



Statement of Business and Assets

【For the Term Ended March 31, 2011】

This statement was prepared based on Article 46 - 4 of the Financial Instruments and Exchange Law in order to be placed in all business offices and provided for public inspection.

SHINSEI SECURITIES CO., LTD.

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I . Company Overview and Organization

1. Trade Name

Shinsei Securities Co., Ltd.

2. Registration Date (Registration Number)

September 30, 2007 (Director-General of Kanto Financial Bureau (FIEL) No. 95)

3. History and Management Organization

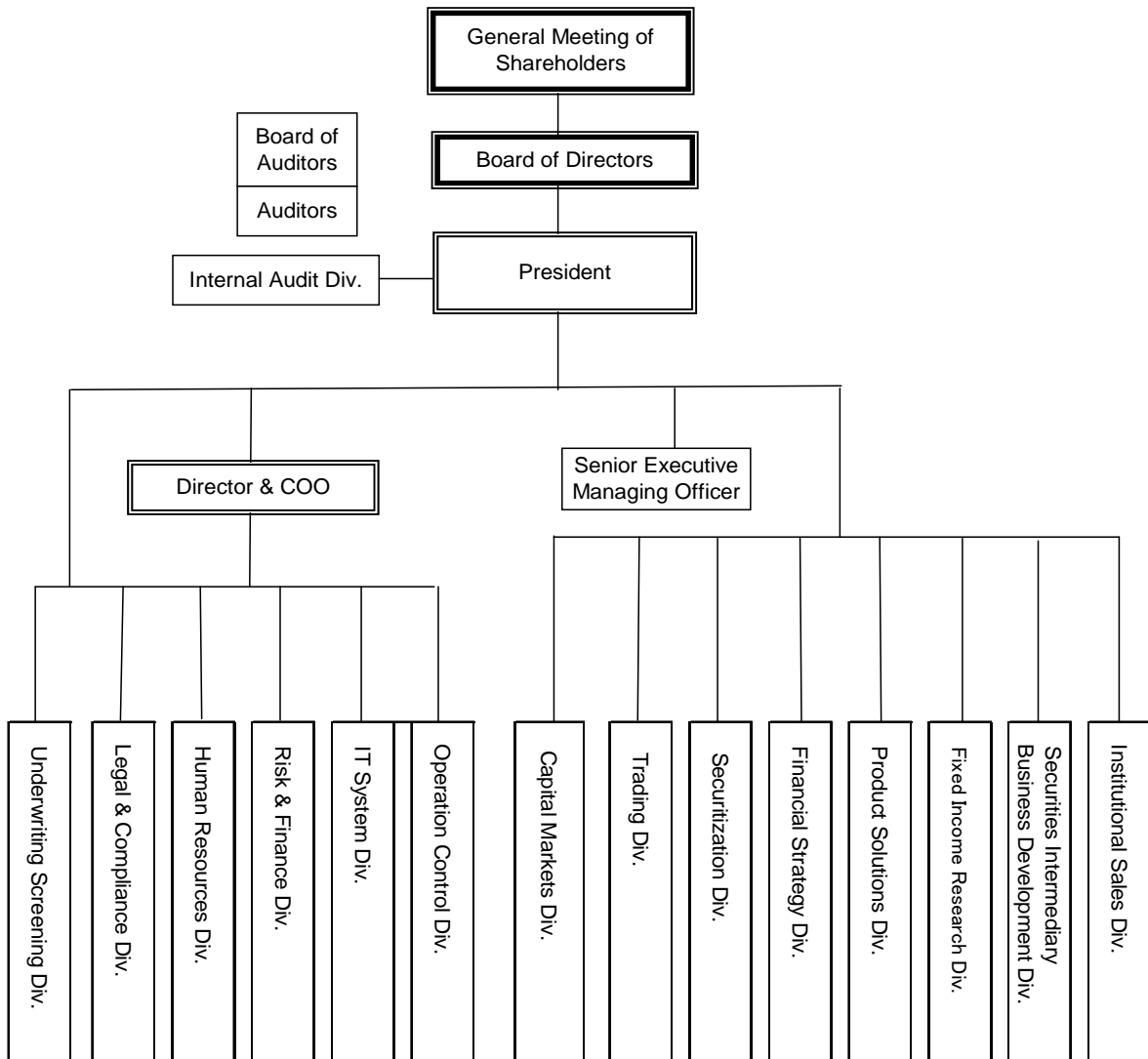
(1) Company History

Month / Year	History
December 2000	The company was established Capital increase carried out through shareholder allocation
March 2001	Registered as a securities dealer under the Securities and Exchange Law
May 2001	Started operations Licensed to conduct principal underwriting operations and deal in OTC securities derivatives
July 2001	Qualified as a “Government Bond Securities Futures Trading Special Participant” on the Tokyo Stock Exchange Licensed as a seller of small lot debt
May 2002	Relocated the head office to 1-8, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo
September 2002	Registered to operate investment advisory services
June 2003	Registered as a money lender
August 2004	Ceased being a “Government Bond Securities Futures Trading Special Participant” on the Tokyo Stock Exchange
September 2007	Registered as a Category I Financial Instrument Dealer and a Category II Financial Instrument Dealer, in accordance with enforcement of the Financial Instruments and Exchange Law.
December 2010	Relocated the head office to 4-3, Nihonbashi-muromachi 2-chome, Chuo-ku, Tokyo

(2) Management Organization

Organization Chart

(as of March 31, 2011)



4. Names or trade names of the 1st to the 10th largest shareholders and the numbers of shares held by such shareholders and the ratio of voting rights with respect to the said shares over total voting rights

Name / Title	# of Shares Held	Ratio
1 . Shinsei Bank, Limited	203 shares	100.00 %
Total: 1 Shareholder		100.00

5. Names or trade names of the Directors (including the representative in Japan in the case of foreign corporations)

Position	Name	Representation Right	Full/Part-time
Representative Director & President	Yasunori Yoshida	Granted	Full-time
Director	Kazuyuki Oi	Not granted	Full-time
Director	Izumi Ogura	Not granted	Part-time
Statutory Auditor	Koji Saito	Not granted	Full-time
Statutory Auditor	Kimihiro Goto	Not granted	Part-time
Statutory Auditor	Masataka Oomachi	Not granted	Part-time

6. Names of employees designated by the Cabinet Order

- (1) The name of the person responsible for the overall control (including the person authorized to act on behalf of the responsible person, regardless of the title such as General Manager, Deputy General Manager, Team Leader, etc.) of operations concerning guidance for compliance with laws, ordinances, etc. (i.e. laws, ordinances, decisions by government agencies under laws or ordinances, articles of incorporation, and other regulations) with respect to the business of dealing in financial instruments.

Name	Position
Masanori Ezaki	Head of Legal & Compliance Division

