



INTERIM REPORT  
2019

Six months ended September 30, 2019

# ●●● Management Principles

The Shinsei Bank Group has established the following Management Principles and is working on a day-by-day basis toward their attainment.



To become a banking group that is sought out by customers, and contributes to the development of both domestic and international industrial economies, while maintaining stable profitability.



To become a banking group that values diverse talents and cultures and is constantly taking on new challenges presented by change, based on its experiences and history.



To become a banking group that strives for highly transparent management and values that is trusted by all stakeholders including customers, investors and employees.

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## Editorial Policy

This Report fulfills the disclosure requirements (an explanation of the Shinsei Bank's operations and matters regarding its financial position) stipulated under Article 21 of Japan's Banking Act. This Report also contains statements about the Group's management policies and future operating results that are forward-looking in nature. These forward-looking statements are not a guarantee to future performance. Actual results may differ from those indicated in such forward-looking statements due to a variety of factors, including changes in the operating environment.



## ●●● CEO Message



In the first half of fiscal 2019, net income attributable to owners of the parent amounted to ¥28.1 billion and earnings per share (EPS) resulted in ¥115.80, marking a good start to the first year of the medium-term management strategies.

We will strive to realize the concept of "Redesigning Finance" in our medium-term management strategies in order to be one step ahead in financial products and services to people who are not satisfied with conventional financial products and services, while synergizing not only with Group companies but also with external partners.

We look forward to the continued support and guidance of our stakeholders as we continue to strive to meet their expectations.

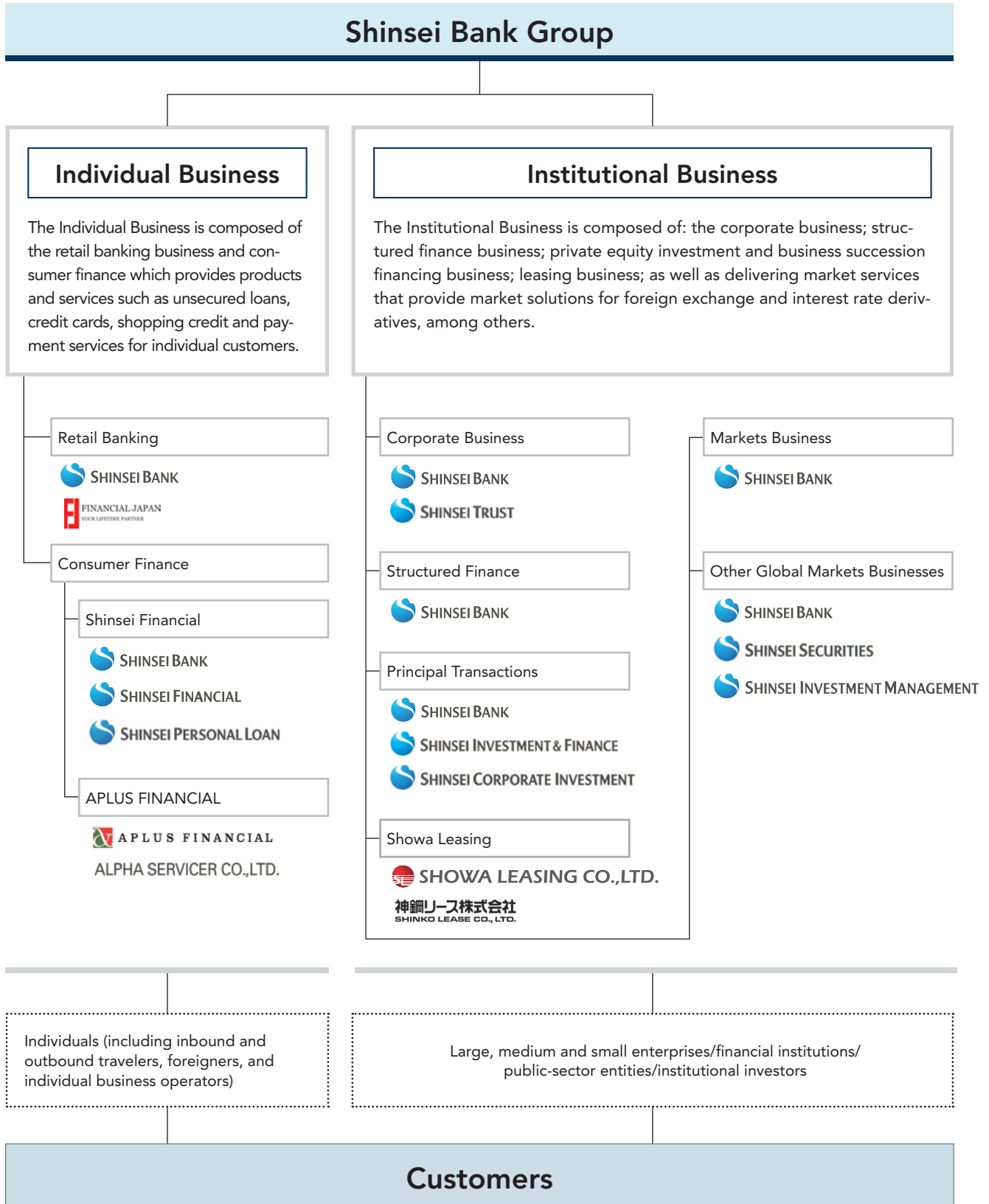
January 2020

A handwritten signature in black ink, consisting of a stylized 'H' and 'K' followed by a horizontal line.

Hideyuki Kudo  
President and Chief Executive Officer

# ●●● Group Business Profile

The Shinsei Bank Group continues to proactively identify underserved customer needs, which are not met by conventional financial products and services. At the same time, we provide solutions to these needs as a financial enterprise group. Targeting both individual and corporate customers, we harness the functions within the Group to deliver unique financial products and services.



# ●●● At a Glance

## Major Businesses

## Contribution

### Individual Business

■ Total Revenue

■ Ordinary Business Profit after Net Credit Costs

#### Individual Business

- **Retail Banking**

Yen/foreign currency deposits, structured deposits, investment trust, securities brokerage services (through a partner institution), life and nonlife insurance (through partner institutions), housing loans, provision of financial products and services for individuals

- **Shinsei Financial**

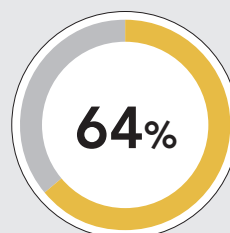
Unsecured loans (Lake, NOLOAN) and credit guarantees

- **APLUS FINANCIAL**

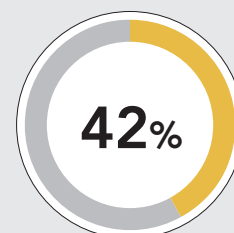
Shopping credit and settlements, credit cards, credit guarantees, loans and collection services

- **Other Individual Business**

Consumer Finance Division functions and profits and losses of other subsidiaries



77.8 Billion yen



13.0 Billion yen

### Institutional Business

#### Institutional Business

- **Corporate Business**

Provision of financial products, services and advisory services for corporations, public-sector entities and financial institutions, healthcare finance business, trust banking business

- **Structured Finance**

Real estate related nonrecourse finance and corporate finance, project finance, specialty finance including M&A-related finance

- **Principal Transactions**

Credit trading, private equity, business succession finance, corporate restructuring, asset-backed investment, etc.

- **Showa Leasing**

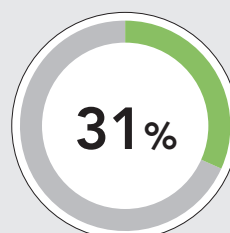
Financial products and services focused around lease finance

- **Markets Business**

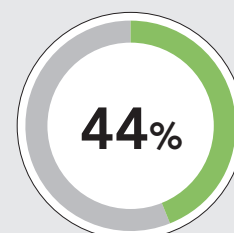
Foreign exchange, derivatives, equity-related and other capital markets business

- **Other Global Markets Businesses**

Securities business, asset management business, wealth management business



37.2 Billion yen



13.7 Billion yen

The percentage figures do not add up to 100% due to the contribution of Corporate/Other.

# ●●● Individual Business

The Individual Business provides retail banking businesses, including deposits, investment trusts, securities brokerage, insurance, and housing loans; unsecured loans; and credit card, shopping credit, and payment services for individual customers.

## Overview of the First Half of FY2019

In the **retail banking business**, the Group strives to provide products and services that contribute to the formation of customers' medium- to long-term assets in accordance with the "Policy on Customer-Oriented Business Operations." In May 2019, we acquired Financial Japan Co., Ltd., an independent insurance agent, in order to strengthen sales channels and consulting functions for insurance products. In the housing loan business, new loan disbursements increased steadily as a result of the success of adjustments to floating rate products.

In the **unsecured loans business**, the Lake ALSA brand launched a variety of initiatives in response to the diversification and digitalization of customer lifestyles. These included launching a 60-day, non-interest-bearing regular service for customers who apply for new loans from online, including social networking services, and

the Internet. The loan outstanding has increased through these initiatives. In August 2019, we launched a new loan service, Shinsei Bank Smart Money Lending, utilizing NTT DOCOMO's DOCOMO Lending Platform.

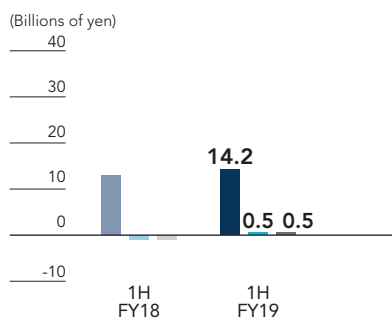
In the **credit card business**, although we have been promoting new partner cards, new issuance has been stagnant.

In the **shopping credit business**, sales of dental loans and vendor leases increased, and, as a result, the balance of operating assets increased steadily.

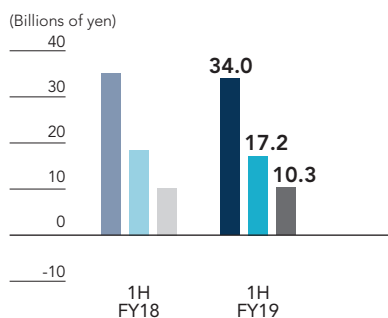
In the **payment business**, APLUS Co., Ltd. is expanding its network of stores using various mobile payment services and supporting the introduction of multiple payment services to its merchants. The company was selected as a QR code settlement demonstration operator at the Ueno Zoological Gardens.

## Data on Major Operations

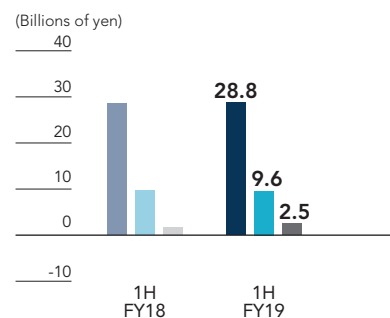
### Retail Banking



### Unsecured Loans



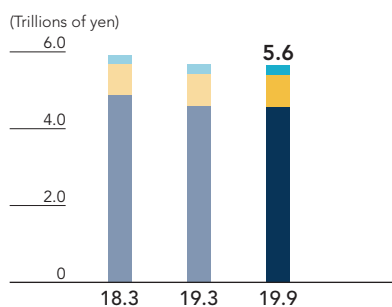
### APLUS FINANCIAL



■ Total Revenue ■ Ordinary Business Profit (OBP) ■ OBP after Net Credit Costs

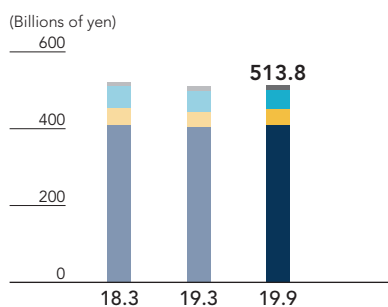
## Operating Assets

### Assets Under Management



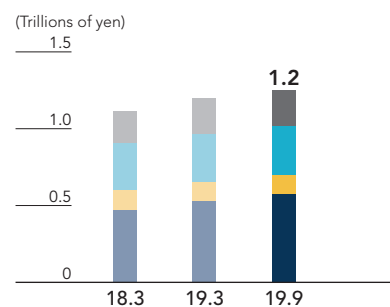
■ Retail Deposits  
■ Mutual Funds and Insurance  
■ Structured Bonds

### Unsecured Loans



■ Shinsei Bank Lake ■ NOLOAN  
■ Credit Guarantees  
■ Shinsei Bank Smart Card Loan Plus, etc.

### APLUS FINANCIAL



■ Shopping Card Credit (Excluding Automobile)\*  
■ Credit Cards ■ Automobile Credit\*  
■ Housing Related Loans etc.

\*Includes credit guarantees business

# ●●● Institutional Business

The Institutional Business is composed of the corporate business, which provides solutions to our corporate and financial institution customers; structured finance, which provides services such as real estate finance and project finance; services that provide private equity investments and business succession finance; the leasing business; and the markets business which provides market solutions for foreign exchange and interest rate derivatives, among others.

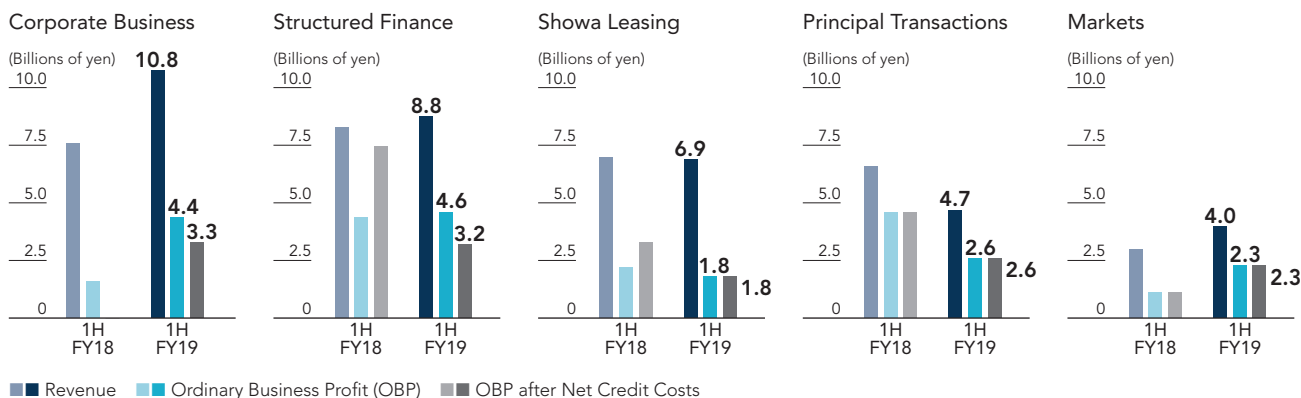
## Overview of the First Half of FY2019

For **institutional customers**, by collaborating with outside partners, we promoted partnership-business style that helps customers to solve their problems and create new businesses. In the leasing business, we are strengthening our construction machinery business. In July 2019, Showa Leasing Co., Ltd. acquired SHINKO LEASE CO., LTD., a company with strengths in various types of financing for construction machinery. In September 2019, Showa Leasing established a joint venture in the Philippines, where the demand for infrastructure is robust, to further promote the brokerage of used properties (the buy-sell business).

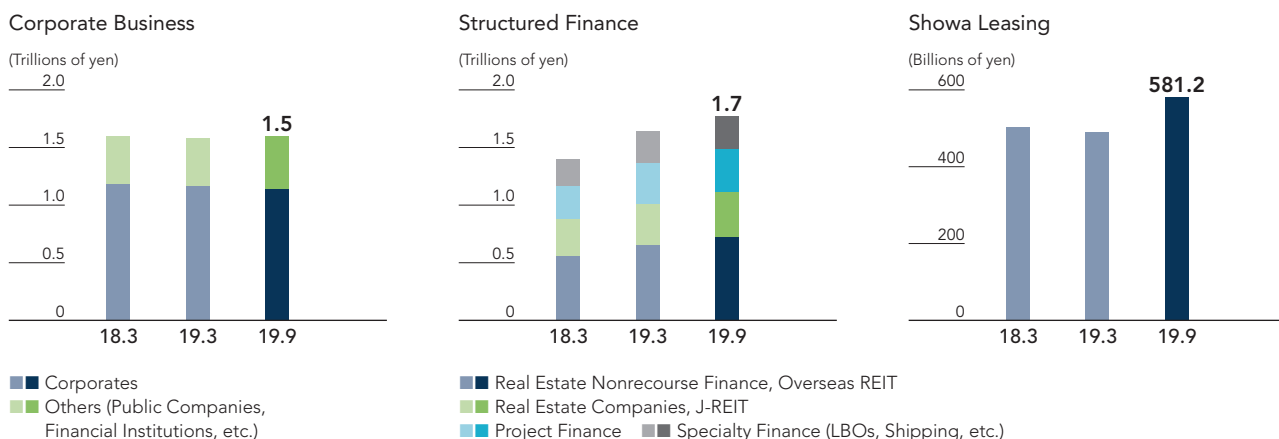
For **financial institutions and institutional investors**, we are promoting financing that leverages the relationships, know-how, and analytical capabilities that we have cultivated over the years. During the first half of the fiscal

year under review, new asset types, such as logistics facilities, were introduced in the real estate finance business, and new financing has been robust. In project finance, we won offshore wind energy and infrastructure projects. In specialty finance, we collaborated with Showa Leasing to provide aircraft finance. As a result, the balance of operating assets in the structured finance business increased steadily. We also collaborated with regional financial institutions to provide buyout financing for business succession. In addition, we are actively working to resolve social issues through our core business, such as financing new healthcare assets such as authorized childcare centers, and establishing an impact investment fund for companies engaged in the childcare and nursing care businesses.

## Data on Major Operations



## Operating Assets



# 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 management improvement and business expansion

#### A car dealership:

Amid concern that the market will shrink due to the declining birth rate and population aging along with the growth of the sharing economy, the company needed to strengthen its financial position as well as its sales capabilities in order to demonstrate its presence amid the restructuring trend in the industry. The company was also facing the issue of disposing of unprofitable, noncore businesses. The Bank helped the company quickly resolve the urgent problem of enhancing its equity capital by providing equity financing through the underwriting of preferred stock. Currently, the company is expanding its domestic sales area and growing its overseas business as a means of effectively utilizing the equity funds procured, and is expected to further enhance its corporate value.

### Support at 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 Shinsei Bank Group, and we will continue to create an ecosystem for the circular society through our partnership with this company.

### Supporting business rehabilitation

#### A regional supermarket:

Through management of local capital, this supermarket had met the daily shopping needs of people in the local community for many years, but in recent years business results have declined due to changes in the business environment, such as a decline in the number of residents living in the commercial area, the aging of the population, and competition with drug stores. The company ended up posting losses and was considering going under the umbrella of a sponsor that is large in scale and possesses abundant know-how. The company initially sought support from its main bank, but when these talks hit a snag, the company approached us for help. By accurately grasping the characteristics of the stores and product mix, and utilizing our nationwide network, the Bank succeeded in recruiting a strong sponsor capable of leveraging the company's potential from outside the region. The business transfer was concluded based on the conditions that the company desired, including maintaining the company's employees, and the Bank was highly commended by both the company and its main bank.

### 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.



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

The following discussion should be read in conjunction with our consolidated and nonconsolidated interim financial statements prepared in accordance with accounting principles generally accepted in Japan (Japanese GAAP) for banks, including the notes to those interim financial statements, included elsewhere in this interim report.

Unless otherwise indicated, the financial information in the following discussion is based on our interim consolidated financial statements.

In this section, except where the context indicates otherwise, "we" or "our" means Shinsei Bank, Limited, its subsidiaries and its affiliates accounted for by the equity method and "Shinsei" or "the Bank" refers to Shinsei Bank on a nonconsolidated basis.

Financial and operational figures less than ¥0.1 billion have been truncated, except for claims classified under the Financial Revitalization Law, amount of less than ¥0.1 billion have been rounded. All percentages have been rounded to the nearest 0.1% unless otherwise noted.

Fiscal year 2019 refers to the consolidated accounting period ended March 31, 2020, and other accounting periods are denoted in the same manner. The term "current fiscal year" refers to fiscal year 2019 and the term "previous fiscal year" refers to fiscal year 2018. The term the "first half" refers to the period from April 1 to September 30 of each indicated fiscal year and the term the "second half" refers to the period from October 1 to March 31 of each indicated fiscal year.

## OVERVIEW

Shinsei Bank, Limited, is a leading diversified Japanese financial institution providing a full range of financial products and services to both institutional and individual customers. Our operations are organized into three business groups: the Institutional Business.

- In our businesses serving institutional clients, in order to provide financial products and services that meet the needs of our customers through a strategic and systematically organized business promotion structure, the operations of the Institutional Business are focused primarily on the provision of financial institution, corporate and public sector financing and advisory services and global markets business.
- The operations of the Individual Business consist of the retail banking business and the consumer finance business. In the retail banking business the Bank is continuing efforts to improve the convenience of services aimed at fulfilling the needs of our customers. In the consumer finance business, the Bank is engaged in the provision of unsecured personal loans through the Bank, Shinsei Financial Co., Ltd. (Shinsei Financial) and Shinsei Personal Loan Co., Ltd. (Shinsei Personal Loan) as well as the provision of installment sales credit, credit card and settlement services through APLUS FINANCIAL Co., Ltd. (APLUS FINANCIAL).

## FINANCIAL SUMMARY FOR THE INTERIM PERIOD ENDED SEPTEMBER 30, 2019

In the interim period ended September 30, 2019 (April 1, 2019 to September 30, 2019), the Shinsei Bank Group recorded consolidated profit attributable to owners of the parent of ¥28.1 billion, increased ¥0.4 billion compared to the interim period ended September 30, 2018. This first half result equates to a 53% progression toward the Bank's fiscal year 2019 net income forecast of ¥53.0 billion, and indicates that steady progress is being made.

Total revenue was ¥121.5 billion for the first half of fiscal year 2019, increased ¥6.7 billion compared to the first half of fiscal year 2018. Of this amount, net interest income totaled ¥66.7 billion, ¥0.4 billion higher compared to net interest income totaling ¥66.3 billion recorded in the first half of fiscal year 2018. This increase was due to the increase in interest income in conjunction with the rise in operating assets in the Structured Finance Business. Noninterest income totaled ¥54.7 billion, an increase of ¥6.3 billion from the ¥48.3 billion of noninterest income recorded in the first half of fiscal year 2018. This resulted from the increase in revenue from key businesses such as APLUS FINANCIAL's shopping credit business, growth in fee income in the Retail Banking business, recording of gains on the sale of government bonds and other bonds in Treasury, which is responsible for ALM, and other factors.

**OVERVIEW (CONTINUED)**

General administrative expenses excluding amortization of goodwill and intangible assets totaled ¥73.8 billion in the six months ended September 30, 2019, a ¥2.8 billion increase from the first half of fiscal year 2018. This was mainly due to increases in system expenses associated with the start of operations of our new core banking system, expenses related to the acquisition of subsidiaries, and costs associated with the reorganization of group business sites.

Net credit costs totaled ¥16.5 billion in the first half of fiscal 2019, up ¥2.0 billion compared to net credit costs of ¥14.4 billion recorded in the first half of fiscal year 2018. This was mainly due the non-recurrence of the reversal of reserve for credit losses recorded in the previous interim period in the Institutional Business, despite the decline in provision of reserve for loan losses in the Consumer Finance Business.

The balance of loans and bills discounted as of September 30, 2019 totaled ¥5,002.6 billion, an increase of ¥15.8 billion compared to ¥4,986.8 billion as of March 31, 2019. While the outstanding amount of loans and bills discounted in Structured Finance increased, corporate and housing loans decreased.

The net interest margin increased to 2.48% from 2.43% in the same period of the previous fiscal year. This was mainly due to the rise in the yield in conjunction with the growth of installment receivables.

The Basel III domestic standard (grandfathering basis) consolidated core capital adequacy ratio as of September 30, 2019 was 11.56%, compared to 11.85% as of March 31, 2019. Core capital increased due to the steady accumulation of net income, but the slight decline in the core capital adequacy ratio was due to the accumulation of operating assets in the Structured Finance Business and Consumer Finance Business, and the increase in risk assets from a subsidiary that was brought under the consolidated scope during the interim period. The Bank's Basel III international standard (fully loaded basis) Common Equity Tier 1 Ratio was lower at 11.7% as of September 30, 2019, compared to 12.0% at March 31, 2019, but capital adequacy ratios continue to be maintained at adequate levels.

Note: In the calculation of the consolidated capital adequacy ratio as of Sep 30, 2019, parameter estimates applied to some exposures are adjusted for the fiscal year ending March 2019.

The nonperforming loan balance (nonconsolidated basis) under the Financial Revitalization Law increased ¥8.4 billion during the interim period to ¥18.7 billion as of September 30, 2019. Additionally, the proportion of nonperforming claims to the overall loan balance was 0.37% as of September 30, 2019, compared to 0.20% as of March 31, 2019, remaining at a low level.

**Significant Events**

**Buyback and Cancellation of Treasury Shares.**  
Based on buyback resolutions approved at meetings of the Board of Directors, Shinsei Bank purchased 7,238,800 shares for ¥11,502 million from the market on the Tokyo Stock Exchange during the period from May 16, 2019 to October 31, 2019.

**The Bank's Principal Shareholders.**  
Saturn I Sub (Cayman) Exempt Ltd., Saturn Japan II Sub C.V., Saturn Japan III Sub C.V., and Saturn Japan IV Sub L.P. (hereinafter, "the four Saturns"), which were established in January 2008 by investors including parties related to J.C. Flowers & Co. LLC (of which the Bank's outside director J. Christopher Flowers serves as Managing Director & CEO) as investment vehicles for the purpose of executing a tender offer for the Bank's common shares, together with J. Christopher Flowers, continually held more than 20% of the shares of the Bank's common stock as principal shareholders between February 2008 and August 2019. However, in August 2019, following the secondary offering in Japan and overseas of the majority of the shares of the Bank's common stock they held, they ceased to be principal shareholders. Because of this change involving these long-term, stable principal shareholders, there is a possibility of a change in the direction of decision-making by the Bank's shareholders going forward. As a result of the aforementioned secondary offering, the Bank no longer has a principal shareholder. With respect to transactions with principal shareholders, in addition to normal procedures, the Bank has established internal rules from a third-party perspective to ensure independence from principal shareholders and to monitor the insulation of the Bank from any business risks.

**SELECTED FINANCIAL DATA (CONSOLIDATED)**

Shinsei Bank, Limited and its Consolidated Subsidiaries

As of and for the six months ended September 30, 2019 and 2018 and as of and for the fiscal year ended March 31, 2019

Billions of yen (except per share data and percentages)

	Sept. 30, 2019 (6 months)	Sept. 30, 2018 (6 months)	Mar. 31, 2019 (1 year)
<b>Statements of income data:</b>			
Net interest income	¥ 66.7	¥ 66.3	¥ 133.8
Net fees and commissions	15.6	14.5	31.3
Net trading income	5.0	1.8	6.6
Net other business income	34.0	31.9	57.8
Total revenue	121.5	114.7	229.6
General and administrative expenses	74.0	71.3	145.7
Amortization of goodwill and intangible assets acquired in business combinations	1.1	1.7	2.8
Total general and administrative expenses	75.2	73.0	148.5
Net credit costs (recoveries)	16.5	14.4	29.3
Net business profit after net credit costs (recoveries)	29.7	27.1	51.8
Other gains (losses), net	1.4	2.3	2.7
Income before income taxes	31.2	29.5	54.5
Current income taxes	1.3	0.8	3.8
Deferred income taxes (benefit)	1.8	1.0	(1.3)
Profit attributable to noncontrolling interests	(0.1)	(0.0)	(0.2)
Profit attributable to owners of the parent	¥ 28.1	¥ 27.6	¥ 52.3
<b>Balance sheet data:</b>			
Trading assets	¥ 226.4	¥ 188.5	¥ 204.4
Securities	1,053.0	1,217.5	1,130.2
Loans and bills discounted	5,002.6	4,877.0	4,986.8
Customers' liabilities for acceptances and guarantees	501.9	422.1	456.7
Reserve for credit losses	(98.5)	(100.7)	(98.0)
Total assets	9,840.7	9,535.5	9,571.1
Deposits, including negotiable certificates of deposit	5,926.3	6,041.3	5,922.1
Trading liabilities	200.6	166.4	182.3
Borrowed money	679.5	700.2	684.0
Acceptances and guarantees	501.9	422.1	456.7
Total liabilities	8,929.5	8,662.2	8,674.5
Common stock	512.2	512.2	512.2
Total equity	911.2	873.2	896.6
Total liabilities and equity	¥ 9,840.7	¥ 9,535.5	¥ 9,571.1
<b>Per share data:</b>			
Common equity <sup>(1)</sup>	¥ 3,774.10	¥ 3,547.97	¥ 3,636.92
Basic earnings per share	115.80	110.73	211.24
Diluted earnings per share	115.79	110.72	211.22
<b>Capital adequacy data:</b>			
Capital ratio (Basel III, Domestic Standard)	11.6%	12.4%	11.9%
<b>Average balance data:</b>			
Securities	¥ 1,065.1	¥ 1,176.1	¥ 1,150.6
Loans and bills discounted	4,982.5	4,921.1	4,954.6
Total assets	9,705.9	9,496.0	9,513.9
Interest-bearing liabilities	7,828.2	7,754.8	7,773.8
Total liabilities	8,802.0	8,631.4	8,637.5
Total equity	903.9	864.6	876.3
<b>Other data:</b>			
Return on assets	0.6%	0.6%	0.5%
Return on equity <sup>(1)</sup>	6.3%	6.4%	6.0%
Ratio of deposits, including negotiable certificates of deposit, to total liabilities	66.3%	69.7%	68.2%
Expense-to-revenue ratio <sup>(2)</sup>	60.9%	62.2%	63.5%
Nonperforming claims, nonconsolidated	¥ 18.7	¥ 7.7	¥ 10.2
Ratio of nonperforming claims to total claims, nonconsolidated	0.4%	0.2%	0.2%

Note: (1) Stock acquisition rights and noncontrolling interests are excluded from equity.

(2) The expense-to-revenue ratio is calculated by dividing general and administrative expenses by total revenue.

(3) In the calculation of the consolidated capital adequacy ratio as of Sep 30, 2019, parameter estimates applied to some exposures are adjusted for the fiscal year ending March 2019..

## RESULTS OF OPERATIONS (CONSOLIDATED)

### NET INTEREST INCOME

Net interest income in the interim period ended September 30, 2019 was ¥66.7 billion, an increase of ¥0.4 billion from the ¥66.3 billion recorded in the previous

interim period. This was mainly due to an increase in revenue in conjunction with growth in operating assets in the Structured Finance Business.

### 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/Rates)					
	Six months ended September 30, 2019			Six months ended September 30, 2018		
	Average Balance	Interest	Yield/Rate <sup>(4)</sup>	Average Balance	Interest	Yield/Rate <sup>(4)</sup>
<b>Interest-earning assets:</b>						
Loans and bills discounted	¥ 4,982.5	¥ 70.1	2.82%	¥ 4,921.1	¥ 69.6	2.82%
Lease receivables and leased investment assets/ installment receivables	781.5	19.9	5.11	746.3	18.1	4.86
Securities	1,065.1	5.0	0.96	1,176.1	5.9	1.01
Other interest-earning assets <sup>(1)</sup>	243.6	1.4	n.m.	179.5	1.0	n.m.
<b>Total revenue on interest-earning assets (A)</b>	<b>¥ 7,072.9</b>	<b>¥ 96.7</b>	<b>2.73%</b>	<b>¥ 7,023.2</b>	<b>¥ 94.8</b>	<b>2.69%</b>
<b>Interest-bearing liabilities:</b>						
Deposits, including negotiable certificates of deposit	¥ 5,830.7	¥ 2.7	0.10%	¥ 6,072.0	¥ 4.0	0.13%
Borrowed money	720.7	1.3	0.36	732.6	1.7	0.49
Subordinated debt	—	—	—	7.4	0.0	2.36
Other borrowed money	720.7	1.3	0.36	725.1	1.7	0.47
Corporate bonds	86.4	0.1	0.26	85.4	0.2	0.68
Subordinated bonds	—	—	—	18.6	0.1	1.96
Other corporate bonds	86.4	0.1	0.26	66.8	0.1	0.33
Other interest-bearing liabilities <sup>(1)</sup>	1,190.2	5.7	n.m.	864.6	4.0	n.m.
<b>Total expense on interest-bearing liabilities (B)</b>	<b>¥ 7,828.2</b>	<b>¥ 9.9</b>	<b>0.25%</b>	<b>¥ 7,754.8</b>	<b>¥ 10.2</b>	<b>0.26%</b>
<b>Net interest margin (A) - (B)</b>	<b>—</b>	<b>86.7</b>	<b>2.48%</b>	<b>—</b>	<b>84.5</b>	<b>2.43%</b>
<b>Noninterest-bearing sources of funds:</b>						
Noninterest-bearing (assets) liabilities, net	¥ (1,654.0)	—	—	¥ (1,594.1)	—	—
Total equity excluding noncontrolling interests <sup>(2)</sup>	898.7	—	—	862.6	—	—
<b>Total noninterest-bearing sources of funds (C)</b>	<b>¥ (755.2)</b>	<b>—</b>	<b>—</b>	<b>¥ (731.5)</b>	<b>—</b>	<b>—</b>
<b>Total interest-bearing liabilities and noninterest-bearing sources of funds (D) = (B) + (C)</b>	<b>¥ 7,072.9</b>	<b>¥ 9.9</b>	<b>0.28%</b>	<b>¥ 7,023.2</b>	<b>¥ 10.2</b>	<b>0.29%</b>
<b>Net revenue on interest-earning assets/ yield on interest-earning assets (A) - (D)</b>	<b>—</b>	<b>¥ 86.7</b>	<b>2.45%</b>	<b>—</b>	<b>¥ 84.5</b>	<b>2.40%</b>
Reconciliation of total revenue on interest-earning assets to total interest income						
Total revenue on interest-earning assets	¥ 7,072.9	¥ 96.7	2.73%	¥ 7,023.2	¥ 94.8	2.69%
Less: Income on lease transactions and installment receivables	781.5	19.9	5.11	746.3	18.1	4.86
Total interest income	¥ 6,291.3	¥ 76.7	2.44%	¥ 6,276.9	¥ 76.6	2.43%
Total interest expenses	—	9.9	—	—	10.2	—
<b>Net interest income</b>	<b>—</b>	<b>¥ 66.7</b>	<b>—</b>	<b>—</b>	<b>¥ 66.3</b>	<b>—</b>

Notes: (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 presented period.

