary assets held in trust 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 ¥94,665 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 Estimated residual value of leased investment assets arising from finance lease transactions, where the ownership of the property is not deemed to transfer to the lessee, is deducted from leased investment assets.

5 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.

6 Contract amount for guarantee contracts presents the amount of "Acceptances and guarantees" on the quarterly consolidated balance sheets. Unearned guarantee fees of ¥22,148 million were recognized as "Other liabilities."

(Note) Valuation methodologies for financial instruments

(1) Other monetary claims purchased

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

(2) Trading assets

The 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

The 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 consists of the risk free rate and 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.

Regarding loans to obligors classified as "legally bankrupt," "virtually bankrupt" or "possibly bankrupt," fair values are measured at carrying amounts net of reserves for loan losses because the fair values of those loans are approximate to carrying amounts net of reserves for loan losses, which are calculated based on the discounted cash flow method or based on amounts which are expected to be collected through the disposal of collateral or execution of guarantees.

(6) Lease receivables and leased investment assets

The fair values are primarily determined by discounting contractual cash flows at the rates that would be applied for the new contracts by a group of major product categories.

(7) Installment receivables

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

(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 are approximate to carrying amounts because of their short term maturity.

The fair values of time deposits and negotiable certificates of deposit are determined by discounting expected cash flows that consist of the risk free rate and spread 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 corporate bonds are measured at market prices.

The fair values of nonmarketable 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 etc. funded within 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 rate of large-denomination (¥10 million or more) time deposits.

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

The 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 meet 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

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

(15) Derivative instruments

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

Other:

Guarantee contracts

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

(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, 2017

(Millions of yen)

	Carrying amount	Fair value	Unrealized gain (loss)
Japanese national government bonds	¥ 493,562	¥ 499,156	¥ 5,593
Other	2,706	2,870	164
Total	¥ 496,268	¥ 502,026	¥ 5,758

As of June 30, 2017

(Millions of yen)

	Carrying amount	Fair value	Unrealized gain (loss)
Japanese national government bonds	¥ 492,994	¥ 497,093	¥ 4,098
Other	1,539	1,626	87
Total	¥ 494,533	¥ 498,719	¥ 4,186

2. Securities available for sale:

As of March 31, 2017

(Millions of yen)

	Amortized/ Acquisition cost	Carrying amount (Fair value)	Unrealized gain (loss)
Equity securities	¥ 12,916	¥ 27,446	¥ 14,529
Domestic bonds:	120,599	119,924	(674)
Japanese national government bonds	2,036	2,055	18
Japanese local government bonds	—	—	—
Japanese corporate bonds	118,562	117,869	(693)
Other	281,402	281,791	388
Total	¥ 414,918	¥ 429,162	¥ 14,244

As of June 30, 2017

(Millions of yen)

	Amortized/ Acquisition cost	Carrying amount (Fair value)	Unrealized gain (loss)
Equity securities	¥12,604	¥ 28,454	¥ 15,849
Domestic bonds:	154,210	152,576	(1,634)
Japanese national government bonds	24,226	24,134	(92)
Japanese local government bonds	—	—	—
Japanese corporate bonds	129,984	128,441	(1,542)
Other	331,578	331,449	(128)
Total	¥ 498,394	¥ 512,479	¥ 14,085

(Note)

In the event individual securities experience a decline in fair value which is significant as compared to the acquisition cost of such securities, the securities are written down as the decline in fair value is deemed to be other than temporary, and the difference is recorded as an impairment loss.

Impairment loss on available-for-sale securities carried at fair value for the fiscal year ended March 31, 2017, was ¥27 million, which was related to equity securities.

There was no Impairment loss on available-for-sale securities carried at fair value for the three-month period ended June 30, 2017.

The Group's rules for the determination of whether an other-than-temporary impairment has occurred differ by the obligor classification of the security issuer based upon the Group's self-assessment guidelines. The details of these rules are as follows:

Securities issued by "legally bankrupt," "virtually bankrupt" and "possibly bankrupt" obligors	The fair value of securities is less than the amortized/acquisition cost
Securities issued by "need caution" obligors	The fair value of securities declines by 30% or more compared to the amortized/acquisition cost
Securities issued by "normal" obligors	The fair value of securities declines by 50% or more compared to 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 legally or formally gone bankrupt but who are substantially in bankruptcy 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 in bankruptcy but are in financial difficulties and are very likely to go bankrupt in the future.

"Need caution" obligors are those who are in need of 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 their financial position.