- (2) The name of the person responsible for the overall control of the Division engaged in giving advice or offering management service (including instruction thereof) with respect to the business of investment advisory service (the business of investment advisory service stipulated in Paragraph 6, Article 28 of the Financial Instruments and Exchange Law (hereinafter, the “Law”)) or the investment management business (the investment management business stipulated in Paragraph 4 of the same Article) (including the person performing investment judgment based on the analysis of the value, etc. of financial instruments (i.e. the value, etc. of financial instruments stipulated in b., Item 11, Paragraph 8, Article 2 of the Law)).

Name	Position
Yasuhiro Matsumoto	Head of Fixed Income Research

- (3) The name of the person in charge of the overall control (including the person authorized to act on behalf of the responsible person, regardless of the title such as General Manager, Deputy General Manager, Team Leader, etc.) of the operations of branches or offices under Item 6, Paragraph 1, Article 29-2, with respect to the investment advice and agency business (the investment advice and agency business stipulated in Paragraph 3, Article 28).

Name	Position
Yasuhiro Matsumoto	Head of Fixed Income Research

7. Types of Business

(1) The First Financial Instruments Business (Article 28, Paragraph 1, Financial Instruments and Exchange Law)

- ① Securities trading (excluding the rights which are deemed to be securities under Article 2 of the Financial Instruments and Exchange Law; this shall apply up to ⑤ below), trades in market derivatives or foreign market derivatives (Article 28, paragraph 1, item 1 and Article 2, paragraph 8, item 1 of the Financial Instruments and Exchange Law)
- ② Acting as an intermediary, broker or agent for security trading, domestic market derivative trading or overseas market derivative trading (Article 28, paragraph 1, item 1 and Article 2, paragraph 8, item 2 of the Financial Instruments and Exchange Law)
- ③ Acting as an intermediary, broker, or agent for consigning securities trading or the trading of market derivatives in financial instruments exchange markets, and acting as an intermediary, broker, or agent for consigning securities trading or the trading of foreign market derivatives in foreign financial instruments markets (Article 28, paragraph 1, item 1 and Article 2, paragraph 8, item 3 of the Financial Instruments and Exchange Law)
- ④ Making a secondary distribution of securities (Article 28, paragraph 1, item 1 and Article 2, paragraph 8, item 8 of the Financial Instruments and Exchange Law)
- ⑤ Handling offerings or the secondary distribution of securities or handling the private placement of securities (Article 28, paragraph 1, item 1 and Article 2, paragraph 8, item 9 of the Financial Instruments and Exchange Law)
- ⑥ Trading in over-the-counter derivatives or acting as an intermediary, broker or agent thereof (Article 28, paragraph 1, item 2 and Article 2, paragraph 8, item 4 of the Financial Instruments and Exchange Law)
- ⑦ Underwriting securities and acting as a primary underwriter (Article 28, paragraph 1, item 3 and Article 2, paragraph 8, item 6 of the Financial Instruments and Exchange Law)
- ⑧ Depositing money or securities or certificates from customers (Article 28, paragraph 1, item 5 and Article 2, paragraph 8, item 16 of the Financial Instruments and Exchange Law)
- ⑨ Transferring corporate bonds, etc. (Article 28, paragraph 1, item 5 and Article 2, paragraph 8, item 17 of the Financial Instruments and Exchange Law)

