SHINSEI BANK

INTEGRATED REPORT 2022

For the fiscal year ended March 31, 2022

Data Appendix

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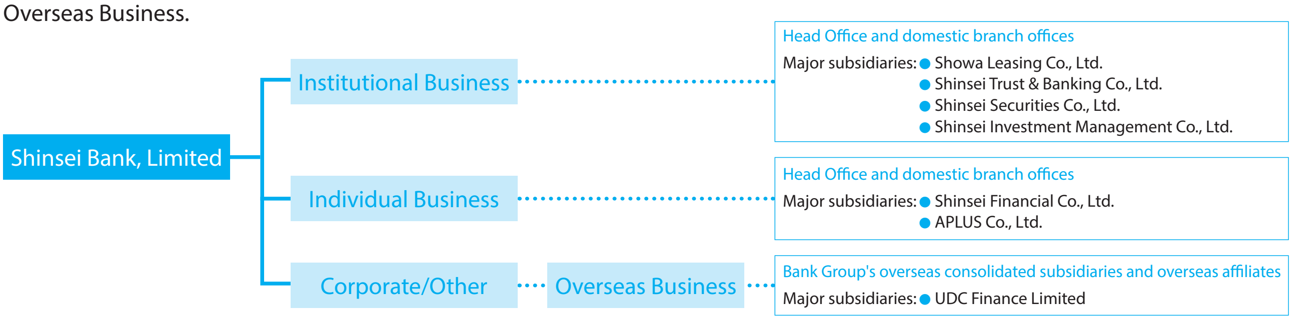
Please see Shinsei Bank's Integrated Report 2022 for its businesses, strategies and ESG information.

Corporate Information

As of March 31, 2022, the Shinsei Bank Group consisted of Shinsei Bank, Limited, 135 subsidiaries (comprising 81 consolidated companies including APLUS Co., Ltd., Showa Leasing Co., Ltd., Shinsei Financial Co., Ltd, Shinsei Trust & Banking Co., Ltd and UDC Finance Limited and 54 unconsolidated subsidiaries) and 43 affiliated companies (43 affiliated companies accounted for using the equity method, such as MB Shinsei Finance Limited Liability Company). The Shinsei Bank Group provides a wide variety of financial products and services to institutional and individual customers through Institutional Business, Individual Business and Overseas Business.



Major Subsidiaries and Affiliates

Name	Location	Main business
Major Domestic Subsidiaries		
Showa Leasing Co., Ltd.	Tokyo, Japan	Leasing[1]
SHINKO LEASE CO., LTD.	Hyogo, Japan	Leasing[1]
Shinsei Trust & Banking Co., Ltd.	Tokyo, Japan	Trust banking[1]
Shinsei Securities Co., Ltd.	Tokyo, Japan	Securities[1]
Shinsei Investment Management Co., Ltd.	Tokyo, Japan	Investment trust and discretionary investment advising[1]
Shinsei Investment & Finance Limited	Tokyo, Japan	Financial instruments business[1]
Shinsei Corporate Investment Limited	Tokyo, Japan	Investment[1]
APLUS Co., Ltd.	Osaka, Japan	Installment credit[2]
Shinsei Financial Co., Ltd.	Tokyo, Japan	Finance[2]
Shinsei Personal Loan Co., Ltd.	Tokyo, Japan	Financing for individuals and small businesses[2]
Shinsei Business Services Co., Ltd.	Tokyo, Japan	Outsourcing services[3]
Alpha Servicer Co., Ltd.	Tokyo, Japan	Servicing business[2]
Financial Japan Co., Ltd.	Tokyo, Japan	Insurance business[2]
Major Overseas Subsidiaries		
Shinsei International Limited	London, UK	Securities[1]
EasyLend Finance Company Limited	Kowloon, Hong Kong	Finance[3]
UDC Finance Limited	Auckland, New Zealand	Finance[3]
Major Affiliates Accounted for Using the Equity Method		
Nissen Credit Service Co., Ltd.	Kyoto, Japan	Credit card[2]
MB Shinsei Finance Limited Liability Company	Hanoi, Vietnam	Finance[3]

1 Institutional Business
2 Individual Business
3 Corporate / Other

Employees

		March 31, 2020	March 31, 2021	March 31, 2022
Consolidated	Number of Employees	5,349	5,605	**5,608**
Nonconsolidated	Number of Employees	2,137	2,186	**2,223**
	Male	1,203	1,237	**1,258**
	Female	934	949	**965**
Average Age		42 years 1 month	42 years 4 months	**42 years 7 months**
Average Years of Service		13 years 4 months	13 years 6 months	**13 years 10 months**
Average Monthly Salary		¥476 thousand	¥491 thousand	**¥489 thousand**
Number of Business-Limited Employees		147	138	**137**
Number of Part-Time Employees		204	205	**229**
Number of Temporary Employees		6	6	**5**

(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 2,281 as of March 31, 2022.

(As of March 31, 2022)

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	1987. 7	2019. 7	80.0%	—	80.0%
5,000	1996.11	—	100.0%	100.0%	—
8,750	1997. 8	—	100.0%	100.0%	—
495	2001.12	—	100.0%	100.0%	—
100	2006. 4	2012.12	100.0%	100.0%	—
50	2012.11	—	100.0%	100.0%	—
100	2009. 4	—	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	—	100.0%	100.0%	—
30	2013. 2	2019. 5	100.0%	100.0%	—
£3	2004. 9	—	100.0%	100.0%	—
HK$130	2012. 9	2020. 2	100.0%	100.0%	—
NZ$52	1938. 4	2020. 9	100.0%	100.0%	—
¥100	1997.12	2016.12	50.0%	50.0%	—
VND1,300,000	2016. 3	2017.10	49.0%	49.0%	—

Organization of Shinsei Bank, Limited

(As of July 1, 2022)

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

Group Headquarters

- Group Internal Audit Division
- Group Strategy Planning Division
- Group Corporate Planning Division
  - (Financial Research Department)
  - (Sustainability Planning Department)
- Group Digital Strategy Division
  - (Innovative Finance Institute)*9
- Group Financial and Regulatory Accounting Division
  - (IFRS Department)
- Group Investor Relations & Corporate Communications Division
- Group Treasury Division
- Securities Investment Division
- Group Overseas Business Division
- Group Human Resources Division
  - (Diversity Promotion Department)
- Group Legal and Compliance Division
  - (Legal Department)
  - (Financial Crime Information Department)
  - (Group C-SIRT Management Department)*10
- Group General Services Division
  - (Group Strategic Sourcing Department)
- Group Integrated Risk Management Division
- Group Portfolio Risk Management Division
- Group Individual Banking Risk Management Division
- Group Information Technology Division
  - (Group C-SIRT Management Department)*10

Institutional Business

- Group Institutional Business Planning Division
  - (Corporate Customer Service Department)
  - (Markets Business Planning Department)
  - (Corporate Administration Department)
  - (Business Development Department)
  - (Asset Enhancement Business Department)
- Cash Flow Solution Division
- Corporate Banking Business Division Ⅰ
- Corporate Banking Business Division Ⅱ
  - (Overseas Finance Department)
- Osaka Corporate Banking Business Division*7
- Financial Institutions Business Division
- Sapporo, Nagoya, Osaka and Fukuoka
- Syndicated Finance Division
- Corporate Advisory Division
- Trading Division
- Markets Division
- Wealth Management Division
- Real Estate Finance Division
- Healthcare Finance Division
- Venture Business Division
- Business Co-Creation Division
  - (Eco System Strategy Department)
- Real Estate Business Division
- Specialty Finance Division
- Project Finance Division
- Business Succession Finance Division
- Sustainable Impact Development Division
  - (Sustainable Impact Assessment Department)
- Institutional Business Operation Division
- Showa Leasing Co., Ltd.
- Shinsei Trust and Banking Co., Ltd.
- Other Group Companies (Institutional Business)

Individual Business

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

Other

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

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

(IT System)
- Information Systems Risk Management Division*8
- Information Systems Development Division
- Information Systems Operation Division

*1 Management Affairs Division shall act as the secretariat of the Executive Committee and the Group Executive Committee.
*2 Sapporo, Nagoya (incl. Sakae Annex), Fukuoka
*3 In charge of each SFC in Omiya, Ikebukuro, Kichijoji, Shinjuku, Hachioji
*4 In charge of each SFC in Head Office, Kashiwa, Tsudanuma, Ginza, Ueno
*5 In charge of each SFC in Shibuya, Futakotamagawa, Machida, Yokohama, Fujisawa
*6 In charge of each SFC in Kyoto, Umeda (incl. Senri-Chuo Annex), Namba, Kobe
*7 Osaka Corporate Banking Business Division shall report to the general manager of Osaka Branch.
*8 Information Systems Risk Management Division shall reportto the management.
*9 To be positioned as a Department.
*10 To be co-managed by Group Legal and Compliance Divisionand Group Information Technology Division

Directors and Executive Officers

(As of July 1, 2022)

Board of Directors (9)

Hirofumi Gomi
Chairman of the Board

Katsuya Kawashima
Representative Director, President

Katsumi Hatao
Director

Eisuke Terasawa
Director

Yasuhiro Hayasaki *1
Director
President, Ricoh Institute of Sustainability and Business, Ricoh Company, Ltd.