(Monetary assets held in trust)

1. There were no monetary assets held in trust held to maturity as of March 31, 2017 and June 30, 2017.

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

As of March 31, 2017 (Millions of yen)

	Acquisition cost	Carrying amount	Unrealized gain (loss)
Other monetary assets held in trust	¥ 220,543	¥ 219,883	¥ (659)

As of June 30, 2017 (Millions of yen)

	Acquisition cost	Carrying amount	Unrealized gain (loss)
Other monetary assets held in trust	¥ 210,398	¥ 209,792	¥ (605)

(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, 2017 and June 30, 2017 are adjusted for credit risk by a reduction of ¥1,070 million and ¥1,094 million, respectively, and also adjusted for liquidity risk by a reduction of ¥1,523 million and ¥1,511 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, 2017

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Future contracts	¥ 1,377	¥ (1)	¥ (1)
	Interest rate options	—	—	—
Over the counter	Forward contracts	—	—	—
	Interest rate swaps	10,600,162	19,728	19,728
	Interest rate swaptions	1,985,210	(3,481)	(4,145)
	Interest rate options	50,877	(62)	154
	Other	—	—	—
Total		—	¥ 16,182	¥ 15,735

(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, February 13, 2002 of the Japanese Institute of Certified Public Accountant (the "JICPA") are excluded from the table above.

As of June 30, 2017

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Future contracts	¥ 1,380	¥ (1)	¥ (1)
	Interest rate options	—	—	—
Over the counter	Forward contracts	—	—	—
	Interest rate swaps	10,898,518	19,404	19,404
	Interest rate swaptions	1,876,720	(2,941)	(3,568)
	Interest rate options	41,912	(33)	100
	Other	—	—	—
Total		—	¥ 16,427	¥ 15,933

(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, February 13, 2002 of the JICPA are excluded from the table above.

(2) Currency-related transactions:

As of March 31, 2017

(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	¥ 427,099	¥ (2,654)	¥ (2,654)
	Forward foreign exchange contracts	1,751,914	7,076	7,076
	Currency options	1,574,121	(4,118)	5,090
	Other	—	—	—
Total		—	¥ 303	¥ 9,513

(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, July 29, 2002 of the JICPA are excluded from the table above.

As of June 30, 2017

(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	¥ 447,776	¥ (1,240)	¥ (1,240)
	Forward foreign exchange contracts	1,971,332	12,572	12,572
	Currency options	1,600,072	(5,690)	4,296
	Other	—	—	—
Total		—	¥ 5,641	¥ 15,627

(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, July 29, 2002 of the JICPA are excluded from the table above.

(3) Equity-related transactions:

As of March 31, 2017

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Equity index futures	¥ 23,592	¥ (934)	¥ (934)
	Equity index options	350,573	1,672	710
	Equity options	—	—	—
Over the counter	Equity options	37,412	5,365	3,589
	Equity index swaps	—	—	—
	Other	3,870	(81)	(81)
Total		—	¥ 6,023	¥ 3,285

(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, 2017

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Equity index futures	¥ 24,845	¥ (1,802)	¥ (1,802)
	Equity index options	353,496	1,591	1,241
	Equity options	—	—	—
Over the counter	Equity options	37,412	5,855	4,079
	Equity index swaps	—	—	—
	Other	3,500	(42)	(42)
Total		—	¥ 5,602	¥ 3,476

(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, 2017 (Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Bond futures	¥ 36,301	¥ 12	¥ 12
	Bond futures options	—	—	—
Over the counter	Bond options	—	—	—
	Other	—	—	—
Total		—	¥ 12	¥ 12

(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, 2017 (Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Bond futures	¥ 47,646	¥ (27)	¥ (27)
	Bond futures options	7,145	2	(3)
Over the counter	Bond options	—	—	—
	Other	—	—	—
Total		—	¥ (24)	¥ (31)

(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, 2017 and June 30, 2017.

(6) Credit derivatives transactions:

As of March 31, 2017 (Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Over the counter	Credit default options	¥ 256,852	¥ 166	¥ 166
	Other	—	—	—
Total		—	¥ 166	¥ 166

(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, 2017 (Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Over the counter	Credit default options	¥ 195,033	¥ 203	¥ 203
	Other	—	—	—
Total		—	¥ 203	¥ 203

(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 earnings per share ("EPS") and their calculation basis were as follows.

		June 30, 2016 (3 months)	June 30, 2017 (3 months)
(1) Basic EPS	(Yen)	¥ 3.09	¥ 4.22
(Calculation basis)			
Profit attributable to owners of the parent	(Millions of yen)	¥ 8,190	¥ 10,946
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)	¥ 8,190	¥ 10,946
Weighted average number of common shares	(Thousands)	2,647,457	2,588,390
(2) Diluted EPS	(Yen)	¥ 3.09	¥ 4.22
(Calculation basis)			
Adjustment amount of profit attributable to owners of the parent	(Millions of yen)	—	—
Increase of the number of common shares	(Thousands)	52	201