(2) The Second Financial Instruments Business (Article 28, Paragraph 2 of the Financial Instruments and Exchange Law)

Acts set forth in the following Items in relation to the rights which are deemed to be securities under Article 2, paragraph 2 of the Financial Instruments and Exchange Law:

1. Buying or selling, or acting as an intermediary, broker, or agent thereof (Article 28, paragraph 2, items 2 & 3 and Article 2, paragraph 8, item 1 to 3 of the Financial Instruments and Exchange Law)
2. “Public sales” (*uridashi*) (Article 28, paragraph 2, item 2 and Article 2, paragraph 8, item 8 of the Financial Instruments and Exchange Law)
3. Handling of public offering, “public sales” (*uridashi*) or private placement (Article 28, paragraph 2, item 2 and Article 2, paragraph 8, item 9 of the Financial Instruments and Exchange Law)

(3) Investment Advisory and Agency Business (Article 28, Paragraphs 3 of the Financial Instruments and Exchange Law)

Making promises to give advice orally, in written form, or in another form for investment decisions based on analyzing the values of financial instruments, etc. or the values of financial instruments, etc., and giving advice pursuant to an investment advisor agreement made to agree on the payment of fees for the said advices (Article 28, paragraph 3, item 1 and Article 2, paragraph 8, item 11 of the Financial Instruments and Exchange Law)

(4) Incidental Business (Article 35, Paragraph 1 of the Financial Instruments and Exchange Law)

- ① Borrowing and lending securities, or acting as an intermediary or agent thereof (Article 35, paragraph 1, item 1 of the Financial Instruments and Exchange Law)
- ② Lending money on the securities from the customer which are in safe keeping (Article 35, paragraph 1, item 3 of the Financial Instruments and Exchange Law)
- ③ Acting as an agent of a customer for operations concerning securities (Article 35, paragraph 1, item 4 of the Financial Instruments and Exchange Law)
- ④ Acting as an agent for the payment of earnings, or redemption or cancellation money in relation to investment trust beneficiary certificates (Article 35, paragraph 1, item 5 of the Financial Instruments and Exchange Law)
- ⑤ Acting as an agent for the distribution of money concerning investment securities or bonds issued by investment corporations, for the distribution of refund money or residual property, or for the payment of interest or redemption money (Article 35, paragraph 1, item 6 of the Financial Instruments and Exchange Law)
- ⑥ Executing contracts for accumulated investments (Article 35, paragraph 1, item 7 of the Financial Instruments and Exchange Law)
- ⑦ Providing information and giving advice concerning securities (Article 35, paragraph 1, item 8 of the Financial Instruments and Exchange Law)
- ⑧ Providing management consultation services for other business operators (Article 35, paragraph 1, item 12 of the Financial Instruments and Exchange Law)
- ⑨ Trading or acting as an intermediary, broker or agent for assets relating to currency or other derivative trading (excluding securities derivative trading) which are stipulated in cabinet orders (Article 35, paragraph 1, item 13 of the Financial Instruments and Exchange Law)
- ⑩ Buying or selling negotiable deposits and any other monetary claims (excluding those which fall within the definition of securities), or acting as an intermediary, broker, or agent thereof (Article 35, paragraph 1, item 14 of the Financial Instruments and Exchange Law)
- ⑪ Any other businesses that are incidental to the business of financial instruments transactions

8. The names and addresses of the Head Office and Branches or Offices (in the case of foreign corporations, the Head Office, the main Branch or Office in Japan and other branches and offices in Japan)

Name	Address
Head Office	4-3, Nihonbashi-muromachi 2-chome, Chuo-ku, Tokyo 103-0022

9. Type of Other Businesses

(1) Business Which Require Registrations (Article 35, Paragraph 2 of the Financial Instruments and Exchange Law)