Ayumi Michi *1
Director
Attorney at Law

Masahiro Terada *1
Director
Attorney at Law

Kei Fujisaki *1
Director

Yurina Takiguchi *1
Director
Business and Economics Anchor

Audit & Supervisory Board Members (3)

Shinya Nagata
Audit & Supervisory Board Member

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

Miyuki Nakagawa *2
Audit & Supervisory Board Member
Lawyer

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

Executive Officers (39)

Hirofumi Gomi
Chairman

Katsuya Kawashima
Representative Director
President and Chief Executive Officer

(Senior Managing Executive Officer)

Katsumi Hatao
Director, Senior Managing Executive Officer, Assistant to the President, In charge of Group Treasury and Group Overseas Business

Akira Hirasawa
Senior Managing Executive Officer, Overseeing Corporate Planning, Group Human Resources, Group Legal and Compliance, Group General Services, Group Risk and Group IT, Head of Operations Management

Tsukasa Makizumi
Senior Managing Executive Officer, Head of Credit Risk Management

Michiyuki Okano
Senior Managing Executive Officer, In charge of Group IT

Toichiro Shiomi
Senior Managing Executive Officer, In charge of Group Risk

(Managing Executive Officer)

Kunimitsu Hayashi
Managing Executive Officer, In charge of Financial Institutional Business and Institutional Business

Takako Hayashi
Managing Executive Officer, Group Human Resources

Hiroyuki Kagita
Managing Executive Officer, In charge of Group Strategy Planning, Head of Individual Business

Takahisa Komoda
Managing Executive Officer, In charge of Group Strategy Planning, Head of Institutional Business

Hirofumi Kusakabe
Managing Executive Officer, Head of Group Structured Solution

Masanori Matsubara
Managing Executive Officer, Group IT, Head of IT System

Hiroki Otake
Managing Executive Officer, In charge of Retail Banking Business

Kouichi Sawaji
Managing Executive Officer, Group General Service

Eisuke Terasawa
Managing Executive Officer, In charge of Group Corporate Planning and Financing Facilitation, General Manager of Group Corporate Planning Division, General Manager of Office of Financing Facilitation Management

(Executive Officer)

Hiroko Adachi
Executive Officer, In charge of Financial Institutional Business and Institutional Business

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

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

Yasuhiro Fujiki
Executive Officer, General Manager of Group Overseas Business Division

Koichi Hazama
Executive Officer, General Manager of Retail Sales Division I

Nanshu Ido
Executive Officer, General Manager of Information System Operation Division

Yukiko Iwasaki
Executive Officer, General Manager of Institutional Business Operation Division, In charge of Group Institutional Business Planning Division (Secondary)

Shinobu Jitsukawa
Executive Officer, In charge of Institutional Business Planning (Special Assignment)

Kiminori Kakuno
Executive Officer, General Manager of Group Institutional Business Planning Division

Yuichiro Kawabe
Executive Officer, General Manager of Project Finance Division

Taichi Kawai
Executive Officer, In charge of Financial Institutional Business and Institutional Business, General Manager of Osaka Branch

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

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

Yuko Nagasawa
Executive Officer, General Manager of Sustainable Impact Development Division

Junya Nakamura
Executive Officer, General Manager of Group Individual Business Planning Division

Tomoko Ogawara
Executive Officer, In charge of Individual Business

Chikara Oguni
Executive Officer, In charge of Institutional Business, General Manager of Markets Division

Arimitsu Osato
Executive Officer, General Manager of Group Strategy Planning Division

Kojiro Taima
Senior Officer, Group Legal and Compliance

Mitsuhiro Tomita
Executive Director, In charge of Group Overseas Business and Group Strategy Planning
(Equivalent to Executive Officer)

Kenji Uesaka
Executive Officer, In charge of Group Structured Solution and Financial Sponsors

Usei Yano
Senior Officer, In charge of Group General Services, Department Head of Group General Services Division, Group Strategic Sourcing Department

Takahiro Yoshida
Senior Officer, In charge of Group Treasury

Note: Executive Officers are listed in alphabetical order.

Network

(As of June 30, 2022)

Domestic Outlets

25 outlets (23 branches including head office, 2 annexes)

Hokkaido

Sapporo Branch

Kanto (Excluding Tokyo)

Omiya Branch
Kashiwa Branch
Tsudanuma Branch
Yokohama Branch
Fujisawa Branch

Tokyo

Head Office
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—Senri Chuo Annex
Namba Branch
Kobe Branch

Kyushu

Fukuoka Branch

Lake Unstaffed Branches:

Lake unstaffed branches	665 locations

Partner ATMs: (Train Stations, Convenience Stores, and Supermarkets)

Seven Bank, Ltd. ATMs	26,364 locations
E-net ATMs	12,471 locations
Lawson ATM Networks ATMs	13,549 locations
AEON Bank ATMs	6,440 locations
VIEW ALTTE ATMs	389 locations
Patsat ATMs	130 locations

Initiatives for SME Management Improvement and Regional Revitalization

To improve the management of small and medium-sized enterprises (SMEs) and to contribute to regional revitalization, Shinsei Bank participates in many initiatives, such as those described below. We provide our expertise, and depending on the initiative, cooperate with regional financial institutions and the SME Revitalization Council.

We support SMEs and local businesses that have technologies or business models with unrealized growth potential as well as those in new business fields or business domains that contribute to regional economic revitalization. The Bank goes beyond merely satisfying funding requirements to providing full financing. Full financing emphasizes cash flows and multifaceted solutions to management issues such as business strategy planning, implementation support, and other complementary services.

Through these initiatives, 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 Regional Revitalization and Business Succession — Civil engineering company in the Tohoku region

For more than 50 years, this company built a solid business foundation in the Tohoku region, through continued performance with outstanding technological capabilities and mobility. The owner manager was not yet at the age of retirement but was unable to approve successor candidates in the neighborhood. In addition to a sense of crisis over changes in the business environment, there was an uneasiness about future business successions. Shinsei Business Succession Co., Ltd., a specialized investment subsidiary established by the Bank to support business succession, received an introduction from Showa Leasing, which had a business relationship with the company, and acquired all the shares of the company on the assumption of a future succession to a leading operating company that could contribute to the business' continuity. Shinsei Business Succession will continue to strengthen governance under the management delegated to the former owners and will support the realization of business succession envisioned by the former owners while working to further increase corporate value.

Supporting Business Revitalization — Sales of environment-related equipment and environmental services

The company manufactured and sold environment-related equipment and developed environmental services related to this equipment. On the other hand, it was necessary for the company to comply with regulations on environmental services, which made it difficult for them to raise funds, and continue their business operations. The company invited third-party sponsors under the Small and Medium Enterprise Revitalization Support Council to help the business continue, and we were appointed by the company as a financial advisor to select a sponsor. Using our network based on our extensive experience in business revitalization M&As, we succeeded in putting up candidates from Japan and overseas as sponsors. Through consultations with government ministries, government agencies, and financial institutions, we contributed to the sponsor's succession of the entire business. All employees were also retained by the successor company, and the company's business has restarted, while keeping the path open for a large-scale capital investment.

Supporting Business Expansion — Service sector

This company's main service is to support behavioral transformation, which encourages individuals who have a desire for self-development to continue learning. The company wanted to strengthen its organizational structure in order to grow the business. When we introduced a well-established leading company for organizational consulting that is focused on start-up companies, we developed a capital and business alliance in addition to entering into a consulting agreement. In this way, we succeeded in making a contribution to strengthening the organizational structure of that company. In addition, we provided both operational and financial support for the growth of the company through referrals and equity financing from major companies that have education and training businesses.

