金融リ・デザイン
Redesigning Finance

SHINSEI BANK

INTEGRATED REPORT 2020

For the fiscal year ended March 31, 2020

Data Appendix

Contents

Please see Shinsei Bank's Integrated Report 2020 for our businesses, strategies and ESG information.

Corporate Information

As of March 31, 2020, the Shinsei Bank Group consisted of Shinsei Bank, Limited, 163 subsidiaries (comprising 91 consolidated companies including APLUS FINANCIAL Co., Ltd., Showa Leasing Co., Ltd., Shinsei Financial Co., Ltd. and Shinsei Investment & Finance Limited and 72 unconsolidated subsidiaries) and 43 affiliated companies (43 affiliated companies accounted for using the equity method, such as Jih Sun Financial Holding Co., Ltd.). The Shinsei Bank Group provides a wide variety of financial products and services to institutional and individual customers through "Institutional Business" and "Individual Business."

Shinsei Bank, Limited

- **Institutional Business**
  - Head Office and domestic branch offices
  - Major subsidiaries:
    - Showa Leasing Co., Ltd.
    - Shinsei Trust & Banking Co., Ltd.
    - Shinsei Investment & Finance Ltd.
    - Shinsei Securities Co., Ltd.
    - Shinsei Investment Management Co., Ltd.
- **Individual Business**
  - Head Office and domestic branch offices
  - Major subsidiaries:
    - Shinsei Financial Co., Ltd.
    - Shinsei Personal Loan Co., Ltd.
    - APLUS FINANCIAL Co., Ltd.

Major Subsidiaries and Affiliates

Name	Location	Main business
Major Domestic Subsidiaries		
Showa Leasing Co., Ltd.	Tokyo, Japan	Leasing[1]
SHINKO LEASE CO., LTD.	Hyogo, Japan	Leasing[1]
Shinsei Trust & Banking Co., Ltd.	Tokyo, Japan	Trust banking[1]
Shinsei Securities Co., Ltd.	Tokyo, Japan	Securities[1]
Shinsei Investment Management Co., Ltd.	Tokyo, Japan	Investment trust and discretionary investment advising[1]
Shinsei Investment & Finance Limited	Tokyo, Japan	Financial instruments business[1]
Shinsei Corporate Investment Limited	Tokyo, Japan	Investment[1]
APLUS FINANCIAL Co., Ltd.	Osaka, Japan	Holding company[2]
APLUS Co., Ltd.	Osaka, Japan	Installment credit[2]
APLUS Personal Loan Co., Ltd.	Osaka, Japan	Finance[2]
Zen-Nichi Shinpan Co., Ltd.	Okayama, Japan	Installment credit[2]
Shinsei Financial Co., Ltd.	Tokyo, Japan	Finance[2]
Shinsei Personal Loan Co., Ltd.	Tokyo, Japan	Financing for individuals and small businesses[2]
Shinsei Business Services Co., Ltd.	Tokyo, Japan	Outsourcing services[3]
Alpha Servicer Co., Ltd.	Tokyo, Japan	Servicing business[2]
Financial Japan Co., Ltd.	Tokyo, Japan	Insurance business[2]
Major Overseas Subsidiaries		
Shinsei International Limited	London, UK	Securities[1]
OJBC Co. Ltd.	Tortola, British Virgin Islands	Financial holding company[2]
Nippon Wealth Limited	Kowloon, Hong Kong	Investment trust and discretionary investment advising[2]
Major Affiliates Accounted for Using the Equity Method		
Jih Sun Financial Holding Co., Ltd.	Taipei, Taiwan	Financial holding company[1]
Nissen Credit Service Co., Ltd.	Kyoto, Japan	Credit card[2]
MB Shinsei Finance Limited Liability Company	Hanoi, Vietnam	Finance[2]

1 Institutional Business
2 Individual Business
3 Corporate / Other

Employees

		March 31, 2018	March 31, 2019	**March 31, 2020**
Consolidated	Number of Employees	5,307	5,179	**5,349**
Nonconsolidated	Number of Employees	2,188	2,150	**2,137**
	Male	1,265	1,218	**1,203**
	Female	923	932	**934**
Average age		41 years 3 months	41 years 7 months	**42 years 1 month**
Average years of service		12 years 5 months	12 years 11 months	**13 years 4 months**
Average monthly salary		¥479 thousand	¥477 thousand	**¥476 thousand**
Number of Business-Limited Employees		0	146	**147**
Number of Part-time Employees		267	215	**204**
Number of Temporary Employees		113	6	**6**

(Note) Number of employees does not include business-limited employees, part-time employees and temporary employees. However, the number of employees after accounting for personnel seconded in or out of the Bank is 2,208 as of March 31, 2020.

(As of March 31, 2020)

				Equity stake held by Shinsei Bank and consolidated subsidiaries (%)		
	Capital (in millions)	Established	Acquired		Equity stake held by Shinsei Bank	Equity stake held by consolidated subsidiaries of Shinsei Bank
	¥29,360	1969. 4	2005. 3	100.0%	100.0%	—
	3,243	1987. 7	2019. 7	80.0%	—	80.0%
	5,000	1996.11	—	100.0%	100.0%	—
	8,750	1997. 8	—	100.0%	100.0%	—
	495	2001.12	—	100.0%	100.0%	—
	100	2006. 4	2012.12	100.0%	100.0%	—
	50	2012.11	—	100.0%	100.0%	—
	15,000	1956.10	2004. 9	94.9%	1.6%	93.3%
	15,000	2009. 4	—	100.0%	—	100.0%
	100	2009. 4	—	100.0%	—	100.0%
	1,000	1957. 4	2006. 3	100.0%	—	100.0%
	100	1991. 6	2008. 9	100.0%	100.0%	—
	100	1954.12	2007.12	100.0%	—	100.0%
	54	1985. 2	—	100.0%	100.0%	—
	500	2005.12	2017. 7	100.0%	100.0%	—
	30	2013. 2	2019. 5	100.0%	100.0%	—
	£3	2004. 9	—	100.0%	100.0%	—
	$56	2013. 6	—	50.0%	50.0%	—
	HK$440	2013. 8	—	100.0%	—	100.0%
	NT$36,190	2002. 2	2006. 7	35.4%	—	35.4%
	¥4,050	1997.12	2016.12	50.0%	50.0%	—
	VND800,000	2016. 3	2017.10	49.0%	49.0%	—

Organization of Shinsei Bank, Limited

(As of July 1, 2020)

- Audit & Supervisory Board Members
- Audit & Supervisory Board
  - Office of Audit & Supervisory Board Members
- Board of Directors
- CEO
  - Management Affairs Division
- Group Executive Committee *1
- Group Important Committee
- Executive Committee *1

Group Headquarters

- Group Internal Audit Division
- Group Business Strategy Division
  - (Eco System Strategy Department)
  - (Innovative Finance Institute)*11
- Group Organizational Strategy Division
  - (Group Strategic Sourcing Department)
- Group Corporate Planning Division
  - (Financial Research Department)
  - (Group Data Strategy Department)
- Group Financial and Regulatory Accounting Division
  - (IFRS Department)
- Group Treasury Division
- Group Investor Relations & Corporate Communications Division
- Group Overseas Business Division
- Group Human Resources Division
  - (Diversity Promotion Department)
- Group Legal and Compliance Division
  - (Legal Department)
  - (Financial Crime Information Department)
- Group General Services Division
- Group Integrated Risk Management Division
- Group Portfolio Risk Management Division
- Group Individual Banking Risk Management Division
- Group Information Technology Division
  - (Group IT Innovation Department)

<Institutional Business>

Group Institutional Business Planning Division

- Corporate Banking Business Division I
- Corporate Banking Business Division II
- Corporate Banking Business Division III
  - (Overseas Finance Department)
- Osaka Corporate Banking Business Division*8
- Financial Institutions & Public Sector Business Division
- Sapporo, Sendai, Nagoya, Osaka, Hiroshima and Fukuoka
- Syndicated Finance Division
- Corporate Advisory Division
- Trading Division
- Markets Division
- Investment Business Division
- Wealth Management Division*10
- Real Estate Finance Division
- Healthcare Finance Division
- Real Estate Business Division
- Specialty Finance Division
- Project Finance Division
  - (Structured Finance Department)
- Business Succession Finance Division
- Sustainable Impact Development Division
  - (Sustainable Impact Assessment Department)
- Institutional Business Operation Division
- Showa Leasing Co., Ltd.
- Shinsei Trust and Banking Co., Ltd.
- Other Group Companies (Institutional Business)
- (Corporate Customer Service Department)
- (Markets Business Planning Department)
- (Corporate Administration Department)
- (New Business Promotion & Support Department)

<Individual Business>

Group Individual Business Planning Division

- (Retail IT Development Department)
- Retail Sales & Support Division — 5 Financial Centers*2
  - (Estate Consulting Promotion Department)
  - (Foreign Exchange Business Promotion Department)
- Retail Sales Division I*3
- Retail Sales Division II*4
- Retail Sales Division III*5
- Kansai Retail Sales Division*6
- Channel Management Division*7
  - (Tokyo Contact Center)
  - (Fukuoka Contact Center)
- Retail Operation Division
- Housing Loan Division
- Consumer Finance Division
  - (Customer Communication Center)
  - (Smart Card Loan Center)
  - (Osaka Administration Management Center)
  - (Customer Relationship Department)
- Customer and Business Support Division
  - (AML Correspondence Department)
  - (Customer Service Department)
- APLUS FINANCIAL Co., Ltd.
- Shinsei Financial Co., Ltd.
- Other Group Companies (Individual Business)

- Office of Financing Facilitation Management
- Operations Management Division
  - (FATCA Management Department)

(Credit Management)

- Institutional Credit Management Division
- Structured Risk Management Division
- Real Estate Risk Management Division
  - (Real Estate Research Department)

(IT System)

- Information Systems Risk Management Division*9
- Information Systems Development Division
- Information Systems Operation Division

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*1 Management Affairs Division shall act as the secretariat of the Executive Committee and the Group Executive Committee.
*2 Sapporo, Sendai, Nagoya (incl. Sakae Annex), Hiroshima, Fukuoka
*3 In charge of each SFC in Omiya, Ikebukuro, Kichijoji, Shinjuku, Hachioji
*4 In charge of each SFC in Head Office, Kashiwa, Tsudanuma, Tokyo, Ginza, Ueno
*5 In charge of each SFC in Shibuya, Futakotamagawa, Machida, Yokohama, Fujisawa
*6 In charge of each SFC in Kyoto, Umeda (incl. Senri-Chuo Annex and Hankyu-Umeda Annex), Namba, Kobe
*7 Channel Management Division shall report to the Executive Officer in charge of IT System.
*8 Osaka Corporate Banking Business Division shall report to the General Manager of Osaka Branch.
*9 Information Systems Risk Management Division shall report to the management.
*10 This division shall report to both institutional and individual business divisions / executive officers.
*11 To be positioned as a Department.

Directors and Executive Officers

(As of July 1, 2020)

Board of Directors (7)

Hideyuki Kudo
Representative Director, President

Yoshiaki Kozano
Director

Ernest M. Higa[*1]
Director
Chairman, President & Chief Executive Officer,
Higa Industries Co., Ltd.

Yuko Kawamoto[*1]
Director
Professor, Waseda Graduate School of Business and Finance

Jun Makihara[*1]
Director
Director, Monex Group, Inc.
Director, Philip Morris International Inc.

Rie Murayama[*1]
Director
Former Managing Director,
Goldman Sachs Japan Co., Ltd.

Ryuichi Tomimura[*1]
Director
President, Representative Director,
SIGMAXYZ Inc.

*1 Outside Directors
*2 Outside Audit & Supervisory Board Members

Audit & Supervisory Board Members (3)

Shinya Nagata
Audit & Supervisory Board Member

Ikuko Akamatsu[*2]
Audit & Supervisory Board Member
Certified Public Accountant,
Certified Fraud Examiner

Shiho Konno[*2]
Audit & Supervisory Board Member
Lawyer

Shinsei Bank Executive Officers, Group Headquarters Officers, and Head of Group Internal Audit (36)

Hideyuki Kudo
Representative Director
President and Chief Executive Officer

(Senior Managing Executive Officer (SMEO) and equivalent to SMEO)

Sanjeev Gupta
Senior Managing Executive Officer,
Advisor to the President and Chief Executive Officer

Akira Hirasawa
Senior Managing Executive Officer,
Overseeing Group Organizational Strategy, Group Human Resources, Group General Services and Group IT,
Chief Officer, Group Legal and Compliance,
Head of Operations Management

Yoshiaki Kozano
Director
Chief Officer, Group Business Strategy

Michiyuki Okano
Chief Officer, Group IT
Senior Officer, Group Business Strategy,
Senior Officer, Group Organizational Strategy

Shinichirou Seto
Senior Managing Executive Officer,
Head of Institutional Business Unit,
President and CEO of Showa Leasing Co., Ltd.

Note: Chief Officer and Senior Officer are positions of Group Headquarters.
Note: Officers and Executive Officers are listed in alphabetical order.
Note: Messrs. Yoshiaki Kozano and Michiyuki Okano are equivalent to Senior Managing Executive Officer of Shinsei Bank, Messrs. Takako Hayashi and Kouichi Sawaji are equivalent to Managing Executive Officer of Shinsei Bank, and Messrs. Junichi Kobayashi, Junya Nakamura, Tamane Nishi, Toichiro Shiomi, Kojiro Taima and Takahiro Yoshida are equivalent to Executive Officers of Shinsei Bank.

(Managing Executive Officer (MEO) and equivalent to MEO)

Takako Hayashi
Chief Officer, Group Human Resources

Shouichi Hirano
Chief Officer, Group Corporate Planning and Finance, Managing Executive Officer, Executive Officer in charge of Financing Facilitation, General Manager, Office of Financing Facilitation Management

Hirofumi Kusakabe
Managing Executive Officer, Head of Group Structured Solution,
In charge of Group Institutional Business Planning Division (Secondary)

Tsukasa Makizumi
Managing Executive Officer, Head of Credit Risk Management

Masanori Matsubara
Managing Executive Officer,
Head of IT System

Kouichi Sawaji
Chief Officer, Group General Service

Tetsuro Shimizu
Managing Executive Officer, Head of Individual Business Unit,
Senior Officer, Group Business Strategy,
Representative Director and President and CEO, APLUS FINANCIAL Co., Ltd.

Hiroyuki Torigoe
Senior Officer, Group Business Strategy,
Managing Executive Officer, Head of Consumer Finance,
President and CEO of Shinsei Financial Co., Ltd.

(Executive Officer (EO) and equivalent to EO)

Tomohiro Arimatsu
Executive Officer, General Manager of Structured Risk Management Division

Takahiro Fujii
Executive Officer, Executive Officer in charge of Institutional Business

Kunimitsu Hayashi
Executive Officer, Head of Institutional Business

Etsuko Ichiba
Executive Officer, Executive Officer in charge of Retail Operation, General Manager,
Retail Operation Division

Yukiko Iwasaki
Executive Officer, General Manager of Institutional Business Operation Division

Hiroyuki Kagita
Executive Officer, Executive Officer in charge of Customer and Business Support, General Manager,
Group Individual Business Planning Division

Taichi Kawai
Executive Officer, Executive Officer in charge of Institutional Business

Kumi Kikugawa
Executive Officer, Executive Officer in charge of Retail Sales, General Manager,
Retail Sales Division II

Junichi Kobayashi
Senior Officer, Group Corporate Planning and Finance,
GM of Group Overseas Business Division

Takahisa Komoda
Executive Officer, In charge of Group Institutional Business Planning Division

Shuichi Kubo
Head of Group Internal Audit,
GM of Group Internal Audit Division

Takahiro Kubo
Executive Officer, In charge of Group Structured Solution, Chairman of Shinsei Investment & Finance Limited

Junya Nakamura
Senior Officer, Group Human Resources,
GM, Group Human Resources Division

Tamane Nishi
Senior Officer, Group Human Resources,
GM, Group Human Resources Division,
Department Head, Diversity Promotion Department

Tomoko Ogawara
Executive Officer, Executive Officer in charge of Retail Sales, General Manager,
Kansai Retail Sales Division

Chikara Oguni
Executive Officer, In charge of Institutional Business

Hiroki Otake
Executive Officer, Head of Retail Sales

Hiroshi Ooyama
Executive Officer, In charge of Institutional Business, General Manager of Osaka Branch

Toichiro Shiomi
Chief Officer, Group Risk, GM, Group Portfolio Risk Management Division

Kojiro Taima
Senior Officer, Group Legal and Compliance

Kenji Uesaka
Executive Officer, Executive Officer in charge of Group Structured Solution

Takahiro Yoshida
Senior Officer, Group Corporate Planning and Finance

Senior Advisor

Shigeru Kani
Former Director, Administration Department, The Bank of Japan
Former Professor, Yokohama College of Commerce

Advisor

Yuji Tsushima

Executive Advisors

Hirohisa Kazami
Kiyohiro Kiyotani
Yasufumi Shimada
Shigeto Yanase

Network

(As of June 30, 2020)

Domestic Outlets

29 outlets (26 branches including head office, 3 annexes)

Hokkaido

Sapporo Branch

Tohoku

Sendai Branch

Kanto (Excluding Tokyo)

Omiya Branch
Kashiwa Branch
Tsudanuma Branch
Yokohama Branch
Fujisawa Branch

Tokyo

Head Office
Tokyo Branch
Ginza Branch
Ikebukuro Branch
Ueno Branch
Kichijoji Branch
Shinjuku Branch
Shibuya Branch
Futakotamagawa Branch
Hachioji Branch
Machida Branch

Tokai

Nagoya Branch
Sakae Financial Center

Kinki

Kyoto Branch
Osaka Branch
Umeda Branch
Umeda Branch—Hankyu Umeda Annex
Umeda Branch—Senri Chuo Annex
Namba Branch
Kobe Branch

Chugoku

Hiroshima Branch

Kyushu

Fukuoka Branch

Lake Unstaffed Branches:

Lake unstaffed branches	707 locations

Partner Train Station, Convenience Store, and Supermarket ATMs:

Seven Bank, Ltd. ATMs	25,260
E-net ATMs	12,751
Lawson ATM Networks ATMs	13,434
AEON Bank ATMs	6,240
VIEW ALTTE ATMs	386
Patsat ATMs	136

Status of SME Management Improvement and Regional Revitalization Initiatives

To improve the management of Small and Medium-sized Enterprises (SMEs) and contribute to regional revitalization, Shinsei Bank engages in initiatives such as those described below, providing our expertise, and depending on the initiative, cooperating with regional financial institutions and the SME Business Support Cooperative. With respect to supporting SMEs and local businesses that have technologies or business models with unrealized growth potential as well as new business fields or business domains that contribute to regional economic revitalization, the Bank goes beyond merely satisfying funding needs to provide financing. This financing emphasizes cash flows and multifaceted solutions to such management issues as business strategy planning and implementation support and other complementary functions. Through such efforts, the Bank aims to expand the operations of growth-stage SME clients and contribute to the development of new business opportunities that accompany innovation.

Examples of Shinsei Bank Initiatives

■ Supporting Business Expansion

A subscription service provider

With camera equipment as its main item of business, the company needed to invest upfront in an extensive product line and inventory expansion to meet the diverse needs of its users. For newly founded ventures, the wide variety of high-cost photographic equipment had been a major challenge, but the Bank worked with Showa Leasing to help resolve the constraints to the company's growth by providing capital funding and product inventory. The company has succeeded in significantly expanding its product inventory, and has built a service system that delivers equipment to its users in a timely manner, and has gained strong support of many high-end photographers and instagrammers.

■ Supporting the Growth Stage

A regional venture company

In addition to providing organic fertilizer to farmers and composting organic wastes such as livestock excretions and food residues in a short period of time by applying proprietary insect cultivation technology, the company has established a 100% biomass recycling system to be used as high-protein feed for the aquaculture industry, and is planning to mass-produce them. The company's business contributes to solving the problem of manure disposal by livestock farmers, and also has a significant potential in solving the food crisis caused by the rapid increase in the global population. Therefore, the Bank supported the business funds required for future growth by providing equity financing through the underwriting of stock acquisition rights. This transaction is directly linked to the ESG investment and loans promoted by the Shinsei Bank Group, and we will continue to create an ecosystem for the circular society through our partnership with this company.

■ Supporting Regional Revitalization and Business Revitalization

Local hotels

The company had been operating mainly for group travelers, but as the demand for group travel continued to decline, the management rights held by the owner company were transferred to a third party. The Bank was entrusted with the financial advisory business related to the transfer of management rights, and matched potential sponsors with major hotel chains that have the ability to attract customers, and succeeded in retaining the employment of all employees wishing to continue to work and improving their treatment. This example contributed not only to maintain employment in the region, but also contributed to reduce the debt of former owners and improving their financial position.

■ Supporting Business Rehabilitation

A regional hotel

A resort hotel, which was constructed through the efforts of regional business circles, had been an unprofitable business for a long time. With the initiative of the main bank in the region, the company took steps to leverage its financial and operating capabilities. However, it failed to achieve a recovery in business performance and decided to abandon its voluntary restructuring.

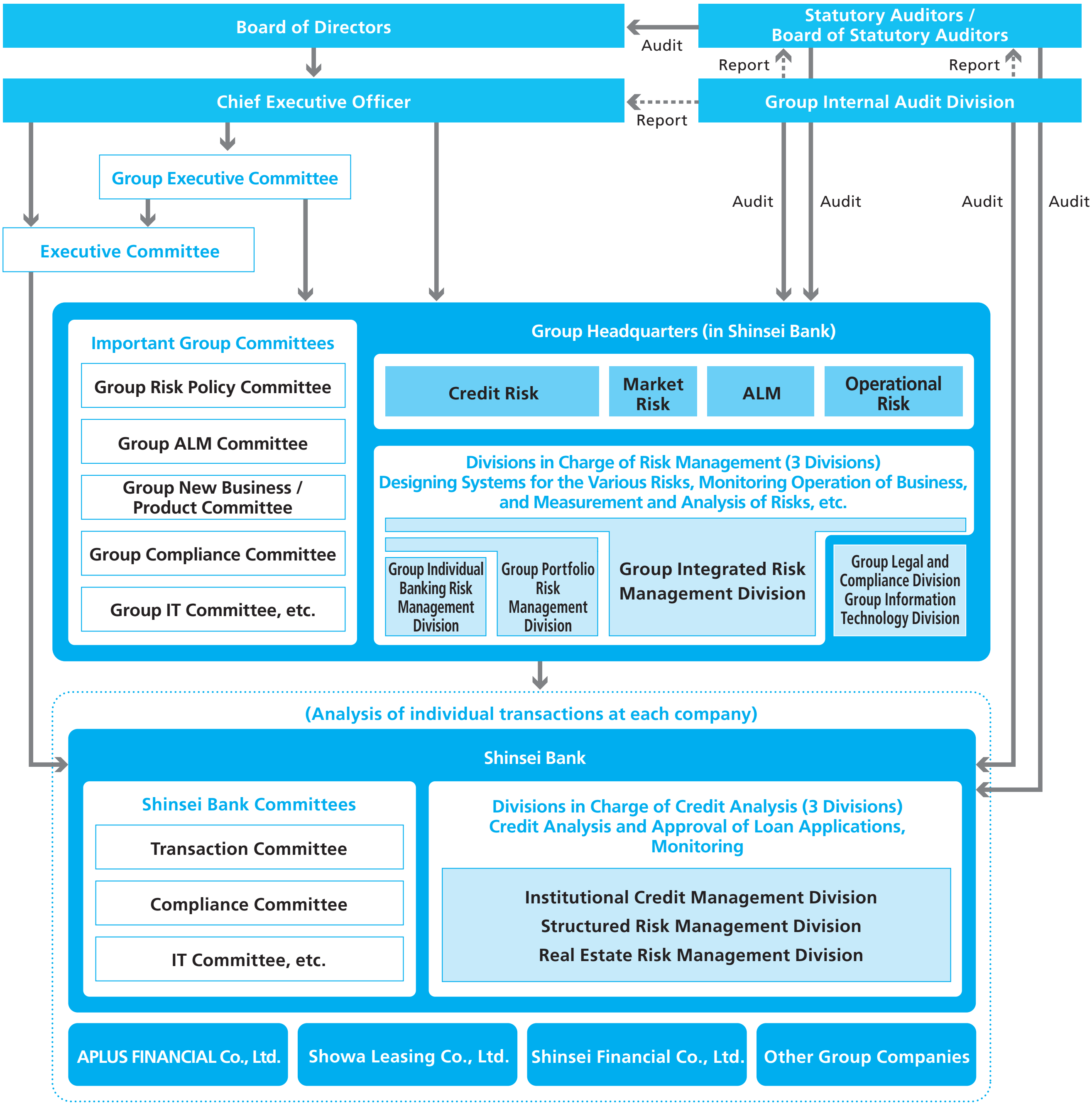
Through its main bank, Shinsei Bank was appointed as a financial advisor to external sponsors and succeeded in bringing in prominent management sponsors in an extremely short period of time. Under the new sponsor, they have secured the employment of local employees, and have made a start toward business revitalization by renovating guest rooms and strengthening sales to foreign visitors to Japan.

Risk Management

Overview of the Group's Risk Management Systems

To ensure its risk management is more effective, the Bank has established various specific committees such as the "Group Risk Policy Committee," "Transaction Committee," "Group Asset and Liability Management (ALM) Committee" and "Market Business Management Committee." All these committees are able to function effectively as bodies responsible for making important risk judgments by constantly improving their composition and functions in response to changes in the operating environment. The Group Risk Policy Committee, whose members include senior management such as the CEO, Chief Officer of the Group head of corporate planning and finance, and the Group head of risk management, performs the crucial role of setting and coordinating the appropriate and optimal level of risk taking by concurrently reviewing the Bank's risk management policies and business strategy. Shinsei Bank has established the "Group Risk Management Policy" as its fundamental policy on risk management and basic recognition of risk categories based upon its understanding of the totality of risks faced by the entire Shinsei Bank Group and the need to actively manage them.

■ Risk Management System Chart (as of 17th June, 2020)



Basic Concept Regarding Risk Management

Financial institutions are exposed to various risks, including credit risk, market risk, interest rate risk, liquidity risk, and operational risk.

To maintain highly profitable and stable operations, a financial institution must make the control of these risks a management priority. For that purpose, the Bank must be able to ascertain that risks are taken in line with Bank-wide policies as well as individual operational policies, remain within appropriate limits. To strengthen the required monitoring functions and further develop its risk management framework, the Bank established two risk management groups: 1) credit analysis divisions responsible for credit analysis, loan application approvals and monitoring and 2) divisions responsible for overall risk management, measuring and analyzing credit, market, and other risks, and integrating functions for examining and verifying fair value.

■ Definitions of Risk Categories

Risk Categories	Definition
Credit Risk	Credit risk is the risk of incurring losses due to deterioration in the financial condition of a borrower resulting in an erosion or total loss of asset value (including off-balance assets).
Market Risk	Market risk is the risk of incurring losses due to changes in the value of assets or liabilities through fluctuations of various risk factors such as interest rates, foreign exchange rates, and stock prices, etc.
Liquidity Risk	Liquidity risk (fund-raising risk) is the risk of incurring losses due to difficulties in securing necessary funds or the need to raise funds at an interest rate that is substantially higher than normal stemming from mismatches in the maturities of assets and liabilities or an unexpected outflow of funds.
Operational Risk	Operational risk refers to the risk of incurring losses resulting from inadequate or failed internal processes, personnel, and systems, or from external events.

Credit Risk

Credit Risk Management: Group Governance

Shinsei Bank has established a cross-group credit risk management system under "Group Credit Management Policy".

The Shinsei Bank Group Headquarters comprehensively supervises the credit portfolio status and risk management policies of each group company, and also makes timely and appropriate involvement in establishing internal rules, and reviewing management systems of each company. In addition, several councils have been set up between the Group head office and each Group company to share policies based on strategic goals and resolve issues related to risk management operations.

Institutional Business Credit Risk Management

Under the "Group Credit Policy," the Shinsei Bank Group has identified risks which we can not accept or should not accept as a corporate group, and has established general policies concerning the criteria for selection of the companies to be credited, and has clearly set out various procedures as well as the basic policies for credit business and specific guidelines for credit risk management. Credit risk management processes for institutional businesses are broadly grouped into credit risk management for individual transactions and portfolio-based credit risk management.

Credit Risk Management for Individual Transactions

(1) Organization & Structure

Regarding credit assessments for institutional business, an effective system of checks and balances on sales promotion divisions is established through the veto rights of risk management divisions.

(2) Obligor Rating Systems

Using credit estimation models including a model benchmarking the credit ratings of external credit rating agencies, we calculate model ratings and apply adjustments to these based on qualitative factors, and use this method to determine credit rankings.

Portfolio-Based Credit Risk Management

(1) Monitoring Analysis System

At Shinsei Bank, we perform analysis that derives from unique entry points based on the risk profiles of each product and monitor risk diversification status by segments such as industry, ratings, products, and regions, to report to the appropriate management layer.

(2) Quantifying Credit Risk

By factoring measured expected losses and unexpected losses into loan spreads, we can harness this data to ensure an appropriate risk-return in each transaction.

(3) Credit Concentration Guideline

Our credit concentration management framework consists of industry concentration guidelines and obligor group concentration guidelines, and in the event that credit concentration exceeds the guideline, we conduct reviews and adopt countermeasures.

Individual Business Credit Risk Management

Risk management for our consumer finance businesses encompasses all operations from loan application assessment (entry-point credit) to managing risks after a contract is signed (credit monitoring) and, if needed, loan collection operations. The Group Individual Banking Risk Management Division is in charge of risk management for products for individual customers, including our consumer finance businesses. The division holds a monthly risk performance review meeting with other risk-related divisions including Chief Officer of the Group head of risk management at the Bank as well as risk officers from subsidiaries in order to share information and promote a shared awareness of risks. The division also provides operational support and advice to relevant units of the Bank and its subsidiaries relating to overall risk management concerning credit administration policies and credit strategies.

Risk-related divisions at Group subsidiaries carry out appropriate risk control through a process that incorporates scoring models into credit administration processes, while using credit-related databases of customer attributes stemming from the nature of their businesses, credit information, and transaction history. The scoring models i.e., initial credit score, score at credit monitoring stages, collection strategy scores, etc. were developed using statistical methodologies, and to maintain the accuracy of the scoring models in line with the level achieved when it was first developed, model performance is constantly monitored and the model is subject to fine tuning as needed.

The Group Individual Banking Risk Management Division is working to elevate its scoring model development and enhance the entire Group's credit provision capabilities in ways that help maximize earnings of the entire Group in the medium and long term.

Credit costs are crucial to the management of profitability in the consumer finance business. We therefore conduct monitoring while tracking multiple leading indicators and verification metrics at the portfolio level to enable us to quickly grasp any deterioration in the portfolio's overall asset quality and take timely action to improve its profitability.

Credit Risks on Market-Related Transactions

Counterparty credit risk attendant with market transactions such as derivative transactions are managed based on estimations of the fair value and future value fluctuations of relevant transactions.

Self-Assessment

Asset self-assessments are a part of credit risk management. Financial institutions examine and analyze their asset holdings so they can grasp the actual state of their assets as steps in preparing for appropriate asset write-downs and write-offs as well as reserve provisioning. At Shinsei Bank, sales promotion divisions and credit analysis divisions conduct asset appraisals, and risk management divisions that are independent of sales promotion and credit analysis verify appraisal results.

Market Risk

Market Risk Management Policy

In accordance with the "Trading Business Risk Management Policy," market risks in the trading business are managed through a series of processes with the Group Executive Committee determining overall market risk and loss limits. The Group Integrated Risk Management Division monitors on a daily basis the status of compliance with these limits, and the Market Business Management Committee reviews every month trends at individual businesses, the status of profits and losses, market risk conditions, and overall business risks including the risks of products handled.

Trading Book

Market risk in the trading book is managed through techniques such as VaR. VaR is the maximum loss amount expected due to future price fluctuations within a given probability range, assuming a specific position is held over a specific time horizon. In addition, we measure multi-faceted risks using sensitivity analysis for various factors. In calculating the amounts equivalent to market risk, the Bank's VaR model is based on a historical simulation method and uses a 99% confidence level, a 10-day holding period and an observation period of 250 days (see the following table). The effectiveness of the VaR model is verified through backtesting, which examines how frequently actual daily loss exceeds daily VaR for a one-day holding period.

■ VaR Data for Fiscal Year End, Maximum, Minimum, and Average

(Millions of yen)

	FY2018	FY2019
FY End VaR	1,098	1,906
FY VaR		
Maximum	1,577	2,533
Average	904	1,132
Minimum	631	669

■ Stressed VaR Data for Fiscal Year End, Maximum, Minimum, and Average

(Millions of yen)

	FY2018	FY2019
FY End VaR	3,879	3,135
FY VaR		
Maximum	4,625	4,977
Average	3,328	3,200
Minimum	2,605	2,072

The results of backtesting are described in "Capital Adequacy Requirement (Basel Accord) Pillar III (Market Discipline)."

Interest Rate Risk in Banking Book

Interest rate risk is the risk of eroding profits or incurring losses due to market interest rate fluctuations amid mismatches in the interest rate or maturities of assets and liabilities. To measure interest rate risk exposure, we calculate the change of economic value of the banking book (ΔEVE) by means the three scenarios of IRRBB: parallel shock up, parallel shock down and steepener shock, and use maximum ΔEVE across three scenarios above for internal controls. ΔEVE is significantly impacted by the recognition of asset and liability maturities and loan prepayments, we are endeavoring to appropriately capture interest rate risk controls.

Risk Relating to Marketable Credit Instruments

Investments in structured bonds, funds, securitized instruments, etc., are generally held until maturity, although some instruments can be traded on the market. Such instruments have a complex risk profile that includes market risk and liquidity risk in addition to credit risk related to their underlying assets and counterparties. The Bank has established a system to ensure appropriate management of these risks, regularly reviews its investment policies based on the investment environment. The Transaction Committee, the Market Business Management Committee and the Group Risk Policy Committee strive to promote appropriate management of risks through regular reviews of risk exposure.

Liquidity Risk

Liquidity Risk Management Policy

As for funding liquidity risk, pursuant to the "Liquidity Risk Management Policy," the Group Treasury Division, a fund-raising management unit, and the Group Integrated Risk Management Division, a funding liquidity risk management unit, have been put in place, and the Group ALM Committee receives reports on the following designated liquidity risk management indicators: "funding gap limit," "minimum liquidity reserves," "liquidity stress tests," and "liquidity coverage ratio." The levels of funding liquidity risk consist of three Risk Administration Modes: "Normal," "Need for Concern," and "Crisis" with the Group ALM Committee determining the current mode. The response framework for each specific mode is set forth in the "Funding Liquidity Contingency Plan," and regular training is provided.

Operational Risk

Operational Risk Management Frameworks

To ensure comprehensive management of operational risks, the Bank has established an operational risk management policy that defines risks and sets forth its basic policy and organizational structures for risk management as well as procedures for identifying, evaluating, monitoring, reporting and controlling/mitigating risk.

The Group Integrated Risk Management Division, a unit responsible for Group-wide operational risk management, evaluates, analyzes, and reports on operational risk to management. Moreover, for each domain of operational risk such as administrative risk and systems risk, specialized risk management divisions that are independent from business divisions implement measures to manage operational risks according to the attributes of each category.

Risk Management Frameworks for Administrative Risks

Administrative risks refer to the risk of "incurring losses from inaccuracies in clerical tasks due to the carelessness of executives or employees, or errors or misconduct in their performance of work duties." As for administrative risks, we recognize appropriate management of them is extremely important to our ability to offer services that our customers trust. We strive to improve the level of our administrative work performance by clarifying the content of procedures through efforts to revise terminology, hold training seminars, provide guidance on administrative work, and improve administrative workflows. Also, we have established a system of branch self-audits where autonomous checks are performed at the work-task level and by creating a database documenting past errors have enabled the analysis of the causal factors behind errors that will help prepare and put in action specific administrative risks control measures for preventing reoccurrence in the future.

Risk Management Frameworks for Systems Risks

Systems risks include the risk of companies or individuals incurring losses from the disappearance of valuable data of customers as a result of information systems shutting off and software or hardware failures. Through consecutive reviews of systems risks, we are identifying and evaluating the risks, and working to improve quality in systems development and prevent systems failures, and ensure rapid recoveries when problems occur by improving our systems operating capabilities. We continue to manage risks for safe operations of new systems. We have endeavored to improve the level of systems risk management and information security for the entire Group, including subsidiaries. Moreover, we have taken appropriate steps based on the latest trends in technology to respond to cyber-security problems that have recently come to be seen as a social threat; so, we are working to ensure the safety of customer information and assets.

Due Diligence System for New Business and Product

Group New Business/Product Committee (The Committee) has been established in the group headquarters to conduct due diligence for new businesses and products of our group companies. In strategic investments with capital tie-up, due diligence has to be conducted by the Committee before the Group Executive Committee makes decisions.

Furthermore, a post launch monitoring system for new business has been established and we shall take appropriate actions if a problem in the business exists.

Due diligence system for new business and product

Chairman and committee members

- (Co-chairman) Chief Officers of the Group Corporate Planning & Finance and the Group Risk
- Chief Officer and GM of internal management sections in the group headquarters (Corporate Planning, Financial and Regulatory Accounting, Legal and Compliance, IT, Risk, etc.)
- Heads of risk management divisions in the group companies and executive officer in credit management of the Bank
- Group Internal Audit Division, Audit & Supervisory Board Member of the Bank

Main verification items

- Conformance with the legal and compliances measures, action on anti-money laundering
- Adequacy of the financial and regulatory accounting process
- Implementation of technologies that conform to the Group's security standards
- Management process of risks inherent in businesses and services
  - Credit risks, market risks, liquidity risks, etc.

Authority, etc.

- Verification of the framework of internal management in response to legal and compliances measures requires the approval from all of the Committee members.
- For strategic investments, important new business and products, the Committee reports the results of verification to the Group Executive Committee, in which decision-making authority resides.

Process after the business is launched

Monitoring system

- The effectiveness of the approved matters is confirmed by the Committee.
- Managements and business sections regularly evaluate performance of the business.

Risk Glossary

ALM (Asset Liability Management)	ALM refers to the comprehensive management of the market and liquidity risks that exist in the Bank's balance sheet (i.e., assets and liabilities) as a result of its business operations. ALM aims to optimize interest rate income from the Bank's balance sheet and economic value by monitoring interest rate conditions and asset/liability duration, including off-balance items such as derivatives on the Bank's account, and adjusting for risks in assets/liabilities and derivatives transactions in consideration of the change in value of assets, liabilities and periodic profits or losses due to market fluctuations.
Backtest	A backtest is the process of verifying the trading performance based on an historical rate or a fixed condition for share trading and currency trading.
Basel Regulations	Basel Regulations are regulations based on an international agreement in relation to such areas as the capital adequacy ratio of banks. Shinsei Bank calculates the capital adequacy ratio in accordance with the Japanese standards outlined by the Financial Services Agency.
Case of Historical Simulations	A method for calculating VaR using a distribution of changes in asset values calculated with historical risk factor values.
Expected Loss	Expected loss is the average amount of loss expected in relation to portfolio loans and is used as a provision for unrecoverable debt over a fixed period of time.
IRRBB	IRRBB (Interest Rate Risk in the Banking Book) is a risk which is caused by fluctuation in the market value of assets and liabilities in the banking book or revenue arising from adverse fluctuations in the level of interest rates. This risk is positioned as part of the second pillar (self-management and supervisory review process for financial institutions) of the Basel Capital Accord.
Parallel Shift	Parallel shift indicates that the interest rates for each year increase or decrease by the same extent in the same direction.
Portfolio	A Portfolio refers to a group of various components. An asset portfolio, for example, refers to a collection of various assets such as real estate, cash deposits and equities.
Risk Profile	The Risk Profile describes the characteristics of risks taken on.
Steeping	Steeping means the enlargement in difference between short-term and long-term interest rates.
Stress Testing	Stress testing is a preparation for unforeseen circumstances in financial markets. Stress Testing employs a statistical approach to simulate economic and other losses. Stress Testing is used in such instances as the verification of business plans based on unique scenarios projected by the Bank.
Trading Book	The Trading Book facilitates trade that takes advantage of short-term fluctuations in such areas as interest rates, foreign exchange rates and share prices.
Unexpected Loss	Unexpected loss is the difference resulting from subtracting the expected loss from the maximum loss expected to occur based on a set probability across multiple portfolio loans.
Value at Risk (VaR)	The VaR of a held position for a fixed period of time describes the maximum loss expected within a given probability range through normal price fluctuation.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Except for where the context indicates otherwise, words such as "we" or "our" indicates Shinsei Bank, Limited and its subsidiaries and affiliates accounted for by the equity-method, and "Shinsei" or the "Bank" refers to Shinsei Bank, Limited alone.

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

The following discussion contains forward-looking statements regarding the intent, belief or current expectations of the Bank's management with respect to our financial condition and future results of operations. In many cases, but not all, words such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "probability," "risk" and similar expressions are used in relation to the Bank or its management to identify forward-looking statements. These statements reflect our current views with respect to future events and are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those we currently anticipate or target. We do not intend to update these forward-looking statements.

Regarding financial figures, amounts of less than 0.1 billion yen have been rounded down to the nearest 0.1 billion yen, respectively except for per share data, percentage data, and claims classified under the Financial Revitalization Law. As a result, the totals in yen do not necessarily equal the sum of the individual amounts. In addition, percentages have been rounded to the nearest tenth or hundredth.

Fiscal year 2019 refers to the consolidated accounting period from April 1, 2019 to March 31, 2020 and other fiscal years are also stated in the same manner.

Additionally, "this fiscal year" refers to fiscal year 2019.

OVERVIEW

Shinsei Bank, Limited is a diversified Japanese financial institution providing a wide range of financial products and services to both institutional and individual customers. The Bank consists of the Institutional Business and the Individual Business.

- The Institutional Business is engaged in the finance, advisory businesses and global markets business primarily catering to corporations, public corporations and financial institutions in order to provide financial products and services that meet the needs of institutional customers through a strategic and systematic business promotion structure.
- The Individual Business consists of the Retail Banking and Consumer Finance businesses. Retail Banking provides services meeting the needs of our individual customers. Consumer Finance provides unsecured personal loans and credit guarantees through the Bank, Shinsei Financial and Shinsei Personal Loan Co., Ltd. ("Shinsei Personal Loan") and provides shopping credit, card, loan and payment services through APLUS FINANCIAL.

FINANCIAL SUMMARY FOR THE FISCAL YEAR ENDED MARCH 31, 2020

Net income attributable to owners of the parent for fiscal year 2019 totaled ¥45.5 billion, down ¥6.7 billion from ¥52.3 billion recorded in fiscal year 2018. Total revenue increased due to disposal gains of shares owned in the Institutional Business and disposal gains of bonds including Japanese government bonds in ALM operations, in addition to an increase in revenue from Structured Finance, one of our focus areas, and APLUS FINANCIAL. Expenses increased due to an increase in system expenses associated with the launch of a new core banking system and the expenses related to subsidiaries consolidated in fiscal year 2019. Net credit costs increased due to loan-loss reserve provisioning preparing for borrowers' deteriorated performances caused by the COVID-19 expansion. As a result, consolidated profit attributable to owners of the parent decreased from the previous fiscal year.

Total revenue for fiscal year 2019 totaled ¥239.9 billion, up ¥10.3 billion from fiscal year 2018. Net interest income totaled ¥133.5 billion, down ¥0.3 billion from ¥133.8 billion recorded in fiscal year 2018. The decrease is due to a decrease in the interest income from Retail Banking and APLUS FINANCIAL house-related loans, while interest income from Structured Finance increased. Noninterest income totaled ¥106.4 billion, up ¥10.6 billion from ¥95.8 billion in fiscal year 2018. Noninterest income increased from fiscal year 2018 due to the strong performance of the

OVERVIEW (continued)

Retail Banking and securities brokerage businesses in addition to increased revenues from APLUS FINANCIAL key businesses, including shopping credit. The increase was also contributed by the recording of disposal gains of shares owned in the Institutional Business and Japanese government bonds at Treasury in charge of ALM operations.

General administrative expenses excluding amortization of goodwill and intangible assets totaled ¥150 billion, up from ¥145.7 billion recorded in fiscal year 2018. This was due to an increase in expenses associated with the acquisition of subsidiaries and Group office reorganization, in addition to an increase in system expenses associated with the launch of a new core banking system.

Net credit costs totaled ¥39.1 billion, up ¥9.8 billion from ¥29.3 billion recorded in fiscal year 2018. While APLUS FINANCIAL did not record the disposal cost associated with a lump-sum disposal of delinquent loans it recorded in fiscal year 2018, the Institutional Business provisioned additional loan-loss reserves preparing for borrowers' deteriorated performances due to the COVID-19 expansion, in addition to non-recurrence of loan-loss reserve reversal recorded in the Institutional Business in fiscal year 2018.

Regarding reserves for losses on interest repayments, ¥2.6 billion of reversal gains were recorded in fiscal year 2019, while ¥2.3 billion were recorded in fiscal year 2018. As a result of recalculating the amount of reserves required to cover future interest repayments based on recent interest repayment trends, the reversal totaled ¥2.6 billion, which was recorded as reversal gains on reserves for losses on interest repayments.

The balance of loans and bills discounted as of March 31, 2020 totaled ¥5,110.4 billion, up ¥123.5 billion from the ¥4,986.8 billion recorded on March 31, 2019. This was due to an increase in the balance of loans in the structured finance business, while the balance of housing loans decreased.

Net interest margin for fiscal year 2019 was 2.47%, which is at a similar level as 2.46% recorded in fiscal year 2018.

The Basel III domestic standard (grandfathering basis) consolidated core capital adequacy ratio as of March 31, 2020 was 11.21%, compared to 11.85% as of March 31, 2019. While core capital increased through the steady accumulation of profits despite share buybacks, risk assets increased due to Showa Leasing's inclusion of SHINKO LEASE CO. LTD. ("SHINKO LEASE") as its subsidiary, in addition to the accumulation of operating assets in Structured Finance and Consumer Finance. The Bank's Basel III international standard (fully loaded basis) Common Equity Tier 1 Ratio was at 11.3% as of March 31, 2020, compared to 12.0% at March 31, 2019. Capital adequacy ratios are maintained at adequate levels.

The nonperforming loan balance (nonconsolidated basis) under the Financial Revitalization Law increased by ¥7.4 billion during fiscal year 2019 to ¥17.6 billion as of March 31, 2020. The ratio of nonperforming claims to the total loan balance was 0.34% as of March 31, 2020, compared to 0.20% as of March 31, 2019, which is maintained at a low level.

SIGNIFICANT EVENTS

Share buyback

Based on a buyback resolution made at meetings of the Board of Directors, Shinsei Bank purchased 14,579,300 shares, totaling ¥23,499 million from the Tokyo Stock Exchange during the period from May 16, 2019 to February 28, 2020.

The Bank's major shareholder

Mr. J. Christopher Flowers ("Mr. JCF"), the former Director of Shinsei Bank, and Saturn I Sub (Cayman) Exempt Limited, Saturn Japan II Sub CV, Saturn Japan III Sub CV and Saturn IV Sub LP (the "Four Saturns") had been holding 20% or more of Shinsei Bank ordinary shares from February 2008 to August 2019 as the Bank's major shareholders. The Four Saturns were investment vehicles established for the public offering of Shinsei Bank ordinary shares in January 2008 by investors including concerned parties of J. C. Flowers & Co. LLC ("J. C. Flowers"), for which Mr. JCF is Managing Director and Chief Executive Officer. Mr. JCF and J.C. Flowers are no longer the Bank's major shareholders as a result of a secondary offering of the majority of the Bank's ordinary shares they held in domestic and overseas markets in August 2019. The direction of decision-making by the Bank's shareholders may change going forward since there has been a change in the Bank's anchor shareholders.

As a result of the aforementioned secondary offering, Shinsei Bank has no majority shareholder. However, the Bank has established internal rules for its transactions with major shareholders to check the status of secured independency from major shareholders and business risk isolation from a third-party perspective, in addition to regular procedures.

SELECTED FINANCIAL DATA (CONSOLIDATED)

Shinsei Bank, Limited and its Consolidated Subsidiaries
As of or for the fiscal years ended March 31, 2020, 2019, 2018, 2017 and 2016

	Billions of yen (except for per share data and percentages)				
	2020	2019	2018	2017	2016
Statements of income data:					
Net interest income	**¥ 133.5**	¥ 133.8	¥ 128.7	¥ 122.2	¥ 122.3
Net fees and commissions	**32.4**	31.3	25.0	25.5	25.4
Net trading income	**15.8**	6.6	8.5	7.3	8.4
Net other business income	**58.2**	57.8	69.6	73.3	60.3
Total revenue	**239.9**	229.6	232.0	228.5	216.6
General and administrative expenses	**150.0**	145.7	142.9	144.2	141.3
Amortization of goodwill and intangible assets acquired in business combinations	**2.4**	2.8	3.9	5.2	7.4
Total general and administrative expenses	**152.4**	148.5	146.9	149.4	148.7
Net credit costs	**39.1**	29.3	37.2	31.8	3.7
Net business profit after net credit costs	**48.3**	51.8	47.7	47.1	64.0
Other gains (losses), net	**0.8**	2.7	7.6	4.6	(1.2)
Income before income taxes	**49.2**	54.5	55.4	51.7	62.8
Current income taxes	**4.1**	3.8	1.2	2.1	1.9
Deferred income taxes (benefit)	**(0.0)**	(1.3)	2.5	(0.9)	(0.5)
Profit (loss) attributable to noncontrolling interests	**(0.4)**	(0.2)	0.1	(0.2)	0.3
Profit (loss) attributable to owners of the parent	**¥ 45.5**	¥ 52.3	¥ 51.4	¥ 50.7	¥ 60.9
Balance sheet data:					
Trading assets	**¥ 213.7**	¥ 204.4	¥ 205.2	¥ 244.1	¥ 336.3
Securities	**957.0**	1,130.2	1,123.5	1,014.6	1,227.8
Loans and bills discounted	**5,110.4**	4,986.8	4,895.9	4,833.4	4,562.9
Customers' liabilities for acceptances and guarantees	**526.5**	456.7	395.3	346.6	280.6
Reserve for credit losses	**(107.9)**	(98.0)	(100.8)	(100.1)	(91.7)
Total assets	**10,226.5**	9,571.1	9,456.6	9,258.3	8,928.7
Deposits, including negotiable certificates of deposit	**6,305.1**	5,922.1	6,067.0	5,862.9	5,800.9
Trading liabilities	**183.9**	182.3	184.5	212.2	294.3
Borrowed money	**881.9**	684.0	739.5	789.6	801.7
Acceptances and guarantees	**526.5**	456.7	395.3	346.6	280.6
Total liabilities	**9,316.0**	8,674.5	8,600.6	8,437.5	8,135.6
Common stock	**512.2**	512.2	512.2	512.2	512.2
Total equity	**910.4**	896.6	856.0	820.7	793.1
Total liabilities and equity	**¥10,226.5**	¥ 9,571.1	¥ 9,456.6	¥ 9,258.3	¥ 8,928.7
Per share data[1]:					
Common equity[2]	**¥3,913.40**	¥3,636.92	¥3,376.39	¥3,163.89	¥ 294.41
Basic earnings per share	**190.59**	211.24	199.01	194.65	22.96
Diluted earnings per share	**190.55**	211.22	198.98	194.64	22.96
Capital adequacy data:					
Capital ratio (Basel lll, Domestic Standard)	**11.2%**	11.9%	12.8%	13.1%	14.2%
Total capital adequacy ratio (Basel ll)	–	–	–	–	–
Tier I capital ratio (Basel ll)	–	–	–	–	–
Average balance data:					
Securities	**¥ 1,026.4**	¥ 1,150.6	¥ 1,109.1	¥ 1,116.3	¥ 1,336.9
Loans and bills discounted	**5,052.9**	4,954.6	4,903.7	4,679.1	4,434.2
Total assets	**9,898.8**	9,513.9	9,357.4	9,093.5	8,909.3
Interest-bearing liabilities	**7,937.1**	7,773.8	7,591.2	7,283.4	7,142.7
Total liabilities	**8,995.3**	8,637.5	8,519.0	8,286.6	8,135.9
Total equity	**903.5**	876.3	838.4	806.9	773.4
Other data:					
Return on assets	**0.5%**	0.5%	0.5%	0.6%	0.7%
Return on equity[2]	**5.1%**	6.0%	6.1%	6.3%	8.1%
Ratio of deposits, including negotiable certificates of deposit, to total liabilities	**67.6%**	68.2%	70.5%	69.5%	71.3%
Expense-to-revenue ratio[3]	**62.5%**	63.4%	61.5%	63.1%	65.3%
Nonperforming claims, nonconsolidated	**¥ 17.6**	¥ 10.2	¥ 8.3	¥ 10.3	¥ 34.7
Ratio of nonperforming claims to total claims, nonconsolidated	**0.3%**	0.2%	0.2%	0.2%	0.8%

1 Shinsei Bank executed a 1-for-10 reverse stock split on October 1, 2017. The above Per share data is calculated as if the reverse stock split had been implemented at the beginning of the fiscal year ended March 31, 2018.
2 Stock acquisition rights and noncontrolling interests are excluded from equity.
3 The expense-to-revenue ratio is calculated by dividing general and administrative expenses by total revenue.

RESULTS OF OPERATIONS (CONSOLIDATED)

NET INTEREST INCOME

Net interest income was ¥133.5 billion in fiscal year 2019, down ¥0.3 billion from ¥133.8 billion recorded in fiscal year 2018. The decrease was due to a decrease in the interest income from house-related loans at Retail Banking and APLUS FINANCIAL, while the interest income from Structured Finance increased.

NET REVENUE ON INTEREST-EARNING ASSETS

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

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

Billions of yen (except Yield/Rate)

	2020			2019		
Fiscal years ended March 31	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate
Interest-earning assets:						
Loans and bills discounted	¥ 5,052.9	¥ 140.2	2.77%	¥ 4,954.6	¥ 140.1	2.83%
Lease receivables and leased investment assets/ installment receivables	833.4	40.8	4.90	746.4	37.5	5.03
Securities	1,026.4	10.7	1.05	1,150.6	12.5	1.09
Other interest-earning assets[1]	240.7	2.7	n.m.[3]	190.0	2.1	n.m.[3]
Total revenue on interest-earning assets (A)	¥ 7,153.6	¥ 194.6	2.72%	¥ 7,041.7	¥ 192.3	2.73%
Interest-bearing liabilities:						
Deposits, including negotiable certificates of deposit	¥ 5,963.7	¥ 6.3	0.11%	¥ 6,033.0	¥ 7.8	0.13%
Borrowed money	731.9	2.8	0.39	786.5	3.3	0.43
Subordinated debt	–	–	–	3.7	0.0	2.36
Other borrowed money	731.9	2.8	0.39	782.8	3.2	0.42
Corporate bonds	107.5	0.2	0.26	89.9	0.4	0.52
Subordinated bonds	–	–	–	12.8	0.2	1.88
Other corporate bonds	107.5	0.2	0.26	77.1	0.2	0.29
Other interest-bearing liabilities[1]	1,133.8	10.7	n.m[3]	864.2	9.3	n.m[3]
Total expense on interest-bearing liabilities (B)	¥ 7,937.1	¥ 20.2	0.26%	¥ 7,773.8	¥ 21.0	0.27%
Net interest margin (A) - (B)	–	174.3	2.47%	–	171.3	2.46%
Non interest-bearing sources of funds:						
Non interest-bearing (assets) liabilities, net	¥ (1,687.3)	–	–	¥ (1,605.8)	–	–
Total equity excluding noncontrolling interest[2]	903.8	–	–	873.8	–	–
Total non interest-bearing sources of funds (C)	¥ (783.4)	–	–	¥ (732.0)	–	–
Total interest-bearing liabilities and non interest-bearing sources of funds (D) = (B)+(C)	¥ 7,153.6	¥ 20.2	0.28%	¥ 7,041.7	¥ 21.0	0.30%
Net revenue on interest-earning assets/ yield on interest-earning assets (A) - (D)	–	¥ 174.3	2.44%	–	¥ 171.3	2.43%
Reconciliation of total revenue on interest-earning assets to total interest income						
Total revenue on interest-earning assets	¥ 7,153.6	¥ 194.6	2.72%	¥ 7,041.7	¥ 192.3	2.73%
Less: Income on lease transactions and installment receivables	833.4	40.8	4.90	746.4	37.5	5.03
Total interest income	¥ 6,320.2	¥ 153.7	2.43%	¥ 6,295.3	¥ 154.8	2.46%
Total interest expenses	–	20.2	–	–	21.0	–
Net interest income	–	¥ 133.5	–	–	¥ 133.8	–

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

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

The interest income in the table includes revenues from lease assets, leased investment assets and installment receivables. Shinsei Bank deems revenues from lease assets and installment receivables as part of interest income, however, Japanese GAAP does not include the revenues in interest income. Shinsei Bank has therefore reported revenues from lease assets and installment receivables as part of net other business income in conformity with Japanese GAAP.

Net interest margin was 2.47% compared to 2.46% recorded in fiscal year 2018. Yield on total interest-earning assets declined due to a smaller ratio of consumer finance loans which have a relatively higher yield as a result of the growth of structured finance loans. On the other hand, a decrease in the yield on deposits and negotiable deposits pushed down the total yield on interest-bearing liabilities. As a result, net interest margin was almost at the same level as fiscal year 2018.

Interest income including lease and installment accounts receivables increased to ¥174.3 billion from ¥171.3 billion recorded in fiscal year 2018. The increase was due to an increase in total interest income on interest-earning assets to ¥194.6 billion from ¥192.3 billion recorded in fiscal year 2018, while total interest expenses on interest-bearing liabilities decreased to ¥20.2 billion from ¥21 billion recorded in fiscal year 2018.

NET FEES AND COMMISSIONS

Net fees and commissions mainly consist of fee income from the lending business such as real estate finance and project finance, fee income associated with sales of mutual funds and insurance products, credit guarantee income from the consumer finance business and fee income from the payment business.

Net fees and commissions totaled ¥32.4 billion compared to ¥31.3 billion recorded in fiscal year 2018. This was primarily due to favorable fee income from Structured Finance and steady performance of Retail Banking.

NET TRADING INCOME

The following table presents the principal components of net trading income.