- ① Business related to transactions which use fluctuations on the price of merchandise or any other index or differences between the markets (Article 35, paragraph 2, item 2 of the Financial Instruments and Exchange Law)
- ② Money lending and any other business concerning money lending or acting as an intermediary for loans of money (Article 35, paragraph 2, item 3 of the Financial Instruments and Exchange Law)
- ③ Executing partnership agreements, or acting as an intermediary, broker, or agent thereof (Article 35, paragraph 2, item 7 of the Financial Instruments and Exchange Law, Article 68, paragraph 1, item 2 of the Cabinet Office Ordinance for the Financial Instruments and Exchange Law)
- ④ Executing “undisclosed association” (*tokumei-kumiai*) contracts, or acting as an intermediary, broker, or agent thereof (Article 35, paragraph 2, item 7 of the Financial Instruments and Exchange Law, Article 68, paragraph 1, item 3 of the Cabinet Office Ordinance for the Financial Instruments and Exchange Law)
- ⑤ Executing participation in loan agreements, or acting as an intermediary, broker, or agent thereof (Article 35, paragraph 2, item 7 of the Financial Instruments and Exchange Law, Article 68, paragraph 1, item 4 of the Cabinet Office Ordinance for the Financial Instruments and Exchange Law)
- ⑥ Rental operations (Article 35, paragraph 2, item 7 of the Financial Instruments and Exchange Law, Article 68, paragraph 1, item 7 of the Cabinet Office Ordinance for the Financial Instruments and Exchange Law)
- ⑦ Creating or selling programs for electronic computers related to the business of other business operators or conducting commissioned calculating operations (Article 35, paragraph 2, item 7 of the Financial Instruments and Exchange Law, Article 68, paragraph 1, item 8 of the Cabinet Office Ordinance for the Financial Instruments and Exchange Law)
- ⑧ Acting as an intermediary for concluding debt guarantee agreements (Article 35, paragraph 2, item 7 of the Financial Instruments and Exchange Law, Article 68, paragraph 1, item 20 of the Cabinet Office Ordinance for the Financial Instruments and Exchange Law)
- ⑨ Any other businesses that are incidental to the business of ① to ⑧ listed above (Article 35, paragraph 2, item 7 of the Financial Instruments and Exchange Law, Article 68, paragraph 1, item 23 of the Cabinet Office Ordinance for the Financial Instruments and Exchange Law)

(2) Business Which Require Approvals (Article 35, Paragraph 4 of the Financial Instruments and Exchange Law)

Introducing customers to the parent company or others

10. The names of financial instruments dealers association and the authorized organization for protection of investors, of which the Company is a member.

Japan Securities Dealers Association

Japan Securities Investment Advisers Association

The Financial Futures Association of Japan

FINMAC (Financial Instruments Mediation Assistance Center)

(Limited to the second financial instruments business)

11. The name or trade name of financial instruments exchange of which the Company is a member or where the Company participates in trading.

None

12. Investor Protection Fund Membership

Japan Investor Protection Fund

II. Items Related to Business Conditions

1. Business Overview for this Term

In this term, we made continuous efforts to ensure risk asset controls and rigid expense management with a view to securing stable earnings irrespective of market conditions. As a result, we recorded operating profit and maintained the high capital adequacy ratio level in this term as well as the previous term.

In the business sector, our retail brokerage business (main registered selling/handling financial institution: Shinsei Bank, Limited) has rapidly expanded with assets held in custody exceeding 100 billion yen as of the term end. This business has been developing as our business pillar. Moreover, we accumulated a steady track record in our securitization business, which has been designated as our core business since our foundation, through handling deals with outside parties, such as originating/selling CMBSs to other companies, as well as deals with member companies of the Shinsei Bank Group.

As a result, operating income increased by 11.4% from the previous term to 4,835 million yen. On the other hand, sales and administrative expenses increased by 7.6% to 4,470 million yen due to greater fee expenses resulting from the expanded financial brokerage business. However, by virtue of rigid expense management, the increase in sales and administrative expenses were covered by the increase in earnings. Accordingly, we successfully increased ordinary profit by 29.5% to 219 million yen and posted 237 million yen in net income.

Our future challenge is to establish well-balanced frameworks for product development, compliance, operational processing and IT systems, etc. in line with the expanded retail brokerage business via financial instruments brokers. In addition, in order to meet the needs of our institutional customers which are becoming more advanced and complicated, we need to establish frameworks to provide better services through originating/selling securitization deals handled by originators other than the Shinsei Bank Group, including the underwriting of Japan Housing Finance Agency bonds, and strengthening our ability to provide solutions.