(3) n.m. is not meaningful.

(4) Percentages have been rounded from the third decimal place.

The item "Net interest income (including leased assets and installment receivables)" in the preceding table includes net interest revenue as well as revenue earned on lease receivables, leased investment assets and installment receivables. However, while the Bank considers income recorded from lease transactions and installment receivables to be a component of interest income,

Japanese GAAP does not recognize income on lease transactions and installment receivables as a component of net interest income. Therefore, in our interim consolidated statements of income, income on lease transactions and installment receivables is reported in net other business income in accordance with Japanese GAAP.

**RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)**

A net interest margin of 2.48% was recorded for the first half of fiscal year 2019, increased from the 2.43% recorded for the first half of fiscal year 2018. This increase was mainly due to the rise in the yield in conjunction with the increase in the balance of installment receivables.

Additionally, net interest income including income on leased assets and installment receivables totaled ¥86.7 billion in the first half of fiscal year 2019 increased from ¥84.5 billion recorded in the interim period ended September 30, 2018. Interest expenses incurred on interest-bearing liabilities declined from ¥10.2 billion in the first half of fiscal year 2018 to ¥9.9 billion in the interim period ended September 30, 2019, while interest revenue recorded from interest-earning assets increased from ¥94.8 billion in the first half of fiscal year 2018 to ¥96.7 billion in the interim period ended September 30, 2019.

**NET TRADING INCOME**

The table below shows the principal components of net trading income.

**TABLE 2. NET TRADING INCOME (CONSOLIDATED)**

	Billions of yen		
	Six months ended September 30, 2019	Six months ended September 30, 2018	Change (Amount)
Income from trading securities	¥ 1.4	¥ 1.5	¥ (0.1)
Income (loss) from securities held to hedge trading transactions	0.4	(0.4)	0.8
Income from trading-related financial derivatives	2.7	0.7	2.0
Other, net	0.3	—	0.3
Net trading income	¥ 5.0	¥ 1.8	¥ 3.2

Net trading income is comprised of customer derivative transaction related revenues as well as revenues recorded from proprietary trading undertaken by the Bank. Net

**NET FEES AND COMMISSIONS**

Net fees and commissions consists mainly of fee income associated with lending businesses such as real estate finance and project finance, fee income associated with sales of products such as mutual funds and insurance products in the Retail Banking business, fee income associated with the guarantee business and other businesses in the Consumer Finance business, and fee income associated with the Payment Business.

trading income in the interim period ended September 30, 2019 totaled ¥5.0 billion, increased from ¥1.8 billion recorded in the interim period ended September 30, 2018.

**NET OTHER BUSINESS INCOME (LOSS)**

The table below shows the principal components of net other business income.

**TABLE 3. NET OTHER BUSINESS INCOME (LOSS) (CONSOLIDATED)**

	Billions of yen		
	Six months ended September 30, 2019	Six months ended September 30, 2018	Change (Amount)
Net gain on monetary assets held in trust	¥ 1.6	¥ 1.2	¥ 0.4
Net gain on foreign exchanges	0.6	6.7	(6.0)
Net gain on securities	8.1	(1.2)	9.3
Net gain on other monetary claims purchased	0.2	0.5	(0.2)
Other, net:	3.2	6.5	(3.2)
Income (loss) from derivative transactions for banking purpose, net	(0.0)	(0.0)	0.0
Equity in net income of affiliates	1.4	4.0	(2.5)
Gain on lease cancellation and other lease income (loss), net	0.9	1.1	(0.1)
Other, net	0.8	1.3	(0.5)
Net other business income before income on lease transactions and installment receivables, net	14.0	13.7	0.2
Income on lease transactions and installment receivables, net	19.9	18.1	1.7
Net other business income	¥ 34.0	¥ 31.9	¥ 2.0

## RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

Net other business income recorded in the interim period ended September 30, 2019 totaled ¥34.0 billion, an increase from ¥31.9 billion recorded in the interim period ended September 30, 2018. This increase reflected the increase in gain on trading of securities, despite the decline in gain on foreign exchanges and decline in earnings from equity in net income of affiliates.

### TOTAL REVENUE

As a result of the preceding, total revenue of ¥121.5 billion was recorded in the interim period ended September 30, 2019, compared to ¥114.7 billion recorded during the interim period ended September 30, 2018.

### GENERAL AND ADMINISTRATIVE EXPENSES

The table below sets forth the principal components of our general and administrative expenses.

**TABLE 4. GENERAL AND ADMINISTRATIVE EXPENSES (CONSOLIDATED)**

	Billions of yen		
	Six months ended September 30, 2019	Six months ended September 30, 2018	Change (Amount)
Personnel expenses	¥ 28.9	¥ 28.0	¥ 0.9
Premises expenses	10.0	9.7	0.2
Technology and data processing expenses	12.5	10.9	1.5
Advertising expenses	5.2	5.4	(0.1)
Consumption and property taxes	4.7	4.7	0.0
Deposit insurance premium	0.7	0.8	(0.0)
Other general and administrative expenses	11.6	11.5	0.0
General and administrative expenses	74.0	71.3	2.6
Amortization of goodwill and intangible assets acquired in business combinations	1.1	1.7	(0.5)
Total general and administrative expenses	¥ 75.2	¥ 73.0	¥ 2.0

General and administrative expenses excluding amortization of goodwill and intangible assets was ¥74.0 billion in the interim period ended September 30, 2019, increased from ¥71.3 billion in the interim period ended September 30, 2018. This increase was due to the allocation of management resources to personnel, IT systems, and other strategic areas.

Personnel expenses increased from ¥28.0 billion in the interim period ended September 30, 2018, to ¥28.9 billion in the interim period ended September 30, 2019. This was the result of increasing personnel in areas of strategic importance with the aim of expanding the customer base and bolstering profitability at newly-consolidated affiliates as well as in existing businesses.

Nonpersonnel expenses of ¥45.1 billion were recorded in the interim period ended September 30, 2019, compared to ¥43.3 billion recorded in the interim period ended September 30, 2018. The Bank's performances in the major components of nonpersonnel expenses were as follows: 1) Due to an increase in one-time expenses associated with the reorganization of business sites, premises expenses totaled ¥10.0 billion in the interim period ended September 30, 2019, increased from ¥9.7

billion recorded in the previous first half; 2) Technology and data processing expenses totaled ¥12.5 billion in the interim period ended September 30, 2019, increased from ¥10.9 billion recorded in the interim period ended September 30, 2018, as depreciation of the new core banking system started; 3) Advertising expenses decreased from ¥5.4 billion in the interim period ended September 30, 2018, to ¥5.2 billion in the interim period ended September 30, 2019. Although the Group has been engaging in efficient advertising activities in order to expand the customer base, advertising expenses were reduced in light of market conditions; 4) Consumption and property tax expenses totaled ¥4.7 billion in the interim period ended September 30, 2019, the same as in the previous fiscal first half; 5) Deposit insurance premium totaled ¥0.7 billion in the interim period ended September 30, 2019, down from ¥0.8 billion in the previous interim period, due to the slight decline in the insured balance; 6) Other general and administrative expenses totaled ¥11.6 billion in the interim period ended September 30, 2019, an increase compared to ¥11.5 billion recorded in the interim period ended September 30, 2018, due to the switch to Windows 10 and other office environment upgrades, despite ongoing efforts to increase the efficiency of operations.



## RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

## AMORTIZATION OF GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATIONS

Amortization of goodwill and intangible assets acquired in business combinations related to the acquisition of consumer finance and commercial finance subsidiaries totaled ¥1.1 billion in the interim period ended September 30, 2019, reduced from ¥1.7 billion recorded in the

interim period ended September 30, 2018.

This reduction is mainly attributable to the application of the sum-of-the-years' digits method in the amortization of goodwill and intangible assets acquired in business combinations related to Shinsei Financial.

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

	Billions of yen		
	Six months ended September 30, 2019	Six months ended September 30, 2018	Change (Amount)
Shinsei Financial	¥ 0.1	¥ 0.6	¥ (0.5)
Shinsei Personal Loan <sup>(1)</sup>	(0.1)	(0.1)	—
Showa Leasing	1.1	1.1	0.0
Others	0.0	0.0	(0.0)
Amortization of goodwill and intangible assets acquired in business combinations	¥ 1.1	¥ 1.7	¥ (0.5)

Note: (1) the former SHINKI

## NET CREDIT COSTS (RECOVERIES)

The following table details the principal components of net credit costs (recoveries).

**TABLE 6. NET CREDIT COSTS (RECOVERIES) (CONSOLIDATED)**

	Billions of yen		
	Six months ended September 30, 2019	Six months ended September 30, 2018	Change (Amount)
Losses on write-off or sales of loans	¥ 0.2	¥ 0.2	¥ (0.0)
Net provision of reserve for loan losses:			
Net provision of general reserve for loan losses	9.3	8.1	1.1
Net provision of specific reserve for loan losses	10.1	8.9	1.1
Net provision of reserve for loan losses to restructuring countries	—	—	—
Subtotal	19.4	17.1	2.3
Other credit costs (recoveries) relating to leasing business	0.0	0.1	(0.1)
Recoveries of written-off claims	(3.2)	(3.1)	(0.0)
Net credit costs (recoveries)	¥ 16.5	¥ 14.4	¥ 2.0

The principal components of net credit costs are provisions and reversals of reserves for loan losses. In accordance with Japanese GAAP, the Bank maintains general and specific reserves for loan losses, specified reserves for loans losses to restructuring countries as well as a specific reserve for other credit losses. Subsidiaries such as Shinsei Financial, APLUS FINANCIAL, Shinsei Personal Loan and Showa Leasing also maintain general and specific reserves for loan losses.

In the interim period ended September 30, 2019, the Bank recorded net credit costs totaling ¥16.5 billion, an increase compared to net credit costs of ¥14.4 billion recorded in the interim period ended September 30, 2018. This was mainly due to the absence of the reversal of reserve for credit losses recorded in the previous fiscal year in the Institutional Business, despite the non-recurrence of disposal costs associated with the bulk

sale of delinquent loans recorded in the previous fiscal year in APLUS FINANCIAL, and a decrease in credit cost due to improvements in the quality of loans in the Lake Business.

Recoveries of written-off claims totaled ¥3.2 billion in the first half of fiscal year 2019, an increase compared to ¥3.1 billion recorded in the first half of fiscal year 2018. Major components of recoveries recorded in the interim period ended September 30, 2019, included ¥0.05 billion in Shinsei Bank on a nonconsolidated basis, ¥0.07 billion in APLUS FINANCIAL, and ¥3.1 billion in Shinsei Financial. It should be noted that excluding recoveries of written-off claims, net credit costs recorded in the interim period ended September 30, 2019, totaled ¥19.7 billion, an increase compared to the ¥17.5 billion recorded in the interim period ended September 30, 2018.



**RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)****OTHER GAINS (LOSSES), NET**

Other net gains totaled ¥1.4 billion in the interim period ended September 30, 2019, decreased compared to other net gains of ¥2.3 billion recorded in the interim period ended September 30, 2018.

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

	Billions of yen		
	Six months ended September 30, 2019	Six months ended September 30, 2018	Change (Amount)
Reversal (provision) of reserve for losses on interest repayments	¥ 1.2	¥ 1.7	¥ (0.5)
Impairment losses on long-lived assets	(0.2)	(0.3)	(0.0)
Loss on change in equity of affiliates	(0.2)	—	(0.2)
Gains on unexercised and forfeited stock acquisition rights	—	0.2	(0.2)
Other, net	0.7	0.6	(0.0)
<b>Total</b>	<b>¥ 1.4</b>	<b>¥ 2.3</b>	<b>¥ (0.8)</b>

**INCOME BEFORE INCOME TAXES**

As a result of the preceding factors, income before taxes recorded in the interim period ended September 30, 2019, totaled ¥31.2 billion, compared to ¥29.5 billion recorded in the interim period ended September 30, 2018.

**INCOME TAXES (BENEFIT)**

The sum of all current and deferred income taxes totaled a net expense of ¥3.1 billion in the interim period ended September 30, 2019, compared to a net expense of ¥1.8 billion recorded in the interim period ended September 30, 2018.

**PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT**

As a result of the preceding factors, the Bank recorded a profit attributable to owners of the parent totaling ¥28.1 billion in the interim period ended September 30, 2019, increased compared to ¥27.6 billion recorded in the interim period ended September 30, 2018.

**RECONCILIATION OF REPORTED-BASIS AND OPERATING-BASIS RESULTS**

In addition to analyzing the results of its operations in the format used in its financial statements, referred to as the "reported basis," Shinsei Bank also engages in the management of its organization utilizing an "operating-basis" assessment of individual business lines in evaluating achieved results against targeted goals. Operating-basis results are generally calculated by adjusting the reported-basis results for amortization of goodwill and intangible assets acquired in business combinations, certain revenue items, amortization of net actuarial gains or losses on lump-sum retirement payments and extraordinary expenses. In general, operating-basis results represent what the Bank considers to be "core" portion of its reported profit attributable to owners of the parent is in compliance with Japanese GAAP. The following table reconciles the Bank's reported-basis and operating-basis results.

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

	Billions of yen					
	Six months ended September 30, 2019			Six months ended September 30, 2018		
	Reported-basis	Reclassifications	Operating-basis	Reported-basis	Reclassifications	Operating-basis
Revenue:						
Net interest income	¥ 66.7	¥ —	¥ 66.7	¥ 66.3	¥ —	¥ 66.3
Noninterest income	54.7	—	54.7	48.3	—	48.3
Total revenue	121.5	—	121.5	114.7	—	114.7
General and administrative expenses <sup>(1)</sup>	74.0	(0.2)	73.8	71.3	(0.4)	70.9
Amortization of goodwill and intangible assets acquired in business combinations <sup>2)</sup>	1.1	(1.1)	—	1.7	(1.7)	—
Total general and administrative expenses	75.2	(1.3)	73.8	73.0	(2.1)	70.9
Net business profit/Ordinary business profit	46.3	1.3	47.6	41.6	2.1	43.7
Net credit costs (recoveries)	16.5	—	16.5	14.4	—	14.4
Amortization of goodwill and intangible assets acquired in business combinations	—	1.1	1.1	—	1.7	1.7
Other gains (losses), net <sup>(1)</sup>	1.4	(0.2)	1.2	2.3	(0.4)	1.9
Income before income taxes	31.2	—	31.2	29.5	—	29.5
Income taxes and profit attributable to noncontrolling interests	3.0	—	3.0	1.8	—	1.8
Profit attributable to owners of the parent	¥ 28.1	¥ —	¥ 28.1	¥ 27.6	¥ —	¥ 27.6

Notes: (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.

**RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)****BUSINESS LINES RESULTS**

Management monitors the performance of each business line on an operating-basis. The following section details the operating-basis ordinary business profit (loss) after net credit costs (recoveries) on a business line level.

**TABLE 9. OPERATING-BASIS ORDINARY BUSINESS PROFIT (LOSS) AFTER NET CREDIT COSTS (RECOVERIES) BY BUSINESS LINE (CONSOLIDATED) <sup>(1)</sup>**

	Billions of yen		
	Six months ended September 30, 2019	Six months ended September 30, 2018	Change (Amount)
<b>Institutional Group:</b>			
Net interest income	¥ 13.8	¥ 12.3	¥ 1.5
Noninterest income	23.3	21.6	1.7
Total revenue	37.2	34.0	3.2
General and administrative expenses	21.0	20.2	0.7
Ordinary business profit (loss)	16.2	13.7	2.4
Net credit costs (recoveries)	2.4	(2.1)	4.6
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 13.7	¥ 15.9	¥ (2.1)
<b>Individual Group:</b>			
Net interest income	¥ 52.0	¥ 52.8	¥ (0.8)
Noninterest income	25.8	24.8	0.9
Total revenue	77.8	77.6	0.1
General and administrative expenses	50.6	50.0	0.6
Ordinary business profit (loss)	27.1	27.6	(0.5)
Net credit costs (recoveries)	14.0	16.5	(2.5)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 13.0	¥ 11.0	¥ 1.9
<b>Corporate/Other<sup>(2)</sup>:</b>			
Net interest income	¥ 0.8	¥ 1.1	¥ (0.2)
Noninterest income	5.5	1.8	3.6
Total revenue	6.4	3.0	3.3
General and administrative expenses	2.1	0.7	1.4
Ordinary business profit (loss)	4.2	2.2	1.9
Net credit costs (recoveries)	0.0	0.0	(0.0)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 4.2	¥ 2.2	¥ 1.9
<b>Total:</b>			
Net interest income	¥ 66.7	¥ 66.3	¥ 0.4
Noninterest income	54.7	48.3	6.3
Total revenue	121.5	114.7	6.7
General and administrative expenses	73.8	70.9	2.8
Ordinary business profit (loss)	47.6	43.7	3.9
Net credit costs (recoveries)	16.5	14.4	2.0
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 31.1	¥ 29.3	¥ 1.8

Notes: (1) Costs associated with the funding operations have been allocated to the interest earning businesses on a management accounting basis.

(2) "Corporate/Other" includes company-wide accounts which are not included in our reportable segments, allocation variance of indirect expense and elimination amount of intersegment 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) <sup>(1)</sup>**

	Billions of yen		
	Six months ended September 30, 2019	Six months ended September 30, 2018	Change (Amount)
<b>Corporate Business:</b>			
Net interest income	¥ 5.0	¥ 5.0	¥ 0.0
Noninterest income	5.7	2.6	3.1
Total revenue	10.8	7.6	3.1
General and administrative expenses	6.3	5.9	0.3
Ordinary business profit (loss)	4.4	1.6	2.8
Net credit costs (recoveries)	1.1	1.6	(0.4)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 3.3	¥ 0.0	¥ 3.3
<b>Structured Finance:</b>			
Net interest income	¥ 5.7	¥ 4.9	¥ 0.7
Noninterest income	3.1	3.4	(0.3)
Total revenue	8.8	8.3	0.4
General and administrative expenses	4.1	3.9	0.2
Ordinary business profit (loss)	4.6	4.4	0.1
Net credit costs (recoveries)	1.3	(3.0)	4.4
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 3.2	¥ 7.5	¥ (4.2)
<b>Principal Transactions:</b>			
Net interest income	¥ 1.3	¥ 1.5	¥ (0.1)
Noninterest income	3.3	5.0	(1.7)
Total revenue	4.7	6.6	(1.9)
General and administrative expenses	2.0	1.9	0.0
Ordinary business profit (loss)	2.6	4.6	(1.9)
Net credit costs (recoveries)	0.0	(0.0)	0.0
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 2.6	¥ 4.6	¥ (2.0)
<b>Showa Leasing:</b>			
Net interest income	¥ (0.1)	¥ (0.1)	¥ 0.0
Noninterest income	7.0	7.1	(0.0)
Total revenue	6.9	7.0	(0.0)
General and administrative expenses	5.1	4.7	0.3
Ordinary business profit (loss)	1.8	2.2	(0.4)
Net credit costs (recoveries)	(0.0)	(0.7)	0.7
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 1.8	¥ 3.0	¥ (1.1)
<b>Markets:</b>			
Net interest income	¥ 1.5	¥ 0.7	¥ 0.7
Noninterest income	2.5	2.3	0.1
Total revenue	4.0	3.0	0.9
General and administrative expenses	1.6	1.9	(0.2)
Ordinary business profit (loss)	2.3	1.1	1.1
Net credit costs (recoveries)	(0.0)	0.0	(0.0)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 2.3	¥ 1.1	¥ 1.2
<b>Other Global Markets:</b>			
Net interest income	¥ 0.2	¥ 0.2	¥ 0.0
Noninterest income	1.5	1.0	0.5
Total revenue	1.8	1.2	0.6
General and administrative expenses	1.5	1.6	(0.1)
Ordinary business profit (loss)	0.2	(0.4)	0.7
Net credit costs (recoveries)	(0.0)	0.0	(0.0)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 0.2	¥ (0.4)	¥ 0.7
<b>Institutional Business:</b>			
Net interest income	¥ 13.8	¥ 12.3	¥ 1.5
Noninterest income	23.3	21.6	1.7
Total revenue	37.2	34.0	3.2
General and administrative expenses	21.0	20.2	0.7
Ordinary business profit (loss)	16.2	13.7	2.4
Net credit costs (recoveries)	2.4	(2.1)	4.6
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 13.7	¥ 15.9	¥ (2.1)

Note: (1) Net of consolidation adjustments, if applicable.

**RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)**

The Institutional Business recorded total revenue of ¥37.2 billion in the interim period ended September 30, 2019, compared to ¥34.0 billion in the interim period ended September 30, 2018. Of this amount, net interest income accounted for ¥13.8 billion, compared with ¥12.3 billion in the interim period ended September 30, 2018. Noninterest income likewise increased to ¥23.3 billion, up from ¥21.6 billion in the interim period ended September 30, 2018. The increase in net interest income was due to the increase in operating assets in the Structured Finance Business, while the increase in noninterest income was largely due to gains on the sale of stocks.

Within the Institutional Business, the Corporate Business recorded total revenue of ¥10.8 billion, compared to ¥7.6 billion in the interim period ended September 30, 2018. A major factor for the increase was the posting of gains on the sale of stocks.

Structured Finance recorded total revenue of ¥8.8 billion in the interim period ended September 30, 2019, compared to ¥8.3 billion in the interim period ended September 30, 2018. The increase was due to the rise in net interest income in conjunction with the build-up of operating assets.

Principal Transactions recorded total revenue of ¥4.7 billion in the interim period ended September 30, 2019, compared to ¥6.6 billion in the interim period ended September 30, 2018. The decrease was due to factors including the decline in net income of affiliates.

Showa Leasing recorded total revenue of ¥6.9 billion in the interim period of fiscal year 2019, a decrease compared to ¥7.0 billion a year earlier. During the interim period ended September 30, 2019, Shinko Lease Co., Ltd. was converted into a subsidiary.

The Markets Business recorded total revenue of ¥4.0 billion in the interim period ended September 30, 2019, compared to ¥3.0 billion in the previous interim period. This was due to the increase in revenue related to institutional structured deposits in conjunction with the decline in market interest rates.

The Other Global Markets recorded total revenue of ¥1.8 billion in the interim period ended September 30, 2019, compared to ¥1.2 billion in the previous interim period. This was due to the increase in securitization fee revenue and other factors.

General and administrative expenses totaled ¥21.0 billion in the six months ended September 30, 2019, compared to ¥20.2 billion in the interim period ended September 30, 2018. This was due to the fact that Shinko Lease was converted into a subsidiary, along with other factors, despite efforts made to ensure efficient operations.

Net credit costs in the interim period ended September 30, 2019 totaled ¥2.4 billion of net credit costs, compared to ¥2.1 billion of net credit recoveries in the interim period ended September 30, 2018. This was due to the non-recurrence of a gain on the net reversal of reserve for credit losses posted in the previous interim period, along with other factors.

As a result of the preceding factors, the Institutional Business recorded an ordinary business profit after net credit costs of ¥13.7 billion in the interim period ended September 30, 2019, compared to ¥15.9 billion recorded in the interim period ended September 30, 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		
	Six months ended September 30, 2019	Six months ended September 30, 2018	Change (Amount)
<b>Retail Banking:</b>			
Net interest income	¥ 12.0	¥ 11.8	¥ 0.1
Loans	4.7	5.0	(0.3)
Deposits	7.3	6.8	0.4
Noninterest income	2.2	1.0	1.2
Asset management products	4.1	3.5	0.6
Other fees (ATM, Fund transfer, FX etc.)	(1.8)	(2.4)	0.6
Total revenue	14.2	12.9	1.3
General and administrative expenses	13.7	13.9	(0.1)
Ordinary business profit (loss)	0.5	(1.0)	1.5
Net credit costs (recoveries)	0.0	0.0	0.0
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 0.5	¥ (1.0)	¥ 1.5
<b>Shinsei Financial(2):</b>			
Net interest income	¥ 34.6	¥ 34.9	¥ (0.3)
Lake Business	31.7	32.0	(0.3)
Noninterest income	(0.5)	0.0	(0.5)
Total revenue	34.0	35.0	(0.9)
General and administrative expenses	16.8	16.4	0.3
Ordinary business profit (loss)	17.2	18.5	(1.2)
Net credit costs (recoveries)	6.9	8.3	(1.3)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 10.3	¥ 10.2	¥ 0.0
<b>APLUS FINANCIAL:</b>			
Net interest income	¥ 4.9	¥ 5.5	¥ (0.6)
Noninterest income	23.9	22.9	0.9
Total revenue	28.8	28.5	0.3
General and administrative expenses	19.1	18.7	0.4
Ordinary business profit (loss)	9.6	9.7	(0.0)
Net credit costs (recoveries)	7.1	8.1	(0.9)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 2.5	¥ 1.6	¥ 0.8
<b>Other Individuals:</b>			
Net interest income	¥ 0.4	¥ 0.3	¥ 0.1
Noninterest income	0.1	0.8	(0.7)
Total revenue	0.6	1.2	(0.5)
General and administrative expenses	0.9	0.8	0.0
Ordinary business profit (loss)	(0.3)	0.3	(0.6)
Net credit costs (recoveries)	(0.0)	0.1	(0.1)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ (0.2)	¥ 0.2	¥ (0.4)
<b>Individual Business:</b>			
Net interest income	¥ 52.0	¥ 52.8	¥ (0.8)
Noninterest income	25.8	24.8	0.9
Total revenue	77.8	77.6	0.1
General and administrative expenses	50.6	50.0	0.6
Ordinary business profit (loss)	27.1	27.6	(0.5)
Net credit costs (recoveries)	14.0	16.5	(2.5)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 13.0	¥ 11.0	¥ 1.9

Notes: (1) Net of consolidation adjustments, if applicable.

(2) Income of Shinsei Financial, "Shinsei Bank Card Loan - Lake", and "Shinsei Bank Smart Card Loan Plus" are combined on a management accounting basis.

(3) Including income of Other subsidiary

**RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)**

The Individual Business recorded an ordinary business profit after net credit costs of ¥13.0 billion in the interim period ended September 30, 2019, compared to ¥11.0 billion in the interim period ended September 30, 2018.

**RETAIL BANKING**

The Retail Banking Business recorded total revenue of ¥14.2 billion in the interim period ended September 30, 2019, compared to ¥12.9 billion in the same period of fiscal year 2018. Of this amount, net interest income was ¥12.0 billion, compared to ¥11.8 billion recorded in the first half of the previous fiscal year. This was primarily the result of the increase in revenue from foreign currency deposits. Noninterest income totaled ¥2.2 billion in the interim period ended September 30, 2019, an increase from the ¥1.0 billion recorded in the same period of the previous fiscal year. This was mainly due to the decrease in ATM-related expenses and the increase in revenue related to asset management products, centered on insurance products.

General and administrative expenses totaled ¥13.7 billion in the interim period ended September 30, 2019, a decline compared to the ¥13.9 billion recorded in the same period of the previous fiscal year. This was the result of continued efforts to pursue rationalization and efficiency.

As a result of the preceding factors, ordinary business profit after net credit costs of ¥0.5 billion was recorded in the interim period ended September 30, 2019, compared to a loss of ¥1.0 billion recorded in the same period of the previous fiscal year.

**SHINSEI FINANCIAL**

Shinsei Financial recorded a combined ordinary business profit after net credit costs after related consolidation adjustments of ¥10.3 billion in the interim period ended September 30, 2019, compared to ¥10.2 billion in the interim period ended September 30, 2018.

Total revenue was ¥34.0 billion in the interim period ended September 30, 2019, compared to ¥35.0 billion in the previous fiscal first half, primarily due to the decline in yield caused by measures such as setting interest-free periods, despite the growth of the loan balance.

Net credit costs were ¥6.9 billion in the interim period ended September 30, 2019, compared to ¥8.3 billion in the same period of the previous fiscal year. This was the result of the improved quality of loans due to efforts to tighten credit standards and initiatives to strengthen the collection system.

**APLUS FINANCIAL**

APLUS FINANCIAL recorded an ordinary business profit after net credit costs after related consolidation adjustments of ¥2.5 billion in the interim period ended September 30, 2019, compared to ¥1.6 billion in the previous fiscal first half. Total revenue in the interim period ended September 30, 2019 was ¥28.8 billion, up from ¥28.5 billion recorded in the previous fiscal first half. Of this amount, net interest income was ¥4.9 billion, down from ¥5.5 billion in the previous fiscal first half. This was primarily due to the decline in new issuance volume in the loan business. Noninterest income was ¥23.9 billion, increased from ¥22.9 billion in the previous fiscal first half, due to the strong performance by the shopping credit business and other major businesses. General and administrative expenses were ¥19.1 billion in the interim period ended September 30, 2019, compared to ¥18.7 billion in the previous fiscal first half. The increase was mainly due to the increase in system expenses in conjunction with the start of operations of the card system. Net credit costs were ¥7.1 billion in the interim period ended September 30, 2019, compared to ¥8.1 billion in the same period of the previous fiscal year, due to the non-recurrence of disposal costs associated with the bulk sale of delinquent loans recorded in the previous fiscal year.

Others include the results of other subsidiaries and unallocated consumer finance business financials

**INTEREST REPAYMENTS**

Regarding reserves for losses on interest repayments, during the interim period ended September 30, 2018, Shinsei Financial reversed ¥5.6 billion of reserves for losses on interest payments, and Shinsei Personal Loan reversed ¥0.1 billion of reserves for losses on interest payments, while APLUS FINANCIAL made ¥3.5 billion of additional provisions of reserves for losses on interest repayments. In the interim period ended September 30, 2019, in accordance with the revision of the assumed future interest repayment costs, Shinsei Financial reversed ¥1.6 billion of reserves for losses on interest payments, while Shinsei Personal Loan made an additional provision of reserves for losses on interest repayments of ¥0.4 billion.

Shinsei Financial's usage of reserves for losses on interest repayments (interest repayments and related principal amortization) was ¥3.9 billion in the interim period ended September 30, 2019, compared to ¥5.2 billion utilized in the same period of the previous fiscal year. Because ¥1.6 billion of reserves for losses on interest repayments were reversed in the interim period ended September 30, 2019, the total balance of reserves for losses on interest repayments was ¥44.5 billion as of September 30, 2019, compared to ¥50.1 billion as of March 31, 2019.

**RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)**

Shinsei Personal Loan's usage of reserves for losses on interest repayments (interest repayments and related principal amortization) in the interim period ended September 30, 2019 was ¥0.6 billion, compared to ¥0.7 billion in the same period of the previous fiscal year. Because a provision of ¥0.4 billion of new, additional reserves for losses on interest repayments was made in the interim period ended September 30, 2019, the total balance of reserves for losses on interest repayments was ¥5.4 billion as of September 30, 2019, 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 ¥0.9 billion in the interim period ended September 30, 2019, compared to ¥1.2 billion utilized in the same period of the previous fiscal year. As a result, the total balance of reserves for losses on interest repayments was ¥6.1 billion as of September 30, 2019, 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) (1)**

	Billions of yen		
	Six months ended September 30, 2019	Six months ended September 30, 2018	Change (Amount)
<b>Treasury:</b>			
Net interest income	¥ 0.8	¥ 1.1	¥ (0.2)
Noninterest income	5.2	1.5	3.7
Total revenue	6.1	2.6	3.4
General and administrative expenses	0.7	0.8	(0.0)
Ordinary business profit (loss)	5.3	1.8	3.5
Net credit costs (recoveries)	—	—	—
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 5.3	¥ 1.8	¥ 3.5
<b>Corporate/Other (excluding Treasury) (1):</b>			
Net interest income	¥ 0.0	¥ (0.0)	¥ 0.0
Noninterest income	0.2	0.3	(0.0)
Total revenue	0.2	0.3	(0.0)
General and administrative expenses	1.3	(0.1)	1.4
Ordinary business profit (loss)	(1.1)	0.4	(1.5)
Net credit costs (recoveries)	0.0	0.0	(0.0)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ (1.1)	¥ 0.4	¥ (1.5)
<b>Corporate/Other (1):</b>			
Net interest income	¥ 0.8	¥ 1.1	¥ (0.2)
Noninterest income	5.5	1.8	3.6
Total revenue	6.4	3.0	3.3
General and administrative expenses	2.1	0.7	1.4
Ordinary business profit (loss)	4.2	2.2	1.9
Net credit costs (recoveries)	0.0	0.0	(0.0)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 4.2	¥ 2.2	¥ 1.9

Note: (1) "Corporate/Other" includes company-wide accounts which are not included in our reportable segments, allocation variance of indirect expense and elimination amount of intersegment transactions.

Reported business results of Corporate/Other includes the results of Treasury, which is responsible for the ALM operations of the entire Bank.

Corporate/Other recorded total revenue of ¥6.4 billion in the interim period ended September 30, 2019,

compared to ¥3.0 billion recorded in the interim period ended September 30, 2018. This is due to the increase in gain on the sale of securities by Treasury, and other factors.

## SUMMARY OF NONCONSOLIDATED FINANCIAL RESULTS

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 ¥22.6 billion on a nonconsolidated

basis for the six months ended September 30, 2019. 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.



## RESULTS OF OPERATIONS (NONCONSOLIDATED)

TABLE 13. SUPPLEMENTAL MEASURES (NONCONSOLIDATED)

	Billions of yen	
	Six months ended September 30, 2019	Six months ended September 30, 2018
Gross business profit (gyomu sorieki) :		
Net interest income	¥ 52.2	¥ 51.6
Net fees and commissions <sup>(1)</sup>	(2.3)	(5.2)
Net trading income	3.1	0.2
Net other business income	5.0	4.8
Total gross business profit	58.1	51.4
Expenses <sup>(2)</sup>	36.3	35.2
Net business profit (jisshitsu gyomu jun-eki)	21.8	16.2
Other, net <sup>(3)</sup>	0.4	(0.4)
Net operating income (keijo rieki)	22.2	15.8
Extraordinary income (loss)	1.8	(1.7)
Income before income taxes	24.1	14.1
Current income taxes (benefit)	0.2	(0.5)
Deferred income taxes (benefit)	1.1	(0.1)
Net income	¥ 22.6	¥ 14.8

Notes: (1) Includes net gain (loss) on monetary assets held in trust of ¥1.2 billion and ¥0.5 billion for the six months ended September 30, 2019 and 2018, respectively.

(2) General and administrative expenses with certain adjustment.

(3) Excludes net gain (loss) on monetary assets held in trust.

## SUPPLEMENTAL NONCONSOLIDATED 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 table above sets forth these supplemental financial data and corresponding reconciliations to net income under Japanese GAAP for the presented period.

## FINANCIAL CONDITION

### TOTAL ASSETS

Consolidated total assets increased from ¥9,456.6 billion to ¥9,535.5 billion over the six months ended September 30, 2018.

The balance of loans and bills discounted was ¥4,877.0

billion as of September 30, 2018, an decrease of ¥18.9 billion from ¥4,895.9 billion as of March 31, 2018. While the balance of corporate loan and housing loan decreased, the increase was supported by the growth of the loan balance in the Structured Finance and the Consumer Finance Businesses.

**TABLE 14. LOANS BY BORROWER INDUSTRY (CONSOLIDATED)**

	Billions of yen (except percentages)			
	As of September 30, 2019		As of September 30, 2018	
Domestic offices (excluding Japan offshore market account):				
Manufacturing	¥ 202.5	4.2%	¥ 191.7	4.1%
Agriculture and forestry	0.0	0.0	0.0	0.0
Fishery	0.1	0.0	—	—
Mining, quarrying and gravel extraction	0.6	0.0	0.4	0.0
Construction	8.2	0.2	7.7	0.2
Electric power, gas, heat supply and water supply	331.2	6.9	268.8	5.7
Information and communications	47.2	1.0	64.6	1.4
Transportation, postal service	199.4	4.2	195.7	4.1
Wholesale and retail	114.4	2.4	111.8	2.4
Finance and insurance	521.7	10.9	530.3	11.2
Real estate	649.0	13.6	574.1	12.2
Services	346.9	7.2	315.9	6.7
Local government	66.0	1.4	58.0	1.2
Others	2,297.8	48.0	2,406.2	50.9
Total domestic (A)	¥ 4,785.7	100.0%	¥ 4,725.6	100.0%
Overseas offices (including Japan offshore market accounts):				
Governments	¥ 0.0	0.0%	¥ 0.2	0.2%
Financial institutions	30.3	14.0	29.0	19.2
Others	186.4	86.0	121.9	80.6
Total overseas (B)	¥ 216.8	100.0%	¥ 151.3	100.0%
Total (A+B)	¥ 5,002.6		¥ 4,877.0	

### FUNDING AND LIQUIDITY

The table below shows changes in the proportion of our overall funding represented by funds raised from deposits in our Retail and Institutional Banking businesses. Shinsei

continues to optimize its funding base through deposits mainly from retail customers.

**TABLE 15. DIVERSIFICATION BY DEPOSITS TYPE (CONSOLIDATED)**

	Billions of yen	
	As of September 30, 2019	As of September 30, 2018
Retail deposits	¥ 4,563.7	¥ 4,762.4
Institutional deposits	1,362.5	1,278.9
Total	¥ 5,926.3	¥ 6,041.3

### TOTAL EQUITY

Total equity as of September 30, 2019 was ¥911.2 billion and included noncontrolling interests of ¥7.1 billion.

## FINANCIAL CONDITION (CONTINUED)

### ASSET QUALITY AND DISPOSAL OF NONPERFORMING LOANS OF SHINSEI

At September 30, 2019, 21.6% 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 rest 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 claims held by Shinsei Financial, APLUS FINANCIAL and Showa Leasing. For a discussion regarding the nonperforming claims 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.

### CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW

Under the Financial Revitalization Law, Japanese banks categorize their nonconsolidated 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 claims. Shinsei's total amount of nonperforming claims as disclosed pursuant to the Financial Revitalization Law increased 83.0%, to ¥18.7 billion, between March 31, 2019 and September 30, 2019. During the six months ended September 30, 2019, claims against bankrupt and quasi-bankrupt obligors increased from ¥2.1 billion to ¥2.3 billion, and doubtful claims increased from ¥6.1 billion to ¥14.5 billion, and substandard claims decreased from ¥2.0 billion to ¥1.9 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 September 30, 2019 increased from 0.2% to 0.4% as of March 31, 2019.

Shinsei's claims against other need caution obligors, excluding substandard claims, totaled ¥55.6 billion as of September 30, 2019, a 13.4% decrease from ¥64.3 billion as of March 31, 2019, which included private placement bonds guaranteed by Shinsei classified as claims against other need caution obligors.

These claims represented 1.1% of total nonconsolidated claims as of September 30, 2019, decreased from 1.3% as of March 31, 2019.

## 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 <sup>(1) (2)</sup>		Other	Risk-monitored Loans <sup>(1)</sup>	
				Total loans and bills discounted:	4,925.4		110.5	Total loans and bills discounted:
	Legally bankrupt	9E	100.0% for unsecured portion	Claims against bankrupt and quasi-bankrupt obligors (Amount of coverage, coverage ratio) 2.3 (2.3%, 100.0%)			Loans to bankrupt obligors	0.5
	Virtually bankrupt	9D	100.0% for unsecured portion	*Amount of reserve for loan losses is 0.6, collateral and guarantees is 1.7				
	Possibly bankrupt	9C	67.8% for unsecured portion	Doubtful claims (Amount of coverage, coverage ratio) 14.5 (11.5%, 79.5%)			Nonaccrual delinquent loans	16.1
Need caution	Substandard	9B	21.5% for unsecured portion	Substandard claims (loan account only) (Amount of coverage, coverage ratio) 1.9 (0.7%, 34.0%)			Loans past due for three months or more	1.9
	Other need caution	9A	4.1% for total claims	*Amount of reserve for loan losses is 0.3, collateral and guarantees is 0.4			Restructured loans	
	Normal	0A-6C	0.3% for total claims	Normal claims	5,017.2		Normal	4,906.7
				<b>Total nonperforming claims and ratio to total claims</b> (Total amount of coverage, coverage ratio) 18.7, 0.4% *Total amount of reserve for loan losses is 6.6, collateral and guarantees is 7.9	18.7, 0.4% (14.4%, 77.3%)		<b>Total risk-monitored loans and ratio to total loans and bills discounted</b>	18.6, 0.4%

Notes: (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.

## FINANCIAL CONDITION (CONTINUED)

TABLE 16. CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW (NONCONSOLIDATED)

	Billions of yen (except percentages)		
	As of September 30, 2019	As of September 30, 2018	As of March 31, 2019
Claims against bankrupt and quasi-bankrupt obligors	¥ 2.3	¥ 1.8	¥ 2.1
Doubtful claims	14.5	3.4	6.1
Substandard claims	1.9	2.4	2.0
Total claims disclosed under the Financial Revitalization Law <sup>(1)</sup>	18.7	7.7	10.2
Normal claims and claims against other need caution obligors, excluding substandard claims	5,017.2	4,881.2	5,000.4
Total claims	¥ 5,035.9	¥ 4,888.9	¥ 5,010.6
Ratio of total claims disclosed under the Financial Revitalization Law to total claims	0.4%	0.2%	0.2%

Note: (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.

## COVERAGE RATIOS

As of September 30, 2019, 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, 79.5% for doubtful claims and 34.0% for substandard claims. For all claims classified under the Financial Revitalization Law, the coverage ratio was 77.3%.

Shinsei directly writes off, rather than reserves, the portion of claims against bankrupt and quasi-bankrupt obligors that are estimated to be uncollectible. As of September 30, 2019, ¥5.0 billion of such claims were written off on a nonconsolidated basis.

TABLE 17. COVERAGE RATIOS FOR NONPERFORMING CLAIMS DISCLOSED UNDER THE FINANCIAL REVITALIZATION LAW (NONCONSOLIDATED)

	Billions of yen (except percentages)				Coverage ratio
	Amount of claims	Amounts of coverage			
		Reserve for loan losses	Collateral and guarantees	Total	
<b>As of September 30, 2019:</b>					
Claims against bankrupt and quasi-bankrupt obligors	¥ 2.3	¥ 0.6	¥ 1.7	¥ 2.3	100.0%
Doubtful claims	14.5	5.7	5.8	11.5	79.5
Substandard claims	1.9	0.3	0.4	0.7	34.0
Total	¥ 18.7	¥ 6.6	¥ 7.9	¥ 14.4	77.3%
<b>As of September 30, 2018:</b>					
Claims against bankrupt and quasi-bankrupt obligors	¥ 1.8	¥ 0.4	¥ 1.4	¥ 1.8	100.0%
Doubtful claims	3.4	2.0	0.0	2.1	60.0
Substandard claims	2.4	0.4	0.5	0.9	38.8
Total	¥ 7.7	¥ 2.9	¥ 2.0	¥ 4.8	62.9%
<b>As of March 31, 2019:</b>					
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%

## RESERVE FOR CREDIT LOSSES

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

TABLE 18. RESERVE FOR CREDIT LOSSES (NONCONSOLIDATED)

	Billions of yen (except percentages)	
	As of September 30, 2019	As of September 30, 2018
General reserve for loan losses	¥ 19.2	¥ 23.0
Specific reserve for loan losses	6.6	3.9
Reserve for loans to restructuring countries	—	—
Total reserve for credit losses	¥ 25.8	¥ 26.9
Total claims <sup>(1)</sup>	¥ 5,035.8	¥ 4,888.9
Ratio of total reserve for credit losses to total claims	0.5%	0.6%

Note: (1) Total claims consist 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 September 30, 2019 and 2018, Shinsei's total reserve for credit losses on a nonconsolidated basis was ¥25.8 billion and ¥26.9 billion, respectively, constituting 0.5% and 0.6%, respectively, of total claims.

## FINANCIAL CONDITION (CONTINUED)

TABLE 19. RESERVE RATIOS BY BORROWERS' CATEGORY (NONCONSOLIDATED)

		Percentages	
		As of September 30, 2019	As of September 30, 2018
Legally and virtually bankrupt	(unsecured portion)	100.0%	100.0%
Possibly bankrupt	(unsecured portion)	67.8%	59.6%
Substandard	(unsecured portion)	21.5%	24.0%
Other need	(total claims)	4.1%	4.8%
	(unsecured portion)	10.3%	13.8%
Normal	(total claims)	0.3%	0.3%

## RISK-MONITORED LOANS

Consolidated risk-monitored loans increased by ¥8.8 billion during the six months ended September 30, 2019 to ¥86.3 billion.

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

TABLE 20. RISK-MONITORED LOANS (CONSOLIDATED)

		Billions of yen (except percentages)	
		As of September 30, 2019	As of September 30, 2018
Total loans and bills discounted		¥ 5,002.6	¥ 4,877.0
Loans to bankrupt obligors (A)		4.6	6.1
Nonaccrual delinquent loans (B)		36.6	29.1
Subtotal (A) + (B)		¥ 41.3	¥ 35.2
Ratio to total loans and bills discounted		0.8%	0.7%
Loans past due for three months or more (C)		¥ 0.7	¥ 1.0
Restructured loans (D)		44.3	38.9
Total risk-monitored loans (A) + (B) + (C) + (D)		¥ 86.3	¥ 75.2
Ratio to total loans and bills discounted		1.7%	1.5%
Reserve for credit losses		¥ 98.5	¥ 100.7

TABLE 21. RISK-MONITORED LOANS (NONCONSOLIDATED)

		Billions of yen (except percentages)	
		As of September 30, 2019	As of September 30, 2018
Total loans and bills discounted		¥ 4,925.4	¥ 4,798.7
Loans to bankrupt obligors (A)		0.5	0.6
Nonaccrual delinquent loans (B)		16.1	4.6
Subtotal (A) + (B)		¥ 16.7	¥ 5.2
Ratio to total loans and bills discounted		0.3%	0.1%
Loans past due for three months or more (C)		¥ 0.2	¥ 0.4
Restructured loans (D)		1.6	1.9
Total risk-monitored loans (A) + (B) + (C) + (D)		¥ 18.6	¥ 7.6
Ratio to total loans and bills discounted		0.4%	0.2%
Reserve for credit losses		¥ 25.8	¥ 26.9

## FINANCIAL CONDITION (CONTINUED)

TABLE 22. RISK-MONITORED LOANS BY BORROWER INDUSTRY (NONCONSOLIDATED)

	Billions of yen	
	As of September 30, 2019	As of September 30, 2018
Domestic offices (excluding Japan offshore market account):		
Manufacturing	¥ 3.5	¥ 2.9
Agriculture and forestry	—	—
Fishery	—	—
Mining, quarrying and gravel extraction	—	—
Construction	—	—
Electric power, gas, heat supply and water supply	5.7	—
Information and communications	0.1	0.1
Transportation and postal service	—	—
Wholesale and retail	0.1	0.1
Finance and insurance	0.1	0.1
Real estate	3.6	—
Services	1.3	0.4
Local government	—	—
Individual	2.5	2.2
Overseas yen loan and overseas loans booked domestically	0.2	0.2
Total domestic (A)	¥ 17.4	¥ 6.3
Overseas offices (including Japan offshore market accounts):		
Governments	¥ —	¥ —
Financial institutions	—	—
Others	1.1	1.3
Total overseas (B)	¥ 1.1	¥ 1.3
Total (A+B)	¥ 18.6	¥ 7.6

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 self-assessment guidelines developed in accordance with guidelines published by the FSA. They generally perform their self-assessment quarterly and at least semi-annually. The assessment of Shinsei Financial, APLUS

FINANCIAL and Showa Leasing 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 and Showa Leasing and other subsidiaries as of the dates indicated:

## FINANCIAL CONDITION (CONTINUED)

TABLE 23. RISK-MONITORED LOANS BREAKDOWN FOR LARGE ENTITIES (CONSOLIDATED)

	Billions of yen				
	Shinsei	Shinsei Financial	APLUS FINANCIAL	Other subsidiaries	Total
<b>As of September 30, 2019:</b>					
Loans to bankrupt obligors	¥ 0.5	¥ 3.4	¥ 0.0	¥ 0.6	¥ 4.6
Nonaccrual delinquent loans	16.1	10.9	5.5	3.9	36.6
Loans past due for three months or more	0.2	0.0	0.3	0.1	0.7
Restructured loans	1.6	32.3	10.2	0.0	44.3
Total	¥ 18.6	¥ 46.8	¥ 16.2	¥ 4.6	¥ 86.3
<b>As of September 30, 2018:</b>					
Loans to bankrupt obligors	¥ 0.6	¥ 4.6	¥ 0.0	¥ 0.7	¥ 6.1
Nonaccrual delinquent loans	4.6	12.6	8.7	3.1	29.1
Loans past due for three months or more	0.4	0.0	0.3	0.2	1.0
Restructured loans	1.9	27.4	9.5	—	38.9
Total	¥ 7.6	¥ 44.8	¥ 18.5	¥ 4.1	¥ 75.2
<b>As of March 31, 2019:</b>					
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 24. RISK-MONITORED INSTALLMENT RECEIVABLES INCLUDED IN OTHER ASSETS BREAKDOWN FOR LARGE ENTITIES (CONSOLIDATED) <sup>(1)</sup>

	Billions of yen				
	Shinsei Financial	APLUS FINANCIAL	Showa Leasing	Other subsidiaries	Total
<b>As of September 30, 2019:</b>					
Credits to bankrupt obligors	¥ —	¥ 0.0	¥ 0.0	¥ —	¥ 0.0
Nonaccrual delinquent credits	—	3.6	1.3	—	5.0
Credits past due for three months or more	—	0.1	0.0	—	0.2
Restructured credits	—	0.6	—	—	0.6
Total	¥ —	¥ 4.4	¥ 1.4	¥ —	¥ 5.9
<b>As of September 30, 2018:</b>					
Credits to bankrupt obligors	¥ —	¥ 0.0	¥ 0.0	¥ 0.0	¥ 0.0
Nonaccrual delinquent credits	—	4.0	1.8	—	5.9
Credits past due for three months or more	—	0.2	0.0	—	0.3
Restructured credits	—	0.0	0.0	—	0.0
Total	¥ —	¥ 4.3	¥ 1.9	¥ 0.0	¥ 6.4
<b>As of March 31, 2019:</b>					
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

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

## 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 September 30, 2019 was 11.56%, compared with 11.85% as of March 31, 2019.

Note: In the calculation of the consolidated capital adequacy ratio as of Sep 30, 2019, parameter estimates applied to some exposures are adjusted for the fiscal year ending March 2019.

See "COMPOSITION OF CAPITAL DISCLOSURE (CONSOLIDATED)" on Page 77.



# INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries  
As of September 30, 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Sept. 30, 2019	Mar. 31, 2019	Sept. 30, 2019
<b>ASSETS</b>			
Cash and due from banks (Notes 4, 21 and 31)	¥ 1,309,158	¥ 1,355,966	\$ 12,139,827
Receivables under securities borrowing transactions (Note 31)	1,642	2,119	15,234
Other monetary claims purchased (Notes 5 and 31)	74,637	30,994	692,110
Trading assets (Notes 6, 21, 31 and 32)	226,403	204,415	2,099,436
Monetary assets held in trust (Notes 7, 21 and 31)	346,546	305,879	3,213,525
Securities (Notes 8, 21 and 31)	1,053,092	1,130,286	9,765,322
Loans and bills discounted (Notes 9, 21 and 31)	5,002,647	4,986,839	46,389,540
Foreign exchanges (Note 10)	55,691	29,546	516,430
Lease receivables and leased investment assets (Notes 21, 29 and 31)	197,729	176,553	1,833,542
Other assets (Notes 11, 21, 31 and 32)	1,010,256	851,287	9,368,103
Premises and equipment (Notes 12, 21 and 29)	68,253	45,341	632,911
Intangible assets (Notes 13 and 29)	67,501	67,189	625,937
Assets for retirement benefits	11,239	10,931	104,227
Deferred tax assets	12,650	15,096	117,307
Customers' liabilities for acceptances and guarantees (Note 20)	501,901	456,759	4,654,128
Reserve for credit losses (Note 14)	(98,552)	(98,034)	(913,877)
<b>Total assets</b>	<b>¥ 9,840,799</b>	<b>¥ 9,571,172</b>	<b>\$ 91,253,702</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities:</b>			
Deposits, including negotiable certificates of deposit (Notes 15, 21 and 31)	¥ 5,926,356	¥ 5,922,145	\$ 54,955,083
Call money (Note 31)	345,000	145,000	3,199,184
Payables under repurchase agreements (Notes 21 and 31)	39,216	59,098	363,650
Payables under securities lending transactions (Notes 21 and 31)	454,953	510,229	4,218,782
Trading liabilities (Notes 16, 31 and 32)	200,665	182,363	1,860,774
Borrowed money (Notes 17, 21 and 31)	679,557	684,077	6,301,531
Foreign exchanges (Note 10)	780	471	7,239
Short-term corporate bonds (Note 31)	239,600	191,000	2,221,810
Corporate bonds (Notes 18 and 31)	72,235	92,335	669,835
Other liabilities (Notes 19, 21, 31 and 32)	395,892	347,383	3,671,113
Accrued employees' bonuses	4,913	8,598	45,563
Accrued directors' bonuses	31	44	292
Liabilities for retirement benefits	8,357	8,232	77,496
Reserve for directors' retirement benefits	46	–	427
Reserve for reimbursement of debentures	3,563	3,764	33,045
Reserve for losses on interest repayments	56,225	63,025	521,382
Deferred tax liabilities	287	–	2,666
Acceptances and guarantees (Notes 20, 21 and 31)	501,901	456,759	4,654,128
<b>Total liabilities</b>	<b>8,929,583</b>	<b>8,674,529</b>	<b>82,803,999</b>
<b>Equity:</b>			
Common stock (Note 22)	512,204	512,204	4,749,671
Capital surplus	78,506	78,506	727,989
Stock acquisition rights (Note 23)	125	99	1,161
Retained earnings	372,176	346,562	3,451,189
Treasury stock, at cost (Note 22)	(46,804)	(37,729)	(434,018)
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities (Note 8)	8,448	10,041	78,346
Deferred gain (loss) on derivatives under hedge accounting	(18,174)	(16,391)	(168,533)
Foreign currency translation adjustments	(2,806)	(1,527)	(26,024)
Defined retirement benefit plans	425	378	3,944
Total	904,101	892,143	8,383,726
Noncontrolling interests	7,114	4,498	65,976
<b>Total equity</b>	<b>911,215</b>	<b>896,642</b>	<b>8,449,702</b>
<b>Total liabilities and equity</b>	<b>¥ 9,840,799</b>	<b>¥ 9,571,172</b>	<b>\$ 91,253,702</b>

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

# INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries  
For the six months ended September 30, 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Sept. 30, 2019 (6 months)	Sept. 30, 2018 (6 months)	Sept. 30, 2019 (6 months)
Interest income:			
Interest on loans and bills discounted	¥ 70,187	¥ 69,629	\$ 650,849
Interest and dividends on securities	5,095	5,948	47,254
Interest on deposits with banks	599	563	5,562
Other interest income	837	473	7,766
<b>Total interest income</b>	<b>76,720</b>	<b>76,614</b>	<b>711,432</b>
Interest expenses:			
Interest on deposits, including negotiable certificates of deposit	2,788	4,082	25,861
Interest and discounts on debentures	—	0	—
Interest on other borrowings	1,316	1,784	12,209
Interest on corporate bonds	113	292	1,049
Other interest expenses	5,713	4,110	52,977
<b>Total interest expenses</b>	<b>9,931</b>	<b>10,269</b>	<b>92,096</b>
<b>Net interest income</b>	<b>66,789</b>	<b>66,344</b>	<b>619,336</b>
Fees and commissions income	29,426	27,163	272,873
Fees and commissions expenses	13,760	12,583	127,604
<b>Net fees and commissions</b>	<b>15,665</b>	<b>14,579</b>	<b>145,269</b>
<b>Net trading income (loss) (Note 24)</b>	<b>5,036</b>	<b>1,821</b>	<b>46,703</b>
Other business income (loss), net:			
Income on lease transactions and installment receivables, net	19,982	18,195	185,301
Net gain (loss) on monetary assets held in trust	1,662	1,205	15,416
Net gain (loss) on foreign exchanges	677	6,763	6,284
Net gain (loss) on securities	8,148	(1,234)	75,557
Net gain (loss) on other monetary claims purchased	265	549	2,467
Other, net (Note 25)	3,275	6,504	30,378
<b>Net other business income (loss)</b>	<b>34,012</b>	<b>31,982</b>	<b>315,402</b>
<b>Total revenue</b>	<b>121,504</b>	<b>114,729</b>	<b>1,126,710</b>
General and administrative expenses:			
Personnel expenses	28,993	28,082	268,861
Premises expenses	10,031	9,776	93,018
Technology and data processing expenses	12,520	10,979	116,098
Advertising expenses	5,298	5,426	49,134
Consumption and property taxes	4,757	4,727	44,119
Deposit insurance premium	790	822	7,334
Other general and administrative expenses	11,663	11,565	108,153
<b>General and administrative expenses</b>	<b>74,055</b>	<b>71,380</b>	<b>686,716</b>
<b>Amortization of goodwill and intangible assets acquired in business combinations</b>	<b>1,148</b>	<b>1,733</b>	<b>10,645</b>
<b>Total general and administrative expenses</b>	<b>75,203</b>	<b>73,114</b>	<b>697,361</b>
<b>Net business profit (loss)</b>	<b>46,300</b>	<b>41,615</b>	<b>429,348</b>
Net credit costs (recoveries) (Note 26)	16,530	14,432	153,288
Other gains (losses), net (Note 27)	1,468	2,341	13,619
<b>Income (loss) before income taxes</b>	<b>31,239</b>	<b>29,523</b>	<b>289,680</b>
Income taxes (benefit):			
Current	1,392	832	12,917
Deferred	1,806	1,050	16,755
<b>Profit</b>	<b>28,039</b>	<b>27,640</b>	<b>260,007</b>
Profit (loss) attributable to noncontrolling interests	(109)	(49)	(1,017)
<b>Profit (loss) attributable to owners of the parent</b>	<b>¥ 28,148</b>	<b>¥ 27,689</b>	<b>\$ 261,024</b>
		Yen	U.S. dollars (Note 1)
<b>Basic earnings per share (Note 28)</b>	<b>¥ 115.80</b>	<b>¥ 110.73</b>	<b>\$ 1.07</b>
<b>Diluted earnings per share (Note 28)</b>	<b>¥ 115.79</b>	<b>¥ 110.72</b>	<b>\$ 1.07</b>

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

# INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries  
For the six months ended September 30, 2019

	Millions of yen		Thousands of
	Sept. 30, 2019 (6 months)	Sept. 30, 2018 (6 months)	U.S. dollars (Note 1) Sept. 30, 2019 (6 months)
<b>Profit</b>	<b>¥ 28,039</b>	¥ 27,640	<b>\$ 260,007</b>
<b>Other comprehensive income:</b>			
Unrealized gain (loss) on available-for-sale securities	(3,233)	(3,833)	(29,988)
Deferred gain (loss) on derivatives under hedge accounting	(1,783)	2,079	(16,534)
Foreign currency translation adjustments	(144)	(621)	(1,337)
Defined retirement benefit plans	49	214	456
Share of other comprehensive income in affiliates	416	2,537	3,858
<b>Total other comprehensive income</b>	<b>(4,695)</b>	376	<b>(43,544)</b>
<b>Comprehensive income</b>	<b>¥ 23,343</b>	¥ 28,016	<b>\$ 216,463</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent	¥ 23,513	¥ 27,993	\$ 218,038
Noncontrolling interests	(169)	22	(1,575)

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

# INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries  
For the six months ended September 30, 2019

	Millions of yen											
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock, at cost	Accumulated other comprehensive income				Total	Noncontrolling interests	Total equity
Unrealized gain (loss) on available-for-sale securities						Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans				
<b>BALANCE, April 1, 2019 (as previously reported)</b>	¥ 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				-								
<b>BALANCE, April 1, 2019 (as restated)</b>	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				28,148						28,148		28,148
Purchase of treasury stock					(9,207)					(9,207)		(9,207)
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 exclusion of consolidated subsidiaries				(0)						(0)		(0)
Transfer to retained earnings from unrealized gain (loss) on available-for-sale securities				(29)						(29)		(29)
Net change during the period			26			(1,592)	(1,783)	(1,278)	47	(4,580)	2,616	(1,964)
<b>BALANCE, September 30, 2019</b>	¥ 512,204	¥ 78,506	¥ 125	¥ 372,176	¥ (46,804)	¥ 8,448	¥ (18,174)	¥ (2,806)	¥ 425	¥ 904,101	¥ 7,114	¥ 911,215

	Millions of yen											
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock, at cost	Accumulated other comprehensive income				Total	Noncontrolling interests	Total equity
Unrealized gain (loss) on available-for-sale securities						Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans				
<b>BALANCE, April 1, 2018 (as previously reported)</b>	¥ 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				(48)		4,307				4,259		4,259
<b>BALANCE, April 1, 2018 (as restated)</b>	512,204	78,506	318	361,320	(89,540)	9,495	(14,457)	(1,573)	2,089	858,363	1,930	860,294
Dividends				(2,528)						(2,528)		(2,528)
Profit attributable to owners of the parent				27,689						27,689		27,689
Purchase of treasury stock					(12,558)					(12,558)		(12,558)
Disposal of treasury stock		(45)			89					44		44
Cancellation of treasury stock		(64,632)			64,632					-		-
Transfer to capital surplus from retained earnings		64,677		(64,677)						-		-
Changes in ownership interest of the parent related to transactions with noncontrolling interests		(0)								(0)		(0)
Changes by exclusion of consolidated subsidiaries				-						-		-
Transfer to retained earnings from unrealized gain (loss) on available-for-sale securities				382						382		382
Net change during the period			(216)			(2,824)	2,079	451	213	(295)	255	(40)
<b>BALANCE, September 30, 2018</b>	¥ 512,204	¥ 78,506	¥ 102	¥ 322,186	¥ (37,377)	¥ 6,670	¥ (12,378)	¥ (1,121)	¥ 2,303	¥ 871,096	¥ 2,186	¥ 873,283

Thousands of U.S. dollars (Note 1)

	Accumulated other comprehensive income											Total	Noncontrolling interests	Total equity
	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					
<b>BALANCE, April 1, 2019 (as previously reported)</b>	\$4,749,671	\$ 727,990	\$ 920	\$3,213,677	\$ (349,861)	\$ 93,112	\$ (151,999)	\$ (14,169)	\$ 3,506	\$8,272,847	\$ 41,716	\$8,314,563		
Cumulative effect of accounting change of certain foreign affiliates accounted for by the equity method				-		-				-		-		
<b>BALANCE, April 1, 2019 (as restated)</b>	4,749,671	727,990	920	3,213,677	(349,861)	93,112	(151,999)	(14,169)	3,506	8,272,847	41,716	8,314,563		
Dividends				(22,744)						(22,744)		(22,744)		
Profit attributable to owners of the parent				261,024						261,024		261,024		
Purchase of treasury stock					(85,386)					(85,386)		(85,386)		
Disposal of treasury stock		(496)			1,228					732		732		
Cancellation of treasury stock		-			-					-		-		
Transfer to capital surplus from retained earnings		496		(496)						-		-		
Changes in ownership interest of the parent related to transactions with noncontrolling interests		(0)								(0)		(0)		
Changes by exclusion of consolidated subsidiaries				(2)						(2)		(2)		
Transfer to retained earnings from unrealized gain (loss) on available-for-sale securities				(270)						(270)		(270)		
Net change during the period			242			(14,766)	(16,534)	(11,855)	438	(42,475)	24,260	(18,215)		
<b>BALANCE, September 30, 2019</b>	\$4,749,671	\$ 727,989	\$ 1,161	\$3,451,189	\$ (434,018)	\$ 78,346	\$ (168,533)	\$ (26,024)	\$ 3,944	\$8,383,726	\$ 65,976	\$8,449,702		

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

# INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries  
For the six months ended September 30, 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Sept. 30, 2019 (6 months)	Sept. 30, 2018 (6 months)	Sept. 30, 2019 (6 months)
<b>Cash flows from operating activities:</b>			
Income (loss) before income taxes	¥ 31,239	¥ 29,523	\$ 289,680
Adjustments for:			
Income taxes paid	(1,010)	(746)	(9,370)
Depreciation (other than leased assets as lessor)	7,045	5,598	65,335
Amortization of goodwill and intangible assets acquired in business combinations	1,148	1,733	10,645
Impairment losses on long-lived assets	216	315	2,011
Net change in reserve for credit losses	496	(108)	4,605
Net change in reserve for losses on interest repayments	(6,799)	(8,931)	(63,053)
Net change in other reserves	(3,942)	(3,696)	(36,555)
Interest income	(76,720)	(76,614)	(711,432)
Interest expenses	9,931	10,269	92,096
Investment (gains) losses	(10,285)	(623)	(95,379)
Net exchange (gain) loss	12,450	(8,550)	115,456
Net change in trading assets	(21,988)	16,749	(203,895)
Net change in trading liabilities	18,301	(18,155)	169,713
Net change in loans and bills discounted	(14,804)	18,977	(137,284)
Net change in deposits, including negotiable certificates of deposit	4,255	(25,833)	39,457
Net change in debentures	–	(423)	–
Net change in borrowed money (other than subordinated debt)	(85,021)	(26,921)	(788,406)
Net change in corporate bonds (other than subordinated corporate bonds)	(20,100)	12,335	(186,387)
Net change in interest-bearing deposits with banks (other than due from the Bank of Japan)	75,858	(11,716)	703,435
Net change in receivables under securities borrowing transactions and other monetary claims purchased	(39,859)	8,911	(369,615)
Net change in call money, payables under repurchase agreements, payables under securities lending transactions, and short-term corporate bonds (liabilities)	173,440	140,511	1,608,316
Net change in foreign exchange assets and liabilities	(25,835)	(939)	(239,574)
Interest received	78,663	77,168	729,450
Interest paid	(9,612)	(11,670)	(89,134)
Net change in monetary assets held in trust for trading purposes	1,682	1,533	15,603
Net change in lease receivables and leased investment assets	2,272	11,981	21,069
Other, net	(96,928)	(56,756)	(898,814)
Total adjustments	(27,143)	54,395	(251,704)
Net cash provided by (used in) operating activities	4,095	83,918	37,975
<b>Cash flows from investing activities:</b>			
Purchase of investments	(1,227,513)	(799,563)	(11,382,725)
Proceeds from sales of investments	1,140,841	531,215	10,579,022
Proceeds from maturity of investments	130,615	153,824	1,211,201
Purchase of premises and equipment (other than leased assets as lessor)	(1,678)	(1,825)	(15,566)
Purchase of intangible assets (other than leased assets as lessor)	(3,108)	(13,411)	(28,829)
Proceeds from acquisition of the business	–	1,982	–
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(4,715)	–	(43,729)
Other, net	(89)	(258)	(830)
Net cash provided by (used in) investing activities	34,351	(128,035)	318,545
<b>Cash flows from financing activities:</b>			
Repayment of subordinated debt	–	(12,400)	–
Payment for redemption of subordinated corporate bonds	–	(10,000)	–
Proceeds from noncontrolling shareholders	2,197	235	20,374
Dividends paid	(2,452)	(2,528)	(22,744)
Dividends paid to noncontrolling shareholders of subsidiaries	(33)	–	(310)
Payment for purchase of treasury stock	(9,207)	(12,558)	(85,386)
Purchase of investments in subsidiaries not resulting in change in scope of consolidation	(0)	(0)	(0)
Net cash provided by (used in) financing activities	(9,497)	(37,252)	(88,066)
<b>Foreign currency translation adjustments on cash and cash equivalents</b>	<b>(93)</b>	<b>100</b>	<b>(866)</b>
<b>Net change in cash and cash equivalents</b>	<b>28,856</b>	<b>(81,268)</b>	<b>267,588</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>1,245,870</b>	<b>1,434,574</b>	<b>11,552,949</b>
<b>Cash and cash equivalents at end of the period (Note 4)</b>	<b>¥ 1,274,726</b>	<b>¥ 1,353,305</b>	<b>\$ 11,820,537</b>

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

# NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries  
For the six months ended September 30, 2019

## 1. BASIS OF PRESENTATION OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED

The accompanying interim 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 interim 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 interim 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 interim 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 interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The interim 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 ¥107.84 to U.S. \$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2019. 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 interim 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 September 30, 2019 and March 31, 2019 were as follows:

	September 30, 2019	March 31, 2019
Consolidated subsidiaries	90	83
Unconsolidated subsidiaries	83	96
Affiliates accounted for by the equity method	39	35
Affiliates accounted for not applying the equity method	1	2

Godo Kaisha Shinsei GTN Fund and 4 other companies were newly consolidated due to their formation, and SHINKO LEASE CO.,LTD. and 2 other companies were newly consolidated due to the acquisition of shares.