Risk Management

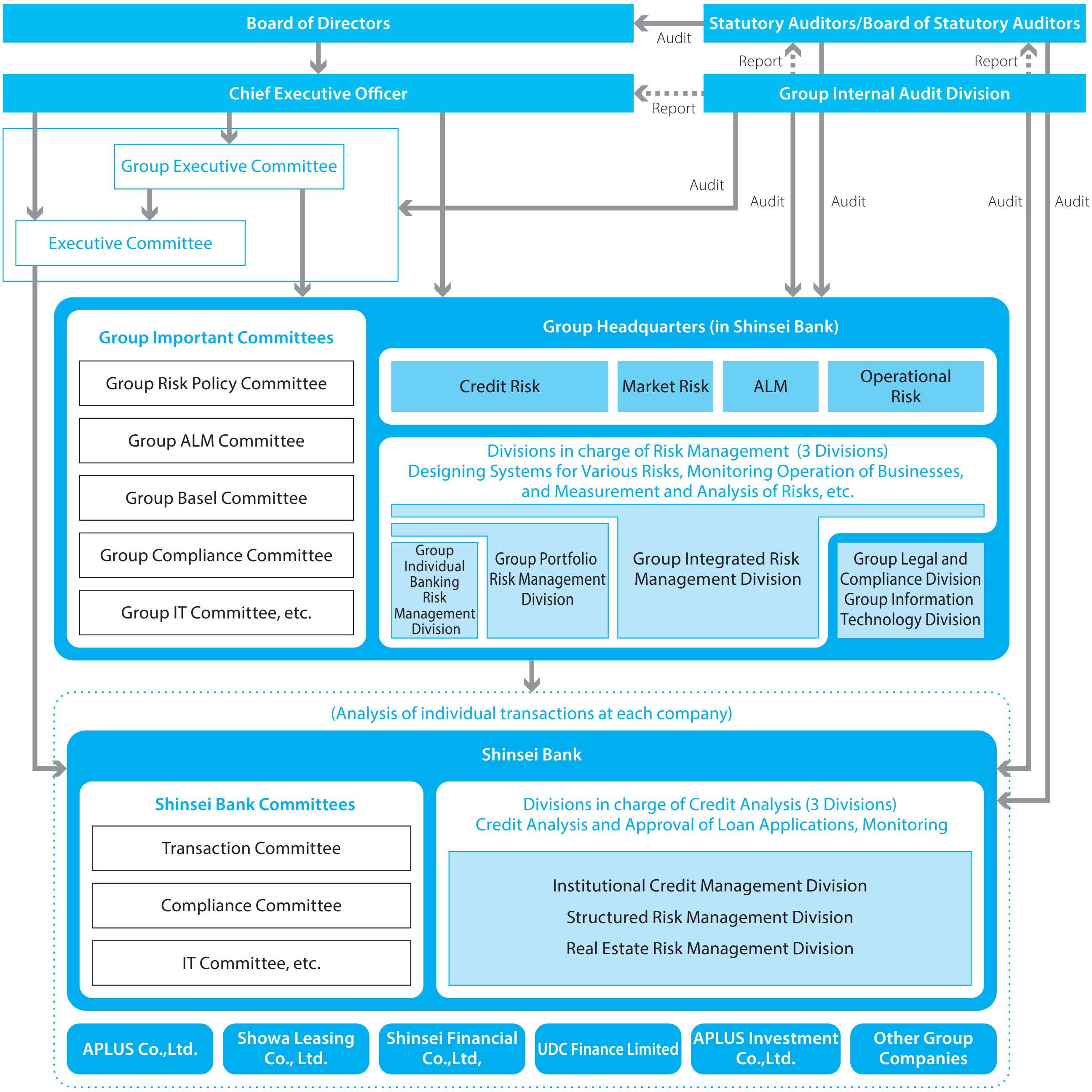
Overview of the Group's Risk Management Systems

To ensure that our risk management is effective, the Bank has established various committees such as the Group Risk Policy Committee, Transaction Committee, Group Asset and Liability Management (ALM) Committee and Market Business Management Committee.

All these committees are able to function effectively as bodies responsible for making important risk judgments by constantly improving their composition and functions in response to changes in the operating environment. The Group Risk Policy Committee, whose members include senior management, such as the CEO, officers of the Group corporate planning and financing facilitation and Group risk management, and the Group head of risk management, performs the crucial role of setting and coordinating the appropriate and optimal level of risk taking by concurrently reviewing the Bank's risk management policies and business strategy.

Shinsei Bank has established the Group Risk Management Policy as the fundamental policy on risk management and basic recognition of risk categories based upon the understanding of the totality of risks faced by theentire Shinsei Bank Group and the need to actively manage them.

■ Risk Management System Chart (As of June 22, 2022)



Risk Management

Basic Concept Regarding Risk Management

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

■ Definitions of Risk Categories

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

Credit Risk

Credit Risk Management: Group Governance

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

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

Institutional Business: Credit Risk Management

Under the Group Credit Policy, the Shinsei Bank Group has identified risks which we cannot accept or should not accept as a corporate group, and has established general policies concerning the criteria for selection of the companies to be credited, and has clearly set out various procedures as well as the basic policies for credit business and specific guidelines for credit risk management.

Credit risk management processes for institutional businesses are broadly grouped into credit risk management for individual transactions and portfolio-based credit risk management.

Credit Risk Management for Individual Transactions

(1) Organization & Structure

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

(2) Obligor Rating Systems

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

Portfolio-Based Credit Risk Management

(1) Monitoring Analysis System

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

(2) Quantifying Credit Risk

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

(3) Credit Concentration Guideline

Our credit concentration management framework consists of guidelines for country credit limits as well as industry, obligor group, and product concentrations. When the credit concentration exceeds the guideline, we conduct reviews and adopt countermeasures.

Individual Business: Credit Risk Management

Risk management for our consumer finance businesses encompasses all operations from loan application assessment (entry-point credit) to managing risks after a contract is signed (credit monitoring) and, if needed, loan collection operations. The Group Individual Banking Risk Management Division is in charge of risk management for products for individual customers, including our consumer finance businesses. The division holds a monthly risk performance review meeting with other risk-related divisions including the officer for risk management at the Bank as well as risk officers from subsidiaries in order to share information and promote a shared awareness of risks. The division also provides operational support and advice to relevant units of the Bank and its subsidiaries relating to overall risk management concerning credit administration policies and credit strategies. Risk-related divisions at the Group subsidiaries carry out appropriate risk control through a process that incorporates scoring models into credit administration processes, while using credit-related databases of customer attributes stemming from the nature of their businesses, credit information, and transaction history.

The scoring models, essentially the initial credit score, assess at credit monitoring stages, collection strategy scores, etc. were developed using statistical methodologies, and to maintain the accuracy of the scoring models in line with the level achieved when it was first developed, model performance is constantly monitored and the model is subject to fine-tuning as needed.

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

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

Credit Risks on Market-Related Transactions

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

Self-Assessment

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

Market Risk

Market Risk Management Policy

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

Trading Book

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

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

(Millions of yen)

	FY2020	FY2021
FY End VaR	1,132	313
FY VaR		
Maximum	2,802	611
Average	1,810	356
Minimum	1,132	235

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

(Millions of yen)

	FY2020	FY2021
FY End VaR	2,412	1,190
FY VaR		
Maximum	4,346	2,304
Average	3,173	1,611
Minimum	2,412	1,046

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

Interest Rate Risk in Banking Book

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

Risk Related to Marketable Credit Instruments

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

Liquidity Risk

Liquidity Risk Management Policy

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

Operational Risk

Operational Risk Management Frameworks

To ensure comprehensive management of operational risks, the Bank has established an operational risk management policy that defines risks and sets forth its basic policy and organizational structures for risk management as well as procedures for identifying, evaluating, monitoring, reporting and controlling/mitigating risk. The Group Integrated Risk Management Division, a unit responsible for Group-wide operational risk management, evaluates, analyzes, and reports on operational risk to management. Moreover, for each domain of operational risk, such as administrative risk and systems risk, specialized risk management divisions that are independent from business divisions manage operational risks according to the attributes of each category.

Risk Management Frameworks for Administrative Risks

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

Risk Management Frameworks for Systems Risks

Systems risks include the risk of companies or individuals incur ring losses from the disappearance of valuable data of customers as a result of information systems shutting off and software or hardware failures. Through consecutive reviews of systems risks, we are identifying and evaluating the risks, and working to improve quality in systems development and prevent systems failures, and to ensure rapid recoveries when problems occur by improving our systems operating capabilities. We continue to manage risks for safe operations of new systems. We have endeavored to improve the level of systems risk management and information security for the entire Group, including subsidiaries. We have positioned cybersecurity risks, that threaten the security of the financial system, as one of the key risks of management, and the Shinsei Bank Group C-SIRT is working on Group-wide management. We will strive to ensure the safety of our customers' information and assets by conducting tests using practical attack methods.

Due Diligence System for New Business and Products

The Group New Business/Product Committee was established in the Group headquarters to conduct due diligence for new businesses and products of our Group companies.

In strategic investments with capital tie-ups, due diligence has to be conducted by this committee before the Group Executive Committee makes decisions.

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

Due diligence system for new business and products

Chairman and committee members

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

Main verification items

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

Authority etc.

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

Process after a business is launched

Monitoring system

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

Risk Glossary

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

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

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

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

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

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

Fiscal year 2021 refers to the consolidated accounting period from April 1, 2021 to March 31, 2022 and other fiscal years are also stated in the same manner.

Additionally, "this fiscal year" refers to fiscal year 2021.

OVERVIEW

Shinsei Bank, Limited is a 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, the Individual Business and the Overseas Business.