2. Business Condition Indices

(1) Trends in Operating Results, etc

(Unit: In million yen)

	Term ended March 31, 2009	Term ended March 31, 2010	Term ended March 31, 2011
Capital stock	8,750	8,750	8,750
Total number of outstanding shares issued	203shares	203shares	203shares
Operating revenue	2,347	4,338	4,835
(Fees receive)	3,256	1,965	1,788
((Fees for business entrustment))	0	0	0
((Fees for underwriting, offer for sale, solicitation for sale for specified investors, etc.))	92	138	23
((Fees for offering for subscription, offer for sale, solicitation for sale for specified investors, etc.))	742	264	—
((Other fees received))	2,421	1,563	1,765
(Trading profit / losses)	△1,609	2,044	2,896
((Stocks, etc.))	△4,572	544	△88
((Bonds, etc.))	△2,582	3,163	2,799
((Other))	5,545	△1,663	185
Net income from operations	1,943	4,226	4,792
Ordinary income / losses	△4,048	169	219
Net income / losses	△4,886	370	237

(2) Status of Securities Underwriting / Trading, etc.

① Trends in the Volume of Stock Trading

(Unit: In million yen)

	Term ended March 31, 2009	Term ended March 31, 2010	Term ended March 31, 2011
Principal Trading	18,451	15,179	3,954
Brokered Trading	8	2	2
Total	18,459	15,181	3,956

② Status of underwriting, offer for sale, solicitation for sale for specified investors, etc. of securities, and offering for subscription, offer for sale, solicitation for sale for specified investors, etc. of securities.

(Unit: In thousand shares, In million yen)

Classification		Underwriting	Secondary distribution	Total amount of solicitation for sale to specified investors, etc.	Offerings	Handling of secondary distribution	Private offerings	Total handling amount of solicitation for sale to specified investors, etc.
Term ended March 31, 2009	Stock certificates	-	-	-	-	-	0	-
	Government bonds	-	/	-	-	/	-	-
	Municipal bonds	-	/	-	-	/	-	-
	Specific bonds	3,500	-	-	-	-	-	-
	Corporate bonds	24,600	8,800	-	8,200	-	152,000	-
	Beneficiary certificates	/	/	/	-	-	2,265	-
	Others	-	-	-	-	-	525,000	-
	Total	28,100	8,800	-	8,200	-	679,265	-
Term ended March 31, 2010	Stock certificates	-	-	-	-	-	0	-
	Government bonds	-	/	-	-	/	-	-
	Municipal bonds	-	/	-	-	/	-	-
	Specific bonds	12,500	-	-	11,700	-	-	-
	Corporate bonds	7,640	34,145	-	5,000	-	500	-
	Beneficiary certificates	/	/	/	-	-	-	-
	Others	-	-	-	-	-	230,000	-
	Total	20,140	34,145	-	16,700	-	230,500	-
Term ended March 31, 2011	Stock certificates	-	-	-	-	-	-	-
	Government bonds	-	/	-	-	/	-	-
	Municipal bonds	-	/	-	-	/	-	-
	Specific bonds	9,000	-	-	9,000	-	-	-
	Corporate bonds	2,000	45,771	-	-	-	-	-
	Beneficiary certificates	/	/	/	-	-	-	-
	Others	-	-	-	-	-	-	-
	Total	11,000	45,771	-	9,000	-	-	-

(3) Other Business Conditions

(Unit: In million yen)

Details	Transaction Volume		
	Term ended March 31, 2009	Term ended March 31, 2010	Term ended March 31, 2011
1. Development of computer programs, etc.	12	—	—
2. Money lending	—	30,000	45,889
Total	12	30,000	45,889

(4) Status of the Regulatory Capital Adequacy Ratio

(Unit: In %, million yen)

	Term ended March 31, 2009	Term ended March 31, 2010	Term ended March 31, 2011
Regulatory Capital Adequacy Ratio (A/B×100)	219.3%	638.4%	705.4%
Non-fixed Stockholders' Equity (A)	12,086	12,616	12,783
Total of Risk Equivalent Amount (B)	5,511	1,976	1,812
Market Risk Equivalent Amount	2,900	496	488
Counterparty Risk Equivalent Amount	1,106	397	284
Basic Risk Equivalent Amount	1,504	1,081	1,039

(5) Total Number of Employees and Sales Representative

(Unit: # of persons)

	Term ended March 31, 2009	Term ended March 31, 2010	Term ended March 31, 2011
Employees	122	93	77
(Of which Sales Representatives)	(84)	(56)	(47)

III. Assets Status

1. Financial Status

(1) Balance Sheet

(Unit: In million yen)