Additionally, SL SPIRE LTD. was excluded from the scope of consolidation due to its decreased materiality in the six months ended September 30, 2019.

S & Y Partners Co., Ltd. and 4 other companies were newly included in the scope of application of the equity method due to their formation and LS Holdings Co., Ltd. was excluded from the scope of application of the equity method due to its merger in the six months ended September 30, 2019.

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 7, Paragraph 1, Section 2 of the regulations concerning interim 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.

TT Holdings Co., Ltd. was excluded from the scope of application of the equity method because it is immaterial to the financial condition and results of operations, such as profit (the Group's interest portion), retained earnings (the Group's interest portion) and accumulated other



**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

CONSOLIDATED

comprehensive income (the Group's interest portion) of the Group.

Major consolidated subsidiaries as of September 30, 2019 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 September 30, 2019, the six month period ending dates were September 30 for 57 subsidiaries, March 31 for 3 subsidiaries, June 16 for 1 subsidiary, June 30 for 27 subsidiaries, July 31 for 1 subsidiary and August 31 for 1 subsidiary. Regarding the 4 companies of the Bank's consolidated subsidiaries which have interim period ends other than September 30, consolidation was performed utilizing their respective six month period-end interim financial statements prepared in accordance with the provisional settlements of accounts performed on September 30 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 interim period to September 30, 2019.

A major affiliate accounted for by the equity method as of September 30, 2019 is listed below:

Name	Location	Percentage ownership
Jih Sun Financial Holding Co., Ltd.	Taiwan	35.7%

**(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, and trade names and trademarks and the sublease contracts are amortized by straight-line method. Their amortization periods are as follows:

Customer relationship .....	10 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 interim 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.



**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

CONSOLIDATED

(c) Foreign currency-denominated assets and liabilities of the Bank and consolidated domestic subsidiaries are translated into Japanese yen at exchange rates as of 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 interim consolidated statement 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 period, which reflects liquidity and credit risks.

Trading income and trading losses include interest received and paid during the period 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 period.

**(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 September 30, 2019 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, a general reserve is provided based on historical loan loss experience.

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 ¥52,955 million (U.S. \$491,059 thousand) and ¥53,786 million as of September 30, 2019 and March 31, 2019, respectively.

**(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 period.

**(P) 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.

The Group accounts for liabilities or assets for retirement benefits based on the projected benefit obligations and plan 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 interim balance sheet date.

**(R) 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.

**(S) 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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

CONSOLIDATED

**(T) 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.

**(U) 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 interim 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.

**(V) LEASE TRANSACTIONS**

(As lessee)

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

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 ¥33 million (U.S.\$307 thousand) and ¥57 million for the six months ended September 30, 2019 and 2018, respectively, as compared to what would have been reported if the revised accounting standard was applied retroactively to all finance lease transactions as lessor.

**(W) 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.

**(X) 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.

**(Y) 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.

**(Z) 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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

CONSOLIDATED

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 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.

**(AA) 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.

**(AB) 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 six-month period ended September 30, 2019. 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 interim consolidated financial statements.

**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 is  
July 1, 2019
- (d) Legal form of the business combination  
Acquisition of shares with cash consideration
- (e) Company name after the business combination  
A change of the company name is not planned.
- (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 result included in the interim consolidated financial statements of the Group**

From July 1, 2019 to September 30, 2019

**(C) Acquisition costs of the shares and their breakdown**

Consideration cash    ¥ 2,489 million  
Acquisition cost        ¥ 2,489 million

**(D) Major acquisition-related costs and their breakdown**

Advisory fees, etc.    ¥ 31 million

**(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
 

Total assets:	¥ 95,664 million
Other assets (Installment receivables)	¥ 39,262 million
Premises and equipment (Tangible leased assets as lessor)	¥ 24,015 million
Lease receivables and investment assets	¥ 23,436 million
- (b) Liabilities
 

Total liabilities:	¥ 92,552 million
Borrowed money	¥ 80,367 million

**(G) Approximate amounts and their calculation method of impact on the interim consolidated statements of income for the six months ended September 30, 2019, assuming that the business combination had been completed at the beginning of this interim period**

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



**4. CASH AND CASH EQUIVALENTS**

CONSOLIDATED

The reconciliation of cash and cash equivalents and cash and due from banks in the consolidated balance sheets as of September 30, 2019 and 2018 was as follows:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash and due from banks	¥ 1,309,158	¥ 1,396,718	\$ 12,139,827
Interest-bearing deposits included in due from banks (other than due from the Bank of Japan)	(34,432)	(43,412)	(319,290)
Cash and cash equivalents	¥ 1,274,726	¥ 1,353,305	\$ 11,820,537

**5. OTHER MONETARY CLAIMS PURCHASED**

CONSOLIDATED

(a) Other monetary claims purchased as of September 30, 2019 and March 31, 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2019	Mar. 31, 2019	Sept. 30, 2019
Trading purposes	¥ 2,702	¥ 2,853	\$ 25,058
Other	71,934	28,141	667,052
<b>Total</b>	¥ 74,637	¥ 30,994	\$ 692,110

(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 September 30, 2019 and March 31, 2019 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	Sept. 30, 2019		Mar. 31, 2019		Sept. 30, 2019	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Trading purposes	¥ 2,702	¥ 9	¥ 2,853	¥ 256	\$ 25,058	\$ 88

**6. TRADING ASSETS**

CONSOLIDATED

Trading assets as of September 30, 2019 and March 31, 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	Sept. 30, 2019	Mar. 31, 2019	Sept. 30, 2019	Sept. 30, 2019
Trading securities	¥ 3,378	¥ 3,445	\$ 31,330	
Derivatives for trading securities	—	—	—	
Derivatives for securities held to hedge trading transactions	6,839	7,432	63,420	
Trading-related financial derivatives	216,185	193,537	2,004,686	
<b>Total</b>	¥ 226,403	¥ 204,415	\$ 2,099,436	

**7. MONETARY ASSETS HELD IN TRUST****CONSOLIDATED**

(a) Monetary assets held in trust as of September 30, 2019 and March 31, 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2019	Mar. 31, 2019	Sept. 30, 2019
Trading purposes	¥ 10,870	¥ 12,553	\$ 100,802
Other	335,676	293,325	3,112,723
<b>Total</b>	<b>¥ 346,546</b>	<b>¥ 305,879</b>	<b>\$ 3,213,525</b>

(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 September 30, 2019 and March 31, 2019 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	Sept. 30, 2019		Mar. 31, 2019		Sept. 30, 2019	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Trading purposes	¥ 10,870	¥ 105	¥ 12,553	¥ 170	\$ 100,802	\$ 974

(c) The acquisition cost and the carrying amount of monetary assets held in trust for other than trading purposes as of September 30, 2019 and March 31, 2019 were as follows:

	Millions of yen							
	Sept. 30, 2019				Mar. 31, 2019			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Carrying amount	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Carrying amount
Other	¥ 337,173	¥ 361	¥ 1,859	¥ 335,676	¥ 294,432	¥ 247	¥ 1,353	¥ 293,325

	Thousands of U.S. dollars			
	Sept. 30, 2019			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Carrying amount
Other	\$ 3,126,610	\$ 3,352	\$ 17,240	\$ 3,112,723

**8. SECURITIES****CONSOLIDATED**

(a) Securities as of September 30, 2019 and March 31, 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2019	Mar. 31, 2019	Sept. 30, 2019
Trading securities	¥ 0	¥ 0	\$ 0
Securities being held to maturity	338,187	399,201	3,136,015
Securities available for sale:			
Securities carried at fair value	605,668	624,563	5,616,359
Securities carried at cost whose fair value cannot be reliably determined	35,921	35,658	333,104
Investments in unconsolidated subsidiaries and affiliates	73,314	70,863	679,844
<b>Total</b>	<b>¥ 1,053,092</b>	<b>¥ 1,130,286</b>	<b>\$ 9,765,322</b>

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 September 30, 2019 and March 31, 2019 were ¥5,544 million (U.S.\$51,410 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 September 30, 2019 and March 31, 2019 were ¥3,530 million (U.S.\$32,734 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 September 30, 2019 and March 31, 2019 were as follows:

	Sept. 30, 2019				Mar. 31, 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	¥ 338,187	¥ 3,590	– ¥	¥ 341,778	¥ 399,201	¥ 3,204	– ¥	¥ 402,406
<b>Total</b>	<b>¥ 338,187</b>	<b>¥ 3,590</b>	<b>– ¥</b>	<b>¥ 341,778</b>	<b>¥ 399,201</b>	<b>¥ 3,204</b>	<b>– ¥</b>	<b>¥ 402,406</b>
Securities available for sale:								
Equity securities	¥ 7,311	¥ 5,915	¥ 259	¥ 12,967	¥ 9,194	¥ 8,481	¥ 308	¥ 17,367
Japanese national government bonds	107,244	1,069	31	108,282	101,496	889	–	102,386
Japanese local government bonds	–	–	–	–	–	–	–	–
Japanese corporate bonds	173,062	953	2,134	171,881	172,232	355	1,440	171,148
Foreign securities	310,691	1,771	1,341	311,120	331,234	3,347	1,903	332,677
Other <sup>1</sup>	41,712	818	162	42,367	1,068	–	85	982
<b>Total</b>	<b>¥ 640,021</b>	<b>¥ 10,527</b>	<b>¥ 3,928</b>	<b>¥ 646,619</b>	<b>¥ 615,226</b>	<b>¥ 13,074</b>	<b>¥ 3,737</b>	<b>¥ 624,563</b>

Thousands of U.S. dollars

	Sept. 30, 2019			
	Amortized/ Acquisition cost	Gross unrealized gain	Gross unrealized loss	Fair value
Securities being held to maturity:				
Japanese national government bonds	\$ 3,136,015	\$ 33,297	–	\$ 3,169,311
<b>Total</b>	<b>\$ 3,136,015</b>	<b>\$ 33,297</b>	<b>–</b>	<b>\$ 3,169,311</b>
Securities available for sale:				
Equity securities	\$ 67,798	\$ 54,851	\$ 2,403	\$ 120,246
Japanese national government bonds	994,479	9,913	294	1,004,099
Japanese local government bonds	–	–	–	–
Japanese corporate bonds	1,604,807	8,841	19,791	1,593,858
Foreign securities	2,881,038	16,426	12,440	2,885,024
Other <sup>1</sup>	386,796	7,586	1,505	392,877
<b>Total</b>	<b>\$ 5,934,918</b>	<b>\$ 97,618</b>	<b>\$ 36,433</b>	<b>\$ 5,996,103</b>

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 six months ended September 30, 2019, was ¥116 million (U.S.\$1,077 thousand), which was related to equity securities.

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

"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.



## 8. SECURITIES (CONTINUED)

CONSOLIDATED

(c) Unrealized gain (loss) on available-for-sale securities as of September 30, 2019 and March 31, 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2019	Mar. 31, 2019	Sept. 30, 2019
Unrealized gain (loss) before deferred tax on:			
Available-for-sale securities	¥ 6,598	¥ 9,336	\$ 61,185
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	(1,728)	(1,468)	(16,030)
Other monetary assets held in trust	(1,497)	(1,106)	(13,888)
Deferred tax liabilities	(1,320)	(1,477)	(12,248)
Unrealized gain (loss) on available-for-sale securities before interest adjustments	2,050	5,284	19,018
Noncontrolling interests	18	—	169
The Group's interests in unrealized gain (loss) on available-for-sale securities held by affiliates to which the equity method is applied	6,379	4,756	59,158
Unrealized gain (loss) on available-for-sale securities	¥ 8,448	¥ 10,041	\$ 78,346

## 9. LOANS AND BILLS DISCOUNTED

CONSOLIDATED

Loans and bills discounted as of September 30, 2019 and March 31, 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2019	Mar. 31, 2019	Sept. 30, 2019
Loans on deeds	¥ 4,257,713	¥ 4,228,572	\$ 39,481,762
Loans on bills	9,967	10,474	92,431
Bills discounted	1,252	2,337	11,612
Overdrafts	733,714	745,455	6,803,735
<b>Total</b>	<b>¥ 5,002,647</b>	<b>¥ 4,986,839</b>	<b>\$ 46,389,540</b>

## (a) Risk-monitored loans

Loans and bills discounted included loans to bankrupt obligors of ¥4,661 million (U.S.\$43,222 thousand) and ¥4,836 million as of September 30, 2019 and March 31, 2019, respectively, as well as nonaccrual delinquent loans of ¥36,668 million (U.S.\$340,031 thousand) and ¥28,383 million as of September 30, 2019 and March 31, 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 September 30, 2019 and March 31, 2019 were ¥723 million (U.S.\$6,713 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 September 30, 2019 and March 31, 2019 were ¥44,315 million (U.S.\$410,939 thousand) and ¥43,458 million, respectively.

## (b) Loan participations

The total amounts accounted for as the transfer of loans by loan participations as of September 30, 2019 and March 31, 2019 were ¥7,575 million (U.S.\$70,249 thousand) and ¥7,477 million, respectively. This “off-balance sheet” treatment is in accordance with guidelines issued by the JICPA. The total amounts of such loans in

which the Bank participated were ¥17,137 million (U.S.\$158,916 thousand) and ¥12,400 million as of September 30, 2019 and March 31, 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 September 30, 2019 and March 31, 2019 were ¥1,252 million (U.S.\$11,612 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 ¥2,965,254 million (U.S.\$27,496,798 thousand) and ¥3,041,385 million as of September 30, 2019 and March 31, 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 ¥2,634,574 million (U.S.\$24,430,405 thousand) and ¥2,676,954 million as of September 30, 2019 and March 31, 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 September 30, 2019 and March 31, 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2019	Mar. 31, 2019	Sept. 30, 2019
Foreign exchange assets:			
Foreign bills receivable	¥ –	¥ 1,059	\$ –
Due from foreign banks	55,691	28,487	516,430
<b>Total</b>	<b>¥ 55,691</b>	<b>¥ 29,546</b>	<b>\$ 516,430</b>
Foreign exchange liabilities:			
Foreign bills payable	¥ 780	¥ 471	\$ 7,239
<b>Total</b>	<b>¥ 780</b>	<b>¥ 471</b>	<b>\$ 7,239</b>

**11. OTHER ASSETS****CONSOLIDATED**

Other assets as of September 30, 2019 and March 31, 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2019	Mar. 31, 2019	Sept. 30, 2019
Accrued income	¥ 16,993	¥ 17,482	\$ 157,577
Prepaid expenses	5,968	4,631	55,345
Fair value of derivatives	67,639	54,984	627,219
Accounts receivable	106,126	40,918	984,111
Installment receivables	626,619	562,236	5,810,643
Security deposits	14,937	14,121	138,516
Suspense payments	15,435	14,814	143,136
Margin deposits for futures transactions	4,279	4,852	39,683
Cash collateral paid for financial instruments	53,941	41,914	500,198
Other	98,314	95,329	911,674
<b>Total</b>	<b>¥1,010,256</b>	<b>¥ 851,287</b>	<b>\$9,368,103</b>

Installment receivables in "Other assets" as of September 30, 2019 and March 31, 2019 include credits to bankrupt obligors of ¥6 million (U.S.\$57 thousand) and ¥0 million, nonaccrual delinquent credits of ¥5,080 million (U.S.\$47,109 thousand) and ¥5,957 million, credits past

due for three months or more of ¥257 million (U.S.\$2,389 thousand) and ¥823 million, and restructured credits of ¥611 million (U.S.\$5,670 thousand) and ¥212 million, respectively.

**12. PREMISES AND EQUIPMENT****CONSOLIDATED**

Premises and equipment as of September 30, 2019 and March 31, 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2019	Mar. 31, 2019	Sept. 30, 2019
Buildings	¥ 28,828	¥ 29,825	\$ 267,323
Land	2,665	2,665	24,717
Tangible leased assets as lessor	79,343	53,836	735,749
Other	29,752	28,103	275,895
Subtotal	140,589	114,431	1,303,684
Accumulated depreciation	(72,336)	(69,089)	(670,773)
<b>Net book value</b>	<b>¥ 68,253</b>	<b>¥ 45,341</b>	<b>\$ 632,911</b>

**13. INTANGIBLE ASSETS****CONSOLIDATED**

Intangible assets as of September 30, 2019 and March 31, 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2019	Mar. 31, 2019	Sept. 30, 2019
Software	¥ 52,217	¥ 54,499	\$ 484,214
Goodwill, net:			
Goodwill	14,323	14,072	132,822
Negative goodwill	(2,901)	(3,082)	(26,903)
Intangible assets acquired in business combinations	2,672	690	24,782
Intangible leased assets as lessor	48	3	452
Other	1,139	1,007	10,570
<b>Total</b>	<b>¥ 67,501</b>	<b>¥ 67,189</b>	<b>\$ 625,937</b>

**14. RESERVE FOR CREDIT LOSSES****CONSOLIDATED**

Reserve for credit losses as of September 30, 2019 and March 31, 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2019	Mar. 31, 2019	Sept. 30, 2019
Reserve for loan losses:			
General reserve for loan losses	¥ 69,488	¥ 70,749	\$ 644,370
Specific reserve for loan losses	29,063	27,285	269,507
<b>Total</b>	<b>¥ 98,552</b>	<b>¥ 98,034</b>	<b>\$ 913,877</b>

**15. DEPOSITS, INCLUDING NEGOTIABLE CERTIFICATES OF DEPOSIT****CONSOLIDATED**

Deposits, including negotiable certificates of deposit, as of September 30, 2019 and March 31, 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2019	Mar. 31, 2019	Sept. 30, 2019
Current	¥ 39,975	¥ 39,846	\$ 370,695
Ordinary	2,515,835	2,537,841	23,329,334
Notice	13,526	13,897	125,427
Time	2,317,957	2,271,980	21,494,409
Negotiable certificates of deposit	488,531	570,580	4,530,152
Other	550,530	487,999	5,105,067
<b>Total</b>	<b>¥ 5,926,356</b>	<b>¥ 5,922,145</b>	<b>\$ 54,955,083</b>

**16. TRADING LIABILITIES****CONSOLIDATED**

Trading liabilities as of September 30, 2019 and March 31, 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2019	Mar. 31, 2019	Sept. 30, 2019
Derivatives for trading securities	¥ 1,266	¥ 1,193	\$ 11,747
Derivatives for securities held to hedge trading transactions	3,140	3,344	29,123
Trading-related financial derivatives	194,619	175,700	1,804,702
Trading securities sold for short sales	1,639	2,124	15,202
<b>Total</b>	<b>¥ 200,665</b>	<b>¥ 182,363</b>	<b>\$ 1,860,774</b>

**17. BORROWED MONEY****CONSOLIDATED**

(a) Borrowed money as of September 30, 2019 and March 31, 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2019	Mar. 31, 2019	Sept. 30, 2019
Total amount of borrowed money	¥ 679,557	684,077	\$6,301,531

<sup>1</sup> Borrowed money does not include subordinated debt as of September 30, 2019 and March 31, 2019.

(b) Annual maturities of borrowed money as of September 30, 2019 were as follows:

Year ending September 30,	Millions of yen	Thousands of U.S. dollars
2020	¥ 267,905	\$ 2,484,285
2021	142,618	1,322,499
2022	81,988	760,282
2023	57,835	536,310
2024 and thereafter	129,208	1,198,154
<b>Total</b>	<b>¥ 679,557</b>	<b>\$ 6,301,531</b>

**18. CORPORATE BONDS****CONSOLIDATED**

(a) Corporate bonds as of September 30, 2019 and March 31, 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2019	Mar. 31, 2019	Sept. 30, 2019
Total amount of corporate bonds	¥ 72,235	¥ 92,335	\$ 669,835

<sup>1</sup> Corporate bonds do not include subordinated corporate bonds as of September 30, 2019 and March 31, 2019.

(b) Annual maturities of corporate bonds as of September 30, 2019 were as follows:

Year ending September 30,	Millions of yen	Thousands of U.S. dollars
2020	¥ 15,735	\$ 145,911
2021	5,000	46,365
2022	10,000	92,730
2023	20,000	185,460
2024 and thereafter	21,500	199,369
<b>Total</b>	<b>¥ 72,235</b>	<b>\$ 669,835</b>

**19. OTHER LIABILITIES****CONSOLIDATED**

Other liabilities as of September 30, 2019 and March 31, 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2019	Mar. 31, 2019	Sept. 30, 2019
Accrued expenses	¥ 9,526	¥ 10,160	\$ 88,335
Unearned income	24,067	23,662	223,174
Income taxes payable	3,235	3,548	30,001
Fair value of derivatives	65,857	62,590	610,697
Accounts payable	87,692	63,973	813,169
Deferred gains on installment receivables and credit guarantees	30,829	30,195	285,884
Asset retirement obligations	9,237	9,262	85,660
Deposits payable	121,208	110,000	1,123,968
Cash collateral received for financial instruments	28,405	15,519	263,400
Other	15,833	18,470	146,826
<b>Total</b>	<b>¥ 395,892</b>	<b>¥ 347,383</b>	<b>\$3,671,113</b>

**20. ACCEPTANCES AND GUARANTEES**

CONSOLIDATED

Acceptances and guarantees as of September 30, 2019 and March 31, 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2019	Mar. 31, 2019	Sept. 30, 2019
Guarantees	¥ 501,901	¥ 456,759	\$4,654,128

**21. ASSETS PLEDGED AS COLLATERAL**

CONSOLIDATED

Assets pledged as collateral and liabilities collateralized as of September 30, 2019 and March 31, 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2019	Mar. 31, 2019	Sept. 30, 2019
Assets pledged as collateral:			
Cash and due from banks	¥ 10	¥ 10	\$ 93
Trading assets	189	192	1,758
Monetary assets held in trust	312	426	2,894
Securities	555,161	654,692	5,148,011
Loans and bills discounted	101,341	102,872	939,738
Lease receivables and leased investment assets	3,719	4,767	34,491
Other assets	78,492	67,287	727,856
Premises and equipment	4,682	5,109	43,421
Liabilities collateralized:			
Deposits, including negotiable certificates of deposit	¥ 1,342	¥ 689	\$ 12,453
Payables under repurchase agreements	39,216	59,098	363,650
Payables under securities lending transactions	449,769	510,229	4,170,713
Borrowed money	169,575	187,714	1,572,472
Other liabilities	38	29	361
Acceptances and guarantees	381	428	3,540

In addition, ¥4,279 million (U.S.\$39,683 thousand) and 4,852 million of margin deposits for futures transactions outstanding, ¥14,937 million (U.S.\$138,516 thousand) and ¥14,121 million of security deposits, ¥55,042 million (U.S.\$510,408 thousand) and ¥41,914 million of cash collateral paid for financial instruments, ¥227 million (U.S.\$2,112

thousand) and ¥244 million of margin on foreign exchange and ¥50,000 million (U.S.\$463,650 thousand) and ¥50,000 million of cash collateral for Zengin-net were included in "Other assets" as of September 30, 2019 and March 31, 2019, respectively.

**22. EQUITY**

CONSOLIDATED

The authorized number of shares of common stock as of September 30, 2019 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
<b>Six months ended September 30, 2019:</b>		
Beginning of period	259,034	13,760
Increase <sup>1</sup>	—	5,803
Decrease <sup>2</sup>	—	49
End of period	259,034	19,514
<b>Six months ended September 30, 2018:</b>		
Beginning of period	275,034	22,166
Increase <sup>1</sup>	—	7,404
Decrease <sup>3,4</sup>	16,000	16,026
End of period	259,034	13,544

<sup>1</sup> The increase of shares in treasury stock is associated with the repurchase from the market.

<sup>2</sup> The decrease of shares in treasury stock is associated with the disposal as a restricted stock compensation.

<sup>3</sup> The decrease of issued shares is associated with the cancellation of treasury stock.

<sup>4</sup> The decrease of 16,026 thousand shares in treasury stock is associated with the cancellation of 16,000 thousand shares, the transfer of 14 thousand shares upon exercise of the stock option (stock acquisition rights), and the disposal of 11 thousand shares as a restricted stock compensation.

## 23. 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 tables show the details of stock acquisition rights and restricted stocks granted during the six months ended September 30, 2019.

(a) Stock-based compensation expenses for the six months ended September 30, 2019 and 2018 were as follows.

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2019	Sept. 30, 2018	Sept. 30, 2019
General and administrative expenses	¥ 106	¥ 43	\$ 985

(b) Gains on unexercised and forfeited stock acquisition rights for the six months ended September 30, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2019	Sept. 30, 2018	Sept. 30, 2019
Other gains (losses), net	¥ -	¥ 215	\$ -

(c) Details of stock options

The following table shows the details of stock options granted during the six months ended September 30, 2019.

Issuers	Date of issuance	Total number of stock options (shares) at the issuance	Total number of holders at the issuance	Required service period	Exercise period	Exercise price	Fair value at the grant date
The Bank	May 30, 2019	Common stocks 18,170 shares	2	Not applicable	May 31, 2019- May 30, 2049	¥ 1	¥ 1,489

(d) Details of restricted stock compensation

The following table shows the details of restricted stocks granted during the six months ended September 30, 2019.

	Number of shares granted	Total number of recipients	Transfer restriction period	Fair value at the grant date
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.

**24. NET TRADING INCOME (LOSS)****CONSOLIDATED**

Net trading income (loss) for the six months ended September 30, 2019 and 2018 consisted of the following:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Income (loss) from trading securities	¥ 1,466	¥ 1,567	\$ 13,595
Income (loss) from securities held to hedge trading transactions	421	(473)	3,910
Income (loss) from trading-related financial derivatives	2,781	728	25,797
Other, net	366	—	3,401
<b>Total</b>	<b>¥ 5,036</b>	<b>¥ 1,821</b>	<b>\$ 46,703</b>

**25. OTHER BUSINESS INCOME (LOSS), NET****CONSOLIDATED**

“Other, net” in other business income (loss), net, for the six months ended September 30, 2019 and 2018 consisted of the following:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Income (loss) from derivatives entered into for banking purposes, net	¥ (4)	¥ (30)	\$ (41)
Equity in net income (loss) of affiliates	1,428	4,027	13,251
Gain on lease cancellation and other lease income (loss), net	978	1,109	9,074
Other, net	872	1,398	8,094
<b>Total</b>	<b>¥ 3,275</b>	<b>¥ 6,504</b>	<b>\$ 30,378</b>

**26. NET CREDIT COSTS (RECOVERIES)****CONSOLIDATED**

Net credit costs (recoveries) for the six months ended September 30, 2019 and 2018 consisted of the following:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Losses on write-off or sales of loans	¥ 290	¥ 295	\$ 2,693
Net provision (reversal) of reserve for loan losses:			
Net provision (reversal) of general reserve for loan losses	9,307	8,193	86,312
Net provision (reversal) of specific reserve for loan losses	10,143	8,949	94,062
Subtotal	19,451	17,142	180,374
Other credit costs (recoveries) relating to leasing business	27	150	258
Recoveries of written-off claims	(3,239)	(3,156)	(30,037)
<b>Total</b>	<b>¥ 16,530</b>	<b>¥ 14,432</b>	<b>\$ 153,288</b>



**27. OTHER GAINS (LOSSES), NET****CONSOLIDATED**

Other gains (losses), net for the six months ended September 30, 2019 and 2018 consisted of the following:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Reversal of reserve for losses on interest repayment	¥ 1,249	¥ 1,754	\$ 11,582
Impairment losses on long-lived assets	(216)	(315)	(2,011)
Loss on change in equity of affiliates	(270)	—	(2,513)
Gains on unexercised and forfeited stock acquisition rights	—	215	—
Other, net	707	685	6,561
<b>Total</b>	<b>¥ 1,468</b>	<b>¥ 2,341</b>	<b>\$ 13,619</b>

- Impairment losses on long-lived assets

For the six months ended September 30, 2019 and 2018, respectively, “Impairment losses on long-lived assets” of ¥216 million (U.S.\$2,011 thousand) and ¥315 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.