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

FINANCIAL SUMMARY FOR THE FISCAL YEAR ENDED MARCH 31, 2022

Net income attributable to owners of the parent totaled ¥20.3 billion which decreased by ¥24.7 billion from ¥45.1 billion recorded in fiscal year 2020. Total revenue decreased by being impacted by a loss on sales of securities at Treasury, while revenue from UDC Finance Limited ("UDC") acquired in fiscal year 2020 was recorded on a full-year basis. General and administrative expenses increased primarily due to a full-year impact of UDC consolidation. Net credit costs improved primarily because borrowers' business conditions hardly deteriorated due to the spread of COVID-19 up to the third quarter in the Institutional Business. However, on a full year basis, net credit costs increased from fiscal year 2020 due to large loan-loss reserve provisioning in the fourth quarter. In addition, gains on share transfer recorded in fiscal year 2020 were absent in fiscal year. As a result, net income attributable to owners of the parent decreased from fiscal year 2020.

Total revenue totaled ¥217.5 billion which decreased by ¥4.3 billion from fiscal year 2020. This amount includes ¥125.6 billion in net interest income, which increased by ¥3.6 billion from ¥122.0 billion recorded in fiscal year 2020.

OVERVIEW (continued)

Interest income from the unsecured loan business for individual customers decreased, however, the full-year impact of UDC consolidation and dividend income from the Latitude Group with which we concluded a capital partnership effective March 10, 2021 were greater than the decrease. Noninterest income totaled ¥91.8 billion which decreased by ¥7.9 billion from ¥99.8 billion recorded in fiscal year 2020. Noninterest income increased in the Individual Business due to recording of share transfer gains, in addition to fees and commissions from the sales of asset management products at Retail Banking and an increase in income from the shopping credit business of APLUS. Noninterest income increased in the Institutional Business, as well, primarily due to improved revenues from investments at Principal Transactions. On the other hand, noninterest income in Corporate/Other decreased due to recording of losses on sales of securities at Treasury as a result of disposing of bonds held to reduce interest-rate risk amount and for future operation of the security portfolio following the interest rate hike since January 2022, while the Overseas Business recognized revenues from UDC on a full-year basis.

General and administrative expenses excluding amortization of goodwill and intangible assets totaled ¥155.0 billion which increased from ¥149.1 billion recorded in fiscal year 2020. The increase was primarily due to full-year recording of UDC's expenses and an increase in sales promotion costs such as advertising expenses of Group member companies.

Net credit costs totaled ¥31.1 billion which increased by ¥2.7 billion from ¥28.3 billion recorded in fiscal year 2020. In the unsecured loan business for individual customers, net credit costs increased due to a smaller decrease in the asset balance compared to fiscal year 2020, even though loan quality improved including a smaller write-off amount. In the Institutional Business, net credit costs improved up to the third quarter because borrowers' business conditions hardly deteriorated due to the spread of COVID-19 and because the Business recorded gains on recoveries of written-off receivables. However, the impact of a loan-loss reserve for a large-ticket transaction provisioned in the fourth quarter was greater than the improvement.

Regarding reserves for losses on interest repayments, additional ¥1.1 billion has been provisioned, while a ¥0.3 billion reversal gain was recorded in fiscal year 2020.

The balance of loans and bills discounted as of March 31, 2022 totaled ¥5,241.8 billion which increased by ¥8.2 billion from ¥5,233.6 billion as of March 31, 2021. The increase was due to steady accumulation of balances at Structured Finance and in the Overseas Business, while the balances of loans for individual customers such as housing loans and consumer finance loans decreased.

Net interest margin rose to 2.35% from 2.29% recorded in fiscal year 2020. While the yield on interest-bearing liabilities was generally flat, the yield on interest-earning assets improved. The improvement was primarily due to a higher yield on securities with an increase in dividend from investee companies, while the yield on loans declined due to a decrease in the balance of consumer finance loans which enjoys a relatively high yield.

The Basel III domestic standard (grandfathering basis) consolidated core capital adequacy ratio as of March 31, 2022 increased to 11.72% from 11.39% as of March 31, 2021. This was due to a decrease in risk assets mainly in market-related transactions in addition to an increase in core capital. The Bank's Basel III international standard (fully loaded basis) Common Equity Tier 1 Ratio increased to 11.6% as of March 2022 from 11.3% as of March 31, 2021, maintaining an adequate level.

The nonperforming claim balance (nonconsolidated basis) under the Financial Revitalization Law totaled ¥36.1 billion as of March 31, 2022, compared to ¥34.4 billion as of March 31, 2021. The ratio of nonperforming claims to the total loan balance remains at a low level even though it increased to 0.66% as of March 31, 2022 from 0.64% as of March 31, 2021.

SIGNIFICANT EVENTS

Share buyback

Based on a buyback resolution adopted at meetings of the Board of Directors, Shinsei Bank purchased 11,327,500 shares, totaling ¥19,999,829,774 from the Tokyo Stock Exchange during the period from May 14, 2021 to May 12, 2022.

Capital Alliance with the Latitude Group

Effective March 10, 2021, Shinsei Bank entered into an agreement on a capital alliance with the Latitude Group ("Latitude") and its existing shareholders and subsequently acquired Latitude shares. The Bank currently holds approximately 10% of Latitude shares issued. Latitude has a strong customer base and is a leading shopping credit and consumer finance company in Australia with strengths in businesses such as BNPL (Buy Now Pay Later), credit cards, personal loans and auto loans. Latitude is engaged in businesses similar to APLUS Co., Ltd., one of the Shinsei Bank Group member companies and has a business portfolio that is complementary to UDC in New Zealand. Through this alliance, Shinsei will strive to enhance its presence further in the Asia and Oceania region.

OVERVIEW (continued)

Establishment of Responsible Investment and Lending Policy

Shinsei Bank Group recognizes that it is the social responsibility of financial institutions to help resolve environmental and social issues for sustainable society through its core businesses such as investment and lending. Based on this recognition, the Shinsei Bank Group has established the Responsible Investment and Lending Policy in order to realize responsible investment and lending for the environment and society. The policy has been effective since July 1, 2021.

The Shinsei Bank Group established a policy for the Group's sustainability management in 2019 and has been conducting its businesses while paying attention to environmental and social issues so that it can contribute to building a sustainable society as a part of corporate responsibilities. In 2020, Shinsei Bank endorsed the recommendations of TCFD (Task Force on Climate-related Financial Disclosures) and adopted the Equator Principles to implement projects with due consideration to the environment and society. In 2021, the Shinsei Bank Group became a signatory member of the PRB (Principles for Responsible Banking) launched by the UNEP FI (United Nations Environment Programme Finance Initiative).

In recent years, the responsibility and expectations of financial institutions as lenders have increased more than ever, together with stakeholders' attention to sustainability issues in the society. The Shinsei Bank Group intends that the Group's sustainability management should be the way the Group manages itself. It will contribute to the sustainability of society and aims to achieve sustainable growth through value-added initiatives.

SHINSEI BANK'S MAJOR SHAREHOLDER

As a result of the takeover bid (the "TOB") for the common shares of Shinsei Bank implemented by SBI Regional Bank Holdings Co., Ltd. (the "Bidder"), a wholly owned subsidiary of SBI Holdings, Inc. ("SBIHD") during the takeover bid period of September 10, 2021 to December 10, 2021, effective December 17, 2021, the commencement date of the settlement of the TOB, (A) the Bidder has acquired 56,922,199 common shares of Shinsei Bank, and (B) SBIHD holds 99,659,999 shares together with the shares it owns indirectly through the Bidder, which account for 47.77% of the voting rights of Shinsei Bank (based on the numbers of shares issued and treasury shares of Shinsei Bank as of September 30, 2021). This made SBIHD a parent company and a major shareholder of Shinsei Bank and made the Bidder a major shareholder and the largest shareholder as well as an "other associated company" of the Bank.

Subsequently, effective February 1, 2022, SBIHD, Shinsei Bank's parent company, transferred 42,737,700 Shinsei Bank shares it owned to SBI Regional Bank Holdings Co., Ltd. ("SBI Regional Bank Holdings"), a wholly owned subsidiary of SBIHD. This changed SBI Regional Bank Holdings from Shinsei Bank's an "other associated company" to the Bank's parent company, while SBIHD remains to be the Bank's parent company as it fully owns SBI Regional Bank Holdings. The two companies are therefore Shinsei Bank's major shareholders.

In deciding important transactions between the SBIHD Group and Shinsei Bank, the Bank's independent Board of Directors, of which Independent Outside Directors represent the majority, carefully examines and discusses whether subject transactions will cause disadvantage to Shinsei Bank's minority shareholders and appropriately decides the best terms and conditions for the Bank. Shinsei Bank has also built a sufficient conflict of interest management structure between the SBIHD Group. For example, Directors and employees of the SBIHD Group and executives who have a deep relationship with the Group including those who have been a Director or an employee of the Group do not engage in decision-making for transactions with the Group.

Furthermore, Shinsei Bank has established the Parent Company Transaction Screening Committee composed of all Independent Outside Directors to ensure a sufficient conflict of interest management structure by screening transactions in advance and monitoring executed transactions at the Committee.