Account Title	Term ended March 31, 2010	Term ended March 31, 2011	Account Title	Term ended March 31, 2010	Term ended March 31, 2011
(Assets)			(Liabilities)		
Current assets	36,883	37,476	Current liabilities	24,152	24,084
Cash and deposits	1,033	1,134	Trading products	6,966	7,439
Cash on deposits	400	6,000	Trading securities and others	—	2,643
Customer segregated monies in trust	400	6,000	Derivative transactions	6,966	4,795
Trading products	19,225	16,686	Payable-unsettled trades	—	7,025
Trading securities and others	10,181	11,085	Securities-backed loans	—	7,718
Derivative transactions	9,044	5,600	Accounts received from securities loan transactions	—	7,718
Receivable-unsettled trades	14,453	—	Deposits received	486	433
Loans secured by securities	—	10,388	Suspense receipts	1,348	834
Cash collateral on securities borrowed	—	10,388	Security deposits received from futures transactions	1,348	834
Short-term guarantee deposits	974	2,933	Difference received	36	—
Margins on futures transactions	974	2,933	Short-term loans	14,861	—
Difference paid	—	3	Accounts payable	31	74
Advances (<i>maebarai-kin</i>)	1	0	Expenses payable	78	316
Prepaid expenses	63	26	Provision for taxes	19	23
Accrued receivables	445	116	Reserve for bonuses	291	217
Accrued income	77	6	Reserve for disposal loss on fixed asset	28	—
Deferred tax assets	157	180	Other current liabilities	2	—
Fixed assets	320	426	Long-term liabilities	—	581
Tangible fixed assets	62	192	Long-term loans	—	500
Buildings	18	137	Deferred tax liabilities	—	22
Furniture and fixtures	44	54	Asset retirement obligation	—	59
Intangible fixed assets	146	126	Reserves	3	1
Software	146	126	Reserves for securities transaction liabilities	3	1
Investments, etc.	111	107	Total liabilities	24,155	24,667
Long-term guarantee deposits	98	107	(Net worth)		
Deferred tax assets	12	—	Stockholders' equity	12,997	13,235
			Capital stock	8,750	8,750
			Capital surplus	7,750	7,750
			Capital reserve	7,750	7,750
			Legal reserves of retained earnings	△3,502	△3,264
			Other legal reserves of retained earnings	△3,502	△3,264
			Carried-over legal reserves of retained earnings	△3,502	△3,264
			Total net worth	12,997	13,235
Total assets	37,153	37,903	Total liabilities & net worth	37,153	37,903

(2) Income Statement

(Unit: In million yen)

Account Title	Term ended March 31, 2010	Term ended March 31, 2011
Operating revenue	4,338	4,835
Fees received	1,965	1,788
Entrustment fees	0	0
Underwriting fees / fees for solicitation for sale to specified investors	138	23
Fees for handling offerings / secondary distributions / solicitation for sale to specified investors	264	—
Other fees received	1,563	1,765
Trading profit / losses	2,044	2,896
Trading profit / losses on stocks, etc.	544	△88
Trading profit / losses on bonds, etc.	3,163	2,799
Other trading profit / losses	△1,663	185
Net interest income	327	151
Interest expenses	111	43
Net operating revenue	4,226	4,792
Sales and general administrative expenses	4,152	4,470
Sales expenses	1,893	2,571
Personnel expenses	1,551	1,304
Real estate-related expenses	247	150
Administrative expenses	162	144
Depreciation expenses	90	84
Tax and public charges	154	86
Provisions for doubtful accounts	—	—
Others	52	128
Operating income	74	322
Non-operating revenue	98	1
Non-operating expenses	3	104
Ordinary income	169	219
Extraordinary gains	12	76
Gains on the reversal of the previous term reserves for bonuses	—	72
Gains from sales of fixed assets	—	1
Gains on the reversal of the reserves for severance payments	10	—
Grains on the reversal of the reserves for disposal loss on fixed assets	1	—
Reversal of the provision for liability reserve for trading in financial instruments	1	2
Extraordinary losses	113	4
Losses on the retirement of fixed assets	1	4
Extra severance payments	24	—
Deficits of the provision of the previous term reserves for bonuses	87	—
Net income before tax	68	291
Corporate tax, resident tax, and business tax	△404	41
Adjustments to corporate tax, etc.	103	12
Net income	370	237

(3) Statement of Changes in Stockholders' Equity

Term ended March 31, 2010

(Unit: In million yen)