**28. EARNINGS PER SHARE****CONSOLIDATED**

A reconciliation of the difference between basic and diluted EARNINGS PER SHARE (“EPS”) for the six months ended September 30, 2019 and 2018 was as follows:

	Earnings (Millions of yen)	Weighted average shares (Thousands)	EPS (Yen)	EPS (U.S. dollars)
<b>For the six months ended September 30, 2019:</b>				
<b>Basic EPS</b>				
Profit (loss) attributable to owners of the parent available to common shareholders	¥ 28,148	243,061	¥ 115.80	\$ 1.07
<b>Effect of dilutive securities</b>				
Stock acquisition rights	—	41		
<b>Diluted EPS</b>				
Profit (loss) attributable to owners of the parent for computation	¥ 28,148	243,102	¥ 115.79	\$ 1.07
<b>For the six months ended September 30, 2018:</b>				
<b>Basic EPS</b>				
Profit (loss) attributable to owners of the parent available to common shareholders	¥ 27,689	250,045	¥ 110.73	
<b>Effect of dilutive securities</b>				
Stock acquisition rights	—	31		
<b>Diluted EPS</b>				
Profit (loss) attributable to owners of the parent for computation	¥ 27,689	250,077	¥ 110.72	

## 29. 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 "(V) LEASE TRANSACTIONS" in Note 2 "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

## AS LESSOR

- (a) Breakdown of "Lease receivables and leased investment assets" as of September 30, 2019 and March 31, 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2019	Mar. 31, 2019	Sept. 30, 2019
Lease receivables	¥ 54,865	¥ 52,009	\$ 508,767
Leased investment assets:			
Lease payment receivables	154,662	136,866	1,434,180
Estimated residual value	5,899	4,994	54,708
Interest equivalent	(18,410)	(18,080)	(170,717)
Other	712	764	6,604
Subtotal	142,863	124,544	1,324,776
<b>Total</b>	<b>¥ 197,729</b>	<b>¥ 176,553</b>	<b>\$ 1,833,542</b>

- (b) Lease payment receivables for "Lease receivables and leased investment assets" as of September 30, 2019 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	¥ 17,289	\$ 160,328	¥ 52,053	\$ 482,696
Due after one year within two years	14,028	130,085	33,460	310,277
Due after two years within three years	10,120	93,844	25,058	232,370
Due after three years within four years	6,881	63,808	16,786	155,663
Due after four years within five years	3,967	36,791	10,162	94,236
Due after five years	4,973	46,121	17,139	158,938
<b>Total</b>	<b>¥ 57,260</b>	<b>\$ 530,977</b>	<b>¥ 154,662</b>	<b>\$ 1,434,180</b>

## (B) OPERATING LEASE TRANSACTIONS

Noncancelable operating lease obligations as lessee and lease payment receivables as lessor as of September 30, 2019 and March 31, 2019 were as follows:

## AS LESSEE

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2019	Mar. 31, 2019	Sept. 30, 2019
Lease obligations:			
Due within one year	¥ 3,856	¥ 4,199	\$ 35,764
Due after one year	11,367	10,524	105,407
<b>Total</b>	<b>¥ 15,223</b>	<b>¥ 14,724</b>	<b>\$ 141,171</b>

## AS LESSOR

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2019	Mar. 31, 2019	Sept. 30, 2019
Lease payment receivables:			
Due within one year	¥ 15,693	¥ 4,847	\$ 145,523
Due after one year	38,709	21,083	358,949
<b>Total</b>	<b>¥ 54,402</b>	<b>¥ 25,930</b>	<b>\$ 504,472</b>

**30. 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 excluding 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 financial products and services related to credit trading and private equity businesses. "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 consumer finance products and services and guarantee services (Shinsei Financial, Shinsei Bank 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 reporting 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 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 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.

Accordingly, we have revised the reportable segments from 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), ASSETS, LIABILITIES AND OTHER ITEMS BY REPORTABLE SEGMENTS" for the six-month period ended September 30, 2018 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.

## 30. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

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

Six months ended September 30, 2019	Millions of yen					
	Institutional Business					Other Global Markets
	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	
Revenue <sup>1</sup> :	¥ 10,833	¥ 8,859	¥ 4,714	¥ 6,941	¥ 4,070	¥ 1,854
Net Interest Income	5,075	5,735	1,374	(135)	1,541	293
Noninterest Income <sup>i</sup>	5,757	3,124	3,340	7,076	2,529	1,561
Expenses <sup>2</sup>	6,363	4,193	2,064	5,132	1,699	1,573
Net Credit Costs (Recoveries) <sup>3</sup>	1,129	1,373	48	(70)	(20)	(6)
Segment Profit (Loss) <sup>7</sup>	¥ 3,340	¥ 3,292	¥ 2,601	¥ 1,879	¥ 2,391	¥ 287
Segment Assets <sup>4, ii</sup>	¥ 1,597,026	¥ 1,774,505	¥ 183,480	¥ 581,225	¥ 369,837	¥ 44,368
Segment Liabilities <sup>5</sup>	¥ 1,194,897	¥ 121,479	¥ 7,856	¥ 2,775	¥ 197,218	¥ 61,611
Includes:						
i. Equity in net income (loss) of affiliates	¥ -	¥ -	¥ 1,495	¥ 168	¥ -	¥ -
ii. Investment in affiliates	-	-	66,612	1,290	-	-
Other:						
Goodwill (Negative Goodwill):	¥	¥	¥	¥	¥	¥
Amortization	-	-	(0)	1,091	-	-
Unamortized balance	-	-	(1)	11,924	-	-
Intangible assets acquired in business combinations:						
Amortization	-	-	-	102	-	-
Unamortized balance	-	-	-	588	-	-
Impairment losses on long-lived assets	¥ 3	¥ -	¥ -	¥ -	¥ 0	¥ -

Six months ended September 30, 2019	Millions of yen						Total
	Retail Banking	Individual Business			Corporate/Other		
		Shinsei Financial	APLUS FINANCIAL	Other Individual	Treasury	Other <sup>6</sup>	
Revenue <sup>1</sup> :	¥ 14,284	¥ 34,071	¥ 28,834	¥ 629	¥ 6,161	¥ 248	¥ 121,504
Net Interest Income	12,000	34,601	4,922	484	894	0	66,789
Noninterest Income <sup>i</sup>	2,283	(529)	23,911	145	5,266	248	54,715
Expenses <sup>2</sup>	13,744	16,813	19,168	940	799	1,358	73,851
Net Credit Costs (Recoveries) <sup>3</sup>	4	6,933	7,158	(20)	-	1	16,530
Segment Profit (Loss) <sup>7</sup>	¥ 535	¥ 10,324	¥ 2,507	¥ (289)	¥ 5,362	¥ (1,110)	¥ 31,121
Segment Assets <sup>4, ii</sup>	¥ 1,171,830	¥ 521,585	¥ 1,173,150	¥ 54,587	¥ 605,658	¥ 0	¥ 8,077,256
Segment Liabilities <sup>5</sup>	¥ 4,563,762	¥ 46,530	¥ 432,675	¥ 117	¥ -	¥ -	¥ 6,628,923
Includes:							
i. Equity in net income (loss) of affiliates	¥ -	¥ -	¥ -	¥ (235)	¥ -	¥ -	¥ 1,428
ii. Investment in affiliates	-	-	-	6,539	-	-	74,442
Other:							
Goodwill (Negative Goodwill):	¥	¥	¥	¥	¥	¥	¥
Amortization	23	(70)	-	-	-	-	1,045
Unamortized balance	932	(1,954)	522	-	-	-	11,422
Intangible assets acquired in business combinations:							
Amortization	-	-	-	-	-	-	102
Unamortized balance	-	-	2,084	-	-	-	2,672
Impairment losses on long-lived assets	¥ 5	¥ 24	¥ 15	¥ -	¥ -	¥ 168	¥ 216

## 30. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

Six months ended September 30, 2018	Millions of yen					
	Institutional Business					
	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Revenue <sup>1</sup> :	¥ 7,639	¥ 8,395	¥ 6,618	¥ 7,019	¥ 3,093	¥ 1,248
Net Interest Income	5,027	4,968	1,539	(156)	745	239
Noninterest Income <sup>i</sup>	2,612	3,427	5,078	7,175	2,347	1,009
Expenses <sup>2</sup>	5,985	3,910	1,990	4,749	1,912	1,679
Net Credit Costs (Recoveries) <sup>3</sup>	1,628	(3,051)	(22)	(787)	14	64
Segment Profit (Loss) <sup>7</sup>	¥ 26	¥ 7,536	¥ 4,650	¥ 3,056	¥ 1,166	¥ (494)
Segment Assets <sup>4, ii</sup>	¥ 1,541,758	¥ 1,512,329	¥ 195,013	¥ 475,002	¥ 361,976	¥ 42,828
Segment Liabilities <sup>5</sup>	¥ 1,131,488	¥ 118,812	¥ 8,337	¥ 2,531	¥ 163,678	¥ 40,672
Includes:						
i . Equity in net income (loss) of affiliates	¥ –	¥ –	¥ 3,628	¥ 0	¥ –	¥ –
ii . Investment in affiliates	–	–	65,316	1,132	–	–
Other:						
Goodwill (Negative Goodwill):	¥	¥	¥	¥	¥	¥
Amortization	–	–	(0)	1,073	–	–
Unamortized balance	–	–	(2)	13,951	–	–
Intangible assets acquired in business combinations:						
Amortization	–	–	–	118	–	–
Unamortized balance	–	–	–	808	–	–
Impairment losses on long-lived assets	¥ 0	¥ –	¥ 0	¥ –	¥ –	¥ –

Six months ended September 30, 2018	Millions of yen						
	Retail Banking	Individual Business			Corporate/Other		
		Shinsei Financial	APLUS FINANCIAL	Other Individual	Treasury	Others <sup>6</sup>	Total
Revenue <sup>1</sup> :	¥ 12,925	¥ 35,005	¥ 28,523	¥ 1,229	¥ 2,692	¥ 336	¥ 114,729
Net Interest Income	11,877	34,993	5,567	377	1,164	(0)	66,344
Noninterest Income <sup>i</sup>	1,047	12	22,955	851	1,528	336	48,384
Expenses <sup>2</sup>	13,929	16,450	18,768	869	857	(109)	70,994
Net Credit Costs (Recoveries) <sup>3</sup>	0	8,307	8,116	156	–	5	14,432
Segment Profit (Loss) <sup>7</sup>	¥ (1,004)	¥ 10,247	¥ 1,638	¥ 202	¥ 1,835	¥ 440	¥ 29,302
Segment Assets <sup>4, ii</sup>	¥ 1,240,101	¥ 519,682	¥ 1,070,245	¥ 50,785	¥ 727,288	¥ 0	¥ 7,737,011
Segment Liabilities <sup>5</sup>	¥ 4,763,392	¥ 51,576	¥ 348,301	¥ 1,205	¥ –	¥ –	¥ 6,629,998
Includes:							
i . Equity in net income (loss) of affiliates	¥ –	¥ –	¥ –	¥ 399	¥ –	¥ –	¥ 4,027
ii . Investment in affiliates	–	–	–	7,686	–	–	74,136
Other:							
Goodwill (Negative Goodwill):	¥	¥	¥	¥	¥	¥	¥
Amortization	–	149	29	–	–	–	1,251
Unamortized balance	–	(3,261)	–	–	–	–	10,687
Intangible assets acquired in business combinations:							
Amortization	–	363	–	–	–	–	481
Unamortized balance	–	–	–	–	–	–	808
Impairment losses on long-lived assets	¥ 143	¥ 123	¥ –	¥ 0	¥ –	¥ 47	¥ 315

## 30. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

Six months ended September 30, 2019	Thousands of U.S. dollars					
	Institutional Business					
	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Revenue <sup>1</sup> :	\$ 100,457	\$ 82,157	\$ 43,721	\$ 64,365	\$ 37,749	\$ 17,199
Net Interest Income	47,068	53,184	12,742	(1,256)	14,296	2,724
Noninterest Income <sup>i</sup>	53,389	28,973	30,979	65,621	23,453	14,475
Expenses <sup>2</sup>	59,007	38,890	19,145	47,596	15,761	14,592
Net Credit Costs (Recoveries) <sup>3</sup>	10,474	12,739	451	(657)	(186)	(58)
Segment Profit (Loss) <sup>7</sup>	\$ 30,977	\$ 30,529	\$ 24,125	\$ 17,426	\$ 22,174	\$ 2,665
Segment Assets <sup>4,ii</sup>	\$ 14,809,226	\$ 16,454,984	\$ 1,701,410	\$ 5,389,705	\$ 3,429,500	\$ 411,428
Segment Liabilities <sup>5</sup>	\$ 11,080,277	\$ 1,126,476	\$ 72,857	\$ 25,734	\$ 1,828,802	\$ 571,320
Includes:						
i . Equity in net income (loss) of affiliates	\$ -	\$ -	\$ 13,869	\$ 1,564	\$ -	\$ -
ii . Investment in affiliates	-	-	617,697	11,970	-	-
Other:						
Goodwill (Negative Goodwill):	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	-	-	(3)	10,126	-	-
Unamortized balance	-	-	(18)	110,574	-	-
Intangible assets acquired in business combinations:						
Amortization	-	-	-	950	-	-
Unamortized balance	-	-	-	5,457	-	-
Impairment losses on long-lived assets	\$ 30	\$ -	\$ -	\$ -	\$ 0	\$ -

Six months ended September 30, 2019	Thousands of U.S. dollars						
	Individual Business				Corporate/Other		
	Retail Banking	Shinsei Financial	APLUS FINANCIAL	Other Individual	Treasury	Other <sup>6</sup>	Total
Revenue <sup>1</sup> :	\$ 132,456	\$ 315,945	\$ 267,382	\$ 5,841	\$ 57,132	\$ 2,303	\$ 1,126,710
Net Interest Income	111,282	320,860	45,648	4,492	8,295	1	619,336
Noninterest Income <sup>i</sup>	21,174	(4,914)	221,734	1,350	48,838	2,302	507,374
Expenses <sup>2</sup>	127,456	155,913	177,749	8,717	7,409	12,593	684,828
Net Credit Costs (Recoveries) <sup>3</sup>	39	64,290	66,377	(191)	-	10	153,288
Segment Profit (Loss) <sup>7</sup>	\$ 4,962	\$ 95,742	\$ 23,256	\$ (2,685)	\$ 49,723	\$ (10,301)	\$ 288,594
Segment Assets <sup>4,ii</sup>	\$ 10,866,382	\$ 4,836,659	\$ 10,878,620	\$ 506,192	\$ 5,616,271	\$ 0	\$ 74,900,377
Segment Liabilities <sup>5</sup>	\$ 42,319,757	\$ 431,478	\$ 4,012,198	\$ 1,087	\$ -	\$ -	\$ 61,469,986
Includes:							
i . Equity in net income (loss) of affiliates	\$ -	\$ -	\$ -	\$ (2,183)	\$ -	\$ -	\$ 13,251
ii . Investment in affiliates	-	-	-	60,637	-	-	690,304
Other:							
Goodwill (Negative Goodwill):	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	222	(650)	-	-	-	-	9,695
Unamortized balance	8,643	(18,125)	4,846	-	-	-	105,919
Intangible assets acquired in business combinations:							
Amortization	-	-	-	-	-	-	950
Unamortized balance	-	-	19,325	-	-	-	24,782
Impairment losses on long-lived assets	\$ 51	\$ 226	\$ 141	\$ -	\$ -	\$ 1,563	\$ 2,011

Notes: 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 "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.

7 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 profit (loss)," although borrowed money is not allocated to each "segment liabilities." In addition, depreciation is considered a part of "Expenses" and included in "segment profit (loss)," although premises and equipment excluding tangible leased assets and intangible assets excluding intangible leased assets are not allocated to each "segment assets."

## 30. 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 six months ended September 30, 2019 and 2018 was as follows:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Total segment profit	¥ 31,121	¥ 29,302	\$ 288,594
Amortization of goodwill	(1,045)	(1,251)	(9,695)
Amortization of intangible assets	(102)	(481)	(950)
Lump-sum payments	(200)	(386)	(1,861)
Other gains (losses), net	1,465	2,341	13,592
Income (loss) before income taxes	¥ 31,239	¥ 29,523	\$ 289,680

(ii) A reconciliation between total segment assets and total assets on the consolidated balance sheets as of September 30, 2019 and 2018 was as follows:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Total segment assets	¥ 8,077,256	¥ 7,737,011	\$ 74,900,377
Cash and due from banks	1,309,158	1,396,718	12,139,827
Receivables under securities borrowing transactions	1,642	572	15,234
Foreign exchanges	55,691	33,403	516,430
Other assets excluding installment receivables	383,636	351,252	3,557,460
Premises and equipment excluding tangible leased assets	20,622	21,534	191,233
Intangible assets excluding intangible leased assets	67,452	67,054	625,485
Assets for retirement benefits	11,239	14,377	104,227
Deferred tax assets	12,650	14,328	117,307
Reserve for credit losses	(98,552)	(100,731)	(913,877)
Total assets	¥ 9,840,799	¥ 9,535,522	\$ 91,253,702

(iii) A reconciliation between total segment liabilities and total liabilities on the consolidated balance sheets as of September 30, 2019 and 2018 was as follows:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Total segment liabilities	¥ 6,628,923	¥ 6,629,998	\$ 61,469,986
Call money	345,000	5,325	3,199,184
Payables under repurchase agreements	39,216	64,347	363,650
Payables under securities lending transactions	454,953	542,019	4,218,782
Borrowed money	679,557	700,279	6,301,531
Foreign exchanges	780	54	7,239
Short-term corporate bonds	239,600	193,900	2,221,810
Corporate bonds	72,235	87,335	669,835
Other liabilities	395,892	355,868	3,671,113
Accrued employees' bonuses	4,913	4,922	45,563
Accrued directors' bonuses	31	32	292
Liabilities for retirement benefits	8,357	8,379	77,496
Reserve for directors' retirement benefits	46	–	427
Reserve for reimbursement of debentures	3,563	4,020	33,045
Reserve for losses on interest repayments	56,225	65,755	521,382
Deferred tax liabilities	287	–	2,665
Total liabilities	¥ 8,929,583	¥ 8,662,238	\$ 82,803,999

**30. SEGMENT INFORMATION (CONTINUED)**

CONSOLIDATED

**(B) RELATED INFORMATION****(a) INFORMATION BY SERVICES**

Income regarding major services for the six months ended September 30, 2019 and 2018 was as follows:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Loan Businesses	¥ 73,426	¥ 72,785	\$ 680,885
Lease Businesses	3,771	2,780	34,976
Securities Investment Businesses	13,243	4,714	122,811
Installment Sales and Guarantee Businesses	24,978	24,095	231,630

**(b) GEOGRAPHICAL INFORMATION***(i) REVENUE*

Revenue from external domestic customers exceeded 90% of total revenue on the consolidated statements of income for the six months ended September 30, 2019 and 2018, therefore geographical revenue information is not presented.

*(ii) PREMISES AND EQUIPMENT*

The balance of domestic premises and equipment exceeded 90% of total balance of premises and equipment on the consolidated balance sheets as of September 30, 2019 and 2018, 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 six months ended September 30, 2019 and 2018, therefore major customer information is not presented.



## 31. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

CONSOLIDATED

Fair values of financial instruments as of September 30, 2019 and March 31, 2019 were as follows:

	Millions of yen					
	Sept. 30, 2019			Mar. 31, 2019		
	Carrying amount	Fair value	Unrealized gain (loss)	Carrying amount	Fair value	Unrealized gain (loss)
Assets:						
(1) Cash and due from banks	¥ 1,309,158	¥ 1,309,158	¥ –	¥ 1,355,966	¥ 1,355,966	¥ –
(2) Receivables under securities borrowing transactions	1,642	1,642	–	2,119	2,119	–
(3) Other monetary claims purchased						
Trading purposes	2,702	2,702	–	2,853	2,853	–
Other <sup>1</sup>	71,808	72,252	444	27,987	28,287	300
(4) Trading assets						
Securities held for trading purposes	3,378	3,378	–	3,445	3,445	–
(5) Monetary assets held in trust <sup>1</sup>	345,643	349,815	4,171	304,039	309,452	5,412
(6) Securities						
Trading securities	0	0	–	0	0	–
Securities being held to maturity	338,187	341,778	3,590	399,201	402,406	3,204
Securities available for sale	605,668	605,668	–	624,563	624,563	–
Equity securities of affiliates	57,932	44,080	(13,851)	57,345	43,837	(13,508)
(7) Loans and bills discounted <sup>2</sup>	5,002,647			4,986,839		
Reserve for credit losses	(65,642)			(63,890)		
Net	4,937,005	5,149,554	212,549	4,922,948	5,114,537	191,588
(8) Lease receivables and leased investment assets	197,729			176,553		
Estimated Residual Value <sup>3</sup>	(5,867)			(4,952)		
Reserve for credit losses	(1,226)			(1,487)		
Net	190,635	197,951	7,316	170,114	176,338	6,224
(9) Other assets						
Installment receivables	626,619			562,236		
Deferred gains on installment receivables	(11,021)			(11,246)		
Reserve for credit losses	(9,757)			(9,962)		
Net	605,840	662,941	57,101	541,027	594,686	53,659
<b>Total</b>	<b>¥ 8,469,603</b>	<b>¥ 8,740,926</b>	<b>¥ 271,322</b>	<b>¥ 8,411,611</b>	<b>¥ 8,658,493</b>	<b>¥ 246,881</b>
Liabilities:						
(1) Deposits, including negotiable certificates of deposit	¥ 5,926,356	¥ 5,925,322	¥ 1,034	¥ 5,922,145	¥ 5,919,691	¥ 2,453
(2) Call money	345,000	345,000	–	145,000	145,000	–
(3) Payables under repurchase agreements	39,216	39,216	–	59,098	59,098	–
(4) Payables under securities lending transactions	454,953	454,953	–	510,229	510,229	–
(5) Trading liabilities						
Trading securities sold for short sales	1,639	1,639	–	2,124	2,124	–
(6) Borrowed money	679,557	680,047	(490)	684,077	684,028	49
(7) Short-term corporate bonds	239,600	239,600	–	191,000	191,000	–
(8) Corporate bonds	72,235	72,490	(255)	92,335	92,373	(38)
<b>Total</b>	<b>¥ 7,758,557</b>	<b>¥ 7,758,268</b>	<b>¥ 288</b>	<b>¥ 7,606,011</b>	<b>¥ 7,603,547</b>	<b>¥ 2,464</b>
Derivative instruments <sup>4</sup> :						
Hedge accounting is not applied	¥ 21,923	¥ 21,923	¥ –	¥ 22,481	¥ 22,481	¥ –
Hedge accounting is applied	3,856	3,856	–	(9,356)	(9,356)	–
<b>Total</b>	<b>¥ 25,779</b>	<b>¥ 25,779</b>	<b>¥ –</b>	<b>¥ 13,125</b>	<b>¥ 13,125</b>	<b>¥ –</b>
	<b>Contract amount</b>	<b>Fair value</b>		<b>Contract amount</b>	<b>Fair value</b>	
Other:						
Guarantee contracts <sup>5</sup>	¥ 501,901	¥ 11,224		¥ 456,759	¥ 8,792	

## 31. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

	Thousands of U.S. dollars		
	Sept. 30, 2019		
	Carrying amount	Fair value	Unrealized gain (loss)
Assets:			
(1) Cash and due from banks	\$ 12,139,827	\$ 12,139,827	\$ –
(2) Receivables under securities borrowing transactions	15,234	15,234	–
(3) Other monetary claims purchased			
Trading purposes	25,058	25,058	–
Other <sup>1</sup>	665,881	670,000	4,120
(4) Trading assets			
Securities held for trading purposes	31,330	31,330	–
(5) Monetary assets held in trust <sup>1</sup>	3,205,150	3,243,835	38,684
(6) Securities			
Trading securities	0	0	–
Securities being held to maturity	3,136,015	3,169,311	33,297
Securities available for sale	5,616,359	5,616,359	–
Equity securities of affiliates	537,204	408,756	(128,448)
(7) Loans and bills discounted <sup>2</sup>	46,389,540		
Reserve for credit losses	(608,706)		
Net	45,780,834	47,751,807	1,970,973
(8) Lease receivables and leased investment assets	1,833,542		
Estimated Residual Value <sup>3</sup>	(54,407)		
Reserve for credit losses	(11,374)		
Net	1,767,761	1,835,606	67,845
(9) Other assets			
Installment receivables	5,810,643		
Deferred gains on installment receivables	(102,203)		
Reserve for credit losses	(90,481)		
Net	5,617,959	6,147,458	529,500
<b>Total</b>	<b>\$ 78,538,612</b>	<b>\$ 81,054,582</b>	<b>\$ 2,515,969</b>
Liabilities:			
(1) Deposits, including negotiable certificates of deposit	\$ 54,955,083	\$ 54,945,493	\$ 9,590
(2) Call money	3,199,184	3,199,184	–
(3) Payables under repurchase agreements	363,650	363,650	–
(4) Payables under securities lending transactions	4,218,782	4,218,782	–
(5) Trading liabilities			
Trading securities sold for short sales	15,202	15,202	–
(6) Borrowed money	6,301,531	6,306,075	(4,544)
(7) Short-term corporate bonds	2,221,810	2,221,810	–
(8) Corporate bonds	669,835	672,203	(2,368)
<b>Total</b>	<b>\$ 71,945,077</b>	<b>\$ 71,942,400</b>	<b>\$ 2,678</b>
Derivative instruments <sup>4</sup> :			
Hedge accounting is not applied	\$ 203,293	\$ 203,293	\$ –
Hedge accounting is applied	35,762	35,762	–
<b>Total</b>	<b>\$ 239,056</b>	<b>\$ 239,056</b>	<b>\$ –</b>
	Contract amount	Fair value	
Other:			
Guarantee contracts <sup>5</sup>	\$ 4,654,128	\$ 104,086	

<sup>1</sup> 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.

<sup>2</sup> For consumer loans held by consolidated subsidiaries included in Loans and bills discounted, reserve for losses on interest repayments of ¥56,225 million (U.S.\$521,382 thousand) and ¥63,025 million was recognized for estimated losses on reimbursements of excess interest payments as of September 30, 2019 and March 31, 2019, respectively, which included the reserve for losses on interest repayments that have a possibility of being appropriated for loan principal in the future.

<sup>3</sup> Estimated residual values 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.

<sup>4</sup> Derivative instruments include derivative transactions both in trading assets and liabilities, and in other assets and liabilities. Derivative instruments are presented as net of assets and liabilities and presented with ( ) when a liability stands on a net basis.

<sup>5</sup> Contract amount for guarantee contracts presents the amount of "Acceptances and guarantees" on the consolidated balance sheets.

**31. 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 rate 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.

## (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.

## 31. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

## (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 option-pricing models.

*Other:*

## Guarantee contracts

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

(Note 2) Carrying amount of the financial instruments whose fair value cannot be reliably determined

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2019	Mar. 31, 2019	Sept. 30, 2019
Equity securities without readily available market price <sup>1,2</sup>	¥ 17,421	¥ 14,342	\$ 161,553
Investment in partnerships and others <sup>1,2</sup>	33,882	34,833	314,191
<b>Total</b>	<b>¥ 51,304</b>	<b>¥ 49,176</b>	<b>\$ 475,744</b>

<sup>1</sup> 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.

<sup>2</sup> For the six months ended September 30, 2019 and for the fiscal years ended March 31, 2019, impairment losses on equity securities without readily available market price of ¥556 million (U.S. \$5,165 thousand) and ¥1,439 million, and on investment in partnerships and others of ¥578 million (U.S.\$5,363 thousand) and ¥1,441 million were recognized, respectively.

## 32. 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 September 30, 2019 and March 31, 2019 are adjusted for credit risk by a reduction of ¥2,046 million (U.S.\$18,975 thousand) and ¥1,427 million, respectively, and also adjusted for liquidity risk by a reduction of ¥1,447 million (U.S.\$13,423 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 September 30, 2019 and March 31, 2019 were as follows:

	Millions of yen							
	Sept. 30, 2019				Mar. 31, 2019			
	Contract/Notional principal		Fair value	Unrealized gain (loss)	Contract/Notional principal		Fair value	Unrealized gain (loss)
Total	Maturity over 1 year	Total			Maturity over 1 year			
Futures contracts (listed):								
Sold	¥ 625	¥ -	¥ (0)	¥ (0)	¥ -	¥ -	¥ -	¥ -
Bought	7,751	1,841	55	55	16,299	1,610	34	34
Interest rate options (listed):								
Sold	-	-	-	-	-	-	-	-
Bought	-	-	-	-	-	-	-	-
Interest rate swaps (over-the-counter):								
Receive fixed and pay floating	4,327,750	3,776,970	194,007	194,007	4,447,768	3,791,287	173,548	173,548
Receive floating and pay fixed	4,120,815	3,536,662	(173,534)	(173,534)	4,092,652	3,442,857	(154,298)	(154,298)
Receive floating and pay floating	1,739,681	1,452,456	2,723	2,723	1,738,708	1,425,081	2,101	2,101
Interest rate swaptions (over-the-counter):								
Sold	818,436	475,436	(4,700)	(3,476)	846,584	566,584	(1,957)	(630)
Bought	548,501	509,766	968	(475)	741,327	706,698	(571)	(2,134)
Interest rate options (over-the-counter):								
Sold	17,216	17,216	(50)	207	12,156	12,156	(85)	135
Bought	8,916	8,916	10	(57)	9,156	9,156	41	(28)
<b>Total</b>			¥ 19,479	¥ 19,449			¥ 18,812	¥ 18,727

	Thousands of U.S. dollars			
	Sept. 30, 2019			
	Contract/Notional principal		Fair value	Unrealized gain (loss)
Total	Maturity over 1 year			
Futures contracts (listed):				
Sold	\$ 5,796	\$ -	\$ (3)	\$ (3)
Bought	71,881	17,077	511	511
Interest rate options (listed):				
Sold	-	-	-	-
Bought	-	-	-	-
Interest rate swaps (over-the-counter):				
Receive fixed and pay floating	40,131,217	35,023,832	1,799,030	1,799,030
Receive floating and pay fixed	38,212,309	32,795,458	(1,609,187)	(1,609,187)
Receive floating and pay floating	16,132,060	13,468,623	25,255	25,255
Interest rate swaptions (over-the-counter):				
Sold	7,589,364	4,408,726	(43,589)	(32,237)
Bought	5,086,253	4,727,059	8,984	(4,409)
Interest rate options (over-the-counter):				
Sold	159,647	159,647	(465)	1,922
Bought	82,681	82,681	100	(529)
<b>Total</b>			\$ 180,636	\$ 180,354

Notes:

- (1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in the interim 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.

**32. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**

CONSOLIDATED

**(b) CURRENCY-RELATED TRANSACTIONS**

Currency-related transactions as of September 30, 2019 and March 31, 2019 were as follows:

	Millions of yen							
	Sept. 30, 2019				Mar. 31, 2019			
	Contract/Notional principal		Fair value	Unrealized gain (loss)	Contract/Notional principal		Fair value	Unrealized gain (loss)
Total	Maturity over 1 year	Total			Maturity over 1 year			
Currency swaps (over-the-counter)	¥ 535,711	¥ 484,901	¥ 3,828	¥ 3,828	¥ 386,172	¥ 334,939	¥ 1,000	¥ 1,000
Forward foreign exchange contracts (over-the-counter):								
Sold	898,730	53,146	1,266	1,266	1,057,595	45,219	4,201	4,201
Bought	661,385	80,392	(494)	(494)	723,974	56,323	1,523	1,523
Currency options (over-the-counter):								
Sold	878,893	451,863	(21,077)	13,702	885,386	451,408	(19,365)	14,084
Bought	804,626	403,957	19,144	(3,281)	805,446	372,724	16,403	(4,244)
<b>Total</b>			¥ 2,666	¥ 15,021			¥ 3,763	¥ 16,566

Thousands of U.S. dollars

	Sept. 30, 2019			
	Contract/Notional principal		Fair value	Unrealized gain (loss)
	Total	Maturity over 1 year		
Currency swaps (over-the-counter)	\$ 4,967,650	\$ 4,496,489	\$ 35,500	\$ 35,500
Forward foreign exchange contracts (over-the-counter):				
Sold	8,333,922	492,825	11,742	11,742
Bought	6,133,026	745,479	(4,584)	(4,584)
Currency options (over-the-counter):				
Sold	8,149,978	4,190,126	(195,451)	127,067
Bought	7,461,301	3,745,900	177,524	(30,429)
<b>Total</b>			\$ 24,731	\$ 139,296

Notes:

- (1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in the interim consolidated statement of income.
- (2) The fair values are calculated primarily by using the DCF method or option pricing models.