SELECTED FINANCIAL DATA (CONSOLIDATED)

Shinsei Bank, Limited and its Consolidated Subsidiaries
As of or for the fiscal years ended March 31, 2022, 2021, 2020, 2019 and 2018

	Billions of yen (except for per share data and percentages)				
	2022	2021	2020	2019	2018
Statements of income data:					
Net interest income	**¥ 125.6**	¥ 122.0	¥ 133.5	¥ 133.8	¥ 128.7
Net fees and commissions	**34.0**	30.1	32.4	31.3	25.0
Net trading income	**6.6**	3.8	15.8	6.6	8.5
Net other business income	**51.2**	65.8	58.2	57.8	69.6
Total revenue	**217.5**	221.9	239.9	229.6	232.0
General and administrative expenses	**155.0**	149.1	150.0	145.7	142.9
Amortization of goodwill and intangible assets	**3.2**	2.7	2.4	2.8	3.9
Total general and administrative expenses	**158.3**	151.8	152.4	148.5	146.9
Net credit costs	**31.1**	28.3	39.1	29.3	37.2
Net business profit after net credit costs	**28.1**	41.6	48.3	51.8	47.7
Other gains (losses), net	**0.3**	13.6	0.8	2.7	7.6
Income before income taxes	**28.4**	55.3	49.2	54.5	55.4
Current income taxes	**8.9**	7.1	4.1	3.8	1.2
Deferred income taxes (benefit)	**(0.7)**	3.9	(0.0)	(1.3)	2.5
Profit (loss) attributable to noncontrolling interests	**(0.0)**	(0.8)	(0.4)	(0.2)	0.1
Profit (loss) attributable to owners of the parent	**¥ 20.3**	¥ 45.1	¥ 45.5	¥ 52.3	¥ 51.4
Balance sheet data:					
Trading assets	**¥ 149.0**	¥ 170.3	¥ 213.7	¥ 204.4	¥ 205.2
Securities	**674.6**	929.7	957.0	1,130.2	1,123.5
Loans and bills discounted	**5,241.8**	5,233.6	5,110.4	4,986.8	4,895.9
Customers' liabilities for acceptances and guarantees	**584.7**	567.7	526.5	456.7	395.3
Reserve for credit losses	**(119.4)**	(112.8)	(107.9)	(98.0)	(100.8)
Total assets	**10,311.4**	10,740.1	10,226.5	9,571.1	9,456.6
Deposits, including negotiable certificates of deposit	**6,398.0**	6,571.3	6,305.1	5,922.1	6,067.0
Trading liabilities	**134.0**	148.3	183.9	182.3	184.5
Borrowed money	**978.4**	1,026.6	881.9	684.0	739.5
Acceptances and guarantees	**584.7**	567.7	526.5	456.7	395.3
Total liabilities	**9,387.1**	9,809.4	9,316.0	8,674.5	8,600.6
Common stock	**512.2**	512.2	512.2	512.2	512.2
Total equity	**924.3**	930.7	910.4	896.6	856.0
Total liabilities and equity	**¥10,311.4**	¥10,740.1	¥10,226.5	¥ 9,571.1	¥ 9,456.6
Per share data[1]:					
Common equity[2]	**¥4,484.01**	¥4,283.92	¥3,913.40	¥3,636.92	¥3,376.39
Basic earnings per share	**96.78**	202.16	190.59	211.24	199.01
Diluted earnings per share	**96.75**	202.10	190.55	211.22	198.98
Capital adequacy data:					
Capital ratio (Basel lll, Domestic Standard)	**11.7%**	11.4%	11.2%	11.9%	12.8%
Average balance data:					
Securities	**¥ 947.0**	¥ 943.7	¥ 1,026.4	¥ 1,150.6	¥ 1,109.1
Loans and bills discounted	**5,298.8**	5,176.4	5,052.9	4,954.6	4,903.7
Total assets	**10,525.8**	10,483.3	9,898.8	9,513.9	9,357.4
Interest-bearing liabilities	**8,748.3**	8,324.0	7,937.1	7,773.8	7,591.2
Total liabilities	**9,598.2**	9,562.7	8,995.3	8,637.5	8,519.0
Total equity	**927.5**	920.6	903.5	876.3	838.4
Other data:					
Return on assets	**0.2%**	0.4%	0.5%	0.5%	0.5%
Return on equity[2]	**2.2%**	4.9%	5.1%	6.0%	6.1%
Ratio of deposits, including negotiable certificates of deposit, to total liabilities	**68.1%**	66.9%	67.6%	68.2%	70.5%
Expense-to-revenue ratio[3]	**71.3%**	67.2%	62.5%	63.4%	61.5%
Nonperforming claims, nonconsolidated	**¥ 36.1**	¥ 34.4	¥ 17.6	¥ 10.2	¥ 8.3
Ratio of nonperforming claims to total claims, nonconsolidated	**0.7%**	0.6%	0.3%	0.2%	0.2%

1 Shinsei Bank executed a 1-for-10 reverse stock split on October 1, 2017. The above Per share data is calculated as if the reverse stock split had been implemented at the beginning of the fiscal year ended March 31, 2016.
2 Stock acquisition rights and noncontrolling interests are excluded from equity.
3 The expense-to-revenue ratio is calculated by dividing general and administrative expenses (excluding amortization of goodwill and intangible assets) by total revenue.

RESULTS OF OPERATIONS (CONSOLIDATED)

NET INTEREST INCOME

Net interest income totaled ¥125.6 billion which increased by ¥3.6 billion from ¥122.0 billion recorded in fiscal year 2020. While interest income from the unsecured loan business for individual customers decreased, impacts of consolidating UDC on a full-year basis and dividend income from the Latitude Group were larger than the decrease.

NET REVENUE ON INTEREST-EARNING ASSETS

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

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

Billions of yen (except Yield/Rate)

	2022			2021		
Fiscal years ended March 31	**Average Balance**	**Interest**	**Yield/Rate**	Average Balance	Interest	Yield/Rate
Interest-earning assets:						
Loans and bills discounted	**¥ 5,298.8**	**¥ 127.4**	**2.41%**	¥ 5,176.4	¥ 127.2	2.46%
Lease receivables and leased investment assets/ installment receivables	**1,126.7**	**49.9**	**4.43**	957.4	43.1	4.50
Securities	**947.0**	**9.2**	**0.98**	943.7	5.4	0.58
Other interest-earning assets[1]	**194.0**	**2.4**	**n.m.[3]**	219.2	2.2	n.m.[3]
Total revenue on interest-earning assets (A)	**¥ 7,566.7**	**¥ 189.2**	**2.50%**	¥ 7,296.9	¥ 178.1	2.44%
Interest-bearing liabilities:						
Deposits, including negotiable certificates of deposit	**¥ 6,511.3**	**¥ 3.5**	**0.06%**	¥ 6,367.7	¥ 4.2	0.07%
Borrowed money	**1,001.7**	**2.0**	**0.21**	951.4	2.7	0.29
Corporate bonds	**387.7**	**3.6**	**0.95**	232.4	1.2	0.52
Other interest-bearing liabilities[1]	**847.5**	**4.2**	**n.m.[3]**	772.4	4.7	n.m.[3]
Total expense on interest-bearing liabilities (B)	**¥ 8,748.3**	**¥ 13.5**	**0.16%**	¥ 8,324.0	¥ 13.0	0.16%
Net interest margin (A) - (B)	**–**	**175.6**	**2.35%**	–	165.1	2.29%
Non interest-bearing sources of funds:						
Non interest-bearing (assets) liabilities, net	**¥ (2,103.8)**	**–**	**–**	¥ (1,939.9)	–	–
Total equity excluding noncontrolling interest[2]	**922.3**	**–**	**–**	912.7	–	–
Total non interest-bearing sources of funds (C)	**¥ (1,181.5)**	**–**	**–**	¥ (1,027.1)	–	–
Total interest-bearing liabilities and non interest-bearing sources of funds (D) = (B)+(C)	**¥ 7,566.7**	**¥ 13.5**	**0.18%**	¥ 7,296.9	¥ 13.0	0.18%
Net revenue on interest-earning assets/ yield on interest-earning assets (A) - (D)	**–**	**¥ 175.6**	**2.32%**	–	¥ 165.1	2.26%
Reconciliation of total revenue on interest-earning assets to total interest income						
Total revenue on interest-earning assets	**¥ 7,566.7**	**¥ 189.2**	**2.50%**	¥ 7,296.9	¥ 178.1	2.44%
Less: Income on lease transactions and installment receivables	**1,126.7**	**49.9**	**4.43**	957.4	43.1	4.50
Total interest income	**¥ 6,439.9**	**¥ 139.2**	**2.16%**	¥ 6,339.4	¥ 135.0	2.13%
Total interest expenses	**–**	**13.5**	**–**	–	13.0	–
Net interest income	**–**	**¥ 125.6**	**–**	–	¥ 122.0	–

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

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

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

Net interest margin was 2.35% compared to 2.29% recorded in fiscal year 2020. While the yield on interest-bearing liabilities was generally flat, the yield on interest-earning assets improved. The improvement was caused by a higher yield on securities with an increase in dividend from investee companies, while the yield on loans declined due to a decrease in the balance of consumer finance loans which enjoy a relatively high yield.