TABLE 2. NET TRADING INCOME (CONSOLIDATED)

	Billions of yen		
Fiscal years ended March 31	**2020**	2019	Change (Amount)
Income from trading securities	**¥ 4.3**	¥ 2.4	¥ 1.8
Income from securities held to hedge trading transactions	**0.8**	0.2	0.5
Income from trading-related financial derivatives	**10.2**	3.9	6.3
Other, net	**0.3**	0.0	0.3
Net trading income	**¥ 15.8**	¥ 6.6	¥ 9.1

Net trading income consists of derivatives revenue from transactions with customers and revenue from proprietary trading performed by the Bank.

Net trading income totaled ¥15.8 billion, up from ¥6.6 billion recorded in fiscal year 2018. The increase was due to increased trading revenue from Markets.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

NET OTHER BUSINESS INCOME

Net other business income consists of revenue from a.lease transactions and installment receivables and b.net gain on monetary assets held in trust and on securities and c.others.
The following table presents the principal components of net other business income.

TABLE 3. NET OTHER BUSINESS INCOME (CONSOLIDATED)

	Billions of yen		
Fiscal years ended March 31	**2020**	2019	Change (Amount)
Net gain on monetary assets held in trust	**¥ 3.4**	¥ 2.5	¥ 0.8
Net gain on foreign exchanges	**0.0**	6.7	(6.6)
Net gain on securities	**4.7**	0.3	4.4
Net gain on other monetary claims purchased	**0.1**	0.8	(0.6)
Other, net:	**8.9**	9.8	(0.9)
Income (loss) from derivatives entered into for banking purposes, net	**0.1**	(0.5)	0.6
Equity in net income of affiliates	**3.9**	5.6	(1.7)
Gain on lease cancellation and other lease income, net	**1.3**	2.2	(0.8)
Other, net	**3.4**	2.4	1.0
Net other business income before income on lease transactions and installment receivables, net	**17.3**	20.3	(2.9)
Income on lease transactions and installment receivables, net	**40.8**	37.5	3.3
Net other business income	**¥ 58.2**	¥ 57.8	¥ 0.3

Net other business income totaled ¥58.2 billion, up from ¥57.8 billion recorded in fiscal year 2018. The increase was due to a. increased gains on sales of securities through the recording of disposal gains on shares owned in the Institutional Business and on bonds such as Japanese government bonds at Treasury in charge of ALM operations and b. increased revenues from lease assets, leased investment assets and installment sales at APLUS FINANCIAL and Showa Leasing, while foreign exchange trading gains decreased.

TOTAL REVENUE

As a result of the preceding factors, total revenue in fiscal year 2019 was ¥239.9 billion, as compared to ¥229.6 billion in the previous fiscal year.

GENERAL AND ADMINISTRATIVE EXPENSES

The following table presents the principal components of general and administrative expenses.

TABLE 4. GENERAL AND ADMINISTRATIVE EXPENSES (CONSOLIDATED)

	Billions of yen		
Fiscal years ended March 31	**2020**	2019	Change (Amount)
Personnel expenses	**¥ 58.0**	¥ 56.5	¥ 1.5
Premises expenses	**20.1**	19.6	0.4
Telecommunication, data and system expenses	**24.9**	23.2	1.6
Advertising expenses	**11.4**	10.9	0.4
Consumption and property taxes	**10.4**	10.4	0.0
Deposit insurance premium	**1.5**	1.6	(0.0)
Other general and administrative expenses	**23.4**	23.2	0.1
General and administrative expenses	**150.0**	145.7	4.3
Amortization of goodwill and intangible assets acquired in business combinations	**2.4**	2.8	(0.3)
Total general and administrative expenses	**¥ 152.4**	¥ 148.5	¥ 3.9

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

General administrative expenses excluding amortization of goodwill and intangible assets totaled ¥150 billion, up from ¥145.7 billion recorded in fiscal year 2018.

Personnel expenses totaled ¥58.0 billion, up from ¥56.5 billion recorded in fiscal year 2018. The increase is due to an increase in consolidated subsidiaries, while personnel was allocated efficiently to expand our customer base and enhance our earnings power.

Non-personnel expenses totaled ¥92.0 billion, up from ¥89.2 billion recorded in fiscal year 2018. The increase is due to investing resources needed for expanding our operational base, in addition to the aforementioned increase in subsidiaries.

Premises-related expenses increased to ¥20.1 billion from ¥19.6 billion recorded in fiscal year 2018 due to temporary expenses due to office reorganization.

Telecommunication, data and system expenses increased to ¥24.9 billion from ¥23.2 billion recorded in fiscal year 2018 due to the occurrence of temporary expenses as a result of the launch of a new core banking system and the implementation of Windows 10 aimed at system stabilization. Advertisement expenses increased to ¥11.4 billion from ¥10.9 billion recorded in fiscal year 2018 due to advertisement activities for expanding new partners' customer bases. Consumption tax and property tax were almost the same as ¥10.4 billion recorded in fiscal year 2018. While the consumption tax rate was raised to 10% in October 2019, the consumption tax for capital investments decreased from fiscal year 2018 since there was no large capital investment such as the new core banking system implemented in fiscal year 2018. The deposit insurance premium totaled ¥1.5 billion, which is almost the same as ¥1.6 billion recorded in fiscal year 2018. Other expenses totaled ¥23.4 billion compared to ¥23.2 billion recorded in fiscal year 2018 due to continued efforts for operational efficiency, while there was an increase at Group companies.

AMORTIZATION OF GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATIONS

Amortization of goodwill and intangible assets associated with the acquisition of consumer finance and commercial finance subsidiaries totaled ¥2.4 billion, down from ¥2.8 billion recorded in fiscal year 2018. The decrease is primarily due to the utilization of the sum-of-the-years' digits method in recording the amortization of goodwill and intangible assets related to Shinsei Financial.

TABLE 5. AMORTIZATION OF GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATIONS (CONSOLIDATED)

	Billions of yen		
Fiscal years ended March 31	**2020**	2019	Change (Amount)
Shinsei Financial	**¥ 0.2**	¥ 0.7	¥ (0.5)
Shinsei Personal Loan	**(0.3)**	(0.3)	—
Showa Leasing	**2.3**	2.3	(0.0)
Others	**0.1**	0.0	0.1
Amortization of goodwill and intangible assets acquired in business combinations	**¥ 2.4**	¥ 2.8	¥ (0.3)

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

NET CREDIT COSTS

The following table presents the principal components of net credit costs.

TABLE 6. NET CREDIT COSTS (CONSOLIDATED)

	Billions of yen		
Fiscal years ended March 31	**2020**	2019	Change (Amount)
Losses on write-off or sales of loans	**¥ 0.4**	¥ 0.4	¥ (0.0)
Net provision (reversal) of reserve for loan losses:			
Net provision (reversal) of general reserve for loan losses	**27.7**	17.2	10.4
Net provision (reversal) of specific reserve for loan losses	**17.0**	17.9	(0.9)
Subtotal	**44.8**	35.2	9.5
Other credit costs (recoveries) relating to leasing business	**0.4**	0.3	0.0
Recoveries of written-off claims	**(6.4)**	(6.6)	0.1
Net credit costs (recoveries)	**¥ 39.1**	¥ 29.3	¥ 9.8

Net credit costs consist mainly of provisioning and reversal of loan-loss reserves. In accordance with Japanese GAAP, the Bank has recorded general loan-loss reserves, specific loan-loss reserves, specified reserves for loan losses in restructuring countries and specific reserves for other credit losses. Subsidiaries such as Shinsei Financial, APLUS FINANCIAL, Shinsei Personal Loan and Showa Leasing have also recorded general loan-loss reserves and specific loan-loss reserves.

Net credit costs increased to ¥39.1 billion from ¥29.3 billion recorded in fiscal year 2018. Net credit costs increased due to loan-loss reserve provisioning preparing for the deterioration of obligors' performances due to the COVID-19 expansion, in addition to non-recurrence of credit recoveries in the Institutional Business recorded in fiscal year 2018, while APLUS FINANCIAL recorded no disposal cost due to lump-sum disposal of delinquent loans recorded in fiscal year 2018.

Recoveries of written-off claims totaled ¥6.4 billion compared to ¥6.6 billion recorded in fiscal year 2018. The key components of the ¥6.4 billion recoveries of written-off claims were 6.0 billion at Shinsei Financial and ¥0.1 billion at Shinsei Bank, APLUS FINANCIAL and Alpha Servicer, Co., Ltd. respectively. Net credit costs excluding recoveries of written-off claims totaled ¥45.6 billion compared to ¥36 billion recorded in fiscal year 2018.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

OTHER GAINS (LOSSES), NET

Other net gains totaled ¥0.8 billion. With respect to reserves for losses on interest repayments, Shinsei Financial reversed ¥4.5 billion, while Shinsei Personal Loan and APLUS FINANCIAL provisioned additional reserves totaling ¥0.1 billion and ¥1.7 billion respectively.

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

	Billions of yen		
Fiscal years ended March 31	**2020**	2019	Change (Amount)
Net gain (loss) on disposal of premises and equipment	**¥ (0.4)**	¥ (0.0)	¥ (0.3)
Gains on write-off of unclaimed debentures	**–**	0.3	(0.3)
Provision of reserve for reimbursement of debentures	**–**	(0.1)	0.1
Gains on write-off of unclaimed deposits	**0.3**	0.4	(0.0)
Provision of reserve for reimbursement of deposits	**(0.6)**	–	(0.6)
Reversal (provision) of reserve for losses on interest repayments	**2.6**	2.3	0.2
Impairment losses on long-lived assets	**(0.6)**	(0.9)	0.2
Loss on change in equity of affiliates	**(0.3)**	–	(0.3)
Gains on unexercised and forfeited stock acquisition rights	**–**	0.2	(0.2)
Loss on liquidation of subsidiaries	**(0.2)**	(0.0)	(0.2)
Gains from bargain purchase	**0.0**	–	0.0
Other, net	**0.2**	0.6	(0.4)
Total	**¥ 0.8**	¥ 2.7	¥ (1.9)

INCOME BEFORE INCOME TAXES

As a result of the preceding factors income before income taxes totaled ¥49.2 billion for fiscal year 2019, compared to ¥54.5 billion in the previous fiscal year.

TAX EXPENSE (BENEFIT)

Current taxes, including corporate tax, residency tax, business tax and deferred tax totaled a net expense of ¥4.0 billion, compared to a net expense of ¥2.5 billion recorded in fiscal year 2018. Current tax expense totaled ¥4.1 billion and deferred tax benefit was ¥0.0billion. In fiscal year 2018, current tax expense totaled ¥3.8 billion and deferred tax benefit totaled ¥1.3 billion.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

As a result of the preceding factors, in fiscal year 2019, we recorded a consolidated profit attributable to owners of the parent of ¥45.5 billion, increased from ¥52.3 billion in the previous fiscal year.

RECONCILIATION OF REPORTED-BASIS RESULTS AND OPERATING-BASIS RESULTS

In addition to analyzing our results of operations in the format used for our English version annual report financial statements, which we refer to as the "reported-basis" results, our management also monitors our "operating-basis" results in order to assess individual business lines and evaluate achievements against targeted goals. Operating-basis results are calculated by adjusting the reported-basis results, with adjustments primarily made for the amortization of goodwill and intangible assets acquired in business combinations, certain revenue items, amortization of net actuarial losses and lump-sum payment lines. Generally speaking, the operating-basis results represent what the Bank considers to be "core" business results and are in accordance with Japanese GAAP at the profit (loss) level. The following summary table presents a reconciliation between our reported-basis results and operating-basis results.

TABLE 8. RECONCILIATION FROM REPORTED-BASIS RESULTS TO OPERATING-BASIS RESULTS (CONSOLIDATED)

	Billions of yen					
	2020			2019		
Fiscal years ended March 31	**Reported-basis**	**Reclassifications**	**Operating-basis**	Reported-basis	Reclassifications	Operating-basis
Revenue:						
Net interest income	**¥ 133.5**	**¥ –**	**¥ 133.5**	¥ 133.8	¥ –	¥ 133.8
Noninterest income	**106.4**	**–**	**106.4**	95.8	0.0	95.9
Total revenue	**239.9**	**–**	**239.9**	229.6	0.0	229.7
General and administrative expenses[1,3]	**150.0**	**(0.4)**	**149.5**	145.7	(0.9)	144.7
Amortization of goodwill and intangible assets acquired in business combinations[2,3]	**2.4**	**(2.4)**		2.8	(2.8)	–
Total general and administrative expenses	**152.4**	**(2.9)**	**149.5**	148.5	(3.8)	144.7
Net business profit/Ordinary business profit[2]	**87.5**	**2.9**	**90.4**	81.1	3.8	84.9
Net credit costs	**39.1**	**–**	**39.1**	29.3	–	29.3
Amortization of goodwill and intangible assets acquired in business combinations[2]	**–**	**2.4**	**2.4**	–	2.8	2.8
Other gains (losses), net[1]	**0.8**	**(0.4)**	**0.3**	2.7	(1.0)	1.7
Income before income taxes	**49.2**	**–**	**49.2**	54.5	–	54.5
Income taxes and profit attributable to noncontrolling interests	**3.6**	**–**	**3.6**	2.2	–	2.2
Profit attributable to owners of the parent	**¥ 45.5**	**¥ –**	**¥ 45.5**	¥ 52.3	¥ –	¥ 52.3

1 Reclassifications consist principally of adjustments relating to lump-sum compensation and amortization of actuarial gains or losses from general and administrative expenses to other gains (losses), net.
2 Amortization of goodwill and intangible assets acquired in business combinations associated with acquisitions of companies is reclassified under ordinary business profit after net credit costs.
3 Amortization of goodwill and intangible assets acquired in business combinations associated with partial acquisitions of businesses is classified to general and administrative expenses.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

BUSINESS LINES RESULTS

The management of Shinsei Bank continuously monitors operating-basis business performances. The following section provides explanations regarding the operating-basis ordinary business profit (loss) after net credit costs (recoveries) of each business area.

TABLE 9. OPERATING-BASIS ORDINARY BUSINESS PROFIT (LOSS) AFTER NET CREDIT COSTS (RECOVERIES) BY BUSINESS LINE (CONSOLIDATED)[1]

	Billions of yen		
Fiscal years ended March 31	**2020**	2019	Change (Amount)
Institutional Business:			
Net interest income	**¥ 30.0**	¥ 26.2	¥ 3.8
Noninterest income	**46.7**	41.2	5.5
Total revenue	**76.8**	67.4	9.3
General and administrative expenses	**42.3**	40.5	1.7
Ordinary business profit (loss)	**34.4**	26.8	7.6
Net credit costs (recoveries)	**9.8**	(1.9)	11.7
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ 24.6**	¥ 28.7	¥ (4.0)
Individual Business:			
Net interest income	**¥ 103.4**	¥ 104.8	¥ (1.4)
Noninterest income	**53.2**	50.8	2.3
Total revenue	**156.6**	155.7	0.8
General and administrative expenses	**103.3**	101.1	2.2
Ordinary business profit (loss)	**53.2**	54.6	(1.3)
Net credit costs (recoveries)	**29.3**	31.2	(1.8)
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ 23.9**	¥ 23.3	¥ 0.5
Corporate/Other[2]:			
Net interest income	**¥ 0.0**	¥ 2.6	¥ (2.6)
Noninterest income	**6.4**	3.8	2.6
Total revenue	**6.5**	6.5	0.0
General and administrative expenses	**3.8**	3.0	0.8
Ordinary business profit (loss)	**2.6**	3.5	(0.8)
Net credit costs (recoveries)	**0.0**	0.0	(0.0)
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ 2.6**	¥ 3.4	¥ (0.8)
Total:			
Net interest income	**¥ 133.5**	¥ 133.8	¥ (0.3)
Noninterest income	**106.4**	95.9	10.5
Total revenue	**239.9**	229.7	10.2
General and administrative expenses	**149.5**	144.7	4.8
Ordinary business profit (loss)	**90.4**	84.9	5.4
Net credit costs (recoveries)	**39.1**	29.3	9.8
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ 51.2**	¥ 55.6	¥ (4.4)

1 Costs associated with the funding operations have been allocated to the interest earning businesses on a management accounting basis.
2 Includes company-wide accounts, allocation variance of indirect expense and elimination amount of inter-segment transactions.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

INSTITUTIONAL BUSINESS

The Institutional Business consists of: 1) Corporate Business, which provides financial products and services to the Bank's corporate, public corporation and financial institution customers; 2) Structured Finance, which provides services including real estate finance and project finance; 3) Principal Transactions, which is engaged in businesses such as credit trading, private equity and asset-backed investment businesses; and 4) Showa Leasing, which provides financial products and services centered on leases; 5) Markets Business, which provides foreign exchange, derivatives, and other capital markets business; and 6) Other Global Markets, which is made up of the asset management business, wealth management business, and Shinsei Securities.

TABLE 10. INSTITUTIONAL BUSINESS ORDINARY BUSINESS PROFIT (LOSS) AFTER NET CREDIT COSTS (RECOVERIES) BY BUSINESS/SUBSIDIARY (CONSOLIDATED)[1]

	Billions of yen		
Fiscal years ended March 31	**2020**	2019	Change (Amount)
Corporate Business:			
Net interest income	**¥ 10.8**	¥ 10.0	¥ 0.7
Noninterest income	**8.1**	6.7	1.3
Total revenue	**18.9**	16.7	2.1
General and administrative expenses	**12.5**	11.8	0.7
Ordinary business profit (loss)	**6.3**	4.9	1.4
Net credit costs (recoveries)	**2.3**	0.8	1.4
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ 4.0**	¥ 4.0	¥ (0.0)
Structured Finance:			
Net interest income	**¥ 12.0**	¥ 10.3	¥ 1.6
Noninterest income	**7.6**	7.2	0.4
Total revenue	**19.7**	17.6	2.0
General and administrative expenses	**8.3**	7.7	0.5
Ordinary business profit (loss)	**11.3**	9.8	1.5
Net credit costs (recoveries)	**6.4**	(2.1)	8.6
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ 4.9**	¥ 12.0	¥ (7.1)
Principal Transactions:			
Net interest income	**¥ 4.3**	¥ 3.7	¥ 0.5
Noninterest income	**5.6**	5.6	0.0
Total revenue	**10.0**	9.3	0.6
General and administrative expenses	**4.1**	4.0	0.0
Ordinary business profit (loss)	**5.9**	5.3	0.5
Net credit costs (recoveries)	**0.1**	0.0	0.1
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ 5.7**	¥ 5.3	¥ 0.4
Showa Leasing:			
Net interest income	**¥ (0.1)**	¥ (0.0)	¥ (0.0)
Noninterest income	**14.6**	14.2	0.3
Total revenue	**14.4**	14.2	0.2
General and administrative expenses	**10.7**	9.8	0.9
Ordinary business profit (loss)	**3.7**	4.3	(0.6)
Net credit costs (recoveries)	**0.9**	(0.6)	1.5
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ 2.7**	¥ 4.9	¥ (2.2)
Markets:			
Net interest income	**¥ 2.3**	¥ 1.5	¥ 0.7
Noninterest income	**7.2**	5.5	1.7
Total revenue	**9.5**	7.1	2.4
General and administrative expenses	**3.3**	3.7	(0.3)
Ordinary business profit (loss)	**6.2**	3.3	2.8
Net credit costs (recoveries)	**(0.0)**	0.0	(0.0)
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ 6.2**	¥ 3.3	¥ 2.9
Other Global Markets:			
Net interest income	**¥ 0.5**	¥ 0.5	¥ 0.0
Noninterest income	**3.4**	1.8	1.6
Total revenue	**4.0**	2.3	1.7
General and administrative expenses	**3.1**	3.3	(0.2)
Ordinary business profit (loss)	**0.9**	(1.0)	1.9
Net credit costs (recoveries)	**(0.0)**	0.0	(0.0)
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ 0.9**	¥ (1.0)	¥ 2.0
Institutional Business:			
Net interest income	**¥ 30.0**	¥ 26.2	¥ 3.8
Noninterest income	**46.7**	41.2	5.5
Total revenue	**76.8**	67.4	9.3
General and administrative expenses	**42.3**	40.5	1.7
Ordinary business profit (loss)	**34.4**	26.8	7.6
Net credit costs (recoveries)	**9.8**	(1.9)	11.7
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ 24.6**	¥ 28.7	¥ (4.0)

1 Net of consolidation adjustments, if applicable.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

INSTITUTIONAL BUSINESS

The Institutional Business recorded total revenue of ¥76.8 billion, compared to ¥67.4 billion recorded in fiscal year 2018. Of this amount, net interest income totaled ¥30.0 billion, compared to ¥26.2 billion recorded in fiscal year 2018. Noninterest income totaled ¥46.7 billion, compared to ¥41.2 billion recorded in fiscal year 2018. The increase of net interest income was due to increased revenue through a steady increase in the balance of operating assets in Structured Finance. The increase of noninterest income was due to recording of gains on the sale of shares owned, steady trading revenue in Markets and the steady performance of securities brokerage in Other Global Markets.

Of the Institutional Business, Corporate Business recorded total revenue of ¥18.9 billion, compared to ¥16.7 billion in the previous fiscal year. The increase was primarily due to recording of gains on the sale of shares owned.

Structured Finance recorded total revenue of ¥19.7 billion, compared to ¥17.6 billion recorded in fiscal year 2018. The increase was due to an increase in net interest income resulting from a steady increase in operating assets.

Principal Transactions recorded total revenue of ¥10.0 billion, compared to ¥9.3 billion recorded in fiscal year 2018. The increase was primarily due to an increase in gains on sales of securities, while revenues from equity investment in affiliated companies decreased.

Showa Leasing recorded total revenue of ¥14.4 billion, compared to ¥14.2 billion recorded in fiscal year 2018. This increase was primarily due to increased lease revenues by including SHINKO LEASE as a subsidiary, while fee revenues decreased.

Markets recorded total revenue of ¥9.5 billion, compared to ¥7.1 billion recorded in fiscal year 2018. This was primarily due to steady trading revenues.

Other Global Markets recorded total revenue of ¥4.0 billion, compared to ¥2.3 billion recorded in fiscal year 2018. The increase was primarily due to the strong performance of securities brokerage.

General and administrative expenses increased to ¥42.3 billion from ¥40.5 billion recorded in fiscal year 2018. The increase was primarily due to the inclusion of SHINKO LEASE as a subsidiary, while efficient operations were promoted.

Net credit costs totaled ¥9.8 billion, compared to ¥1.9 billion gain recorded in the previous fiscal year. This was due to provisioning of loan-loss reserves preparing for the deterioration of obligors' performances due to the COVID-19 expansion, in addition to non-recurrence of the loan-loss reserve reversal recorded in fiscal year 2018.

As a result, the Institutional Business recorded an ordinary business profit after net credit costs of ¥24.6 billion, compared to ¥28.7 billion recorded in fiscal year 2018.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

INDIVIDUAL BUSINESS

The Individual Business consists of: 1) Retail Banking, which provides financial transactions and services to individuals; 2) Shinsei Financial, which engages in unsecured card loans and credit guarantees for individuals; 3) APLUS FINANCIAL, which provides shopping credit card loans and payment services; and 4) Other Individual business, which is the results from other subsidiaries..

TABLE 11. INDIVIDUAL BUSINESS ORDINARY BUSINESS PROFIT (LOSS) AFTER NET CREDIT COSTS (RECOVERIES) BY BUSINESS/SUBSIDIARY (CONSOLIDATED)[1]

	Billions of yen		
Fiscal years ended March 31	**2020**	2019	Change (Amount)
Retail Banking:			
Net interest income	**¥ 23.4**	¥ 23.9	¥ (0.4)
Loans	**9.3**	9.8	(0.5)
Deposits	**14.1**	14.1	0.0
Noninterest income	**4.9**	2.9	1.9
Asset Management Products	**8.3**	6.8	1.4
Other Fees (ATM, Fund Transfer, FX etc.)	**(3.3)**	(3.8)	0.4
Total revenue	**28.3**	26.9	1.4
General and administrative expenses	**28.0**	27.6	0.3
Ordinary business profit (loss)	**0.3**	(0.7)	1.0
Net credit costs (recoveries)	**0.0**	(0.0)	0.0
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ 0.3**	¥ (0.6)	¥ 1.0
Shinsei Financial[2]:			
Net interest income	**¥ 69.3**	¥ 69.3	¥ (0.0)
Lake Business	**63.6**	63.4	0.1
Noninterest income	**(0.9)**	(0.0)	(0.8)
Total revenue	**68.3**	69.2	(0.8)
General and administrative expenses	**34.3**	33.4	0.8
Ordinary business profitt (loss)	**33.9**	35.7	(1.7)
Net credit costs (recoveries)	**14.4**	14.5	(0.1)
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ 19.5**	¥ 21.2	¥ (1.6)
APLUS FINANCIAL:			
Net interest income	**¥ 9.7**	¥ 10.7	¥ (1.0)
Noninterest income	**48.5**	47.1	1.4
Total revenue	**58.2**	57.8	0.4
General and administrative expenses	**38.9**	38.1	0.7
Ordinary business profitt (loss)	**19.3**	19.6	(0.3)
Net credit costs (recoveries)	**15.1**	16.5	(1.4)
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ 4.2**	¥ 3.1	¥ 1.1
Other Individual[3]:			
Net interest income	**¥ 0.9**	¥ 0.8	¥ 0.1
Noninterest income	**0.6**	0.8	(0.1)
Total revenue	**1.5**	1.6	(0.0)
General and administrative expenses	**2.0**	1.7	0.2
Ordinary business profitt (loss)	**(0.4)**	(0.1)	(0.3)
Net credit costs (recoveries)	**(0.1)**	0.1	(0.3)
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ (0.2)**	¥ (0.2)	¥ 0.0
Individual Business:			
Net interest income	**¥ 103.4**	¥ 104.8	¥ (1.4)
Noninterest income	**53.2**	50.8	2.3
Total revenue	**156.6**	155.7	0.8
General and administrative expenses	**103.3**	101.1	2.2
Ordinary business profitt (loss)	**53.2**	54.6	(1.3)
Net credit costs (recoveries)	**29.3**	31.2	(1.8)
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ 23.9**	¥ 23.3	¥ 0.5

Notes: 1 Net of consolidation adjustments, if applicable.
2 Shinsei Financial includes "Shinsei Bank Card Loan L," Shinsei Personal Loan Co., Ltd., "Shinsei Bank Smart Card Loan Plus," and "Shinsei Bank Smart Money Lending" which are unsecured card loan business for individual customers. "Shinsei Bank Card Loan Lake" was renamed as "Shinsei Bank Card Loan L" on November 28, 2019.
3 Including income of Other subsidiary

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

The Individual Business recorded an ordinary business profit after net credit costs of ¥23.9 billion, compared to ¥23.3 billion recorded in fiscal year 2018.

RETAIL BANKING

Retail Banking recorded total revenue of ¥28.3 billion, compared to ¥26.9 billion recorded in fiscal year 2018. Of this amount, net interest income totaled ¥23.4 billion, compared to ¥23.9 billion recorded in fiscal year 2018, primarily due to decreased loan spreads. Noninterest income totaled ¥4.9 billion, compared to ¥2.9 billion recorded in fiscal year 2018. This was primarily due to recording of the fee income from a new consolidated subsidiary and the effect of charging ATM fees to some customers associated with the revision to the Shinsei Step Up Program, as well as an increase in income related to sales of asset management products.

General and administrative expenses increased to ¥28.0 billion from ¥27.6 billion recorded in fiscal year 2018. The increase was due to recording of expenses of the new consolidated subsidiary , while expenses decreased as a result of reviewing branch channels, more efficient and streamlined operations and office reorganization.

As a result, Retail Banking recorded an ordinary business profit after net credit costs of ¥0.3 billion, compared to a loss of ¥0.6 billion recorded in the previous fiscal year.

SHINSEI FINANCIAL

Shinsei Financial recorded an ordinary business profit after net credit costs and related consolidation adjustments of ¥19.5 billion compared to ¥21.2 billion recorded in fiscal year 2018.

Total revenue was ¥68.3 billion compared to ¥69.2 billion recorded in fiscal year 2018, primarily due to decreased loan interest in the unsecured loan business.

General and administrative expenses increased to ¥34.3 billion from ¥33.4 billion recorded in fiscal year 2018 due to proactive resource allocation to projects and system investment, while promoting rationalization and efficiency improvement of operations.

Net credit costs decreased to ¥14.4 billion from ¥14.5 billion recorded in fiscal year 2018. The decrease was due to continued strict credit control and enhancement of collection structures.

APLUS FINANCIAL

APLUS FINANCIAL recorded an ordinary business profit after net credit costs and related consolidation adjustments of ¥4.2 billion, increased from ¥3.1 billion recorded in fiscal year 2018.

Total revenue was ¥58.2 billion, decreased from ¥57.8 billion recorded in fiscal year 2018. Of this amount, net interest income decreased to ¥9.7 billion from ¥10.7 billion recorded in fiscal year 2018, primarily due to decreased new disbursements of housing-related loans. Noninterest income totaled ¥48.5 billion compared to ¥47.1 billion recorded in fiscal year 2018 due to the strong performance of the installment and credit card businesses.

General and administrative expenses increased to ¥38.9 billion from ¥38.1 billion recorded in fiscal year 2018. The increase was due to an increase in expenses related to the launch of a new credit card system, while rationalization and efficiency improvement of operations was continued.

Net credit costs totaled ¥15.1 billion compared to ¥16.5 billion recorded in fiscal year 2018. The decrease was due to non-recurrence of loan-loss reserve provisioning for long-term delinquent receivables.

Other Individual includes the results of the Consumer Finance Sub-Group and its subsidiaries.

INTEREST REPAYMENT

In fiscal year 2018, Shinsei Financial and Shinsei Personal Loan reversed ¥5.6 billion and ¥0.1 billion in reserves for losses on interest repayments respectively, while APLUS FINANCIAL provisioned additional reserves totaling ¥3.5 billion. However, in fiscal year 2019, as a result of recalculating the amount of reserves required to cover future interest repayments based on recent interest repayment trends, Shinsei Financial reversed ¥4.5 billion of reserves for losses on interest repayments, while Shinsei Personal Loan and APLUS FINANCIAL provisioned additional reserves totaling ¥0.1 billion and ¥1.7 billion respectively.

Shinsei Financial's usage of reserves for losses on interest repayments (interest repayments and related principal amortization) was ¥7.8 billion compared to ¥10.1 billion (not inculding increase by asset perchase) utilized in fiscal year 2018. As the company reversed ¥4.5 billion of reserves for losses on interest repayments in fiscal year 2019, the balance of reserves for losses on interest repayments totaled ¥37.8 billion as of March 31, 2020 compared to ¥50.1 billion as of March 31, 2019.

Shinsei Personal Loan's usage of reserves for losses on interest repayments (interest repayments and related principal amortization) was ¥1.2 billion compared to ¥1.5 billion recorded in fiscal year 2018. As the company provisioned additional reserves for losses on interest repayments of ¥0.1 billion in fiscal year 2019, the balance of reserves for losses on interest repayments totaled ¥4.5 billion as of March 31, 2020 compared to ¥5.6 billion as of March 31, 2019.

APLUS FINANCIAL and its consolidated subsidiaries' usage of reserves for losses on interest repayments (interest repayments and related principal amortization) was ¥1.9 billion compared to ¥2.4 billion recorded in fiscal year 2018. As the companies provisioned additional reserves for losses on interest repayments of ¥1.7 billion in fiscal year 2019, the balance of reserves for losses on interest repayments totaled ¥6.8 billion as of March 31, 2020 compared to ¥7.1 billion as of March 31, 2019.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

CORPORATE/OTHER

Corporate/Other consists of: 1) Treasury, which engages in the ALM and fundraising operations; and 2) Others, which includes company-wide accounts, variances from budgeted allocations of indirect expenses and eliminated amounts of inter-segment transactions.

TABLE 12. CORPORATE/OTHER ORDINARY BUSINESS PROFIT (LOSS) AFTER NET CREDIT COSTS (RECOVERIES) BY BUSINESS (CONSOLIDATED)

	Billions of yen		
Fiscal years ended March 31	**2020**	2019	Change (Amount)
Treasury:			
Net interest income	**¥ 0.0**	¥ 2.6	¥ (2.6)
Noninterest income	**5.9**	3.3	2.5
Total revenue	**5.9**	6.0	(0.0)
General and administrative expenses	**1.6**	1.6	(0.0)
Ordinary business profit (loss)	**4.3**	4.3	0.0
Net credit costs (recoveries)	**–**	–	–
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ 4.3**	¥ 4.3	¥ 0.0
Others[1]:			
Net interest income	**¥ 0.0**	¥ (0.0)	¥ 0.0
Noninterest income	**0.5**	0.4	0.0
Total revenue	**0.5**	0.4	0.0
General and administrative expenses	**2.2**	1.3	0.9
Ordinary business profit (loss)	**(1.6)**	(0.8)	(0.8)
Net credit costs (recoveries)	**0.0**	0.0	(0.0)
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ (1.6)**	¥ (0.8)	¥ (0.8)
Corporate/Other[1]:			
Net interest income	**¥ 0.0**	¥ 2.6	¥ (2.6)
Noninterest income	**6.4**	3.8	2.6
Total revenue	**6.5**	6.5	0.0
General and administrative expenses	**3.8**	3.0	0.8
Ordinary business profit (loss)	**2.6**	3.5	(0.8)
Net credit costs (recoveries)	**0.0**	0.0	(0.0)
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ 2.6**	¥ 3.4	¥ (0.8)

1 Includes company-wide accounts, allocation variance of indirect expense and elimination amount of inter-segment transactions.

Treasury recorded a total revenue of ¥5.9 billion compared to ¥6.0 billion recorded in fiscal year 2018. The decrease was primarily due to decreased investment profit caused by lower market interest rates, while gains on bond trading increased.

RESULTS OF OPERATIONS (NONCONSOLIDATED)

OVERVIEW

We disclose nonconsolidated financial information in addition to our consolidated financial statements. As a recipient of public funds, we are required by the Financial Services Agency of Japan ("FSA") to update and report on nonconsolidated performance in relation to targets set forth in our Revitalization Plan on a quarterly basis and to publicly disclose that information semi-annually.

Shinsei recorded net income of ¥33.1 billion on a nonconsolidated basis for the fiscal year ended March 31, 2020. Differences between the net incomes on a nonconsolidated basis and consolidated basis result mainly from the gains and losses from our consolidated subsidiaries, including Showa Leasing, Shinsei Financial, APLUS FINANCIAL and Shinsei Personal Loan, the gains and losses on our investment in our equity-method affiliate, Jih Sun Financial Holding Co., Ltd., and the dividends received from our major consolidated subsidiaries.

TABLE 13. COMPARISON OF TARGETS AND RESULTS FOR KEY MEASURES IN THE REVITALIZATION PLAN (NONCONSOLIDATED)

	Billions of yen (except percentages)			
	2020		2019	
Fiscal years ended March 31	**Target**	**Actual**	Target	Actual
Net income	**¥ 33.0**	**¥ 33.1**	¥ 32.0	¥ 35.4
Total expenses (without taxes)[1]	**71.6**	**66.5**	69.5	65.6
Return on equity based on net business profit[2]	**4.1%**	**4.9%**	4.3%	4.4%

1 Equals Shinsei's total general and administrative expenses excluding business taxes such as consumption tax.
2 Equals net business profit (jisshitsu gyomu jun-eki), as such term is defined under "Supplemental Measures" below, divided by average total equity excluding stock acquisition rights.

SUPPLEMENTAL MEASURES

In addition to the reporting items set forth in our nonconsolidated financial statements, the Banking Act of Japan requires us to disclose gross business profit (gyomu sorieki) on a nonconsolidated basis. Furthermore, in the Japanese banking industry, net business profit (jisshitsu gyomu jun-eki) has traditionally been used as a measure of the profitability of core banking operations. We review these non Japanese GAAP performance measures in monitoring the results of our operations.

Gross business profit (gyomu sorieki) is the sum of:

- net interest income, which excludes interest expense related to investment in monetary assets held in trust;
- net fees and commissions, which includes net gain (loss) on monetary assets held in trust (in keeping with the definition of gross business profit in our Revitalization Plan);
- net trading income; and
- net other business income, which excludes net gain (loss) on monetary assets held in trust and on equity securities.

Net business profit (jisshitsu gyomu jun-eki) is gross business profit (gyomu sorieki) minus nonconsolidated expenses, which corresponds to general and administrative expenses adjusted for certain items.

While these non Japanese GAAP business profit measures should not be viewed as a substitute for net income, management believes that these measures provide a meaningful way of comparing a number of the important components of Shinsei's revenues and profitability from year to year. The following table sets forth these supplemental financial data and corresponding reconciliations to net income under Japanese GAAP for the fiscal years ended March 31, 2020 and 2019.

RESULTS OF OPERATIONS (NONCONSOLIDATED) (continued)

TABLE 14. SUPPLEMENTAL MEASURES (NONCONSOLIDATED)

	Billions of yen	
Fiscal years ended March 31	**2020**	2019
Gross business profit (gyomu sorieki):		
Net interest income	**¥ 103.1**	¥ 106.5
Net fees and commissions[1]	**(3.8)**	(8.6)
Net trading income	**10.9**	4.1
Net other business income	**3.4**	6.7
Total gross business profit	**113.7**	108.8
Expenses[2]	**71.8**	71.5
Net business profit (jisshitsu gyomu jun-eki)	**41.8**	37.3
Net credit costs (recoveries)	**8.7**	(0.7)
Other, net[3]	**0.7**	0.5
Net operating income (keijo rieki)	**33.9**	38.6
Extraordinary income (loss)	**(0.2)**	(2.5)
Income before income taxes	**33.7**	36.0
Current income taxes (benefit)	**1.7**	1.6
Deferred income taxes (benefit)	**(1.2)**	(1.0)
Net income	**¥ 33.1**	¥ 35.4

1 Includes net gain (loss) on monetary assets held in trust of ¥2.3 billion in the fiscal year ended March 31, 2020 and ¥1.4 billion in the previous fiscal year.
2 General and administrative expenses with certain adjustment.
3 Excludes net gain (loss) on monetary assets held in trust.

CRITICAL ACCOUNTING POLICIES

GENERAL

Our financial statements are prepared in accordance with Japanese GAAP. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. In addition, certain accounting principles require significant judgment by management in applying complex accounting principles to individual transactions to determine the most appropriate accounting treatment. We have established procedures and processes to facilitate making the estimates and assumptions necessary to value assets and liabilities, record transactions and prepare the financial statements. On an ongoing basis, management evaluates its estimates and judgments, including those related to the valuation of assets and liabilities. Although actual results may differ from these estimates under different assumptions and conditions and future changes in the key assumptions could change future valuations and results, we have used the best information available at the time to make our estimates. Significant accounting policies are described in Note 2 to the Consolidated Financial Statements included in this integrated report.

Management believes the following are our critical accounting policies. These policies are considered "critical" because:

- the estimates involved in these policies require us to make assumptions about matters that are uncertain at the time the estimates are made; and
- different estimates that we reasonably could have used in the current period, or changes in the accounting estimate that are reasonably likely to occur from period to period, could have a material impact on the presentation of our financial condition, or changes in our financial position or results of operations.

RESERVE FOR CREDIT LOSSES

The reserve for loan losses, a separate component of the reserve for credit losses, is management's estimate of the credit losses to be incurred in the lending portfolio and is discussed in further detail in "—Financial Condition—Asset Quality and Disposal of Nonperforming Loans of Shinsei." We establish a specific reserve, a general reserve and a reserve for loans to restructuring countries based on our self-assessment guidelines to absorb estimated credit losses in the lending portfolio.

A specific reserve is provided for claims against obligors in the legally bankrupt, virtually bankrupt and possibly bankrupt categories. For claims against obligors in the legally and virtually bankrupt categories, the unsecured, unguaranteed portion of the claim is written off or otherwise fully reserved because such portion is deemed unlikely to be collected. For claims against obligors in the possibly bankrupt category, a specific reserve is principally determined by estimating discounted future cash flows, other than in cases where it is difficult to reasonably estimate future cash flows.

A general reserve is provided for claims against normal obligors, as well as claims against need caution obligors (including substandard obligors). Shinsei applies the discounted cash flow method in calculating the amount of a general reserve for most of its claims against substandard obligors. The amount of the reserve for claims against normal obligors and claims against need caution obligors (other than substandard obligors of Shinsei which are subject to the discounted cash flow method) is based on the total amount of, as well as the expected loss ratios for, claims against each category of obligor. Using the expected loss ratios, which are based on the historical loss ratios calculated in accordance with the predefined method in internal reserves guidelines, Shinsei reserves for the estimated amount of losses for the next three years for claims against substandard obligors, for the remaining term of the claims with respect to claims against normal obligors given ratings of 5A through 6C in Shinsei's credit ratings system and claims against need caution obligors other than substandard obligors or other

CRITICAL ACCOUNTING POLICIES (continued)

need caution obligors, and for the next year for claims against normal obligors given ratings higher than 5A.

Shinsei reviews its classification of obligors quarterly, although every month it downgrades obligors whose financial condition has deteriorated based on the results of its self-assessment process. A reserve for loans to restructuring countries is provided for estimated losses on those loans due to political and economic conditions in the countries.

Estimating Shinsei's specific reserve for claims against obligors in the possibly bankrupt category and the general reserve for claims against obligors in the substandard category is subject to a number of significant judgments and uncertainties regarding discounted cash flows due to the changing financial conditions of the obligors and general economic conditions surrounding the obligors' business operations. In addition, because the secured portion of claims is not covered by a specific reserve, actual losses on such claims are also subject to significant judgments and uncertainties regarding the fair value of collateral. Estimating the general reserve for claims against obligors in the normal and other need caution categories could be affected by changes made by management in the methodologies used to calculate the migration analyses of obligors or the assumptions used in the calculation of the reserve. As a result, actual losses in the nonperforming loans portfolio could be greater or lesser than we have estimated. If the estimated credit losses are not enough to cover actual losses incurred from the ultimate disposition of the portfolio, it would result in additional write-offs or additional reserves in the future for the lending portfolio, increasing our reported total credit costs. If the estimate is in excess of actual losses, it would result in a reduction of our total credit costs.

APLUS FINANCIAL establishes loan loss reserves based on the historical loss ratio for delinquent and non delinquent accounts. The amount of reserves in the case of delinquent accounts primarily depends on the number of months for which a particular account is past due. In addition, APLUS FINANCIAL writes off the entire amount of any claims it deems uncollectible, either as a result of personal bankruptcy or otherwise. Shinsei Financial and Shinsei Personal Loan establish loan loss reserves in the same manner as APLUS FINANCIAL, and Showa Leasing establishes reserves on the basis of obligor classification in accordance with its self-assessment guidelines.

RESERVE FOR REIMBURSEMENT OF DEPOSITS

The reserve for reimbursement of deposits is provided for estimated losses on future reimbursement requests of deposits derecognized from liabilities based on past experience. If any of the assumptions change due to changes in circumstances, an additional reserve could become necessary.

RESERVE FOR REIMBURSEMENT OF DEBENTURES

The reserve for reimbursement of debentures is provided for estimated losses on future reimbursement requests of debentures derecognized from liabilities based on past experience. If any of the assumptions change due to changes in circumstances, an additional reserve could become necessary.

RESERVE FOR LOSSES ON INTEREST REPAYMENTS

We follow "Audit Guidelines on Consumer Finance Companies' Provisions for Possible Losses on Reimbursements of Excess Interest Payments" issued by the Japanese Institute of Certified Public Accountants (the "JICPA"). These guidelines stipulate that consumer and commercial finance companies make certain provisions for possible losses on reimbursements of excess interest payments and loan losses related to consumer finance loans extended at interest rates in excess of the maximum interest rate prescribed in the Interest Rate Restriction Act of Japan. The reserve is established in the amount of the estimated future reimbursement requests based on past experience. If any of the assumptions change due to changes in circumstances, an additional reserve could become necessary.

VALUATION OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

We have various types of financial instruments in our trading and banking books. Pursuant to Japanese GAAP, we record some of our financial instruments at their fair values, which are measured based on market prices or third-party quotes or, if both are unavailable, our internal valuation methodologies.

Although we strive to follow market standards in making assumptions and determining scenarios necessary for these valuation methodologies, the outcomes of our methodologies could differ from those derived from other methodologies.

AVAILABLE-FOR-SALE SECURITIES

We record available-for-sale securities, both debt and equity, at their fair values except for securities whose fair value cannot be reliably determined, such as non marketable equity securities, etc. The net unrealized gains or losses on these securities are included in and presented as a separate component of equity.

Available-for-sale securities include some securities without readily obtainable market prices or quotes. These securities primarily consist of residual interests and debt investments in collateralized debt obligations as well as illiquid corporate bonds. We estimate the fair values of these securities based on historical data concerning market prices and quotes. In some cases, we determine fair value using internal valuation methodologies that are subject to complex assumptions, including those relating to scenarios, interest rates and volatility.

CRITICAL ACCOUNTING POLICIES (continued)

IMPAIRMENT IN VALUE OF DEBT AND EQUITY SECURITIES

Available-for-sale debt and equity securities, and held-to-maturity debt securities are both exposed to the risk of decline in their fair values. If the decline in fair values of available-for-sale securities and held-to-maturity securities whose fair value can be reliably determined is deemed to be significant, impairment loss is recognized in the amortized/acquisition cost of the securities since the decline in fair values is deemed to be other than temporary. Our rules for the determination of whether an other-than-temporary impairment has occurred differ by the obligor classification of the security issuer based upon our 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

See "— Financial Condition— Asset Quality and Disposal of Nonperforming Loans— Self-Assessment Guidelines and Reserve Policies— Definition of Obligor Classifications," for the definition of each obligor classification.

For available-for-sale securities, whose fair value cannot be reliably determined, if the net asset value of a security has declined in excess of 50% of its acquisition cost, we deem the impairment to be other-than-temporary in principle.

FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING PURPOSES

Our trading book assets and liabilities consist of derivative financial instruments, securities, short-term money market investments and other monetary claims maturing within a short period of time.

In addition, we hold certain securities investments, such as foreign fund trusts and corporate bonds, financial assets backed by loans and receivables as well as mortgages included in securities, other monetary claims purchased and monetary assets held in trust that are not recorded in the trading book, but are held for trading purposes in the banking book. All of these trading-purpose assets and liabilities are booked at their fair values, and changes in value are reflected in our profit (loss). The fair values of trading-purpose assets that are traded actively in open markets are based on observable market prices of the same or similar securities and monetary claims.

When actively traded market prices are not available, we estimate the fair values of the assets and liabilities held for trading purposes using our internal valuation methodologies. These methodologies require us to use our judgment in both making assumptions regarding market parameters, such as swap rates for interest rate and currency swaps with longer maturities, as well as determining the required scenarios, such as future cash flow projections for financial assets underlying purchased monetary claims. In addition, we adjust the fair value estimates for derivative financial instruments to reflect credit and liquidity risks.

CREDIT TRADING ACTIVITIES

We are engaged in credit trading activities in Japan and foreign countries, in which we purchase monetary claims such as loans, bonds, guarantees, receivables and lease receivables without intending to hold them to maturity. To recover our investment, we either collect on the claim, including through repayments, legal proceedings and discounted payoffs, or resell or securitize the claim. Claims purchased are recorded either in monetary assets held in trust or other monetary claims purchased, depending on the structure used for the purchase, and are principally measured at fair value. Fair value is estimated in the same way as it is for assets held for trading purposes. The internal valuation methodology we use to calculate the fair value of these claims primarily relies on a discounted cash flow method based on cash flow projections and implied discount rates. As estimations of future cash flows and discount rates are based on complex processes and contain an element of judgment, changes in assumptions could lead to different estimates of the fair value of monetary assets held in trust and other monetary claims purchased, which could in turn impact the related gain or loss amounts in our financial statements.

VALUATION OF DEFERRED TAX ASSETS

We record deferred tax assets for deductible temporary differences and tax loss carry-forwards and evaluate them in accordance with the Accounting Standards Board of Japan ("ASBJ") Guidance. Under the ASBJ Guidance No. 26 "Implementation Guidance on Recoverability of Deferred Tax Assets," if a company recorded a material amount of tax loss within the past three years or expired a material amount of tax loss carry-forwards within the past three years, the company able to record deferred tax assets for the temporary differences and tax loss carry-forwards to the extent scheduled as deductible from the estimated "Taxable profit before adjustments for existing temporary differences and tax loss carryforwards" in the next fiscal year.

CRITICAL ACCOUNTING POLICIES (continued)

As a result of that we recorded tax loss in the past three years, we recorded deferred tax assets for the temporary differences and tax loss carry-forwards to the extent scheduled as deductible in the next fiscal year. We recorded a valuation allowance to reduce deferred tax assets accordingly. The actual taxable profit amount for the fiscal year ended March 31, 2021 may be different from our estimate.

EMPLOYEES' RETIREMENT BENEFITS AND PENSION PLAN ASSETS

The Bank has a noncontributory defined benefit pension plan. APLUS Co., Ltd. ("APLUS") and Showa Leasing have a noncontributory defined benefit pension plan and an unfunded severance indemnity plan. Shinsei Financial and certain consolidated domestic subsidiaries have unfunded severance indemnity plans. These plans cover substantially all of the Group's employees.

Assets and liabilities for employees' retirement benefits are held for the payment of employees' retirement benefits based on the estimated amounts of the projected benefit obligation and the estimated value of pension plan assets at the end of the period. We follow the accounting standard and guideline for employees' retirement benefit plans issued by the ASBJ and estimate the amounts of the projected benefit obligation and the fair value of pension plan assets at the end of the fiscal year using assumptions for the long-term expected rate of return on plan assets and the discount rate.

We determine the long-term expected rate of return on plan assets based on the targeted average long-term performance of the assets. Because assumptions regarding the long-term expected rate of return on plan assets are affected by changing general economic and market conditions, we need to make significant judgments to determine appropriate assumptions underlying the estimate of long-term performance, which also impact the estimate of the liabilities for employees' retirement benefits and net periodic retirement benefit cost.

We have applied the method of allocating the projected benefit obligations over the period on a benefit formula basis and selected a single weighted average discount rate of highly graded corporate bonds reflecting the estimated timing and amount of benefit payments. If we become aware of information that leads us to determine that a different discount rate for settling the benefit obligation is required, the discount rate could be changed accordingly, which may have an impact on the related amounts reported in our financial statements.

HEDGE ACCOUNTING

We follow guidelines issued by the JICPA regarding hedge accounting applicable to financial assets and liabilities exposed to a risk of change in fair value or cash flow. Derivative transactions that meet the hedge accounting criteria are primarily accounted for using a deferral method whereby unrealized gains and losses are deferred in a separate component of equity until the gains and losses on the hedged items are realized.

The Bank adopted portfolio hedging in accordance with Industry Audit Committee Report No. 24 issued, on February 13, 2002, by the JICPA. Under portfolio hedging activities to mitigate the change in fair value, a portfolio of hedged items with common maturities such as deposits or loans is designated and matched with a group of hedging instruments such as interest rate swaps, which offset the effect of fair value fluctuations of the hedged items by identified maturities. The effectiveness of the portfolio hedging is assessed by each group.

As for portfolio hedging activities to fix the cash flows, the effectiveness is assessed based on the correlation between the base interest rate index of the hedged cash flow and that of the hedging instrument. The interest rate swaps of certain consolidated subsidiaries which qualify for hedge accounting and meet specific matching criteria are not measured at fair values, but the net payments or receipts under the swap agreements are recognized and included in interest expenses or income.

The Bank applies either deferral hedge accounting or fair value hedge accounting in accordance with Industry Audit Committee Report No. 25 issued, on July 29, 2002, by the JICPA, to the derivative transactions that meet the hedge accounting criteria for mitigating foreign currency fluctuation risks of its financial assets and liabilities such as funding swap and certain currency swap transactions. Funding swap transactions are foreign exchange swaps, and consist of spot foreign exchange contracts bought or sold and forward foreign exchange contracts bought or sold. Such transactions are contracted for the purpose of lending or borrowing in a different currency and converting the corresponding principal equivalents and foreign currency equivalents to pay and receive, whose amounts and due dates are predetermined at the time of the transactions, into forward foreign exchange contracts bought or sold. Under deferral hedge accounting, hedged items are identified by grouping the foreign currency-denominated financial assets and liabilities by currencies and designating derivative transactions such as currency swap transactions and forward exchange contracts as hedging instruments. Hedge effectiveness is assessed by confirming that the total foreign currency position of the hedged items is equal to or larger than that of hedging instruments.

CRITICAL ACCOUNTING POLICIES (continued)

In accordance with Industry Audit Committee Report No. 25 of the JICPA, the Bank also applies deferral hedge accounting and fair value hedge accounting to translation gains or losses from foreign currency assets of net investments in foreign nonconsolidated subsidiaries, affiliates and securities available for sale (other than bonds denominated in foreign currencies) when such foreign currency exposures recorded as assets are hedged with offsetting foreign currency liabilities and the liabilities exceed the acquisition cost of such foreign currency assets.

IMPAIRMENT OF LONG-LIVED ASSETS

We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Impairment losses on an asset or asset group establish a new cost basis for the assets. We evaluate our long-lived assets for impairment using our best estimates based on reasonable and supportable assumptions and projections. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of an asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the sum of discounted cash flows from the continuing use and eventual disposition of the asset, or the net selling price at disposition.

BUSINESS COMBINATIONS

For consolidated financial statement purposes, assets and liabilities of acquired subsidiaries are recorded primarily on the basis of their estimated fair values at the date of the acquisition.

As an acquisition of major subsidiaries, we acquired controlling interests in APLUS FINANCIAL and Showa Leasing on September 29, 2004 and March 23, 2005, respectively. Regarding Showa Leasing, we acquired 100% of the controlling interest, through additional acquisition and a share exchange on June 30, 2016 and December 1, 2016, respectively. On December 13, 2007, we acquired a controlling interest in Shinsei Personal Loan, which was previously an affiliate, through the purchase of additional shares. On September 22, 2008, the Bank, together with APLUS FINANCIAL, acquired 100% of the controlling interest (equity and debt) in Shinsei Financial, and its subsidiaries.

In connection with the consolidation of APLUS FINANCIAL, Showa Leasing, Shinsei Personal Loan, Shinsei Financial, and other subsidiaries, we recognized the assets (including intangibles) and liabilities of those entities primarily at their fair values. We used quoted market prices in active markets as the best evidence of fair value, where available. If quoted market prices were not available, the estimate of fair value was based on the best information available, including prices for similar assets and liabilities and the results using other fair value measurement methodologies. We adopted the following methodologies based on the nature of the assets and liabilities being valued and the availability of information:

- market approach: market transactions involving the sale of comparable assets.
- income approach: present value of earnings attributable to the asset.

As a result of fair value recognition, reserves for credit losses were offset with the corresponding loans or other assets.

We also recognized certain identifiable intangible assets in connection with the acquisition of Showa Leasing, Shinsei Financial and their consolidated subsidiaries, etc. because they were separable such as contractual or other legal rights. The identified intangible assets consist of trade names and customer and/or merchant relationships, among others, which are valued using variations of the income approach and which are being amortized over various periods and using different methodologies depending on the nature of the asset. See Note 2 (B) to the Consolidated Financial Statements.

The excess of the purchase price over the fair value of the net assets acquired, including identified intangible assets, was recorded as goodwill and is being amortized on a consistent basis primarily over 20 years. The amortization period of 20 years is the maximum period allowed under Japanese GAAP and was determined based upon the Bank's business strategy. With regard to the acquisitions executed before April 1, 2010, recorded with the previous accounting standard, when the purchase price was lower than the fair value of the net assets acquired, including identified intangible assets, the difference was recorded as negative goodwill and has been amortized on a straight-line basis primarily over 20 years, which is the maximum period allowed under the previous accounting standards. Any unamortized balances of identified intangible assets and goodwill are subject to impairment testing periodically.

CRITICAL ACCOUNTING POLICIES (continued)

IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATIONS

The Bank conducts impairment testing for goodwill and intangible assets acquired in business combinations as a result of certain triggering events including:

- A result or an indication of an operating loss or negative cash flow for two consecutive years
- Impairment of underlying investment securities is recognized
- A material adverse change in the business environment surrounding subsidiaries, such as a change in law which significantly and negatively impacts their business
- Management decisions that could have an adverse effect on the value of goodwill and intangible assets which were acquired in business combination

As the first step of the impairment test, we estimate the undiscounted future cash flows of the business. If the value of the undiscounted future cash flows is less than the book value of the net assets, including goodwill and intangible assets acquired in business combination, of the business, it is determined that impairment exists.

The next step of the impairment test is to measure the amount of the impairment loss, which is to compare the "value in use," which is recoverable amount calculated as the discounted value of future cash flows of the business, with the net asset book value which includes unamortized balances of goodwill and intangible assets acquired in business combination.

Finally, the impairment loss on goodwill is calculated as the residual, (i) less (ii) below.

(i) Impairment loss for the total of goodwill and intangible assets acquired in business combination is recognized as an amount by which the net asset book value exceeds the "value in use." The recoverable amount of intangible assets acquired in business combination is determined by discounted cash flow method, which is also used to measure the acquired assets, and (ii) the impairment loss of intangible assets acquired in business combinations, is determined as the difference between the recoverable amount and book value.

ASSET RETIREMENT OBLIGATIONS

An asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset. The asset retirement obligation is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability.

The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

FINANCIAL CONDITION

TOTAL ASSETS

As of March 31, 2020, we had consolidated total assets of ¥10,226.5 billion, increased by ¥655.3 billion from 9,571.1 billion as of March 31, 2019. The balance of loans and bills discounted as of March 31, 2020 was ¥5,110.4 billion, increased by ¥123.5 billion from ¥4,986.8 billion as of March 31, 2019. While the balance of housing loan has declined, this growth in the overall balance was supported by the increase of institutional client and Structured Finance's loan balances.

SECURITIES

The following table sets forth the composition of our consolidated portfolio of trading securities in the banking book, available-for-sale securities and held-to-maturity securities as of March 31, 2020. The balance of securities as of March 31, 2020 was ¥957.0 billion, decreased compared to the balance of ¥1,130.2 billion as of March 31, 2019. In the course of portfolio management, the total balance of Japanese national government bonds was ¥360.5 billion as of March 31, 2020, as compared to ¥501.5 billion as of March 31, 2019.