## 32. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

## (c) EQUITY-RELATED TRANSACTIONS

Equity-related transactions as of September 30, 2019 and March 31, 2019 were as follows:

	Millions of yen							
	Sept. 30, 2019				Mar. 31, 2019			
	Contract/Notional principal		Fair value	Unrealized gain (loss)	Contract/Notional principal		Fair value	Unrealized gain (loss)
Total	Maturity over 1 year	Total			Maturity over 1 year			
Equity index futures (listed):								
Sold	¥ 6,751	¥ -	¥ 67	¥ 67	¥ 7,263	¥ -	¥ 275	¥ 275
Bought	2,631	1,137	(42)	(42)	1,948	1,137	(118)	(118)
Equity index options (listed):								
Sold	60,780	7,712	(1,271)	1,509	62,716	7,712	(1,675)	1,255
Bought	64,236	11,125	1,073	(1,821)	64,400	11,125	1,520	(1,408)
Equity options (over-the-counter):								
Sold	6,424	2,800	(2,941)	(2,237)	6,424	2,800	(2,729)	(2,026)
Bought	10,945	3,172	5,660	3,931	10,945	3,172	5,304	3,575
Other (over-the-counter):								
Sold	-	-	-	-	-	-	-	-
Bought	735	735	10	10	735	735	18	18
<b>Total</b>			¥ 2,556	¥ 1,416			¥ 2,594	¥ 1,571

Thousands of U.S. dollars

	Sept. 30, 2019			
	Contract/Notional principal		Fair value	Unrealized gain (loss)
	Total	Maturity over 1 year		
Equity index futures (listed):				
Sold	\$ 62,603	\$ -	\$ 627	\$ 627
Bought	24,405	10,548	(395)	(395)
Equity index options (listed):				
Sold	563,619	71,518	(11,792)	13,994
Bought	595,663	103,162	9,958	(16,893)
Equity options (over-the-counter):				
Sold	59,573	25,972	(27,276)	(20,749)
Bought	101,498	29,414	52,488	36,454
Other (over-the-counter):				
Sold	-	-	-	-
Bought	6,816	6,816	95	95
<b>Total</b>			\$ 23,704	\$ 13,132

Notes:

- Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in the interim consolidated statement of income.
- 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.



**32. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**

CONSOLIDATED

**(d) BOND-RELATED TRANSACTIONS**

Bond-related transactions as of September 30, 2019 and March 31, 2019 were as follows:

	Millions of yen							
	Sept. 30, 2019				Mar. 31, 2019			
	Contract/Notional principal		Fair value	Unrealized gain (loss)	Contract/Notional principal		Fair value	Unrealized gain (loss)
Total	Maturity over 1 year	Total			Maturity over 1 year			
Bond futures (listed):								
Sold	¥ 31,578	¥ –	¥ (49)	¥ (49)	¥ 21,840	¥ –	¥ (55)	¥ (55)
Bought	13,971	–	(78)	(78)	27,095	–	318	318
Bond options (listed):								
Sold	–	–	–	–	–	–	–	–
Bought	5,693	–	10	(10)	–	–	–	–
<b>Total</b>			¥ (116)	¥ (138)			¥ 263	¥ 263

Thousands of U.S. dollars

	Sept. 30, 2019			
	Contract/Notional principal		Fair value	Unrealized gain (loss)
	Total	Maturity over 1 year		
Bond futures (listed):				
Sold	\$ 292,823	\$ –	\$ (457)	\$ (457)
Bought	129,559	–	(724)	(724)
Bond options (listed):				
Sold	–	–	–	–
Bought	52,800	–	100	(100)
<b>Total</b>			\$ (1,082)	\$ (1,282)

Notes:

- (1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in the interim 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 September 30, 2019 and March 31, 2019 were as follows:

	Millions of yen							
	Sept. 30, 2019				Mar. 31, 2019			
	Contract/Notional principal		Fair value	Unrealized gain (loss)	Contract/Notional principal		Fair value	Unrealized gain (loss)
Total	Maturity over 1 year	Total			Maturity over 1 year			
Credit default option (over-the-counter):								
Sold	¥ 44,000	¥ 33,000	¥ 766	¥ 766	¥ 46,000	¥ 27,000	¥ 622	¥ 622
Bought	44,750	33,000	63	63	46,000	27,000	(380)	(380)
<b>Total</b>			¥ 830	¥ 830			¥ 241	¥ 241

Thousands of U.S. dollars

	Sept. 30, 2019			
	Contract/Notional principal		Fair value	Unrealized gain (loss)
	Total	Maturity over 1 year		
Credit default option (over-the-counter):				
Sold	\$ 408,012	\$ 306,009	\$ 7,106	\$ 7,106
Bought	414,967	306,009	593	593
<b>Total</b>			\$ 7,700	\$ 7,700

Notes:

- (1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in the interim 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.

## 32. 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 September 30, 2019 and March 31, 2019 were as follows:

	Millions of yen					
	Sept. 30, 2019			Mar. 31, 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	¥ 108,000	¥ 108,000	¥ 2,770	¥ 106,000	¥ 84,000	¥ 2,473
Receive floating and pay fixed	160,397	160,397	(18,470)	183,408	161,408	(16,168)
<b>Total</b>			<b>¥ (15,700)</b>			<b>¥ (13,695)</b>

	Thousands of U.S. dollars		
	Sept. 30, 2019		
	Contract/Notional principal		
	Total	Maturity over 1 year	Fair value
Interest rate swaps:			
Receive fixed and pay floating	\$1,001,484	\$1,001,484	\$ 25,689
Receive floating and pay fixed	1,487,363	1,487,363	(171,280)
<b>Total</b>			<b>\$ (145,591)</b>

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.

Interest rate swaps which meet specific matching criteria as of September 30, 2019 and March 31, 2019 were as follows:

	Millions of yen					
	Sept. 30, 2019			Mar. 31, 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	¥ 26,434	¥ 22,828	¥ -	¥ 28,358	¥ 25,000	¥ -

	Thousands of U.S. dollars		
	Sept. 30, 2019		
	Contract/Notional principal		
	Total	Maturity over 1 year	Fair value
Interest rate swaps:			
Receive floating and pay fixed	\$ 245,130	\$ 211,686	\$ -

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 31 "FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES."

**32. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**

CONSOLIDATED

**(b) CURRENCY-RELATED TRANSACTIONS**

Currency-related transactions which are accounted for using the deferral method as of September 30, 2019 and March 31, 2019 were as follows:

	Millions of yen					
	Sept. 30, 2019			Mar. 31, 2019		
	Contract/Notional principal			Contract/Notional principal		
	Total	Maturity over 1 year	Fair value	Total	Maturity over 1 year	Fair value
Currency swaps	¥ 332,638	¥ 249,975	¥ 19,557	¥ 317,139	¥ 242,940	¥ 4,338

	Thousands of U.S. dollars		
	Sept. 30, 2019		
	Contract/Notional principal		
	Total	Maturity over 1 year	Fair value
Currency swaps	\$ 3,084,559	\$ 2,318,024	\$ 181,354

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.

**33. ADDITIONAL INFORMATION**

CONSOLIDATED

**(ACQUISITION OF TREASURY SHARES)**

On May 15, 2019, 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 part of the Bank's efforts to repay public funds, a resolution to acquire 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**

- (a) Type of shares to be repurchased  
Common stock
- (b) Total number of shares to be repurchased  
(Up to) 23,500 thousand shares (9.58% of total number of common shares issued, excluding treasury shares)
- (c) Total repurchase amount  
(Up to) ¥23,500 million (U.S.\$217,915 thousand)
- (d) Acquisition period  
From May 16, 2019 to March 31, 2020

In accordance with the aforementioned resolution by the Board of Directors, the Bank has undertaken the acquisition of treasury shares as follows:

- (a) Type of shares repurchased  
Common stock
- (b) Total number of shares repurchased  
7,238,800 shares
- (c) Total amount of repurchase  
¥11,502,120,900 (U.S.\$106,659 thousand)
- (d) Acquisition period  
From May 16, 2019 to October 31, 2019
- (e) Acquisition method  
Open market purchase on the Tokyo Stock Exchange

# INTERIM NONCONSOLIDATED BALANCE SHEET (UNAUDITED)

Shinsei Bank, Limited  
As of September 30, 2019

	Millions of yen		Thousands of U.S. dollars (Note)
	Sept. 30, 2019	Mar. 31, 2019	Sept. 30, 2019
<b>ASSETS</b>			
Cash and due from banks	¥ 1,227,840	¥ 1,280,991	\$ 11,385,758
Other monetary claims purchased	51,466	10,809	477,252
Trading assets	221,941	200,276	2,058,060
Monetary assets held in trust	238,603	198,717	2,212,566
Securities	1,361,487	1,445,927	12,625,070
Loans and bills discounted	4,925,420	4,932,610	45,673,411
Foreign exchanges	55,691	29,546	516,430
Other assets	217,795	190,104	2,019,613
Premises and equipment	11,661	12,610	108,135
Intangible assets	25,244	26,483	234,088
Prepaid pension cost	6,957	6,849	64,517
Deferred tax assets	–	1,127	–
Customers' liabilities for acceptances and guarantees	20,862	18,060	193,459
Reserve for credit losses	(25,810)	(25,519)	(239,343)
<b>Total assets</b>	<b>¥ 8,339,160</b>	<b>¥ 8,328,595</b>	<b>\$ 77,329,015</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities:</b>			
Deposits, including negotiable certificates of deposit	¥ 6,089,207	¥ 6,206,867	\$ 56,465,199
Call money	345,000	145,000	3,199,184
Payables under repurchase agreements	39,216	59,098	363,650
Payables under securities lending transactions	454,953	510,229	4,218,782
Trading liabilities	198,600	179,749	1,841,618
Borrowed money	141,871	195,628	1,315,570
Foreign exchanges	780	471	7,239
Corporate bonds	42,235	42,335	391,645
Other liabilities	141,627	113,903	1,313,309
Accrued employees' bonuses	2,489	4,847	23,084
Reserve for reimbursement of debentures	3,563	3,764	33,045
Deferred tax liabilities	726	–	6,733
Acceptances and guarantees	20,862	18,060	193,459
<b>Total liabilities</b>	<b>7,481,131</b>	<b>7,479,955</b>	<b>69,372,515</b>
<b>Equity:</b>			
Common stock	512,204	512,204	4,749,671
Capital surplus	79,465	79,465	736,887
Stock acquisition rights	76	49	710
Retained earnings:			
Legal reserve	15,734	15,243	145,905
Unappropriated retained earnings	312,310	292,611	2,896,050
Unrealized gain (loss) on available-for-sale securities	3,389	4,719	31,430
Deferred gain (loss) on derivatives under hedge accounting	(18,347)	(17,925)	(170,136)
Treasury stock, at cost	(46,804)	(37,729)	(434,018)
<b>Total equity</b>	<b>858,029</b>	<b>848,640</b>	<b>7,956,500</b>
<b>Total liabilities and equity</b>	<b>¥ 8,339,160</b>	<b>¥ 8,328,595</b>	<b>\$ 77,329,015</b>

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥107.84=U.S.\$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2019.

# INTERIM NONCONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Shinsei Bank, Limited  
For the six months ended September 30, 2019

	Millions of yen		Thousands of U.S. dollars (Note)
	Sept. 30, 2019 (6 months)	Sept. 30, 2018 (6 months)	Sept. 30, 2019 (6 months)
Interest income:			
Interest on loans and bills discounted	¥ 49,701	¥ 50,357	\$ 460,883
Interest and dividends on securities	9,782	8,998	90,713
Interest on deposits with banks	580	537	5,384
Other interest income	633	365	5,870
<b>Total interest income</b>	<b>60,697</b>	<b>60,259</b>	<b>562,851</b>
Interest expenses:			
Interest on deposits, including negotiable certificates of deposit	2,791	4,084	25,881
Interest and discounts on debentures	—	0	—
Interest on other borrowings	(48)	334	(448)
Interest on corporate bonds	42	216	390
Other interest expenses	5,642	4,054	52,326
<b>Total interest expenses</b>	<b>8,427</b>	<b>8,690</b>	<b>78,149</b>
<b>Net interest income</b>	<b>52,270</b>	<b>51,568</b>	<b>484,701</b>
Fees and commissions income	10,304	9,153	95,551
Fees and commissions expenses	13,971	14,997	129,553
<b>Net fees and commissions</b>	<b>(3,666)</b>	<b>(5,844)</b>	<b>(34,002)</b>
<b>Net trading income</b>	<b>3,126</b>	<b>259</b>	<b>28,994</b>
Other business income (loss), net:			
Net gain (loss) on monetary assets held in trust	1,294	581	12,001
Net gain (loss) on foreign exchanges	1,705	4,460	15,812
Net gain (loss) on securities	5,957	(360)	55,244
Net gain (loss) on other monetary claims purchased	—	344	—
Other, net	108	225	1,003
<b>Net other business income (loss)</b>	<b>9,064</b>	<b>5,251</b>	<b>84,060</b>
<b>Total revenue</b>	<b>60,795</b>	<b>51,235</b>	<b>563,752</b>
General and administrative expenses:			
Personnel expenses	14,036	13,835	130,164
Premises expenses	6,011	6,146	55,745
Technology and data processing expenses	6,246	5,589	57,927
Advertising expenses	397	426	3,682
Consumption and property taxes	2,487	2,554	23,066
Deposit insurance premium	790	822	7,334
Other general and administrative expenses	6,535	6,250	60,601
<b>Total general and administrative expenses</b>	<b>36,505</b>	<b>35,625</b>	<b>338,517</b>
<b>Net business profit</b>	<b>24,289</b>	<b>15,609</b>	<b>225,235</b>
Net credit costs (recoveries)	2,601	320	24,123
Other gains (losses), net	2,425	(1,187)	22,493
<b>Income (loss) before income taxes</b>	<b>24,113</b>	<b>14,101</b>	<b>223,604</b>
Income taxes (benefit):			
Current	243	(585)	2,256
Deferred	1,174	(154)	10,891
<b>Net income (loss)</b>	<b>¥ 22,695</b>	<b>¥ 14,842</b>	<b>\$ 210,457</b>

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥107.84=U.S.\$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2019.

# INTERIM NONCONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Shinsei Bank, Limited  
For the six months ended September 30, 2019

	Millions of yen										
	Capital surplus				Retained earnings						Total equity
	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		
<b>BALANCE, April 1, 2019</b>	¥ 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)						22,695				22,695	
Purchase of treasury stock									(9,207)	(9,207)	
Disposal of treasury stock				(53)					132	78	
Cancellation of treasury stock				-					-	-	
Transfer to capital surplus from retained earnings			53			(53)				-	
Net change during the period				27			(1,330)	(422)		(1,725)	
<b>BALANCE, September 30, 2019</b>	¥ 512,204	¥ 79,465	¥ -	¥ 76	¥ 15,734	¥ 312,310	¥ 3,389	¥ (18,347)	¥ (46,804)	¥ 858,029	

	Millions of yen										
	Capital surplus				Retained earnings						Total equity
	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		
<b>BALANCE, April 1, 2018</b>	¥ 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)						14,842				14,842	
Purchase of treasury stock									(12,558)	(12,558)	
Disposal of treasury stock				(45)					89	44	
Cancellation of treasury stock				(64,632)					64,632	-	
Transfer to capital surplus from retained earnings			64,677			(64,677)				-	
Net change during the period				(217)			(3,187)	395		(3,009)	
<b>BALANCE, September 30, 2018</b>	¥ 512,204	¥ 79,465	¥ -	¥ 52	¥ 15,243	¥ 272,042	¥ 1,081	¥ (15,363)	¥ (37,377)	¥ 827,350	

	Thousands of U.S. dollars (Note)										
	Capital surplus				Retained earnings						Total equity
	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		
<b>BALANCE, April 1, 2019</b>	\$ 4,749,671	\$ 736,887	\$ -	\$ 459	\$ 141,356	\$ 2,713,383	\$ 43,764	\$ (166,221)	\$ (349,861)	\$ 7,869,439	
Dividends					4,549	(27,293)				(22,744)	
Net income (loss)						210,457				210,457	
Purchase of treasury stock									(85,386)	(85,386)	
Disposal of treasury stock				(496)					1,228	732	
Cancellation of treasury stock				-					-	-	
Transfer to capital surplus from retained earnings			496			(496)				-	
Net change during the period				251			(12,334)	(3,915)		(15,998)	
<b>BALANCE, September 30, 2019</b>	\$ 4,749,671	\$ 736,887	\$ -	\$ 710	\$ 145,905	\$ 2,896,050	\$ 31,430	\$ (170,136)	\$ (434,018)	\$ 7,956,500	

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥107.84=U.S.\$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2019.



# 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).

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

Millions of yen (except percentages)

Items	September 30, 2019 Basel III (Domestic Standard)	September 30, 2018 Basel III (Domestic Standard)	Amounts excluded under transitional arrangements
<b>Core capital: instruments and reserves (1)</b>			
Directly issued qualifying common share capital or preferred share capital with a compulsory conversion clause plus related capital surplus and retained earnings	¥ 916,082	¥ 875,520	
of which: capital and capital surplus	590,710	590,710	
of which: retained earnings	372,176	322,186	
of which: treasury stock (-)	46,804	37,377	
of which: earning to be distributed (-)	-	-	
of which: other than above	-	-	
Accumulated other comprehensive income (amount allowed to be included in Core capital)	(2,381)	721	¥ 460
of which: foreign currency translation adjustment	(2,806)	(1,121)	
of which: amount related defined benefit	425	1,842	460
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	76	102	
Adjusted noncontrolling interests (amount allowed to be included in Core capital)	7	8	
Total of reserves included in Core capital: instruments and reserves	441	423	
of which: general reserve for loan losses included in Core capital	441	423	
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)	-	15,000	
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)	4,115	1,753	
<b>Core capital: instruments and reserves (A)</b>	¥ 918,342	¥ 893,530	
<b>Core capital: regulatory adjustments (2)</b>			
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 52,871	¥ 42,086	¥ 7,709
of which: goodwill (including those equivalent)	13,964	10,687	-
of which: other intangibles other than goodwill and mortgage servicing rights	38,907	31,398	7,709
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	6,680	6,037	1,509
Shortfall of eligible provisions to expected losses	37,544	30,635	-
Gain on sale of securitization	-	5,370	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-	-	-
Net defined benefit asset	7,798	7,980	1,995
Investments in own shares (excluding those reported in the net assets section)	0	0	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)	-	-	-
<b>Core capital: regulatory adjustments (B)</b>	¥ 104,894	¥ 92,109	
<b>Capital (consolidated)</b>			
Capital (consolidated) ((A)-(B)) (C)	¥ 813,447	¥ 801,420	
<b>Risk-weighted assets, etc.</b>			
Total amount of credit risk-weighted assets	¥6,513,664	¥5,890,945	
of which: total amount included in risk-weighted assets by transitional arrangements	-	9,549	
of which: intangible assets (excluding those relating to goodwill and mortgage servicing rights)	-	7,709	
of which: deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	1,509	
of which: net defined benefit asset	-	1,995	
of which: significant investments in the common stock of Other Financial Institutions (net of eligible short positions)	-	(1,663)	
of which: other than above	-	0	
Market risk (derived by multiplying the capital requirement by 12.5)	136,290	175,059	
Operational risk (derived by multiplying the capital requirement by 12.5)	384,722	376,198	
Credit risk-weighted assets adjustments	-	-	
Operational risk adjustments	-	-	
<b>Total amount of Risk-weighted assets (D)</b>	¥7,034,676	¥6,442,204	
<b>Capital ratio (consolidated)</b>			
Capital ratio (consolidated) ((C)/(D))	11.56%	12.44%	

Note: Composition of Capital from March 31, 2019 is disclosed in the form of the Schedule No.12 of FSA Notice for Disclosure as the period for transitional arrangement has ended. In the calculation of the consolidated capital adequacy ratio as of Sep 30, 2019, parameter estimates applied to some exposures are adjusted for the fiscal year ending March 2019.

## COMPOSITION OF CAPITAL DISCLOSURE (CONSOLIDATED) (continued)

Shinsei Bank and subsidiaries	Millions of yen (except percentages)
Items	March 31, 2019 Basel III (Domestic Standard)
<b>Core capital: instruments and reserves (1)</b>	
Directly issued qualifying common share capital or preferred share capital with a compulsory conversion clause plus related capital surplus and retained earnings	¥ 897,092
of which: capital and capital surplus	590,710
of which: retained earnings	346,562
of which: treasury stock (-)	37,729
of which: earning to be distributed (-)	2,452
of which: other than above	-
Accumulated other comprehensive income (amount allowed to be included in Core capital)	(1,149)
of which: foreign currency translation adjustment	(1,527)
of which: amount related defined benefit	378
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	49
Adjusted noncontrolling interests (amount allowed to be included in Core capital)	10
Total of reserves included in Core capital: instruments and reserves	611
of which: general reserve for loan losses included in Core capital	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)	2,964
<b>Core capital: instruments and reserves (A)</b>	¥ 899,577
<b>Core capital: regulatory adjustments (2)</b>	
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 52,790
of which: goodwill (including those equivalent)	13,798
of which: other intangibles other than goodwill and mortgage servicing rights	38,991
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	7,251
Shortfall of eligible provisions to expected losses	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	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)	-
<b>Core capital: regulatory adjustments (B)</b>	¥ 104,276
<b>Capital (consolidated)</b>	
Capital (consolidated) ((A) - (B)) (C)	¥ 795,301
<b>Risk-weighted assets, etc.</b>	
Total amount of credit risk-weighted assets	¥6,177,810
of which: total amount included in risk-weighted assets by transitional arrangements	(330)
of which: intangible assets (excluding those relating to goodwill and mortgage servicing rights)	-
of which: deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-
of which: net defined benefit asset	-
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)	154,082
Operational risk (derived by multiplying the capital requirement by 12.5)	379,341
Credit risk-weighted assets adjustments	-
Operational risk adjustments	-
<b>Total amount of Risk-weighted assets (D)</b>	¥6,711,235
<b>Capital ratio (consolidated)</b>	
Capital ratio (consolidated) ((C) / (D))	11.85%

Note: Composition of Capital as of March 31, 2019 is disclosed in the form of the Schedule No.12 of FSA Notice for Disclosure as the period for transitional arrangement has ended.

**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	
	As of September 30, 2019	As of September 30, 2018
	Required capital amount	Required capital amount
Shinsei Bank	¥ 397	¥ 433
Subsidiaries	13,687	4,612

Portfolios under the Internal Ratings-Based Approach (IRB)

	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
	Required capital amount	Required capital amount
Corporate (Excluding Specialized Lending) <sup>1</sup>	¥ 147,362	¥ 147,868
Specialized Lending <sup>2</sup>	100,027	88,679
Sovereign	5,792	5,789
Bank	14,795	10,616
Residential mortgages	9,510	10,555
Qualified revolving retails	130,467	131,950
Other retails	167,842	158,322
Equity	21,647	21,355
Fund	16,396	15,391
Securitization	43,320	27,617
Purchase receivables	11,146	10,451
Other assets	3,530	4,486
CVA risk	12,118	8,794
CCP risk	97	125
<b>Total</b>	<b>¥ 684,056</b>	<b>¥ 642,003</b>

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	
	As of September 30, 2019	As of September 30, 2018
	Required capital amount	Required capital amount
Market-Based Approach Simplified Method	¥ 5,259	¥ 4,386
PD/LGD Method	3,173	2,414
RW100% Applied	4	4
RW250% Applied	13,211	14,549
<b>Total</b>	<b>¥21,647</b>	<b>¥21,355</b>

**(3) EXPOSURE RELATING TO INVESTMENT FUNDS**

	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
	Required capital amount	Required capital amount
Before revision Look Through		¥ 1,694
Before revision Revised Naivete Majority		13,216
Before revision Simplified [400%]		479
Before revision Simplified [1,250%]		0
Look-through approach	¥ 1,284	
Mandate-based approach	342	
Probability-based approach [250%]	-	
Probability-based approach [400%]	14,769	
Fall-back approach [1,250%]	0	
<b>Total</b>	<b>¥16,396</b>	<b>¥15,391</b>

**QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)****(4) AMOUNT OF REQUIRED CAPITAL FOR MARKET RISK**

	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
	<b>Required capital amount</b>	Required capital amount
The Standardized Approach	¥ 491	¥ 225
Interest rate risk	52	38
Equity position risk	12	2
FX risk	395	146
Securitization risk	31	38
The Internal Models Approach (IMA) (General Market Risk)	¥10,411	¥13,778

**(5) AMOUNT OF REQUIRED CAPITAL FOR OPERATIONAL RISK**

	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
	<b>Required capital amount</b>	Required capital amount
The Standardized Approach	¥30,777	¥30,095

**(6) TOTAL REQUIRED CAPITAL (DOMESTIC STANDARD)**

	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
Total Required Capital (Risk-weighted Assets x 4%)	¥ 281,387	¥ 257,688

**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							
	As of September 30, 2019				As of September 30, 2018			
	Amount of Credit Risk Exposure				Amount of Credit Risk Exposure			
	Total	Loans, etc. <sup>1</sup>	Securities <sup>2</sup>	Derivatives <sup>3</sup>	Total	Loans, etc. <sup>1</sup>	Securities <sup>2</sup>	Derivatives <sup>3</sup>
Manufacturing	¥ 322,700	¥ 299,453	¥ –	¥ 23,247	¥ 319,053	¥ 303,667	¥ 1,050	¥ 14,336
Agriculture	1,655	1,655	–	–	235	235	–	–
Mining	1,752	1,751	–	1	844	842	–	1
Construction	68,375	68,168	200	7	43,723	43,723	–	–
Electric power, gas, water supply	414,041	391,709	–	22,332	372,115	358,081	–	14,033
Information and communication	50,993	50,992	–	1	69,038	69,036	–	2
Transportation	219,136	218,744	–	391	223,888	221,491	1,999	397
Wholesale and retail	227,594	213,638	100	13,856	195,022	182,241	100	12,681
Finance and insurance	2,033,281	1,830,473	178,636	24,171	2,054,536	1,939,787	92,838	21,910
Real estate	789,179	663,162	123,447	2,569	724,369	590,857	131,399	2,112
Services	574,369	572,815	750	803	497,385	496,430	854	100
Government	520,698	75,265	445,432	–	624,108	65,585	558,523	–
Individuals	3,236,858	3,236,540	–	317	3,202,726	3,202,477	–	248
Others	3,721	3,721	–	–	1,323	1,323	–	–
<b>Domestic Total</b>	<b>8,464,360</b>	<b>7,628,094</b>	<b>748,567</b>	<b>87,699</b>	<b>8,328,371</b>	<b>7,475,781</b>	<b>786,765</b>	<b>65,824</b>
Foreign	933,636	679,645	190,069	63,921	949,988	641,339	236,308	72,340
<b>Total</b>	<b>¥ 9,397,997</b>	<b>¥ 8,307,739</b>	<b>¥ 938,636</b>	<b>¥ 151,621</b>	<b>¥ 9,278,359</b>	<b>¥ 8,117,121</b>	<b>¥ 1,023,073</b>	<b>¥ 138,165</b>
To 1 year	1,622,179	1,454,940	151,507	15,732	1,586,217	1,415,545	150,183	20,487
1 to 3 years	1,772,083	1,473,038	277,992	21,052	1,743,073	1,408,074	312,081	22,918
3 to 5 years	1,069,090	881,519	163,720	23,851	1,153,557	923,675	211,600	18,281
Over 5 years	3,220,557	2,785,657	343,914	90,985	3,047,285	2,622,601	348,206	76,477
Undated	1,714,086	1,712,584	1,501	–	1,748,225	1,747,223	1,001	–
<b>Total</b>	<b>¥ 9,397,997</b>	<b>¥ 8,307,739</b>	<b>¥ 938,636</b>	<b>¥ 151,621</b>	<b>¥ 9,278,359</b>	<b>¥ 8,117,121</b>	<b>¥ 1,023,073</b>	<b>¥ 138,165</b>

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	
	As of September 30, 2019	As of September 30, 2018
	Default Exposure	Default Exposure
Manufacturing	¥ 4,374	¥ 3,994
Agriculture	45	26
Mining	—	—
Construction	952	1,060
Electric power, gas, water supply	6,422	—
Information and communication	591	210
Transportation	1,093	2,401
Wholesale and retail	4,582	4,267
Finance and insurance	184	100
Real estate	4,386	703
Services	4,167	3,419
Government	—	—
Individuals	119,521	119,757
Others	687	665
<b>Domestic Total</b>	<b>147,010</b>	<b>136,606</b>
Foreign	5,840	4,082
<b>Total</b>	<b>¥ 152,851</b>	<b>¥ 140,688</b>

**(3) AMOUNT OF LOAN LOSS RESERVES (GENERAL, SPECIFIC AND COUNTRY RISK) BEFORE PARTIAL WRITE-OFF**

	Millions of yen					
	As of September 30, 2019			As of September 30, 2018		
	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount
General	¥ 71,719	¥ (1,658)	¥ 70,061	¥ 77,520	¥ (3,139)	¥ 74,381
Specific	80,820	764	81,584	86,823	(8,596)	78,226
Country	—	—	—	—	—	—
<b>Total</b>	<b>¥ 152,540</b>	<b>¥ (893)</b>	<b>¥ 151,646</b>	<b>¥ 164,343</b>	<b>¥ (11,735)</b>	<b>¥ 152,607</b>

Geographic

	Millions of yen							
	As of September 30, 2019				As of September 30, 2018			
	Reserve Amount				Reserve Amount			
	Total	General	Specific	Country	Total	General	Specific	Country
Domestic	¥ 145,652	¥ 66,140	¥ 79,512	¥ —	¥ 146,488	¥ 69,342	¥ 77,145	¥ —
Foreign	5,993	3,920	2,072	—	6,119	5,039	1,080	—
<b>Total</b>	<b>¥ 151,646</b>	<b>¥ 70,061</b>	<b>¥ 81,584</b>	<b>¥ —</b>	<b>¥ 152,607</b>	<b>¥ 74,381</b>	<b>¥ 78,226</b>	<b>¥ —</b>

Industries

	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
	Reserve Amount	Reserve Amount
Manufacturing	¥ 2,579	¥ 4,397
Agriculture	39	9
Mining	10	34
Construction	747	771
Electric power, gas, water supply	5,881	2,660
Information and communication	927	493
Transportation	1,289	1,343
Wholesale and retail	4,604	4,895
Finance and insurance	1,886	3,427
Real estate	4,568	5,086
Services	6,543	5,814
Government	38	25
Individuals	114,166	115,213
Others	547	580
Foreign	5,993	6,119
Non-classified	1,821	1,733
<b>Total</b>	<b>¥ 151,646</b>	<b>¥ 152,607</b>

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	
	Six months ended September 30, 2019	Six months ended September 30, 2018
	Amount of write-off	Amount of write-off
Manufacturing	¥ 46	¥ 1
Agriculture	4	—
Mining	—	0
Construction	32	29
Electric power, gas, water supply	—	—
Information and communication	2	0
Transportation	18	14
Wholesale and retail	26	77
Finance and insurance	—	—
Real estate	—	0
Services	47	11
Government	—	—
Individuals	20,830	29,801
Others	—	—
Foreign	—	—
Non-classified	—	—
<b>Total</b>	<b>¥21,007</b>	<b>¥29,936</b>

**(5) AMOUNT OF EXPOSURES UNDER SA (AFTER CREDIT RISK MITIGATION)**

	Millions of yen			
	As of September 30, 2019		As of September 30, 2018	
	Rated	Unrated	Rated	Unrated
0%	¥ 62	¥ 12,154	¥ 100	¥ 8,405
10%	—	—	—	—
20%	22,835	29	19,967	29
35%	—	1,688	—	1,710
50%	4,101	491	35	236
75%	—	74,828	—	29,533
100%	207	110,147	400	34,059
150%	—	1,414	—	1,150
350%	—	—	—	—
1,250%	—	—	—	—
<b>Total</b>	<b>¥ 27,205</b>	<b>¥ 200,755</b>	<b>¥ 20,502</b>	<b>¥ 75,126</b>

**(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 September 30, 2019	As of September 30, 2018
	Amount of Exposure	Amount of Exposure
Risk weight ratio		
50%	¥ 166,106	¥ 183,677
70%	500,325	460,868
90%	128,931	92,796
115%	76,803	48,523
250%	34,646	56,528
0% (Default)	8,579	—
<b>Total</b>	<b>¥ 915,392</b>	<b>¥ 842,394</b>

Specialized lending for high-volatility commercial real estate

	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
	Amount of Exposure	Amount of Exposure
Risk weight ratio		
70%	¥ 12,499	¥ 11,202
95%	41,959	44,647
120%	25,036	10,389
140%	21,538	27,362
250%	49,220	39,966
0% (Default)	3,689	—
<b>Total</b>	<b>¥ 153,944</b>	<b>¥ 133,568</b>

**QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)**

## Equity exposure under Market-Based Simplified Method

	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
Risk weight ratio	<b>Amount of Exposure</b>	Amount of Exposure
300%	¥ 7,146	¥ 6,706
400%	10,145	7,901
<b>Total</b>	<b>¥17,292</b>	¥14,608

**(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

Credit Rating	As of September 30, 2019					As of September 30, 2018				
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0-4	0.13%	44.82%	36.63%	¥ 1,579,733	¥ 174,751	0.14%	44.84%	38.01%	¥ 1,556,372	¥ 153,274
5-6	1.50%	43.92%	94.27%	678,355	80,443	1.50%	44.03%	94.94%	672,683	88,151
9A	9.34%	44.76%	184.63%	79,924	5,951	9.39%	44.88%	184.50%	76,312	2,698
Default	100.00%	49.76%	—	17,593	685	100.00%	49.45%	—	19,566	—