Interest income including lease and installment accounts receivables increased to ¥175.6 billion from ¥165.1 billion recorded in fiscal year 2020. While total interest expenses on interest-bearing liabilities increased to ¥13.5 billion from ¥13.0 billion recorded in fiscal year 2020, total interest income on interest-earning assets increased to ¥189.2 billion from ¥178.1 billion recorded in fiscal year 2020.

NET FEES AND COMMISSIONS

Net fees and commissions primarily consist of fee income from the lending business such as real estate finance and project finance, fee income associated with sales of asset management products at Retail Banking, credit guarantee income from the consumer finance business and fee income from the payment business. Net fees and commissions totaled ¥34.0 billion compared to ¥30.1 billion recorded in fiscal year 2020.

NET TRADING INCOME

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

TABLE 2. NET TRADING INCOME (CONSOLIDATED)

	Billions of yen		
Fiscal years ended March 31	**2022**	2021	Change (Amount)
Income from trading securities	**¥ 2.2**	¥ 2.5	¥ (0.2)
Income from securities held to hedge trading transactions	**0.0**	(0.2)	0.2
Income from trading-related financial derivatives	**4.3**	1.6	2.7
Net trading income	**¥ 6.6**	¥ 3.8	¥ 2.7

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

Net trading income totaled ¥6.6 billion, up from ¥3.8 billion recorded in fiscal year 2020.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

NET OTHER BUSINESS INCOME

Net other business income consists of revenue from lease transactions and installment receivables and net gain on monetary assets held in trust and on securities and others. Net other business income totaled ¥51.2 billion, down from ¥65.8 billion recorded in fiscal year 2020.
The following table presents the principal components of net other business income.

TABLE 3. NET OTHER BUSINESS INCOME (CONSOLIDATED)

	Billions of yen		
Fiscal years ended March 31	**2022**	2021	Change (Amount)
Net gain on monetary assets held in trust	**¥ 3.3**	¥ 3.6	(0.2)
Net gain on foreign exchanges	**0.5**	10.1	(9.6)
Net gain on securities	**(8.2)**	1.0	(9.2)
Net gain on other monetary claims purchased	**0.1**	0.0	0.0
Other, net:	**5.4**	7.8	(2.3)
Income (loss) from derivatives entered into for banking purposes, net	**0.3**	0.1	0.1
Equity in net income of affiliates	**1.3**	6.7	(5.3)
Gain on lease cancellation and other lease income, net	**2.2**	1.9	0.2
Other, net	**1.5**	(0.9)	2.5
Net other business income before income on lease transactions and installment receivables, net	**1.2**	22.7	(21.4)
Income on lease transactions and installment receivables, net	**49.9**	43.1	6.8
Net other business income	**¥ 51.2**	¥ 65.8	(14.6)

TOTAL REVENUE

As a result of the preceding factors, total revenue in fiscal year 2021 was ¥217.5 billion, as compared to ¥221.9 billion in the previous fiscal year.

GENERAL AND ADMINISTRATIVE EXPENSES

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

TABLE 4. GENERAL AND ADMINISTRATIVE EXPENSES (CONSOLIDATED)

	Billions of yen		
Fiscal years ended March 31	**2022**	2021	Change (Amount)
Personnel expenses	**¥ 62.1**	¥ 58.6	¥ 3.5
Premises expenses	**18.9**	19.1	(0.2)
Telecommunication, data and system expenses	**26.3**	25.3	1.0
Advertising expenses	**13.1**	11.3	1.8
Consumption and property taxes	**9.9**	11.1	(1.2)
Deposit insurance premium	**1.5**	1.5	(0.0)
Other general and administrative expenses	**22.9**	21.9	0.9
General and administrative expenses	**155.0**	149.1	5.9
Amortization of goodwill and intangible assets acquired in business combinations	**3.2**	2.7	0.4
Total general and administrative expenses	**¥ 158.3**	¥ 151.8	¥ 6.4

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

General and administrative expenses excluding amortization of goodwill and intangible assets totaled ¥155.0 billion which increased from ¥149.1 billion recorded in fiscal year 2020. The increase was due to expanding and enhancing focus areas and an increase in system investment and sales activity expenses for acquiring new customers.

Personnel expenses totaled ¥62.1 billion which increased from ¥58.6 billion recorded in fiscal year 2020. The increase was due to full-year impact of the new overseas subsidiary consolidated in fiscal year 2020 and an increase in headcount for expanding the customer base and enhancing earnings power in focus areas.

Non-personnel expenses totaled ¥92.9 billion, increased from ¥90.5 billion recorded in fiscal year 2020. Premises expenses decreased to ¥18.9 billion from ¥19.1 billion recorded in fiscal year 2020 due to greater cost-saving through Layout rationalization than one-time expenses for improving the office environment.

Telecommunication data and system expenses increased to ¥26.3 billion from ¥25.3 billion recorded in fiscal year 2020 due to full-year impact of a new consolidated overseas subsidiary and continuous investment for stabilizing IT systems.

Advertising expenses increased to ¥13.1 billion from ¥11.3 billion recorded in fiscal year 2020 due to an increase of sales promotion expenses for acquiring new customers and recording of one-time credit card point expenses.

Consumption and property taxes decreased to ¥9.9 billion from ¥11.1 billion recorded in fiscal year 2020 due to a decrease in tax expenses as a result of reviewing capital initiatives.

Deposit insurance premium totaled ¥1.5 billion, essentially the same amount recorded in fiscal year 2020.

Other general and administrative expenses increased to ¥22.9 billion from ¥21.9 billion recorded in fiscal year 2020 due to one-time expenses related to multiple projects.

AMORTIZATION OF GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATIONS

Amortization of goodwill and intangible assets associated with the acquisition of consumer finance and commercial finance subsidiaries totaled ¥3.2 billion, compared to ¥2.7 billion recorded in fiscal year 2020. The increase was primarily due to full-year impact of goodwill amortization related to UDC which was consolidated in fiscal year 2020.

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

	Billions of yen		
Fiscal years ended March 31	**2022**	2021	Change (Amount)
Shinsei Financial	**¥ 0.2**	¥ 0.2	¥ –
Shinsei Personal Loan	**(0.3)**	(0.3)	–
Showa Leasing	**2.3**	2.3	(0.0)
Others	**1.0**	0.5	0.5
Amortization of goodwill and intangible assets acquired in business combinations	**¥ 3.2**	¥ 2.7	¥ 0.4

NET CREDIT COSTS

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

TABLE 6. NET CREDIT COSTS (CONSOLIDATED)

	Billions of yen		
Fiscal years ended March 31	**2022**	2021	Change (Amount)
Losses on write-off or sales of loans	**¥ 2.7**	¥ 2.1	¥ 0.6
Net provision (reversal) of reserve for loan losses:			
Net provision (reversal) of general reserve for loan losses	**19.9**	17.8	2.1
Net provision (reversal) of specific reserve for loan losses	**17.2**	15.6	1.6
Subtotal	**37.2**	33.4	3.8
Other credit costs (recoveries) relating to leasing business	**0.2**	0.2	0.0
Recoveries of written-off claims	**(9.1)**	(7.4)	(1.7)
Net credit costs (recoveries)	**¥ 31.1**	¥ 28.3	¥ 2.7

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

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

Net credit costs for fiscal year 2021 totaled ¥31.1 billion compared to ¥28.3 billion recorded in fiscal year 2020. In the unsecured loan business for individual customers, net credit costs increased due to a smaller decrease in the asset balance compared to fiscal year 2020, even though loan quality improved including a smaller write-off amount.

In the Institutional Business, net credit costs improved up to the third quarter because borrowers' business conditions hardly deteriorated due to the spread of COVID-19 and because the Business recorded gains on recoveries of written-off receivables. However, on a full-year basis, net credit costs increased in the Institutional Business because the impact of the loan-loss reserve for a large-ticket transaction provisioned in the fourth quarter was greater than the improvement.

Recoveries of written-off claims were ¥9.1 billion, compared to ¥7.4 billion recorded in fiscal year 2020. The key components of the ¥9.1-billion recoveries of written-off claims were ¥5.6 billion at Shinsei Financial, ¥0.7 billion at Alpha Servicer, ¥0.5 billion at APLUS and ¥2.0 billion at Shinsei Bank. Net credit costs excluding recoveries of written-off claims totaled ¥40.2 billion, compared to ¥35.8 billion recorded in fiscal year 2020.