TABLE 15. SECURITIES BY MATURITY (CONSOLIDATED)

Billions of yen

	As of March 31, 2020							
	1 year or less	**Over 1 year to 3 years**	**Over 3 years to 5 years**	**Over 5 years to 7 years**	**Over 7 years to 10 years**	**Over 10 years**	**Unspecified term**	**Total**
Japanese national government bonds	**¥ 121.6**	**¥ 149.6**	**¥ 5.0**	**¥ 5.0**	**¥ 50.0**	**¥ 29.0**	**¥ –**	**¥ 360.5**
Japanese local government bonds	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Japanese corporate bonds	**13.0**	**21.5**	**72.5**	**7.2**	**16.1**	**38.4**	**–**	**168.9**
Japanese equity securities	**–**	**–**	**–**	**–**	**–**	**–**	**27.7**	**27.7**
Foreign bonds and other	**38.3**	**52.2**	**15.6**	**17.0**	**100.7**	**93.0**	**82.5**	**399.7**
Total securities	**¥ 173.1**	**¥ 223.4**	**¥ 93.2**	**¥ 29.3**	**¥ 166.9**	**¥ 160.5**	**¥ 110.2**	**¥ 957.0**

Billions of yen

	As of March 31, 2019							
	1 year or less	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years	Unspecified term	Total
Japanese national government bonds	¥ 119.9	¥ 285.3	¥ 6.1	¥ –	¥ 50.2	¥ 39.8	¥ –	¥ 501.5
Japanese local government bonds	–	–	–	–	–	–	–	–
Japanese corporate bonds	2.2	38.3	76.9	12.7	16.8	24.0	–	171.1
Japanese equity securities	–	–	–	–	–	–	30.6	30.6
Foreign bonds and other	28.0	30.6	46.9	29.4	83.5	120.5	87.6	426.9
Total securities	¥ 150.3	¥ 354.4	¥ 130.0	¥ 42.1	¥ 150.5	¥ 184.4	¥ 118.2	¥ 1,130.2

FINANCIAL CONDITION (continued)

LOAN PORTFOLIO

As of March 31, 2020, loans and bills discounted totaled ¥5,110.4 billion. Installment receivables of APLUS FINANCIAL, Showa Leasing and other non bank subsidiaries are classified in our consolidated balance sheets as other assets, and are not reflected in our data on loans and bills discounted.

As of March 31, 2020, loans to the financial and insurance industry were approximately 11% of the total loans and bills discounted, and those to the real estate industry were approximately 14%, approximately 30% of which are nonrecourse loans for real estate.

TABLE 16. LOANS BY BORROWER INDUSTRY (CONSOLIDATED)

	Billions of yen (except percentages)			
As of March 31	**2020**		2019	
Domestic offices (excluding Japan offshore market account):				
Manufacturing	**¥ 198.9**	**4.1%**	¥ 190.0	4.0%
Agriculture and forestry	**0.0**	**0.0**	0.0	0.0
Fishery	**0.0**	**0.0**	–	–
Mining, quarrying and gravel extraction	**0.3**	**0.0**	0.3	0.0
Construction	**11.8**	**0.2**	9.1	0.2
Electric power, gas, heat supply and water supply	**366.3**	**7.6**	320.7	6.7
Information and communications	**49.4**	**1.0**	55.1	1.2
Transportation, postal service	**194.1**	**4.0**	195.2	4.1
Wholesale and retail	**105.2**	**2.2**	122.5	2.6
Finance and insurance	**532.1**	**11.0**	521.5	10.9
Real estate	**670.5**	**13.8**	584.9	12.2
Services	**382.8**	**7.9**	341.8	7.1
Local government	**62.6**	**1.3**	52.4	1.1
Others	**2,271.8**	**46.9**	2,402.7	50.1
Total domestic (A)	**¥ 4,846.3**	**100.0%**	¥ 4,796.9	100.0%
Overseas offices (including Japan offshore market accounts):				
Governments	**¥ –**	**–%**	¥ 0.1	0.1%
Financial institutions	**33.1**	**12.6**	32.6	17.2
Others	**230.8**	**87.4**	157.1	82.7
Total overseas (B)	**¥ 264.0**	**100.0%**	¥ 189.9	100.0%
Total (A+B)	**¥ 5,110.4**		¥ 4,986.8	

FINANCIAL CONDITION (continued)

LOAN MATURITY

The following table sets forth the composition of Shinsei's nonconsolidated loan portfolio by type of interest rate and maturity as of the dates indicated. In the fiscal year ended March 31, 2020, the increase in total loans resulted from an increase in variable-interest rate loans.

TABLE 17. LOAN MATURITY (NONCONSOLIDATED)

As of March 31	Billions of yen 2020	2019
Fixed-interest loans:		
One year or less[1]	¥ –	¥ –
Over one year to three years	**22.9**	14.3
Over three years to five years	**37.0**	30.7
Over five years to seven years	**51.0**	42.8
Over seven years	**814.6**	865.5
Indefinite term	**249.5**	275.9
Variable-interest loans:		
One year or less[1]	¥ –	¥ –
Over one year to three years	**669.9**	755.5
Over three years to five years	**675.5**	617.8
Over five years to seven years	**452.6**	401.0
Over seven years	**954.5**	843.5
Indefinite term	**7.3**	7.7
Total loans:		
One year or less	**¥ 1,105.6**	¥ 1,077.5
Over one year to three years	**692.8**	769.8
Over three years to five years	**712.6**	648.6
Over five years to seven years	**503.6**	443.8
Over seven years	**1,769.1**	1,709.0
Indefinite term	**256.9**	283.6
Total loans	**¥ 5,040.8**	¥ 4,932.6

1 Loans with maturities of one year or less are not broken down by type of interest rate.

ASSET QUALITY AND DISPOSAL OF NONPERFORMING LOANS OF SHINSEI

At March 31, 2020, 20.2% of our consolidated nonperforming loans as disclosed in accordance with the guidelines of the Japanese Bankers Association (JBA) were held by Shinsei and most of the remaining nonperforming loans were held by Shinsei Financial and APLUS FINANCIAL. This discussion of our asset quality presents information of Shinsei on a nonconsolidated basis unless specified otherwise. In particular, nonperforming claims as defined in the Financial Revitalization Law are only disclosed on a nonconsolidated basis, and therefore do not include nonperforming loans held by Shinsei Financial, APLUS FINANCIAL and Showa Leasing. For a discussion of the nonperforming claims of Shinsei Financial, APLUS FINANCIAL and Showa Leasing see "—Asset Quality of Shinsei Financial, APLUS FINANCIAL and Showa Leasing."

We classify our obligors and assess our asset quality based on our self-assessment guidelines developed in accordance with guidelines published by the FSA. We generally perform our self-assessment quarterly. The self-assessment process involves classifying obligors based on their financial condition and then categorizing claims against obligors in order of collection risk. Based on these classifications, we establish reserves and disclose our nonperforming loans and other claims using criteria specified in the Financial Revitalization Law. We also disclose our nonperforming loans under a format devised by the JBA for the disclosure of risk-monitored loans.

The following table compares the scope of each category of claim under the Financial Revitalization Law and each type of riskmonitored loan, as well as the obligor type to which they relate as of March 31, 2020:

FINANCIAL CONDITION (continued)

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

(Billions of yen)

Obligor Classifications		Internal Ratings	Reserve Ratios for Borrowers Type	Claims Classified under the Financial Revitalization Law[1,2] Total loans and bills discounted: 5,040.8	Other 124.7	Risk-monitored Loans[1] Total loans and bills discounted: 5,040.8
Legally bankrupt		9E	100.0% for unsecured portion	Claims against bankrupt and quasi-bankrupt obligors 2.3 (Amount of coverage, coverage ratio) (2.3*, 100.0%) *Amount of reserve for loan losses is 0.6, collateral and guarantees is 1.7		Loans to bankrupt obligors 0.5
Virtually bankrupt		9D	100.0% for unsecured portion			Non accrual delinquent loans 14.3
Possibly bankrupt		9C	90.8% for unsecured portion	Doubtful claims 12.5 (Amount of coverage, coverage ratio) (11.8*, 93.8%) *Amount of reserve for loan losses is 6.5, collateral and guarantees is 5.3		
Need caution	Substandard	9B	17.6% for unsecured portion	Substandard claims (loan account only) 2.8 (Amount of coverage, coverage ratio) (0.8*, 29.5%) *Amount of reserve for loan losses is 0.4, collateral and guarantees is 0.5		Loans past due for three months or more Restructured loans 2.7
	Other need caution	9A	4.7% for total claims			
Normal		0A–6C	0.4% for total claims	Normal claims 5,147.9		Normal 5,023.1
				Total nonperforming claims and ratio to total claims 17.6, 0.3% (Total amount of coverage, coverage ratio) (14.9*, 84.5%) *Total amount of reserve for loan losses is 7.4, collateral and guarantees is 7.5		Total risk-monitored loans and ratio to total loans and bills discounted 17.6, 0.4%

1 The Financial Revitalization Law requires us to classify and disclose "claims" which include, in addition to loans and bills discounted, foreign exchange claims, securities lent, private placement bonds guaranteed by Shinsei, accrued income and suspense payments in other assets, as well as customers' liabilities for acceptances and guarantees. By comparison, as for risk-monitored loans, the format devised by the JBA only classifies, and calls for disclosure of, certain loans and bills discounted.
2 Shaded claims denoted claims that are considered to be nonperforming under the Financial Revitalization Law.

In October 2002, the FSA announced the "Program for Financial Revival" that has led to more stringent evaluations of claims. This program requires banks to use discounted cash flow analyses, among other measures, when providing loan loss reserves against major borrowers with substandard claims. Through the program, the FSA also sought greater scrutiny of the effect of recording large amounts of deferred tax assets on the quality of a bank's regulatory capital. We have exceeded the FSA's requirements for employing the discounted cash flow method, applying it to ¥500 million or more in outstanding balance, of our claims against substandard obligors and possibly bankrupt obligors, excluding non Japanese transactions and transactions with individuals as their future cash flows cannot be reasonably estimated.

FINANCIAL CONDITION (continued)

SELF-ASSESSMENT GUIDELINES AND RESERVE POLICIES

DEFINITION OF OBLIGOR CLASSIFICATIONS

OBLIGOR CLASSIFICATION	DEFINITION
Legally bankrupt *(hatan-saki)*	Obligors who have already gone bankrupt, from a legal and/or formal perspective.
Virtually bankrupt *(jisshitsu hatan-saki)*	Obligors 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 *(hatan kenen-saki)*	Obligors who are not yet bankrupt but are in financial difficulties and are very likely to go bankrupt in the future because they are having difficulty implementing their management improvement plans. This includes obligors who are receiving ongoing support from financial institutions.
Need caution *(youchui-saki)*	Obligors who require close attention because there are problems with their borrowings, such as reduced or suspended interest payments, problems with fulfillment, such as substantial postponements of principal or interest payments, or problems with their financial position as a result of their poor or unstable business conditions. The term "need caution obligors" includes "substandard obligors" *(youkanri-saki)*, which refers to obligors with "substandard claims," that is, loans past due for three months or more or restructured loans. Claims against need caution obligors that are not substandard claims are sometimes referred to as "claims against other need caution obligors" *(sono ta youchui-saki)*.
Normal *(seijou-saki)*	Obligors whose business conditions are favorable and who are deemed not to have any particular problems in terms of their financial position.

DEFINITIONS OF CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW

CATEGORY	DEFINITION
Claims against bankrupt and quasi-bankrupt obligors *(hasan kosei saiken oyobi korera ni junzuru saiken)*	Claims against obligors under bankruptcy and similar claims, as provided for under the Bankruptcy Law, the Corporate Reorganization Law, the Civil Rehabilitation Law and similar laws.
Doubtful claims *(kiken saiken)*	Claims against obligors that are not yet in bankruptcy but have experienced deterioration in their financial condition and operating performance and for which there is a high probability of contractual defaults on principal and interest payments.
Substandard claims *(youkanri saiken)*	Loans past due for three months or more and restructured loans, excluding those categorized as claims against bankrupt and quasi-bankrupt obligors or doubtful claims.
Normal claims *(seijou saiken)*	Claims against obligors that are experiencing no particular problems with their financial condition or operating performance, other than claims in any of the three categories above.

DEFINITIONS OF RISK–MONITORED LOANS

CATEGORY	DEFINITION
Loans to bankrupt obligors *(hatan-saki saiken)*	Loans to legally bankrupt obligors.
Non accrual delinquent loans *(entai-saki saiken)*	Loans to virtually bankrupt and possibly bankrupt obligors.
Loans past due for three months or more *(san-ka-getsu ijou entai saiken)*	Loans on which principal and/or interest are past due three months or more.
Restructured loans *(kashidashi jouken kanwa saiken)*	Loans with lending terms that have been changed in ways favorable to the borrower, including reducing interest rates, providing grace periods for repayment and forgiving a portion of the debt.

FINANCIAL CONDITION (continued)

RESERVE POLICIES

CLAIMS AGAINST OBLIGORS, AS CATEGORIZED UNDER SELF-ASSESSMENT GUIDELINES	RESERVE POLICY
Claims against legally and virtually bankrupt obligors	We either write off directly or make a provision for, in the specific reserve for loan losses, the full amount of the unsecured, unguaranteed portion of the claim.
Claims against possibly bankrupt obligors	For most claims against possibly bankrupt obligors, we make a provision in the specific reserve for loan losses in an amount calculated based on the discounted cash flow method. For the remaining claims, we make a provision to that reserve for the unsecured, unguaranteed portion of the claims in the amount of the product of that portion and the higher of 70% or the estimated loss ratio, based on historical losses on claims in this category, for the next three years.
Claims against substandard obligors	For most claims against substandard obligors, we make a provision in the general reserve for loan losses in an amount calculated based on the discounted cash flow method. For the remaining claims, we make a provision to that reserve for the estimated amount of losses over three years computed based on the expected loss ratio for claims in this category.
Claims against need caution obligors, other than claims against substandard obligors	We make a provision, in the general reserve for loan losses, for the estimated amount of losses over the average remaining term of the loans computed based on the expected loss ratio for claims in this category.
Claims against normal obligors	For claims against obligors rated 5A through 6C under our credit rating system, we make a provision, in the general reserve for loan losses, for the estimated amount of losses over the average remaining term of the loans computed based on the expected loss ratio for claims in this category. For the remaining claims, we make a provision to that reserve for the estimated amount of losses over a year computed based on the expected loss ratio for claims in this category.

CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW

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

DISCLOSURE OF CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW

Our current management team has consistently emphasized the monitoring of nonperforming loans. Shinsei's total amount of nonperforming claims as disclosed pursuant to the Financial Revitalization Law increased by ¥7.4 billion, or 72.8%, to ¥17.6 billion, between March 31, 2019 and 2020. During the fiscal year ended March 31, 2020, claims against bankrupt and quasi-bankrupt obligors increased from ¥2.1 billion to ¥2.3 billion, doubtful claims increased from ¥6.1 billion to ¥12.5 billion, and substandard claims increased from ¥2.0 billion to ¥2.8 billion as a result of our self assessment. The ratio of nonperforming claims disclosed under the Financial Revitalization Law to total nonconsolidated claims as of March 31, 2020 was 0.3%, increased from 0.2% as of March 31, 2019.

Shinsei's claims against other need caution obligors, excluding substandard claims, totaled ¥87.3 billion as of March 31, 2020, a 35.8% increase from ¥64.3 billion as of March 31, 2019. These include private placement bonds guaranteed by Shinsei and classified as claims against other need caution obligors. These claims represented 1.7% of total nonconsolidated claims as of March 31, 2020, increased from 1.3% as of March 31, 2019.

TABLE 18. CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW (NONCONSOLIDATED)

Billions of yen (except percentages)

As of March 31	**2020**	2019
Claims against bankrupt and quasi-bankrupt obligors	**¥ 2.3**	¥ 2.1
Doubtful claims	**12.5**	6.1
Substandard claims	**2.8**	2.0
Total claims disclosed under the Financial Revitalization Law[1]	**17.6**	10.2
Normal claims and claims against other need caution obligors, excluding substandard claims	**5,147.9**	5,000.4
Total claims	**¥ 5,165.6**	¥ 5,010.6
Ratio of total claims disclosed under the Financial Revitalization Law to total claims	**0.3%**	0.2%

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

FINANCIAL CONDITION (continued)

COVERAGE RATIOS

As of March 31, 2020, Shinsei's nonconsolidated coverage ratios for claims classified under the Financial Revitalization Law, which for each category of claims is the total of collateral pledged against claims, guarantees for claims and reserve for loan losses, measured against total claims, were 100.0% for claims against bankrupt and quasi-bankrupt obligors, 93.8% for doubtful claims and 29.5% for substandard claims. For all claims classified under the Financial Revitalization Law, the coverage ratio was 84.5%, a increase from 67.8% as of March 31, 2019.

Shinsei directly writes off, rather than reserves, the portion of claims against bankrupt and quasi-bankrupt obligors that are estimated to be uncollectible. In the fiscal years ended March 31, 2020 and 2019, ¥4.7 billion and ¥2.9 billion, respectively, of such claims were written off on a nonconsolidated basis.

TABLE 19. COVERAGE RATIOS FOR NONPERFORMING CLAIMS DISCLOSED UNDER THE FINANCIAL REVITALIZATION LAW (NONCONSOLIDATED)

	Billions of yen (except percentages)				
		Amounts of coverage			
	Amount of claims	Reserve for loan losses	Collateral and guarantees	Total	Coverage ratio
As of March 31, 2020:					
Claims against bankrupt and quasi-bankrupt obligors	**¥ 2.3**	**¥ 0.6**	**¥ 1.7**	**¥ 2.3**	**100.0%**
Doubtful claims	**12.5**	**6.5**	**5.3**	**11.8**	**93.8**
Substandard claims	**2.8**	**0.4**	**0.5**	**0.8**	**29.5**
Total	**¥ 17.6**	**¥ 7.4**	**¥ 7.5**	**¥ 14.9**	**84.5%**
As of March 31, 2019:					
Claims against bankrupt and quasi-bankrupt obligors	¥ 2.1	¥ 0.5	¥ 1.6	¥ 2.1	100.0%
Doubtful claims	6.1	3.5	0.6	4.1	67.7
Substandard claims	2.0	0.3	0.4	0.7	34.0
Total	¥ 10.2	¥ 4.3	¥ 2.6	¥ 6.9	67.8%

CHANGES IN AMOUNT OF NONPERFORMING CLAIMS

The table below sets forth Shinsei's experience since March 31, 2018 with the removal of nonperforming claims and the emergence of new claims on a nonconsolidated basis:

TABLE 20. CHANGES IN AMOUNT OF NONPERFORMING CLAIMS (NONCONSOLIDATED)

	Billions of yen			
	Substandard claims	Doubtful claims	Claims against bankrupt and quasi-bankrupt obligors	Total
Balance of nonperforming claims as of March 31, 2018	¥ 3.0	¥ 3.5	¥ 1.8	¥ 8.3
Claims newly added April 1, 2018 to March 31, 2019	0.4	3.0	0.8	4.3
Claims removed April 1, 2018 to March 31, 2019	(1.3)	(0.4)	(0.7)	(2.4)
Claims migrating between classifications April 1, 2018 to March 31, 2019	(0.2)	(0.1)	0.2	–
Net change	(1.1)	2.6	0.3	1.8
Balance of nonperforming claims as of March 31, 2019	¥ 2.0	¥ 6.1	¥ 2.1	¥ 10.2
Claims newly added April 1, 2019 to March 31, 2020	**1.3**	**12.0**	**1.1**	**14.4**
Claims removed April 1, 2019 to March 31, 2020	**(0.3)**	**(5.7)**	**(0.9)**	**(6.9)**
Claims migrating between classifications April 1, 2019 to March 31, 2020	**(0.1)**	**0.1**	**0.1**	**–**
Net change	**0.8**	**6.4**	**0.2**	**7.4**
Balance of nonperforming claims as of March 31, 2020	**¥ 2.8**	**¥ 12.5**	**¥ 2.3**	**¥ 17.6**

In the fiscal year ended March 31, 2020, ¥14.4 billion of claims were newly classified as substandard or worse, while Shinsei removed ¥6.9 billion of claims in these categories during the same period. Of the newly added nonperforming claims, ¥1.3 billion were classified as substandard claims, and ¥12.0 billion were classified as Doubtful claims.

For the fiscal year ended March 31, 2019, ¥4.3 billion of claims were newly classified as substandard or worse, while Shinsei removed ¥2.4 billion of claims in these categories during the same period.

FINANCIAL CONDITION (continued)

RESERVE FOR CREDIT LOSSES

The following table sets forth a breakdown of our total reserve for credit losses on a nonconsolidated basis as of the dates indicated:

TABLE 21. RESERVE FOR CREDIT LOSSES (NONCONSOLIDATED)

As of March 31	2020	2019
	Billions of yen (except percentages)	
General reserve for loan losses	**¥ 23.4**	¥ 21.2
Specific reserve for loan losses	**7.9**	4.2
Reserve for loans to restructuring countries	**–**	–
Total reserve for credit losses	**¥ 31.4**	¥ 25.5
Total claims[1]	**¥ 5,165.6**	¥ 5,010.6
Ratio of total reserve for credit losses to total claims	**0.6%**	0.5%

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

As of March 31, 2020 and 2019, Shinsei's total reserve for credit losses on a nonconsolidated basis was ¥31.4 billion and ¥25.5 billion, respectively, constituting 0.6% and 0.5%, respectively, of total claims.

TABLE 22. RESERVE RATIOS BY BORROWERS' CATEGORY (NONCONSOLIDATED)

As of March 31		2020	2019
		Percentages	
Legally and virtually bankrupt	(unsecured portion)	**100.0%**	100.0%
Possibly bankrupt	(unsecured portion)	**90.8%**	64.1%
Substandard	(unsecured portion)	**17.6%**	21.8%
Other need caution	(total claims)	**4.7%**	4.5%
	(unsecured portion)	**12.0%**	10.4%
Normal	(total claims)	**0.4%**	0.3%

RISK-MONITORED LOANS

Consolidated risk-monitored loans increased by 12.5% during the fiscal year ended March 31, 2020 to ¥87.2 billion. The increase of ¥6.9 billion in nonaccrual delinquent loans during the period were primarily attributable to collection of nonconsolidated loans.

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

TABLE 23. RISK-MONITORED LOANS (CONSOLIDATED)

As of March 31	2020	2019
	Billions of yen (except percentages)	
Total loans and bills discounted	**¥ 5,110.4**	¥ 4,986.8
Loans to bankrupt obligors (A)	**4.5**	4.8
Nonaccrual delinquent loans (B)	**35.3**	28.3
Subtotal (A) + (B)	**¥ 39.8**	¥ 33.2
Ratio to total loans and bills discounted	**0.8%**	0.7%
Loans past due for three months or more (C)	**¥ 0.6**	¥ 0.8
Restructured loans (D)	**46.6**	43.4
Total risk-monitored loans (A) + (B) + (C) + (D)	**¥ 87.2**	¥ 77.5
Ratio to total loans and bills discounted	**1.7%**	1.6%
Reserve for credit losses	**¥ 107.9**	¥ 98.0

FINANCIAL CONDITION (continued)

TABLE 24. RISK-MONITORED LOANS (NONCONSOLIDATED)

As of March 31	Billions of yen (except percentages) 2020	2019
Total loans and bills discounted	**¥ 5,040.8**	¥ 4,932.6
Loans to bankrupt obligors (A)	**0.5**	0.5
Nonaccrual delinquent loans (B)	**14.3**	7.6
Subtotal (A) + (B)	**¥ 14.8**	¥ 8.2
Ratio to total loans and bills discounted	**0.3%**	0.2%
Loans past due for three months or more (C)	**¥ 0.3**	¥ 0.2
Restructured loans (D)	**2.4**	1.7
Total risk-monitored loans (A) + (B) + (C) + (D)	**¥ 17.6**	¥ 10.1
Ratio to total loans and bills discounted	**0.4%**	0.2%
Reserve for credit losses	**¥ 31.4**	¥ 25.5

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

As of March 31	Billions of yen 2020	2019
Domestic offices (excluding Japan offshore market account):		
Manufacturing	**¥ 0.1**	¥ 2.9
Agriculture and forestry	**–**	–
Fishery	**–**	–
Mining, quarrying and gravel extraction	**–**	–
Construction	**–**	–
Electric power, gas, heat supply and water supply	**5.4**	–
Information and communications	**0.1**	0.0
Transportation and postal service	**–**	–
Wholesale and retail	**2.8**	0.1
Finance and insurance	**0.1**	0.1
Real estate	**3.6**	0.0
Services	**1.5**	1.1
Local government	**–**	–
Individual	**2.3**	2.3
Overseas yen loan and overseas loans booked domestically	**0.2**	2.1
Total domestic (A)	**¥ 16.5**	¥ 8.9
Overseas offices (including Japan offshore market accounts):		
Governments	**¥ –**	¥ –
Financial institutions	**–**	–
Others	**1.1**	1.2
Total overseas (B)	**¥ 1.1**	¥ 1.2
Total (A+B)	**¥ 17.6**	¥ 10.1

FINANCIAL CONDITION (continued)

ASSET QUALITY OF SHINSEI FINANCIAL, APLUS FINANCIAL AND SHOWA LEASING

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

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

TABLE 26. RISK-MONITORED LOANS BREAKDOWN FOR LARGE ENTITIES (CONSOLIDATED)

	Billions of yen				
	Shinsei	Shinsei Financial	APLUS FINANCIAL	Other subsidiaries	Total
As of March 31, 2020:					
Loans to bankrupt obligors	**¥ 0.5**	**¥ 3.5**	**¥ –**	**¥ 0.5**	**¥ 4.5**
Nonaccrual delinquent loans	**14.3**	**11.1**	**5.3**	**4.4**	**35.3**
Loans past due for three months or more	**0.3**	**0.0**	**0.2**	**0.0**	**0.6**
Restructured loans	**2.4**	**33.3**	**10.8**	**–**	**46.6**
Total	**¥ 17.6**	**¥ 48.0**	**¥ 16.4**	**¥ 5.0**	**¥ 87.2**
As of March 31, 2019:					
Loans to bankrupt obligors	¥ 0.5	¥ 3.6	¥ 0.0	¥ 0.6	¥ 4.8
Nonaccrual delinquent loans	7.6	10.5	5.5	4.6	28.3
Loans past due for three months or more	0.2	–	0.4	0.1	0.8
Restructured loans	1.7	31.6	10.0	–	43.4
Total	¥ 10.1	¥ 45.8	¥ 16.0	¥ 5.4	¥ 77.5

TABLE 27. RISK-MONITORED INSTALLMENT RECEIVABLES INCLUDED IN OTHER ASSETS (CONSOLIDATED)[1]

	Billions of yen				
	Shinsei Financial	APLUS FINANCIAL	Showa Leasing	Other subsidiaries	Total
As of March 31, 2020:					
Credits to bankrupt obligors	**¥ –**	**¥ –**	**¥ 0.0**	**¥ –**	**¥ 0.0**
Nonaccrual delinquent credits	**–**	**3.8**	**1.7**	**–**	**5.6**
Credits past due for three months or more	**–**	**0.1**	**0.1**	**–**	**0.2**
Restructured credits	**–**	**0.9**	**0.0**	**–**	**1.0**
Total	**¥ –**	**¥ 4.9**	**¥ 1.9**	**¥ –**	**¥ 6.9**
As of March 31, 2019:					
Credits to bankrupt obligors	¥ –	¥ 0.0	¥ 0.0	¥ –	¥ 0.0
Nonaccrual delinquent credits	–	3.7	2.2	–	5.9
Credits past due for three months or more	–	0.2	0.6	–	0.8
Restructured credits	–	0.2	0.0	–	0.2
Total	¥ –	¥ 4.1	¥ 2.8	¥ –	¥ 6.9

1 Neither Shinsei Bank (nonconsolidated) nor Shinsei Personal Loan had any such installment receivables.

FUNDING AND LIQUIDITY

We continues to optimize its funding base through deposits from retail customers. Total deposits and negotiable certificates of deposit increase from ¥5,922.1 billion as of March 31, 2019 to ¥6,305.1 billion as of March 31, 2020. The retail deposits balance totaled ¥4,658.9 billion as of March 31, 2020, increased from 4,594 billion as of March 31, 2019.

Retail Banking constitutes 73.9% of our total funding through customer deposits. The following table shows changes in the proportion of our overall funding represented by funds raised from deposits in our Retail and Institutional Banking businesses.

FINANCIAL CONDITION (continued)

TABLE 28. DIVERSIFICATION BY FUNDING TYPE (CONSOLIDATED)

As of March 31	Billions of yen	
	2020	2019
Retail deposits	**¥ 4,658.9**	¥ 4,594.5
Institutional deposits	**1,646.1**	1,327.5
Total	**¥ 6,305.1**	¥ 5,922.1

DEPOSITS

The following table sets forth the composition of our time deposits by remaining maturity as of the dates indicated:

TABLE 29. MATURITY SCHEDULE OF TIME DEPOSITS (CONSOLIDATED)

As of March 31	Billions of yen	
	2020	2019
Less than three months[1]	**¥ 1,534.4**	¥ 1,518.6
Three months or more, but less than six months	**132.4**	158.6
Six months or more, but less than one year	**227.8**	119.5
One year or more, but less than two years	**185.3**	89.5
Two years or more, but less than three years	**280.3**	85.0
Three years or more	**291.7**	300.3
Total	**¥ 2,652.1**	¥ 2,271.9

1 Less than three months includes time deposits that have matured but have not yet been paid.

CORPORATE BONDS

The following table sets forth the composition of our corporate bonds by remaining maturity as of the dates indicated:

TABLE 30. MATURITY SCHEDULE OF CORPORATE BONDS (CONSOLIDATED)

Corporate Bonds

Fiscal year ending March 31	Billions of yen
2021	¥ 15.0
2022	10.0
2023	30.0
2024	40.0
2025 and thereafter	71.5
Total	¥ 166.5

OTHER

The securitization of loans and other assets is another component of our funding strategy. We will continue to explore additional issuance opportunities subject to market conditions.

TABLE 31. SHINSEI'S CREDIT RATINGS AS OF JULY 2020

Rating agency	Long-term (Outlook)	Short-term
R&I	A- (Stable)	a-1
JCR	A- (Stable)	J-1
S&P	BBB (Stable)	A-2
Moody's	Baa1 (Stable)	Prime-2

FINANCIAL CONDITION (continued)

OTHER CONTRACTUAL CASH OBLIGATIONS

We use other contractual cash obligations for funding purposes. The following table sets forth a summary of our primary consolidated other contractual cash obligations as of March 31, 2020 and 2019 :

TABLE 32. OTHER CONTRACTUAL CASH OBLIGATIONS (CONSOLIDATED)

	Billions of yen		
Payments due by period as of March 31, 2020	**1 year or less**	**Over 1 year**	**Total**
Borrowed money	**¥ 448.0**	**¥ 433.9**	**¥ 881.9**
Obligations under finance leases	**0.3**	**0.2**	**0.6**
Total	**¥ 448.3**	**¥ 434.2**	**¥ 882.5**

	Billions of yen		
Payments due by period as of March 31, 2019	1 year or less	Over 1 year	Total
Borrowed money	¥ 247.9	¥ 436.0	¥ 684.0
Obligations under finance leases	0.3	0.6	0.9
Total	¥ 248.3	¥ 436.7	¥ 685.0

TAXATION

SCHEDULE OF TAX LOSS CARRYFORWARDS

As of March 31, 2020, Shinsei had ¥143.7 billion of tax loss carryforwards based on the consolidated corporate tax system.

TABLE 33. SCHEDULE OF THE TAX EFFECT OF TAX LOSS CARRY-FORWARDS

	Millions of yen						
	1 year or less	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total
Deferred tax assets relating to tax loss carryforwards[1]	¥10,942	¥7,823	¥9,167	¥12,846	¥5,465	¥18,296	¥64,540
Less valuation allowances for tax loss carryforwards	(¥3,896)	(¥7,128)	(¥9,127)	(¥12,846)	(¥5,454)	(¥18,133)	(¥56,526)
Net deferred tax assets relating to tax loss carryforwards	¥7,105	¥694	¥40	–	¥10	¥163	¥8,013[2]

	Thousands of U.S. dollars						
	1 year or less	Over 1 year to 2 years	Over 2 years to 3 Years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total
Deferred tax assets relating to tax loss carryforwards[1]	$101,092	$72,277	$84,694	$118,683	$50,492	$169,037	$596,274
Less valuation allowances for tax loss carryforwards	($35,499)	($65,863)	($84,322)	($118,683)	($50,391)	($167,528)	($522,235)
Net deferred tax assets relating to tax loss carryforwards	$65,643	$6,415	$371	–	$101	$1,509	$74,039[2]

1 The amounts of tax loss carryforwards are obtained as a result of multiplying the statutory effective tax rate.
2 The tax loss carryforwards resulted from the disposal of the non-performing loans in the prior fiscal years. Certain tax loss carryforwards are determined to be collectible as it is probable that consolidated taxable income would be generated based on the expected profitability of the consolidated taxpayer including the Bank as the consolidated parent corporation under consolidated tax filing system. The collectability of the deferred tax assets is considered by corporate tax, inhabitant tax and enterprise tax, respectively.

The table above sets forth a schedule of the tax effect of the tax loss carryforwards, which resulted in deferred tax assets of the Group as of March 31, 2020. The amounts are recorded mainly by two consolidated taxpayer, Shinsei Bank and APLUS FINANCIAL, which is not wholly-owned subsidiaries, thus an independent consolidated taxpayer.

We record deferred tax assets for tax loss carryforwards and evaluate them in accordance with the ASBJ Guidance. See "—Critical Accounting Policies— Valuation of Deferred Tax Assets" on page 32.

CONSOLIDATED CORPORATE TAX SYSTEM

Shinsei has filed its corporate tax returns under the consolidated corporate tax system since the fiscal year ended March 31, 2004. Under the consolidated corporate tax system, we base corporate tax payments on the combined profits or losses of Shinsei and its wholly-owned domestic subsidiaries.

APLUS FINANCIAL has also adopted the consolidated corporate tax system beginning with the fiscal year ended March 31, 2011, respectively.

FINANCIAL CONDITION (continued)

CAPITAL RESOURCES AND ADEQUACY

EQUITY

The following table sets forth a summary of our equity as of March 31, 2020 and 2019:

TABLE 34. EQUITY (CONSOLIDATED)

As of March 31	Billions of yen (except percentages) 2020	2019
Common stock	**¥ 512.2**	¥ 512.2
Capital surplus	**78.5**	78.5
Stock acquisition rights	**0.1**	0.0
Retained earnings	**389.6**	346.5
Treasury stock, at cost	**(61.0)**	(37.7)
Accumulated other comprehensive income:		
Unrealized gain on available-for-sale securities	**4.7**	10.0
Deferred gain (loss) on derivatives under hedge accounting	**(15.7)**	(16.3)
Foreign currency translation adjustments	**(1.6)**	(1.5)
Defined retirement benefit plans	**(3.5)**	0.3
Total	**¥ 903.1**	¥ 892.1
Noncontrolling interests	**7.3**	4.4
Total equity	**¥ 910.4**	¥ 896.6
Ratio of total equity to total assets	**8.9%**	9.4%

CAPITAL RATIOS

From the fiscal year ended March 31, 2014, the Basel III methodology has been adopted to calculate capital ratios. For credit risk, the Foundation Internal Ratings Based Approach (FIRB) has been applied. For operational risk, the Standardized Approach (TSA) has been adopted and the Internal Model Method has been used for market risk.

Our total capital adequacy ratio (Basel III) as of March 31, 2020 was 11.21%, compared with 11.85% as of March 31, 2019.

See "COMPOSITION OF CAPITAL DISCLOSURE (CONSOLIDATED)" on Page 129.

FINANCIAL CONDITION (continued)

OFF-BALANCE SHEET ARRANGEMENTS

We use off-balance sheet arrangements, including investments through special purpose entities, securitizations, lines and letters of credit, loan commitments and loan participations, in the ordinary course of business, including in our securitization and financing businesses, as well as to manage our own liquidity risk. The main purposes of such off-balance sheet arrangements are to develop our institutional banking business as well as to diversify our sources of liquidity. The following is a discussion of the principal off-balance sheet arrangements we use.

SECURITIZATION

We structure, arrange, distribute and service mortgage-backed securities and asset-backed securities both for third-parties and ourselves. Our securitization services utilize special purpose entities, which may be organized in the form of trusts, partnerships or corporations, mainly to protect the securitized assets from creditors of transferors even in bankruptcy. Assets securitized include commercial loans, residential mortgage loans, installment receivables and lease receivables.

REPACKAGING

One aspect of our securitization business involves our repackaging of assets purchased by special purpose entities that we establish into new financial instruments that represent undivided interests in the underlying assets. Repackaging the assets generally entails analyzing the cash flows from the underlying assets, using various means to rearrange the timing and order of cash flows, and then combining them with other cash flows to create new financial instruments that can be tailored to meet the demands of a broad range of investors.

Often the assets are repackaged into residual or subordinated interests, mezzanine interests and senior interests. The residual interests are the first to suffer any losses as a result of any decline in the value of the underlying financial assets, while the senior interests are structured to be the last to absorb such losses. In instances where we repackage assets on our own initiative, rather than for our customers, we generally retain the residual interests and either sell the senior or mezzanine interests immediately to third-parties or hold them temporarily before placing them with investors. Revenues on these transactions consist of gains on sales of the repackaged senior and mezzanine interests, transaction arrangement fees received from the originators of the assets, fees for underwriting the senior instruments, and returns on the residual interests.

The principal risk inherent in these repackagings is credit risk on the securitized financial instruments that is absorbed by the retained residual interests. We may record losses on the residual interests due to declines in the value of the underlying financial assets. We manage this credit risk through quarterly assessing our retained interests and providing valuation allowances for them based on those assessments, taking into consideration how much we believe we will be able to collect on the underlying assets. We generally transfer financial assets to special purpose entities on a "true sale" basis, which means that we would neither be entitled nor required to reacquire the financial assets so transferred.

FINANCIAL CONDITION (continued)

ARRANGEMENT

We also securitize customers' assets on their behalf, drawing on our expertise and experience in establishing securitization vehicles tailored to accommodate clients' needs, analyzing cash flows from the financial assets, structuring them into classes of securitized interests, arranging credit enhancements and locating investors for the securities to be issued. We generally place the securities representing the senior interests from these transactions with third-party investors. We may choose, however, to acquire temporarily a portion of these senior securities for later sale and often structure financial arrangements, including repackaging, that enhance the liquidity of these senior securities in order to attract third-party investors. These securities are recorded in other monetary claims purchased and recorded at fair value.

Our revenue on these transactions consists of fees, generally fixed, for arranging the transaction and for underwriting the sale of the financial instruments. We typically record those fees as having been received at the completion of all arrangements for the customer.

On these transactions, we act as an arranger, an underwriter, a servicer, a trustee or an administrator, or combination of some of these roles, for our corporate customers. As our customers usually retain the residual interests and the related risk of loss on them, we are not exposed to risks of incurring losses inherent in such residual interests.

LOAN PARTICIPATIONS

We have sold or transferred participation interests in certain of our loans. Loan participation involves the original lender transferring economic interests in the loan to others, while the original lender retains title to the loan itself.

Under Japanese GAAP, where substantially all of the economic interest in and risks of the loans are transferred to the participants, the original lenders are not deemed to bear recourse obligations for the participating interests or to have any rights to repurchase such interests. As a result, the original lender may remove the loans from its balance sheet as if the loans were sold to the participants. Because substantially all of the economic interest and risks have been transferred to the participants, we believe that we are not taking any substantial economic risk on the portions of loans in which we have sold participating interests.

As of March 31, 2020 and 2019, the total principal amount of participation interests in loans transferred to third-parties removed from the loan account was ¥6.8 billion and ¥7.4 billion, respectively.

OFF-BALANCE SHEET ARRANGEMENTS TO EXTEND CREDIT, ACCEPTANCES AND GUARANTEES

We have off-balance sheet commitments to extend credit to customers up to certain predetermined amounts at current market rates, in consideration of which we receive fee income that is recorded on an accrual basis for the period of the commitments. The unfulfilled amounts of these commitments and established credit line of overdrafts were ¥2,917.1 billion and ¥3,041.3 billion as of March 31, 2020 and 2019, out of which the amounts with the commitments of the agreements expiring within one year or being able to be cancelled at any time with no condition were ¥2,609.7 billion and ¥2,676.9 billion as of March 31, 2020 and 2019, respectively.

In addition, we provide acceptances and guarantees, which include lines and letters of credit and guarantees on customers' borrowings from other creditors. These acceptances and guarantees require us to satisfy our customers' obligations in the event they fail to do so, although we would have a claim for reimbursement against them. Under Japanese GAAP for banks, these acceptances and guarantees are deemed to be both contingent assets and liabilities, and are recorded as both assets and liabilities in the principal amount of the acceptances and guarantees. We record the fees we earn from providing acceptances and guarantees on an accrual basis over the period of the acceptance or guarantee. As of March 31, 2020 and 2019, we had ¥526.5 billion and ¥456.7 billion, respectively, of outstanding acceptances and guarantees.

APLUS FINANCIAL extends credit in the form of guarantees. The most significant component of its guarantee business is providing guarantees on installment shopping credit provided by other lenders to customers of its partner merchants. APLUS FINANCIAL also offers collection guarantees for foreign automobile dealers. As of March 31, 2020 and 2019, ¥465.3 billion and ¥392.6 billion of our outstanding acceptances or guarantees, respectively, were attributable to its guarantee business.

CONSOLIDATED BALANCE SHEET

Shinsei Bank, Limited, and its Consolidated Subsidiaries
As of March 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	**2020**
ASSETS			
Cash and due from banks (Notes 4, 23 and 36)	**¥ 1,614,134**	¥ 1,355,966	**$ 14,912,550**
Receivables under securities borrowing transactions (Note 36)	**–**	2,119	**–**
Other monetary claims purchased (Notes 5 and 36)	**63,575**	30,994	**587,354**
Trading assets (Notes 6, 23, 36 and 37)	**213,707**	204,415	**1,974,385**
Monetary assets held in trust (Notes 7, 23 and 36)	**415,107**	305,879	**3,835,062**
Securities (Notes 8, 23 and 36)	**957,040**	1,130,286	**8,841,834**
Loans and bills discounted (Notes 9, 23 and 36)	**5,110,404**	4,986,839	**47,213,640**
Foreign exchanges (Note 10)	**73,879**	29,546	**682,551**
Lease receivables and leased investment assets (Notes 23, 33 and 36)	**193,445**	176,553	**1,787,186**
Other assets (Notes 11, 23, 36 and 37)	**1,007,605**	851,287	**9,308,998**
Premises and equipment (Notes 12, 23 and 33)	**69,414**	45,341	**641,300**
Intangible assets (Notes 13 and 33)	**67,073**	67,189	**619,676**
Assets for retirement benefits (Note 20)	**5,683**	10,931	**52,511**
Deferred tax assets (Note 30)	**16,977**	15,096	**156,854**
Customers' liabilities for acceptances and guarantees (Note 21)	**526,520**	456,759	**4,864,384**
Reserve for credit losses (Note 14)	**(107,998)**	(98,034)	**(997,766)**
Total assets	**¥ 10,226,571**	¥ 9,571,172	**$ 94,480,520**
LIABILITIES AND EQUITY			
Liabilities:			
Deposits, including negotiable certificates of deposit (Notes 15, 23 and 36)	**¥ 6,305,161**	¥ 5,922,145	**$ 58,251,673**
Call money (Notes 36)	**165,000**	145,000	**1,524,390**
Payables under repurchase agreements (Notes 23 and 36)	**38,956**	59,098	**359,908**
Payables under securities lending transactions (Notes 23 and 36)	**350,407**	510,229	**3,237,321**
Trading liabilities (Notes 16, 36 and 37)	**183,943**	182,363	**1,699,400**
Borrowed money (Notes 17, 23 and 36)	**881,991**	684,077	**8,148,482**
Foreign exchanges (Note 10)	**687**	471	**6,356**
Short-term corporate bonds (Note 36)	**221,300**	191,000	**2,044,531**
Corporate bonds (Notes 18 and 36)	**166,500**	92,335	**1,538,248**
Other liabilities (Notes 19, 23, 36 and 37)	**404,973**	347,383	**3,741,437**
Accrued employees' bonuses	**8,560**	8,598	**79,086**
Accrued directors' bonuses	**47**	44	**443**
Liabilities for retirement benefits (Note 20)	**8,422**	8,232	**77,811**
Reserve for directors' retirement benefits	**50**	–	**465**
Reserve for reimbursement of deposits	**621**	–	**5,746**
Reserve for reimbursement of debentures	**3,513**	3,764	**32,456**
Reserve for losses on interest repayments	**49,308**	63,025	**455,550**
Deferred tax liabilities (Note 30)	**119**	–	**1,107**
Acceptances and guarantees (Notes 21, 23 and 36)	**526,520**	456,759	**4,864,384**
Total liabilities	**9,316,086**	8,674,529	**86,068,796**
Equity:			
Common stock (Note 24)	**512,204**	512,204	**4,732,119**
Capital surplus	**78,506**	78,506	**725,299**
Stock acquisition rights (Note 25)	**125**	99	**1,164**
Retained earnings	**389,600**	346,562	**3,599,412**
Treasury stock, at cost (Note 24)	**(61,097)**	(37,729)	**(564,460)**
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities (Note 8)	**4,755**	10,041	**43,936**
Deferred gain (loss) on derivatives under hedge accounting	**(15,719)**	(16,391)	**(145,230)**
Foreign currency translation adjustments	**(1,670)**	(1,527)	**(15,430)**
Defined retirement benefit plans (Note 20)	**(3,585)**	378	**(33,123)**
Total	**903,120**	892,143	**8,343,686**
Noncontrolling interests	**7,364**	4,498	**68,038**
Total equity	**910,485**	896,642	**8,411,724**
Total liabilities and equity	**¥ 10,226,571**	¥ 9,571,172	**$ 94,480,520**

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

CONSOLIDATED STATEMENT OF INCOME

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the fiscal year ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	**2020**
Interest income:			
Interest on loans and bills discounted	**¥ 140,216**	¥ 140,177	**$ 1,295,418**
Interest and dividends on securities	**10,794**	12,531	**99,727**
Interest on deposits with banks	**1,121**	1,162	**10,362**
Other interest income	**1,645**	971	**15,203**
Total interest income	**153,777**	154,843	**1,420,711**
Interest expenses:			
Interest on deposits, including negotiable certificates of deposit	**6,357**	7,802	**58,733**
Interest and discounts on debentures	**–**	0	**–**
Interest on other borrowings	**2,918**	3,356	**26,965**
Interest on corporate bonds	**283**	466	**2,616**
Other interest expenses	**10,707**	9,401	**98,925**
Total interest expenses	**20,266**	21,027	**187,239**
Net interest income	**133,510**	133,816	**1,233,471**
Fees and commissions income	**59,213**	55,332	**547,057**
Fees and commissions expenses	**26,782**	23,981	**247,434**
Net fees and commissions	**32,431**	31,351	**299,623**
Net trading income (loss) (Note 26)	**15,821**	6,673	**146,174**
Other business income (loss), net:			
Income on lease transactions and installment receivables, net	**40,840**	37,525	**377,314**
Net gain (loss) on monetary assets held in trust	**3,407**	2,535	**31,483**
Net gain (loss) on foreign exchanges	**64**	6,719	**598**
Net gain (loss) on securities	**4,787**	378	**44,229**
Net gain (loss) on other monetary claims purchased	**194**	809	**1,801**
Other, net (Note 27)	**8,937**	9,886	**82,568**
Net other business income (loss)	**58,232**	57,854	**537,993**
Total revenue	**239,996**	229,696	**2,217,261**
General and administrative expenses:			
Personnel expenses	**58,065**	56,509	**536,449**
Premises expenses	**20,134**	19,679	**186,016**
Technology and data processing expenses	**24,952**	23,265	**230,526**
Advertising expenses	**11,433**	10,951	**105,629**
Consumption and property taxes	**10,489**	10,406	**96,914**
Deposit insurance premium	**1,581**	1,645	**14,613**
Other general and administrative expenses	**23,400**	23,275	**216,194**
General and administrative expenses	**150,057**	145,734	**1,386,341**
Amortization of goodwill and intangible assets acquired in business combinations	**2,436**	2,811	**22,510**
Total general and administrative expenses	**152,494**	148,545	**1,408,851**
Net business profit (loss)	**87,502**	81,150	**808,409**
Net credit costs (recoveries) (Note 28)	**39,183**	29,348	**362,003**
Other gains (losses), net (Note 29)	**881**	2,782	**8,139**
Income (loss) before income taxes	**49,200**	54,584	**454,546**
Income taxes (benefit) (Note 30):			
Current	**4,119**	3,810	**38,056**
Deferred	**(45)**	(1,306)	**(419)**
Profit	**45,126**	52,080	**416,909**
Profit (loss) attributable to noncontrolling interests	**(449)**	(239)	**(4,154)**
Profit attributable to owners of the parent	**¥ 45,575**	¥ 52,319	**$ 421,063**

	Yen		U.S. dollars (Note 1)
Basic earnings per share (Note 31)	**¥ 190.59**	¥ 211.24	**$ 1.76**
Diluted earnings per share (Note 31)	**¥ 190.55**	¥ 211.22	**$ 1.76**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the fiscal year ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	**2020**
Profit	**¥ 45,126**	¥ 52,080	**$ 416,909**
Other comprehensive income (Note 32):			
Unrealized gain (loss) on available-for-sale securities	**(6,646)**	(295)	**(61,409)**
Deferred gain (loss) on derivatives under hedge accounting	**671**	(1,933)	**6,207**
Foreign currency translation adjustments	**173**	(4)	**1,600**
Defined retirement benefit plans	**(3,971)**	(1,708)	**(36,691)**
Share of other comprehensive income (loss) in affiliates	**954**	1,354	**8,822**
Total other comprehensive income	**(8,818)**	(2,588)	**(81,472)**
Comprehensive income	**¥ 36,307**	¥ 49,492	**$ 335,437**
Total comprehensive income attributable to:			
Owners of the parent	**¥ 36,824**	¥ 49,692	**$ 340,212**
Noncontrolling interests	**(516)**	(200)	**(4,775)**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the fiscal year ended March 31, 2020

Millions of yen

						Accumulated other comprehensive income						
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock, at cost	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Noncontrolling interests	Total equity
BALANCE, March 31, 2018 (April 1, 2018, as previously reported)	¥ 512,204	78,506	318	361,368	(89,540)	5,187	(14,457)	(1,573)	2,089	854,103	1,930	856,034
Cumulative effect of accounting change of certain foreign affiliates accounted for by the equity method				(311)		4,307				3,996		3,996
BALANCE, April 1, 2018 (as restated)	512,204	78,506	318	361,057	(89,540)	9,495	(14,457)	(1,573)	2,089	858,099	1,930	860,030
Dividends				(2,528)						(2,528)		(2,528)
Profit attributable to owners of the parent				52,319						52,319		52,319
Purchase of treasury stock					(12,999)					(12,999)		(12,999)
Disposal of treasury stock		(78)			178					100		100
Cancellation of treasury stock		(64,632)			64,632					–		–
Transfer to capital surplus from retained earnings		64,710		(64,710)						–		–
Changes in ownership interest of the parent related to transactions with noncontrolling interests		(0)								(0)		(0)
Changes by forfeit of stock acquisition rights in a consolidated subsidiary				1						1		1
Changes by exclusion of consolidated subsidiaries				(1)						(1)		(1)
Transfer to retained earnings from unrealized gain (loss) on available-for-sale securities				426						426		426
Net change during the year			(219)			546	(1,933)	45	(1,711)	(3,273)	2,567	(705)
BALANCE, March 31, 2019 (April 1, 2019, as previously reported)	**512,204**	**78,506**	**99**	**346,562**	**(37,729)**	**10,041**	**(16,391)**	**(1,527)**	**378**	**892,143**	**4,498**	**896,642**
Cumulative effect of accounting change of certain foreign affiliates accounted for by the equity method				**–**		**–**				**–**		**–**
BALANCE, April 1, 2019 (as restated)	**512,204**	**78,506**	**99**	**346,562**	**(37,729)**	**10,041**	**(16,391)**	**(1,527)**	**378**	**892,143**	**4,498**	**896,642**
Dividends				**(2,452)**						**(2,452)**		**(2,452)**
Profit attributable to owners of the parent				**45,575**						**45,575**		**45,575**
Purchase of treasury stock					**(23,500)**					**(23,500)**		**(23,500)**
Disposal of treasury stock		**(53)**			**132**					**78**		**78**
Cancellation of treasury stock		**–**			**–**					**–**		**–**
Transfer to capital surplus from retained earnings		**53**		**(53)**						**–**		**–**
Changes in ownership interest of the parent related to transactions with noncontrolling interests		**(0)**								**(0)**		**(0)**
Changes by forfeit of stock acquisition rights in a consolidated subsidiary				**–**						**–**		**–**
Changes by exclusion of consolidated subsidiaries				**(0)**						**(0)**		**(0)**
Transfer to retained earnings from unrealized gain (loss) on available-for-sale securities				**(32)**						**(32)**		**(32)**
Net change during the year			**26**			**(5,285)**	**671**	**(142)**	**(3,963)**	**(8,692)**	**2,865**	**(5,826)**
BALANCE, March 31, 2020	**¥ 512,204**	**¥ 78,506**	**¥ 125**	**¥ 389,600**	**¥ (61,097)**	**¥ 4,755**	**¥ (15,719)**	**¥ (1,670)**	**¥ (3,585)**	**¥ 903,120**	**¥ 7,364**	**¥ 910,485**

	Thousands of U.S. dollars (Note 1)											
						Accumulated other comprehensive income						
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock, at cost	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Noncontrolling interests	Total equity
BALANCE, March 31, 2019 (April 1. 2019, as previously reported)	$ 4,732,119	$ 725,299	$ 916	$ 3,201,801	$ (348,568)	$ 92,768	$ (151,437)	$ (14,117)	$ 3,493	$ 8,242,275	$ 41,562	$ 8,283,836
Cumulative effect of accounting change of certain foreign affiliates accounted for by the equity method				–		–				–		–
BALANCE, April 1, 2019 (as restated)	4,732,119	725,299	916	3,201,801	(348,568)	92,768	(151,437)	(14,117)	3,493	8,242,275	41,562	8,283,836
Dividends				(22,660)						(22,660)		(22,660)
Profit attributable to owners of the parent				421,063						421,063		421,063
Purchase of treasury stock					(217,115)					(217,115)		(217,115)
Disposal of treasury stock		(494)			1,224					730		730
Cancellation of treasury stock		–			–					–		–
Transfer to capital surplus from retained earnings		494		(494)						–		–
Changes in ownership interest of the parent related to transactions with noncontrolling interests		(0)								(0)		(0)
Changes by forfeit of stock acquisition rights in a consolidated subsidiary				–						–		–
Changes by exclusion of consolidated subsidiaries				(2)						(2)		(2)
Transfer to retained earnings from unrealized gain (loss) on available-for-sale securities				(296)						(296)		(296)
Net change during the year			248			(48,832)	6,207	(1,314)	(36,617)	(80,308)	26,476	(53,832)
BALANCE, March 31, 2020	$ 4,732,119	$ 725,299	$ 1,164	$ 3,599,412	$ (564,460)	$ 43,936	$ (145,230)	$ (15,430)	$ (33,123)	$ 8,343,686	$ 68,038	$ 8,411,724

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the fiscal year ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	**2020**
Cash flows from operating activities:			
Income (loss) before income taxes	¥ **49,200**	¥ 54,584	$ **454,546**
Adjustments for:			
Income taxes paid	**(3,705)**	(3,710)	**(34,231)**
Depreciation (other than leased assets as lessor)	**14,258**	12,519	**131,726**
Amortization of goodwill and intangible assets acquired in business combinations	**2,436**	2,811	**22,510**
Impairment losses on long-lived assets	**660**	955	**6,104**
Net change in reserve for credit losses	**9,942**	(2,805)	**91,854**
Net change in reserve for losses on interest repayments	**(13,716)**	(16,527)	**(126,726)**
Net change in other reserves	**296**	(263)	**2,744**
Interest income	**(153,777)**	(154,843)	**(1,420,711)**
Interest expenses	**20,266**	21,027	**187,239**
Investment (gains) losses	**(9,670)**	(4,129)	**(89,348)**
Net exchange (gain) loss	**12,612**	5,278	**116,526**
Net change in trading assets	**(9,292)**	880	**(85,850)**
Net change in trading liabilities	**1,579**	(2,219)	**14,589**
Net change in loans and bills discounted	**(121,837)**	(62,901)	**(1,125,621)**
Net change in deposits, including negotiable certificates of deposit	**383,053**	(145,026)	**3,538,930**
Net change in debentures	**–**	(423)	**–**
Net change in borrowed money (other than subordinated debt)	**116,016**	(40,483)	**1,071,848**
Net change in corporate bonds (other than subordinated corporate bonds)	**74,165**	32,335	**685,190**
Net change in interest-bearing deposits with banks (other than due from the Bank of Japan)	**75,225**	(78,740)	**694,990**
Net change in receivables under securities borrowing transactions and other monetary claims purchased	**(27,154)**	5,848	**(250,873)**
Net change in call money, payables under repurchase agreements, payables under securities lending transactions, and short-term corporate bonds (liabilities)	**(129,664)**	240,246	**(1,197,934)**
Net change in foreign exchange assets and liabilities	**(44,115)**	3,333	**(407,574)**
Interest received	**158,671**	157,568	**1,465,924**
Interest paid	**(19,268)**	(35,716)	**(178,018)**
Net change in monetary assets held in trust for trading purposes	**3,257**	4,702	**30,099**
Net change in lease receivables and leased investment assets	**6,930**	17,511	**64,026**
Other, net	**(89,854)**	2,133	**(830,145)**
Total adjustments	**257,315**	(40,637)	**2,377,271**
Net cash provided by (used in) operating activities	**306,515**	13,946	**2,831,816**
Cash flows from investing activities:			
Purchase of investments	**(2,169,846)**	(1,923,233)	**(20,046,622)**
Proceeds from sales of investments	**1,961,951**	1,552,842	**18,125,942**
Proceeds from maturity of investments	**275,752**	271,477	**2,547,602**
Purchase of premises and equipment (other than leased assets as lessor)	**(5,340)**	(3,833)	**(49,337)**
Purchase of intangible assets (other than leased assets as lessor)	**(7,561)**	(18,249)	**(69,861)**
Payment for acquisition of business	**(67)**	(33,020)	**(620)**
Proceeds from acquisition of the business	**–**	1,982	**–**
Purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 4)	**(5,127)**	–	**(47,375)**
Other, net	**(607)**	(512)	**(5,610)**
Net cash provided by (used in) investing activities	**49,153**	(152,545)	**454,120**
Cash flows from financing activities:			
Repayment of subordinated debt	**–**	(12,400)	**–**
Payment for redemption of subordinated corporate bonds	**–**	(25,000)	**–**
Proceeds from noncontrolling shareholders	**2,808**	2,770	**25,946**
Dividends paid	**(2,452)**	(2,528)	**(22,660)**
Dividends paid to noncontrolling shareholders of subsidiaries	**(48)**	–	**(445)**
Payment for purchase of treasury stock	**(23,500)**	(12,999)	**(217,115)**
Purchase of investments in subsidiaries not resulting in change in scope of consolidation	**(0)**	(0)	**(0)**
Net cash provided by (used in) financing activities	**(23,193)**	(50,158)	**(214,275)**
Foreign currency translation adjustments on cash and cash equivalents	**(81)**	52	**(756)**
Net change in cash and cash equivalents	**332,394**	(188,704)	**3,070,906**
Cash and cash equivalents at beginning of year	**1,245,870**	1,434,574	**11,510,255**
Cash and cash equivalents at end of year (Note 4)	¥ **1,578,264**	¥ 1,245,870	$ **14,581,161**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the fiscal year ended March 31, 2020

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS — CONSOLIDATED

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

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

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

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥108.24 to U.S. $1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on March 31, 2020. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Amounts of less than one million yen and one thousand U.S. dollars have been rounded down to the nearest million and rounded to the nearest thousand, respectively except for per share amounts in the presentation of the accompanying consolidated financial statements and the notes thereto. As a result, the totals in yen and U.S. dollars do not necessarily equal the sum of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONSOLIDATED

(A) PRINCIPLES OF CONSOLIDATION

The Group determines its scope of consolidation under the concepts of control and influence. Those companies over which the Bank is able to directly or indirectly exercise control are fully consolidated, except if they are immaterial, judging from the financial position or results of operations, such as assets, ordinary income, profit (the Group's interest portion), retained earnings (the Group's interest portion) and accumulated other comprehensive income (the Group's interest portion) of the Group, or the control over the subsidiary is temporary, and those companies over which the Bank is able to directly or indirectly exercise significant influence are accounted for by the equity method, except if they are immaterial, judging from the financial position or results of operations, such as assets, ordinary income, profit (the Group's interest portion), retained earnings (the Group's interest portion) and accumulated other comprehensive income (the Group's interest portion) of the Group.