Note: LGD is shown after credit risk mitigation

## Sovereign

Credit Rating	As of September 30, 2019					As of September 30, 2018				
	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%	3.30%	¥ 2,046,726	¥ 2,763	0.00%	45.00%	2.97%	¥ 2,268,517	¥ 2,258
5-6	0.50%	45.00%	52.16%	0	—	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

Credit Rating	As of September 30, 2019					As of September 30, 2018				
	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%	37.41%	¥ 176,452	¥ 80,141	0.07%	44.97%	35.91%	¥ 169,760	¥ 90,878
5-6	0.86%	45.00%	100.01%	24,405	1,581	0.78%	45.00%	112.09%	16,717	6,391
9A	9.34%	43.25%	164.42%	1,431	21,825	9.39%	45.00%	184.71%	1,332	—
Default	100.00%	45.00%	—	184	—	100.00%	45.00%	—	100	—

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

Credit Rating	As of September 30, 2019				As of September 30, 2018			
	PD	LGD	Risk Weight	Amount	PD	LGD	Risk Weight	Amount
0-4	0.13%	90.00%	209.09%	¥ 6,321	0.12%	90.00%	206.83%	¥ 9,084
5-6	1.80%	90.00%	374.85%	2,717	1.31%	90.00%	328.14%	2,785
9A	9.34%	90.00%	714.76%	1,960	9.39%	90.00%	615.07%	88
Default	100.00%	90.00%	1,125.00%	0	100.00%	90.00%	1,125.00%	0



**QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)**

- 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)

Pool	As of September 30, 2019								As of September 30, 2018					
	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%	16.09%	7.33%	¥ 1,156,472	¥ 2,642	¥ -	-	0.23%	16.23%	7.66%	¥ 1,222,969	¥ 3,279	¥ -	-
Need caution	63.33%	20.16%	78.56%	1,984	52	-	-	64.62%	19.51%	73.86%	2,746	70	-	-
Default	100.00%	37.92%	50.55%	3,318	14	-	-	100.00%	42.66%	45.97%	3,176	36	-	-

Note: LGD is shown after credit risk mitigation

## Qualified revolving retail exposure

Millions of yen (except percentages)

Pool	As of September 30, 2019								As of September 30, 2018					
	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	5.81%	75.36%	87.92%	¥ 541,253	¥ 150,016	¥ 3,646,556	4.11%	5.73%	76.30%	88.78%	¥ 536,839	¥ 145,895	¥ 3,683,309	3.96%
Need caution	80.03%	79.56%	121.56%	2,737	49	3,112	1.57%	79.00%	80.21%	124.95%	3,032	47	3,561	1.33%
Default	100.00%	70.14%	-	63,685	-	-	-	100.00%	71.84%	-	64,292	-	-	-

Note: LGD is shown after credit risk mitigation

## Other retail exposure

Millions of yen (except percentages)

Pool	As of September 30, 2019								As of September 30, 2018					
	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	3.25%	65.21%	86.77%	¥ 642,769	¥ 719,477	¥ 131,338	2.23%	3.45%	64.31%	86.18%	¥ 592,824	¥ 659,394	¥ 136,560	3.26%
Need caution	67.67%	58.44%	113.33%	4,852	2,940	573	3.33%	66.97%	52.84%	105.70%	5,632	2,503	13	0.00%
Default	100.00%	60.64%	0.78%	54,769	543	-	-	100.00%	59.64%	4.85%	55,781	352	-	-

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

	12 months ended September 30, 2019	12 months ended September 30, 2018	12 months ended September 30, 2017
Results of actual losses (a)	¥ 2,467	¥ 5,202	¥ 2,293
Expected losses (b)	8,531	8,764	10,305
Differences ((b) - (a))	6,064	3,562	8,012

## Sovereign

Millions of yen

	12 months ended September 30, 2019	12 months ended September 30, 2018	12 months ended September 30, 2017
Results of actual losses (a)	¥ -	¥ -	¥ -
Expected losses (b)	23	27	33
Differences ((b) - (a))	23	27	33

**QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)**

## Bank

	Millions of yen		
	12 months ended September 30, 2019	12 months ended September 30, 2018	12 months ended September 30, 2017
Results of actual losses (a)	¥ —	¥ 70	¥ —
Expected losses (b)	<b>89</b>	108	89
Differences ((b) - (a))	<b>89</b>	38	89

## Residential mortgage exposure

	Millions of yen		
	12 months ended September 30, 2019	12 months ended September 30, 2018	12 months ended September 30, 2017
Results of actual losses (a)	¥ <b>280</b>	¥ 227	¥ 309
Expected losses (b)	<b>912</b>	906	928
Differences ((b) - (a))	<b>632</b>	678	618

## Qualified revolving retail exposure

	Millions of yen		
	12 months ended September 30, 2019	12 months ended September 30, 2018	12 months ended September 30, 2017
Results of actual losses (a)	¥ <b>21,797</b>	¥ 24,534	¥ 23,172
Expected losses (b)	<b>37,366</b>	38,887	34,442
Differences ((b) - (a))	<b>15,568</b>	14,353	11,270

## Other retail exposure

	Millions of yen		
	12 months ended September 30, 2019	12 months ended September 30, 2018	12 months ended September 30, 2017
Results of actual losses (a)	¥ <b>8,782</b>	¥ 7,959	¥ 7,196
Expected losses (b)	<b>26,972</b>	23,237	20,267
Differences ((b) - (a))	<b>18,190</b>	15,278	13,070

## [Analysis]

The result of actual losses for the year ended March 31, 2019 was decreased ¥2.9 billion compared with in the previous fiscal year.

The principal reason is to be increased the specific reserves for Corporate 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, 2017, 2018 and 2019 for the Bank Group's non-default exposures at the start of the twelve-month period, with expected losses. The exposures for the Shinsei Bank Lake business are calculated through the F-IRB approach starting from March 31, 2017.

**QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)****4. CREDIT RISK MITIGATION (CRM)****(1) COVERED AMOUNT OF CRM BY COLLATERAL**

FIRB

	Millions of yen			
	As of September 30, 2019		As of September 30, 2018	
	Eligible financial collateral	Other eligible FIRB collateral	Eligible financial collateral	Other eligible FIRB collateral
Corporate	¥ 3,761	¥ 225,437	¥ 4,573	¥ 209,851
Sovereign	—	—	—	—
Bank	900	830	—	1,192
<b>Total</b>	<b>¥ 4,661</b>	<b>¥ 226,268</b>	<b>¥ 4,573</b>	<b>¥ 211,044</b>

**(2) COVERED AMOUNT OF CRM BY GUARANTEE OR CREDIT DERIVATIVES**

IRB

	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
	Corporate	¥ 287
Sovereign	1,111	12,504
Bank	—	—
Residential mortgages	—	—
Qualified revolving retail	—	—
Other retail	—	—
<b>Total</b>	<b>¥ 1,399</b>	<b>¥ 12,796</b>

**5. COUNTERPARTY CREDIT RISK OF DERIVATIVES**

	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
	Total amount of gross positive fair value	¥ 246,981
Amount of gross add-on	136,833	95,502
EAD before CRM	383,815	354,536
FX-related	168,355	147,807
Interest-related	202,398	185,757
Equity-related	6,683	12,521
Commodity-related	—	—
Credit derivatives	6,277	8,405
Others	100	44
Amount of net	232,193	216,371
EAD after net	151,621	138,165
Amount covered collateral	—	—
EAD after CRM	151,621	138,165

Note: Current Exposure Method

**• Notional amount of credit derivatives which have counterparty risk**

	Millions of yen			
	As of September 30, 2019		As of September 30, 2018	
	Protection-buy	Protection-sell	Protection-buy	Protection-sell
Notional amount				
Single name	¥ 43,750	¥ 19,000	¥ 41,750	¥ 31,250
Multi name	13,000	13,000	26,000	27,000

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**

The amount of securitization exposure and required capital as of March 31, 2019 is calculated based on [Accord] amended on March 31, 2019.

**SECURITIZATION EXPOSURE ORIGINATED BY THE BANK GROUP (CREDIT RISK)**

(1) Amount of original assets

Securitization by transfer of assets

Type of original assets	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
	<b>Amount of original assets</b>	Amount of original assets
Residential mortgages	¥ —	¥ 4,618
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
<b>Total</b>	<b>¥ —</b>	<b>¥ 4,618</b>

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

Type of original assets	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
	<b>Amount of Default</b>	Amount of Default
Residential mortgages	¥ —	¥169
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
<b>Total</b>	<b>¥ —</b>	<b>¥169</b>

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.

**QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)**

(3) Amount of increase of capital by securitization (to be deducted from capital)

Type of original assets	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
	<b>Amount</b>	Amount
Residential mortgages	¥ —	¥ 5,370
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
<b>Total</b>	<b>¥ —</b>	<b>¥ 5,370</b>

(4) Amount of securitization exposure applied risk weight 1,250%

Type of original assets	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
	<b>Amount</b>	Amount
Residential mortgages	¥ —	¥ 42
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
<b>Total</b>	<b>¥ —</b>	<b>¥ 42</b>

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

**QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)****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

Type of original assets	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
	<b>Amount of Exposure</b>	Amount of Exposure
Residential mortgages	¥ 25,437	¥ 30,769
Consumer loans	—	—
Commercial real estate loans	123,536	92,656
Corporate loans	62,198	50,890
Others	82,864	18,398
<b>Total</b>	<b>¥ 294,037</b>	<b>¥ 192,714</b>

※There is no resecuritization exposure.

(2) Amount of securitization exposure and required capital for the Bank Group has by risk weight ratio

Excluding resecuritization exposure

Band of risk weight ratio	Millions of yen			
	As of September 30, 2019		As of September 30, 2018	
	Amount	Required capital amount	Amount	Required capital amount
To 20%	¥ 90,920	¥ 1,412	¥ 102,391	¥ 872
Over 20% to 50%	17,965	631	562	17
Over 50% to 100%	67,307	3,939	8,446	436
Over 100% to 400%	85,194	20,387	66,957	11,118
Over 400% to 625%	30,169	14,901	14,355	6,792
Over 625% to 1,250%	2,480	2,048	—	—
<b>Total</b>	<b>¥ 294,037</b>	<b>¥ 43,320</b>	<b>¥ 192,714</b>	<b>¥ 19,238</b>

※There is no resecuritization exposure.

(3) Amount of securitization exposure applied risk weight 1,250%

Type of original assets	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
	<b>Amount</b>	Amount
Residential mortgages	¥ —	¥ 2,795
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
<b>Total</b>	<b>¥ —</b>	<b>¥ 2,795</b>

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

	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
Type of original assets	<b>Amount of Exposure</b>	Amount of Exposure
Residential mortgages	¥ 1,961	¥ 2,379
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
<b>Total</b>	<b>¥ 1,961</b>	<b>¥ 2,379</b>

※There is no resecuritization exposure.

(2) Amount of securitization exposure and required capital for the Bank Group has by risk weight ratio  
Excluding resecuritization exposure

	Millions of yen			
	As of September 30, 2019		As of September 30, 2018	
Band of risk weight ratio	Amount	Required capital amount	Amount	Required capital amount
To 1.6%	¥ 1,961	¥ 31	¥ 2,379	¥ 38
Over 1.6% to 4%	—	—	—	—
Over 4% to 8%	—	—	—	—
Over 8% to 32%	—	—	—	—
Over 32% to 50%	—	—	—	—
Over 50% under 100%	—	—	—	—
<b>Total</b>	<b>¥ 1,961</b>	<b>¥ 31</b>	<b>¥ 2,379</b>	<b>¥ 38</b>

※There is no resecuritization 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



## QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

### 7. MARKET RISK (UNDER INTERNAL MODEL APPROACH)

#### (1) VAR AT THE END OF SEPTEMBER 2019 AND SEPTEMBER 2018 AND THE HIGH, MEAN AND LOW VAR

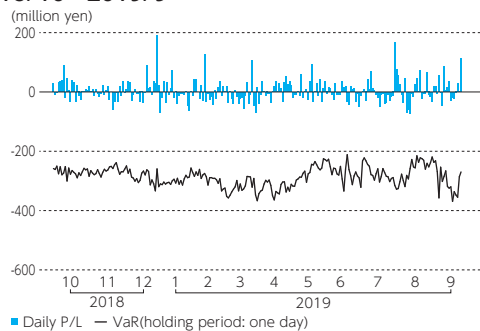
	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
VaR at term end	¥ 852	¥ 796
VaR through this term		
High	1,166	1,577
Mean	903	901
Low	669	631

#### (2) STRESSED VAR AT THE END OF SEPTEMBER 2019 AND SEPTEMBER 2018 AND THE HIGH, MEAN AND LOW VAR

	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
VaR at term end	¥ 2,825	¥ 4,625
VaR through this term		
High	4,570	4,625
Mean	3,043	3,249
Low	2,072	2,414

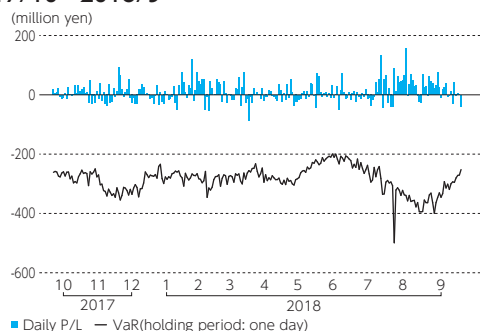
#### (3) RESULT OF BACK TESTING

##### 2018/10~2019/9



The trading portfolio experienced no losses that exceeded the specified VaR threshold

##### 2017/10~2018/9



The trading portfolio experienced no losses that exceeded the specified VaR threshold.

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

#### 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

**QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)****8. EQUITY EXPOSURE IN BOOK****(1) BOOK VALUE AND FAIR VALUE**

	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
Market-based approach		
Listed equity exposure	¥ 7,146	¥ 6,706
Unlisted equity exposure	10,145	7,901
PD/LGD method		
Listed equity exposure	6,936	9,895
Unlisted equity exposure	4,063	2,062

**(2) GAIN OR LOSS ON SALE OR DEPRECIATION OF EQUITY EXPOSURE**

	Millions of yen	
	Six months ended September 30, 2019	Six months ended September 30, 2018
Gain (loss) on sale	¥ 5,163	¥ 98
Loss of depreciation	670	1,303

**(3) UNREALIZED GAIN OR LOSS WHICH IS RECOGNIZED ON BALANCE SHEET AND NOT RECOGNIZED ON PROFIT AND LOSS STATEMENT**

	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
Unrealized gain (loss)	¥ 5,758	¥ 12,446

**(4) AMOUNT FOR EACH PORTFOLIO CLASSIFICATION OF EQUITY EXPOSURE**

	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
Market-based approach	¥ 17,292	¥ 14,608
PD/LGD Method	10,999	11,958
RW100% Applied	51	51
RW250% Applied	62,316	68,631

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. BEFORE RIVISION EXPOSURE RELATING TO INVESTMENT FUNDS**

	Millions of yen	
	As of September 30, 2018	
Regarded exposure (fund)	¥ 48,819	

**10. 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	As of September 30, 2019
Look-through approach		¥ 3,496
Mandate-based approach		808
Probability-based approach (250%)		—
Probability-based approach (400%)		43,540
Fall-back approach		0
<b>Total</b>		<b>47,846</b>

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)****11. INTEREST RATE RISK (IRRBB) THE INCREASE/DECREASE IN ECONOMIC VALUE FOR UPWARD/DOWNWARD RATE SHOCKS ACCORDING TO MANAGEMENT'S METHOD FOR IRRBB**

Change in economic values from a 2% interest-rate shock:

	Billions of yen As of September 30, 2018
JPY	¥ (102.5)
USD	(3.9)
Others	(13.9)
<b>Total</b>	<b>¥ (120.4)</b>

**12. INTEREST RATE RISK**

This item has been described using the form No.11-2 of revised Accord for Disclosure from March 31, 2019, instead of the above-mentioned item "INTEREST RATE RISK (IRRBB) THE INCREASE/DECREASE IN ECONOMIC VALUE FOR UPWARD/DOWNWARD RATE SHOCKS ACCORDING TO MANAGEMENT'S METHOD FOR IRRBB".

Decrease in economic values from interest-rate shock

IRRBB1 : Interest rate risk		Millions of yen			
No		A	B	C	D
		ΔEVE		ΔNII	
		As of September 30, 2019	As of September 30, 2018	As of September 30, 2019	As of September 30, 2018
1	Parallel shock up	68,457			
2	Parallel shock down	1,528			
3	Steeper shock	35,585			
4	Flattener shock	—			
5	Short rate up shock	—			
6	Short rate down shock	—			
7	Max	68,457			
		E		F	
		As of September 30, 2019		As of September 30, 2018	
8	Core capital	813,447			

Note: The "IRRBB1: Interest rate risk" column B, column C, column D and column F above are not described due to the transitional arrangements of revised Accord for Disclosure.

## COMPOSITION OF CAPITAL DISCLOSURE (NONCONSOLIDATED)

Shinsei Bank

Items	Millions of yen (except percentages)		
	September 30, 2019 Basel III (Domestic Standard)	September 30, 2018 Basel III (Domestic Standard)	Amounts excluded under transitional arrangements
<b>Core capital: instruments and reserves (1)</b>			
Directly issued qualifying common share capital or preferred share capital with a compulsory conversion clause plus related capital surplus and retained earnings	¥ 872,910	¥ 841,580	
of which: capital and capital surplus	591,670	591,670	
of which: retained earnings	328,044	287,286	
of which: treasury stock (-)	46,804	37,377	
of which: earning to be distributed (-)	-	-	
of which: other than above	-	-	
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	76	52	
Total of reserves included in Core capital: instruments and reserves	7	11	
of which: general reserve for loan losses included in Core capital	7	11	
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)	-	15,000	
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)	-	-	
<b>Core capital: instruments and reserves (A)</b>	<b>¥ 872,994</b>	<b>¥ 856,643</b>	
<b>Core capital: regulatory adjustments (2)</b>			
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 17,704	¥ 14,766	¥ 3,494
of which: goodwill (including those equivalent)	620	786	-
of which: other intangibles other than goodwill and mortgage servicing rights	17,083	13,979	3,494
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	2,139	1,875	468
Shortfall of eligible provisions to expected losses	23,952	19,311	-
Gain on sale of securitization	-	5,370	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-	-	-
Prepaid pension cost	4,827	3,982	995
Investments in own shares (excluding those reported in the net assets section)	0	0	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)	-	-	-
<b>Core capital: regulatory adjustments (B)</b>	<b>¥ 48,624</b>	<b>¥ 45,306</b>	
<b>Capital (nonconsolidated)</b>			
Capital (nonconsolidated) ((A)-(B)) (C)	¥ 824,369	¥ 811,337	
<b>Risk-weighted assets, etc.</b>			
Total amount of credit risk-weighted assets	¥5,645,268	¥5,339,376	
of which: total amount included in risk-weighted assets by transitional arrangements	-	3,295	
of which: intangible assets (excluding those relating to goodwill and mortgage servicing rights)	-	3,494	
of which: deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	468	
of which: prepaid pension cost	-	995	
of which: significant investments in the common stock of Other Financial Institutions (net of eligible short positions)	-	(1,663)	
of which: other than above	-	0	
Market risk (derived by multiplying the capital requirement by 12.5)	125,200	165,440	
Operational risk (derived by multiplying the capital requirement by 12.5)	188,966	186,610	
Credit risk-weighted assets adjustments	-	-	
Operational risk adjustments	-	-	
<b>Total amount of Risk-weighted assets (D)</b>	<b>¥5,959,435</b>	<b>¥5,691,428</b>	
<b>Capital ratio (nonconsolidated)</b>			
Capital ratio (nonconsolidated) ((C)/(D))	13.83%	14.25%	

Note: Composition of Capital from March 31, 2019 is disclosed in the form of the Schedule No.11 of FSA Notice for Disclosure as the period for transitional arrangement has ended. In the calculation of the nonconsolidated capital adequacy ratio as of Sep 30, 2019, parameter estimates applied to some exposures are adjusted for the fiscal year ending March 2019.

**COMPOSITION OF CAPITAL DISCLOSURE (NONCONSOLIDATED) (continued)**

Shinsei Bank	Millions of yen (except percentages)
Items	March 31, 2019 Basel III (Domestic Standard)
<b>Core capital: instruments and reserves (1)</b>	
Directly issued qualifying common share capital or preferred share capital with a compulsory conversion clause plus related capital surplus and retained earnings	¥ 859,343
of which: capital and capital surplus	591,670
of which: retained earnings	307,855
of which: treasury stock (-)	37,729
of which: earning to be distributed (-)	2,452
of which: other than above	-
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	49
Total of reserves included in Core capital: instruments and reserves	9
of which: general reserve for loan losses included in Core capital	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)	-
<b>Core capital: instruments and reserves (A)</b>	<b>¥ 859,402</b>
<b>Core capital: regulatory adjustments (2)</b>	
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 18,589
of which: goodwill (including those equivalent)	703
of which: other intangibles other than goodwill and mortgage servicing rights	17,886
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	2,545
Shortfall of eligible provisions to expected losses	24,866
Gain on sale of securitization	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-
Prepaid pension cost	4,752
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)	-
<b>Core capital: regulatory adjustments (B)</b>	<b>¥ 50,754</b>
<b>Capital (nonconsolidated)</b>	
Capital (nonconsolidated) ((A)-(B)) (C)	¥ 808,647
<b>Risk-weighted assets, etc.</b>	
Total amount of credit risk-weighted assets	¥5,554,802
of which: total amount included in risk-weighted assets by transitional arrangements	(330)
of which: intangible assets (excluding those relating to goodwill and mortgage servicing rights)	-
of which: deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-
of which: prepaid pension cost	-
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)	143,617
Operational risk (derived by multiplying the capital requirement by 12.5)	187,814
Credit risk-weighted assets adjustments	-
Operational risk adjustments	-
<b>Total amount of Risk-weighted assets (D)</b>	<b>¥5,886,234</b>
<b>Capital ratio (nonconsolidated)</b>	
Capital ratio (nonconsolidated) ((C)/(D))	13.73%

Note: Composition of Capital from March 31, 2019 is disclosed in the form of the Schedule No.11 of FSA Notice for Disclosure as the period for transitional arrangement has ended.

## QUANTITATIVE DISCLOSURE (NONCONSOLIDATED)

### 1. CAPITAL ADEQUACY

#### (1) AMOUNT OF REQUIRED CAPITAL FOR CREDIT RISK

Portfolios under the Standardized Approach (SA)

	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
	Required capital amount	Required capital amount
Shinsei Bank	¥ 397	¥ 433

Portfolios under the Internal Ratings-Based Approach (IRB)

	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
	Required capital amount	Required capital amount
Corporate (Excluding Specialized Lending) <sup>1</sup>	¥ 130,692	¥ 131,232
Specialized Lending <sup>2</sup>	94,222	82,370
Sovereign	5,756	5,759
Bank	13,874	9,767
Residential mortgages	9,067	10,009
Qualified revolving retails	42,726	50,434
Other retails	1	2
Equity	106,982	117,946
Fund	13,447	10,693
Securitization	46,935	28,731
Purchase receivables	21,383	16,859
Other assets	1,179	1,720
CVA risk	11,905	8,704
CCP risk	97	125
<b>Total</b>	<b>¥ 498,272</b>	<b>¥ 474,359</b>

<sup>1</sup> "Corporate" includes "Small and Medium-sized Entities."

<sup>2</sup> "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	
	As of September 30, 2019	As of September 30, 2018
	Required capital amount	Required capital amount
Market-Based Approach Simplified Method	¥ 13,535	¥ 4,640
PD/LGD Method	92,332	112,193
RW100% Applied	4	4
RW250% Applied	1,110	1,108
<b>Total</b>	<b>¥ 106,982</b>	<b>¥ 117,946</b>

#### (3) EXPOSURE RELATING TO INVESTMENT FUNDS

	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
	Required capital amount	Required capital amount
Before revision Look Through		¥ 1,842
Before revision Revised Naivete Majority		8,174
Before revision Simplified [400%]		676
Before revision Simplified [1,250%]		—
Look-through approach	1,127	
Mandated-based approach	342	
Probability-based approach [250%]	—	
Probability-based approach [400%]	11,977	
Fall-back approach [1,250%]	—	
<b>Total</b>	<b>¥ 13,447</b>	<b>¥ 10,693</b>

**QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)****(4) AMOUNT OF REQUIRED CAPITAL FOR MARKET RISK**

	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
	<b>Required capital amount</b>	Required capital amount
The Standardized Approach	¥ 232	¥ 160
Interest rate risk	0	26
Equity position risk	12	2
FX risk	219	130
Securitization risk	—	—
The Internal Models Approach (IMA) (General Market Risk)	¥ 9,783	¥ 13,074

**(5) AMOUNT OF REQUIRED CAPITAL FOR OPERATIONAL RISK**

	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
	<b>Required capital amount</b>	Required capital amount
The Standardized Approach	¥ 15,117	¥ 14,928

**(6) TOTAL REQUIRED CAPITAL (DOMESTIC STANDARD)**

	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
Total Required Capital (Risk-weighted Assets x 4%)	¥ 238,377	¥ 227,657

**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							
	As of September 30, 2019				As of September 30, 2018			
	Amount of Credit Risk Exposure				Amount of Credit Risk Exposure			
	Total	Loans, etc. <sup>1</sup>	Securities <sup>2</sup>	Derivatives <sup>3</sup>	Total	Loans, etc. <sup>1</sup>	Securities <sup>2</sup>	Derivatives <sup>3</sup>
Manufacturing	¥ 256,805	¥ 233,558	¥ —	¥ 23,247	¥ 262,940	¥ 247,554	¥ 1,050	¥ 14,336
Agriculture	100	100	—	—	—	—	—	—
Mining	856	855	—	1	505	504	—	1
Construction	24,941	24,733	200	7	23,685	23,685	—	—
Electric power, gas, water supply	406,244	383,912	—	22,332	361,841	347,808	—	14,033
Information and communication	36,959	36,958	—	1	52,231	52,228	—	2
Transportation	178,592	178,225	—	366	180,979	178,609	1,999	370
Wholesale and retail	131,394	117,438	100	13,856	126,615	113,834	100	12,681
Finance and insurance	2,185,292	1,983,563	179,515	22,213	2,181,968	2,066,637	93,017	22,313
Real estate	766,228	640,211	123,447	2,569	705,292	571,781	131,399	2,112
Services	410,499	408,945	750	803	373,524	372,569	854	100
Government	509,296	65,883	443,412	—	613,861	57,375	556,486	—
Individuals	1,445,402	1,445,084	—	317	1,541,125	1,540,877	—	248
Others	628	628	—	—	594	594	—	—
<b>Domestic Total</b>	<b>6,353,242</b>	<b>5,520,100</b>	<b>747,425</b>	<b>85,716</b>	<b>6,425,167</b>	<b>5,574,059</b>	<b>784,907</b>	<b>66,200</b>
Foreign	901,772	648,035	190,069	63,667	930,166	606,951	254,653	68,561
<b>Total</b>	<b>¥ 7,255,015</b>	<b>¥ 6,168,136</b>	<b>¥ 937,495</b>	<b>¥ 149,383</b>	<b>¥ 7,355,333</b>	<b>¥ 6,181,011</b>	<b>¥ 1,039,561</b>	<b>¥ 134,761</b>
To 1 year	1,550,033	1,383,654	150,506	15,872	1,497,212	1,309,734	168,529	18,949
1 to 3 years	1,236,634	937,877	277,992	20,764	1,293,629	959,704	311,076	22,848
3 to 5 years	798,694	612,912	162,700	23,080	903,593	675,401	210,567	17,624
Over 5 years	2,361,193	1,926,735	344,793	89,665	2,283,710	1,859,985	348,385	75,339
Undated	1,308,458	1,306,956	1,501	—	1,377,187	1,376,185	1,001	—
<b>Total</b>	<b>¥ 7,255,015</b>	<b>¥ 6,168,136</b>	<b>¥ 937,495</b>	<b>¥ 149,383</b>	<b>¥ 7,355,333</b>	<b>¥ 6,181,011</b>	<b>¥ 1,039,561</b>	<b>¥ 134,761</b>

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	
	As of September 30, 2019	As of September 30, 2018
	Default Exposure	Default Exposure
Manufacturing	¥ 3,730	¥ 3,148
Agriculture	—	—
Mining	—	—
Construction	—	19
Electric power, gas, water supply	6,422	—
Information and communication	591	194
Transportation	44	49
Wholesale and retail	574	970
Finance and insurance	184	100
Real estate	4,179	440
Services	2,267	1,396
Government	—	—
Individuals	3,373	3,258
Others	—	—
<b>Domestic Total</b>	<b>21,368</b>	<b>9,577</b>
Foreign	3,598	2,607
<b>Total</b>	<b>¥ 24,966</b>	<b>¥ 12,184</b>

**(3) AMOUNT OF LOAN LOSS RESERVES (GENERAL, SPECIFIC AND COUNTRY RISK) BEFORE PARTIAL WRITE-OFF**

	Millions of yen					
	As of September 30, 2019			As of September 30, 2018		
	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount
General	¥ 21,292	¥ (2,084)	¥ 19,208	¥ 24,391	¥ (1,357)	¥ 23,033
Specific	7,198	4,405	11,604	6,531	1,673	8,204
Country	—	—	—	—	—	—
<b>Total</b>	<b>¥ 28,490</b>	<b>¥ 2,321</b>	<b>¥ 30,812</b>	<b>¥ 30,922</b>	<b>¥ 315</b>	<b>¥ 31,237</b>

Geographic

	Millions of yen							
	As of September 30, 2019				As of September 30, 2018			
	Total	General	Specific	Country	Total	General	Specific	Country
Domestic	¥ 25,334	¥ 15,452	¥ 9,882	¥ —	¥ 25,889	¥ 18,459	¥ 7,429	¥ —
Foreign	5,477	3,755	1,722	¥ —	5,348	4,574	774	¥ —
<b>Total</b>	<b>¥ 30,812</b>	<b>¥ 19,208</b>	<b>¥ 11,604</b>	<b>¥ —</b>	<b>¥ 31,237</b>	<b>¥ 23,033</b>	<b>¥ 8,204</b>	<b>¥ —</b>

Industries

	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
	Reserve Amount	Reserve Amount
Manufacturing	¥ 1,892	¥ 3,295
Agriculture	1	—
Mining	7	5
Construction	57	74
Electric power, gas, water supply	5,848	2,631
Information and communication	827	421
Transportation	662	677
Wholesale and retail	1,365	1,765
Finance and insurance	3,076	5,737
Real estate	4,465	4,985
Services	4,438	3,325
Government	—	—
Individuals	2,688	2,968
Others	0	0
Foreign	5,477	5,348
Non-classified	—	—
<b>Total</b>	<b>¥ 30,812</b>	<b>¥ 31,237</b>

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

	Millions of yen	
	Six months ended September 30, 2019	Six months ended September 30, 2018
	Amount of write-off	Amount of write-off
Manufacturing	¥ —	¥ —
Agriculture	—	—
Mining	—	—
Construction	—	—
Electric power, gas, water supply	—	—
Information and communication	—	—
Transportation	—	14
Wholesale and retail	—	45
Finance and insurance	—	—
Real estate	—	—
Services	—	—
Government	—	—
Individuals	81	11
Others	—	—
Foreign	—	—
Non-classified	—	—
<b>Total</b>	<b>¥ 81</b>	<b>¥ 71</b>

**(5) AMOUNT OF EXPOSURES UNDER SA (AFTER CREDIT RISK MITIGATION)**

	Millions of yen			
	As of September 30, 2019		As of September 30, 2018	
	Rated	Unrated	Rated	Unrated
0%	¥ —	¥ —	¥ —	¥ —
10%	—	—	—	—
20%	—	—	—	—
35%	—	1,688	—	1,710
50%	—	—	—	—
75%	—	5,794	—	6,367
100%	—	28	—	41
150%	—	—	—	—
350%	—	—	—	—
1,250%	—	—	—	—
<b>Total</b>	<b>¥ —</b>	<b>¥ 7,511</b>	<b>¥ —</b>	<b>¥ 8,118</b>

**(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 September 30, 2019	As of September 30, 2018
	Amount of Exposure	Amount of Exposure
Risk weight ratio		
50%	¥ 166,106	¥ 181,038
70%	500,325	460,868
90%	128,931	92,796
115%	76,803	48,523
250%	17,499	35,308
0% (Default)	6,982	—
<b>Total</b>	<b>¥ 896,649</b>	<b>¥ 818,535</b>