OTHER GAINS (LOSSES), NET

Other net gains for fiscal year 2021 totaled ¥0.3 billion. The gains decreased by ¥13.3 billion from fiscal year 2020 primarily due to the absence of gains on disposal of Jih Sun Financial Holding Co., Ltd. shares which were recorded in fiscal year 2020, and due to additional provisioning of reserves for losses on interest repayments of ¥0.4 billion at Shinsei Personal Loan and ¥1.4 billion at APLUS, while ¥0.6 billion was reversed at Shinsei Financial.

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

	Billions of yen		
Fiscal years ended March 31	**2022**	2021	Change (Amount)
Net gain (loss) on disposal of premises and equipment	**¥ 0.1**	¥ 0.0	¥ 0.0
Gains on write-off of unclaimed deposits	**–**	0.1	(0.1)
Provision for reimbursement of deposits	**(0.1)**	–	(0.1)
Reversal (provision) of reserve for losses on interest repayments	**(1.1)**	0.3	(1.4)
Impairment losses on long-lived assets	**(0.3)**	(1.0)	0.6
Loss on liquidation of subsidiaries	**(0.4)**	–	(0.4)
Gain on sale of investments in subsidiaries	**1.0**	–	1.0
Loss on sale of investments in subsidiaries	**(0.1)**	(0.0)	(0.1)
Gain on sale of investments in affiliates	**–**	11.8	(11.8)
Other, net	**1.4**	2.2	(0.8)
Total	**¥ 0.3**	¥ 13.6	¥(13.3)

INCOME BEFORE INCOME TAXES

As a result of the preceding factors income before income taxes totaled ¥28.4 billion for fiscal year 2021, compared to ¥55.3 billion in the previous fiscal year.

TAX EXPENSE (BENEFIT)

Current taxes, including corporate tax, residency tax, business tax and deferred income taxes totaled a net expense of ¥8.1 billion, compared to a net expense of ¥11.1 billion recorded in fiscal year 2020. Corporate tax, residency tax and business tax for fiscal year 2021 totaled a net expense of ¥8.9 billion, and deferred income taxes totaled a net gain of ¥0.7 billion. Corporate tax, residency tax and business tax for fiscal year 2020 totaled a net expense of ¥7.1 billion, and deferred income taxes totaled a net expense of ¥3.9 billion.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

As a result of the preceding factors, in fiscal year 2021, we recorded a consolidated profit attributable to owners of the parent of ¥20.3 billion, decreased from ¥45.1 billion in the previous fiscal year.

RECONCILIATION OF REPORTED-BASIS RESULTS AND OPERATING-BASIS RESULTS

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

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

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

	Billions of yen					
	2022			2021		
Fiscal years ended March 31	**Reported-basis**	**Reclassifications**	**Operating-basis**	Reported-basis	Reclassifications	Operating-basis
Revenue:						
Net interest income	**¥ 125.6**	**–**	**¥ 125.6**	¥ 122.0	¥ –	¥ 122.0
Noninterest income	**91.8**	**–**	**91.8**	99.8	–	99.8
Total revenue	**217.5**	**–**	**217.5**	221.9	–	221.9
General and administrative expenses[1]	**155.0**	**0.3**	**155.4**	149.1	0.5	149.6
Amortization of goodwill and intangible assets acquired in business combinations	**3.2**	**(3.2)**	**–**	2.7	(2.7)	–
Total general and administrative expenses	**158.3**	**(2.8)**	**155.4**	151.8	(2.2)	149.6
Net business profit/Ordinary business profit	**59.2**	**2.8**	**62.1**	70.0	2.2	72.2
Net credit costs	**31.1**	**–**	**31.1**	28.3	–	28.3
Amortization of goodwill and intangible assets acquired in business combinations	**–**	**3.2**	**3.2**	–	2.7	2.7
Other gains (losses), net[1]	**0.3**	**0.3**	**0.7**	13.6	0.5	14.1
Income before income taxes	**28.4**	**–**	**28.4**	55.3	–	55.3
Income taxes and profit attributable to noncontrolling interests	**8.1**	**–**	**8.1**	10.2	–	10.2
Profit attributable to owners of the parent	**¥ 20.3**	**–**	**¥ 20.3**	¥ 45.1	¥ –	¥ 45.1

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

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

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

	Billions of yen		
Fiscal years ended March 31	**2022**	2021	Change (Amount)
Institutional Business:			
Net interest income	**¥ 31.7**	¥ 28.3	¥ 3.4
Noninterest income	**36.2**	33.7	2.5
Total revenue	**67.9**	62.0	5.9
General and administrative expenses	**46.9**	45.4	1.4
Ordinary business profit (loss)	**21.0**	16.5	4.4
Net credit costs (recoveries)	**8.7**	6.5	2.2
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ 12.3**	¥ 10.0	¥ 2.2
Individual Business:			
Net interest income	**¥ 90.1**	¥ 99.8	¥ (9.7)
Noninterest income	**60.9**	54.6	6.3
Total revenue	**151.1**	154.5	(3.4)
General and administrative expenses	**98.5**	99.9	(1.4)
Ordinary business profit (loss)	**52.6**	54.5	(1.9)
Net credit costs (recoveries)	**22.4**	21.7	0.7
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ 30.1**	¥ 32.8	¥ (2.6)
Corporate/Other[2]:			
Net interest income	**¥ 3.8**	¥ (6.1)	¥ 9.9
Noninterest income	**(5.3)**	11.4	(16.8)
Total revenue	**(1.5)**	5.3	(6.8)
General and administrative expenses	**10.0**	4.2	5.7
Ordinary business profit (loss)	**(11.5)**	1.0	(12.6)
Net credit costs (recoveries)	**(0.0)**	0.1	(0.1)
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ (11.4)**	¥ 0.9	¥ (12.4)
Total:			
Net interest income	**¥ 125.6**	¥ 122.0	¥ 3.6
Noninterest income	**91.8**	99.8	(7.9)
Total revenue	**217.5**	221.9	(4.3)
General and administrative expenses	**155.4**	149.6	5.8
Ordinary business profit (loss)	**62.1**	72.2	(10.1)
Net credit costs (recoveries)	**31.1**	28.3	2.7
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ 31.0**	¥ 43.8	¥ (12.8)

1 Costs associated with the funding operations have been allocated to the interest earning businesses on a management accounting basis.
2 Corporate/Other includes profit(loss), allocation variance of indirect expense and elimination amount of inter-segment transactions."Overseas Business" under the Corporate/Other includes profit(loss) associated with UDC Finance Limited of which whole shares were acquired by the Bank in previous fiscal year. In the previous consolidated fiscal year, profit and loss for the three months from the day following the deemed acquisition date of UDC Finance Limited are included.

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 credit trading, private equity and business succession businesses, 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 consists 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)

	Billions of yen		
Fiscal years ended March 31	**2022**	2021	Change (Amount)
Corporate Business:			
Net interest income	**¥ 11.1**	¥ 11.1	¥ 0.0
Noninterest income	**4.0**	3.7	0.3
Total revenue	**15.2**	14.8	0.3
General and administrative expenses	**13.1**	12.9	0.2
Ordinary business profit (loss)	**2.0**	1.9	0.1
Net credit costs (recoveries)	**1.2**	(1.2)	2.4
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ 0.7**	¥ 3.1	¥ (2.3)
Structured Finance:			
Net interest income	**¥ 13.9**	¥ 12.6	¥ 1.2
Noninterest income	**7.3**	8.3	(1.0)
Total revenue	**21.2**	21.0	0.1
General and administrative expenses	**11.5**	10.4	1.1
Ordinary business profit (loss)	**9.6**	10.5	(0.9)
Net credit costs (recoveries)	**7.6**	7.5	0.1
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ 2.0**	¥ 3.0	¥ (1.0)
Principal Transactions:			
Net interest income	**¥ 5.0**	¥ 2.9	¥ 2.1
Noninterest income	**4.3**	0.3	3.9
Total revenue	**9.4**	3.3	6.0
General and administrative expenses	**4.7**	4.2	0.4
Ordinary business profit (loss)	**4.6**	(0.9)	5.6
Net credit costs (recoveries)	**(0.2)**	0.0	(0.3)
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ 4.9**	¥ (0.9)	¥ 5.9
Showa Leasing:			
Net interest income	**¥ 0.2**	¥ 0.1	¥ 0.1
Noninterest income	**15.3**	14.4	0.9
Total revenue	**15.5**	14.5	1.0
General and administrative expenses	**11.5**	11.5	0.0
Ordinary business profit (loss)	**4.0**	3.0	1.0
Net credit costs (recoveries)	**0.0**	0.1	(0.1)
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ 4.0**	¥ 2.8	¥ 1.2
Markets:			
Net interest income	**¥ 0.9**	¥ 1.0	¥ (0.0)
Noninterest income	**3.0**	4.8	(1.8)
Total revenue	**3.9**	5.8	(1.8)
General and administrative expenses	**2.9**	3.2	(0.2)
Ordinary business profit (loss)	**0.9**	2.5	(1.5)
Net credit costs (recoveries)	**–**	–	–
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ 0.9**	¥ 2.5	¥ (1.5)
Other Global Markets:			
Net interest income	**¥ 0.4**	¥ 0.4	¥ (0.0)
Noninterest income	**2.1**	1.9	0.1
Total revenue	**2.5**	2.4	0.1
General and administrative expenses	**2.8**	2.9	(0.0)
Ordinary business profit (loss)	**(0.3)**	(0.5)	0.1
Net credit costs (recoveries)	**0.1**	(0.0)	0.1
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ (0.4)**	¥ (0.5)	¥ 0.0
Institutional Business:			
Net interest income	**¥ 31.7**	¥ 28.3	¥ 3.4
Noninterest income	**36.2**	33.7	2.5
Total revenue	**67.9**	62.0	5.9
General and administrative expenses	**46.9**	45.4	1.4
Ordinary business profit (loss)	**21.0**	16.5	4.4
Net credit costs (recoveries)	**8.7**	6.5	2.2
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ 12.3**	¥ 10.0	¥ 2.2