The numbers of subsidiaries and affiliates as of March 31, 2020 and 2019 were as follows:

	2020	2019
Consolidated subsidiaries	**91**	83
Unconsolidated subsidiaries	**72**	96
Affiliates accounted for by the equity method	**43**	35
Affiliates accounted for not applying the equity method	**–**	2

Godo Kaisha Shinsei GTN Fund and 7 other companies were newly consolidated due to their formation, and SHINKO LEASE CO.,LTD. and 3 other companies were newly consolidated due to the acquisition of shares.

Additionally, RCSG Capital GmbH and 2 other companies were excluded from the scope of consolidation due to liquidation, and SL SPIRE LTD. was excluded from the scope of consolidation due to its decreased materiality in the fiscal year ended March 31, 2020.

S & Y Partners Co., Ltd. and 10 other companies were newly included in the scope of application of the equity method due to their formation. Additionally, LS Holdings Co., Ltd was excluded from the scope of application of the equity method due to its merger and Zoffy Investment Limited Partnership and 1 other company were excluded from the scope of application of the equity method due to liquidation in the fiscal year ended March 31, 2020.

Unconsolidated subsidiaries are primarily operating companies that are engaged in the leasing business under the Tokumei Kumiai (anonymous partnership) system.

Under the Tokumei Kumiai system, assets, profits and losses essentially do not belong to individual operating companies or their parent companies but to the members of the anonymous partnership, and furthermore, as the Group does not have any material transactions with these subsidiaries, pursuant to Article 5, Paragraph 1, Section 2 and Article 10, Paragraph 1, Section 2 of the regulations concerning consolidated financial statements, respectively, these subsidiaries are excluded from the scope of consolidation and the scope of application of the equity method.

Other unconsolidated subsidiaries are excluded from the scope of consolidation and the scope of application of the equity method due to their immateriality to the financial position or operational results of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) CONSOLIDATED

Major consolidated subsidiaries as of March 31, 2020 are listed below:

Name	Location	Percentage ownership
APLUS FINANCIAL Co., Ltd.	Japan	94.9%
Showa Leasing Co., Ltd.	Japan	100.0%
Shinsei Personal Loan Co., Ltd.	Japan	100.0%
Shinsei Financial Co., Ltd.	Japan	100.0%
Shinsei Trust & Banking Co., Ltd.	Japan	100.0%
Shinsei Securities Co., Ltd.	Japan	100.0%
Shinsei Investment & Finance Limited	Japan	100.0%

All significant inter-company transactions, related account balances and unrealized gains have been eliminated upon consolidation. As of March 31, 2020, the fiscal year ending dates were March 31 for 59 subsidiaries, September 30 for 4 subsidiaries, December 16 for 1 subsidiary, December 31 for 25 subsidiaries, January 31 for 1 subsidiary and February 29 for 1 subsidiary. Regarding the 4 companies and 1 company of the Bank's consolidated subsidiaries which have fiscal year-end dates other than March 31, consolidation was performed utilizing their respective fiscal year-end financial statements prepared in accordance with the provisional settlements of accounts performed on March 31 and December 31, and other consolidated subsidiaries have been consolidated utilizing their respective statements. Appropriate adjustments have been made for significant transactions that occurred during the period from the ending dates of their fiscal year to March 31, 2020.

A major affiliate accounted for by the equity method as of March 31, 2020 is listed below:

Name	Location	Percentage ownership
Jih Sun Financial Holding Co., Ltd.	Taiwan	35.4%

(B) GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATIONS

The Bank recognized certain identifiable intangible assets in connection with the acquisitions of its consolidated subsidiaries because they were separable such as contractual or other legal rights.

The customer relationship is amortized by sum-of-the-years digits method or straight-line method, and trade names and trademarks and the sublease contracts are amortized by straight-line method. Their amortization periods are as follows:

Customer relationship	8 years to 20 years
Trade names and trademarks........	10 years
Sublease contracts............................	Subject to the remaining contract years

The excess of the purchase price over the fair value of the net assets acquired, including identified intangible assets, was recorded as goodwill and is being amortized on a consistent basis primarily over 20 years. The amortization period of 20 years is the maximum period allowed under Japanese GAAP and was determined based upon the Bank's business strategy.

With regard to the acquisitions executed before April 1, 2010, recorded with the previous accounting standard, when the purchase price was lower than the fair value of the net assets acquired, including identified intangible assets, the difference was recorded as negative goodwill and has been amortized on a straight-line basis primarily over 20 years, which is the maximum period allowed under the previous accounting standard.

(C) IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATIONS

The Bank conducts impairment testing for goodwill and intangible assets acquired in business combinations as a result of certain triggering events including:

- A result or an indication of an operating loss or negative cash flow for two consecutive years
- Impairment of underlying investment securities is recognized
- A material adverse change in the business environment surrounding subsidiaries, such as a change in law which significantly and negatively impacts their business
- Management decisions that could have an adverse effect on the value of goodwill and intangible assets which were acquired in business combination

As the first step of the impairment test, we estimate the undiscounted future cash flows of the business. If the value of the undiscounted future cash flows is less than the book value of the net assets, including goodwill and intangible assets acquired in business combination, of the business, it is determined that impairment exists.

The next step of the impairment test is to measure the amount of the impairment loss, which is to compare the "value in use," which is the recoverable amount calculated as the discounted value of future cash flows of the business, with the net asset book value which includes unamortized balances of goodwill and intangible assets acquired in business combination.

Finally, the impairment loss on goodwill is calculated as the residual, (i) less (ii) below.

(i) Impairment loss for the total of goodwill and intangible assets acquired in business combination is recognized as an amount by which the net asset book value exceeds the "value in use." The recoverable amount of intangible assets acquired in business combination is determined by discounted cash flow method ("DCF method"), which is also used to measure the acquired assets, and (ii) the impairment loss of intangible assets acquired in business combinations, is determined as the difference between the recoverable amount and book value.

(D) TRANSLATION OF FOREIGN CURRENCY FINANCIAL STATEMENTS AND TRANSACTIONS

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

(b) Foreign currency accounts held by consolidated foreign subsidiaries are translated into the functional currency of each subsidiary at exchange rates as of their respective balance sheet dates.

(c) Foreign currency-denominated assets and liabilities of the Bank and consolidated domestic subsidiaries are translated into Japanese yen at exchange rates as of

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) CONSOLIDATED

their respective balance sheet dates, except for investments in unconsolidated subsidiaries and affiliates which are translated at the relevant historical exchange rates.

(E) CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the consolidated statements of cash flows, consist of cash on hand, due from the Bank of Japan and noninterest-bearing deposits.

(F) OTHER MONETARY CLAIMS PURCHASED

Other monetary claims purchased held for trading purposes, except for those included in trading accounts, are recorded at fair value and unrealized gains and losses are recorded in "Other business income (loss), net."

(G) VALUATION OF TRADING ACCOUNT ACTIVITIES

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

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

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

(H) MONETARY ASSETS HELD IN TRUST

The components of trust assets are accounted for based on the accounting standards appropriate for each asset type. Instruments held in trust for trading purposes are recorded at fair value and unrealized gains and losses are recorded in "Other business income (loss), net." Instruments held in trust classified as available-for-sale are recorded at fair value with the corresponding unrealized gains and losses recorded directly in a separate component of equity.

Instruments held in trust classified as available-for-sale of which fair value cannot be reliably determined are carried at cost.

(I) SECURITIES

Securities other than securities in (G) VALUATION OF TRADING ACCOUNT ACTIVITIES are classified into the four categories, principally based on management's intent to own the security, as follows:

(a) Trading securities are securities held in anticipation of gains arising from short-term changes in market value and/or held for resale to customers. Trading securities are carried at fair value with corresponding unrealized gains and losses recorded in "Other business income (loss), net."

(b) Securities being held to maturity are debt securities which management has both a positive intent and ability to hold until maturity. Securities being held to maturity are carried at amortized cost determined by the moving average method.

(c) Available-for-sale securities are securities other than (a) trading securities and (b) securities being held to maturity. Available-for-sale securities are carried at fair value with the corresponding unrealized gains and losses, net of applicable taxes, recorded directly in a separate component of equity, after deducting the amount charged to profit or loss by applying fair value hedge accounting. The cost of these securities upon sale is determined by the moving average method. Available-for-sale securities for which fair value cannot be reliably determined are carried at cost determined by the moving average method.

(d) Investments in unconsolidated subsidiaries and affiliates that are not accounted for by the equity method are carried at cost determined by the moving average method. In addition, investments in partnerships and others are carried at the amount of the Group's share of net asset value in their most recent financial statements.

In the event individual securities (except for those whose fair value cannot be reliably determined), other than trading 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.

(J) PREMISES AND EQUIPMENT

"Premises and equipment" are stated at cost less accumulated depreciation.

Depreciation of the Group's buildings and the Bank's computer equipment (including ATMs) other than personal computers is computed principally using the straight-line method, and depreciation of other equipment is computed principally using the declining-balance method. Estimated useful lives of buildings and equipment as of March 31, 2020 are principally as follows:

Buildings........... 3 years to 50 years
Equipment ...... 2 years to 20 years

(K) SOFTWARE

Capitalized software for internal use is depreciated using the straight-line method based on the Group's estimated useful lives (primarily 5 years to 15 years).

(L) IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of an asset or asset group. The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the sum of discounted cash flows from the continuing use and eventual disposition of the asset, or the net selling price at disposition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) CONSOLIDATED

(M) DEFERRED CHARGES

Deferred issuance expenses for corporate bonds are amortized using the straight-line method over the term of the corporate bonds.

(N) RESERVE FOR CREDIT LOSSES

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

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

For claims to obligors who are not yet in bankruptcy but are in financial difficulties and are very likely to go bankrupt in the future ("possibly bankrupt obligors"), except for claims to obligors with larger amount than predetermined one, a specific reserve is provided for the amount considered to be necessary based on an overall solvency assessment performed for the amount of claims net of amounts expected to be collected through the disposal of collateral or execution of guarantees.

With regard to claims to possibly bankrupt obligors, restructured loans and certain claims for which the reserve has been provided based on the DCF method (as mentioned below) in previous fiscal years, provided that obligors' cash flows for debt service are reasonably estimable and the balance of claims to such obligors is at or larger than a predetermined amount, the reserve for credit losses is determined as the difference between (i) relevant estimated cash flows discounted by the original contractual interest rate and (ii) the book value of the claim ("DCF method"). In cases where it is difficult to reasonably estimate future cash flows, the reserve is provided based on the expected loss amount for the remaining term of respective claims.

For other claims, the reserve for credit losses is recorded by forecasting an expected loss amount of loans and claims. The expected loss amount is calculated based on the characteristics of the portfolio. The portfolio is divided into loans for general non-financial corporations, real estate non-recourse loans, project finance and products for individual customers, and their loss rates are calculated from their average credit loss rates or bankruptcy rates during certain past periods calculated mainly based on their actual credit loss or bankruptcies during their average life. The loss in each portfolio, which is calculated based on the loss rate and added necessary adjustments, is aggregated into the expected loss.

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

All claims are assessed by sales promotion divisions and credit analysis divisions based on the predetermined internal rules for self-assessment of asset quality. The risk management divisions, which are independent from sales promotion divisions and credit analysis divisions, conduct verifications of these assessments, and additional reserves may be provided based on the verification results.

The consolidated subsidiaries other than the domestic trust and banking subsidiary calculate the general reserve for general claims based on the actual historical loss ratio, and the specific reserve for claims to possibly bankrupt obligors, virtually bankrupt obligors and legally bankrupt obligors based on estimated losses, considering the recoverable value.

For collateralized or guaranteed claims of the Bank and certain consolidated subsidiaries to legally bankrupt obligors or virtually bankrupt obligors, the amount of claims exceeding the estimated value of collateral or guarantees, which is deemed uncollectible, has been charged off in principal and totaled ¥48,787 million (U.S. $450,738 thousand) and ¥53,786 million as of March 31, 2020 and 2019, respectively.

(Additional information)

The Group assumes that the spread of the novel coronavirus (COVID-19) infection and the impact of weaker economic activities caused by the spread will continue for one year. In particular, the Group assumes that the credit risk of loans and claims of the Bank and certain consolidated subsidiaries to the specific industries will be affected seriously. Based on this assumption, the Group has provisioned an additional ¥7,011 million (U.S. $64,775 thousand) of reserve for credit losses in order to prepare for future losses. The reserve is recalculated by reclassifying the obligor classification of specific obligors based on their recent performance deterioration and by the expected loss rate reflecting the performance deterioration in the actual credit losses in portfolios for specific industries. The amount of reserve for credit losses is the best estimate at this point, however, the assumption used for the estimate is highly uncertain. The reserve to be recorded in the consolidated financial statements for the fiscal year ended March 31, 2021, may therefore increase or decrease according to the COVID-19 infection and its impact on the economic environment change.

(O) ACCRUED BONUSES FOR EMPLOYEES AND DIRECTORS

Accrued bonuses for employees and directors are provided in the amount of the estimated bonuses which are attributable to each fiscal year.

(P) EMPLOYEES' RETIREMENT BENEFITS AND PENSION PLAN ASSETS

The Bank has a noncontributory defined benefit pension plan. APLUS Co., Ltd. ("APLUS") and Showa Leasing Co., Ltd. ("Showa Leasing") have noncontributory defined benefit pension plans and unfunded severance indemnity plans. Shinsei Financial Co., Ltd. ("Shinsei Financial") and certain consolidated domestic subsidiaries have unfunded severance indemnity plans. These plans cover substantially all of the Group's employees.

The Group accounts for liabilities or assets for retirement benefits based on the projected benefit obligations and plan

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) CONSOLIDATED

assets at the consolidated balance sheet date. The projected benefit obligations are allocated over the periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized as "Accumulated other comprehensive income" in equity after tax effects, and are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees.

Certain consolidated subsidiaries recognize retirement benefit obligations at the amount that would be payable if employees retired voluntarily at the consolidated balance sheet date.

(Q) RESERVE FOR DIRECTORS' RETIREMENT BENEFITS

The reserve for director's retirement benefits is provided for the payment of director's retirement benefits for a certain consolidated subsidiary based on the amount that would be required if all directors retired at each balance sheet date.

(R) RESERVE FOR REIMBURSEMENT OF DEPOSITS

The reserve for reimbursement of deposits is provided for estimated losses on future reimbursement requests of deposits derecognized from liabilities.

(Additional information)

Even though the deposits derecognized from liabilities had been recorded as a loss when reimbursement requests were made, from this fiscal year Reserve for reimbursement of deposits is recorded due to the availability of a reasonable estimate as a result of the development and analysis of past reimbursement requests. Accordingly, income before income taxes of ¥621 million (U.S.$5,746 thousand) decreased.

(S) RESERVE FOR REIMBURSEMENT OF DEBENTURES

The reserve for reimbursement of debentures is provided for estimated losses on future reimbursement requests of debentures derecognized from liabilities.

(T) RESERVE FOR LOSSES ON INTEREST REPAYMENTS

The reserve for losses on interest repayments is provided for estimated losses on reimbursements of excess interest payments and loan losses related to consumer finance loans extended at interest rates in excess of the maximum interest rate prescribed in the Interest Rate Restriction Act of Japan. The reserve is established in the amount of the estimated future reimbursement requests based on past experience.

(U) ASSET RETIREMENT OBLIGATIONS

An asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset. The asset retirement obligation is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability.

The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

(V) STOCK OPTIONS

The Group measures the cost of stock options based on the fair value at the grant date and recognizes compensation expense over the vesting period as consideration for receiving goods or services. In the consolidated balance sheet, stock options are presented as "Stock acquisition rights" in a component of equity until the exercise of the right or the expiration of the period.

(W) LEASE TRANSACTIONS

(As lessee)

Finance lease transactions are capitalized by recognizing lease assets and lease obligations in the consolidated balance sheets.

Depreciation of lease assets from finance lease transactions that are deemed to transfer ownership of the leased property to the lessee, is computed using the same method as the one applied to owned assets. Depreciation of lease assets from finance lease transactions that are not deemed to transfer ownership of the leased property to the lessee is computed using the straight-line method over the leasing period. Residual values of lease assets are the guaranteed value determined in the lease contracts or zero for assets without such guaranteed value.

(As lessor)

The Group recognizes finance leases that are deemed to transfer ownership of the leased property to the lessee as lease receivables, and finance leases that are not deemed to transfer ownership of the leased property to the lessee as leased investment assets.

In addition, depreciation of tangible leased assets as lessor for operating lease transactions is computed using the straight-line method over the leasing period assuming that residual values are the disposal price estimable at the end of the estimated leasing period.

Profit on each finance lease transaction is calculated on the basis of the internal rate of return of each transaction.

With regard to finance lease transactions entered into prior to April 1, 2008, that are not deemed to transfer ownership of the leased property to the lessee, leased investment assets are recognized at those book values of leased properties as of March 31, 2008, according to the transitional provision of the accounting standard.

As a result of this transitional treatment, "Income before income taxes" increased by ¥66 million (U.S.$618 thousand) and ¥90 million for the fiscal years ended March 31, 2020 and 2019, respectively, as compared to what would have been reported if the revised accounting standard was applied retroactively to all finance lease transactions as lessor.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) CONSOLIDATED

(X) INSTALLMENT SALES FINANCE AND CREDIT GUARANTEES

Fees from installment sales finance have principally been prorated over the respective installment periods by using the sum-of-the-months digits method, or by using the credit-balance method.

Fees from credit guarantees have been recognized by the sum-of-the-months digits method, the straight-line method or the credit-balance method over the contract terms.

(Y) REVENUE RECOGNITION FOR INTEREST ON CONSUMER LENDING BUSINESS

Consolidated subsidiaries specializing in the consumer lending business accrued interest income at the balance sheet date at the lower of the amount determined using a rate permissible under the Interest Rate Restriction Act of Japan and the amount determined using rates on contracts with customers.

(Z) INCOME TAXES

Deferred income taxes relating to temporary differences between financial reporting and tax bases of assets and liabilities and tax loss carryforwards have been recognized. The asset and liability approach is used to recognize deferred income taxes.

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

A valuation allowance is deducted from the carrying amount of deferred tax assets to the extent that it is not considered that taxable profit will be estimated to be sufficient enough to allow the benefit of part or all of the deferred tax assets to be realized.

(Additional information)

Pursuant to the transitional treatment of the paragraph 3 of “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ Practical Issues Task Force (PITF) No. 39, March 31, 2020, which is prescribed after the institution of the “Act on Partial Revision of the Income Tax Act” (Act No.8 of 2020) which is the law revising nonconsolidated tax system, the Bank and certain consolidated domestic subsidiaries record the amounts of deferred tax assets and deferred tax liabilities on the related items in accordance with the provisions of the previous tax law, not applying 44 of “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No.28, February 16, 2018).

(AA) DERIVATIVES AND HEDGE ACCOUNTING

Derivatives are stated at fair value. Except for derivatives in (G) VALUATION OF TRADING ACCOUNT ACTIVITIES, derivative transactions that meet the hedge accounting criteria are primarily accounted for using the deferral method whereby unrealized gains and losses are deferred in a separate component of equity until the gains and losses on the hedged items are realized.

(a) Hedge of interest rate risks

Derivative transactions that meet the hedge accounting criteria for mitigating interest rate risks of the Bank's financial assets and liabilities are accounted for using the deferral method. The Bank adopted portfolio hedging to determine the effectiveness of its hedging instruments in accordance with "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry" (Industry Audit Committee Report No. 24 issued, on February 13, 2002, by the Japanese Institute of Certified Public Accountants (“JICPA”)). Under portfolio hedging activities to mitigate the change in fair value, a portfolio of hedged items with common maturities such as deposits or loans is designated and matched with a group of hedging instruments such as interest rate swaps, which offset the effect of fair value fluctuations of the hedged items by identified maturities. The effectiveness of portfolio hedging is assessed by each group.

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

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

(b) Hedge of foreign exchange fluctuation risks

The Bank applies either deferral hedge accounting or fair value hedge accounting in accordance with "Accounting and Auditing Treatment of Accounting Standards for Foreign Exchange Transactions in the Banking Industry" (Industry Audit Committee Report No. 25 issued, on July 29, 2002, by of the JICPA), to the derivative transactions that meet the hedge accounting criteria for mitigating foreign currency fluctuation risks of its financial assets and liabilities.

Funding swap transactions are foreign exchange swaps, and consist of spot foreign exchange contracts bought or sold and forward foreign exchange contracts bought or sold. Such transactions are contracted for the purpose of lending or borrowing in a different currency and converting the corresponding principal equivalents and foreign currency equivalents to pay and receive, whose amounts and due dates are predetermined at the time of the transactions, into forward foreign exchange contracts bought or sold.

Under deferral hedge accounting, hedged items are identified by grouping the foreign currency-denominated financial assets and liabilities by currency and designating derivative transactions such as currency swap transactions, funding swap transactions and forward exchange contracts as hedging instruments. Hedge effectiveness is assessed by confirming that the total foreign currency position of the hedged items is equal to or larger than that of hedging instruments.

The Bank also applies deferral hedge accounting and fair value hedge accounting to translation gains or losses

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) CONSOLIDATED

from foreign currency assets of net investments in foreign unconsolidated subsidiaries, affiliates and securities available-for-sale (other than bonds denominated in foreign currencies) when such foreign currency exposures recorded as assets are hedged with offsetting foreign currency liabilities and the liabilities equal or exceed the acquisition cost of such foreign currency assets.

(c) Inter-company and intra-company derivative transactions
Gains and losses on inter-company and intra-company derivative hedging transactions between the trading book and the banking book are not eliminated since offsetting transactions with third parties are appropriately entered into in conformity with the nonarbitrary and strict hedging policy in accordance with Industry Audit Committee Reports No. 24 and No. 25 of the JICPA. As a result, in the banking book, realized gains and losses on such inter-company and intra-company transactions are reported in current earnings and valuation gains and losses which meet the hedge accounting criteria are deferred. On the other hand, in the trading book, realized gains and losses and valuation gains and losses on such inter-company and intra-company transactions are substantially offset with covering contracts entered into with third parties.

(AB) PER SHARE INFORMATION

Basic earnings per share ("EPS") calculations represent profit attributable to owners of the parent which is available to common shareholders, divided by the weighted average number of outstanding shares of common stock during the respective period, retroactively adjusted for stock splits and reverse stock splits.

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

(AC) ACCOUNTING CHANGES

(Application of the "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method") (ASBJ Practical Issues Task Force (PITF) No. 24, September 14, 2018)

The Group has applied this accounting standard from the beginning of the current fiscal year. This accounting standard revises mainly the part of the consolidation process for foreign affiliates which are accounted for by the equity method. According to this accounting standard, when the affiliates have adopted IFRS 9, "Financial Instruments," and have elected to present as other comprehensive income for the subsequent changes in the fair value of investments in equity instruments, the amount equivalent to gains or losses on sales or impairment losses should be reclassified from other comprehensive income to profit and loss for the period when those instruments are disposed of or impaired unless it is extremely difficult to obtain the information necessary for the reclassification.

This accounting change had no effect on profit and loss in the consolidated financial statements.

(AD) NEW ACCOUNTING PRONOUNCEMENTS

(a) "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020)
"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No.30, March 31, 2020)

On March 31, 2020, the ASBJ revised ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition." This statement and guidance were established taking the core principles of IFRS 15 "Revenue from contracts with customers" and adding alternative treatments, to the extent that comparability is not impaired, for any practices which have been applied in Japan. The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The accounting standard and guidance are effective for annual periods beginning on or after April 1, 2021. Earlier application is permitted for annual periods beginning on or after April 1, 2018.

The Group expects to apply the accounting standard and guidance for annual periods beginning on or after April 1, 2021, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

(b) "Accounting Standard for Fair Value Measurement" (ASBJ Statement No.30, July 4, 2019)
"Accounting Standard for Financial Instruments." (ASBJ Statement No.10, revised on July 4, 2019)
"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31, July 4, 2019)
"Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)

(i) Outline
Those accounting standards were issued to show the detailed guideline on fair value measurement. Those accounting standards were established taking basic principles of IFRS 13 "Fair Value Measurement" which was applied on or after January 1, 2013, while adding alternative treatments, to the extent that comparability is not impaired, for any practices which have been applied in Japan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) CONSOLIDATED

(ii) Effective date

The Group plans to apply those accounting standards from the beginning of the fiscal year beginning on April 1, 2021.

(iii) The impact of the application

The impact of the application is under evaluation at the time of the preparation of these consolidated financial statements.

(c) "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No.31, March 31, 2020)

(i) Outline

The IASB ("The International Accounting Standards Board") issued the "International Accounting Standards (IASs)" 1, "Presentation of Financial Statements" in 2003, and the paragraph 125 of this accounting standard requires a disclosure of key sources of estimation uncertainty. As these information is required for the convenience of users of financial statements in Japan, ASBJ issues "Accounting Standard for Disclosure of Accounting Estimates."

The accounting standard was developed by referring to the paragraph 125 of "Presentation of Financial Statements." It prescribes the item, the nature and the extent of the information to be disclosed should be decided by management considering the objective of the disclosure while management should present the principal (objective) of the disclosure.

(ii) Effective date

The Group plans to apply this accounting standard from March 31, 2021.

(d) "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Correction" (ASBJ Statement No.24, revised on March 31, 2020)

(i) Outline

ASBJ revises certain accounting standards, and issues "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Correction" upon recommendation on the enhancement of the information in notes regarding accounting principles and procedures adopting when the related accounting standards being not clarified.

The annotation 1-2 of the Corporate Accounting Principal, which prescribes the disclosure of significant accounting policies in the case where the related accounting standards are clarified, has been still effective, while applying the accounting standard and disclosing the notes in the cases where the related accounting standards are not clarified, so that the conflict will not occur.

(ii) Effective date

The Group plans to apply this accounting standard from March 31, 2021.

3. BUSINESS COMBINATION CONSOLIDATED

(Acquisition of shares of SHINKO LEASE CO., LTD.)

On April 23, 2019, Showa Leasing Co., Ltd. a subsidiary of the Bank, concluded the share purchase agreement with Mitsubishi UFJ Lease & Finance Company Limited, the former parent company of SHINKO LEASE CO., LTD. Showa Leasing Co., Ltd. purchased the shares of SHINKO LEASE CO., LTD. on July 1, 2019 as the settlement date. As a result, Showa Leasing Co., Ltd. obtained control of SHINKO LEASE CO., LTD.

(A) Outline of the business combination

(a) Name and business description of the acquired company:
Name: SHINKO LEASE CO., LTD.
Business description: General leasing business

(b) Purpose of the acquisition:
For revenue growth of the Group.

(c) The acquisition date:
July 1, 2019

(d) Legal form of the business combination:
Acquisition of shares with cash consideration

(e) Company name after the business combination:
The company name is not changed.

(f) Percentage of voting rights acquired:
80%

(g) Basis for determination of the acquiring company:
Showa Leasing Co., Ltd. acquired the shares by cash

(B) Period of the acquired company's financial results included in the consolidated financial statements of the Group

From July 1, 2019 to March 31, 2020

(C) Acquisition costs of the shares and their breakdown

Consideration	cash	¥ 2,489 million	(U.S.$23,001 thousand)
Acquisition cost		¥ 2,489 million	(U.S.$23,001 thousand)

(D) Major acquisition-related costs and their breakdown

Advisory fees, etc. ¥ 31 million (U.S.$287 thousand)

(E) Amount, reason of the occurrence and amortization method and period of goodwill

No goodwill and negative goodwill were recognized.

(F) Amounts and breakdown of assets and liabilities on the date of the business combination

(a) Assets:

	Millions of yen	Thousands of U.S. dollars
Assets	¥ **95,664**	$ **883,815**
Other assets (Installment receivables)	**39,262**	**362,733**
Premises and equipment (Tangible leased assets as lessor)	**24,015**	**221,872**
Lease receivables and leased investment assets	**23,436**	**216,526**

(b) Liabilities:

	Millions of yen	Thousands of U.S. dollars
Liabilities	¥ **92,552**	$ **855,064**
Borrowed money	**80,367**	**742,494**

(G) Approximate amounts and their calculation method of impact on the consolidated financial statements of the Group for the fiscal year ended March 31, 2020, assuming that the business combination had been completed at the beginning of this fiscal year.

The approximate amounts have not been disclosed since they are immaterial.

4. CASH AND CASH EQUIVALENTS — CONSOLIDATED

(a) The reconciliation of cash and cash equivalents and cash and due from banks in the consolidated balance sheets as of March 31, 2020 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Cash and due from banks	**¥ 1,614,134**	¥ 1,355,966	**$ 14,912,550**
Interest-bearing deposits included in due from banks (other than due from the Bank of Japan)	**(35,869)**	(110,096)	**(331,390)**
Cash and cash equivalents	**¥ 1,578,264**	¥ 1,245,870	**$ 14,581,161**

(b) The major components of increased assets and liabilities by share acquisition
The Group obtained control of SHINKO LEASE CO., LTD. and consolidated the company due to the share acquisition by Showa Leasing Co., Ltd., a subsidiary of the Bank. The major components of consolidated assets and liabilities, and reconciliation between the acquisition cost and net consideration for the acquisition are as follows:

	Millions of yen	Thousands of U.S. dollars
Assets	**¥ 95,664**	**$ 883,815**
Other assets (Installment receivables)	**39,262**	**362,733**
Premises and equipment (Tangible leased assets as lessor)	**24,015**	**221,872**
Lease receivables and leased investment assets	**23,436**	**216,526**
Liabilities	**(92,552)**	**(855,064)**
Borrowed money	**(80,367)**	**(742,494)**
Noncontrolling interests	**622**	**5,750**
Acquisition cost	**2,489**	**23,001**
Cash and cash equivalents included in acquired asset	**(858)**	**(7,930)**
Payment for acquisition of shares	**¥ 1,631**	**$ 15,070**

5. OTHER MONETARY CLAIMS PURCHASED — CONSOLIDATED

(a) Other monetary claims purchased as of March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Trading purposes	**¥ 1,931**	¥ 2,853	**$ 17,842**
Other	**61,644**	28,141	**569,513**
Total	**¥ 63,575**	¥ 30,994	**$ 587,354**

(b) The fair value and the unrealized loss which is included in net gain (loss) on other monetary claims purchased for trading purposes as of March 31, 2020 and 2019 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2020		2019		**2020**	
	Fair value	**Unrealized loss**	Fair value	Unrealized loss	**Fair value**	**Unrealized loss**
Trading purposes	**¥ 1,931**	**¥ 138**	¥ 2,853	¥ 256	**$ 17,842**	**$ 1,276**

6. TRADING ASSETS — CONSOLIDATED

Trading assets as of March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Trading securities	**¥ 5,533**	¥ 3,445	**$ 51,123**
Derivatives for securities held to hedge trading transactions	**2,255**	7,432	**20,840**
Trading-related financial derivatives	**205,918**	193,537	**1,902,422**
Total	**¥ 213,707**	¥ 204,415	**$ 1,974,385**

7. MONETARY ASSETS HELD IN TRUST CONSOLIDATED

(a) Monetary assets held in trust as of March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Trading purposes	**¥ 9,295**	¥ 12,553	**$ 85,875**
Other	**405,811**	293,325	**3,749,187**
Total	**¥ 415,107**	¥ 305,879	**$ 3,835,062**

(b) The fair value and the unrealized gain or loss which is included in net gain (loss) on monetary assets held in trust for trading purposes as of March 31, 2020 and 2019 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2020		2019		**2020**	
	Fair value	**Unrealized loss**	Fair value	Unrealized loss	**Fair value**	**Unrealized loss**
Trading purposes	**¥ 9,295**	**¥ 112**	¥ 12,553	¥ 170	**$ 85,875**	**$ 1,042**

(c) The acquisition cost and the carrying amount of monetary assets held in trust for other than trading purposes as of March 31, 2020 and 2019 were as follows:

	Millions of yen							
	2020				2019			
	Acquisition cost	**Gross unrealized gain**	**Gross unrealized loss**	**Carrying amount**	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Carrying amount
Other	**¥ 406,663**	**¥ 1,060**	**¥ 1,912**	**¥ 405,811**	¥ 294,432	¥ 247	¥ 1,353	¥ 293,325

	Thousands of U.S. dollars			
	2020			
	Acquisition cost	**Gross unrealized gain**	**Gross unrealized loss**	**Carrying amount**
Other	**$3,757,058**	**$ 9,793**	**$ 17,665**	**$3,749,187**

8. SECURITIES CONSOLIDATED

(a) Securities as of March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Trading securities	**¥ 0**	¥ 0	**$ 0**
Securities being held to maturity	**277,173**	399,201	**2,560,728**
Securities available for sale:			
Securities carried at fair value	**564,117**	624,563	**5,211,727**
Securities carried at cost whose fair value cannot be reliably determined	**41,789**	35,658	**386,081**
Investments in unconsolidated subsidiaries and affiliates	**73,960**	70,863	**683,298**
Total	**¥ 957,040**	¥ 1,130,286	**$ 8,841,834**

The above balances do not include securities held in connection with securities borrowing transactions with or without cash collateral, securities purchased under resale agreements or securities accepted as collateral for derivative transactions, where the Group has the right to sell or pledge such securities without restrictions. The balances of those securities as of March 31, 2020 and 2019 were ¥5,561 million (U.S.$51,377 thousand) and ¥5,643 million, respectively.

The amount of guarantee obligations for privately-placed bonds (Paragraph 3 of Article 2 of the Financial Instruments and Exchange Act) included in securities as of March 31, 2020 and 2019 were ¥3,480 million (U.S.$32,151 thousand) and ¥3,580 million, respectively.

8. SECURITIES (CONTINUED) CONSOLIDATED

(b) The amortized/acquisition cost and the fair values of securities (other than trading securities) as of March 31, 2020 and 2019 were as follows:

	Millions of yen							
	2020				2019			
	Amortized/ Acquisition cost	Gross unrealized gain	Gross unrealized loss	Fair value	Amortized/ Acquisition cost	Gross unrealized gain	Gross unrealized loss	Fair value
Securities being held to maturity:								
Japanese national government bonds	¥ 277,173	¥ 1,596	¥ –	¥ 278,770	¥ 399,201	¥ 3,204	¥ –	¥ 402,406
Total	¥ 277,173	¥ 1,596	¥ –	¥ 278,770	¥ 399,201	¥ 3,204	¥ –	¥ 402,406
Securities available for sale:								
Equity securities	¥ 6,749	¥ 4,083	¥ 179	¥ 10,653	¥ 9,194	¥ 8,481	¥ 308	¥ 17,367
Japanese national government bonds	83,783	216	581	83,418	101,496	889	–	102,386
Japanese local government bonds	–	–	–	–	–	–	–	–
Japanese corporate bonds	169,430	603	1,334	168,699	172,232	355	1,440	171,148
Foreign securities	303,156	1,955	3,876	301,236	331,234	3,347	1,903	332,677
Other[1]	32,247	549	14	32,782	1,068	–	85	982
Total	¥ 595,367	¥ 7,408	¥ 5,986	¥ 596,790	¥ 615,226	¥ 13,074	¥ 3,737	¥ 624,563

	Thousands of U.S. dollars			
	2020			
	Amortized/ Acquisition cost	Gross unrealized gain	Gross unrealized loss	Fair value
Securities being held to maturity:				
Japanese national government bonds	$ 2,560,728	$ 14,753	$ –	$ 2,575,480
Total	$ 2,560,728	$ 14,753	$ –	$ 2,575,480
Securities available for sale:				
Equity securities	$ 62,357	$ 37,729	$ 1,659	$ 98,427
Japanese national government bonds	774,050	2,003	5,373	770,680
Japanese local government bonds	–	–	–	–
Japanese corporate bonds	1,565,327	5,576	12,332	1,558,570
Foreign securities	2,800,784	18,066	35,812	2,783,039
Other[1]	297,925	5,075	130	302,870
Total	$ 5,500,443	$ 68,449	$ 55,306	$ 5,513,586

Note:1 This includes other monetary claims purchased whose fair value can be reliably determined.

In the event individual securities (except for those whose fair value cannot be reliably determined), other than trading 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 such securities for the fiscal year ended March 31, 2020, was ¥1,083 million (U.S.$10,010 thousand), which consisted of ¥660 million (U.S.$6,106 thousand) for equity securities and ¥422 million (U.S.$3,905 thousand) for Japanese corporate bonds.

Impairment loss on such securities for the fiscal year ended March 31, 2019, was ¥636 million, which consisted of ¥186 million for equity securities, ¥449 million for Japanese corporate bonds and ¥0 million for foreign securities.

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

8. SECURITIES (CONTINUED) CONSOLIDATED

"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.

(c) Unrealized gain (loss) on available-for-sale securities as of March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Unrealized gain (loss) before deferred tax on:			
Available-for-sale securities	**¥ 1,422**	¥ 9,336	**$ 13,143**
The Group's interests in available-for-sale securities held by partnerships recorded as securities whose fair value cannot be reliably determined and other adjustments	**(1,846)**	(1,468)	**(17,059)**
Other monetary assets held in trust	**(851)**	(1,106)	**(7,871)**
Deferred tax liabilities	**(86)**	(1,477)	**(797)**
Unrealized gain (loss) on available-for-sale securities before interest adjustments	**(1,362)**	5,284	**(12,584)**
Noncontrolling interests	**22**	–	**204**
The Group's interests in unrealized gain (loss) on available-for-sale securities held by affiliates to which the equity method is applied	**6,095**	4,756	**56,317**
Unrealized gain (loss) on available-for-sale securities	**¥ 4,755**	¥ 10,041	**$ 43,936**

(d) Available-for-sale securities sold during the fiscal year ended March 31, 2020 and 2019 were as follows:

	Millions of yen					
	2020			2019		
	Proceeds from sales	**Gains on sales**	**Losses on sales**	Proceeds from sales	Gains on sales	Losses on sales
Available-for-sale securities sold:						
Equity securities	**¥ 7,769**	**¥ 5,001**	**¥ 47**	¥ 1,516	¥ 530	¥ 242
Japanese national government bonds	**795,880**	**2,304**	**1,143**	571,927	1,074	143
Japanese local government bonds	**21,305**	**12**	**18**	27,572	40	25
Japanese corporate bonds	**36,696**	**101**	**15**	58,517	113	4
Foreign securities	**891,739**	**7,059**	**2,360**	730,211	3,069	990
Other	**1,470**	**97**	**86**	5,314	719	28
Total	**¥ 1,754,862**	**¥ 14,577**	**¥ 3,672**	¥ 1,395,060	¥ 5,548	¥ 1,433

	Thousands of U.S. dollars		
	2020		
	Proceeds from sales	**Gains on sales**	**Losses on sales**
Available-for-sale securities sold:			
Equity securities	**$ 71,783**	**$ 46,211**	**$ 435**
Japanese national government bonds	**7,352,926**	**21,288**	**10,566**
Japanese local government bonds	**196,834**	**115**	**174**
Japanese corporate bonds	**339,029**	**938**	**147**
Foreign securities	**8,238,537**	**65,223**	**21,806**
Other	**13,587**	**898**	**796**
Total	**$ 16,212,697**	**$ 134,674**	**$ 33,925**

9. LOANS AND BILLS DISCOUNTED

CONSOLIDATED

Loans and bills discounted as of March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Loans on deeds	**¥ 4,337,743**	¥ 4,228,572	**$ 40,075,233**
Loans on bills	**15,426**	10,474	**142,524**
Bills discounted	**1,855**	2,337	**17,138**
Overdrafts	**755,379**	745,455	**6,978,745**
Total	**¥ 5,110,404**	¥ 4,986,839	**$ 47,213,640**

(a) Risk-monitored loans

Loans and bills discounted include loans to bankrupt obligors of ¥4,555 million (U.S.$42,087 thousand) and ¥4,836 million as of March 31, 2020 and 2019, respectively, as well as nonaccrual delinquent loans of ¥35,335 million (U.S.$326,459 thousand) and ¥28,383 million as of March 31, 2020 and 2019, respectively.

Nonaccrual delinquent loans include loans classified as “possibly bankrupt” and “virtually bankrupt” under the Group's self-assessment guidelines.

In addition to nonaccrual delinquent loans as defined, certain other loans classified as “substandard” under the Group's self-assessment guidelines include loans past due for three months or more.

Loans past due for three months or more consist of loans for which the principal and/or interest is three months or more past due, but excluding loans to bankrupt obligors and nonaccrual delinquent loans. The balances of loans past due for three months or more as of March 31, 2020 and 2019 were ¥646 million (U.S.$5,968 thousand) and ¥880 million, respectively.

Restructured loans are loans where the Group relaxes lending conditions, such as by reducing the original interest rate, or by forbearing interest payments or principal repayments to support the borrower's reorganization, but excluding loans to bankrupt obligors, nonaccrual delinquent loans or loans past due for three months or more. The outstanding balances of restructured loans as of March 31, 2020 and 2019 were ¥46,680 million (U.S.$431,264 thousand) and ¥43,458 million, respectively.

(b) Loan participations

The total amounts accounted for as the transfer of loans by loan participations as of March 31, 2020 and 2019 were ¥6,813 million (U.S.$62,950 thousand) and ¥7,477 million, respectively. This “offbalance sheet” treatment is in accordance with guidelines issued by the JICPA. The total amounts of such loans in which the Bank participated were ¥15,527 million (U. S. $143,458 thousand) and ¥12,400 million as of March 31, 2020 and 2019, respectively.

(c) Bills discounted

Bills discounted, such as bank acceptances bought, commercial bills discounted, documentary bills and foreign exchange contracts bought, are accounted for as financing transactions in accordance with Industry Audit Committee Report No. 24 issued by the JICPA, although the Group has the right to sell or pledge them without restrictions. The face amounts of such bills discounted held as of March 31, 2020 and 2019 were ¥1,855 million (U.S. $17,138 thousand) and ¥2,337 million, respectively.

(d) Loan commitments

The Bank and certain consolidated subsidiaries set credit lines of overdrafts and issue commitments to extend credit to meet the financing needs of customers. The unfulfilled amounts of these commitments were ¥2,917,149 million (U.S.$26,950,756 thousand) and ¥3,041,385 million as of March 31, 2020 and 2019, out of which the amounts with the commitments of the agreements expiring within one year or being able to be cancelled at any time with no condition were ¥2,609,763 million (U.S.$24,110,897 thousand) and ¥2,676,954 million as of March 31, 2020 and 2019, respectively. Since a large majority of these commitments expire without being drawn upon, the unfulfilled amounts do not necessarily represent future cash requirements. Many such agreements include conditions granting the Bank and its consolidated subsidiaries the right to reject the drawdown or to reduce the amount on the basis of changes in the financial circumstances of the borrower or other reasonable grounds.

In addition, the Bank obtains collateral when necessary to reduce credit risk related to these commitments.

10. FOREIGN EXCHANGES CONSOLIDATED

Foreign exchange assets and liabilities as of March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Foreign exchange assets:			
Foreign bills receivable	**¥ –**	¥ 1,059	**$ –**
Due from foreign banks	**73,879**	28,487	**682,551**
Total	**¥ 73,879**	¥ 29,546	**$ 682,551**
Foreign exchange liabilities:			
Foreign bills payable	**687**	471	**6,356**
Total	**¥ 687**	¥ 471	**$ 6,356**

11. OTHER ASSETS CONSOLIDATED

Other assets as of March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Accrued income	**¥ 15,729**	¥ 17,482	**$ 145,321**
Prepaid expenses	**5,105**	4,631	**47,170**
Fair value of derivatives	**71,540**	54,984	**660,948**
Accounts receivable	**45,603**	40,918	**421,320**
Installment receivables	**670,716**	562,236	**6,196,568**
Security deposits	**14,227**	14,121	**131,440**
Suspense payments	**14,817**	14,814	**136,896**
Margin deposits for futures transactions	**4,783**	4,852	**44,190**
Cash collateral paid for financial instruments	**69,129**	41,914	**638,670**
Other	**95,952**	95,329	**886,476**
Total	**¥ 1,007,605**	¥ 851,287	**$ 9,308,998**

Installment receivables in “Other assets” as of March 31, 2020 and 2019 include credits to bankrupt obligors of ¥3 million (U.S.$37 thousand) and ¥0 million, nonaccrual delinquent credits of ¥5,643 million (U.S.$52,140 thousand) and ¥5,957 million, credits past due for three months or more of ¥265 million (U.S.$2,454 thousand) and ¥823 million, and restructured credits of ¥1,007 million (U.S.$9,305 thousand) and ¥212 million, respectively.

12. PREMISES AND EQUIPMENT CONSOLIDATED

Premises and equipment as of March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Buildings	**¥ 29,227**	¥ 29,825	**$ 270,021**
Land	**2,665**	2,665	**24,626**
Tangible leased assets as lessor	**81,253**	53,836	**750,682**
Other	**26,864**	28,103	**248,190**
Subtotal	**140,010**	114,431	**1,293,518**
Accumulated depreciation	**(70,596)**	(69,089)	**(652,218)**
Net book value	**¥ 69,414**	¥ 45,341	**$ 641,300**

13. INTANGIBLE ASSETS — CONSOLIDATED

Intangible assets as of March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Software:			
Software	**¥ 48,923**	¥ 51,465	**$ 451,994**
Software in progress	**3,481**	3,033	**32,168**
Goodwill, net:			
Goodwill	**13,346**	14,072	**123,303**
Negative goodwill	**(2,719)**	(3,082)	**(25,127)**
Intangible assets acquired in business combinations	**2,496**	690	**23,062**
Intangible leased assets as lessor	**65**	3	**607**
Other	**1,479**	1,007	**13,668**
Total	**¥ 67,073**	¥ 67,189	**$ 619,676**

14. RESERVE FOR CREDIT LOSSES — CONSOLIDATED

Reserve for credit losses as of March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Reserve for loan losses:			
General reserve for loan losses	**¥ 77,251**	¥ 70,749	**$ 713,710**
Specific reserve for loan losses	**30,746**	27,285	**284,057**
Total	**¥ 107,998**	¥ 98,034	**$ 997,766**

15. DEPOSITS, INCLUDING NEGOTIABLE CERTIFICATES OF DEPOSIT — CONSOLIDATED

Deposits, including negotiable certificates of deposit, as of March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Current	**¥ 78,937**	¥ 39,846	**$ 729,285**
Ordinary	**2,598,675**	2,537,841	**24,008,457**
Notice	**3,353**	13,897	**30,979**
Time	**2,652,189**	2,271,980	**24,502,856**
Negotiable certificates of deposit	**455,950**	570,580	**4,212,398**
Other	**516,055**	487,999	**4,767,698**
Total	**¥ 6,305,161**	¥ 5,922,145	**$ 58,251,673**

16. TRADING LIABILITIES — CONSOLIDATED

Trading liabilities as of March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Derivatives for trading securities	**¥ 1,027**	¥ 1,193	**$ 9,490**
Derivatives for securities held to hedge trading transactions	**958**	3,344	**8,853**
Trading-related financial derivatives	**181,957**	175,700	**1,681,057**
Trading securities sold for short sales	**–**	2,124	**–**
Total	**¥ 183,943**	¥ 182,363	**$ 1,699,400**

17. BORROWED MONEY CONSOLIDATED

(a) Borrowed money as of March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Total amount of borrowed money	**881,991**	684,077	**8,148,482**

1 Borrowed money does not include subordinated debt as of March 31, 2020 and 2019.

(b) The weighted average interest rate applicable to the total balance of borrowed money as of March 31, 2020 was 0.40%.

(c) Annual maturities of borrowed money as of March 31, 2020 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2021	**¥ 448,005**	**$ 4,139,003**
2022	**145,308**	**1,342,467**
2023	**85,269**	**787,780**
2024	**49,147**	**454,065**
2025 and thereafter	**154,260**	**1,425,167**
Total	**¥ 881,991**	**$ 8,148,482**

18. CORPORATE BONDS CONSOLIDATED

(a) Corporate bonds as of March 31, 2020 and 2019 consisted of the following:

Issuer	Description	Issue	Maturity	Interest Rate (%)	Millions of yen 2020	Millions of yen 2019	Thousands of U.S. dollars 2020
Shinsei Bank, Limited	Unsecured straight bonds, payable in Euroyen[1]	Jun. 2018 to Sept. 2018	Sept. 2020 to Jul. 2038	0.32 to 1.653[3]	**¥ 1,500**	¥ 2,335	**$ 13,858**
	Unsecured straight bond, payable in Yen[2]	Dec. 2014 to Jan. 2020	Dec. 2019 to Jan. 2025	0.15 to 0.416	**115,000**	40,000	**1,062,454**
Showa Leasing Co., Ltd.	Unsecured straight bond, payable in Yen[2]	Sept. 2016 to Dec. 2019	Sept. 2019 to Dec. 2024	0.19 to 0.30	**20,000**	20,000	**184,775**
APLUS FINANCIAL Co., Ltd.	Unsecured straight bond, payable in Yen[2]	Jun. 2015 to Dec. 2019	Jun. 2020 to Dec. 2024	0.25 to 0.64	**30,000**	30,000	**277,162**
Total					**¥ 166,500**	¥ 92,335	**$ 1,538,248**

1 This includes a series of straight bonds issued under Euro Medium Term Note Programme.
2 These include series of straight bonds, payable in Yen.
3 The maximum and minimum rates under contracts are presented if the interest rates were not decided as of March 31, 2020 and 2019.

(b) Annual maturities of corporate bonds as of March 31, 2020 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2021	**¥ 15,000**	**$ 138,581**
2022	**10,000**	**92,387**
2023	**30,000**	**277,162**
2024	**40,000**	**369,549**
2025 and thereafter	**71,500**	**660,569**
Total	**¥ 166,500**	**$ 1,538,248**

19. OTHER LIABILITIES CONSOLIDATED

Other liabilities as of March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Accrued expenses	**¥ 11,193**	¥ 10,160	**$ 103,410**
Unearned income	**24,362**	23,662	**225,074**
Income taxes payable	**3,697**	3,548	**34,161**
Fair value of derivatives	**85,078**	62,590	**786,015**
Accounts payable	**89,233**	63,973	**824,407**
Deferred gains on installment receivables and credit guarantees	**31,671**	30,195	**292,602**
Asset retirement obligations	**9,662**	9,262	**89,270**
Deposits payable	**112,165**	110,000	**1,036,266**
Cash collateral received for financial instruments	**25,114**	15,519	**232,030**
Other	**12,794**	18,470	**118,202**
Total	**¥ 404,973**	¥ 347,383	**$ 3,741,437**

20. EMPLOYEES' RETIREMENT BENEFITS AND PENSION PLAN ASSETS CONSOLIDATED

(a) The changes in defined benefit obligation for the fiscal years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Balance at beginning of the year	**¥ 91,695**	¥ 89,226	**$ 847,147**
Current service cost	**3,971**	4,002	**36,687**
Interest cost	**1,016**	987	**9,392**
Actuarial (gains) losses	**(94)**	1,756	**(871)**
Benefits paid	**(4,696)**	(4,278)	**(43,391)**
Increase upon acquisition of certain subsidiary	**190**	–	**1,762**
Balance at end of the year	**¥ 92,082**	¥ 91,695	**$ 850,727**

(b) The changes in plan assets for the fiscal years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Balance at beginning of the year	**¥ 94,394**	¥ 94,121	**$ 872,084**
Expected return on plan assets	**2,203**	2,200	**20,360**
Actuarial gains (losses)	**(6,043)**	(1,741)	**(55,832)**
Contributions from the employer	**2,716**	3,542	**25,098**
Benefits paid	**(3,927)**	(3,728)	**(36,282)**
Balance at end of the year	**¥ 89,344**	¥ 94,394	**$ 825,428**

(c) A reconciliation between the liability and the asset recorded in the consolidated balance sheet and balances of defined benefit obligation and plan assets as of March 31, 2020 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Defined benefit obligation	**¥ 84,587**	¥ 84,429	**$ 781,485**
Plan assets	**(89,344)**	(94,394)	**(825,428)**
Subtotal	**(4,756)**	(9,964)	**(43,943)**
Unfunded defined benefit obligation	**7,494**	7,265	**69,243**
Net liability (asset) arising from benefit obligation	**¥ 2,738**	¥ (2,699)	**$ 25,300**

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Liabilities for retirement benefits	**¥ 8,422**	¥ 8,232	**$ 77,811**
Assets for retirement benefits	**(5,683)**	(10,931)	**(52,511)**
Net liability (asset) arising from benefit obligation	**¥ 2,738**	¥ (2,699)	**$ 25,300**

20. EMPLOYEES' RETIREMENT BENEFITS AND PENSION PLAN ASSETS (CONTINUED) CONSOLIDATED

(d) The components of net periodic retirement benefit cost for the fiscal years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Current service cost	**¥ 3,971**	¥ 4,002	**$ 36,687**
Interest cost	**1,016**	987	**9,392**
Expected return on plan assets	**(2,203)**	(2,200)	**(20,360)**
Amortization of past service cost	**(100)**	(100)	**(928)**
Recognized actuarial (gains) losses	**449**	1,075	**4,152**
Other (primarily consists of extraordinary severance benefit)	**96**	166	**891**
Net periodic retirement benefit cost	**¥ 3,229**	¥ 3,931	**$ 29,834**

(e) Other comprehensive income on defined retirement benefit plans (before adjusting for tax effects) for the fiscal years ended March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Past service cost	**¥ (100)**	¥ (100)	**$ (928)**
Actuarial gains (losses)	**(5,499)**	(2,423)	**(50,810)**
Total	**¥ (5,600)**	¥ (2,523)	**$ (51,738)**

(f) Accumulated other comprehensive income on defined retirement benefit plans (before adjusting for tax effects) as of March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Unrecognized past service cost	**¥ 66**	¥ 167	**$ 619**
Unrecognized actuarial gains (losses)	**(5,295)**	204	**(48,920)**
Total	**¥ (5,228)**	¥ 372	**$ (48,301)**

(g) Plan assets

(i) Components of plan assets

Plan assets as of March 31, 2020 and 2019 consisted of the following:

	2020	2019
Domestic bonds	**25.5%**	24.4%
Foreign bonds	**13.5**	12.7
Domestic equity securities	**18.5**	19.8
Foreign equity securities	**14.5**	18.2
Life insurance company accounts (general accounts)	**18.8**	17.6
Other	**9.2**	7.3
Total	**100.0%**	100.0%

・The total plan assets includes retirement benefit trusts under benefit pension plans of 3.0% and 3.0% as of March 31, 2020 and 2019, respectively.

(ii) Method of determining the long-term expected rate of return on plan assets

The Bank, which dominates a large share of plan assets in the Group, determined 2.20% of long-term expected rate of return on plan assets for the fiscal year ended March 31, 2020, considering the financial condition, policy for asset investment and the asset portfolios of the Bank besides current economic environment and market trend. For major consolidated subsidiaries, the long-term expected rates of return on plan assets were determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(h) Assumptions used for the fiscal years ended March 31, 2020 and 2019 were set forth as follows:

	2020	2019
Discount rate	**0.43 - 1.20%**	0.43 - 1.20%
Long-term expected rate of return on plan assets	**2.00 - 3.50%**	2.00 - 3.50%
Expected future salary increase rate	**1.00 - 5.30%**	1.00 - 5.30%

21. ACCEPTANCES AND GUARANTEES — CONSOLIDATED

Acceptances and guarantees as of March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Guarantees	**¥ 526,520**	¥ 456,759	**$ 4,864,384**

22. CONTINGENT LIABILITIES — CONSOLIDATED

Contingent liabilities as of March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Agreement for the purchase of personal property	**¥ 655**	¥ 821	**$ 6,051**

A subsidiary has made agreements in which it will purchase the personal property collateralized by the creditor at a specified price if the borrower defaults. As a result, there is the possibility that the subsidiary assumes an obligation to purchase the collateral.