Specialized lending for high-volatility commercial real estate

	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
	Amount of Exposure	Amount of Exposure
Risk weight ratio		
70%	¥ 12,499	¥ 11,202
95%	41,959	44,647
120%	25,036	10,389
140%	21,538	27,362
250%	49,220	39,966
0% (Default)	3,689	—
<b>Total</b>	<b>¥ 153,944</b>	<b>¥ 133,568</b>

**QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)**

## Equity exposure under Market-Based Simplified Method

	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
Risk weight ratio	<b>Amount of Exposure</b>	Amount of Exposure
300%	¥ 6,689	¥ 6,505
400%	<b>34,886</b>	8,801
<b>Total</b>	<b>¥ 41,576</b>	¥ 15,306

**(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

Credit Rating	As of September 30, 2019					As of September 30, 2018				
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0-4	0.13%	44.83%	36.47%	¥ 1,661,115	¥ 193,170	0.14%	44.84%	37.81%	¥ 1,635,373	¥ 170,881
5-6	1.44%	43.81%	94.10%	608,451	80,081	1.47%	43.85%	94.72%	552,806	87,931
9A	9.34%	44.47%	181.52%	32,693	5,926	9.39%	44.84%	192.15%	55,744	2,691
Default	100.00%	53.65%	-	9,395	674	100.00%	55.66%	-	8,171	-

Note: LGD is shown after credit risk mitigation

## Sovereign

Credit Rating	As of September 30, 2019					As of September 30, 2018				
	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%	3.41%	¥ 1,963,954	¥ 2,763	0.00%	45.00%	3.06%	¥ 2,190,098	¥ 2,258
5-6	0.50%	45.00%	52.16%	0	-	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

Credit Rating	As of September 30, 2019					As of September 30, 2018				
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0-4	0.07%	44.97%	42.36%	¥ 119,368	¥ 84,478	0.08%	44.97%	39.72%	¥ 116,914	¥ 95,740
5-6	0.85%	45.00%	100.10%	23,934	1,581	0.78%	45.00%	112.63%	16,451	6,391
9A	9.34%	43.23%	164.20%	1,186	21,825	9.39%	45.00%	184.65%	1,098	-
Default	100.00%	45.00%	-	184	-	100.00%	45.00%	-	100	-

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

Credit Rating	As of September 30, 2019				As of September 30, 2018			
	PD	LGD	Risk Weight	Amount	PD	LGD	Risk Weight	Amount
0-4	0.16%	90.00%	300.68%	¥ 352,506	0.19%	90.00%	300.39%	¥ 370,680
5-6	1.08%	90.00%	327.48%	8,640	0.91%	90.00%	316.00%	11,718
9A	9.34%	90.00%	756.90%	80	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

## Residential mortgage exposure

Pool	As of September 30, 2019						As of September 30, 2018							
	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%	16.00%	7.30%	¥ 1,220,499	¥ -	¥ -	-
Need caution	62.74%	19.41%	78.42%	1,982	-	-	-	64.08%	18.78%	73.63%	2,744	-	-	-
Default	100.00%	37.52%	52.31%	3,221	-	-	-	100.00%	42.45%	47.81%	3,089	-	-	-

Note: LGD is shown after credit risk mitigation

**QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)**

## Qualified revolving retail exposure

Millions of yen (except percentages)

Pool	As of September 30, 2019							As of September 30, 2018						
	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%	7.89%	83.10%	117.68%	¥ 277,816	¥ 19,842	¥ 473,382	4.19%
Need caution	85.24%	80.40%	103.47%	842	27	884	3.06%	85.85%	83.10%	103.22%	1,324	43	1,404	3.08%
Default	100.00%	80.40%	-	132	-	-	-	100.00%	83.10%	-	119	-	-	-

Note: LGD is shown after credit risk mitigation

## Other retail exposure

Millions of yen (except percentages)

Pool	As of September 30, 2019							As of September 30, 2018						
	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	¥ -	¥ -	-	0.38%	16.43%	9.98%	¥ 303	¥ -	¥ -	-
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		
	12 months ended September 30, 2019	12 months ended September 30, 2018	12 months ended September 30, 2017
Results of actual losses (a)	¥ 2,022	¥ 2,470	¥ 1,866
Expected losses (b)	7,223	6,047	7,916
Differences ((b) - (a))	5,201	3,577	6,050

## Sovereign

	Millions of yen		
	12 months ended September 30, 2019	12 months ended September 30, 2018	12 months ended September 30, 2017
Results of actual losses (a)	¥ -	¥ -	¥ -
Expected losses (b)	22	27	33
Differences ((b) - (a))	22	27	33

## Bank

	Millions of yen		
	12 months ended September 30, 2019	12 months ended September 30, 2018	12 months ended September 30, 2017
Results of actual losses (a)	¥ -	¥ 70	¥ -
Expected losses (b)	198	108	91
Differences ((b) - (a))	198	38	91

## Residential mortgage exposure

	Millions of yen		
	12 months ended September 30, 2019	12 months ended September 30, 2018	12 months ended September 30, 2017
Results of actual losses (a)	¥ 273	¥ 225	¥ 297
Expected losses (b)	838	830	798
Differences ((b) - (a))	564	605	500

## Qualified revolving retail exposure

	Millions of yen		
	12 months ended September 30, 2019	12 months ended September 30, 2018	12 months ended September 30, 2017
Results of actual losses (a)	¥ 12,713	¥ 14,761	¥ 12,991
Expected losses (b)	19,347	23,050	19,259
Differences ((b) - (a))	6,634	8,288	6,267

## [Analysis]

The result of actual losses for the year ended March 31, 2019 was increased ¥0.7 billion than in the previous 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, 2017, 2018 and 2019 for the Bank's non-default exposures at the start of the twelve-month period, with expected losses. The exposures for Shinsei Bank Card Loan - Lake are calculated through the F-IRB approach starting from March 31, 2017.

**QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)****3. CREDIT RISK MITIGATION (CRM)****(1) COVERED AMOUNT OF CRM BY COLLATERAL**

FIRB

	Millions of yen			
	As of September 30, 2019		As of September 30, 2018	
	Eligible financial collateral	Other eligible FIRB collateral	Eligible financial collateral	Other eligible FIRB collateral
Corporate	¥ 3,761	¥ 227,514	¥ 4,573	¥ 212,395
Sovereign	—	—	—	—
Bank	900	830	—	1,192
<b>Total</b>	<b>¥ 4,661</b>	<b>¥ 228,344</b>	<b>¥ 4,573</b>	<b>¥ 213,587</b>

**(2) COVERED AMOUNT OF CRM BY GUARANTEE OR CREDIT DERIVATIVES**

IRB

	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
	Corporate	¥ 287
Sovereign	1,111	12,504
Bank	—	—
Residential mortgages	—	—
Qualified revolving retail	—	—
Other retail	—	—
<b>Total</b>	<b>¥ 1,399</b>	<b>¥ 12,796</b>

**4. COUNTERPARTY CREDIT RISK OF DERIVATIVES**

	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
	Total amount of gross positive fair value	¥ 245,904
Amount of gross add-on	135,782	94,458
EAD before CRM	381,686	352,737
FX-related	168,616	148,112
Interest-related	201,786	184,524
Equity-related	6,821	12,376
Commodity-related	—	—
Credit derivatives	4,360	7,679
Others	100	44
Amount of net	232,302	217,976
EAD after net	149,383	134,761
Amount covered collateral	—	—
EAD after CRM	149,383	134,761

Note: Current Exposure Method

## • Notional amount of credit derivatives which have counterparty risk

	Millions of yen			
	As of September 30, 2019		As of September 30, 2018	
	Protection-buy	Protection-sell	Protection-buy	Protection-sell
Notional amount				
Single name	¥ 19,750	¥ 19,000	¥ 30,750	¥ 31,250
Multi name	13,000	13,000	26,000	27,000

Not applicable for the following items;

- Amount covered collateral
- Notional amount of credit derivatives which cover exposures by CRM

**QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)****5. SECURITIZATION**

The amount of securitization exposure and required capital as of March 31, 2019 is calculated based on [Accord] amended on March 31, 2019.

**SECURITIZATION EXPOSURE ORIGINATED BY THE BANK (CREDIT RISK)**

## (1) Amount of original assets

Securitization by transfer of assets

Type of original assets	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
	<b>Amount of original assets</b>	Amount of original assets
Residential mortgages	¥ —	¥ 4,618
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
<b>Total</b>	<b>¥ —</b>	<b>¥ 4,618</b>

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

Type of original assets	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
	<b>Amount of Default</b>	Amount of Default
Residential mortgages	¥ —	¥ 169
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
<b>Total</b>	<b>¥ —</b>	<b>¥ 169</b>

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

Type of original assets	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
	<b>Amount of Exposure</b>	Amount of Exposure
Residential mortgages	¥ —	¥ —
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
<b>Total</b>	<b>¥ —</b>	<b>¥ —</b>

※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

	Millions of yen			
	As of September 30, 2019		As of September 30, 2018	
	Amount	Required capital amount	Amount	Required capital amount
Band of risk weight ratio				
To 20%	¥ -	¥ -	¥ -	¥ -
Over 20% to 50%	-	-	-	-
Over 50% to 100%	-	-	-	-
Over 100% to 400%	-	-	-	-
Over 400% to 625%	-	-	-	-
Over 625% under 1,250%	-	-	-	-
<b>Total</b>	¥ -	¥ -	¥ -	¥ -

※ There is no resecuritization exposure.

(5) Amount of increase of capital by securitization (to be deducted from capital)

	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
	Amount	Amount
Type of original assets		
Residential mortgages	¥ -	¥ 5,370
Consumer loans	-	-
Commercial real estate loans	-	-
Corporate loans	-	-
Others	-	-
<b>Total</b>	¥ -	¥ 5,370

(6) Amount of securitization exposure applied risk weight 1,250%

	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
	Amount	Amount
Type of original assets		
Residential mortgages	¥ -	¥ 42
Consumer loans	-	-
Commercial real estate loans	-	-
Corporate loans	-	-
Others	-	-
<b>Total</b>	¥ -	¥ 42

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

Type of original assets	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
	<b>Amount of Exposure</b>	Amount of Exposure
Residential mortgages	¥ 25,437	¥ 30,769
Consumer loans	—	—
Commercial real estate loans	123,536	92,656
Corporate loans	62,198	50,890
Others	308,401	184,734
<b>Total</b>	<b>¥ 519,573</b>	<b>¥ 359,049</b>

※There is no resecuritization exposure.

(2) Amount of securitization exposure and required capital for the Bank by risk weight ratio

Excluding resecuritization exposure

Band of risk weight ratio	Millions of yen			
	As of September 30, 2019		As of September 30, 2018	
	Amount	Required capital amount	Amount	Required capital amount
To 20%	¥ 289,456	¥ 3,948	¥ 268,727	¥ 1,987
Over 20% to 50%	44,965	1,711	562	17
Over 50% to 100%	67,307	3,939	8,446	436
Over 100% to 400%	85,194	20,387	66,957	11,118
Over 400% to 625%	30,169	14,901	14,355	6,792
Over 625% under 1,250%	2,480	2,048	—	—
<b>Total</b>	<b>¥ 519,573</b>	<b>¥ 46,935</b>	<b>¥ 359,049</b>	<b>¥ 20,352</b>

※There is no resecuritization exposure.

(3) Amount of securitization exposure applied risk weight 1,250%

Type of original assets	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
	<b>Amount</b>	Amount
Residential mortgages	¥ —	¥ 2,795
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
<b>Total</b>	<b>¥ —</b>	<b>¥ 2,795</b>

Not applicable for the following items;

- Credit risk mitigation for resecuritization exposure



## QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

### 6. MARKET RISK (UNDER INTERNAL MODEL APPROACH)

#### (1) VAR AT THE END OF SEPTEMBER 2019 AND SEPTEMBER 2018 AND THE HIGH, MEAN AND LOW VAR

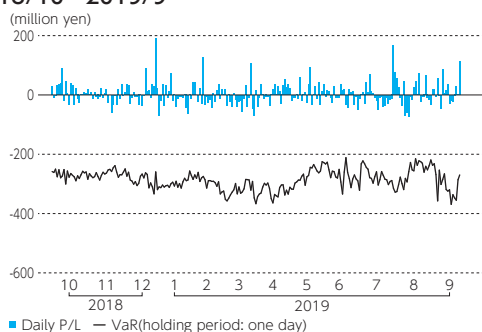
	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
VaR at term end	¥ 813	¥ 755
VaR through this term		
High	1,128	1,527
Mean	856	852
Low	630	570

#### (2) STRESSED VAR AT THE END OF SEPTEMBER 2019 AND SEPTEMBER 2018 AND THE HIGH, MEAN AND LOW VAR

	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
VaR at term end	¥ 2,679	¥ 4,497
VaR through this term		
High	4,438	4,497
Mean	2,893	3,062
Low	1,924	2,234

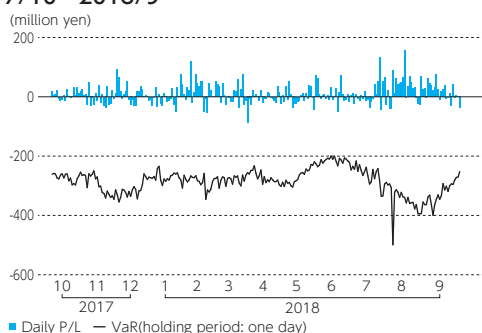
#### (3) RESULT OF BACK TESTING

##### 2018/10~2019/9



The trading portfolio experienced no losses that exceeded the specified VaR threshold

##### 2017/10~2018/9



The trading portfolio experienced no losses that exceeded the specified VaR threshold

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

#### 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

**QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)****7. EQUITY EXPOSURE IN BOOK****(1) BOOK VALUE AND FAIR VALUE**

	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
Market-based approach		
Listed equity exposure	¥ 6,689	¥ 6,505
Unlisted equity exposure	34,886	8,801
PD/LGD method		
Listed equity exposure	5,710	8,527
Unlisted equity exposure	355,517	393,691

**(2) GAIN OR LOSS ON SALE OR DEPRECIATION OF EQUITY EXPOSURE**

	Millions of yen	
	Six months ended September 30, 2019	Six months ended September 30, 2018
Gain (loss) on sale	¥ 3,297	¥ 97
Loss of depreciation	650	298

**(3) UNREALIZED GAIN OR LOSS WHICH IS RECOGNIZED ON BALANCE SHEET AND NOT RECOGNIZED ON PROFIT AND LOSS STATEMENT**

	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
Unrealized gain (loss)	¥ 4,016	¥ 8,939

**(4) AMOUNT FOR EACH PORTFOLIO CLASSIFICATION OF EQUITY EXPOSURE**

	Millions of yen	
	As of September 30, 2019	As of September 30, 2018
Market-based approach	¥ 41,576	¥ 15,306
PD/LGD Method	361,227	402,218
RW100% Applied	51	51
RW250% Applied	5,238	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

**8. BEFORE REVISION EXPOSURE RELATING TO INVESTMENT FUNDS**

	Millions of yen
	As of September 30, 2018
Regarded exposure (fund)	¥ 34,969

**QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)****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.

As of March 31	Millions of yen As of September 30, 2019
Look-through approach	¥ 3,045
Mandate-based approach	808
Probability-based approach (250%)	-
Probability-based approach (400%)	35,309
Fall-back approach	-
<b>Total</b>	<b>¥ 39,163</b>

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.

**10. INTEREST RATE RISK (IRRBB) THE INCREASE/DECREASE IN ECONOMIC VALUE FOR UPWARD/DOWNWARD RATE SHOCKS ACCORDING TO MANAGEMENT'S METHOD FOR IRRBB**

Change in economic values from a 2% interest-rate shock:

	Billions of yen As of September 30, 2018
JPY	¥ (61.6)
USD	(3.9)
Others	(13.9)
<b>Total</b>	<b>¥ (79.4)</b>

**11. INTEREST RATE RISK**

This item has been described using the form No.11-2 of revised Accord for Disclosure from March 31, 2019, instead of the above-mentioned item "INTEREST RATE RISK (IRRBB) THE INCREASE/DECREASE IN ECONOMIC VALUE FOR UPWARD/DOWNWARD RATE SHOCKS ACCORDING TO MANAGEMENT'S METHOD FOR IRRBB".

Decrease in economic values from interest-rate shock

Millions of yen

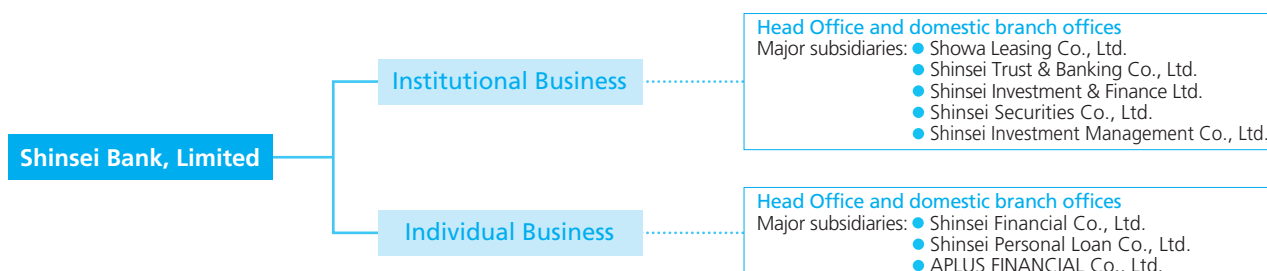
IRRBB1 : Interest rate risk					
No		A	B	C	D
		ΔEVE		ΔNII	
		As of September 30, 2019	As of September 30, 2018	As of September 30, 2019	As of September 30, 2018
1	Parallel shock up	42,797			
2	Parallel shock down	19,858			
3	Steeper shock	28,016			
4	Flattener shock	-			
5	Short rate up shock	-			
6	Short rate down shock	-			
7	Max	42,797			
		E		F	
		As of September 30, 2019		As of September 30, 2018	
8	Core capital	824,369			

Note: The "IRRBB1: Interest rate risk" column B, column C, column D and column F above are not described due to the transitional arrangements of revised Accord for Disclosure.



# Corporate Information

As of September 30, 2019, the Shinsei Bank Group consisted of Shinsei Bank, Limited, 173 subsidiaries (comprising 90 consolidated companies including APLUS FINANCIAL Co., Ltd., Showa Leasing Co., Ltd., Shinsei Financial Co., Ltd. and Shinsei Investment & Finance Limited and 83 unconsolidated subsidiaries) and 40 affiliated companies (39 affiliated companies accounted for using the equity method, such as Jih Sun Financial Holding Co., Ltd. and 1 affiliated company that is not accounted for using the equity method). The Shinsei Bank Group provides a wide variety of financial products and services to institutional and individual customers through “Institutional Business” and “Individual Business.”



## Major Subsidiaries and Affiliates

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

<sup>1</sup> Institutional Business  
<sup>2</sup> Individual Business  
<sup>3</sup> Corporate/Other

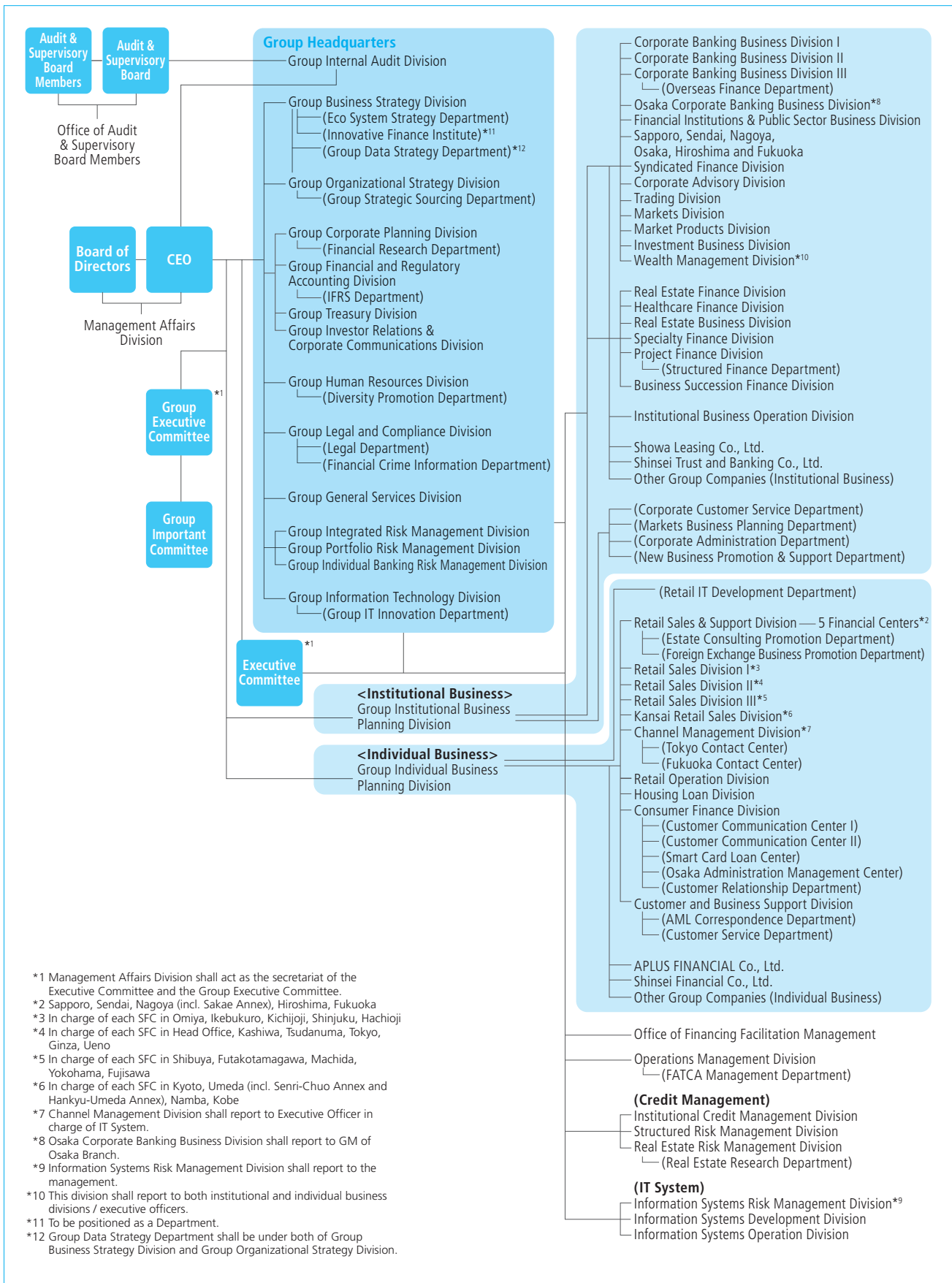
## Employees

		September 30, 2018	March 31, 2019	September 30, 2019
Consolidated	Number of Employees	5,302	5,179	<b>5,430</b>
Nonconsolidated	Number of Employees	2,208	2,150	<b>2,174</b>
	Male	1,252	1,218	<b>1,225</b>
	Female	956	932	<b>949</b>
Average age		41 years 3 months	41 years 7 months	<b>41 years 9 months</b>
Average years of service		12 years 5 months	12 years 11 months	<b>13 years 5 months</b>
Average monthly salary		¥465 thousand	¥477 thousand	<b>¥473 thousand</b>
Number of Business-Limited Employees		154	146	<b>151</b>
Number of Part-time Employees		110	215	<b>102</b>
Number of Temporary Employees		4	6	<b>1</b>

(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 2,249 as of September 30, 2019.

(As of September 30, 2019)

Capital (in millions)	Established	Acquired	Equity stake held by Shinsei Bank and consolidated subsidiaries (%)			
				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	1984.10	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%	—	
2	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	35.7%	—	35.7%	
¥4,050	1997.12	2016.12	50.0%	50.0%	—	
VND800,000	2016. 3	2017.10	49.0%	49.0%	—	



## Directors and Executive Officers

(As of December 1, 2019)

### Board of Directors (6)

#### Hideyuki Kudo

Representative Director, President

#### Yoshiaki Kozano

Director

#### Ernest M. Higa\*<sup>1</sup>

Director  
Chairman, President & Chief  
Executive Officer,  
Higa Industries Co., Ltd.

#### Jun Makihara\*<sup>1</sup>

Director  
Director, Monex Group, Inc.  
Director, Philip Morris International Inc.

#### Rie Murayama\*<sup>1</sup>

Director  
Former Managing Director,  
Goldman Sachs Japan Co., Ltd.

#### Ryuichi Tomimura\*<sup>1</sup>

Director  
President, Representative Director,  
SIGMAXYZ Inc.

### Audit & Supervisory Board Members (3)

#### Shinya Nagata

Audit & Supervisory Board Member

#### Ikuko Akamatsu\*<sup>2</sup>

Audit & Supervisory Board Member  
Certified Public Accountant,  
Certified Fraud Examiner

#### Shiho Konno\*<sup>2</sup>

Audit & Supervisory Board Member  
Lawyer

\* 2 Outside Audit & Supervisory Board Members

\* 1 Outside Directors

### Group Headquarters Officers and Shinsei Bank Executive Officers (37)

#### 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

Chief Officer, Group Organizational  
Strategy, Group Human Resources  
Senior Managing Executive Officer,  
Executive Officer in charge of  
Operations Management

#### Yoshiaki Kozano

Director  
Chief Officer, Group Business Strategy,  
GM, Group Business Strategy Division

#### 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.

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

#### 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

#### Takahisa Komoda

Managing Executive Officer, Head of  
Institutional Business

#### Tsukasa Makizumi

Managing Executive Officer, Head of  
Credit Risk Management

#### Masanori Matsubara

Managing Executive Officer,  
Head of IT System

#### Kyohei Matsumoto

Chief Officer, Group Legal and  
Compliance

#### 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.

#### Shigeto Yanase

Managing Executive Officer, Executive  
Officer in charge of Institutional  
Business,  
General Manager, Osaka Branch

(Executive Officer (EO) and equivalent to EO)

#### Takahiro Fujii

Executive Officer, Executive Officer in charge of  
Institutional Business

#### Kunimitsu Hayashi

Executive Officer, Executive Officer in charge of  
Institutional Business

#### Takako Hayashi

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

#### Etsuko Ichiba

Executive Officer, Executive Officer in charge of  
Retail Operation, General Manager,  
Retail 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

#### Hirohisa Kazami

Senior Officer, Group Legal and Compliance

#### Kumi Kikugawa

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

#### Shuichi Kubo

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

#### Takahiro Kubo\*<sup>1</sup>

Executive Officer, Executive Officer in charge of  
Group Structured Solution

#### Hirofumi Kusakabe

Executive Officer, Head of Group Structured  
Solution

#### Junya Nakamura

Senior Officer, Group Organizational  
Strategy, GM, Group Organizational  
Strategy Division

#### Nobuyasu Nara

Executive Officer

#### 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

#### Hiroki Otake

Executive Officer, Head of Retail Sales

#### Hiroshi Ooyama

Executive Officer, General Manager,  
Group Institutional Business Planning  
Division

#### Touchiro Shiomi

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

#### Noboru Takemura

Senior Officer, Group Corporate Planning  
and Finance

#### Masayoshi Tomita

Executive Officer, Executive Officer in  
charge of Individual Business

#### Kenji Uesaka

Executive Officer, Executive Officer in  
charge of Group Structured Solution,  
General Manager, Specialty Finance  
Division

#### Takahiro Yoshida

Senior Officer, Group Corporate Planning  
and Finance, GM, Group Treasury  
Division

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, Mr. Kouichi Sawaji is  
equivalent to Managing Executive Officer of  
Shinsei Bank, and Ms. Takako Hayashi, Mr.  
Hirohisa Kazami, Mr. Junya Nakamura, Ms.  
Tamane Nishi, Mr. Touchiro Shiomi, Mr. Noboru  
Takemura and Mr. Takahiro Yoshida are  
equivalent to Executive Officers of Shinsei Bank.

\* 1: Mr. Takahiro Kubo is also appointed as  
Representative Director and President, Shinsei  
Trust & Banking Co., Ltd.

### Senior Advisor

#### Shigeru Kani

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

### Special Advisor

#### Yukio Nakamura

### Advisor

#### Yuji Tsushima

### Executive Advisors

#### Nozomi Moue

#### Yasufumi Shimada



## 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

708 locations

## Partner Train Station, Convenience Store and Supermarket ATMs:

Seven Bank, Ltd. ATMs	25,343 locations
E-net ATMs	12,371 locations
Lawson ATM Networks ATMs	13,458 locations
AEON Bank ATMs	5,276 locations
VIEW ALTTE ATMs	315 locations
Patsat ATMs	108 locations

## Stock Information

(As of September 30, 2019)

### Shares Outstanding and Capital

Date	Shares outstanding		Capital		Capital surplus		(1,000 shares, millions of yen) Notes
	Change	Balance	Change	Balance	Change	Balance	
July 29, 2003	(1,358,537)	2,033,065 <sup>1</sup>	—	451,296	—	18,558	2-for-1 reverse share split for common shares Post reverse split common shares outstanding 1,358,537 thousand shares
July 31, 2006	(99,966)	1,933,098 <sup>1</sup>	—	451,296	—	18,558	Use of call feature for Series 3 Class-B preferred shares Issuance of 200,033 thousand common shares Retirement of Series 3 Class-B preferred shares -300,000 thousand shares
November 16, 2006	(85,000)	1,848,098 <sup>1</sup>	—	451,296	—	18,558	Cancellation of treasury shares (common) -85,000 thousand shares
August 1, 2007	(100,000)	1,748,098 <sup>1</sup>	—	451,296	—	18,558	Mandatory acquisition of Series 3 Class-B preferred shares Issuance of 200,000 thousand common shares Retirement of Series 3 Class-B preferred shares -300,000 thousand shares
February 4, 2008	117,647	1,865,746 <sup>1</sup>	25,000	476,296	25,000	43,558	Third-party allocation of shares (common shares) Subscription price ¥425, par value ¥212.5
March 31, 2008	194,600	2,060,346	—	476,296	—	43,558	Use of call feature for Series 2 Class-A preferred shares Issuance of 269,128 thousand common shares Retirement of Series 2 Class-A preferred shares -74,528 thousand shares
March 15, 2011	690,000	2,750,346	35,907	512,204	35,907	79,465	New shares issued through International Offering (common shares) Subscription price ¥108, par value ¥52.04
October 1, 2017	(2,475,312)	275,034	—	512,204	—	79,465	10-for-1 reverse share split for common shares Post reverse split common shares outstanding 275,034 thousand shares
May 18, 2018	(16,000)	259,034	—	512,204	—	79,465	Cancellation of Treasury Shares (common) -16,000 thousand shares

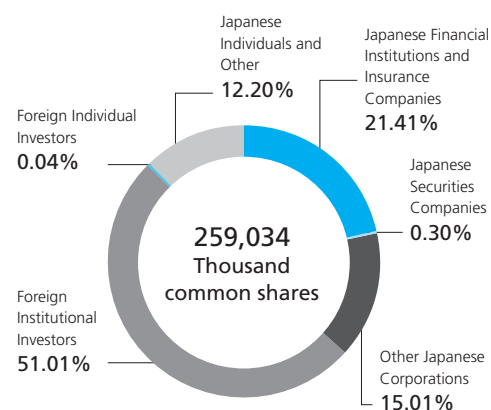
<sup>1</sup> Figures include number of preferred shares outstanding.

### Largest Shareholders

Rank	Shareholders	Thousands of Common Shares	Shareholding Ratio
1	Deposit Insurance Corporation of Japan	26,912	10.38%
2	THE RESOLUTION AND COLLECTION CORPORATION	20,000	7.72%
3	SHINSEI BANK, LIMITED	19,514	7.53%
4	SBI Holdings, Inc.	11,281	4.35%
5	SSBTC CLIENT OMNIBUS ACCOUNT	9,713	3.74%
6	THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT)	9,520	3.67%
7	SATURN JAPAN III SUB C.V.	8,109	3.13%
8	JAPAN TRUSTEE SERVICE BANK, LTD. (TRUST ACCOUNT 9)	7,963	3.07%
9	BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	5,204	2.00%
10	JAPAN TRUSTEE SERVICE BANK, LTD. (TRUST ACCOUNT)	4,840	1.86%
11	J.P. MORGAN BANK LUXEMBOURG S.A. 1300000	4,709	1.81%
Total (includes treasury shares)		259,034	100.00%

Note: As of September 30, 2019, in total, the Deposit Insurance Corporation of Japan and the Resolution and Collection Corporation hold 46,912,888 common shares or 19.58% of Shinsei Bank's outstanding common shares, excluding treasury shares.

### Beneficial Ownership/ Type of Shareholder



Notes: 1 "Japanese Financial Institutions and Insurance Companies" includes the Resolution and Collection Corporation.  
2 "Other Japanese Corporations" includes the Deposit Insurance Corporation of Japan.  
3 "Japanese Individuals and Other" includes treasury shares.

## Ratings Information

(As of November 30, 2019)

	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



For further information, please contact:

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**Shinsei Bank, Limited**

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