	Stockholders' equity						Total net worth
	Capital stock	Capital surplus		Retained earnings		Total Stockholders' equity	
		Capital reserve	Total capital surplus	Other retained earnings	Total retained earnings		
			Carried -over retained earnings				
Balance as of April 1, 2009	8,750	7,750	7,750	△3,872	△3,872	12,627	12,627
Changes during the business term							
Net income	—	—	—	370	370	370	370
Total changes during the business term	—	—	—	370	370	370	370
Balance as of March 31, 2010	8,750	7,750	7,750	△3,502	△3,502	12,997	12,997

Term ended March 31, 2011

(Unit: In million yen)

	Stockholders' equity						Total net worth
	Capital stock	Capital surplus		Retained earnings		Total Stockholders' equity	
		Capital reserve	Total capital surplus	Other retained earnings	Total retained earnings		
			Carried -over retained earnings				
Balance as of April 1, 2010	8,750	7,750	7,750	△3,502	△3,502	12,997	12,997
Changes during the business term							
Net income	—	—	—	237	237	237	237
Total changes during the business term	—	—	—	237	237	237	237
Balance as of March 31, 2011	8,750	7,750	7,750	△3,264	△3,264	13,235	13,235

【Matters to be Noted】

The balance sheet, income statement and statement of changes in stockholders' equity are prepared based on the "Corporate Calculation Regulations" (Ministry of Justice Ordinance No. 13 of February 7, 2006), "Cabinet Office Ordinance concerning Financial Instruments Traders" (Prime Minister's Office Ordinance No. 52), and "Uniform Accounting Standards for Securities Companies" (a resolution at the Board of Directors of the Japan Securities Dealers Association on November 14, 1974). The above figures do not include amounts less than 1 million yen.

【Important accounting policies】

- ① Valuation criteria and valuation method for securities and derivatives trading, etc.
- (1) Valuation criteria and valuation method for securities (trading securities) and derivatives trading, etc. related to trading products:

The market value method (the sales costs of securities are calculated using the moving-average method) is applied in evaluating securities and derivatives trading, etc.

related to trading products.

② Depreciation method for fixed assets

(1) Tangible fixed assets

For tangible fixed assets, the fixed-rate method is adopted (however, for buildings - excluding facilities attached to buildings - acquired on or after April 1, 1998, the straight-line method is adopted). Major useful life is as follows.

Buildings 3 – 38 years

Furniture and fixtures 4 – 20 years

For assets acquired at 100,000 yen or above and less than 200,000 yen, the 3-year straight-line depreciation method is applied.

(2) Intangible fixed assets

The fixed-amount depreciation method is applied. Useful life is as follows.

Software for the company's own use 5 years

③ Criteria for accruing reserves

(1) Reserves for bonuses

An amount, out of that forecast to be paid, to be accrued in the business term is set aside in order to prepare for bonus payments to officers and employees.

(2) Provision for Liability Reserve for Trading in Financial Instruments

The amount calculated pursuant to the provisions of Article 175 of the Cabinet Order concerning the Business of Trading in Financial Instruments, etc., which is based on Article 46-5 of the Financial Instruments and Exchange Law, is posted on the Provision for Liability Reserve for Trading in Financial Instruments account, in preparation for unexpected losses which may be incurred from trading irregularities in financial instruments.

④ Other important items that are the basis for preparing financial statements

(1) Accounting method for consumption taxes, etc.

The accounting method for consumption taxes, etc. is handled on a net-tax basis.

(2) Consolidated corporation tax

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

【Revision to the accounting policy】

Starting this term, we have adopted the “Accounting Criteria for Asset Retirement Obligations” (Corporate Accounting Criteria No. 18, March 31, 2008) and the “Guidelines for the Application of Accounting Criteria for Asset Retirement Obligations” (Corporate Accounting Criteria Application Guidelines No. 21, March 31, 2008).

As a result, ordinary profit and net income before tax decreased by 0 million yen. There was no change in the amount of asset retirement obligations in line with the adoption of the above accounting criteria, etc.

2. Principal Creditors and Amounts Borrowed

(Term ended March 31, 2010) (Unit: In million yen)

Accounting term	Creditors
The Shinsei Bank , Ltd.	14,861

(Term ended March 31, 2011) (Unit: In million yen)

Accounting term	Creditors
The Fukuho Bank , Ltd.	300
The Toyama Bank , Ltd.	200

3. The acquisition price, the current market price and evaluation profit/loss of securities held (excluding securities handled as those held for trading purposes).

There are no applicable transaction, because transactions treated as those belonging to the securities product account are excluded.

4. The acquisition price, the current market price and evaluation profit/loss of derivative transaction (excluding securities handled as those held for trading purposes)

(1) Status of Futures and Options Trading

① Stocks

There are no applicable transactions, because transactions treated as those belonging to the trading product account are excluded.