23. ASSETS PLEDGED AS COLLATERAL — CONSOLIDATED

Assets pledged as collateral and liabilities collateralized as of March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Assets pledged as collateral:			
Cash and due from banks	**¥ 10**	¥ 10	**$ 93**
Trading assets	**5,051**	192	**46,665**
Monetary assets held in trust	**236**	426	**2,186**
Securities	**422,778**	654,692	**3,905,934**
Loans and bills discounted	**896,986**	102,872	**8,287,017**
Lease receivables and leased investment assets	**2,309**	4,767	**21,336**
Other assets	**67,537**	67,287	**623,963**
Premises and equipment	**4,255**	5,109	**39,318**
Liabilities collateralized:			
Deposits, including negotiable certificates of deposit	**¥ 1,099**	¥ 689	**$ 10,160**
Payables under repurchase agreements	**38,956**	59,098	**359,908**
Payables under securities lending transactions	**347,377**	510,229	**3,209,329**
Borrowed money	**355,969**	187,714	**3,288,709**
Other liabilities	**16**	29	**149**
Acceptances and guarantees	**331**	428	**3,061**

In addition, ¥4,783 million (U.S.$44,190 thousand) and ¥4,852 million of margin deposits for futures transactions outstanding, ¥14,227 million (U.S.$131,440 thousand) and ¥14,121 million of security deposits, ¥69,129 million (U.S.$638,670 thousand) and ¥41,914 million of cash collateral paid for financial instruments, ¥47 million (U.S.$440 thousand) and nil of guarantee deposits under resale agreements and repurchase agreements, ¥195 million (U.S.$1,804 thousand) and ¥244 million of margin on foreign exchange and ¥50,000 million (U.S.$461,936 thousand) and ¥50,000 million of cash collateral for Zengin-net were included in "Other assets" as of March 31, 2020 and 2019, respectively.

24. EQUITY

CONSOLIDATED

The authorized number of shares of common stock as of March 31, 2020 was 400,000 thousand shares.

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

	Thousands	
	Issued number of shares	Number of treasury stock
Fiscal year ended March 31, 2019:		
Beginning of year	275,034	22,166
Increase[1]	–	7,652
Decrease[2,3]	(16,000)	(16,058)
End of year	259,034	13,760
Fiscal year ended March 31, 2020:		
Beginning of year	**259,034**	**13,760**
Increase[4]	**–**	**14,579**
Decrease[5]	**–**	**(49)**
End of year	**259,034**	**28,290**

1 The increase of 7,652 thousand treasury stocks is associated with the repurchase of 0 thousand shares less than one unit and the repurchase of 7,652 thousand shares from market.
2 The decrease of 16,000 thousand common stocks is associated with the cancellation of treasury stocks.
3 The decrease of 16,058 thousand treasury stocks is associated with the cancellation of 16,000 thousand treasury stocks, the transfer of 14 thousand shares upon exercise of the stock option (stock acquisition rights), and the disposal of 44 thousand shares as a restricted stock compensation.
4 The increase of 14,579 thousand treasury stocks is associated with the repurchase of 0 thousand shares less than one unit and the repurchase of 14,579 thousand shares from market.
5 The decrease of 49 thousand treasury stocks is associated with the disposal as a restricted stock compensation.

Japanese banks are subject to the Companies Act of Japan (the "Companies Act") and the Banking Act. The significant provisions in the Companies Act and the Banking Act that affect financial and accounting matters are summarized below:

(a) Dividends
Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

The Bank meets all of the above criteria and its articles of incorporation prescribe the authority for dividend declaration by the Board of Directors.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to certain limitations and additional requirements.

Interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company stipulate it. The Companies Act and the Banking Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock.

(b) Increases/decreases and transfer of common stock, reserve and surplus
The Banking Act requires that an amount equal to 20% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 100% of the common stock.

The Companies Act provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights
The Act also provides for purchasing treasury stock and disposing of such treasury stock by resolution of the Board of Directors. The total carrying amount of the monies, etc. delivered to shareholders for treasury stock purchased may not exceed the surplus available for dividend as at the day on which such act takes effect. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

25. STOCK ACQUISITION RIGHTS

CONSOLIDATED

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

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

Also, the Bank has a remuneration plan, a restricted stock compensation plan, for the purpose of granting a long-term incentive to eligible directors and executive officers, etc. (the "recipients") and promoting shared value with shareholders.

Recipients will make in-kind contributions of monetary compensation claims to be provided by the Bank in accordance with the restricted stock compensation plan, and, in return, receive shares of common stock of the Bank that will be issued or disposed of by the Bank. On issuing or disposing of common stock of the Bank based on the restricted stock compensation plan, the Bank shall enter into a restricted stock allotment agreement with recipients.

The following table shows the details of stock acquisition rights and restricted stocks granted during the fiscal year ended March 31, 2020.

(a) Stock-based compensation expenses for the fiscal years ended March 31, 2020 and 2019 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
General and administrative expenses	**¥ 106**	¥ 99	**$ 985**

(b) Gains on unexercised and forfeited stock acquisition rights for the fiscal years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Other gains (losses), net	**¥ –**	¥ 218	**$ –**

(c) Details of stock options

Stock options outstanding as of March 31, 2020 and 2019 were as follows:

(i) The Bank

	Date of issuance	Total number of stock options (shares) at the issuance	Total number of holders at the issuance	Exercise period	Exercise price (Yen)	Fair value at the grant date (Yen)
1st (Share compensation-type)[1]	May 26, 2016	13,430	2	May 27, 2016 - May 26, 2046	1	1,620
2nd (Share compensation-type)[1]	May 25, 2017	16,730	2	May 26, 2017 - May 25, 2047	1	1,780
3rd (Share compensation-type)[1]	May 28, 2018	13,220	2	May 29, 2018 - May 28, 2048	1	1,724
4th (Share compensation-type)[1]	May 30, 2019	18,170	2	May 31, 2019 - May 30, 2049	1	1,489

※ The above table was stated in terms of the number of shares after considering the Bank executed a one-for-ten reverse stock split of common shares on October 1, 2017.

1 These are the Bank's issuance of equity remuneration type of stock options with JPY 1 of exercise price, only for the Bank's directors (excluding outside directors).

(ii) OJBC Co. Ltd

	Date of issuance	Total number of stock options (shares) at the issuance	Total number of holders at the issuance	Exercise period	Exercise price (USD)	Fair value at the grant date (USD)
1st[1]	April 28, 2015	2,114,680	8	April 28, 2017 - April 28, 2025	1.10	0.26
2nd[1]	May 25, 2016	72,920	1	May 25, 2018 - May 25, 2026	1.10	0.15
3rd[1]	April 30, 2018	109,380	2	April 30, 2020 - April 30, 2028	1.10	0.22

1 These stock acquisition rights allow option holders to acquire Class B Preferred shares of OJBC Co. Ltd.

25. STOCK ACQUISITION RIGHTS (CONTINUED) CONSOLIDATED

(d) The number of stock options and movement therein
The number of stock options and price information is as follows:

(i) The Bank

	1st (Share compensation-type)	2nd (Share compensation-type)	3rd (Share compensation-type)	4th (Share compensation-type)
Fiscal year ended March 31, 2020				
Nonvested (share)				
Outstanding at the beginning of the year	–	–	–	–
Granted during the year	–	–	–	18,170
Forfeited during the year	–	–	–	–
Vested during the year	–	–	–	18,170
Outstanding at the end of the year	–	–	–	–
Vested (share)				
Outstanding at the beginning of the year	8,950	11,150	8,810	–
Vested during the year	–	–	–	18,170
Exercised during the year	–	–	–	–
Forfeited during the year	–	–	–	–
Exercisable at the end of the year	8,950	11,150	8,810	18,170
Exercise price (Yen)	1	1	1	1
Weighted average stock price at the date of exercise (Yen)	–	–	–	–

(ii) OJBC Co. Ltd

	1st	2nd	3rd
Fiscal year ended March 31, 2020			
Nonvested (share)			
Outstanding at the beginning of the year	–	–	109,380
Granted during the year	–	–	–
Forfeited during the year	–	–	36,460
Vested during the year	–	–	–
Outstanding at the end of the year	–	–	72,920
Vested (share)			
Outstanding at the beginning of the year	1,713,620	72,920	–
Vested during the year	–	–	–
Exercised during the year	–	–	–
Forfeited during the year	–	–	–
Exercisable at the end of the year	1,713,620	72,920	–
Exercise price (USD)	1.10	1.10	1.10
Weighted average stock price at the date of exercise (USD)	–	–	–

(e) Measurement of the fair value of stock options
The following shows the assumptions used to measure the fair value of the stock options granted during fiscal years ended March 31, 2020.

The Bank
a) Method used: Black-Scholes option pricing model
b) Major inputs and variables to the model

	4th (Share compensation-type)
Exercise period	From May 31, 2019 to May 30, 2049
Expected volatility[1]	35.309%
Expected life[2]	7.6 years
Expected dividends[3]	¥10.0/Share
Risk-free interest rate[4]	-0.181%

1 Measured based on the historical stock price corresponding to expected life (from October 24, 2011 to May 30, 2019).
2 Estimated based on the retirement data of the director and statutory executive officers of the Bank for the past 10 years, as the reasonable estimate is difficult without enough data.
3 Based on the actual dividend for the fiscal year ended in March, 2019 (¥10.0/Share).
4 Used the average compound yield of Long term JGB with the maturity that is approximate to expected life.

(f) Method of determining the vested number of stock options
The actual forfeited options are used for calculating the vested number of stock options because the future forfeitures cannot be reliably estimated.

25. STOCK ACQUISITION RIGHTS (CONTINUED) CONSOLIDATED

(g) Details of restricted stock compensation

The following shows the details of restricted stocks granted during fiscal years ended March 31, 2020.

	Number of shares granted	Total number of recipients	Transfer restriction period	Fair value at the grant date (Yen)
Granted on July 19, 2018	11,675	2	July 19, 2018 - July 18, 2021	1,713
Granted on October 31, 2018	32,447	33	October 31, 2018 - July 18, 2021	1,725
Granted on April 19, 2019	36,886	35	April 19, 2019 - April 18, 2022	1,599
Granted on July 18, 2019	12,232	2	July 18, 2019 - July 17, 2022	1,635

These restricted stocks have the following cancellation conditions;

On the condition that the recipient has maintained his/her position of executive director, etc. of the Bank or its subsidiary continuously during the transfer restriction period, the transfer restriction shall be cancelled at the expiration of the transfer restriction period. If the recipient loses the position of executive director, etc. of the Bank or its subsidiary prior to the expiration of the transfer restriction period, the transfer restrictions will be immediately removed. The number of shares subject to removal of transfer restrictions are obtained by multiplying the number of allotted stocks held by the recipient at the time of his/her resignation or retirement by the value obtained as a result of dividing the period of service of the recipient or during the transfer restriction period (on a monthly basis) by 12. The Bank shall automatically acquire, without consideration, the allotted stocks for which transfer restrictions have not been removed at the time of expiration of the transfer restriction period or at the time of removal of the transfer restrictions.

(h) The number of restricted stocks and movement therein

The number of restricted stocks is as follows:

	Granted on July 19, 2018	Granted on October 31, 2018	Granted on April 19, 2019	Granted on July 18, 2019
Fiscal year ended March 31, 2020				
Number of shares before the cancellation of transfer restrictions				
Outstanding at the end of the last fiscal year	11,675	32,447	–	–
Granted during the fiscal year	–	–	36,886	12,232
Acquisition without consideration by the Bank	–	–	–	–
Cancellation of the transfer restrictions	–	–	–	–
Outstanding at the end of the fiscal year	11,675	32,447	36,886	12,232

26. NET TRADING INCOME (LOSS) CONSOLIDATED

Net trading income (loss) for the fiscal years ended March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Income (loss) from trading securities	**¥ 4,347**	¥ 2,458	**$ 40,166**
Income (loss) from securities held to hedge trading transactions	**827**	272	**7,643**
Income (loss) from trading-related financial derivatives	**10,271**	3,936	**94,899**
Other, net	**375**	6	**3,466**
Total	**¥ 15,821**	¥ 6,673	**$ 146,174**

27. OTHER BUSINESS INCOME (LOSS), NET CONSOLIDATED

"Other, net" in other business income (loss), net, for the fiscal years ended March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Income (loss) from derivatives entered into for banking purposes, net	**¥ 154**	¥ (515)	**$ 1,428**
Equity in net income (loss) of affiliates	**3,942**	5,697	**36,425**
Gain on lease cancellation and other lease income (loss), net	**1,344**	2,239	**12,417**
Other, net	**3,495**	2,465	**32,298**
Total	**¥ 8,937**	¥ 9,886	**$ 82,568**

28. NET CREDIT COSTS (RECOVERIES) CONSOLIDATED

Net credit costs (recoveries) for the fiscal years ended March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Losses on write-off or sales of loans	**¥ 409**	¥ 426	**$ 3,782**
Net provision (reversal) of reserve for loan losses:			
Net provision (reversal) of general reserve for loan losses	**27,738**	17,246	**256,269**
Net provision (reversal) of specific reserve for loan losses	**17,080**	17,994	**157,800**
Subtotal	**44,818**	35,241	**414,070**
Other credit costs (recoveries) relating to leasing business	**419**	338	**3,877**
Recoveries of written-off claims	**(6,464)**	(6,658)	**(59,725)**
Total	**¥ 39,183**	¥ 29,348	**$ 362,003**

29. OTHER GAINS (LOSSES), NET CONSOLIDATED

Other gains (losses), net for the fiscal years ended March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Net gain (loss) on disposal of premises and equipment	**¥ (423)**	¥ (67)	**$ (3,909)**
Gains on write-off of unclaimed deposits	**371**	419	**3,435**
Provision for reimbursement of deposits	**(621)**	–	**(5,746)**
Gains on write-off of unclaimed debentures	**–**	321	**–**
Provision for reimbursement of debentures	**–**	(122)	**–**
Reversal (provision) of reserve for losses on interest repayment	**2,628**	2,333	**24,283**
Impairment losses on long-lived assets	**(660)**	(955)	**(6,104)**
Loss on liquidation of subsidiaries	**(297)**	(3)	**(2,752)**
Loss on change in equity of affiliates	**(371)**	–	**(3,434)**
Gains on unexercised and forfeited stock acquisition rights	**–**	218	**–**
Gains from bargain purchase	**25**	–	**238**
Other, net	**230**	637	**2,129**
Total	**¥ 881**	¥ 2,782	**$ 8,139**

• Impairment losses on long-lived assets
For the fiscal years ended March 31, 2020 and 2019, respectively, “Impairment losses on long-lived assets” of ¥660 million (U.S.$6,104 thousand) and ¥955 million were recognized mainly on the properties of the Bank’s branches and ATMs for the Individual Business which were decided to be closed and on the unused IT-related properties.

30. INCOME TAXES CONSOLIDATED

The Group is subject to a number of taxes based on income, such as corporate tax, inhabitant tax and enterprise tax, which, in the aggregate, resulted in normal effective statutory tax rates of approximately 30.6% and 30.6% for the fiscal years ended March 31, 2020 and 2019, respectively.

(a) A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the fiscal years ended March 31, 2020 and 2019 was as follows:

	2020	2019
Normal effective statutory tax rate	**30.6%**	30.6%
Increase (decrease) in taxes resulting from:		
Amortization of goodwill	**1.3**	1.0
Equity in net income/loss of affiliates	**(2.4)**	(2.2)
Other nondeductible expenses	**0.4**	0.1
Foreign tax	**0.0**	0.0
Change in valuation allowance	**(29.9)**	(26.4)
Expiration of tax loss carryforwards	**6.9**	1.3
Other	**1.2**	0.0
Actual effective tax rate	**8.2%**	4.5%

30. INCOME TAXES (CONTINUED) CONSOLIDATED

(b) The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities, as of March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Deferred tax assets:			
Reserve for credit losses	**¥ 70,304**	¥ 70,443	**$ 649,524**
Tax loss carryforwards [ii]	**64,540**	72,264	**596,274**
Reserve for losses on interest repayments	**16,894**	21,632	**156,084**
Deferred loss on derivatives under hedge accounting	**5,628**	5,572	**51,996**
Securities	**4,264**	4,560	**39,398**
Liabilities for retirement benefits	**3,110**	3,382	**28,735**
Monetary assets held in trust	**41**	591	**381**
Other	**16,285**	19,819	**150,455**
Subtotal	**181,068**	198,267	**1,672,847**
Valuation allowance for tax loss carryforwards	**(56,526)**	(67,030)	**(522,235)**
Valuation allowance for deductible temporary differences	**(100,236)**	(106,466)	**(926,062)**
Total valuation allowance [i]	**(156,763)**	(173,497)	**(1,448,297)**
Total deferred tax assets	**24,305**	24,770	**224,550**
Offset with deferred tax liabilities	**(7,327)**	(9,673)	**(67,697)**
Net deferred tax assets	**¥ 16,977**	¥ 15,096	**$ 156,854**
Deferred tax liabilities:			
Deferred gain on derivatives under hedge accounting	**¥ 2,012**	¥ 1,696	**$ 18,595**
Assets for retirement benefits	**1,436**	3,043	**13,270**
The liability adjustment account	**1,360**	1,723	**12,572**
Asset retirement costs included in premises and equipment	**1,116**	1,103	**10.315**
Temporary differences due to business combination (primarily related to identified intangible assets)	**945**	363	**8,739**
Unrealized gain on available-for-sale securities	**522**	1,695	**4,830**
Other	**52**	48	**483**
Total deferred tax liabilities	**7,447**	9,673	**68,804**
Offset with deferred tax assets	**(7,327)**	(9,673)	**(67,697)**
Net deferred tax liabilities	**¥ 119**	¥ –	**$ 1,107**

(i) Total valuation allowance has decreased by 16,733 million (U.S.$154,599 thousand) from the previous year. This is mainly caused by the decrease in deductible temporary differences related to reserve for losses on interest repayments of Shinsei Financial, and the decrease in tax loss carryforwards due to the use of tax loss carryforwards.

(ii) The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2020, were as follows:

	Millions of yen						
	1 year or less	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total
Deferred tax assets relating to tax loss carryforwards[1]	¥10,942	¥7,823	¥9,167	¥12,846	¥5,465	¥18,296	¥64,540
Less valuation allowances for tax loss carryforwards	(¥3,836)	(¥7,128)	(¥9,127)	(¥12,846)	(¥5,454)	(¥18,133)	(¥56,526)
Net deferred tax assets relating to tax loss carryforwards	¥7,105	¥694	¥40	–	¥10	¥163	¥8,013[2]

	Thousands of U.S. dollars						
	1 year or less	Over 1 year to 2 years	Over 2 years to 3 Years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total
Deferred tax assets relating to tax loss carryforwards[1]	$101,092	$72,277	$84,694	$118,683	$50,492	$169,037	$596,274
Less valuation allowances for tax loss carryforwards	($35,449)	($65,863)	($84,322)	($118,683)	($50,391)	($167,528)	($522,235)
Net deferred tax assets relating to tax loss carryforwards	$65,643	$6,415	$371	–	$101	$1,509	$74,039[2]

1 The amounts of tax loss carryforwards are obtained as a result of multiplying the statutory effective tax rate.
2 The tax loss carryforwards resulted from the disposal of the non-performing loans in the prior fiscal years. Certain tax loss carryforwards are determined to be collectible as it is probable that consolidated taxable income would be generated based on the expected profitability of the consolidated taxpayer including the Bank as the consolidated parent corporation under consolidated tax filing system. The collectability of the deferred tax assets is considered by corporate tax, inhabitant tax and enterprise tax, respectively.

31. EARNINGS PER SHARE

CONSOLIDATED

A reconciliation of the difference between basic and diluted EARNINGS PER SHARE ("EPS") for the fiscal year ended March 31, 2020 and 2019 was as follows:

	Earnings (Millions of yen)	Weighted average shares (Thousands)	EPS (Yen)	EPS (U.S. dollars)
For the fiscal year ended March 31, 2020:				
Basic EPS				
Profit (loss) attributable to owners of the parent available to common shareholders	**¥ 45,575**	**239,127**	**¥ 190.59**	**$ 1.76**
Effect of dilutive securities				
Stock acquisition rights	**–**	**44**		
Diluted EPS				
Profit (loss) attributable to owners of the parent for computation	**¥ 45,575**	**239,171**	**¥ 190.55**	**$ 1.76**

	Earnings (Millions of yen)	Weighted average shares (Thousands)	EPS (Yen)
For the fiscal year ended March 31, 2019:			
Basic EPS			
Profit (loss) attributable to owners of the parent available to common shareholders	¥ 52,319	247,670	¥ 211.24
Effect of dilutive securities			
Stock acquisition rights	–	30	
Diluted EPS			
Profit (loss) attributable to owners of the parent for computation	¥ 52,319	247,700	¥ 211.22

32. OTHER COMPREHENSIVE INCOME

CONSOLIDATED

The components of other comprehensive income for the fiscal years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the fiscal year	**¥ 832**	¥ 3,191	**$ 7,692**
Reclassification adjustment to profit or loss	**(8,870)**	(3,387)	**(81,954)**
Amount before income tax effect	**(8,038)**	(195)	**(74,262)**
Income tax effect	**1,391**	(99)	**12,852**
Total	**(6,646)**	(295)	**(61,409)**
Deferred gain (loss) on derivatives under hedge accounting:			
Gains (losses) arising during the fiscal year	**(8,383)**	(9,650)	**(77,454)**
Reclassification adjustment to profit or loss	**9,481**	7,780	**87,600**
Amount before income tax effect	**1,098**	(1,869)	**10,146**
Income tax effect	**(426)**	(64)	**(3,939)**
Total	**671**	(1,933)	**6,207**
Foreign currency translation adjustments:			
Gains (losses) arising during the fiscal year	**(124)**	(8)	**(1,152)**
Reclassification adjustment to profit or loss	**297**	3	**2,752**
Amount before income tax effect	**173**	(4)	**1,600**
Income tax effect	**–**	–	**–**
Total	**173**	(4)	**1,600**
Defined retirement benefit plans:			
Gains (losses) arising during the fiscal year	**(5,535)**	(3,187)	**(51,141)**
Reclassification adjustment to profit or loss	**(64)**	663	**(597)**
Amount before income tax effect	**(5,600)**	(2,523)	**(51,738)**
Income tax effect	**1,628**	815	**15,047**
Total	**(3,971)**	(1,708)	**(36,691)**
Share of other comprehensive income in affiliates:			
Gains (losses) arising during the fiscal year	**2,053**	2,216	**18,972**
Reclassification adjustment to profit or loss	**(1,098)**	(862)	**(10,151)**
Amount before income tax effect	**954**	1,354	**8,822**
Income tax effect	**–**	–	**–**
Total	**954**	1,354	**8,822**
Total other comprehensive income	**¥ (8,818)**	¥ (2,588)	**$ (81,472)**

33. LEASE TRANSACTIONS — CONSOLIDATED

(A) FINANCE LEASE TRANSACTIONS

AS LESSEE

(a) For finance lease transactions, where the ownership of the property is deemed to transfer to the lessee, lease assets are software included in "Intangible assets."

(b) For finance lease transactions, where the ownership of the property is not deemed to transfer to the lessee, lease assets are primarily buildings, tools, equipment and fixtures included in "Premises and equipment."

(c) Depreciation method is described in "(W) LEASE TRANSACTIONS" in Note 2 "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

AS LESSOR

(a) Breakdown of "Lease receivables and leased investment assets" as of March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Lease receivables	**¥ 53,489**	¥ 52,009	**$ 494,177**
Leased investment assets:			
Lease payment receivables	**151,804**	136,866	**1,402,480**
Estimated residual value	**5,709**	4,994	**52,745**
Interest equivalent	**(18,220)**	(18,080)	**(168,335)**
Other	**662**	764	**6,119**
Subtotal	**139,955**	124,544	**1,293,009**
Total	**¥ 193,445**	¥ 176,553	**$ 1,787,186**

(b) Lease payment receivables for "Lease receivables and leased investment assets" as of March 31, 2020 were as follows:

	Lease receivables		Leased investment assets	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Due within one year	**¥ 16,756**	**$ 154,812**	**¥ 53,717**	**$ 496,278**
Due after one year within two years	**13,805**	**127,541**	**30,893**	**285,421**
Due after two years within three years	**9,312**	**86,038**	**23,577**	**217,830**
Due after three years within four years	**6,826**	**63,072**	**16,441**	**151,903**
Due after four years within five years	**4,046**	**37,380**	**10,188**	**94,133**
Due after five years	**4,945**	**45,691**	**16,984**	**156,915**
Total	**¥ 55,693**	**$ 514,533**	**¥ 151,804**	**$ 1,402,480**

(B) OPERATING LEASE TRANSACTIONS

Noncancelable operating lease obligations as lessee and lease payment receivables as lessor as of March 31, 2020 and 2019 were as follows:

AS LESSEE

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Lease obligations:			
Due within one year	**¥ 4,402**	¥ 4,199	**$ 40,673**
Due after one year	**12,119**	10,524	**111,970**
Total	**¥ 16,522**	¥ 14,724	**$ 152,644**

AS LESSOR

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Lease payment receivables:			
Due within one year	**¥ 8,744**	¥ 4,847	**$ 80,789**
Due after one year	**24,097**	21,083	**222,629**
Total	**¥ 32,841**	¥ 25,930	**$ 303,417**

34. SEGMENT INFORMATION CONSOLIDATED

(A) SEGMENT INFORMATION

(a) DESCRIPTION OF REPORTABLE SEGMENTS

Our reportable segments consist of businesses whose individual financial information is available and regular evaluation by the Executive Committee is made in order to decide how much resources are allocated.

The Group provides a wide variety of financial products and services to customers through our Institutional Business and Individual Business. These Businesses consist of operating segments which provide their respective financial products and services. The Institutional Business consists of the "Corporate Business," "Structured Finance," "Principal Transactions," "Showa Leasing," "Markets," and "Other Global Markets" as reportable segments. The Individual Business consists of "Retail Banking," "Shinsei Financial," and "APLUS FINANCIAL." Also, the business and operations which do not belong to any of the Institutional Business and the Individual Business are classified as the "Corporate/Other." The "Treasury" in the "Corporate/Other" is a reportable segment.

In the Institutional Business, the "Corporate Business" segment provides financial products and services, advisory services, and trust business for corporate, public, and financial sectors. The "Structured Finance" segment provides real estate finance such as nonrecourse loans, financial products and services for real estate and construction industries, and financial products and services related to project finance and specialty finance, such as M&A finance. The "Principal Transactions" segment provides priate equity businesses and business succession services, and financial products and services related to credit trading. "Showa Leasing" segment primarily provides financial products and services related to leasing. The "Markets" segment engages in foreign exchanges, derivatives, equity-related transactions and other capital markets transactions. The "Other Global Markets" segment consists of securities business provided by Shinsei Securities Co., Ltd., asset management and wealth management businesses.

In the Individual Business, the "Retail Banking"segment provides financial products and services for retail customers, "Shinsei Financial" segment provides unsecured card loan business and credit guarantee business (Shinsei Financial, Shinsei Bank Card Loan L (former Shinsei Bank Card Loan Lake), NOLOAN, Lake ALSA). "APLUS FINANCIAL" segment provides installment sales credit, credit cards, loans and payment services. The "Other Individual" segment in the Individual Business consists of profit and loss attributable to other subsidiaries.

In the Corporate/Other, the "Treasury" segment engages in ALM operations and fund raising including capital instruments.

The overview of the changes in names of reportable segment and classification method resulting from the revision in the organizational structure is shown below.

"Other" in Individual Business was renamed as "Other Individual." This change in segment name have no impact on the segment information.

The Group established the Business Unit on April, 2019 , which consists of the Individual business Unit and Institutional Business Unit,targeting institutional and individual customers respectively as of April 1,2019, in order to integrate operation of the Group businesses by customer segments. The Individual and Institutional Business Unit are responsible for developing their respective business strategies of the individual and institutional businesses of the entire Shinsei Bank Group and for planning and implementing management resource allocation based on the strategies.

Due to the establishment, we revised the reportable segments on the beginning of the fiscal year ending March 31, 2020, as follows.

We reorganized four groups of businesses; Institutional Business, Global Markets Business, Individual Business and Corporate/Other into three groups of businesses; Institutional Business, Individual Business and Corporate/Other. The Institutional Business includes "Markets" and "Other Global Markets" segments, which were formerly included in the Global Markets Business.

Also, due to the establishment of the Individual Business Unit in the "Other Individual" segment of the Individual Business, the "Other Individual" segment includes the business related to the Individual Business Unit, which was formerly included in the "Retail Banking" segment in the Individual Business.

"REVENUE, PROFIT (LOSS), ASSSETS, LIABILITIES AND OTHER ITEMS BY REPORTABLE SEGMENTS" for the fiscal year ended March 31, 2019 was presented based on the new classification of reportable segments.

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

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

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

34. SEGMENT INFORMATION (CONTINUED) CONSOLIDATED

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

	Millions of yen					
	Institutional Business					
Fiscal year ended March 31, 2020	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Revenue[1]:	¥ 18,956	¥ 19,703	¥ 10,010	¥ 14,499	¥ 9,598	¥ 4,038
Net Interest Income	10,825	12,022	4,360	(132)	2,365	595
Noninterest Income[i]	8,130	7,680	5,650	14,631	7,233	3,443
Expenses[2]	12,576	8,347	4,109	10,794	3,367	3,130
Net Credit Costs (Recoveries)[3]	2,339	6,427	161	980	(30)	(68)
Segment Profit (Loss)	¥ 4,040	¥ 4,927	¥ 5,740	¥ 2,723	¥ 6,261	¥ 977
Segment Assets[4,6,ii]	¥ 1,654,339	¥ 1,896,052	¥ 189,449	¥ 581,071	¥ 330,689	¥ 40,011
Segment Liabilities[5,6]	¥ 1,489,349	¥ 146,619	¥ 8,360	¥ 2,227	¥ 181,892	¥ 18,581
Includes:						
i . Equity in net income (loss) of affiliates	¥ –	¥ –	¥ 3,525	¥ 142	¥ –	¥ –
ii . Investment in affiliates	–	–	67,078	1,266	–	–
Other:						
Goodwill (Negative Goodwill):						
Amortization	¥ –	¥ –	¥ (0)	¥ 2,183	¥ –	¥ –
Unamortized balance	–	–	(1)	10,832	–	–
Intangible assets acquired in business combinations:						
Amortization	¥ –	¥ –	¥ –	¥ 204	¥ –	¥ –
Unamortized balance	–	–	–	486	–	–
Impairment losses on long-lived assets	¥ 63	¥ –	¥ –	¥ –	¥ 2	¥ –

	Millions of yen						
	Individual Business				Corporate/Other		
		Consumer Finance					
Fiscal year ended March 31, 2020	Retail Banking	Shinsei Financial[7]	APLUS FINANCIAL	Other Individual	Treasury	Other[8]	Total
Revenue[1]:	¥ 28,399	¥ 68,371	¥ 58,282	¥ 1,592	¥ 5,991	¥ 551	¥ 239,996
Net Interest Income	23,474	69,329	9,713	906	50	0	133,510
Noninterest Income[i]	4,925	(958)	48,569	685	5,940	551	106,485
Expenses[2]	28,036	34,380	38,948	2,007	1,631	2,241	149,573
Net Credit Costs (Recoveries)[3]	13	14,441	15,105	(191)	–	3	39,183
Segment Profit (Loss)	¥ 348	¥ 19,548	¥ 4,228	¥ (223)	¥ 4,360	¥ (1,693)	¥ 51,239
Segment Assets[4,6,ii]	¥ 1,162,028	¥ 523,213	¥ 1,236,237	¥ 56,007	¥ 528,541	¥ 88	¥ 8,197,730
Segment Liabilities[5,6]	¥ 4,659,899	¥ 46,058	¥ 461,788	¥ 848	¥ –	¥ –	¥ 7,015,625
Includes:							
i . Equity in net income (loss) of affiliates	¥ –	¥ –	¥ (12)	¥ 287	¥ –	¥ –	¥ 3,942
ii . Investment in affiliates	–	–	585	7,062	–	–	75,992
Other:							
Goodwill (Negative Goodwill):							
Amortization	¥ 71	¥ (140)	¥ 29	¥ –	¥ –	¥ –	¥ 2,144
Unamortized balance	884	(1,884)	566	229	–	–	10,626
Intangible assets acquired in business combinations:							
Amortization	¥ –	¥ –	¥ 86	¥ –	¥ –	¥ –	¥ 291
Unamortized balance	–	–	2,010	–	–	–	2,496
Impairment losses on long-lived assets	¥ 227	¥ 30	¥ 15	¥ –	¥ 0	¥ 320	¥ 660

34. SEGMENT INFORMATION (CONTINUED) CONSOLIDATED

Fiscal year ended March 31, 2019	Millions of yen: Institutional Business: Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Revenue[1]:	¥ 16,780	¥ 17,644	¥ 9,391	¥ 14,202	¥ 7,109	¥ 2,311
Net Interest Income	10,043	10,389	3,778	(65)	1,579	504
Noninterest Income [i]	6,737	7,254	5,613	14,267	5,529	1,806
Expenses[2]	11,827	7,796	4,039	9,838	3,759	3,334
Net Credit Costs (Recoveries)[3]	865	(2,198)	12	(615)	11	8
Segment Profit (Loss)	¥ 4,087	¥ 12,046	¥ 5,339	¥ 4,979	¥ 3,338	¥ (1,031)
Segment Assets[4,6, ii]	¥ 1,577,138	¥ 1,643,690	¥ 190,745	¥ 490,757	¥ 368,368	¥ 39,633
Segment Liabilities[5,6]	¥ 1,201,064	¥ 96,407	¥ 6,218	¥ 1,504	¥ 178,539	¥ 43,925
Includes:						
i . Equity in net income (loss) of affiliates	¥ –	¥ –	¥ 5,682	¥ 2	¥ –	¥ –
ii . Investment in affiliates	–	–	63,777	1,410	–	–
Other:						
Goodwill (Negative Goodwill):						
Amortization	¥ –	¥ –	¥ (0)	¥ 2,158	¥ –	¥ –
Unamortized balance	–	–	(2)	13,016	–	–
Intangible assets acquired in business combinations:						
Amortization	¥ –	¥ –	¥ –	¥ 236	¥ –	¥ –
Unamortized balance	–	–	–	690	–	–
Impairment losses on long-lived assets	¥ 98	¥ –	¥ 0	¥ –	¥ 0	¥ 114

Fiscal year ended March 31, 2019	Millions of yen: Individual Business: Retail Banking	Consumer Finance: Shinsei Financial[7]	APLUS FINANCIAL	Other Individual	Corporate/Other: Treasury	Other[8]	Total
Revenue[1]:	¥ 26,956	¥ 69,261	¥ 57,875	¥ 1,660	¥ 6,055	¥ 480	¥ 229,729
Net Interest Income	23,964	69,352	10,768	800	2,699	(0)	133,816
Noninterest Income [i]	2,991	(90)	47,107	859	3,355	480	95,913
Expenses[2]	27,675	33,483	38,175	1,772	1,698	1,335	144,735
Net Credit Costs (Recoveries)[3]	(24)	14,570	16,576	133	–	8	29,348
Segment Profit (Loss)	¥ (695)	¥ 21,208	¥ 3,123	¥ (245)	¥ 4,357	¥ (862)	¥ 55,645
Segment Assets[4,6, ii]	¥ 1,203,020	¥ 519,405	¥ 1,116,838	¥ 54,954	¥ 673,893	¥ 0	¥ 7,878,447
Segment Liabilities[5,6]	¥ 4,594,559	¥ 49,080	¥ 389,214	¥ 753	¥ –	¥ 0	¥ 6,561,268
Includes:							
i . Equity in net income (loss) of affiliates	¥ –	¥ –	¥ –	¥ 13	¥ –	¥ –	¥ 5,697
ii . Investment in affiliates	–	–	–	6,937	–	–	72,125
Other:							
Goodwill (Negative Goodwill):							
Amortization	¥ –	¥ 23	¥ 29	¥ –	¥ –	¥ –	¥ 2,211
Unamortized balance	–	(2,024)	–	–	–	–	10,989
Intangible assets acquired in business combinations:							
Amortization	¥ –	¥ 363	¥ –	¥ –	¥ –	¥ –	¥ 599
Unamortized balance	–	–	–	–	–	–	690
Impairment losses on long-lived assets	¥ 371	¥ 124	¥ –	¥ 0	¥ –	¥ 246	¥ 955

34. SEGMENT INFORMATION (CONTINUED) CONSOLIDATED

Fiscal year ended March 31, 2020	Thousands of U.S. dollars — Institutional Business: Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Revenue[1]:	$ 175,133	$ 182,032	$ 92,487	$ 133,952	$ 88,682	$ 37,314
Net Interest Income	100,014	111,075	40,281	(1,226)	21,854	5,499
Noninterest Income [i]	75,119	70,957	52,206	135,178	66,828	31,816
Expenses[2]	116,187	77,123	37,969	99,729	31,111	28,922
Net Credit Costs (Recoveries) [3]	21,617	59,383	1,488	9,062	(277)	(634)
Segment Profit (Loss)	$ 37,329	$ 45,527	$ 53,031	$ 25,161	$ 57,848	$ 9,026
Segment Assets[4,6, ii]	$15,283,995	$17,517,117	$ 1,750,271	$ 5,368,361	$ 3,055,155	$ 369,656
Segment Liabilities[5,6]	$13,759,695	$ 1,354,577	$ 77,237	$ 20,584	$ 1,680,452	$ 171,672
Includes:						
i . Equity in net income (loss) of affiliates	$ –	$ –	$ 32,569	$ 1,313	$ –	$ –
ii . Investment in affiliates	–	–	619,720	11,702	–	–
Other:						
Goodwill (Negative Goodwill):						
Amortization	$ –	$ –	$ (5)	$ 20,177	$ –	$ –
Unamortized balance	–	–	(16)	100,077	–	–
Intangible assets acquired in business combinations:						
Amortization	$ –	$ –	$ –	$ 1,893	$ –	$ –
Unamortized balance	–	–	–	4,490	–	–
Impairment losses on long-lived assets	$ 587	$ –	$ –	$ –	$ 28	$ –

Fiscal year ended March 31, 2020	Thousands of U.S. dollars — Individual Business: Retail Banking	Consumer Finance: Shinsei Financial[7]	APLUS FINANCIAL	Other Individual	Corporate/Other: Treasury	Other[8]	Total
Revenue[1]:	$ 262,376	$ 631,664	$ 538,460	$ 14,713	$ 55,351	$ 5,096	$ 2,217,261
Net Interest Income	216,870	640,516	89,742	8,379	466	1	1,233,471
Noninterest Income [i]	45,506	(8,852)	448,718	6,334	54,885	5,095	983,790
Expenses[2]	259,024	317,636	359,837	18,547	15,069	20,713	1,381,868
Net Credit Costs (Recoveries) [3]	129	133,422	139,556	(1,770)	–	28	362,003
Segment Profit (Loss)	$ 3,222	$ 180,606	$ 39,067	$ (2,064)	$ 40,282	$ (15,645)	$ 473,390
Segment Assets[4,6, ii]	$10,735,666	$ 4,833,823	$11,421,258	$ 517,440	$ 4,883,055	$ 813	$75,736,610
Segment Liabilities[5,6]	$43,051,545	$ 425,522	$ 4,266,339	$ 7,836	$ –	$ –	$64,815,458
Includes:							
i . Equity in net income (loss) of affiliates	$ –	$ –	$ (115)	$ 2,657	$ –	$ –	$ 36,425
ii . Investment in affiliates	–	–	5,410	65,245	–	–	702,077
Other:							
Goodwill (Negative Goodwill):							
Amortization	$ 662	$ (1,295)	$ 276	$ –	$ –	$ –	$ 19,815
Unamortized balance	8,169	(17,411)	5,238	2,118	–	–	98,176
Intangible assets acquired in business combinations:							
Amortization	$ –	$ –	$ 802	$ –	$ –	$ –	$ 2,695
Unamortized balance	–	–	18,572	–	–	–	23,062
Impairment losses on long-lived assets	$ 2,098	$ 282	$ 141	$ –	$ 5	$ 2,963	$ 6,104

1 "Revenue," which represents gross operating profit under our management reporting, is presented as a substitute for sales in other industries. "Revenue" is defined as the total of net interest income, net fees and commissions, net trading income and net other business income on the management reporting basis. "Revenue" represents income and related cost attributable to our core business.
2 "Expenses" are general and administrative expenses deducting amortization of goodwill and intangible assets, 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 "Segment Assets" consists of other monetary claims purchased, trading assets, monetary assets held in trust, securities, loans and bills discounted, lease receivables and leased investment assets, installment receivables, tangible leased assets, intangible leased assets and customer's liabilities for acceptances and guarantees.
5 "Segment Liabilities" consists of deposits, including negotiable certificates of deposit, debentures, trading liabilities and acceptances and guarantees.
6 Regarding assets and liabilities not allocated to each business segment, there are related revenue and expense items which are allocated to each business segment based on a rational allocation method. For example, interest on other borrowings is considered a part of "Revenue" and included in segment income, although borrowed money is not allocated to each "Segment Liabilities." In addition, depreciation is considered a part of "Expenses" and included in segment income, although premises and equipment excluding tangible leased assets and intangible assets excluding intangible leased assets are not allocated to each "Segment Assets."
7 Shinsei Financial includes "Shinsei Bank Card Loan L," Shinsei Personal Loan Co., Ltd., "Shinsei Bank Smart Card Loan Plus," and "Shinsei Bank Smart Money Lending" which are unsecured card loan business for individual customers. "Shinsei Bank Card Loan Lake" was renamed as "Shinsei Bank Card Loan L" on November 28, 2019.
8 "Other" under the Corporate/Other includes company-wide accounts which are not included in our reportable segments, allocation variance of indirect expense and elimination amount of inter-segment transactions.

34. SEGMENT INFORMATION (CONTINUED) CONSOLIDATED

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

(i) A reconciliation between total segment profit and income (loss) before income taxes on the consolidated statements of income for the fiscal years ended March 31, 2020 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars
Fiscal Year ended March 31	**2020**	2019	**2020**
Total segment profit	**¥ 51,239**	¥ 55,645	**$ 473,390**
Amortization of goodwill	**(2,144)**	(2,211)	**(19,815)**
Amortization of intangible assets	**(291)**	(599)	**(2,695)**
Lump-sum payments	**(484)**	(1,031)	**(4,473)**
Other gains (losses), net	**881**	2,782	**8,139**
Income (loss) before income taxes	**¥ 49,200**	¥ 54,584	**$ 454,546**

(ii) A reconciliation between total segment assets and total assets on the consolidated balance sheets as of March 31, 2020 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31,	**2020**	2019	**2020**
Total segment assets	**¥ 8,197,730**	¥ 7,878,447	**$ 75,736,610**
Cash and due from banks	**1,614,134**	1,355,966	**14,912,550**
Receivables under securities borrowing transactions	**–**	2,119	**–**
Foreign exchanges	**73,879**	29,546	**682,551**
Other assets excluding installment receivables	**336,889**	289,051	**3,112,430**
Premises and equipment excluding tangible leased assets	**22,266**	20,862	**205,712**
Intangible assets excluding intangible leased assets	**67,008**	67,186	**619,069**
Assets for retirement benefits	**5,683**	10,931	**52,511**
Deferred tax assets	**16,977**	15,096	**156,854**
Reserve for credit losses	**(107,998)**	(98,034)	**(997,766)**
Total assets	**¥ 10,226,571**	¥ 9,571,172	**$ 94,480,520**

(iii) A reconciliation between total segment liabilities and total liabilities on the consolidated balance sheets as of March 31, 2020 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31,	**2020**	2019	**2020**
Total segment liabilities	**¥ 7,015,625**	¥ 6,561,268	**$ 64,815,458**
Call money	**165,000**	145,000	**1,524,390**
Payables under repurchase agreements	**38,956**	59,098	**359,908**
Payables under securities lending transactions	**350,407**	510,229	**3,237,321**
Borrowed money	**881,991**	684,077	**8,148,482**
Foreign exchanges	**687**	471	**6,356**
Short-term corporate bonds	**221,300**	191,000	**2,044,531**
Corporate bonds	**166,500**	92,335	**1,538,248**
Other liabilities	**404,973**	347,383	**3,741,437**
Accrued employees' bonuses	**8,560**	8,598	**79,086**
Accrued directors' bonuses	**47**	44	**443**
Liabilities for retirement benefits	**8,422**	8,232	**77,811**
Reserve for directors' retirement benefits	**50**	–	**465**
Reserve for reimbursement of debentures	**3,513**	3,764	**32,456**
Reserve for reimbursement of deposits	**621**	–	**5,746**
Reserve for losses on interest repayments	**49,308**	63,025	**455,550**
Deferred tax liabilities	**119**	–	**1,107**
Total liabilities	**¥ 9,316,086**	¥ 8,674,529	**$ 86,068,796**

34. SEGMENT INFORMATION (CONTINUED) CONSOLIDATED

(B) RELATED INFORMATION

(a) INFORMATION BY SERVICES

Income regarding major services for the fiscal years ended March 31, 2020 and 2019 was as follows:

Fiscal Year ended March 31	Millions of yen 2020	Millions of yen 2019	Thousands of U.S. dollars 2020
Loan Businesses	**¥ 146,680**	¥ 146,836	**$ 1,355,143**
Lease Businesses	**7,765**	6,152	**71,744**
Securities Investment Businesses	**15,581**	12,908	**143,956**
Installment Sales and Guarantee Businesses	**51,461**	48,743	**475,441**

(b) GEOGRAPHICAL INFORMATION

(i) REVENUE

Revenue from external domestic customers exceeded 90% of total revenue on the consolidated statements of income for the fiscal years ended March 31, 2020 and 2019, therefore geographical revenue information is not presented.

(ii) PREMISES AND EQUIPMENT

The balance of domestic premises and equipment exceeded 90% of the total balance of premises and equipment on the consolidated balance sheets as of March 31, 2020 and 2019, therefore geographical premises and equipment information is not presented.

(c) MAJOR CUSTOMER INFORMATION

Revenue to a specific customer did not reach 10% of total revenue on the consolidated statements of income for the fiscal years ended March 31, 2020 and 2019, therefore major customer information is not presented.

35. RELATED PARTY TRANSACTIONS CONSOLIDATED

Related party transactions for the fiscal years ended March 31, 2020 and 2019 were as follows:

		Amount of the transaction			Balance at the end of fiscal year			
		Millions of yen		Thousands of U.S. dollars		Millions of yen		Thousands of U.S. dollars
Related party	Description of the transaction	2020	2019	2020	Account name	2020	2019	2020
Companies in which a majority of the voting rights is owned by directors (including their subsidiaries)								
J.C. Flowers II L.P.[1]	Investment[2]	**¥ –**	¥ 56	**$ –**	–	**¥ –**	¥ –	**$ –**
	Dividend	**–**	2,798	**–**	–	**–**	–	**–**
J.C. Flowers III L.P.[1]	Investment[3]	**18**	403	**167**	–	**–**	–	**–**
	Dividend	**969**	597	**8,961**	–	**–**	–	**–**
J.C. Flowers Ⅳ L.P.[1]	Investment[4]	**–**	48	**–**	–	**–**	–	**–**
Director								
Hideyuki Kudo	In-kind contributions of monetary compensation claims[5]	**¥ 12**	¥ 12	**$ 120**	–	**¥ –**	¥ –	**$ –**

1 The fund is operated by J.C. Flowers & Co. LLC for which J. Christopher Flowers, ex-director of the Bank, serves as the managing director and chief executive officer. The value of transactions is presented during the term from April 1, 2018 to August 27,2019 when J. Christopher Flowers resigned from the Bank, since the fund was no longer a related party.
2 The committed investment amounts are U.S.$ 200 million based on the limited partnership agreement.
3 The committed investment amounts are U.S.$ 34,975 thousand based on the limited partnership agreement.
4 The committed investment amounts are U.S.$ 25 million based on the limited partnership agreement.
5 The in-kind contributions of the monetary compensation claims for the restricted stock compensation.

36. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES CONSOLIDATED

(A) GROUP POLICY FOR FINANCIAL INSTRUMENTS

The Group conducts total financial services, primarily basic banking business and other financial services such as securities business, trust business, consumer finance business, and commercial finance business.

For conducting these businesses, the Bank obtains retail customer deposits as a long-term and stable source of funding. In addition, the Bank diversifies sources of funding by securitization of loans or other assets. Subsidiaries and affiliates also use borrowings from other financial institutions as a source of funding.

(B) NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

(a) Financial assets

The financial assets held by the Group are exposed to the following risks:

Loans and bills discounted

Loans and bills discounted, which are primarily provided to domestic institutional and individual customers, are exposed to customer's credit risk and risk of fluctuation in interest rates.

Securities

Securities primarily consist of bonds and stocks and other investments such as foreign securities and investments in partnerships. They are exposed to the risk of fluctuation in interest rates, foreign exchange rates, and prices in the bond/stock markets and in addition, credit risk arising from downgrading of issuer's credit rating, default, etc.

Other monetary claims purchased,
Monetary assets held in trust

Other monetary claims purchased and Monetary assets held in trust consist of investments in various assets such as housing loans, nonperforming loans, and receivables in credit trading and securitization businesses, with the purpose of collection, sale, or securitization. There is a possibility that the Group's profits and losses and financial condition will be badly affected if earnings from these assets are less than expected. These investments are exposed to the risk of fluctuation in market size and price of these assets.

Lease receivables and leased investment assets,
Installment receivables

Lease receivables, leased investment assets, and installment receivables held by consolidated subsidiaries are exposed to the customer's credit risk and the risk of fluctuation in interest rates.

(b) Financial liabilities

Financial liabilities of the Group are mainly deposits. In addition to the risk of fluctuation in interest rates, the Group has funding liquidity risk that sufficient funding would become difficult or more expensive in the case of deterioration in the Group's financial position.

By utilizing time deposits as an important Asset Liability Management (ALM) measure, the Bank is striving to diversify funding maturities and to disperse refunding dates. Without solely relying on interbank funding, the Bank is aiming to cover its funding needs through core retail deposits and corporate deposits as well as capital.

(c) Derivative transactions

The Group enters into the following derivative transactions to provide products for customer needs, to maximize the profit of the Bank's own trading account and for asset and liability management, hedging transactions and other purposes.

(1) Interest rate related	Interest rate swap, Futures contract, Interest rate option, and Interest rate swaption
(2) Currency related	Currency swap, Forward foreign exchange contract, and Currency option
(3) Equity related	Equity index futures, Equity index option, Equity option, and other
(4) Bond related	Bond futures, and Bond futures option
(5) Credit derivative	Credit default option, and other

Among the risks associated with derivative transactions, market risk, credit risk and liquidity risk are to be specially noted for risk management.

(1) Market Risk	Risk that losses are incurred associated with changes in the value of financial instruments from fluctuation in market price, as well as volatilities inherent in derivative instruments
(2) Credit Risk	Risk that losses are incurred associated with the counter-party defaulting on contractual terms
(3) Liquidity Risk	Risk that additional costs are incurred associated with closing out the position of the financial instrument held

To appropriately reflect the risk mitigation effect of derivative transactions to the consolidated financial statements, the Group adopts hedge accounting where risks in assets and liabilities of the Group are hedged by interest rate swap, currency swap, etc.

In hedge accounting, effectiveness of hedging is assessed based on the conditions determined in the accounting standards such as the “Accounting Standard for Financial Instruments.”

36. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED) CONSOLIDATED

(C) RISK MANAGEMENT FOR FINANCIAL INSTRUMENTS

(a) Credit risk management

The Group's model for credit risk management focuses on securing adequate return on risk, avoiding excessive concentration in particular sectors or to particular customer groups, and managing the credit portfolio with an analysis of potential losses under a worst-case scenario.

Concrete policies and guidelines related to credit risk management of corporate business are clarified in the Group's detailed procedures, and credit risk management processes are roughly classified into credit risk management for individual transactions and portfolio-based credit risk management.

As for credit risk management for individual transactions, approval authority level is determined in accordance with transaction amount, aggregate credit exposure to obligor's group companies, credit rating, and so on. The Group has an approval system in which decisions are made jointly by the business promotion section and the credit assessment section, and the final authority and decision rests with the credit assessment section.

On portfolio-based credit risk management, to diversify risks in terms of industries, ratings and customer groups, the risk management divisions monitor the segment-specific risk diversification status and also rating fluctuations related to customers within the portfolios. The division uses this information to provide comprehensive reports to the Group Risk Policy Committee on a quarterly basis.

Credit risks in credit transactions are quantified based on the probability of default by obligor rating, loss given default, and unexpected loss ratio. In order to decrease credit risk of obligors, the Group secures collateral and guarantees for the protection of its claims, the values of which are checked more than once a year. Quasi credit risks involved in market transactions, such as derivative transactions, are controlled based on fair values and estimations of future value fluctuations and are reflected in the valuation of derivative transactions.

As for credit risk management of the consumer finance business, risk management divisions of each Group Company monitor leading indicators for quality of screening, quality of portfolio and performance of collection of claims monthly to recognize and tackle the aggravation of credit cost promptly. In case of any aggravation, the Group takes action to tackle it.

To take the risk strategy above, the Group Individual Banking Risk Management Division in the Bank holds monthly performance review, analyzes and monitors these leading indicators, confers with the persons in charge of risk management of each Group Company on their policies and strategies, and carries out the necessary measures. The division does not merely avoid losses but also produces a balanced strategy with appropriate risk and return attributes and reports this business performance to the Group Risk Policy Committee quarterly.

(b) Market risk management

Market risks which are associated with changes in the value of financial assets and liabilities, including off-balance-sheet transactions, from fluctuations in interest rates, foreign exchange rates, stock prices and other market-related indices, have an effect on our financial performance.

The Group manages market risk by segregating the overall balance sheet, including off-balance-sheet transactions, into a trading business and a banking business. At the Market Business Management Committee, the senior review and decision-making for the management of the trading business are performed. At the Group ALM Committee, the senior review and decision-making for the management mainly related to asset/liability management of the banking business are performed.

To control total market risk amounts properly, the trading business includes the banking account transactions in “Securities” and “Derivative instruments,” which are desirable to manage the total risk amount in combination with the trading business in light of the purpose and format of the transaction, in addition to the trading account transactions.

The actual risk limits for asset/liability management of the trading business, such as the value-at-risk (VaR) method, are approved by the Group Executive Committee based on “Trading Business Risk Management Policy.” The Market Business Management Committee meets monthly to review reports from the Group Integrated Risk Management Division and front office.

The interest rate risk of the net asset and/or liability in the banking business, which has interest rate sensitivity, is managed by the Group ALM Committee based on “Group ALM Policy.”

The Group Integrated Risk Management Division is responsible for appropriate monitoring and reporting of market risk in both the Group's trading business and banking business. In addition to reporting risk information to management, administrative divisions and front office units, the Group Integrated Risk Management Division carries out regular risk analyses and makes recommendations. Market risk involved in the trading business is managed by the Trading Division and Investment Business Division, and market risk of the balance sheet involved in the banking business is managed by the Group Treasury Division.

Market risk is managed by quantifying on a daily basis and making risk adjustment in response to market conditions.

36. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED) CONSOLIDATED

Quantitative information on market risk is as follows:

(i) Amount of market risk associated with the trading business
The Group uses VaR for quantitative analysis on market risk associated with the trading business. For calculating VaR, the historical simulation method (in principle, holding period of 10 days, confidence interval of 99%, and observation period of 250 business days) has been adopted.

The VaR in the Group's trading business as of March 31, 2020 and 2019 were ¥4,019 million (U. S. $37,128 thousand) and ¥1,859 million in the aggregate, respectively.

The Group conducts back testing to compare VaR calculated using the model with actual loss amounts. According to the results of back testing conducted, it is believed that the measurement model the Group uses is adequate enough to accurately capture market risk. It should be noted that VaR measures and calculates the amount of market risk at certain probability levels statistically based on historical market fluctuation, and therefore there may be cases where risk cannot be captured in such situations when market conditions are changing dramatically beyond what was experienced historically.

(ii) Amount of market risk associated with the banking business
The Group's main financial instruments which are affected by interest rate risk, one of the major risk variables, includes "Call loans," "Receivables under resale agreements," "Receivables under securities borrowing transactions," "Other monetary claims purchased," "Monetary assets held in trust," bonds other than trading business in "Securities," "Loans and bills discounted," "Lease receivables and leased investment assets," "Installment receivables," "Deposits, including negotiable certificates of deposit," "Call money," "Payables under repurchase agreements," "Payables under securities lending transactions," "Borrowed money," "Short-term corporate bonds," "Corporate bonds" and interest rate swaps other than trading business in "Derivative instruments." In the previous consolidated fiscal year, the Group used the amount of influence on the economic value when the fluctuation range of interest rates was 100 basis points (1%) for quantitative analysis of interest rate risk management. In the current consolidated fiscal year, the Group uses a quantitative analysis of interest rate risk of these financial assets and liabilities and analyzes the amount of change in economic values (ΔEVE) based on the interest rate shock scenario defined by the interest rate risk of bank accounts under the Basel regulation (IRRBB) with the revision of interest rate risk monitoring methods.

As for ΔEVE for each interest rate shock scenario as of March 31, 2020 and 2019, the ΔEVE of the upward parallel shift in the interest rate curve decreased by ¥62,284 million (U.S.$575,425 thousand) and decreased by ¥63,343 million, the ΔEVE of the downward parallel shift increased by ¥36 million (U.S.$332 thousand) and decreased by ¥11,048 million, and ΔEVE of the steepening scenario decreased by ¥34,910 million (U.S. $322,523 thousand) and decreased by ¥29,031 million, respectively.

(c) Liquidity risk management
The Group ALM Committee, which is the senior review and decision-making body for the management of funding liquidity risk, manages funding liquidity risk by establishing funding gap limits and minimum liquidity reserve levels. In accordance with the "Cash Liquidity Risk Management Policy," the Bank has a structure to conduct two or more liquidity measurements and to secure available reserves over the net cumulative outflow forecasted in an emergency situation.

To manage the market liquidity risk for marketable instruments, the Group has trading limits and monitors the amounts of marketable instruments in view of the attributes of marketable instruments. Moreover, liquidity reserves for the trading account are calculated monthly and are reflected valuation of derivative transactions.

(D) CONCENTRATION OF CREDIT RISK

As of March 31, 2020, loans to the financial and insurance industry were approximately 11% of the total loans and bills discounted, and those to the real estate industry were approximately 14%, approximately 30% of which are nonrecourse loans for real estate.

As of March 31, 2019, loans to the financial and insurance industry were approximately 11% of the total loans and bills discounted, and those to the real estate industry were approximately 12%, approximately 30% of which are nonrecourse loans for real estate.

(E) FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of financial instruments includes the value calculated rationally in cases where no market price is available besides the value based on market price. Certain assumptions have been adopted for the calculation, so that the value calculated may not be the same when assumptions that differ from the Group's calculation are adopted.

36. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED) CONSOLIDATED

Fair values of financial instruments as of March 31, 2020 and 2019 were as follows:

	Millions of yen					
	2020			2019		
	Carrying amount	**Fair value**	**Unrealized gain (loss)**	Carrying amount	Fair value	Unrealized gain (loss)
Assets:						
(1) Cash and due from banks	**¥ 1,614,134**	**¥ 1,614,134**	**¥ –**	¥ 1,355,966	¥ 1,355,966	¥ –
(2) Receivables under securities borrowing transactions	**–**	**–**	**–**	2,119	2,119	–
(3) Other monetary claims purchased						
Trading purposes	**1,931**	**1,931**	**–**	2,853	2,853	–
Other[1]	**61,519**	**61,760**	**240**	27,987	28,287	300
(4) Trading assets						
Securities held for trading purposes	**5,533**	**5,533**	**–**	3,445	3,445	–
(5) Monetary assets held in trust[1]	**413,160**	**417,817**	**4,657**	304,039	309,452	5,412
(6) Securities						
Trading securities	**0**	**0**	**–**	0	0	–
Securities being held to maturity	**277,173**	**278,770**	**1,596**	399,201	402,406	3,204
Securities available for sale	**564,117**	**564,117**	**–**	624,563	624,563	–
Equity securities of affiliates	**57,841**	**40,534**	**(17,307)**	57,345	43,837	(13,508)
(7) Loans and bills discounted[2]	**5,110,404**			4,986,839		
Reserve for credit losses	**(71,925)**			(63,890)		
Net	**5,038,478**	**5,231,042**	**192,564**	4,922,948	5,114,537	191,588
(8) Lease receivables and leased investment assets	**193,445**			176,553		
Estimated Residual Value[3]	**(6,128)**			(4,952)		
Reserve for credit losses	**(1,384)**			(1,487)		
Net	**185,932**	**193,897**	**7,965**	170,114	176,338	6,224
(9) Other assets						
Installment receivables	**670,716**			562,236		
Deferred gains on installment receivables	**(11,443)**			(11,246)		
Reserve for credit losses	**(10,763)**			(9,962)		
Net	**648,510**	**709,012**	**60,502**	541,027	594,686	53,659
Total	**¥ 8,868,332**	**¥ 9,118,551**	**¥ 250,218**	¥ 8,411,611	¥ 8,658,493	¥ 246,881
Liabilities:						
(1) Deposits, including negotiable certificates of deposit	**¥ 6,305,161**	**¥ 6,303,844**	**¥ 1,316**	¥ 5,922,145	¥ 5,919,691	¥ 2,453
(2) Call money	**165,000**	**165,000**	**–**	145,000	145,000	–
(3) Payables under repurchase agreements	**38,956**	**38,956**	**–**	59,098	59,098	–
(4) Payables under securities lending transactions	**350,407**	**350,407**	**–**	510,229	510,229	–
(5) Trading liabilities						
Trading securities sold for short sales	**–**	**–**	**–**	2,124	2,124	–
(6) Borrowed money	**881,991**	**882,211**	**(220)**	684,077	684,028	49
(7) Short-term corporate bonds	**221,300**	**221,300**	**–**	191,000	191,000	–
(8) Corporate bonds	**166,500**	**165,928**	**571**	92,335	92,373	(38)
Total	**¥ 8,129,316**	**¥ 8,127,649**	**¥ 1,667**	¥ 7,606,011	¥ 7,603,547	¥ 2,464
Derivative instruments[4]:						
Hedge accounting is not applied	**¥ 11,859**	**¥ 11,859**	**¥ –**	¥ 22,481	¥ 22,481	¥ –
Hedge accounting is applied	**(1,165)**	**(1,165)**	**–**	(9,356)	(9,356)	–
Total	**¥ 10,693**	**¥ 10,693**	**¥ –**	¥ 13,125	¥ 13,125	¥ –

	Contract amount	**Fair value**	Contract amount	Fair value
Other:				
Guarantee contracts[5]	**¥ 526,520**	**¥ 12,759**	¥ 456,759	¥ 8,792

36. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED) CONSOLIDATED

	Thousands of U.S. dollars		
	2020		
	Carrying amount	Fair value	Unrealized gain (loss)
Assets:			
(1) Cash and due from banks	$ 14,912,550	$ 14,912,550	$ –
(2) Receivables under securities borrowing transactions	–	–	–
(3) Other monetary claims purchased			
Trading purposes	17,842	17,842	–
Other[1]	568,363	570,586	2,223
(4) Trading assets			
Securities held for trading purposes	51,123	51,123	–
(5) Monetary assets held in trust[1]	3,817,074	3,860,100	43,026
(6) Securities			
Trading securities	0	0	–
Securities being held to maturity	2,560,728	2,575,480	14,753
Securities available for sale	5,211,727	5,211,727	–
Equity securities of affiliates	534,385	374,488	(159,897)
(7) Loans and bills discounted[2]	47,213,640		
Reserve for credit losses	(664,503)		
Net	46,549,137	48,328,185	1,779,048
(8) Lease receivables and leased investment assets	1,787,186		
Estimated residual value[3]	(56,616)		
Reserve for credit losses	(12,792)		
Net	1,717,778	1,791,366	73,588
(9) Other assets			
Installment receivables	6,196,568		
Deferred gains on installment receivables	(105,722)		
Reserve for credit losses	(99,437)		
Net	5,991,409	6,550,373	558,964
Total	$ 81,932,117	$ 84,243,822	$ 2,311,705
Liabilities:			
(1) Deposits, including negotiable certificates of deposit	$ 58,251,673	$ 58,239,508	$ 12,165
(2) Call money	1,524,390	1,524,390	–
(3) Payables under repurchase agreements	359,908	359,908	–
(4) Payables under securities lending transactions	3,237,321	3,237,321	–
(5) Trading liabilities			
Trading securities sold for short sales	–	–	–
(6) Borrowed money	8,148,482	8,150,515	(2,033)
(7) Short-term corporate bonds	2,044,531	2,044,531	–
(8) Corporate bonds	1,538,248	1,532,973	5,275
Total	$ 75,104,554	$ 75,089,146	$ 15,407
Derivative instruments[4]:			
Hedge accounting is not applied	$ 109,564	$ 109,564	$ –
Hedge accounting is applied	(10,770)	(10,770)	–
Total	$ 98,794	$ 98,794	$ –

	Contract amount	Fair value
Other:		
Guarantee contracts[5]	$ 4,864,384	$ 117,877

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 For consumer loans held by consolidated subsidiaries included in Loans and bills discounted, reserve for losses on interest repayments of ¥49,308 million (U.S.$455,550 thousand) and ¥63,025 million was recognized for estimated losses on reimbursements of excess interest payments as of March 31, 2020 and 2019 respectively, which included the reserve for losses on interest repayments that have a possibility of being appropriated for loan principal in the future.
3 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.
4 Derivative instruments include derivative transactions both in trading assets and liabilities, and in other assets and liabilities. Derivative instruments are presented as net of assets and liabilities and presented with ( ) when a liability stands on a net basis.
5 Contract amount for guarantee contracts presents the amount of "Acceptances and guarantees" on the consolidated balance sheets.

36. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED) CONSOLIDATED

(Note 1) Valuation methodologies for financial instruments

Assets:

(1) Cash and due from banks
The fair values are measured at carrying amounts because the fair values of due from banks with no maturity are approximate to the carrying amounts. Likewise, for due from banks with a maturity, the fair values are measured at carrying amounts because most of them are with short maturities of six months or less, therefore the fair values are approximate to the carrying amounts.

(2) Receivables under securities borrowing transactions
The fair values are measured at carrying amounts because most of them are with short maturities of three months or less, therefore the fair values are approximate to the carrying amounts.

(3) Other monetary claims purchased
The fair values are measured at quoted prices from third parties or determined using the DCF method.

(4) Trading assets
The fair values are measured at market prices or quoted prices from third parties, or determined using the DCF method.

(5) Monetary assets held in trust
The fair values are determined using the DCF method based on the characteristics of the components of the entrusted assets.

(6) 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 DCF method.

(7) Loans and bills discounted
The fair values of loans and bills discounted with a fixed interest rate are determined by discounting contractual cash flows, and the fair values of loans and bills discounted with a floating interest rate are determined by discounting expected cash flows based on the forward rates (for loans and bills discounted hedged by interest rate swaps which meet specific matching criteria, summing up the cash flows from the interest rate swaps), using the risk-free rate adjusted to account for credit risk (after consideration of collateral) with CDS spread etc. corresponding to the internal credit rating of each borrower. The fair values of housing loans are determined by discounting expected cash flows at the rates that consist of the risk free rate and spread 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 the carrying amounts net of reserves for loan losses, which are calculated based on the DCF method described in "(N) RESERVE FOR CREDIT LOSSES" in Note 2 "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES" or based on amounts which are expected to be collected through the disposal of collateral or execution of guarantees.

(8) 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.

(9) 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.

Liabilities:

(1) Deposits, including negotiable certificates of deposit
The fair values of demand deposits, such as current deposits and ordinary deposits are recognized as the payment amount at the consolidated balance sheet date.
The fair values of the deposits with maturities of six months or less are approximate to carrying amounts because of their short term maturities. The fair values of time deposits and negotiable certificates of deposit are determined by discounting expected cash flows at the rates 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.

(2) Call money, (3) Payables under repurchase agreements and (4) Payables under securities lending transactions
The fair values are approximate to the carrying amounts for call money and bills sold, payables under repurchase agreements, and payables under securities lending transactions with short maturities of three months or less.

(5) Trading liabilities
The fair values are measured at market prices.

(6) Borrowed money
The fair values of borrowed money with fixed interest rates are primarily determined by discounting contractual cash flows (for borrowed money hedged by interest rate swaps which 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.

36. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED) CONSOLIDATED

(7) Short-term corporate bonds
The fair values are approximate to the carrying amounts because most of them are with short maturities of one year or less.

(8) 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.

Derivative instruments:
The fair values are primarily measured at closing prices on exchanges or determined using the DCF method or optionpricing 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.

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

	Millions of yen		Thousands of U.S. dollars
As of March 31,	**2020**	2019	**2020**
Equity securities without readily available market price[1,2]	**¥ 19,745**	¥ 14,342	**$ 182,428**
Investment in partnerships and others[1,2]	**38,161**	34,833	**352,566**
Total	**¥ 57,907**	¥ 49,176	**$ 534,994**

1 Equity securities without readily available market prices are out of the scope of fair value disclosure because their fair values cannot be reliably determined. Investments in partnerships and others, the assets of which comprise equity securities without readily available market prices, are out of the scope of fair values disclosure because fair values of those investments cannot be reliably determined.
2 For the fiscal years ended March 31, 2020 and 2019, impairment losses on equity securities without readily available market price of ¥1,837 million (U.S.$16,977 thousand) and ¥1,439 million, and on investment in partnerships and others of ¥2,453 million (U.S.$22,665 thousand) and ¥1,441 million were recognized, respectively.

36. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED) CONSOLIDATED

(Note 3) Maturity analysis for financial assets with contractual maturities

As of March 31, 2020	Millions of yen 1 year or less	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
Due from banks	¥1,607,975	¥ –	¥ –	¥ –
Other monetary claims purchased				
Other than trading purposes	19,812	569	–	40,710
Securities				
Held-to-maturity	120,000	115,000	–	40,000
Available-for-sale	48,316	105,163	89,891	301,826
Loans and bills discounted	1,211,875	1,282,281	939,057	1,640,782
Lease receivables and leased investment assets	58,955	79,326	36,478	18,684
Installment receivables	168,086	214,064	98,162	185,489
Total	¥3,235,022	¥1,796,405	¥1,163,590	¥2,227,495

As of March 31, 2020	Thousands of U.S. dollars 1 year or less	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
Due from banks	$ 14,855,650	$ –	$ –	$ –
Other monetary claims purchased				
Other than trading purposes	183,042	5,265	–	376,117
Securities				
Held-to-maturity	1,108,647	1,062,454	–	369,549
Available-for-sale	446,385	971,575	830,488	2,788,497
Loans and bills discounted	11,196,192	11,846,652	8,675,701	15,158,749
Lease receivables and leased investment assets	544,673	732,872	337,016	172,625
Installment receivables	1,552,905	1,977,688	906,892	1,713,691
Total	$ 29,887,494	$ 16,596,507	$ 10,750,097	$ 20,579,228

Note: The financial instruments whose cash flow cannot be reliably estimated such as loans and bills discounted to obligors of "legally bankrupt," "virtually bankrupt" and "possibly bankrupt," and the financial instruments with no contractual maturity are not included in the tables above.

(Note 4) Maturity analysis for financial liabilities with contractual maturities

As of March 31, 2020	Millions of yen 1 year or less	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
Deposits, including negotiable certificates of deposit[1]	¥ 5,558,792	¥ 449,544	¥ 145,292	¥ 151,531
Call money	165,000	–	–	–
Payables under repurchase agreements	38,956	–	–	–
Payables under securities lending transactions	350,407	–	–	–
Borrowed money	448,005	230,577	93,301	110,106
Short-term corporate bonds	221,300	–	–	–
Corporate bonds	15,000	40,000	110,000	1,500
Total	¥ 6,797,462	¥ 720,122	¥ 348,594	¥ 263,138

As of March 31, 2020	Thousands of U.S. dollars 1 year or less	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
Deposits, including negotiable certificates of deposit[1]	$ 51,356,174	$ 4,153,219	$ 1,342,319	$ 1,399,961
Call money	1,524,390	–	–	–
Payables under repurchase agreements	359,908	–	–	–
Payables under securities lending transactions	3,237,321	–	–	–
Borrowed money	4,139,003	2,130,247	861,989	1,017,242
Short-term corporate bonds	2,044,531	–	–	–
Corporate bonds	138,581	369,549	1,016,260	13,858
Total	$ 62,799,908	$ 6,653,015	$ 3,220,569	$ 2,431,061

1 The cash flow of demand deposits is included in "1 year or less."

37. DERIVATIVE FINANCIAL INSTRUMENTS CONSOLIDATED

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

The fair values of derivatives on the consolidated balance sheets as of March 31, 2020 and 2019 are adjusted for credit risk by a reduction of ¥1,843 million (U.S.$17,027 thousand) and ¥1,427 million, respectively, and also adjusted for liquidity risk by a reduction of ¥1,918 million (U.S.$17,724 thousand) and ¥1,766 million, respectively.

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

(a) INTEREST RATE-RELATED TRANSACTIONS

Interest rate-related transactions as of March 31, 2020 and 2019 were as follows:

	Millions of yen							
	2020				2019			
	Contract/Notional principal				Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Futures contracts (listed):								
Sold	**¥ —**	**¥ —**	**¥ —**	**¥ —**	¥ —	¥ —	¥ —	¥ —
Bought	**48,240**	**1,250**	**75**	**75**	16,299	1,610	34	34
Interest rate options (listed):								
Sold	**—**	**—**	**—**	**—**	—	—	—	—
Bought	**—**	**—**	**—**	**—**	—	—	—	—
Interest rate swaps (over-the-counter):								
Receive fixed and pay floating	**4,406,002**	**3,965,040**	**180,075**	**180,075**	4,447,768	3,791,287	173,548	173,548
Receive floating and pay fixed	**4,155,776**	**3,674,089**	**(161,410)**	**(161,410)**	4,092,652	3,442,857	(154,298)	(154,298)
Receive floating and pay floating	**1,731,522**	**1,541,791**	**1,484**	**1,484**	1,738,708	1,425,081	2,101	2,101
Receive fixed and pay fixed	**1,000**	**1,000**	**3**	**3**	—	—	—	—
Interest rate swaptions (over-the-counter):								
Sold	**830,365**	**533,365**	**(2,377)**	**(1,443)**	846,584	566,584	(1,957)	(630)
Bought	**559,348**	**527,567**	**1,786**	**692**	741,327	706,698	(571)	(2,134)
Interest rate options (over-the-counter):								
Sold	**17,222**	**17,222**	**(60)**	**197**	12,156	12,156	(85)	135
Bought	**14,137**	**14,137**	**31**	**(49)**	9,156	9,156	41	(28)
Total			**¥ 19,608**	**¥ 19,626**			¥ 18,812	¥ 18,727

	Thousands of U.S. dollars			
	2020			
	Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**
Futures contracts (listed):				
Sold	**$ —**	**$ —**	**$ —**	**$ —**
Bought	**445,678**	**11,550**	**701**	**701**
Interest rate options (listed):				
Sold	**—**	**—**	**—**	**—**
Bought	**—**	**—**	**—**	**—**
Interest rate swaps (over-the-counter):				
Receive fixed and pay floating	**40,705,866**	**36,631,931**	**1,663,668**	**1,663,668**
Receive floating and pay fixed	**38,394,096**	**33,943,913**	**(1,491,223)**	**(1,491,223)**
Receive floating and pay floating	**15,997,067**	**14,244,191**	**13,713**	**13,713**
Receive fixed and pay fixed	**9,239**	**9,239**	**29**	**29**
Interest rate swaptions (over-the-counter):				
Sold	**7,671,523**	**4,927,621**	**(21,963)**	**(13,333)**
Bought	**5,167,673**	**4,874,052**	**16,502**	**6,397**
Interest rate options (over-the-counter):				
Sold	**159,118**	**159,118**	**(556)**	**1,826**
Bought	**130,616**	**130,616**	**291**	**(458)**
Total			**$ 181,161**	**$ 181,320**

Notes:

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

(2) The fair values of listed transactions represent the closing price on the Tokyo Financial Exchange and other exchanges. The fair values of over-the-counter transactions are calculated primarily by using the DCF method or option pricing models.

37. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED) CONSOLIDATED

(b) CURRENCY-RELATED TRANSACTIONS

Currency-related transactions as of March 31, 2020 and 2019 were as follows:

	Millions of yen							
	2020				2019			
	Contract/Notional principal				Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Currency swaps (over-the-counter)	**¥ 523,007**	**¥ 499,811**	**¥ 6,516**	**¥ 6,516**	¥ 386,172	¥ 334,939	¥ 1,000	¥ 1,000
Forward foreign exchange contracts (over-the-counter):								
Sold	**1,256,078**	**72,525**	**(5,096)**	**(5,096)**	1,057,595	45,219	4,201	4,201
Bought	**824,500**	**76,570**	**(1,022)**	**(1,022)**	723,974	56,323	1,523	1,523
Currency options (over-the-counter):								
Sold	**824,749**	**430,229**	**(26,988)**	**7,248**	885,386	451,408	(19,365)	14,084
Bought	**720,203**	**387,121**	**21,480**	**(874)**	805,446	372,724	16,403	(4,244)
Total			**¥ (5,110)**	**¥ 6,770**			¥ 3,763	¥ 16,566

	Thousands of U.S. dollars			
	2020			
	Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**
Currency swaps (over-the-counter)	**$ 4,831,921**	**$ 4,617,626**	**$ 60,202**	**$ 60,202**
Forward foreign exchange contracts (over-the-counter):				
Sold	**11,604,565**	**670,043**	**(47,088)**	**(47,088)**
Bought	**7,617,341**	**707,412**	**(9,446)**	**(9,446)**
Currency options (over-the-counter):				
Sold	**7,619,639**	**3,974,769**	**(249,340)**	**66,963**
Bought	**6,653,763**	**3,576,510**	**198,457**	**(8,078)**
Total			**$ (47,215)**	**$ 62,554**

Notes:

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

(2) The fair values are calculated primarily by using the DCF method or option pricing models.

37. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(c) EQUITY-RELATED TRANSACTIONS

Equity-related transactions as of March 31, 2020 and 2019 were as follows:

	Millions of yen							
	2020				2019			
	Contract/Notional principal				Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Equity index futures (listed):								
Sold	**¥ 461**	**¥ –**	**¥ 7**	**¥ 7**	¥ 7,263	¥ –	¥ 275	¥ 275
Bought	**1,137**	**–**	**(198)**	**(198)**	1,948	1,137	(118)	(118)
Equity index options (listed):								
Sold	**8,172**	**–**	**(523)**	**224**	62,716	7,712	(1,675)	1,255
Bought	**11,125**	**–**	**450**	**(534)**	64,400	11,125	1,520	(1,408)
Equity options (over-the-counter):								
Sold	**2,800**	**–**	**(1,051)**	**(377)**	6,424	2,800	(2,729)	(2,026)
Bought	**3,172**	**–**	**1,686**	**1,116**	10,945	3,172	5,304	3,575
Other (over-the-counter):								
Sold	**–**	**–**	**–**	**–**	–	–	–	–
Bought	**–**	**–**	**–**	**–**	735	735	18	18
Total			**¥ 371**	**¥ 237**			¥ 2,594	¥ 1,571

	Thousands of U.S. dollars			
	2020			
	Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**
Equity index futures (listed):				
Sold	**$ 4,268**	**$ –**	**$ 72**	**$ 72**
Bought	**10,510**	**–**	**(1,834)**	**(1,834)**
Equity index options (listed):				
Sold	**75,504**	**–**	**(4,836)**	**2,072**
Bought	**102,781**	**–**	**4,164**	**(4,937)**
Equity options (over-the-counter):				
Sold	**25,876**	**–**	**(9,716)**	**(3,491)**
Bought	**29,306**	**–**	**15,580**	**10,314**
Other (over-the-counter):				
Sold	**–**	**–**	**–**	**–**
Bought	**–**	**–**	**–**	**–**
Total			**$ 3,431**	**$ 2,196**

Notes:

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

(2) The fair values of listed transactions represent the closing price on the Osaka Exchange and other exchanges. The fair values of over-the-counter transactions are calculated primarily by using the DCF method or option pricing model.

37. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED) CONSOLIDATED

(d) BOND-RELATED TRANSACTIONS

Bond-related transactions as of March 31, 2020 and 2019 were as follows:

	Millions of yen							
	2020				2019			
	Contract/Notional principal				Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Bond futures (listed):								
Sold	¥ 2,948	¥ —	¥ (58)	¥ (58)	¥ 21,840	¥ —	¥ (55)	¥ (55)
Bought	22,323	—	(38)	(38)	27,095	—	318	318
Bond options (listed):								
Sold	—	—	—	—	—	—	—	—
Bought	—	—	—	—	—	—	—	—
Total			¥ (96)	¥ (96)			¥ 263	¥ 263

	Thousands of U.S. dollars			
	2020			
	Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Bond futures (listed):				
Sold	$ 27,237	$ —	$ (538)	$ (538)
Bought	206,240	—	(356)	(356)
Bond options (listed):				
Sold	—	—	—	—
Bought	—	—	—	—
Total			$ (894)	$ (894)

Notes:
(1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in the consolidated statement of income.
(2) The fair values of listed transactions represent the closing price on the Osaka Exchange and other exchanges.
The fair values of over-the-counter transactions are calculated primarily by using the option pricing model.

(e) CREDIT DERIVATIVES TRANSACTIONS

Credit derivatives transactions as of March 31, 2020 and 2019 were as follows:

	Millions of yen							
	2020				2019			
	Contract/Notional principal				Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Credit default option (over-the-counter):								
Sold	¥ 39,000	¥ 35,000	¥ (518)	¥ (518)	¥ 46,000	¥ 27,000	¥ 622	¥ 622
Bought	39,000	35,000	1,365	1,365	46,000	27,000	(380)	(380)
Total			¥ 847	¥ 847			¥ 241	¥ 241

	Thousands of U.S. dollars			
	2020			
	Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Credit default option (over-the-counter):				
Sold	$ 360,310	$ 323,356	$ (4,787)	$ (4,787)
Bought	360,310	323,356	12,619	12,619
Total			$ 7,833	$ 7,833

Notes:
(1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in the consolidated statement of income.
(2) The fair values are calculated primarily by using the DCF method.
(3) “Sold” stands for accepting credit risk and “Bought” stands for transferring credit risk.

37. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)   CONSOLIDATED

(B) DERIVATIVE TRANSACTIONS TO WHICH HEDGE ACCOUNTING WAS APPLIED

(a) INTEREST RATE-RELATED TRANSACTIONS

Interest rate-related transactions which are accounted for using the deferral method as of March 31, 2020 and 2019 were as follows:

	Millions of yen					
	2020			2019		
	Contract/Notional principal			Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**	Total	Maturity over 1 year	Fair value
Interest rate swaps:						
Receive fixed and pay floating	**¥ 113,000**	**¥ 103,000**	**¥ 2,518**	¥ 106,000	¥ 84,000	¥ 2,473
Receive floating and pay fixed	**159,970**	**149,970**	**(17,567)**	183,408	161,408	(16,168)
Total			**¥ (15,048)**			¥ (13,695)

	Thousands of U.S. dollars		
	2020		
	Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**
Interest rate swaps:			
Receive fixed and pay floating	**$ 1,043,976**	**$ 951,589**	**$ 23,269**
Receive floating and pay fixed	**1,477,923**	**1,385,536**	**(162,300)**
Total			**$ (139,031)**

Notes:
(1) Most of the hedged items are interest-bearing assets and liabilities such as loans and bills discounted, available-for-sale securities (bonds) and deposits, including negotiable certificate of deposit.
(2) Interest rate swaps are primarily accounted for using the deferral method in accordance with Industry Audit Committee Report No. 24 of the JICPA.
(3) The fair values are calculated primarily by using the DCF method.

37. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED) CONSOLIDATED

Interest rate swaps which meet specific matching criteria as of March 31, 2020 and 2019 were as follows:

	Millions of yen					
	2020			2019		
	Contract/Notional principal			Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**	Total	Maturity over 1 year	Fair value
Interest rate swaps:						
Receive floating and pay fixed	**¥ 24,563**	**¥ 21,452**	**¥ –**	¥ 28,358	¥ 25,000	¥ –

	Thousands of U.S. dollars		
	2020		
	Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**
Interest rate swaps:			
Receive floating and pay fixed	**$ 226,936**	**$ 198,197**	**$ –**

Notes:
(1) The hedged items are loans and bills discounted and borrowed money.
(2) Interest rate swaps which meet specific matching criteria are accounted for as component of hedged loans and bills discounted and borrowed money. Therefore, the fair value of those interest rate swaps is included in the fair value of loans and bills discounted and borrowed money in fair value information shown in Note 36 “FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES.”

(b) CURRENCY-RELATED TRANSACTIONS

Currency-related transactions which are accounted for using the deferral method as of March 31, 2020 and 2019 were as follows:

	Millions of yen					
	2020			2019		
	Contract/Notional principal			Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**	Total	Maturity over 1 year	Fair value
Currency swaps	**¥ 288,711**	**¥ 258,299**	**¥ 13,882**	¥ 317,139	¥ 242,940	¥ 4,338

	Thousands of U.S. dollars		
	2020		
	Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**
Currency swaps	**$ 2,667,328**	**$ 2,386,355**	**$ 128,261**

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

38. SUBSEQUENT EVENTS CONSOLIDATED

(A) DIVIDENDS

The following appropriation of retained earnings of the Bank for the fiscal year ended March 31, 2020 was approved at the meeting of the Board of Directors held on May 13, 2020:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, common stock, ¥10.00 (U.S.$0.1) per share	**¥ 2,307**	**$ 21,318**

(B) ACQUISITION OF SHARES OF UDC Finance Limited

On June 2, 2020, the Bank concluded the share purchase agreement with ANZ Bank New Zealand Limited, the current parent company of UDC Finance Limited, in accordance with the resolution of the Board of Directors held on June 1, 2020. The Bank will purchase all of the outstanding shares of UDC Finance Limited on August 31, 2020 as the settlement date, under the condition of the relevant authorities' approval.

(a) Outline of the business combination

(i) Name and business description of the acquired company
Name: UDC Finance Limited
Business description: Auto loans for individuals
Asset-backed financing for corporate clients
Inventory financing for automobile dealers

(ii) Purpose of the acquisition
For revenue growth of the Group.

(iii) Date on which the business combination is effective
August 31, 2020 (Planned)

(iv) Legal form of the business combination
Acquisition of shares with cash consideration

(v) Company name after the business combination
A change of the company name is not planned.

(vi) Percentage of voting rights acquired
100%

(vii) Basis for determination of the acquiring company
The Bank will acquire the shares by cash.

(b) Acquisition costs of the shares and their breakdown

The acquisition costs of the shares are cash consideration calculated based on the amount of net assets of UDC Finance Limited as of the settlement date plus 125 million New Zealand Dollars (U.S.$75,307). The contingent consideration for the acquisition is not included in the above acquisition costs.

(c) Major acquisition-related costs and their breakdown

Not determined

(d) Amount, reason of the occurrence, and amortization method and period, of goodwill

Not determined

(e) Amounts and breakdown of assets and liabilities on the date of the business combination

Not determined

(f) Description of the contingent consideration prescribed on the share purchase agreement and the accounting treatment

Since the provision of the share purchase agreement prescribes the additional settlement for the consideration will be implemented on the amount calculated based on the actual credit losses incurred in a certain period from the claims recorded as of August 31, 2020, this may result in an adjustment to the provisional consideration.

The above consideration adjustment should result in an adjustment to the acquisition costs as of the settlement date of the shares, goodwill and amortization of goodwill.

(C) ACQUISITION OF TREASURY SHARES

On May 13, 2020, the Bank decided to acquire its own treasury shares in accordance with the provision of its Articles of Incorporation, pursuant to Article 459, paragraph 1 of the Companies Act of Japan.

(a) Reason for acquisition

As a part of the Bank's efforts to achieve the repayment of public funds, a resolution to undertake the acquisition of treasury shares has been approved in light of factors such as the Bank's current capital position, earnings capability and per share values. Through this acquisition of treasury shares, assuming the maintenance of capital at sufficient levels, the Bank aims to increase the per share values through the implementation of an appropriate capital policy.

(b) Details of acquisition

(i) Type of shares to be repurchased
Common stock

(ii) Total Number of shares to be repurchased
(Up to) 20,500 thousand shares (8.88% of total number of common shares issued excluding treasury shares)

(iii) Total repurchase amount
(Up to) ¥20,500 million (U.S.$189,394 thousand)

(iv) Acquisition period
From May 14, 2020 to March 31, 2021

INDEPENDENT AUDITORS' REPORT

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Shinsei Bank, Limited:

Opinion

We have audited the consolidated financial statements of Shinsei Bank, Limited (the "Bank") and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Member of
Deloitte Touche Tohmatsu Limited

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Impact of the novel coronavirus infection (COVID-19) on the credit risk of loans and claims	
(Refer to Note 2, "Summary of Significant Accounting Policies (n) Reserve for credit losses (Additional information)")	
As disclosed as additional information, the Group assumes that the spread of the novel coronavirus infection (COVID-19) and the slowing down of the economic activities caused by the spread will continue for about one year. In particular, the Group assumes that the credit risk of loans and claims of the Bank and certain subsidiary to certain industries will be affected seriously. Based on the above assumptions, the Group has determined the obligor classification as of the end of the fiscal year, taking into account the deteriorating performance of the obligors in the case of the effects of the novel coronavirus infection (COVID-19) for about one year. Furthermore, the Group considers that applying the expected loss rate based on past loan losses may cause the difference between estimated amount of losses and the results in the next fiscal year due to the uncertainty with the expected deterioration in performance of the certain industry portfolio in calculating reserve for credit losses of the certain industry portfolio. Based on the above considerations, reserve for credit losses of the certain industry portfolio is calculated by using the expected loss rate, which adds certain adjustment to the past loan loss rate, in order to take into account the condition of the business in the portfolio after one year. As a result of the above calculations, the Group provided additional reserves for credit losses of 7 billion yen, which consists of 6 billion yen recorded in the non-consolidated financial statements and 0.9 billion yen recorded by the consolidated subsidiary. As the assumptions underlying the accounting estimates for the reserve for credit losses are of the high level of uncertainty and the determination of the method for the estimation is subject to the managements' critical judgements, the impact of the spread of the novel coronavirus infection (COVID-19) on the credit risk of loans and claims is a key audit matter.	We mainly performed the following audit procedures for the above-noted key audit matter: ● We assessed the Group's assumption as to whether the impact of the consolidated financial statements will continue for approximately one year is not unduly pessimistic or unduly optimistic, and is not considered as an irrational prediction, even in the environment of the high level of uncertainty. In addition, to confirm whether or not the scope of certain industries was not unreasonable, in which the Group assumed to have a significant impact on credit risks such as loans from the Group, we reviewed reports from external agencies in order to compare the Group's scope with the scope noted in the report which suggests the high concerns of financing to the certain industries due to the spread of the novel coronavirus infection (COVID-19). ● Based on the assumption that the effects of the novel coronavirus infection (COVID-19) will continue for approximately one year, we assessed the appropriateness of the downward revision of the obligor classification. We performed the inquiry with the responsible person in the Group, and inspected the results of a study on the effects of the novel coronavirus infection (COVID-19) and obligor classification determination, and analyzed the information with the status of corporate bankruptcies. ● We assessed the appropriateness of the expected loss rates applied by the Group to the calculation of reserve for credit losses, for the certain industry portfolio whether the adjustment to the past loan loss rate was consistent with the assumptions made by the Group. We assessed whether the adjustment set by the Group was appropriate based on the occurrence of the delinquency and offers to change the repayment conditions from obligors. ● We examined whether certain assumptions made by the Group, the method of calculation, the degree of uncertainty of the assumption, and the impact on consolidated financial statements in the following fiscal year when such assumptions changed, were adequately disclosed as additional information.

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Reserve for losses on interest repayments	
(Refer to Note 2, "Summary of Significant Accounting Policies (t) Reserve for losses on interest repayments")	
Certain consolidated subsidiaries of the Group established a reserve for losses on interest repayments, which amounted to 49.3 billion yen as of March 31, 2020. Shinsei Financial Co., Ltd., a consolidated subsidiary, has recorded a reserve for losses on interest repayments of 37.8 billion yen, accounting for about 77% of the Group's reserve for losses on interest repayments. The 2.6 billion yen gain on reversal of reserve for losses on interest repayments in consolidated statement of income consists of 4.5 billion yen gain on reversal of reserve for losses on interest repayments recorded by Shinsei Financial Co., Ltd. and 1.8 billion yen provision of reserve for losses on interest repayments to be recorded by consolidated subsidiaries other than Shinsei Financial Co., Ltd. Reserve for losses on interest repayments of Shinsei Financial Co., Ltd. is calculated from several calculation factors, the population (number of accounts) subject to overpayment interest refund, the ratio of which the attorney's offices and judicial scrivener office are involved and the customers request to return overpaid interest (intervention rate), and the expected amount of claims for return per customer. Shinsei Financial Co., Ltd. compares the forecasted figures based on each of the above calculation factors at the end of the previous fiscal year with the actual figures at the end of the current fiscal year at the committee. Shinsei Financial Co., Ltd. has determined future forecasts by examining qualitative and quantitative factors which cause difference between forecasts and results, and the validity of the provision for interest refund losses is approved by the authorized persons specified in the internal rules. In determining these calculation factors, Shinsei Financial Co., Ltd. makes forward-looking forecasts based on past actual records. Because the forecast based on the past transition rate, especially as to how the number of accounts and intervention rates will transition in the future has a significant impact on the estimate of reserve for losses on interest repayments, we have determined that future forecasts of number of accounts and intervention rate fall under the key audit matter.	We mainly performed the following audit procedures for the above-noted key audit matter: • We read the committee minutes and other related materials at Shinsei Financial Co., Ltd., and performed inquiry on the attendees of the committees to evaluate whether Shinsei Financial Co., Ltd. has compared the forecast and actual figures of each calculation factor underlying the estimate of reserve for losses on interest repayments and analyzed the difference between the forecast and actual figures from qualitative and quantitative point of views. In addition, we examined the accuracy and completeness of the data that Shinsei Financial Co., Ltd. used to estimate the provision for reserve for losses on interest repayments. • We compared the number of accounts forecasted by Shinsei Financial Co., Ltd. with our independently estimated number, and examined whether the estimate of reserve for losses on interest repayments based on the future forecast of the number of accounts estimated by Shinsei Financial Co., Ltd. was within the acceptable range that we independently calculated. • We examined whether the estimate of the future intervention rate predicted by Shinsei Financial Co., Ltd. was based on reasonable assumptions compared with external environments such as trends in major attorney offices and judicial scrivener offices intervention.

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Reserve for credit losses for project finance	
(Refer to Note 2, "Summary of Significant Accounting Policies (n) Reserve for credit losses")	
All claims on the consolidated balance sheet, including 5,110.4 billion yen in loans and bills discounted, are assessed by sales promotion divisions and credit analysis divisions based on the predetermined internal rules for self-assessment of asset quality. The risk management divisions, which are independent from sales promotion divisions and credit analysis divisions, conduct verifications of these assessments, and additional reserves may be provided based on the verification results. Project finance, which was loan for particular businesses, amounted to 364.1 billion yen as of the consolidated balance sheet date. Reserve for credit losses for project finance is determined separately from other claims because the circumstances of the occurrence of bad debts are different from other loans. Reserve for credit losses for project finance is determined by estimating their bankruptcy rates and the loss rate in bankruptcy. ● Characteristics of project finance As a general rule, the source of repayment of the project finance is limited to cash flow or revenue from a particular business that is the subject of the loans. The Group considers the following risk factors, for example, in classifying the obligor classification of project finance and estimating reserve for credit losses, depending on the contents of the particular business: • Risk of delay or cost overruns related to the construction of equipment in facilities • Risk to the creditworthiness of the sponsors and off taker (service taker) • Risk of the underachievement of the targeted operation and productions • Risk of price fluctuations related to raw materials and products	We mainly performed the following audit procedures for the above-noted key audit matter: ● Audit procedures for the determination of reserve for credit losses for general project finance For the project finances we have sampled for testing, we understood the nature of the business that was the subject of the financing by inspecting the relevant supporting materials such as contracts and others, and by inquiring the person in charge of the credit analysis division and the risk management division and assessed the risk factors that the Group analyzed as potentially affecting the cash flow of the business being financed. We evaluated whether the obligor classification was appropriately determined according to the degree of risk. ● Audit procedures for the determination of reserve for the certain project finance For the certain project finance, which raised significant increasingly concerns about the collectability of loans, the Group estimated the continuity of the business and the cash flows from the businesses, based on the report made by an outside business valuation experts. We evaluated the appropriateness of the work of experts used by the Group. In addition, to evaluate its rationality, we compared the medium- to long-term prices of the main raw materials and products of the projects used in the Group's estimation with the data published by external third parties, with a help of our internal experts for the business value evaluation.

• Determination of reserve for credit losses for general project finance Due to the relatively large amount per transaction in project finance, the determination of reserve for such transactions has a significant impact on the Group's business performance. In addition, estimates of reserves are materially affected by the Group's analysis of what risk factors materially affect the cash flow or revenue of the particular business that is the subject of the financing is significantly affected by risk factors, and the Group's assessment of the degree thereof. Thus, we determined that the determination of reserve for credit losses for a project finance was a key audit matter. • Determination of reserve for credit losses for the certain project finance With respect to the project finance for which there are concerns (as of March 31, 2020, a total of 5.4 billion yen and reserve for credit losses 3.9 billion) that raises about the recoverability of loans, the continuity of the businesses and the estimates of the cash flows obtained from the businesses will be strongly affected by the risks of price fluctuations in the major raw materials used and products made in the business. As the Group's forecast of future prices for major raw materials and products was significant in the determination of reserve for credit losses, we deemed that the determination of reserve for credit losses for the certain project finance was a key audit matter.	

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

June 11, 2020

NONCONSOLIDATED BALANCE SHEET (UNAUDITED)

Shinsei Bank, Limited
As of March 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note)
	2020	2019	**2020**
ASSETS			
Cash and due from banks	**¥ 1,475,672**	¥ 1,280,991	**$ 13,633,339**
Other monetary claims purchased	**42,795**	10,809	**395,373**
Trading assets	**206,547**	200,276	**1,908,237**
Monetary assets held in trust	**312,128**	198,717	**2,883,667**
Securities	**1,265,800**	1,445,927	**11,694,392**
Loans and bills discounted	**5,040,819**	4,932,610	**46,570,760**
Foreign exchanges	**73,879**	29,546	**682,551**
Other assets	**234,006**	190,104	**2,161,923**
Premises and equipment	**12,435**	12,610	**114,890**
Intangible assets	**25,631**	26,483	**236,806**
Prepaid pension cost	**6,940**	6,849	**64,119**
Deferred tax assets	**2,731**	1,127	**25,236**
Customers' liabilities for acceptances and guarantees	**18,787**	18,060	**173,577**
Reserve for credit losses	**(31,480)**	(25,519)	**(290,835)**
Total assets	**¥ 8,686,696**	¥ 8,328,595	**$ 80,254,035**
LIABILITIES AND EQUITY			
Liabilities:			
Deposits, including negotiable certificates of deposit	**¥ 6,451,032**	¥ 6,206,867	**$ 59,599,339**
Call money	**165,000**	145,000	**1,524,390**
Payables under repurchase agreements	**38,956**	59,098	**359,908**
Payables under securities lending transactions	**345,357**	510,229	**3,190,665**
Trading liabilities	**182,969**	179,749	**1,690,410**
Borrowed money	**342,683**	195,628	**3,165,961**
Foreign exchanges	**687**	471	**6,356**
Corporate bonds	**116,500**	42,335	**1,076,312**
Other liabilities	**162,115**	113,903	**1,497,737**
Accrued employees' bonuses	**4,840**	4,847	**44,722**
Reserve for reimbursement of deposits	**621**	–	**5,746**
Reserve for reimbursement of debentures	**3,513**	3,764	**32,456**
Acceptances and guarantees	**18,787**	18,060	**173,577**
Total liabilities	**7,833,066**	7,479,955	**72,367,580**
Equity:			
Common stock	**512,204**	512,204	**4,732,119**
Capital surplus	**79,465**	79,465	**734,164**
Stock acquisition rights	**76**	49	**708**
Retained earnings:			
Legal reserve	**15,734**	15,243	**145,366**
Unappropriated retained earnings	**322,795**	292,611	**2,982,216**
Unrealized gain (loss) on available-for-sale securities	**624**	4,719	**5,771**
Deferred gain (loss) on derivatives under hedge accounting	**(16,174)**	(17,925)	**(149,429)**
Treasury stock, at cost	**(61,097)**	(37,729)	**(564,460)**
Total equity	**853,629**	848,640	**7,886,455**
Total liabilities and equity	**¥ 8,686,696**	¥ 8,328,595	**$ 80,254,035**

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥108.24=U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on March 31, 2020.

NONCONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Shinsei Bank, Limited
For the fiscal year ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note)
	2020	2019	**2020**
Interest income:			
Interest on loans and bills discounted	**¥ 98,020**	¥ 101,293	**$ 905,584**
Interest and dividends on securities	**20,003**	21,413	**184,810**
Interest on deposits with banks	**1,080**	1,113	**9,983**
Other interest income	**1,230**	644	**11,369**
Total interest income	**120,335**	124,464	**1,111,745**
Interest expenses:			
Interest on deposits, including negotiable certificates of deposit	**6,362**	7,807	**58,780**
Interest and discounts on debentures	**–**	0	**–**
Interest on other borrowings	**184**	589	**1,709**
Interest on corporate bonds	**137**	313	**1,268**
Other interest expenses	**10,559**	9,291	**97,558**
Total interest expenses	**17,244**	18,002	**159,315**
Net interest income	**103,091**	106,462	**952,430**
Fees and commissions income	**21,295**	19,484	**196,746**
Fees and commissions expenses	**27,530**	29,660	**254,348**
Net fees and commissions	**(6,234)**	(10,176)	**(57,602)**
Net trading income	**10,994**	4,194	**101,579**
Other business income (loss), net:			
Net gain (loss) on monetary assets held in trust	**2,381**	1,464	**22,005**
Net gain (loss) on foreign exchanges	**529**	5,741	**4,889**
Net gain (loss) on securities	**2,601**	1,256	**24,033**
Net gain (loss) on other monetary claims purchased	**(14)**	344	**(130)**
Other, net	**1,933**	43	**17,864**
Net other business income (loss)	**7,431**	8,850	**68,660**
Total revenue	**115,282**	109,330	**1,065,067**
General and administrative expenses:			
Personnel expenses	**27,381**	27,755	**252,972**
Premises expenses	**11,618**	12,023	**107,344**
Technology and data processing expenses	**12,717**	11,556	**117,496**
Advertising expenses	**1,154**	882	**10,663**
Consumption and property taxes	**5,310**	5,821	**49,065**
Deposit insurance premium	**1,581**	1,645	**14,613**
Other general and administrative expenses	**12,543**	12,813	**115,889**
Total general and administrative expenses	**72,308**	72,498	**668,042**
Net business profit	**42,973**	36,832	**397,025**
Net credit costs (recoveries)	**8,713**	(730)	**80,506**
Other gains (losses), net	**(546)**	(1,530)	**(5,051)**
Income (loss) before income taxes	**33,713**	36,032	**311,468**
Income taxes (benefit):			
Current	**1,792**	1,679	**16,563**
Deferred	**(1,260)**	(1,091)	**(11,643)**
Net income (loss)	**¥ 33,180**	¥ 35,443	**$ 306,547**

	Yen		U.S. dollars (Note)
Basic earnings per share	**¥ 138.75**	¥ 143.10	**$ 1.28**
Diluted earnings per share	**¥ 138.73**	¥ 143.09	**$ 1.28**

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥108.24=U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on March 31, 2020.

NONCONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Shinsei Bank, Limited
For the fiscal year ended March 31, 2020

	Millions of yen									
		Capital surplus			Retained earnings					
	Common stock	Additional paid-in capital	Other capital surplus	Stock acquisition rights	Legal reserve	Unappropriated retained earnings	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Treasury stock, at cost	Total equity
BALANCE, April 1, 2018	¥ 512,204	79,465	–	270	14,738	324,912	4,268	(15,759)	(89,540)	830,560
Dividends					505	(3,034)				(2,528)
Net income (loss)						35,443				35,443
Purchase of treasury stock									(12,999)	(12,999)
Disposal of treasury stock			(78)						178	100
Cancellation of treasury stock			(64,632)						64,632	–
Transfer to capital surplus from retained earnings			64,710			(64,710)				–
Net change during the year				(220)			450	(2,166)		(1,936)
BALANCE, March 31, 2019	**512,204**	**79,465**	**–**	**49**	**15,243**	**292,611**	**4,719**	**(17,925)**	**(37,729)**	**848,640**
Dividends					**490**	**(2,943)**				**(2,452)**
Net income (loss)						**33,180**				**33,180**
Purchase of treasury stock									**(23,500)**	**(23,500)**
Disposal of treasury stock			**(53)**						**132**	**78**
Cancellation of treasury stock			**–**						**–**	**–**
Transfer to capital surplus from retained earnings			**53**			**(53)**				**–**
Net change during the year				**27**			**(4,094)**	**1,751**		**(2,316)**
BALANCE, March 31, 2020	**¥ 512,204**	**¥ 79,465**	**¥ –**	**¥ 76**	**¥ 15,734**	**¥ 322,795**	**¥ 624**	**¥ (16,174)**	**¥ (61,097)**	**¥ 853,629**

	Thousands of U.S. dollars (Note)									
		Capital surplus			Retained earnings					
	Common stock	Additional paid-in capital	Other capital surplus	Stock acquisition rights	Legal reserve	Unappropriated retained earnings	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Treasury stock, at cost	Total equity
BALANCE, March 31, 2019	**$ 4,732,119**	**$ 734,164**	**$ –**	**$ 458**	**$ 140,834**	**$ 2,703,355**	**$ 43,602**	**$ (165,607)**	**$ (348,568)**	**$ 7,840,357**
Dividends					**4,532**	**(27,192)**				**(22,660)**
Net income (loss)						**306,547**				**306,547**
Purchase of treasury stock									**(217,115)**	**(217,115)**
Disposal of treasury stock			**(494)**						**1,224**	**730**
Cancellation of treasury stock			**–**						**–**	**–**
Transfer to capital surplus from retained earnings			**494**			**(494)**				**–**
Net change during the year				**250**			**(37,832)**	**16,178**		**(21,404)**
BALANCE, March 31, 2020	**$ 4,732,119**	**$ 734,164**	**$ –**	**$ 708**	**$ 145,366**	**$ 2,982,216**	**$ 5,771**	**$ (149,429)**	**$ (564,460)**	**$ 7,886,455**

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥108.24=U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on March 31, 2020.

CAPITAL ADEQUACY REQUIREMENT (BASEL ACCORD) PILLAR III (MARKET DISCIPLINE) DISCLOSURE

This chapter describes information that needs to be disclosed in disclosure documents related to the reported business year pursuant to the Financial Services Agency Notice No. 7 of 2014 (Basel Accord - Pillar III: Market Discipline) as the "matters concerning the status of capital adequacy separately prescribed by the Commissioner of the Financial Services Agency" as provided in Article 19-2 (1) (v) (d) of the Ordinance for Enforcement of the Banking Act (Ministry of Finance Ordinance No. 10 of 1982).

"Accord" in this chapter refers to the Financial Services Agency Notice No. 19 of 2006 (Basel Accord - Pillar I: Minimum Capital Ratio).

QUALITATIVE DISCLOSURE

1. RANGE OF CONSOLIDATION

(1) DIFFERENCES BETWEEN COMPANIES WHICH BELONG TO THE GROUP OF COMPANIES (CONSOLIDATED GROUP) SUBJECTED TO CALCULATION OF THE CONSOLIDATED CAPITAL RATIOS BASED ON THE ACCORD'S ARTICLE 26 AND COMPANIES INCLUDED IN THE SCOPE OF ACCOUNTING CONSOLIDATION AND REASONS FOR DIFFERENCES

• There are no differences.

(2) NUMBER OF CONSOLIDATED SUBSIDIARIES AND NAMES AND BUSINESS OF MAJOR CONSOLIDATED SUBSIDIARIES

i) Number of consolidated subsidiaries
91 consolidated subsidiaries.

ii) Major consolidated subsidiaries
- Shinsei Trust & Banking Co., Ltd. (trust banking)
- Shinsei Securities Co., Ltd. (securities)
- APLUS FINANCIAL Co., Ltd. (installment credit)
- Showa Leasing Co., Ltd. (leasing)
- Shinsei Personal Loan Co., Ltd. (consumer finance)
- SHINSEI FINANCIAL Co., Ltd. (consumer finance)
- Shinsei Investment & Finance Limited (financial instruments business)

(3) NUMBER AND NAMES OF FINANCIAL AFFILIATES UNDER ARTICLE 32 OF THE ACCORD AND TOTAL ASSETS AND NET ASSETS AMOUNTS ON BALANCE SHEET AND MAJOR BUSINESS OF THOSE FINANCIAL AFFILIATES

• There are no financial affiliate companies.

(4) NAMES OF COMPANIES WHICH BELONG TO THE CONSOLIDATED GROUP BUT ARE NOT INCLUDED IN THE SCOPE OF ACCOUNTING CONSOLIDATION OR COMPANIES WHICH DO NOT BELONG TO THE CONSOLIDATED GROUP BUT ARE INCLUDED IN THE SCOPE OF ACCOUNTING CONSOLIDATION, AND TOTAL ASSETS AND NET ASSETS AMOUNTS ON BALANCE SHEET AND MAJOR BUSINESS OF THOSE COMPANIES

• There are no companies that are subject to the above.

(5) SUMMARY OF RESTRICTIONS ON TRANSFER OF CASH AND CAPITAL IN THE CONSOLIDATED GROUP

• There are no particular restrictions.

2. TYPES OF CAPITAL INSTRUMENTS

The Bank has raised capital through the issuance of common shares. During the fiscal year 2018, all perpetual subordinated loans and dated subordinated bonds and loans issued before March 31, 2014, which had been included in "Core capital: instruments and reserves" under transitional arrangements, have been repaid or redeemed prior to their maturities.

3. ENHANCEMENT OF GROUP GOVERNANCE SYSTEMS

The Group Integrated Risk Management Division, the Group Portfolio Risk Management Division and the Group Individual Banking Risk Management Division were established in order to integrate and centralize the risk management functions of the Bank and the Group member companies along with the establishment of the Group Headquarters.

The group will advance the system to improve the overall productivity by centralization of risk management tasks of the Group member companies.

4. ASSESSMENT OF CAPITAL ADEQUACY OF THE BANK GROUP

As part of its comprehensive risk management, Risk Capital is under the budget control on a consolidated basis. In concrete terms, the Bank determines a Risk Capital budget in consideration of its source of capital. The amount of Risk Capital compared to its source of capital and its budget is monitored on a monthly basis, and senior management, e. g. the Group Executive Committee of each month, receives a report on a regular basis. Additionally, in regards to regulatory capital, capital ratio is reported at the above mentioned reporting to the Group Executive Committee, allowing senior management to monitor and assess the overall availability of capital. At least once a year, the Bank performs stress tests on its estimates of Risk Capital and regulatory capital.

5. CREDIT RISK MANAGEMENT POLICIES AND PROCEDURES

CREDIT RISK MANAGEMENT SYSTEM

Credit risk is defined as the risk of loss due to a counterpart defaulting on contractual debt obligations. Our model for credit risk management focuses on securing adequate return on risk, avoiding excessive concentration in particular sectors or to particular obligors, and managing the risk with an awareness of maximum loss amount from credit portfolio.

To achieve these goals, the Bank defines the policy for customer attributes that should take or avoid risks in the "Group Credit Policy" and clarifies basic policies of credit operations and specific guidelines for credit risk management in this "Group Credit Policy" and other procedures. And Risk Integrated Section of the Group Headquarters which is organizationally independent from credit business line, designs the system of managing risk objectively. The credit risk management processes are roughly classified into credit risk management for individual transactions and portfolio-based credit risk management, as follows.

QUALITATIVE DISCLOSURE (CONTINUED)

CREDIT RISK MANAGEMENT FOR INDIVIDUAL TRANSACTIONS

(1) Organization and Systems

In principle, a credit provision is consulted jointly by the sales promotion divisions and the credit risk management divisions that are independent from the sales promotion divisions and have veto rights. Thus the transparent and strict decision making processes are secured and the framework to put a brake on the sales promotion division has been established. Each transaction is discussed and approved by the Transaction Committee, etc. The level of approval authority over the obligor whose group companies should be taken into consideration is decided based mainly on the total exposure to the obligor group and ratings, and the decision is made strictly.

Among receivables that must be paid attention, for those that falls under a certain category decided by rating, the exposure, reserve, etc., the obligor's business performance are monitored by the Doubtful Debt Committee so that the Bank is able to take preventive measures, and by deciding the measures to handle the obligor in future, the Bank is making efforts to minimize credit-related costs and to ensure soundness of assets.

(2) Obligor Rating System

For corporate exposures, the Bank uses an internal obligor rating system with the following characteristics:

- Increasing model accuracy and reflecting appropriate qualitative factors
- Benchmarked against external ratings
- Ensuring conformity with rating systems among industry classifications

More specifically, obligor ratings are determined by applying adjustments with qualitative factors to the model ratings calculated by our estimation models, which are based on external ratings etc. Obligor ratings shall be determined by credit risk management divisions, and reviewed regularly and continuously.

Obligor ratings are used in the standards of credit approval authority procedures and portfolio controls, and are the foundation for credit risk management.

Furthermore, the Bank also applies a facility rating system based on expected losses that allows for improvement in the credit status, such as collateral and/or covenants, from the perspective of obligor ratings and the credit status of individual transactions.

An obligor rating system and facility rating system similar to those adopted in the Bank have been implemented for large amount leasing receivables of Showa Leasing.

(3) Pool Classification

The Bank assigns retail exposures to specific pools based on risk profile such as obligor characteristics and transaction characteristics that create reasonably homogeneous sub-portfolios. Major retail exposures to which pool classification is applied are housing loans and unsecured personal loans of the Bank, installment sales credit receivables of APLUS, unsecured personal loans of Shinsei Financial, and small-lot leasing receivables of Showa Leasing.

PORTFOLIO-BASED CREDIT RISK MANAGEMENT

It is essential that credit risks are diversified in terms of industries as well as ratings. This is done on a portfolio basis, which is an aggregation of transactions, and operations of individual transactions must be conducted based on appropriate risk analyses. The bank monitors the segment-specific risk diversification status including industry classifications, ratings, products, and regions, and undertakes analyses from the product-specific perspectives based on each risk profile. Portfolio Risk Management Division uses this information to improve portfolio management operations and provide reports to senior management on a monthly as well as on an ad hoc basis.

PRINCIPAL “CREDIT RISK MANAGEMENT STANDARDS”

For Basel Regulation, the Foundation Internal Ratings-Based Approach (F-IRB) has been adopted by the Bank for calculation of credit risk-weighted assets. In accordance with this approach, the Bank established “Credit Risk Management Standards,” a set of policy, standards/guideline and procedures, which define the Bank's internal rating system design and operations, internal control, use of internal rating and risk quantification.

These Standards contain “Basic Principles of the Internal Rating System for Credit Risk” as the highest level policy to define basic framework of overall internal rating systems. Details of management policy and procedures are defined in the form of subordinate specific rules for each group of exposures in the portfolio.

Summary of internal rating system of each group of exposures is shown in “EXHIBIT.”

INTERNAL CONTROL ROLES AND RESPONSIBILITIES

The Bank Group's internal control system for credit risk management has been set up in accordance with current regulations.

(1) Credit Risk Management Divisions

Group Portfolio Risk Management Division undertake the roles and responsibilities for management of credit risk of the bank and is responsible for integrated management of credit risk across the bank group.

(2) Senior Management Control/Oversight

Control and oversight for internal rating systems by senior management is defined in “Credit Risk Management Standards,” and is performed in an appropriate manner.

(3) Audit Section

The Internal Audit Divisions within the Bank and its subsidiaries evaluate the internal rating system employed by the Bank Group and ensures the system is in compliance with existing regulations.

APPLICATION OF THE INTERNAL RATING SYSTEM

The Bank uses its own internal rating systems for portfolios to which the F-IRB Approach are applied. These items are listed in the “Exhibit” for each portfolio.

The internal rating system is applied to corporate and retail exposures as categorized below. The rules for applying the internal rating system are part of the Bank's overall “Credit Risk Management Standards.”