② Bonds

There are no applicable transactions, because transactions treated as those belonging to the trading product account are excluded.

(2) Status of Over-The-Counter Securities Derivatives Transactions

There are no applicable transactions, because transactions treated as those belonging to the trading product account are excluded.

5. Audit of Financial Statements by an Independent Auditing Corporation

Deloitte Touche Tohmatsu, an independent auditor, has audited the financial statements of Shinsei Securities in accordance with the Companies Act and has expressed unqualified opinions.

IV. Control Status

1. Internal Control Overview

Compliance is one of our most important managerial challenges. We have in place and are enhancing effective compliance frameworks based on the following systems.

- (1) The Board of Directors has established the Code of Conduct, the Compliance Guideline, the Compliance Manual, the Compliance Program and other important policies. We are observing laws, ordinances, regulations and social norms through observing compliance-related rules.
- (2) The Compliance Committee chaired by the President is establishing and maintaining our compliance framework through receiving reports on and deliberating the progress of the Compliance Program and other compliance-related matters.
- (3) The Chief Internal Control Officer, who is responsible for ensuring compliance and establishing internal control frameworks, is providing internal control-related guidance to/supervision over business officers and internal control officers in each business section. Business officers and internal control officers in each business section are regularly monitoring whether business activities by staff members in each business section are appropriately conducted in compliance with laws and ordinances, etc.
- (4) We have established the Internal Audit Division, which directly reports to the President, in order to ensure the independence of audit functions. Through internal audits, the Division is strengthening its audit functions, such as verifying whether operations by each business section are appropriately executed in compliance with laws, ordinances, regulations and internal rules, etc. and detecting/pointing out problems.
- (5) The Legal & Compliance Division is promoting the establishment of compliance frameworks and holding seminars, etc. based on the Compliance Program.
- (6) We have a framework which requires our officers and employees to immediately report to the Legal & Compliance Division if they detect a serious legal violation or material compliance-related fact.

2. Status of Accounts / Custody Segregation

(1) Status of segregated customer funds in trust

(Unit: in million yen)

Item	Amount as of the end of March 2010	Amount as of the end of March 2011
Necessary segregated customer funds on the latest replacement base date	326	5,960
Segregated customer funds in trust	400	6,000
Necessary segregated customer funds as of the term-end	500	343

(2) Status of Separated Control of Securities

① Securities in Safe Custody

Type of securities		as of the end of March 2010		as of the end of March 2011	
		Japanese securities	Foreign securities	Japanese securities	Foreign securities
Stocks	No. of shares	3,160,000 shares	3,010 accounts	2,930,000 shares	3,010 accounts
Bonds	Notional amount	58,433 million Yen	95,639 million Yen	36,543 million Yen	134,182 million Yen
Beneficiary certificates	No. of accounts	39,054 million a/c	- a/c	21,464 million a/c	- a/c
Others	Quantity	-	-	-	-

② Securities received in place of deposits

Type of securities		as of the end of March 2010	as of the end of March 2011
		Quantity	Quantity
Stocks	No. of shares	-	-
Bonds	Notional amount	-	-
Beneficiary certificates	No. of accounts	-	-
Others	Quantity	-	-

③ Custodial Status

Place of Custody and Country	Method of Custody	classification	Number / Notional amount	Unit
Japan Securities Depository Center, Incorporated Japan	Central depository clearing	Stock Certificates	2,930	1,000 shares
The Bank of Tokyo-Mitsubishi UFJ, Ltd. Japan	Central depository clearing	Bond Certificates	36,043	million Yen
Bank of Japan Japan	Central depository clearing	Bond Certificates	500	million Yen
Euroclear Belgium	Commingled custody	Bond Certificates	116,706 126,320 76,050 3,000 2,900	million Yen 1,000 US\$ 1,000 AUS 1,000 Euro 1,000 NZ\$
		Stock Certificates	3,010	accounts
Japan Securities Agents, Ltd. Japan	Central depository clearing	Beneficiary Certificates	21,464	million accounts

(3) Status of segregated custody under the provisions of Article 43-3 of the Financial Instruments and Exchange Law

① Status of segregated custody under the provisions of Article 43-3, Paragraph 1 of the Financial Instruments and Exchange Law

Not applicable.

② Status of segregated custody under the provisions of Article 43-3, Paragraph 2 of the Financial Instruments and Exchange Law

Not applicable.

V. Status of Consolidated Subsidiaries and Others

1. Corporate Group Structure

Not applicable.

2. Trade Names, Addresses, Capital, Business Details, etc. of Subsidiaries and Affiliates

Not applicable.

End