(1) Corporate Exposure

Corporate exposure, financial institution exposure, and sovereign exposure are included. Basic standards and related detailed rules for design and operations of internal rating system, which are benchmarked against R&I rating and categorized as 0A, and 1A-9E, are applied. Corporate exposure includes Specialized Lending such as Non-Recourse Real Estate Loans, Project Finance, etc. using slotting criteria categorized as Strong, Good, Satisfactory, Weak, and Default. Specific rating standards are established for each type of finance.

QUALITATIVE DISCLOSURE (CONTINUED)

(2) Retail Exposure
Retail exposures are defined as:
- Exposures subject to pool management
- Claims against an individual (except for a claim for the purpose of funding business operations), or claims against a corporation (including an individual with the purpose of funding a business) with an outstanding amount of less than ¥100 million after the "aggregation" (nayose) on a consolidated basis.

Features of these products and credit analysis standards may vary between the Bank and its subsidiaries. As such, specific pool classification systems for each product are applied at each entity, in accordance with established guidelines.

ESTIMATION AND VALIDATION OF PARAMETERS

The approach for estimation and validation of parameters such as Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD) is set forth in "Credit Risk Management Standards." Ratings, pool classifications and estimated parameters are also used for internal control.

STRESS TESTS

Specific implementation guidelines are established for stress tests used in the assessment of capital adequacy, and credit risk stress tests to assess the effect of certain specific conditions on the Bank's regulatory capital requirements. Stress test results are reported to senior management at least once a year.

RESERVE POLICY

A reserve for credit losses of the Bank and its subsidiaries is provided as detailed below, pursuant to the predetermined internal rules for providing such reserves according to the obligor categorizations based on the self assessment of their assets.

A general reserve for claims against normal obligors, needcaution obligors and substandard obligors is provided based on the specific actual past loss experience.

A specific reserve for claims to possibly bankrupt, virtually bankrupt and legally bankrupt obligors is provided based on the full amount of the unsecured, un-guaranteed portion of the respective claims after a solvency assessment.

For claims against obligors that are possibly bankrupt (that is, those that are not presently bankrupt but are likely to go bankrupt in the future), a specific reserve is provided for the amount considered to be necessary based on an overall solvency assessment performed for the amount of claims, net of amounts expected to be collected through the disposal of collateral or execution of guarantees.

For claims against obligors that are legally bankrupt (due to bankruptcy and special liquidation) or virtually bankrupt, a specific reserve is provided based on the amount of claims, net of amounts expected to be collected through the disposal of collateral or execution of guarantees.

The reserve for loans to restructuring countries is provided based on the amount of expected losses due to the political and economic situation in each country.

Additionally, with regard to claims against possibly bankrupt obligors and substandard obligors, a reserve is provided based on the discounted cash flow method when the obligor's future cash flows for debt service are reasonably estimable and the balance of claims to such obligors is large.

TRANSITION PLAN FOR MOVING A PORTION OF THE BANK'S PORTFOLIO, WHICH HAS NOT YET APPLIED F-IRB, FROM THE STANDARDIZED APPROACH TO THE F-IRB APPROACH

Expected IRB roll-out periods of assets currently evaluated using the Standardized Approach, and the F-IRB Approach will be applied at a future date to secure sufficient data observation periods are as follows:
Not applicable.

In the case of portfolios to which the Standardized Approach is applied, the Bank will use ratings from the following qualified rating agencies to determine exposure risk weights:
S&P, Moody's, Fitch, R&I and JCR.

6. CREDIT RISK MITIGATION POLICIES AND PROCEDURES

(1) Policies and framework for mitigating credit risk
The Bank mitigates credit exposure with collateral and guarantees to reduce the credit risk of obligors. The Bank has a clear framework regarding methods for mitigating credit risk. Basic procedures and descriptions of controls, as well as types of standard collateral, guarantees necessary in granting credit, evaluation methods for different types of credit and collateral, possible "haircuts" to collateral and regular revaluation of collateral, are stipulated in the Bank's credit procedures.

(2) Controls concerning overall methods to mitigate credit risk
The Bank uses net exposure for capital calculations after netting deposit and loan claims. All collateral and guarantees are registered in a dedicated system. The information is linked to obligor and credit account data. Collateral and guarantees are revalued at least once a year. Perfection of security interest, currency, date and correlation between collateral and counterparty are checked.

(3) Eligible financial asset collateral
Financial asset collateral types are defined by the Bank to include deposits, fixed income securities, equities and commercial paper.

(4) Eligible collateralized claims
Collateral types in this category include commercial bills, rights to claim return of security deposits, rights to claim return of construction funds, loan receivables, leasing and sales installment receivables and beneficial interests in trust.

(5) Eligible real estate collateral
Collateral types in this category include land and buildings, plants and foundations including industrial foundations.

(6) Other asset-backed collateral
Eligible other asset-backed collateral is defined by the Bank as aircraft and ships.

(7) Guarantees
Guarantors are classified into the following categories: governments, central banks, municipalities, public institutions, credit guarantee associations, banks, general business entities and individuals.

QUALITATIVE DISCLOSURE (CONTINUED)

7. POLICIES AND PROCEDURES FOR COUNTERPARTIES OF DERIVATIVE PRODUCT AND TRANSACTIONS WITH LONG-HORIZON SETTLEMENT PERIODS

(1) COUNTERPARTY RISK

Counterparty credit risk arising from market trading, such as derivatives, is controlled based on current fair value and estimation of future fair value volatility. Estimation of future fair value volatility covers various products including exotic derivatives, and considers risk mitigation effect by collateral as well as netting effect by the ISDA Credit Support Annex (CSA) etc.

As the risk associated with market trade changes by market rate fluctuation after the trade, the Bank controls it based on estimation of future fair value volatility.

(2) ALLOCATION OF CREDIT LIMITS

Counterparty limits due to derivatives transactions are established based on counterparty's specific situation, and credit limits are managed as appropriate on both a counterparty limit basis, and total credit limit basis where counterparty limit is added to any other credit exposure for each obligor in order to reflect the Bank's overall exposure.

(3) CREDIT ENHANCEMENT BASED ON COLLATERAL AND RESERVES

Credit enhancement measures are taken to mitigate the Bank's concerns regarding certain obligors' credit quality as well as concentration risk in the Bank's portfolio.

The Bank follows the guidelines outlined in the ISDA CSA, which has been accepted by many financial institutions. Reserves are calculated based on expected losses according to the counterparty's credit quality, and are taken into consideration in the mark-to-market process.

(4) POSSIBILITY OF THE BANK POSTING ADDITIONAL COLLATERAL DUE TO A DECLINE IN THE BANK'S CREDIT QUALITY

If the Bank's credit quality were to decline and be reflected as such in the assignment of lower external ratings, the Bank may be required to provide additional collateral to counterparties in transactions subject to the ISDA CSA.

8. EQUITY RISK MANAGEMENT

The Bank's equity investments are mainly composed of strategic merger/acquisition or business alliance related transactions, which are approved by the Group Executive Committee, and investment business related transactions, which are approved by the Transaction Committee (TC).

The risk management methodologies for these investments are determined based on their investment types and purposes. Each risk is recognized and monitored appropriately by evaluating underlying assets/enterprise value. For securities that do not have fair market value, self assessment is conducted every quarter.

Investments in subsidiaries and affiliates are carried at cost determined by the moving average method. Available-for-sale securities are carried at fair value at the balance sheet date (cost of securities sold is determined by the moving average method) in principle, with the exception of those whose fair value cannot be reliably determined, which are carried at cost determined by the moving average method.

9. SECURITIZATION EXPOSURE RISK MANAGEMENT POLICIES AND RISK CHARACTERISTICS

BANK RULES

The Bank manages securitization transactions as follows:

(1) Originator

For fundraising, mitigation of exposure concentration, transfer of credit risk and balance sheet management purposes, the Bank securitizes loans and the Bank's subsidiaries securitize financial assets such as credit card and consumer loan receivables.

As an originator, the Bank manages the credit risk of its securitized transactions using the assumption that original assets are maintained on its books. Since the purpose of these transactions includes acquiring funds, mitigating exposure concentration, transferring credit risk and managing the Bank's balance sheet, securitization transactions are a tool to control liquidity risk.

(2) Investor

In order to invest in assets whose credit risks are different from those of existing corporate exposure and to enhance the profitearning opportunity, the Bank selectively invests in securitization transactions, including re-securitization as well as securitization defined as non-re-securitization as per Clause 2 a or b in Article 1 of Administrative Notice, which are backed by various financial products.

The Bank also re-securitizes some securitized products of which the Bank has purchased and may hold the subordinated/residual portion.

As a general rule, Risk Management Section which is fully independent from Business Sections, manages the risks arising from securitization exposure, and risk management/monitoring methodologies and risk taking/reduction policies are specified according to the types of products. Although the Bank does not actively intend to increase securitization exposure at this moment, aforementioned procedure defined in “5. Credit Risk Management and Procedures, Credit Risk Management of Specific Transactions” will be followed for new investments after specifying and recognizing the risk profile, product specifics, nature of underlying assets and structure including credit enhancement, etc.

(3) Servicer

The Bank acts as a servicer when loans, which were originated by the Bank, are used as underlying assets in securitization.

Similarly, when financial assets such as credit card and consumer loan receivables originated by the Bank's subsidiaries are used as underlying assets for a securitization, the subsidiary serves as a servicer.

(4) Swap provider

In some transactions wherein the Bank is the arranger, the Bank provides swaps in order to mitigate interest rate risk within a specified range or to manage any cashflow difference between interest from underlying assets and coupons from the securities backed by the same assets.

Securitized exposure includes various risk characteristics that are unique to each product, as well as general risks, such as credit risk, market risk, and liquidity risk.

The Bank does not act as a credit enhancement provider/liquidity provider in any transaction. The Bank does not conduct ABCP business as well.

QUALITATIVE DISCLOSURE (CONTINUED)

When the Bank acquires and monitors securitized exposures, outside ratings and their changes are closely watched as one of the effective indicators. Moreover, when the Bank assigns internal ratings, risk characteristics and structural characteristics are understood and future performance forecast is analyzed, without depending solely on outside ratings.

Investment decisions are made based on the results of such analysis and expected return. Even after an investment is made, various covenants and triggers are checked based on trustee reports and servicer reports. A continuous and regular monitoring framework is established whereby information on comprehensive risk characteristics and performance of securitized exposures and underlying assets is captured in a timely manner.

Risk capital is measured based on internal ratings assigned for each transaction. For investments in securities without a fair market value or its track record, risks are understood and controlled through self-assessments.

In terms of the reporting, overall situation of the Bank's portfolio including the securitization exposure is reported to the senior management via the Group Risk Policy Committee etc. on a monthly or a quarterly basis. The report includes information of exposure, risk quantification, change in the portfolio, and risk profiles.

POLICIES USING SECURITIZATION TRANSACTIONS FOR CREDIT RISK MITIGATION

The Bank is not using securitization transactions for credit risk mitigation.

CALCULATION METHODS FOR DETERMINING THE AMOUNT OF CREDIT RISK IN THE CONTEXT OF SECURITIZATION EXPOSURE

Risk weights are calculated based on internal rules entitled “Standards for Administering Risk Weight Calculation for Securitization Exposure.” The amount of credit risk assets related to securitization exposures is calculated using the Internal Ratings-Based Approach (IRBA), the External Ratings-Based Approach (ERBA), or the Standardized Approach (SA).

The risk assets of securitization exposures for which any methods mentioned above are not available, are calculated in 1,250%.

CALCULATION METHODS FOR DETERMINING THE AMOUNT OF MARKET RISK IN THE CONTEXT OF SECURITIZATION EXPOSURE

The amount of the general market risk of the market risk related to securitization exposures is calculated using the internal model approach. The amount of the specific risk of the market risk related to securitization exposures is calculated using the Internal Ratings-Based Approach (IRBA), the External Ratings-Based Approach (ERBA), or the Standardized Approach (SA).

TYPE OF SECURITIZATION-PURPOSE-CONDUITS FOR SECURITIZATION TRANSACTIONS OF THIRD PARTIES' ASSETS, AND WHETHER THE BANK HOLDS RELATED SECURITIZATION EXPOSURE

The Bank securitizes third parties' assets using “trust” as a part of its businesses. However, the Bank does not hold related securitization exposure.

NONCONSOLIDATED SUBSIDIARIES AND AFFILIATES WHO HOLD SECURITIZATION EXPOSURES RELATED TO THE BANK'S ORIGINATED SECURITIZATION TRANSACTIONS

No securitization exposures related to the Bank's originated securitization transactions are held by the Bank's nonconsolidated subsidiaries and affiliates.

ACCOUNTING POLICY ADOPTED FOR SECURITIZATION TRANSACTIONS

(1) When assets to be securitized are owned by the Bank, securitization assets are removed from the balance sheet and assignment of gains and losses are calculated based on the financial component (*zaimu-kousei-youso*) approach.

The assets sold and retained interests are recognized as separate components of a transfer of financial assets. Those components in the transferred assets are measured by allocating the previous carrying amount between the assets sold and retained interests based on the relative fair values at the time of transfer. Based on the calculated values of assets that are sold, gains or losses on the transfer are recognized.

However, when assets are securitized for fundraising purposes, the book value to be credited on the balance sheet is adjusted in order to prevent generating any initial profits, after removing the assets from the balance sheet using the financial component approach.

(2) When the Bank purchases securitized products, Accounting Standards for Financial Products apply to each financial asset.

(3) Fee income earned by the Bank in arranging securitization for other parties (no investment) is treated as noninterest income.

QUALIFIED RATING AGENCIES WHOSE RATINGS ARE USED BY THE BANK IN DETERMINING SECURITIZED EXPOSURE TYPE-SPECIFIC RISK WEIGHTS:

S&P, Moody's, Fitch, R&I, and JCR.

SUMMARY OF INTERNAL VALUATION METHOD FOR SECURITIZATION

The Bank is not using the internal valuation method for securitization.

SIGNIFICANT CHANGES OF QUANTITATIVE INFORMATION

There are no significant changes of quantitative information.

10. MARKET RISK MANAGEMENT POLICIES AND PROCEDURES

a) POLICY AND PROCEDURE FOR RISK MANAGEMENT

(1) DEFINITION OF MARKET RISK

Market risk is the risk of incurring losses due to changes in interest rates, FX rates, stock prices, etc.

QUALITATIVE DISCLOSURE (CONTINUED)

(2) MARKET RISK MANAGEMENT POLICY

The Executive Committee makes important decisions concerning trading business. The Committee approves important items relating to market risk, including "Trading Business Risk Management Policy" and qualitative limits of Value at Risk and Loss limit for the Bank and its Securities.

The Market Business Management Committee regularly controls market risk management and risk review of trading businesses. The Committee reviews monthly individual limit settings, customer related business movement, profit and loss/market risk situation and inherent market products risk in the business as a whole and makes decision on risk management. The market risk reports are delivered to the Head of Integrated Risk Management and to the front office.

(3) MARKET RISK MANAGEMENT FRAMEWORK

We have established effective organizational framework for check and balance by making front office unit, back office unit and middle office management unit independent respectively. The Integrated Risk Management Division, the middle office unit, is responsible for the objective and timely recognition, monitoring and reporting of these market risks and carries out regular risk analysis and recommendations, as well as timely and appropriately providing management and front office unit.

(4) QUANTITATIVE MARKET RISK MANAGEMENT

The market risk is managed based on the VaR limit and loss limit which are determined by the Group Risk Policy Committee. The bank also set sensitivity limits relating to interest rate and FX rate etc. and implement stress testing based on various market shocks to enhance market risk management.

The Integrated Risk Management Division is consistently responsible for risk measurement and its control stipulating its definitions and rules.

b) NAME OF METHODOLOGY FOR MARKET RISK MEASUREMENT

The internal-model method has been adopted for general market risk at market risk measurement and the standardized method for specific risk (except for securities) since March 31, 2007 for the Bank and Shinsei Securities. The standardized method is applied for FX related risks except Trading.

Market Risk Methodologies

		Trading	FX-related Risks except Trading
Shinsei Bank	General Market Risk	Internal Model Method • Historical Simulation Method	Standardized Method
	Specific Risk (except for securities)	Standardized method	
Shinsei Securities	General Market Risk	Internal Model Method • Historical Simulation Method	Standardized Method
	Specific Risk (except for securities)	Standardized Method	
Other Subsidiaries		–	Standardized Method

c) ADEQUATE PRICING METHOD ACCORDING TO TRANSACTION PROFILE TAKING POSSIBILITIES INTO CONSIDERATION THAT ACTUAL HOLDING PERIOD MAY EXCEED EXPECTED HOLDING PERIOD

The VaR framework is using this 10-day for holding period. Market liquidity of all trading book's products are high enough, and we evaluate adequately the pricing according to the products profile including the independent price valuation process.

d) INTERNAL MODEL METHOD AND BACK-TESTING, STRESS-TESTING

The Bank and Shinsei Securities use a historical simulation VaR for internal model at general market risk measurement (a 99% confidential level, 10 day holding period, 250 observation days). Please refer to following table for VaR data and Stressed VaR.

		Millions of yen	
		Consolidated	Nonconsolidated
VaR at the end of year		1,906	1,856
through FY	High	2,533	2,447
	Mean	1,132	1,088
	Low	669	630

		Millions of yen	
		Consolidated	Nonconsolidated
Stressed VaR at the end of year		3,135	3,039
through FY	High	4,977	4,920
	Mean	3,200	3,064
	Low	2,072	1,924

The validity of the VaR is verified through back-testing etc., which examines how frequently hypothetical daily loss that would have occurred if the position remained unchanged exceeds VaR for a one-day holding period. The back-testing results for fiscal year 2019 show that the number of days in which loss amount exceeded VaR for one-day holding period on a consolidated basis was zero.

For complementing the Internal Model method and figuring out loss possibility at stress, the Bank implements stress testing on a weekly basis. And the stress test results are reported to the Market Business Management Committee and etc.

e) INTERNAL MODEL SUMMARY IN CASE THAT INCREMENTAL RISK IS MEASURED BY INTERNAL MODEL

Not applicable.

f) INTERNAL MODEL SUMMARY IN CASE THAT COMPREHENSIVE RISK IS MEASURED BY INTERNAL MODEL

Not applicable.

g) ASSUMPTIONS AND VALUATION METHOD FOR INTERNAL EVALUATION OF CAPITAL SUFFICIENCY ON MARKET RISK

When we evaluate capital sufficiency for market risk using risk capital, we convert the above mentioned VaR calculation method into a one year horizon basis.

QUALITATIVE DISCLOSURE (CONTINUED)

11. BANKING BOOK INTEREST RATE RISK MANAGEMENT

A. Overview of risk management policy and procedure
Interest rate risk is the risk of losses on the current value of assets and liabilities whose cash flow mismatch may be impacted by interest rates due to market interest rate fluctuations.

The interest rate risk of the banking account is managed and administered pursuant to the Group Asset Liability Management Policy. In order to appropriately control interest rate risk, at the beginning of each fiscal year the Group ALM Committee determines limits for the Bank and its group companies, such as the interest rate sensitivity limit and the loss limit. At the monthly meetings, the Group ALM Committee makes comprehensive decisions on assets and liabilities based on the monitoring of the limits and net interest income (NII).

In addition to monthly reporting to the Group ALM Committee, the Group Integrated Risk Management Division, which is independent of the front offices, monitors the status of acquiring the risk and observing the limits on a daily basis and reports the results to management.

B. Overview of the interest rate risk calculation method for the banking account used by the Bank and its consolidated subsidiaries for internal control
Based on the banking IR sensitivity calculation procedure, a rule subordinate to the Group Asset Liability Management Policy and the procedure related to interest rate risk of banking account is calculated as follows.

1) Calculation method
We measure the change of economic value of the banking book (ΔEVE) per currency by means the three scenarios of IRRBB: parallel shock up, parallel shock down and steepener shock. and use maximum ΔEVE across three scenarios. The aggregation of ΔEVE for each currency is performed by simple addition of only positive values. In the measurement, future cash flows use interest rates including spreads, but discount rates do not include spreads.

2) Subject assets and liabilities
Subject assets and liabilities of the Bank and its main subsidiaries are deposits, loans, JGBs, and other assets and liabilities whose future cash flow is impacted by interest rates fluctuation.

3) Measurement premise
ΔEVE is significantly impacted by the recognition of maturities and prepayments. Accordingly, we are endeavoring to appropriately capture interest rate risk by adopting the following models.

a. Housing loans
We calculate the interest rate risk of retail housing loans by statistically analyzing prepayment data and estimating future cash flow based on a proportional hazard model using periods lapsed from the loan origination.

b. Core deposits
Core deposits (Up to 20 years, average period 2.9 year) are defined as retail ordinary yen deposits and 2-week yen denominated time deposits which are left with financial institutions for a long term without withdrawal. We model depositors' behaviors by statistically analyzing deposit balance data and estimating maturities by customer group.

c. Time deposits
We use a model for early withdrawal rates for retail time deposits, and use conservative assumptions for other early withdrawal rates for time deposits.

Millions of yen

IRRBB1:Interest rate risk					
		A	B	C	D
No		ΔEVE		ΔNII	
		End of the year	End of last year	End of the year	End of last year
1	parallel shock up	60,868	63,397	9,602	–
2	parallel shock down	1,732	11,644	8,469	–
3	steepener shock	34,893	29,041		
4	Flattener shock	–	–		
5	Short rate up shock	–	–		
6	Short rate down shock	–	–		
7	Max	60,868	63,397	9,602	–
		E		F	
		End of the year		End of last year	
8	Core capital	822,450		795,301	

12. OPERATIONAL RISK MANAGEMENT POLICIES AND PROCEDURES

MANAGEMENT POLICIES AND PROCEDURES
(1) Definition of Operational Risk
The Bank classifies operational risk into several risk categories, such as operational and administrative risk, compliance risk, labor-related risk, systems risk, extensive disaster risk and material object risk, which are applied across the Bank and its consolidated subsidiaries.

QUALITATIVE DISCLOSURE (CONTINUED)

(2) Operational Risk Management System

The Bank manages operational risk at multiple levels as follows:

- Management by business lines according to the nature of each business
- Cross-organizational management by designated management divisions for respective risk categories mentioned above (hereinafter "designated management divisions") and by the firmwide management division of operational risk (hereinafter "firm-wide management division")
- Verification by the Group Internal Audit Division on the appropriateness and effectiveness of the overall risk management system
- Based on reports and proposals, the Board of Directors etc. makes decisions on important items, including general rules and organizational changes related to operational risk management

The designated management divisions and the firm-wide management division are independent from business lines, which are accountable for earnings, and promoting management of overall operational risk and each risk category. The divisions develop uniform management standards and procedures, capture and evaluate errors and irregularities, conduct causal analysis and support establishment of recurrence prevention measures. Moreover, the divisions meet on a regular basis to discuss challenges and measures for operational risk management, as well as to share information.

Operational risk is recognized and evaluated through review of internal errors and irregularities that have occurred, as well as through consideration of potential errors and irregularity scenarios that may occur less frequently but may have a significant impact. Uniform standards for collection and evaluation of errors and irregularities are established to capture and/or evaluate significant actual errors and/or irregularities on a regular basis. Procedures are determined to ensure that potential errors and irregular scenarios for each business operation are specified and their frequency and severity are evaluated in a complete and appropriate manner on an at least an annual basis.

Such identified and evaluated risks are reported to senior management by the designated management divisions and the firm-wide management division and are used in Risk Capital measurement for internal management purposes.

(3) "Operational Risk Management Standards"

"Operational Risk Management Standards" are a set of policies and procedures used to define the organizational framework, specific methods and processes for operational risk management. They are composed of the following:

- "Operational Risk Management Policy"
- Specific management rules
- Management rules at consolidated subsidiaries

"Operational Risk Management Policy" is the highest set of rules on operational risk management. To ensure comprehensive and consistent operational risk management within the Bank Group, the Policy establishes risk definitions, governance and basic policies on operational risk management, and the basic framework for risk capture, evaluation, monitoring, reporting, control and mitigation.

Specific management rules include management standards and procedures for each respective operational risk category, and for new businesses and products.

Management rules at each consolidated subsidiary are composed of comprehensive rules on overall operational risk management and specific rules for respective operational risk categories. Consolidated subsidiaries establish, revise and repeal rules with the approval of their Board of Directors, according to their risk characteristics and specific internal controls. Their establishment, revision and repeal are subject to prior discussions with and after-the-fact reports to the Bank to ensure consistency with the Bank's risk management rules.

METHODOLOGY TO CALCULATE OPERATIONAL RISK UNDER BASEL REGULATION

The Standardized Approach is adopted by the Bank.

Amount of required capital for Operational Risk at the end of fiscal year 2019:

	Millions of yen	
	Required capital amount (Consolidated)	Required capital amount (Nonconsolidated)
The Standardized Approach	¥ 31,139	¥ 15,404

QUALITATIVE DISCLOSURE (CONTINUED)

EXHIBIT: SUMMARY OF INTERNAL RATING SYSTEM

Type of Exposures	Corporate Exposures (Shinsei Bank, and Showa Leasing (large amount exposures))	
	(a) Corporate Exposures, (b) Sovereign Exposures, (c) Exposures to Banks, and (d) Equity Exposures (Exposures to which Internal Rating and PD/LGD approach is applied)	(e) Specialized Lending
Structure of Internal Rating System	An obligor rating system benchmarked against external ratings (R&I) which reflects credit status of obligor is in place. Obligor rating is derived from quantitative score calculated from model prepared by using external ratings etc. as a benchmark based on the financial data of a customer, and determined taking into account of influence from group companies and future financial projection. Obligor ratings for Sovereign/Bank exposures are assigned based on specific rules.	A facility rating system based on degree of expected loss ratio according to the transaction type is in place for specialized lending assets whose interest payments and principal repayments are heavily dependent on the profit of assets and the business. Ratings are assessed according to facility type as follows. • Real estate nonrecourse loans are decided by adding qualitative adjustments to quantitative index based on the LTV. • Ratings for project finance or non-recourse shipping finance are decided by comprehensively considering financial indices such as DSCR and the assessment of each risk factor that has an impact on the operation of the project. Regarding nonrecourse shipping finance, evaluation of ship is also considered in the risk assessment.
Usage of Various Estimated Value (Use Test)	Obligor rating and facility rating are used in the standards of credit approval authority procedures, pricing, portfolio management, and allocating Risk Capital.	
Management of Internal Rating System, and Rating Assignment Procedures	Group Portfolio Risk Management Division (GPRMD) of the Bank is in charge of designing the rating system and ratings are assigned by the section in charge of credit analysis.	
Validation Procedures	Back testing, rating transition analyses, the reasonability of the rating and appropriateness of the rating process are conducted in a multifaceted manner for validation of rating and parameters by using internal and external data.	According to the type of transactions, rating transition analyses, the reasonability of the rating and appropriateness of the rating process are conducted for validation of rating by using internal and external data.
Estimation of Parameters	Definition of Default Obligor categorization under self assessment falls to sub-standard (9B) or lower, etc. PD Long-term averages are calculated based on internal data, and margin for estimation error is added to derive estimates. LGD/EAD Parameters are not estimated as a bank using Fundamental Internal Ratings-Based Approach.	Internal ratings are allocated to slotting criteria, and parameters are not estimated.

QUALITATIVE DISCLOSURE (CONTINUED)

EXHIBIT: SUMMARY OF INTERNAL RATING SYSTEM

Type of Exposures	Retail Exposures (Shinsei Bank)		Retail Exposures (APLUS FINANCIAL, APLUS, APLUS PERSONAL LOAN, Zen-Nichi Shinpan, Shinsei Financial, Shinsei Personal Loan and Showa Leasing)
	(f) Residential Mortgage Exposures	(g) Qualifying Revolving Retail Exposures	(h) Qualifying Revolving Retail Exposures, (i) Other Retail Exposures
Structure of Internal Rating System	Assignment of Pool Category to each exposure shall be conducted so that risk is appropriately categorized, taking into account the obligor's risk characteristics, transaction's risk characteristics and the delinquency status of the exposure. (In addition to housing loans described above, housing loans originated by lenders other than the Bank and purchased as portfolios by the Bank are managed as purchased receivables.)	Portfolios which the bank originated are classified as qualifying revolving retail exposures. Pools are classified quantitatively by obligor risk characteristics and etc.	Portfolios of the Bank's subsidiaries are classified as qualifying revolving retail exposures (such as unsecured personal loans, credit cards) or other retail exposures (such as installment sales credit receivables, small-lot lease receivables) according to credit facility types. (Housing loan portfolios of APLUS and Zen-Nichi Shinpan are classified as residential mortgage exposures). Exposures are assigned to appropriate pools established for each subsidiary, considering obligor risk characteristics, transaction risk characteristics, and delinquency status.
Usage of Various Estimated Value (Use Test)	Pool classification and PD/LGD/EAD estimates are used for calculating and allocating Risk Capital.	Pool classification and PD/LGD/EAD estimates are used for calculating and allocating Risk Capital.	Pool classification and PD/LGD/EAD estimates are used for calculating and allocating Risk Capital.
Management of Internal Rating System, and Rating Assignment Procedures	Group Portfolio Risk Management Division (GPRMD) of the Bank is in charge of internal rating system design, pool assignment and also estimates/validates parameters.	GPRMD of the Bank is in charge of internal rating system design, pool assignment and also estimates/validates parameters with guarantee company in the Shinsei group.	GPRMD of the Bank is in charge of internal rating system design, pool assignment and also estimates/validates parameters with subsidiaries.
Validation Procedures	Key methodologies of validation are as follows: • PD: Validation whether gap between PD estimates/theoretical PD values by age of exposures based on the PD seasoning curve and historical PD • LGD: Validation whether gap between LGD estimates and historical LGD remain within a certain confidence level, and validation whether estimated collateral sale price is conservative.	Key methodologies of validation are as follows: • PD: Validation of accordance between PD estimates and historical PD, and validation of PD and rating goodness of fit • LGD: Validation if gap between LGD estimates and historical LGD remain within a certain confidence level • Pool classification: Validation on default predictive power	Key methodologies of validation are as follows: • PD: Validation of accordance between PD estimates and historical PD, and validation of PD and rating goodness of fit • LGD: Validation if gap between LGD estimates and historical LGD remain within a certain confidence level • Pool classification: Validation on default predictive power
Estimation of Parameters	Definition of Default Any of the following: i) past due three months or more, ii) relaxation of terms and conditions, iii) legal bankruptcy PD/LGD PD/LGD are estimated using the Bank's historical data and the margin for estimation error is added to derive estimates. The seasoning characteristics of default for PD and collection from collateral sale value for LGD are taken into consideration.	Definition of Default Subrogated for late payment and etc. PD/LGD/EAD PD/LGD/EAD are estimated on pool by pool basis, using the historical data. Long-term averages are calculated based on these data, and margin for estimation error is added to derive estimates.	Definition of Default Any of the following: i) past due three months or more, ii) relaxation of terms and conditions, iii) legal bankruptcy, etc. PD/LGD/EAD PD/LGD/EAD are estimated on pool by pool basis, using the Bank's subsidiaries' historical data. Long-term averages are calculated based on these data, and margin for estimation error is added to derive estimates.

QUALITATIVE DISCLOSURE (CONTINUED)

SHINSEI BANK CORPORATE OBLIGOR RATING SYSTEM

Obligor Rating Categories	Corresponding Rating Assigned by R & I	Summary
0A		1. Japanese Government, BOJ. 2. Government-affiliated agencies, expected high certainty from strong backup by the Government.
1A	AAA	Highest capability to meet its financial commitments on the obligations and many other positive factors.
2A	AA+	Very high capability to meet its financial commitment on the obligation and other positive factors.
2B	AA	
2C	AA-	
3A	A+	High capability to meet its financial commitments on the obligations and some good factors.
3B	A	
3C	A-	
4A	BBB+	There is adequate certainty of the fulfillment of obligations, but there are also some factors requiring attention in the event of serious adverse economic conditions in the future.
4B	BBB	
4C	BBB-	
5A	BB+	No problem regarding the certainty of the fulfillment of obligations for the time being, but some factors need to be closely watched in the event of adverse economic conditions in the future.
5B	BB	
5C	BB-	
6A	B+	No problem regarding the certainty of the fulfillment of obligations in the present situation, but special supervision is needed to monitor the trends in business performance and the protection of credit exposure.
6B	B	
6C	B-	
9A		Classified as "Other Need Caution" in the self-assessment.
9B		Classified as "Sub-Standard" in the self-assessment.
9C		Classified as "Possibly Bankrupt" in the self-assessment.
9D		Classified as "Virtually Bankrupt" in the self-assessment.
9E		Classified as "Bankrupt" in the self-assessment.

With regard to the internal controls related to the calculation of the capital adequacy ratio, we received an independent audit by Deloitte Touche Tohmatsu LLC in accordance with “Treatment of Inspection of the Capital Ratio Calculation Framework Based on Agreed-Upon Procedures” (JICPA Professional Business Practice Guidelines 4465, as per Industry Committee Report No. 30). The certain procedures performed by the external auditor are not a part of the audit of the financial statements. The certain procedures are agreed with us and the external auditor and are not a validation of appropriateness of the capital ratio itself or opinion on the internal controls related to the capital ratio.

COMPOSITION OF CAPITAL DISCLOSURE (CONSOLIDATED)

Shinsei Bank and subsidiaries

As of March 31 Items	Millions of yen (except percentages) **March 31, 2020 Basel III (Domestic Standard)**	March 31, 2019 Basel III (Domestic Standard)
Core capital: instruments and reserves (1)		
Directly issued qualifying common share capital or preferred share capital with a compulsory conversion clause plus related capital surplus and retained earnings	**¥ 916,906**	¥ 897,092
of which: capital and capital surplus	**590,710**	590,710
of which: retained earnings	**389,600**	346,562
of which: treasury stock (–)	**61,097**	37,729
of which: earning to be distributed (–)	**2,307**	2,452
of which: other than above	**–**	–
Accumulated other comprehensive income (amount allowed to be included in Core capital)	**(5,255)**	(1,149)
of which: foreign currency translation adjustment	**(1,670)**	(1,527)
of which: amount related defined benefit	**(3,585)**	378
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	**76**	49
Adjusted noncontrolling interests (amount allowed to be included in Core capital)	**17**	10
Total of reserves included in Core capital: instruments and reserves	**637**	611
of which: general reserve for loan losses included in Core capital	**637**	611
of which: eligible provision included in Core capital	**–**	–
Eligible noncumulative perpetual preferred shares subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	**–**	–
Eligible capital instruments subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	**–**	–
Capital instruments issued through measures for capital enhancement by public institutions (amount allowed to be included in Core capital: instruments and reserves)	**–**	–
Land revaluation excess after 55% discount (amount allowed to be included in Core capital: instruments and reserves)	**–**	–
Noncontrolling interests subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	**3,352**	2,964
Core capital: instruments and reserves (A)	**¥ 915,735**	¥ 899,577
Core capital: regulatory adjustments (2)		
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	**¥ 52,178**	¥ 52,790
of which: goodwill (including those equivalent)	**13,015**	13,798
of which: other intangibles other than goodwill and mortgage servicing rights	**39,163**	38,991
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	**6,844**	7,251
Shortfall of eligible provisions to expected losses	**30,318**	36,650
Gain on sale of securitization	**–**	–
Gains and losses due to changes in own credit risk on fair valued liabilities	**–**	–
Net defined benefit asset	**3,943**	7,584
Investments in own shares (excluding those reported in the net assets section)	**–**	0
Reciprocal cross-holdings in common equity	**–**	–
Investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (“Other Financial Institutions”), net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above the 10% threshold)	**–**	–
Amount exceeding the 10% threshold on specific items	**–**	–
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	**–**	–
of which: mortgage servicing rights	**–**	–
of which: deferred tax assets arising from temporary differences (net of related tax liability)	**–**	–
Amount exceeding the 15% threshold on specific items	**–**	–
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	**–**	–
of which: mortgage servicing rights	**–**	–
of which: deferred tax assets arising from temporary differences (net of related tax liability)	**–**	–
Core capital: regulatory adjustments (B)	**¥ 93,284**	¥ 104,276
Capital (consolidated)		
Capital (consolidated) ((A)–(B)) (C)	**¥ 822,450**	¥ 795,301
Risk-weighted assets, etc.		
Total amount of credit risk-weighted assets	**¥ 6,741,251**	¥ 6,177,810
of which: total amount included in risk-weighted assets by transitional arrangements	**–**	(330)
of which: significant investments in the common stock of Other Financial Institutions (net of eligible short positions)	**–**	(330)
of which: other than above	**–**	–
Market risk (derived by multiplying the capital requirement by 12.5)	**206,136**	154,082
Operational risk (derived by multiplying the capital requirement by 12.5)	**389,243**	379,341
Credit risk-weighted assets adjustments	**–**	–
Operational risk adjustments	**–**	–
Total amount of Risk-weighted assets (D)	**¥ 7,336,631**	¥ 6,711,235
Capital ratio (consolidated)		
Capital ratio (consolidated) ((C)/(D))	**11.21%**	11.85%

QUANTITATIVE DISCLOSURE (CONSOLIDATED)

1. NAMES OF SUBSIDIARIES THAT ARE OUTSIDE THE SCOPE OF REGULATORY CONSOLIDATION WITH LOWER LEVEL OF CAPITAL THAN REQUIRED LEVEL OF ADEQUACY CAPITAL AND AMOUNT OF SHORTAGE

• There are no companies that are subject to the above.

2. CAPITAL ADEQUACY

(1) AMOUNT OF REQUIRED CAPITAL FOR CREDIT RISK

Portfolios under the Standardized Approach (SA)

	Millions of yen	
	2020	2019
As of March 31	**Required capital amount**	Required capital amount
Shinsei Bank	**¥ 335**	¥ 370
Subsidiaries	**14,021**	5,827

Portfolios under the Internal Ratings-Based Approach (IRB)

	Millions of yen	
	2020	2019
As of March 31	**Required capital amount**	Required capital amount
Corporate (Excluding Specialized Lending) [1]	**¥ 153,861**	¥ 151,474
Specialized Lending [2]	**101,824**	95,739
Sovereign	**5,726**	5,675
Bank	**15,341**	14,197
Residential mortgages	**9,557**	10,211
Qualified revolving retails	**128,541**	131,920
Other retails	**172,910**	163,258
Equity	**20,626**	19,980
Fund	**17,007**	16,337
Securitization	**43,971**	30,733
Purchase receivables	**11,557**	10,842
Other assets	**3,694**	3,432
CVA risk	**14,641**	10,520
CCP risk	**95**	92
Total	**¥ 699,359**	¥ 664,417

Note:1."Corporate" includes "Small and Medium-sized Entities."
2."Specialized Lending" refers to a claim whose source of recovery is solely dependent on the cash flow generated from a transaction such as a real estate nonrecourse loan.

(2) AMOUNT OF REQUIRED CAPITAL FOR EQUITY EXPOSURE UNDER IRB

	Millions of yen	
	2020	2019
As of March 31	**Required capital amount**	Required capital amount
Market-Based Approach Simplified Method	**¥ 4,450**	¥ 4,269
PD/LGD Method	**2,718**	2,600
RW100% Applied	**4**	4
RW250% Applied	**13,454**	13,106
Total	**¥ 20,626**	¥ 19,980

(3) EXPOSURE RELATING TO INVESTMENT FUNDS

	Millions of yen	
	2020	2019
As of March 31	**Required capital amount**	Required capital amount
Look-through approach	**¥ 2,193**	¥ 1,428
Mandate-based approach	**344**	–
Probability-based approach [250%]	**–**	–
Probability-based approach [400%]	**14,469**	14,909
Fall-back approach [1,250%]	**0**	0
Total	**¥ 17,007**	¥ 16,337

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

(4) AMOUNT OF REQUIRED CAPITAL FOR MARKET RISK

	Millions of yen	
	2020	2019
As of March 31	**Required capital amount**	Required capital amount
The Standardized Approach	**¥ 548**	¥ 549
Interest rate risk	**32**	26
Equity position risk	**0**	3
FX risk	**514**	486
Securitization risk	**1**	32
The Internal Models Approach (IMA) (General Market Risk)	**¥ 15,942**	¥ 11,777

(5) AMOUNT OF REQUIRED CAPITAL FOR OPERATIONAL RISK

	Millions of yen	
	2020	2019
As of March 31	**Required capital amount**	Required capital amount
The Standardized Approach	**¥ 31,139**	¥ 30,347

(6) TOTAL REQUIRED CAPITAL (DOMESTIC STANDARD)

	Millions of yen	
As of March 31	**2020**	2019
Total Required Capital (Risk-weighted Assets x 4%)	**¥ 293,465**	¥ 268,449

3.CREDIT RISK EXPOSURE (EXCLUDING SECURITIZATION AND EXPOSURES RELATING TO INVESTMENT FUNDS)

(1) AMOUNT OF CREDIT RISK EXPOSURE

Geographic, Industries or Maturity

	Millions of yen							
	2020				2019			
	Amount of Credit Risk Exposure				Amount of Credit Risk Exposure			
As of March 31	**Total**	**Loans, etc.[1]**	**Securities[2]**	**Derivatives[3]**	Total	Loans, etc.[1]	Securities[2]	Derivatives[3]
Manufacturing	**¥ 308,197**	**¥ 285,833**	**¥ –**	**¥ 22,364**	¥ 316,377	¥ 299,301	¥ 1,000	¥ 16,075
Agriculture	**1,609**	**1,609**	**–**	**–**	337	337	–	–
Mining	**1,292**	**1,290**	**–**	**2**	916	914	–	1
Construction	**71,123**	**70,923**	**200**	**–**	49,082	48,882	200	–
Electric power, gas, water supply	**468,342**	**441,947**	**–**	**26,394**	418,610	398,856	–	19,753
Information and communication	**47,602**	**47,601**	**–**	**0**	55,913	55,911	–	1
Transportation	**214,473**	**214,185**	**–**	**287**	217,108	216,811	–	297
Wholesale and retail	**220,368**	**206,713**	**100**	**13,555**	202,430	189,350	100	12,980
Finance and insurance	**2,369,222**	**2,109,288**	**224,841**	**35,093**	2,084,941	1,924,388	138,599	21,953
Real estate	**819,912**	**709,792**	**108,187**	**1,932**	729,721	600,703	126,404	2,613
Services	**606,128**	**604,341**	**950**	**835**	534,336	533,148	801	386
Government	**432,910**	**71,954**	**360,956**	**–**	561,576	60,863	500,713	–
Individuals	**3,279,253**	**3,279,037**	**–**	**216**	3,215,767	3,215,476	–	290
Others	**1,923**	**1,923**	**–**	**–**	1,598	1,598	–	–
Domestic Total	**8,842,360**	**8,046,442**	**695,236**	**100,681**	8,388,718	7,546,545	767,817	74,354
Foreign	**1,015,241**	**726,630**	**189,912**	**98,699**	975,647	698,720	214,243	62,683
Total	**¥ 9,857,602**	**¥ 8,773,072**	**¥ 885,148**	**¥ 199,381**	¥ 9,364,365	¥ 8,245,266	¥ 982,061	¥ 137,038
To 1 year	**1,666,030**	**1,501,856**	**142,563**	**21,610**	1,646,275	1,491,754	138,853	15,667
1 to 3 years	**1,666,278**	**1,413,278**	**224,759**	**28,241**	1,889,961	1,522,330	347,489	20,141
3 to 5 years	**1,177,990**	**991,492**	**155,662**	**30,834**	1,063,870	889,137	150,362	24,370
Over 5 years	**3,358,718**	**2,879,362**	**360,660**	**118,695**	3,116,650	2,695,938	343,853	76,857
Undated	**1,988,584**	**1,987,083**	**1,501**	**–**	1,647,606	1,646,104	1,501	–
Total	**¥ 9,857,602**	**¥ 8,773,072**	**¥ 885,148**	**¥ 199,381**	¥ 9,364,365	¥ 8,245,266	¥ 982,061	¥ 137,038

Note:1 Excluding purchased receivables.
2 Excluding equity exposures.
3 Credit equivalent amount basis.

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

(2) AMOUNT OF DEFAULT EXPOSURE BEFORE PARTIAL WRITE-OFF

Geographic, Industries

	Millions of yen	
	2020	2019
As of March 31	**Default Exposure**	Default Exposure
Manufacturing	**¥ 1,034**	¥ 4,163
Agriculture	**43**	47
Mining	**–**	–
Construction	**1,027**	910
Electric power, gas, water supply	**6,069**	–
Information and communication	**123**	576
Transportation	**2,198**	2,810
Wholesale and retail	**7,834**	4,491
Finance and insurance	**100**	267
Real estate	**6,745**	5,358
Services	**4,801**	3,148
Government	**–**	–
Individuals	**117,556**	120,854
Others	**673**	659
Domestic Total	**148,207**	143,288
Foreign	**5,602**	5,285
Total	**¥ 153,809**	¥ 148,573

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

	Millions of yen					
	2020			2019		
As of March 31	**Start Amount**	**Change Amount**	**End Amount**	Start Amount	Change Amount	End Amount
General	**¥ 71,719**	**¥ 6,259**	**¥ 77,979**	¥ 77,520	¥ (5,800)	¥ 71,719
Specific	**80,820**	**(2,116)**	**78,703**	86,823	(6,003)	80,820
Country	**–**	**–**	**–**	–	–	–
Total	**¥ 152,540**	**¥ 4,142**	**¥ 156,682**	¥ 164,343	¥ (11,803)	¥ 152,540

Geographic

	Millions of yen							
	2020				2019			
	Reserve Amount				Reserve Amount			
As of March 31	**Total**	**General**	**Specific**	**Country**	Total	General	Specific	Country
Domestic	**¥ 149,943**	**¥ 73,695**	**¥ 76,248**	**¥ –**	¥ 146,176	¥ 67,502	¥ 78,674	¥ –
Foreign	**6,739**	**4,283**	**2,455**	**–**	6,363	4,217	2,145	–
Total	**¥ 156,682**	**¥ 77,979**	**¥ 78,703**	**¥ –**	¥ 152,540	¥ 71,719	¥ 80,820	¥ –

Industries

	Millions of yen	
	2020	2019
As of March 31	**Reserve Amount**	Reserve Amount
Manufacturing	**¥ 1,797**	¥ 3,453
Agriculture	**29**	43
Mining	**6**	6
Construction	**574**	762
Electric power, gas, water supply	**6,825**	2,868
Information and communication	**447**	988
Transportation	**1,408**	1,335
Wholesale and retail	**6,981**	4,055
Finance and insurance	**1,452**	2,081
Real estate	**7,220**	5,418
Services	**7,094**	5,571
Government	**42**	44
Individuals	**112,970**	117,109
Others	**547**	566
Foreign	**6,739**	6,363
Non-classified	**2,544**	1,871
Total	**¥ 156,682**	¥ 152,540

Note:Although the specific allowance for credit losses does not include the allowance relating to any securitization exposures and exposures relating to funds, the allowance relating to these exposures is not excluded from both the general allowance for credit losses and the allowance for loans to specific foreign borrowers, because we do not manage provisioning with respect to each asset class based on Basel III.

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

(4) AMOUNT OF WRITE-OFFS

Industries

	Millions of yen	
	FY2019	FY2018
	Amount of write-off	Amount of write-off
Manufacturing	**¥ 37**	¥ 41
Agriculture	**4**	–
Mining	**–**	0
Construction	**63**	30
Electric power, gas, water supply	**–**	–
Information and communication	**2**	0
Transportation	**12**	0
Wholesale and retail	**36**	88
Finance and insurance	**–**	–
Real estate	**0**	0
Services	**79**	69
Government	**–**	–
Individuals	**40,355**	45,499
Others	**466**	–
Foreign	**–**	215
Non-classified	**–**	–
Total	**¥ 41,057**	¥ 45,947

(5) AMOUNT OF EXPOSURES UNDER SA (AFTER CREDIT RISK MITIGATION)

	Millions of yen			
	2020		2019	
As of March 31	**Rated**	**Unrated**	Rated	Unrated
0%	**¥ 50**	**¥ 10,064**	¥ 67	¥ 10,120
10%	**–**	**–**	–	–
20%	**21,145**	**29**	20,324	29
35%	**–**	**2,913**	–	3,039
50%	**3,877**	**557**	273	241
75%	**–**	**74,267**	–	41,228
100%	**186**	**114,363**	385	38,791
150%	**–**	**1,191**	–	1,325
350%	**–**	**–**	–	–
1,250%	**–**	**–**	–	–
Total	**¥ 25,259**	**¥203,388**	¥ 21,050	¥ 94,775

(6) SPECIALIZED LENDING EXPOSURE UNDER SLOTTING CRITERIA AND EQUITY EXPOSURE UNDER MARKET-BASED SIMPLIFIED METHOD

Specialized lending excluding high-volatility commercial real estate

	Millions of yen	
As of March 31	**2020**	2019
Risk weight ratio	**Amount of Exposure**	Amount of Exposure
50%	**¥ 157,389**	¥ 224,936
70%	**574,796**	441,397
90%	**164,335**	121,918
115%	**68,423**	77,574
250%	**45,400**	42,456
0% (Default)	**9,113**	1,894
Total	**¥1,019,459**	¥ 910,177

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

Specialized lending for high-volatility commercial real estate

As of March 31	Millions of yen 2020	2019
Risk weight ratio	**Amount of Exposure**	Amount of Exposure
70%	**¥ 4,779**	¥ 13,151
95%	**21,366**	26,461
120%	**28,713**	3,211
140%	**56,953**	30,518
250%	**10,807**	52,290
0% (Default)	**3,629**	3,432
Total	**¥ 126,249**	¥ 129,066

Equity exposure under Market-Based Simplified Method

As of March 31	Millions of yen 2020	2019
Risk weight ratio	**Amount of Exposure**	Amount of Exposure
300%	**¥ 486**	¥ 6,092
400%	**12,754**	8,016
Total	**¥ 13,241**	¥ 14,109

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

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

Corporate

Millions of yen (except percentages)

As of March 31	2020					2019				
Credit Rating	**PD**	**LGD**	**Risk Weight**	**EAD (On-balance)**	**EAD (Off-balance)**	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0–4	**0.14%**	**44.87%**	**37.68%**	**¥1,594,534**	**¥ 158,324**	0.14%	44.83%	37.84%	¥1,573,544	¥ 159,750
5–6	**1.50%**	**43.93%**	**95.19%**	**679,241**	**84,383**	1.48%	44.01%	94.41%	695,731	91,660
9A	**9.34%**	**44.06%**	**179.85%**	**101,377**	**6,763**	9.39%	44.84%	185.49%	78,019	5,165
Default	**100.00%**	**45.00%**	**–**	**19,511**	**840**	100.00%	49.32%	–	20,174	–

Note: LGD is shown after credit risk mitigation

Sovereign

Millions of yen (except percentages)

As of March 31	2020					2019				
Credit Rating	**PD**	**LGD**	**Risk Weight**	**EAD (On-balance)**	**EAD (Off-balance)**	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0–4	**0.00%**	**45.00%**	**3.15%**	**¥2,114,118**	**¥ 2,816**	0.00%	45.00%	3.25%	¥2,031,451	¥ 2,600
5–6	**–**	**–**	**–**	**–**	**–**	0.81%	45.00%	66.61%	0	–
9A	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–
Default	**100.00%**	**45.00%**	**–**	**10**	**–**	100.00%	45.00%	–	10	–

Note: LGD is shown after credit risk mitigation

Bank

Millions of yen (except percentages)

As of March 31	2020					2019				
Credit Rating	**PD**	**LGD**	**Risk Weight**	**EAD (On-balance)**	**EAD (Off-balance)**	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0–4	**0.07%**	**44.99%**	**35.42%**	**¥ 264,232**	**¥ 121,085**	0.07%	44.97%	35.24%	¥ 171,117	¥ 80,799
5–6	**0.81%**	**45.00%**	**98.82%**	**28,706**	**1,220**	0.95%	45.00%	107.83%	20,365	2,391
9A	**9.34%**	**45.00%**	**184.11%**	**4,937**	**–**	9.39%	13.55%	51.72%	53,888	21,825
Default	**100.00%**	**45.00%**	**–**	**100**	**–**	100.00%	45.00%	–	267	–

Note: LGD is shown after credit risk mitigation

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

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

Millions of yen (except percentages)

As of March 31	2020				2019			
Credit Rating	**PD**	**LGD**	**Risk Weight**	**Amount**	PD	LGD	Risk Weight	Amount
0–4	**0.13%**	**90.00%**	**209.23%**	**¥ 5,905**	0.13%	90.00%	207.43%	¥ 8,281
5–6	**1.50%**	**90.00%**	**360.54%**	**2,358**	1.65%	90.00%	354.76%	3,084
9A	**9.34%**	**90.00%**	**705.97%**	**1,585**	9.39%	90.00%	722.77%	350
Default	**100.00%**	**90.00%**	**1,125.00%**	**0**	100.00%	90.00%	1,125.00%	0

• Estimated average PD, LGD, risk weight ratio, Exposure at Default (EAD) (on- and off-balance), amount of undrawn commitments and estimated average Credit Conversion Factors (CCF) of undrawn commitments for residential mortgage exposure, qualified revolving retail exposure and other retail exposure

Residential mortgage exposure

Millions of yen (except percentages)

As of March 31	2020							2019						
Pool	**PD**	**LGD**	**Risk Weight**	**EAD (On-balance)**	**EAD (Off-balance)**	**Undrawn Amount**	**Commitment CCF**	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF
Normal	**0.22%**	**16.17%**	**7.43%**	**¥ 1,146,230**	**¥ 2,354**	**¥ –**	**–**	0.23%	16.27%	7.74%	¥ 1,186,746	¥ 2,964	¥ –	–
Need caution	**63.12%**	**19.91%**	**78.64%**	**2,253**	**47**	**–**	**–**	64.90%	20.55%	76.63%	2,088	80	–	–
Default	**100.00%**	**39.01%**	**49.76%**	**3,177**	**19**	**–**	**–**	100.00%	40.32%	48.42%	3,197	14	–	–

Note: LGD is shown after credit risk mitigation

Qualified revolving retail exposure

Millions of yen (except percentages)

As of March 31	2020							2019						
Pool	**PD**	**LGD**	**Risk Weight**	**EAD (On-balance)**	**EAD (Off-balance)**	**Undrawn Amount**	**Commitment CCF**	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF
Normal	**5.97%**	**75.09%**	**89.32%**	**¥ 540,649**	**¥ 143,400**	**¥ 3,627,965**	**3.95%**	5.75%	76.35%	88.86%	¥ 536,398	¥ 147,318	¥ 3,644,066	4.04%
Need caution	**81.39%**	**79.61%**	**115.63%**	**3,125**	**60**	**3,544**	**1.71%**	80.90%	80.85%	117.73%	2,871	48	3,184	1.51%
Default	**100.00%**	**68.85%**	**–**	**60,423**	**–**	**–**	**–**	100.00%	71.34%	–	64,387	–	–	–

Note: LGD is shown after credit risk mitigation

Other retail exposure

Millions of yen (except percentages)

As of March 31	2020							2019						
Pool	**PD**	**LGD**	**Risk Weight**	**EAD (On-balance)**	**EAD (Off-balance)**	**Undrawn Amount**	**Commitment CCF**	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF
Normal	**3.15%**	**65.41%**	**86.54%**	**¥ 726,667**	**¥ 699,294**	**¥ 130,604**	**2.19%**	3.39%	64.35%	86.08%	¥ 624,275	¥ 688,058	¥ 138,266	3.24%
Need caution	**66.70%**	**57.30%**	**113.03%**	**5,188**	**1,945**	**488**	**3.32%**	66.80%	52.60%	105.28%	5,250	2,084	16	0.00%
Default	**100.00%**	**60.32%**	**0.56%**	**56,086**	**624**	**–**	**–**	100.00%	59.47%	4.62%	56,034	592	–	–

Note: LGD is shown after credit risk mitigation

(8) COMPARATIVE RESULTS OF ACTUAL LOSSES AND EXPECTED LOSSES FOR THE LAST THREE YEARS UNDER F-IRB APPROACH

Corporate

Millions of yen

	FY2019	FY2018	FY2017
Results of actual losses (a)	**¥ 2,695**	¥ 1,736	¥ 3,957
Expected losses (b)	**8,563**	9,548	9,527
Differences ((b) - (a))	**5,867**	7,812	5,570

Sovereign

Millions of yen

	FY2019	FY2018	FY2017
Results of actual losses (a)	**¥ –**	¥ –	¥ –
Expected losses (b)	**21**	28	34
Differences ((b) - (a))	**21**	28	34

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

Bank

	Millions of yen		
	FY2019	FY2018	FY2017
Results of actual losses (a)	**¥ –**	¥ 70	¥ –
Expected losses (b)	**137**	117	218
Differences ((b) - (a))	**137**	47	218

Residential mortgage exposure

	Millions of yen		
	FY2019	FY2018	FY2017
Results of actual losses (a)	**¥ 264**	¥ 156	¥ 304
Expected losses (b)	**832**	931	1,197
Differences ((b) - (a))	**568**	774	893

Qualified revolving retail exposure

	Millions of yen		
	FY2019	FY2018	FY2017
Results of actual losses (a)	**¥ 21,825**	¥ 23,718	¥ 24,482
Expected losses (b)	**37,003**	38,842	35,921
Differences ((b) - (a))	**15,178**	15,123	11,439

Other retail exposure

	Millions of yen		
	FY2019	FY2018	FY2017
Results of actual losses (a)	**¥ 8,590**	¥ 8,076	¥ 7,916
Expected losses (b)	**26,851**	24,934	21,771
Differences ((b) - (a))	**18,260**	16,858	13,854

[Analysis]
The result of actual losses for the year ended March 31, 2020 was almost same as in the previoues fiscal year and has been stable between above fiscal years

The above matrix shows the results of default (downgrade below substandard) losses (increase of reserve, write-offs and loss on sale) for the twelve-month period ended March 31, 2018, 2019 and 2020 for the Bank Group's non-default exposures at the start of the twelve-month period, with expected losses.

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

4. CREDIT RISK MITIGATION (CRM)

(1) COVERED AMOUNT OF CRM BY COLLATERAL

FIRB

	Millions of yen			
	2020		2019	
As of March 31	**Eligible financial collateral**	**Other eligible FIRB collateral**	Eligible financial collateral	Other eligible FIRB collateral
Corporate	**¥ 6,100**	**¥ 229,074**	¥ 4,212	¥ 217,686
Sovereign	**–**	**–**	–	–
Bank	**–**	**681**	52,900	1,007
Total	**¥ 6,100**	**¥ 229,756**	¥ 57,112	¥ 218,694

(2) COVERED AMOUNT OF CRM BY GUARANTEE OR CREDIT DERIVATIVES

IRB

	Millions of yen	
As of March 31	**2020**	2019
Corporate	**¥ 285**	¥ 290
Sovereign	**988**	9,354
Bank	**–**	–
Residential mortgages	**–**	–
Qualified revolving retail	**–**	–
Other retail	**–**	–
Total	**¥ 1,273**	¥ 9,644

5. COUNTERPARTY CREDIT RISK OF DERIVATIVES

	Millions of yen	
As of March 31	**2020**	2019
Total amount of gross positive fair value	**¥ 242,947**	¥ 224,748
Amount of gross add-on	**138,633**	127,303
EAD before CRM	**381,581**	352,051
FX-related	**178,284**	141,279
Interest-related	**194,975**	198,015
Equity-related	**1,941**	6,327
Commodity-related	**–**	–
Credit derivatives	**6,181**	6,063
Others	**199**	364
Amount of net	**182,199**	215,013
EAD after net	**199,381**	137,038
Amount covered collateral	**–**	–
EAD after CRM	**199,381**	137,038

Note: Current Exposure Method

• Notional amount of credit derivatives which have counterparty risk

	Millions of yen			
As of March 31	**2020**		2019	
Notional amount	**Protection-buy**	**Protection-sell**	Protection-buy	Protection-sell
Single name	**¥ 38,000**	**¥ 20,000**	¥ 33,000	¥ 20,000
Multi name	**10,000**	**10,000**	19,000	19,000

Not applicable for the following items;

• Amount covered collateral
• Notional amount of credit derivatives which cover exposures by CRM

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

6. SECURITIZATION

SECURITIZATION EXPOSURE ORIGINATED BY THE BANK GROUP (CREDIT RISK)

(1) Amount of original assets

Securitization by transfer of assets

As of March 31	2020	2019
	Millions of yen	
Type of original assets	**Amount of original assets**	Amount of original assets
Residential mortgages	¥ –	¥ –
Consumer loans	–	–
Commercial real estate loans	–	–
Corporate loans	–	–
Others	–	–
Total	¥ –	¥ –

Note: Includes originally securitized assets originated by the Bank Group during the period, even though the Bank Group had no exposure to these particular assets.

(2) Amount of original assets in default or past due 3 months or more

Securitization by transfer of assets

As of March 31	2020	2019
	Millions of yen	
Type of original assets	**Amount of Default**	Amount of Default
Residential mortgages	¥ –	¥ –
Consumer loans	–	–
Commercial real estate loans	–	–
Corporate loans	–	–
Others	–	–
Total	¥ –	¥ –

Note: Includes originally securitized assets originated by the Bank Group during the period, even though the Bank Group had no exposure to these particular assets.

(3) Amount of increase of capital by securitization (to be deducted from capital)

As of March 31	2020	2019
	Millions of yen	
Type of original assets	**Amount**	Amount
Residential mortgages	¥ –	¥ –
Consumer loans	–	–
Commercial real estate loans	–	–
Corporate loans	–	–
Others	–	–
Total	¥ –	¥ –

(4) Amount of securitization exposure applied risk weight 1,250%

As of March 31	2020	2019
	Millions of yen	
Type of original assets	**Amount**	Amount
Residential mortgages	¥ –	¥ –
Consumer loans	–	–
Commercial real estate loans	–	–
Corporate loans	–	–
Others	–	–
Total	¥ –	¥ –

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

Not applicable for the following items;

- Amount of securitization exposure the Bank Group has by type of original assets
- Amount of securitization exposure and required capital the Bank Group has by risk weight ratio
- Amount of assets held for securitization trade
- Summary of current year's securitization activities
- Amount of recognized gain/loss by original asset type during the period.
- Securitization exposure subject to early amortization
- Credit risk mitigation for resecuritization exposure

SECURITIZATION EXPOSURE IN WHICH THE BANK GROUP INVESTS

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

Excluding resecuritization exposure

As of March 31	Millions of yen	
	2020	2019
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥ 22,594**	¥ 32,772
Consumer loans	**–**	–
Commercial real estate loans	**135,962**	94,717
Corporate loans	**67,757**	62,097
Others	**72,047**	33,609
Total	**¥ 298,362**	¥ 223,196

※There is no resecutization exposure.

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

Excluding resecuritization exposure

As of March 31	Millions of yen			
	2020		2019	
Band of risk weight ratio	**Amount**	**Required capital amount**	Amount	Required capital amount
To 20%	**¥ 87,061**	**¥ 1,342**	¥ 61,657	¥ 935
Over 20% to 50%	**17,096**	**596**	7,533	236
Over 50% to 100%	**69,677**	**4,132**	58,460	3,215
Over 100% to 400%	**78,227**	**14,166**	78,465	17,238
Over 400% to 625%	**44,019**	**21,805**	14,400	6,998
Over 625% to 1,250%	**2,280**	**1,927**	2,678	2,108
Total	**¥ 298,362**	**¥ 43,971**	¥ 223,196	¥ 30,733

※There is no resecutization exposure.

(3) Amount of securitization exposure applied risk weight 1,250%

As of March 31	Millions of yen	
	2020	2019
Type of original assets	**Amount**	Amount
Residential mortgages	**¥ –**	¥ –
Consumer loans	**–**	–
Commercial real estate loans	**–**	–
Corporate loans	**–**	–
Others	**–**	–
Total	**¥ –**	¥ –

Not applicable for the following items;

- Credit risk mitigation for resecuritization exposure

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

SECURITIZATION EXPOSURE IN WHICH THE BANK GROUP INVESTS (MARKET RISK)

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

As of March 31	Millions of yen 2020	2019
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥ 84**	¥ 2,029
Consumer loans	**–**	–
Commercial real estate loans	**–**	–
Corporate loans	**–**	–
Others	**–**	–
Total	**¥ 84**	¥ 2,029

※There is no resecutization exposure.

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

As of March 31	Millions of yen 2020		2019	
Band of risk weight ratio	**Amount**	**Required capital amount**	Amount	Required capital amount
To 1.6%	**¥ 84**	**¥ 1**	¥ 2,029	¥ 32
Over 1.6% to 4%	**–**	**–**	–	–
Over 4% to 8%	**–**	**–**	–	–
Over 8% to 32%%	**–**	**–**	–	–
Over 32% to 50%	**–**	**–**	–	–
Over 50% under 100%	**–**	**–**	–	–
Total	**¥ 84**	**¥ 1**	¥ 2,029	¥ 32

※There is no resecutization exposure.

Not applicable for the following items;

- **Amount of securitization exposure targeted for comprehensive risk**
- **Amount of securitization exposure applied Risk weight 1,250% under the Accord Article 302-2.2**

7. MARKET RISK (UNDER INTERNAL MODEL APPROACH)

(1) VAR AT THE END OF MARCH 2020 AND MARCH 2019 AND THE HIGH, MEAN AND LOW VAR

As of March 31	Millions of yen 2020	2019
VaR at term end	**¥ 1,906**	¥ 1,098
VaR through this term		
High	**2,533**	1,577
Mean	**1,132**	903
Low	**669**	631

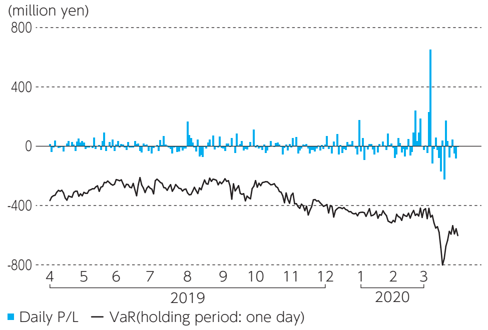
(2) STRESSED VAR AT THE END OF MARCH 2020 AND MARCH 2019 AND THE HIGH, MEAN AND LOW VAR

As of March 31	Millions of yen 2020	2019
VaR at term end	**¥ 3,135**	¥ 3,879
VaR through this term		
High	**4,977**	4,625
Mean	**3,200**	3,338
Low	**2,072**	2,605

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

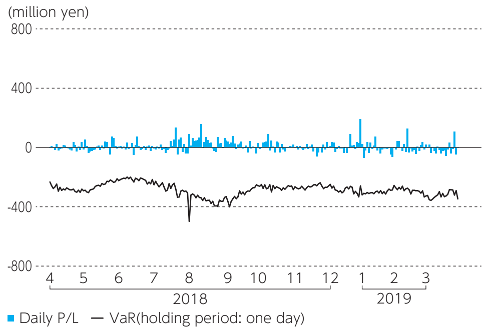
(3) RESULT OF BACK TESTING

2019/4～2020/3



The trading portfolio experienced no losses that exceeded the specified VaR threshold

2018/4～2019/3



The trading portfolio experienced no losses that exceeded the specified VaR threshold.

Backtesting on the VaR Model Applied to the Trading Account

Backtesting involves comparing fixed position virtual losses to estimated VaR to confirm the reliability of the VaR method.

Assumptions of Shinsei's VaR Model

Method： Historical simulation method
Confidence level： 99%
Holding period： 10days
Observation days： 250days
Coverage： Trading account

Not applicable for the following items;

- The amount of required capital related to additional risk and comprehensive risk as of the period-end, as well as the maximum, minimum and average values for the amount of required capital for additional risk and comprehensive risk during the disclosure period

8. EQUITY EXPOSURE IN BOOK

(1) BOOK VALUE AND FAIR VALUE

As of March 31	Millions of yen 2020	2019
Market-based approach		
Listed equity exposure	¥ 486	¥ 6,092
Unlisted equity exposure	12,754	8,016
PD/LGD method		
Listed equity exposure	6,451	8,970
Unlisted equity exposure	3,398	2,746

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

(2) GAIN OR LOSS ON SALE OR DEPRECIATION OF EQUITY EXPOSURE

	Millions of yen	
	FY2019	FY2018
Gain (loss) on sale	**¥ 7,057**	¥ 1,010
Loss of depreciation	**3,804**	1,622

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

	Millions of yen	
As of March 31	**2020**	2019
Unrealized gain (loss)	**¥ 4,043**	¥ 9,593

(4) AMOUNT FOR EACH PORTFOLIO CLASSIFICATION OF EQUITY EXPOSURE

	Millions of yen	
As of March 31	**2020**	2019
Market-based approach	**¥ 13,241**	¥ 14,109
PD/LGD Method	**9,849**	11,717
RW100% Applied	**51**	51
RW250% Applied	**63,462**	61,823

Not applicable for the following items;

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

9. EXPOSURE RELATING TO INVESTMENT FUNDS

The accord article 167 was amended on march 31, 2019.
Describe the present disclosure based on the "notice" and "notice of disclosure" after amended.

	Millions of yen	
As of March 31	**2020**	2019
Look-through approach	**¥ 5,809**	¥ 4,209
Mandate-based approach	**811**	–
Probability-based approach (250%)	**–**	–
Probability-based approach (400%)	**42,656**	43,954
Fall-back approach	**0**	0
Total	**49,278**	48,163

Note: 1. "Look-through approach" requires a bank to risk weight the underlying exposures of a fund as if the exposures were held directly by the bank.
2. "Mandate-based approach" is a method of conservatively estimating the asset structure based on the fund management method.
3. "Probability-based approach (250%)" can be selected when each asset of fund will be highly probable that the risk weight is less than 250%.
4. "Probability-based approach (400%)" can be selected when each asset of fund will be highly probable that the risk weight is more than 250% and less than 400%.
5. "Fall-back approach" is requires to apply if above approaches are not feasible.

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

10. INTEREST RATE RISK

Decrease in economic values from interest-rate shock

Millions of yen

IRRBB1 : Interest rate risk

No		A	B	C	D
		⊿EVE		⊿NII	
		2020	2019	2020	2019
1	Parallel shock up	60,868	63,397	9,602	–
2	Parallel shock down	1,732	11,644	8,469	–
3	Steepener shock	34,893	29,041		
4	Flattener shock	–	–		
5	Short rate up shock	–	–		
6	Short rate down shock	–	–		
7	Max	60,868	63,397	9,602	–
		E		F	
		2020		2019	
8	Core capital	822,450		795,301	

Note:The "IRRBB1: Interest rate risk" column D above are not described due to the transitonal arrangements of revised Accord for Disclosure .

COMPOSITION OF CAPITAL DISCLOSURE (NONCONSOLIDATED)

Shinsei Bank

Millions of yen (except percentages)

As of March 31 Items	March 31, 2020 Basel III (Domestic Standard)	March 31, 2019 Basel III (Domestic Standard)
Core capital: instruments and reserves (1)		
Directly issued qualifying common share capital or preferred share capital with a compulsory conversion clause plus related capital surplus and retained earnings	**¥ 866,795**	¥ 859,343
of which: capital and capital surplus	**591,670**	591,670
of which: retained earnings	**338,529**	307,855
of which: treasury stock (–)	**61,097**	37,729
of which: earning to be distributed (–)	**2,307**	2,452
of which: other than above	**–**	–
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	**76**	49
Total of reserves included in Core capital: instruments and reserves	**12**	9
of which: general reserve for loan losses included in Core capital	**12**	9
of which: eligible provision included in Core capital	**–**	–
Eligible noncumulative perpetual preferred shares subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	**–**	–
Eligible capital instruments subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	**–**	–
Capital instruments issued through measures for capital enhancement by public institutions (amount allowed to be included in Core capital: instruments and reserves)	**–**	–
Land revaluation excess after 55% discount (amount allowed to be included in Core capital: instruments and reserves)	**–**	–
Core capital: instruments and reserves (A)	**¥ 866,884**	¥ 859,402
Core capital: regulatory adjustments (2)		
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	**¥ 17,948**	¥ 18,589
of which: goodwill (including those equivalent)	**537**	703
of which: other intangibles other than goodwill and mortgage servicing rights	**17,410**	17,886
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	**3,055**	2,545
Shortfall of eligible provisions to expected losses	**16,527**	24,866
Gain on sale of securitization	**–**	–
Gains and losses due to changes in own credit risk on fair valued liabilities	**–**	–
Prepaid pension cost	**4,815**	4,752
Investments in own shares (excluding those reported in the net assets section)	**–**	0
Reciprocal cross-holdings in common equity	**–**	–
Investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (“Other Financial Institutions”), net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above the 10% threshold)	**–**	–
Amount exceeding the 10% threshold on specific items	**–**	–
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	**–**	–
of which: mortgage servicing rights	**–**	–
of which: deferred tax assets arising from temporary differences (net of related tax liability)	**–**	–
Amount exceeding the 15% threshold on specific items	**–**	–
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	**–**	–
of which: mortgage servicing rights	**–**	–
of which: deferred tax assets arising from temporary differences (net of related tax liability)	**–**	–
Core capital: regulatory adjustments (B)	**¥ 42,345**	¥ 50,754
Capital (nonconsolidated)		
Capital (nonconsolidated) ((A)–(B)) (C)	**¥ 824,538**	¥ 808,647
Risk-weighted assets, etc.		
Total amount of credit risk-weighted assets	**¥ 5,779,417**	¥ 5,554,802
of which: total amount included in risk-weighted assets by transitional arrangements	**–**	(330)
of which: significant investments in the common stock of Other Financial Institutions (net of eligible short positions)	**–**	(330)
of which: other than above	**–**	–
Market risk (derived by multiplying the capital requirement by 12.5)	**196,496**	143,617
Operational risk (derived by multiplying the capital requirement by 12.5)	**192,552**	187,814
Credit risk-weighted assets adjustments	**–**	–
Operational risk adjustments	**–**	–
Total amount of Risk-weighted assets (D)	**¥ 6,168,466**	¥ 5,886,234
Capital ratio (nonconsolidated)		
Capital ratio (nonconsolidated) ((C)/(D))	**13.36%**	13.73%

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED)

1. CAPITAL ADEQUACY

(1) AMOUNT OF REQUIRED CAPITAL FOR CREDIT RISK

Portfolios under the Standardized Approach (SA)

	Millions of yen	
	2020	2019
As of March 31	**Required capital amount**	Required capital amount
Shinsei Bank	**¥ 335**	¥ 370

Portfolios under the Internal Ratings-Based Approach (IRB)

	Millions of yen	
	2020	2019
As of March 31	**Required capital amount**	Required capital amount
Corporate (Excluding Specialized Lending)[1]	**¥ 137,462**	¥ 130,909
Specialized Lending[2]	**96,565**	90,316
Sovereign	**5,692**	5,638
Bank	**13,060**	13,275
Residential mortgages	**9,176**	9,723
Qualified revolving retails	**41,276**	46,820
Other retails	**79**	1
Equity	**104,912**	117,286
Fund	**14,516**	12,173
Securitization	**47,462**	34,523
Purchase receivables	**20,919**	16,881
Other assets	**1,245**	1,259
CVA risk	**14,237**	10,451
CCP risk	**95**	92
Total	**¥ 506,703**	¥ 489,352

Note: 1."Corporate" includes "Small and Medium-sized Entities."
2."Specialized Lending" refers to a claim whose source of recovery is solely dependent on the cash flow generated from a transaction such as a real estate nonrecourse loan.

(2) AMOUNT OF REQUIRED CAPITAL FOR EQUITY EXPOSURE UNDER IRB

	Millions of yen	
	2020	2019
As of March 31	**Required capital amount**	Required capital amount
Market-Based Approach Simplified Method	**¥ 11,296**	¥ 4,982
PD/LGD Method	**92,375**	111,191
RW100% Applied	**4**	4
RW250% Applied	**1,235**	1,108
Total	**¥ 104,912**	¥ 117,286

(3) EXPOSURE RELATING TO INVESTMENT FUNDS

	Millions of yen	
	2020	2019
As of March 31	**Required capital amount**	Required capital amount
Look-through approach	**¥ 2,036**	¥ 1,265
Mandated-based approach	**344**	–
Probability-based approach [250%]	**–**	–
Probability-based approach [400%]	**12,136**	10,908
Fall-back approach [1,250%]	**–**	–
Total	**¥ 14,516**	¥ 12,173

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

(4) AMOUNT OF REQUIRED CAPITAL FOR MARKET RISK

	Millions of yen	
	2020	2019
As of March 31	**Required capital amount**	Required capital amount
The Standardized Approach	**¥ 218**	¥ 419
Interest rate risk	**–**	3
Equity position risk	**0**	3
FX risk	**218**	411
Securitization risk	**–**	–
The Internal Models Approach (IMA) (General Market Risk)	**¥ 15,500**	¥ 11,069

(5) AMOUNT OF REQUIRED CAPITAL FOR OPERATIONAL RISK

	Millions of yen	
	2020	2019
As of March 31	**Required capital amount**	Required capital amount
The Standardized Approach	**¥ 15,404**	¥ 15,025

(6) TOTAL REQUIRED CAPITAL (DOMESTIC STANDARD)

	Millions of yen	
As of March 31	**2020**	2019
Total Required Capital (Risk-weighted Assets x 4%)	**¥ 246,738**	¥ 235,449

2.CREDIT RISK EXPOSURE (EXCLUDING SECURITIZATION AND EXPOSURES RELATING TO INVESTMENT FUNDS)

(1) AMOUNT OF CREDIT RISK EXPOSURE

Geographic, Industries or Maturity

	Millions of yen							
	2020				2019			
	Amount of Credit Risk Exposure				Amount of Credit Risk Exposure			
As of March 31	**Total**	**Loans, etc.[1]**	**Securities[2]**	**Derivatives[3]**	Total	Loans, etc.[1]	Securities[2]	Derivatives[3]
Manufacturing	**¥ 244,691**	**¥ 222,326**	**¥ –**	**¥ 22,364**	¥ 257,509	¥ 240,433	¥ 1,000	¥ 16,075
Agriculture	**50**	**50**	**–**	**–**	–	–	–	–
Mining	**379**	**377**	**–**	**2**	490	488	–	1
Construction	**32,348**	**32,148**	**200**	**–**	25,799	25,599	200	–
Electric power, gas, water supply	**460,096**	**433,701**	**–**	**26,394**	409,633	389,879	–	19,753
Information and communication	**37,244**	**37,244**	**–**	**0**	43,832	43,831	–	1
Transportation	**172,133**	**171,870**	**–**	**263**	175,268	174,997	–	270
Wholesale and retail	**121,734**	**108,079**	**100**	**13,555**	125,970	112,890	100	12,980
Finance and insurance	**2,461,901**	**2,202,020**	**227,069**	**32,810**	2,201,211	2,041,279	138,782	21,149
Real estate	**796,514**	**686,394**	**108,187**	**1,932**	705,785	576,767	126,404	2,613
Services	**453,163**	**451,340**	**950**	**871**	396,521	395,333	801	386
Government	**421,597**	**62,658**	**358,939**	**–**	550,967	52,292	498,674	–
Individuals	**1,421,585**	**1,421,369**	**–**	**216**	1,489,536	1,489,245	–	290
Others	**690**	**690**	**–**	**–**	580	580	–	–
Domestic Total	**6,624,132**	**5,830,273**	**695,447**	**98,411**	6,383,107	5,543,621	765,962	73,522
Foreign	**985,236**	**696,609**	**189,912**	**98,715**	946,456	670,174	214,243	62,039
Total	**¥ 7,609,369**	**¥ 6,526,882**	**¥ 885,359**	**¥ 197,127**	¥ 7,329,563	¥ 6,213,795	¥ 980,205	¥ 135,562
To 1 year	**1,566,978**	**1,403,331**	**141,562**	**22,084**	1,573,664	1,418,884	138,853	15,926
1 to 3 years	**1,141,792**	**890,418**	**223,742**	**27,631**	1,373,821	1,007,281	346,485	20,054
3 to 5 years	**897,325**	**711,716**	**155,662**	**29,946**	811,234	638,314	149,328	23,591
Over 5 years	**2,427,544**	**1,947,189**	**362,889**	**117,464**	2,307,704	1,887,678	344,036	75,989
Undated	**1,575,728**	**1,574,226**	**1,501**	**–**	1,263,138	1,261,636	1,501	–
Total	**¥ 7,609,369**	**¥ 6,526,882**	**¥ 885,359**	**¥ 197,127**	¥ 7,329,563	¥ 6,213,795	¥ 980,205	¥ 135,562

Note:1 Excluding purchased receivables.
2 Excluding equity exposures.
3 Credit equivalent amount basis.

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

(2) AMOUNT OF DEFAULT EXPOSURE BEFORE PARTIAL WRITE-OFF

Geographic, Industries

	Millions of yen	
	2020	2019
As of March 31	**Default Exposure**	Default Exposure
Manufacturing	**¥ 249**	¥ 3,090
Agriculture	**–**	–
Mining	**–**	–
Construction	**–**	–
Electric power, gas, water supply	**6,069**	–
Information and communication	**122**	576
Transportation	**44**	44
Wholesale and retail	**3,840**	225
Finance and insurance	**100**	267
Real estate	**6,543**	5,151
Services	**2,456**	1,516
Government	**–**	–
Individuals	**3,228**	3,265
Others	**–**	–
Domestic Total	**22,656**	14,138
Foreign	**3,539**	4,378
Total	**¥ 26,196**	¥ 18,517

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

	Millions of yen					
	2020			2019		
As of March 31	**Start Amount**	**Change Amount**	**End Amount**	Start Amount	Change Amount	End Amount
General	**¥ 21,292**	**¥ 2,202**	**¥ 23,494**	¥ 24,391	¥ (3,098)	¥ 21,292
Specific	**7,198**	**5,436**	**12,634**	6,531	667	7,198
Country	**–**	**–**	**–**	–	–	–
Total	**¥ 28,490**	**¥ 7,638**	**¥ 36,129**	¥ 30,922	¥ (2,431)	¥ 28,490

Geographic

	Millions of yen							
	2020				2019			
As of March 31	**Total**	**General**	**Specific**	**Country**	Total	General	Specific	Country
Domestic	**¥ 30,375**	**¥ 19,473**	**¥ 10,902**	**¥ –**	¥ 22,684	¥ 17,317	¥ 5,367	¥ –
Foreign	**5,753**	**4,021**	**1,732**	**–**	5,805	3,975	1,830	–
Total	**¥ 36,129**	**¥ 23,494**	**¥ 12,634**	**¥ –**	¥ 28,490	¥ 21,292	¥ 7,198	¥ –

Industries

	Millions of yen	
	2020	2019
As of March 31	**Reserve Amount**	Reserve Amount
Manufacturing	**¥ 1,153**	¥ 2,483
Agriculture	**0**	–
Mining	**3**	4
Construction	**72**	75
Electric power, gas, water supply	**6,786**	2,824
Information and communication	**354**	875
Transportation	**791**	631
Wholesale and retail	**3,768**	975
Finance and insurance	**2,551**	3,322
Real estate	**7,125**	5,293
Services	**5,147**	3,408
Government	**–**	–
Individuals	**2,620**	2,789
Others	**0**	0
Foreign	**5,753**	5,805
Non-classified	**–**	–
Total	**¥ 36,129**	¥ 28,490

Note:Although the specific allowance for credit losses does not include the allowance relating to any securitization exposures and exposures relating to funds, the allowance relating to these exposures is not excluded from both the general allowance for credit losses and the allowance for loans to specific foreign borrowers, because we do not manage provisioning with respect to each asset class based on Basel III.

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

(4) AMOUNT OF WRITE-OFFS

Industries

	FY2019 Amount of write-off	FY2018 Amount of write-off
	Millions of yen	
Manufacturing	¥ 3	¥ –
Agriculture	–	–
Mining	–	–
Construction	–	–
Electric power, gas, water supply	–	–
Information and communication	–	–
Transportation	–	–
Wholesale and retail	–	33
Finance and insurance	–	–
Real estate	–	–
Services	–	11
Government	–	–
Individuals	119	74
Others	466	–
Foreign	–	215
Non-classified	–	–
Total	¥ 589	¥ 334

(5) AMOUNT OF EXPOSURES UNDER SA (AFTER CREDIT RISK MITIGATION)

	Millions of yen			
	2020		2019	
As of March 31	Rated	Unrated	Rated	Unrated
0%	¥ –	¥ –	¥ –	¥ –
10%	–	–	–	–
20%	–	–	–	–
35%	–	2,913	–	3,039
50%	–	–	–	–
75%	–	4,152	–	4,764
100%	–	55	–	–
150%	–	–	–	–
350%	–	–	–	–
1,250%	–	–	–	–
Total	¥ –	¥ 7,120	¥ –	¥ 7,803

(6) SPECIALIZED LENDING EXPOSURE UNDER SLOTTING CRITERIA AND EQUITY EXPOSURE UNDER MARKET-BASED SIMPLIFIED METHOD

Specialized lending excluding high-volatility commercial real estate

	Millions of yen	
As of March 31	2020	2019
Risk weight ratio	Amount of Exposure	Amount of Exposure
50%	¥ 157,389	¥ 224,936
70%	574,796	441,397
90%	164,335	121,918
115%	68,423	77,574
250%	29,984	23,883
0% (Default)	7,599	1,894
Total	¥1,002,528	¥ 891,605

Specialized lending for high-volatility commercial real estate

	Millions of yen	
As of March 31	2020	2019
Risk weight ratio	Amount of Exposure	Amount of Exposure
70%	¥ 4,779	¥ 13,151
95%	21,366	26,461
120%	28,713	3,211
140%	56,953	30,518
250%	10,807	52,290
0% (Default)	3,629	3,432
Total	¥ 126,249	¥ 129,066

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

Equity exposure under Market-Based Simplified Method

As of March 31	Millions of yen	
	2020	2019
Risk weight ratio	**Amount of Exposure**	Amount of Exposure
300%	**¥ 304**	¥ 5,770
400%	**33,074**	10,360
Total	**¥ 33,378**	¥ 16,131

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

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

Corporate

As of March 31	Millions of yen (except percentages)									
	2020					2019				
Credit Rating	**PD**	**LGD**	**Risk Weight**	**EAD (On-balance)**	**EAD (Off-balance)**	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0–4	**0.13%**	**44.88%**	**37.43%**	**¥1,689,239**	**¥ 184,180**	0.14%	44.84%	37.58%	¥1,653,966	¥ 177,704
5–6	**1.41%**	**43.83%**	**94.34%**	**617,698**	**83,992**	1.46%	43.87%	94.68%	595,787	91,437
9A	**9.34%**	**43.32%**	**177.65%**	**53,329**	**6,739**	9.39%	44.63%	185.33%	29,230	5,162
Default	**100.00%**	**45.00%**	**–**	**10,072**	**840**	100.00%	54.68%	–	9,003	–

Note: LGD is shown after credit risk mitigation

Sovereign

As of March 31	Millions of yen (except percentages)									
	2020					2019				
Credit Rating	**PD**	**LGD**	**Risk Weight**	**EAD (On-balance)**	**EAD (Off-balance)**	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0–4	**0.00%**	**45.00%**	**3.17%**	**¥2,090,772**	**¥ 2,816**	0.00%	45.00%	3.27%	¥2,008,237	¥ 2,600
5–6	**–**	**–**	**–**	**–**	**–**	0.81%	45.00%	66.61%	0	–
9A	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–
Default	**100.00%**	**45.00%**	**–**	**10**	**–**	100.00%	45.00%	–	10	–

Note: LGD is shown after credit risk mitigation

Bank

As of March 31	Millions of yen (except percentages)									
	2020					2019				
Credit Rating	**PD**	**LGD**	**Risk Weight**	**EAD (On-balance)**	**EAD (Off-balance)**	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0–4	**0.07%**	**44.98%**	**43.08%**	**¥ 147,810**	**¥ 126,121**	0.07%	44.97%	39.34%	¥ 115,399	¥ 84,766
5–6	**0.84%**	**45.00%**	**98.73%**	**29,392**	**1,220**	0.95%	45.00%	108.26%	20,140	2,391
9A	**9.34%**	**45.00%**	**171.23%**	**1,245**	**–**	9.39%	13.46%	51.32%	53,662	21,825
Default	**100.00%**	**45.00%**	**–**	**100**	**–**	100.00%	45.00%	–	267	–

Note: LGD is shown after credit risk mitigation

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

As of March 31	Millions of yen (except percentages)							
	2020				2019			
Credit Rating	**PD**	**LGD**	**Risk Weight**	**Amount**	PD	LGD	Risk Weight	Amount
0–4	**0.15%**	**90.00%**	**298.76%**	**¥ 351,981**	0.19%	90.00%	300.60%	¥ 369,581
5–6	**1.05%**	**90.00%**	**324.87%**	**10,438**	1.06%	90.00%	325.73%	8,514
9A	**9.34%**	**90.00%**	**762.25%**	**501**	9.39%	90.00%	870.26%	19,819
Default	**100.00%**	**90.00%**	**1,125.00%**	**0**	100.00%	90.00%	1,125.00%	0

• Estimated average PD, LGD, risk weight ratio, Exposure at Default (EAD) (on- and off-balance), amount of undrawn commitments and estimated average Credit Conversion Factors (CCF) of undrawn commitments for residential mortgage exposure, qualified revolving retail exposure and other retail exposure

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

Residential mortgage exposure

Millions of yen (except percentages)

As of March 31	2020							2019						
Pool	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF
Normal	0.21%	15.90%	7.03%	¥ 1,154,596	¥ –	¥ –	–	0.22%	16.07%	7.41%	¥ 1,184,604	¥ –	¥ –	–
Need caution	62.74%	19.41%	78.42%	1,982	–	–	–	64.08%	19.49%	76.40%	2,084	–	–	–
Default	100.00%	37.52%	52.31%	3,221	–	–	–	100.00%	40.07%	49.88%	3,117	–	–	–

Note: LGD is shown after credit risk mitigation

Qualified revolving retail exposure

Millions of yen (except percentages)

As of March 31	2020							2019						
Pool	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF
Normal	7.52%	80.40%	111.81%	¥ 252,998	¥ 17,072	¥ 448,312	3.80%	7.63%	83.10%	115.58%	¥ 264,597	¥ 18,777	¥ 459,903	4.08%
Need caution	85.24%	80.40%	103.47%	842	27	884	3.06%	85.85%	83.10%	103.22%	1,149	37	1,213	3.08%
Default	100.00%	80.40%	–	132	–	–	–	100.00%	83.10%	–	125	–	–	–

Note: LGD is shown after credit risk mitigation

Other retail exposure

Millions of yen (except percentages)

As of March 31	2020							2019						
Pool	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF
Normal	0.25%	14.84%	7.04%	¥ 214	¥ –	¥ –	–	0.27%	15.11%	7.51%	¥ 224	¥ –	¥ –	–
Need caution	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Default	–	–	–	–	–	–	–	–	–	–	–	–	–	–

Note: LGD is shown after credit risk mitigation

(8) COMPARATIVE RESULTS OF ACTUAL LOSSES AND EXPECTED LOSSES FOR THE LAST THREE YEARS UNDER F-IRB APPROACH

Corporate

Millions of yen

	FY2019	FY2018	FY2017
Results of actual losses (a)	¥ 1,655	¥ 1,454	¥ 1,080
Expected losses (b)	6,160	6,822	6,893
Differences ((b) - (a))	4,505	5,368	5,813

Sovereign

Millions of yen

	FY2019	FY2018	FY2017
Results of actual losses (a)	¥ –	¥ –	¥ –
Expected losses (b)	20	28	34
Differences ((b) - (a))	20	28	34

Bank

Millions of yen

	FY2019	FY2018	FY2017
Results of actual losses (a)	¥ –	¥ 70	¥ –
Expected losses (b)	276	117	219
Differences ((b) - (a))	276	47	219

Residential mortgage exposure

Millions of yen

	FY2019	FY2018	FY2017
Results of actual losses (a)	¥ 260	¥ 154	¥ 299
Expected losses (b)	762	847	1,089
Differences ((b) - (a))	501	693	790

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

Qualified revolving retail exposure

	Millions of yen		
	FY2019	FY2018	FY2017
Results of actual losses (a)	**¥ 11,514**	¥ 14,564	¥ 14,152
Expected losses (b)	**17,777**	23,043	21,386
Differences ((b) - (a))	**6,262**	8,478	7,234

[Analysis]
The result of actual losses for the year ended March 31, 2019 was decreased ¥2.8 billion than in the previoues fiscal year.
The pricipal reason is to be decreased the actual losses for Qulified revolving retail exposure in the previous fiscal year.

The above matrix shows the results of default (downgrade below substandard) losses (increase of reserve, write-offs and loss on sale) for the twelve-month period ended March 31, 2018, 2019 and 2020 for the Bank's non-default exposures at the start of the twelve-month period, with expected losses.

3. CREDIT RISK MITIGATION (CRM)

(1) COVERED AMOUNT OF CRM BY COLLATERAL

FIRB

	Millions of yen			
	2020		2019	
As of March 31	**Eligible financial collateral**	**Other eligible FIRB collateral**	Eligible financial collateral	Other eligible FIRB collateral
Corporate	**¥ 6,100**	**¥ 230,917**	¥ 4,212	¥ 219,996
Sovereign	**–**	**–**	–	–
Bank	**–**	**681**	52,900	1,007
Total	**¥ 6,100**	**¥ 231,599**	¥ 57,112	¥ 221,004

(2) COVERED AMOUNT OF CRM BY GUARANTEE OR CREDIT DERIVATIVES

IRB

	Millions of yen	
As of March 31	**2020**	2019
Corporate	**¥ 285**	¥ 290
Sovereign	**988**	9,354
Bank	**–**	–
Residential mortgages	**–**	–
Qualified revolving retail	**–**	–
Other retail	**–**	–
Total	**¥ 1,273**	¥ 9,644

4. COUNTERPARTY CREDIT RISK OF DERIVATIVES

	Millions of yen	
As of March 31	**2020**	2019
Total amount of gross positive fair value	**¥ 241,531**	¥ 224,058
Amount of gross add-on	**137,924**	126,577
EAD before CRM	**379,456**	350,636
FX-related	**178,762**	141,564
Interest-related	**194,125**	197,059
Equity-related	**2,044**	6,466
Commodity-related	**–**	–
Credit derivatives	**4,324**	5,182
Others	**199**	364
Amount of net	**182,329**	215,074
EAD after net	**197,127**	135,562
Amount covered collateral	**–**	–
EAD after CRM	**197,127**	135,562

Note: Current Exposure Method

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

• Notional amount of credit derivatives which have counterparty risk

As of March 31	Millions of yen 2020		2019	
Notional amount	**Protection-buy**	**Protection-sell**	Protection-buy	Protection-sell
Single name	**¥ 20,000**	**¥ 20,000**	¥ 20,000	¥ 20,000
Multi name	**10,000**	**10,000**	19,000	19,000

Not applicable for the following items;

• Amount covered collateral
• Notional amount of credit derivatives which cover exposures by CRM

5. SECURITIZATION

SECURITIZATION EXPOSURE ORIGINATED BY THE BANK (CREDIT RISK)

(1) Amount of original assets
Securitization by transfer of assets

As of March 31	Millions of yen 2020	2019
Type of original assets	**Amount of original assets**	Amount of original assets
Residential mortgages	**¥ –**	¥ –
Consumer loans	**–**	–
Commercial real estate loans	**–**	–
Corporate loans	**–**	–
Others	**–**	–
Total	**¥ –**	¥ –

Note: Includes originally securitized assets originated by the Bank during the period, even though the Bank had no exposure to these particular assets.

(2) Amount of original assets in default or past due 3 months or more
Securitization by transfer of assets

As of March 31	Millions of yen 2020	2019
Type of original assets	**Amount of Default**	Amount of Default
Residential mortgages	**¥ –**	¥ –
Consumer loans	**–**	–
Commercial real estate loans	**–**	–
Corporate loans	**–**	–
Others	**–**	–
Total	**¥ –**	¥ –

Note: Includes originally securitized assets originated by the Bank during the period, even though the Bank had no exposure to these particular assets.

(3) Amount of securitization exposure the Bank has by type of original assets
Securitization by transfer of assets
Excluding resecuritization

As of March 31	Millions of yen 2020	2019
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥ –**	¥ –
Consumer loans	**–**	–
Commercial real estate loans	**–**	–
Corporate loans	**–**	–
Others	**–**	–
Total	**¥ –**	¥ –

※There is no resecuritization exposure.

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

(4) Amount of securitization exposure and required capital the Bank has by risk weight ratio
Securitization by transfer of assets
Excluding resecuritization exposure

As of March 31	Millions of yen			
	2020		2019	
Band of risk weight ratio	**Amount**	**Required capital amount**	Amount	Required capital amount
To 20%	¥ –	¥ –	¥ –	¥ –
Over 20% to 50%	–	–	–	–
Over 50% to 100%	–	–	–	–
Over 100% to 400%	–	–	–	–
Over 400% to 625%	–	–	–	–
Over 625% under 1,250%	–	–	–	–
Total	¥ –	¥ –	¥ –	¥ –

※There is no resecuritization exposure.

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

As of March 31	Millions of yen	
	2020	2019
Type of original assets	**Amount**	Amount
Residential mortgages	¥ –	¥ –
Consumer loans	–	–
Commercial real estate loans	–	–
Corporate loans	–	–
Others	–	–
Total	¥ –	¥ –

(6) Amount of securitization exposure applied risk weight 1,250%

As of March 31	Millions of yen	
	2020	2019
Type of original assets	**Amount**	Amount
Residential mortgages	¥ –	¥ –
Consumer loans	–	–
Commercial real estate loans	–	–
Corporate loans	–	–
Others	–	–
Total	¥ –	¥ –

Not applicable for the following items;

- Amount of assets held for securitization trade
- Summary of current year's securitization activities
- Amount of recognized gain/loss by original asset type during the period.
- Securitization exposure subject to early amortization
- Credit risk mitigation for resecuritization exposure

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

SECURITIZATION EXPOSURE IN WHICH THE BANK INVESTS

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

Excluding resecuritization exposure

	Millions of yen	
As of March 31	**2020**	2019
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥ 22,594**	¥ 32,772
Consumer loans	**–**	–
Commercial real estate loans	**135,962**	94,717
Corporate loans	**67,757**	62,097
Others	**289,975**	272,569
Total	**¥ 516,290**	¥ 462,156

※There is no resecuritization exposure.

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

Excluding resecuritization exposure

	Millions of yen			
As of March 31	**2020**		2019	
Band of risk weight ratio	**Amount**	**Required capital amount**	Amount	Required capital amount
To 20%	**¥ 277,988**	**¥ 3,753**	¥ 273,617	¥ 3,645
Over 20% to 50%	**44,096**	**1,676**	34,533	1,316
Over 50% to 100%	**69,677**	**4,132**	58,460	3,215
Over 100% to 400%	**78,227**	**14,166**	78,465	17,238
Over 400% to 625%	**44,019**	**21,805**	14,400	6,998
Over 625% under 1,250%	**2,280**	**1,927**	2,678	2,108
Total	**¥ 516,290**	**¥ 47,462**	¥ 462,156	¥ 34,523

※There is no resecuritization exposure.

(3) Amount of securitization exposure applied risk weight 1,250%

	Millions of yen	
As of March 31	**2020**	2019
Type of original assets	**Amount**	Amount
Residential mortgages	**¥ –**	¥ –
Consumer loans	**–**	–
Commercial real estate loans	**–**	–
Corporate loans	**–**	–
Others	**–**	–
Total	**¥ –**	¥ –

Not applicable for the following items;

• Credit risk mitigation for resecuritization exposure

6. MARKET RISK (UNDER INTERNAL MODEL APPROACH)

(1) VAR AT THE END OF MARCH 2020 AND MARCH 2019 AND THE HIGH, MEAN AND LOW VAR

	Millions of yen	
As of March 31	**2020**	2019
VaR at term end	**¥ 1,856**	¥ 1,040
VaR through this term		
High	**2,447**	1,527
Mean	**1,088**	854
Low	**630**	570

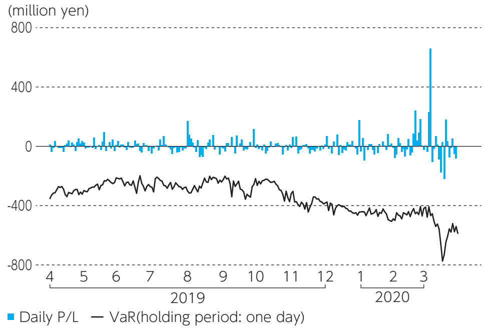
QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

(2) STRESSED VAR AT THE END OF MARCH 2020 AND MARCH 2019 AND THE HIGH, MEAN AND LOW VAR

	Millions of yen	
As of March 31	**2020**	2019
VaR at term end	**¥ 3,039**	¥ 3,692
VaR through this term		
High	**4,920**	4,497
Mean	**3,064**	3,163
Low	**1,924**	2,350

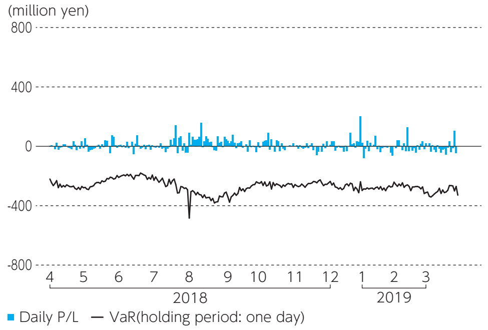
(3) RESULT OF BACK TESTING

2019/4～2020/3



The trading portfolio experienced no losses that exceeded the specified VaR threshold

2018/4～2019/3



The trading portfolio experienced no losses that exceeded the specified VaR threshold.

Backtesting on the VaR Model Applied to the Trading Account

Backtesting involves comparing fixed position virtual losses to estimated VaR to confirm the reliability of the VaR method.

Assumptions of Shinsei's VaR Model

Method： Historical simulation method
Confidence level： 99%
Holding period： 10days
Observation days： 250days
Coverage： Trading account

Not applicable for the following items;

- The amount of required capital related to additional risk and comprehensive risk as of the period-end, as well as the maximum, minimum and average values for the amount of required capital for additional risk and comprehensive risk during the disclosure period

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

7. EQUITY EXPOSURE IN BOOK

(1) BOOK VALUE AND FAIR VALUE

As of March 31	Millions of yen 2020	2019
Market-based approach		
Listed equity exposure	**¥ 304**	¥ 5,770
Unlisted equity exposure	**33,074**	10,360
PD/LGD method		
Listed equity exposure	**5,258**	7,745
Unlisted equity exposure	**357,662**	390,171

(2) GAIN OR LOSS ON SALE OR DEPRECIATION OF EQUITY EXPOSURE

	Millions of yen FY2019	FY2018
Gain (loss) on sale	**¥ 4,540**	¥ 998
Loss of depreciation	**5**	386

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

As of March 31	Millions of yen 2020	2019
Unrealized gain (loss)	**¥ 2,648**	¥ 6,451

(4) AMOUNT FOR EACH PORTFOLIO CLASSIFICATION OF EQUITY EXPOSURE

As of March 31	Millions of yen 2020	2019
Market-based approach	**¥ 33,378**	¥ 16,131
PD/LGD Method	**362,920**	397,916
RW100% Applied	**51**	51
RW250% Applied	**5,829**	5,228

Not applicable for the following items;

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

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

8. EXPOSURE RELATING TO INVESTMENT FUNDS

The accord article 167 was amended on march 31, 2019.
Describe the present disclosure based on the "notice" and "notice of disclosure" after amended.

	Millions of yen	
As of March 31	**2020**	2019
Look-through approach	**¥ 5,358**	¥ 3,743
Mandate-based approach	**811**	–
Probability-based approach (250%)	**–**	–
Probability-based approach (400%)	**35,778**	32,159
Fall-back approach	**–**	–
Total	**¥ 41,949**	¥ 35,902

Note: 1. "Look-through approach" requires a bank to risk weight the underlying exposures of a fund as if the exposures were held directly by the bank.
2. "Mandate-based approach" is a method of conservatively estimating the asset structure based on the fund management method.
3. "Probability-based approach (250%)" can be selected when each asset of fund will be highly probable that the risk weight is less than 250%.
4. "Probability-based approach (400%)" can be selected when each asset of fund will be highly probable that the risk weight is more than 250% and less than 400%.
5. "Fall-back approach" is requires to apply if above approaches are not feasible.

9. INTEREST RATE RISK

Decrease in economic values from interest-rate shock

Millions of yen

IRRBB1 : Interest rate risk					
No		A	B	C	D
		⊿EVE		⊿NII	
		2020	2019	2020	2019
1	Parallel shock up	32,729	38,469	5,143	–
2	Parallel shock down	27,094	34,802	7,201	–
3	Steepener shock	26,029	21,570		
4	Flattener shock	–	–		
5	Short rate up shock	–	–		
6	Short rate down shock	–	–		
7	Max	32,729	38,469	7,201	–
		E		F	
		2020		2019	
8	Core capital	824,538		808,647	

Note:The “IRRBB1: Interest rate risk” column D above are not described due to the transitonal arrangements of revised Accord for Disclosure .

DISCLOSURE ITEMS CONCERNING REMUNERATION, ETC.

1. ORGANIZATIONAL STRUCTURE REGARDING REMUNERATION, ETC. FOR APPLICABLE OFFICERS AND EMPLOYEES OF SHINSEI BANK (GROUP)

(1) Scope of "Applicable Officers and Employees"

The scope of "Applicable Officers" and "Applicable Employees, etc." (collectively, "Applicable Officers and Employees") prescribed in the announcement on remuneration subject to disclosure is as shown below.

1) "Applicable Officers"

Applicable Officers refer to the Directors and Audit & Supervisory Board Members of Shinsei Bank, excluding outside Directors and outside Audit & Supervisory Board Members.

2) "Applicable Employees, etc."

At Shinsei Bank, "Applicable Employees, etc." who are subject to disclosure refer to the "persons who receive a high level of remuneration, etc." and who have a material impact on business operations or the situation of assets of Shinsei Bank and its major consolidated subsidiaries, etc. among the officers and employees of Shinsei Bank and officers and employees of its major consolidated subsidiaries, etc., excluding Applicable Officers. There are no officers or employees of Shinsei Bank or officers or employees of its major consolidated subsidiaries, etc., excluding Applicable Officers, who fall under the definition of "Applicable Employees, etc."

(a) Scope of "major consolidated subsidiaries, etc."

Major consolidated subsidiaries etc. refer to the subsidiaries that are independently mentioned in the business report and consolidated financial statements and which are important for the operations of the Shinsei Bank Group, taking into account the significance of their impact on the financial conditions and business results of the Shinsei Bank Group. More specifically, they refer to the following seven companies. While there are three consolidated subsidiaries, etc. with total assets accounting for 2% or more of consolidated total asset, all of those three companies are included in the following seven companies.

APLUS FINANCIAL Co., Ltd.
Showa Leasing Co., Ltd.
Shinsei Personal Loan Co., Ltd.
Shinsei Financial Co., Ltd.
Shinsei Trust & Banking Co., Ltd.
Shinsei Securities Co., Ltd.
Shinsei Investment & Finance Limited

(b) Scope of the "persons who receive a high level of remuneration, etc."

The "persons who receive a high level of remuneration, etc." refer to the persons who receive remuneration, etc. at the amount equal to or above the "average amount of remuneration paid to Applicable Officers (which was 45 million yen in the fiscal year reported)." In the fiscal year reported, there was no Applicable Employee who received remuneration at the amount equal to or above the "average amount of remuneration paid to Applicable Officers."

(c) Scope of the "persons who have a material impact on business operation or the situation of assets of the Shinsei Bank Group"

The "persons who have a material impact on business operation or the situation of assets of the Shinsei Bank Group" refer to the persons who, in their normal duties, execute transactions and manage matters which have a significant degree of impact on the business operations of Shinsei Bank, Shinsei Bank Group, and its major consolidated subsidiaries, etc. or who have a material impact on the situation of assets through losses incurred in transactions, etc. More specifically, these include the Executive Officers and persons in similar positions at Shinsei Bank, and Directors, Executive Officers, etc. of its major consolidated subsidiaries.

(2) Names, compositions, and duties of the Committee and other major bodies, etc. supervising the determination of remuneration, etc. for Applicable Officers and Employees, the payment of remuneration, etc., and other business execution related to remuneration, etc.

DISCLOSURE ITEMS CONCERNING REMUNERATION, ETC. (CONTINUED)

1) Establishing and securing the Compensation Committee, etc.
Even before the establishment of the Nomination and Compensation Committee, the majority of the Bank's Board of Directors was composed of outside directors, ensuring objective and transparent discussions for appointment of candidates for directors and decisions on the directors' remuneration system and their specific remuneration levels. In March 2019, Shinsei Bank has established the Nomination and Compensation Committee, an optional body, to discuss and respond to the Board concerning agenda items for the general meeting of shareholders related to the election/dismissal of Directors, matters related to the election/dismissal of the President and CEO, and matters related to remuneration of Directors of the Bank, based on a request from the Board of Directors. The Nomination and Compensation Committee is composed of all outside directors and Audit & Supervisory Board Members may attend the Committee.. The allocation to each individual of the remuneration of Directors approved at the General Meeting of Shareholders is determined by the Board of Directors. The allocation to each individual of the remuneration for Audit & Supervisory Board Members is determined by the consultations among Audit & Supervisory Board Members within the total amount of remuneration approved at the General Meeting of Shareholders in accordance with Paragraph 2, Article 387 of the Companies Act.

2) Total amount of remuneration, etc. paid to the members of the Compensation Committee, etc. and the number of the meetings of the Compensation Committee, etc. held

	Number of meetings held (April 2019 to March 2020)	Total amount of remuneration, etc.
Nomination and Compensation Committee	5	–

(Notes) The total amount of remuneration, etc. is not indicated because the portion equivalent to consideration for business execution by the Compensation Committee, etc. cannot be calculated separately.

2. EVALUATION OF THE APPROPRIATENESS OF THE DESIGN AND APPLICATION OF THE SYSTEM RELATED TO REMUNERATION, ETC. FOR APPLICABLE OFFICERS AND EMPLOYEES OF SHINSEI BANK (GROUP)

(1) Policy on remuneration, etc. for Applicable Officers and Applicable Employees, etc.

Policy on remuneration, etc. for "Applicable Officers"
The General Meeting of Shareholders determines the total maximum amount of remuneration paid to its officers (for Directors: up to 180 million yen a year (of this amount, 60 million yen is for outside directors and the amount the restricted stock remuneration is up to 20 million yen); for Audit & Supervisory Board Members: up to 60 million yen a year) and separately from this maximum remuneration the total maximum amount of the Subscription Warrants to be allotted as equity remuneration type stock options (for Full-Time Directors: up to 50 million yen a year). Remuneration for Applicable Officers of Shinsei Bank is deliberated at the Nomination and Compensation Committee and determined at the Board of Directors attended by five outside Directors, Audit & Supervisory Board Members (Full-Time), and two outside Audit & Supervisory Board Members, based on an appropriate evaluation of the responsibilities, and contributions to the Bank's performance, of each officer in his/her duties and sufficient discussions taking into account the Bank's business results, market standards, etc.

In 2018, the Bank implemented a restricted stock compensation plan targeting the Bank's full-time Directors, for giving the Directors an incentive to achieve sustained improvement of the corporate value of the Bank and of sharing more of that value with our shareholders, in addition to equity remuneration type stock options introduced in 2016.

(2) Explanation on the categories of persons included in Applicable Officers and Employees and the number of persons by category
The definitions of "Applicable Officers" and "Applicable Employees, etc." are as indicated in 1. (1). There are four "Applicable Officers" and there are no persons who fall under the definition of "Applicable Employees, etc."

3. CONSISTENCY BETWEEN THE SYSTEM FOR REMUNERATION, ETC. OF APPLICABLE OFFICERS AND EMPLOYEES OF SHINSEI BANK (GROUP) AND RISK MANAGEMENT AND THE LINKAGE BETWEEN REMUNERATION, ETC. OF APPLICABLE OFFICERS AND EMPLOYEES OF SHINSEI BANK (GROUP) AND BUSINESS RESULTS

When determining remuneration, etc. of Applicable Officers, the total amounts of remuneration payable to Directors and Audit & Supervisory Board Members are each determined at the General Meeting of Shareholders, while the amount of remuneration, etc. payable to each Director and Audit & Supervisory Board Member is determined at the Board of Directors or through consultations among Audit & Supervisory Board Members, respectively.

Moreover, the performance-linked remuneration accounts for a very small percentage of the amount of remuneration, etc. for Applicable Officers, and we have not adopted a remuneration system which may have a negative impact on risk management. The compensation of full-time Directors is comprised of the following three elements: fixed compensation, Equity Remuneration Type Stock Options and restricted stock.

<Types of remuneration, etc. placing emphasis on creating corporate value from a longer perspective in accordance with the duties and operations of Applicable Officers and Employees, and remuneration, etc. payment method taking into account the period until risk is materialized>

The Shinsei Bank Group has adopted equity remuneration-type stock options in order to share the risk and advantage of share price fluctuations with shareholders and enhance motivation to contribute to medium- and long-term performance and share price increases. The exercise periods are as follows. The stock option contract stipulates that exercise shall be deferred to the resignation of the Bank's Director even during the exercise period.

	Exercise period
Shinsei Bank, Ltd. 1st Warrant	May 27, 2016 to May 26, 2046
Shinsei Bank, Ltd. 2nd Warrant	May 26, 2017 to May 25, 2047
Shinsei Bank, Ltd. 3rd Warrant	May 29, 2018 to May 28, 2048
Shinsei Bank, Ltd. 4th Warrant	May 31, 2019 to May 30, 2049

DISCLOSURE ITEMS CONCERNING REMUNERATION, ETC. (CONTINUED)

4. TYPES, TOTAL AMOUNT PAYABLE, AND PAYMENT METHOD OF REMUNERATION, ETC. FOR APPLICABLE OFFICERS AND EMPLOYEES OF SHINSEI BANK (GROUP)

(Persons, Millions of Yen)

Remuneration, etc. allocated to the fiscal year						
Item No.					A Applicable Officers	B Applicable Employees, etc.
1	Fixed remuneration	Number of Applicable Officers and Applicable Employees, etc.			4	–
2		Total amount of fixed remuneration (3+5+7)			131	–
3			Of which, amount of cash remuneration		89	–
4				Of Item 3, deferred amount	–	–
5			Of which, amount of equity remuneration or share-linked remuneration		42	–
6				Of Item 5, deferred amount	-35	–
7			Of which, amount of other remuneration		–	–
8				Of Item 7, deferred amount	–	–
9	Variable remuneration	Number of Applicable Officers and Applicable Employees, etc.			–	–
10		Total amount of variable remuneration (11+13+15)			-23	–
11			Of which, amount of cash remuneration		–	–
12				Of Item 11, deferred amount	–	–
13			Of which, amount of equity remuneration or share-linked remuneration		–	–
14				Of Item 13, deferred amount	–	–
15			Of which, amount of other remuneration		–	–
16				Of Item 15, deferred amount	–	–
17	Retirement allowance	Number of Applicable Officers and Applicable Employees, etc.			1	–
18		Total amount of retirement allowance			27	–
19			Of which, deferred amount		–	–
20	Other remuneration	Number of Applicable Officers and Applicable Employees, etc.			–	–
21		Total amount of other remuneration			–	–
22			Of which, deferred amount		–	–
23	Total amount of remuneration, etc. (2+10+18+21)				159	–

Note : Item 5 includes equity remuneration-type stock options of 22 million yen and restricted stock compensation of 19 million yen.

5. OTHER MATTERS THAT SHOULD BE REFERRED TO CONCERNING THE SYSTEM OF REMUNERATION, ETC. FOR APPLICABLE OFFICERS AND EMPLOYEES OF SHINSEI BANK (GROUP)

(Millions of Yen)

Deferred remuneration, etc.						
		A Balance of deferred remuneration, etc.	B Of Item A, balance of deferred remuneration, etc. subject to adjustments or fluctuations	C Amount of changes to allocated remunerations, etc. subject to adjustments for the fiscal year not linked to fluctuations in indicators, etc.	D Amount of changes to allocated remunerations, etc. subject to adjustments for the fiscal year linked to fluctuations in indicators, etc.	E Amount of deferred remuneration, etc. paid in the fiscal year
Applicable Officers	Amount of cash remuneration	–	–	–	–	–
	Amount of equity remuneration or share-linked remuneration	70	20	–	–	25
	Total amount of other remuneration	–	–	–	–	–
Applicable Employees, etc.	Amount of cash remuneration	–	–	–	–	–
	Amount of equity remuneration or share-linked remuneration	–	–	–	–	–
	Total amount of other remuneration	–	–	–	–	–
Total amount		70	20	–	–	25

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