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

INSTITUTIONAL BUSINESS

The Institutional Business recorded total revenue of ¥67.9 billion in fiscal year 2021 compared to ¥62.0 billion recorded in fiscal year 2020. Net interest income totaled ¥31.7 billion compared to ¥28.3 billion recorded in fiscal year 2020. Noninterest income totaled ¥36.2 billion compared to ¥33.7 billion recorded in fiscal year 2020. Net interest income increased due to an increase in interest and dividend income from securities at Principal Transactions, and noninterest income also increased due to an absence of the investment loss at Principal Transactions recorded in fiscal year 2020 and an increase of fee income at Showa Leasing.

Of the Institutional Business, Corporate Business recorded total revenue of ¥15.2 billion compared to ¥14.8 billion recorded in fiscal year 2020. This was primarily due to recording of gains on sales of stocks.

Structured Finance recorded total revenue of ¥21.2 billion compared to ¥21.0 billion recorded in fiscal year 2020. This was primarily due to an increase in interest income in line with an increase in loans.

Principal Transactions recorded total revenue of ¥9.4 billion compared to ¥3.3 billion recorded in fiscal year 2020. This was primarily due to an increase in interest and dividend income from securities and an absence of the loss recorded in fiscal year 2020 related to investment in an overseas Limited Partnership owned by the Bank's consolidated subsidiary.

Showa Leasing recorded total revenue of ¥15.5 billion compared to ¥14.5 billion recorded fiscal year 2020. This was primarily due to an increase in fee income and reduction of funding cost.

Markets recorded total revenue of ¥3.9 billion compared to ¥5.8 billion recorded in fiscal year 2020. This was primarily due to a decrease in derivatives revenues and early redemption revenues from structured deposits.

Other Global Markets recorded total revenue of ¥2.5 billion compared to ¥2.4 billion recorded in fiscal year 2020. This was primarily due to an increase in revenues from the asset management business.

General and administrative expenses increased to ¥46.9 billion from ¥45.4 billion recorded in fiscal year 2020 primarily due to an increase in indirect expense allocation.

Net credit costs totaled ¥8.7 billion compared to ¥6.5 billion recorded in fiscal year 2020. Net credit costs improved up to the third quarter primarily because borrowers' business conditions hardly deteriorated due to the spread of COVID-19 and because the Business recorded gains on recoveries of written-off receivables. However, net credit costs increased on a full-year basis because the impact of the loan-loss reserve for a large-ticket transaction provisioned in the fourth quarter was greater than the improvement.

As a result, the Institutional Business recorded an ordinary business profit after net credit costs of ¥12.3 billion compared to ¥10.0 billion recorded in fiscal year 2020.

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, which provides shopping credit, card, loan 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)

	Billions of yen		
Fiscal years ended March 31	**2022**	2021	Change (Amount)
Retail Banking:			
Net interest income	**¥ 19.2**	¥ 24.7	¥ (5.5)
Loans	**8.7**	9.1	(0.4)
Deposits	**10.4**	15.5	(5.0)
Noninterest income	**6.6**	3.5	3.0
Asset Management Products	**9.2**	6.7	2.5
Other Fees (ATM, Fund Transfer, FX etc.)	**(2.6)**	(3.1)	0.4
Total revenue	**25.8**	28.3	(2.5)
General and administrative expenses	**23.9**	24.3	(0.4)
Ordinary business profit (loss)	**1.8**	3.9	(2.1)
Net credit costs (recoveries)	**(0.0)**	0.3	(0.4)
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ 1.9**	¥ 3.6	¥ (1.6)
Shinsei Financial[1]:			
Net interest income	**¥ 62.5**	¥ 65.9	¥ (3.4)
Lake Business	**58.1**	60.9	(2.7)
Noninterest income	**(0.1)**	0.0	(0.2)
Total revenue	**62.3**	66.0	(3.6)
General and administrative expenses	**34.5**	34.6	(0.0)
Ordinary business profit (loss)	**27.8**	31.3	(3.5)
Net credit costs (recoveries)	**10.8**	9.6	1.1
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ 17.0**	¥ 21.7	¥ (4.6)
APLUS:			
Net interest income	**¥ 7.8**	¥ 8.5	¥ (0.7)
Noninterest income	**51.7**	49.9	1.8
Total revenue	**59.6**	58.4	1.1
General and administrative expenses	**37.8**	38.9	(1.0)
Ordinary business profit (loss)	**21.7**	19.5	2.2
Net credit costs (recoveries)	**12.4**	12.5	(0.0)
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ 9.2**	¥ 6.9	¥ 2.2
Other Individual[2]:			
Net interest income	**¥ 0.5**	¥ 0.5	¥ (0.0)
Noninterest income	**2.8**	1.1	1.6
Total revenue	**3.3**	1.7	1.5
General and administrative expenses	**2.1**	2.0	0.0
Ordinary business profit (loss)	**1.1**	(0.3)	1.4
Net credit costs (recoveries)	**(0.7)**	(0.8)	0.0
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ 1.8**	¥ 0.5	¥ 1.3
Individual Business:			
Net interest income	**¥ 90.1**	¥ 99.8	¥ (9.7)
Noninterest income	**60.9**	54.6	6.3
Total revenue	**151.1**	154.5	(3.4)
General and administrative expenses	**98.5**	99.9	(1.4)
Ordinary business profit (loss)	**52.6**	54.5	(1.9)
Net credit costs (recoveries)	**22.4**	21.7	0.7
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ 30.1**	¥ 32.8	¥ (2.6)

Notes: 1 Shinsei Financial includes Shinsei Personal Loan Co., Ltd., "Shinsei Bank Card Loan L," "Shinsei Bank Smart Card Loan Plus," "Shinsei Bank Smart Money Lending" and "Shinsei Bank Smart Card Loan Plus for Nissen" which are unsecured card loan business for individual customers.
2 Including income of Other subsidiary

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

INDIVIDUAL BUSINESS

The Individual Business recorded an ordinary business profit after net credit costs of ¥30.1 billion compared to ¥32.8 billion recorded in fiscal year 2020.

RETAIL BANKING

Retail Banking recorded total revenue of ¥25.8 billion compared to ¥28.3 billion recorded in fiscal year 2020. Net interest income totaled ¥19.2 billion, compared to ¥24.7 billion recorded in fiscal year 2020 primarily due to a decrease in interest margin revenue from deposits. Noninterest income totaled ¥6.6 billion compared to ¥3.5 billion recorded in fiscal year 2020 primarily due to an increase in revenues related to the sales of asset management products.

General and administrative expenses decreased to ¥23.9 billion from ¥24.3 billion recorded in fiscal year 2020 primarily due to a decrease in indirect expenses.

As a result, Retail Banking recorded an ordinary business profit after net credit costs of ¥1.9 billion compared to ¥3.6 billion recorded in fiscal year 2020.

SHINSEI FINANCIAL

Shinsei Financial recorded an ordinary business profit after net credit costs and related consolidation adjustments of ¥17.0 billion compared to ¥21.7 billion recorded in fiscal year 2020.

Total revenue totaled ¥62.3 billion compared to ¥66.0 billion recorded in fiscal year 2020 primarily due to a decrease in loan interest in the unsecured loan business.

General and administrative expenses totaled ¥34.5 billion which was essentially the same as ¥34.6 billion recorded in fiscal year 2020 resulting from promoting rationalization and efficiency improvement in operations.

Net credit costs totaled ¥10.8 billion compared to ¥9.6 billion recorded in fiscal year 2020. While collection performed strongly, the decrease in the loan balance was smaller than fiscal year 2020.

APLUS

APLUS recorded an ordinary business profit after net credit costs and related consolidation adjustments of ¥9.2 billion, up from ¥6.9 billion recorded in fiscal year 2020.

Total revenue increased to ¥59.6 billion from ¥58.4 billion recorded in the fiscal year 2020. Net interest income decreased to ¥7.8 billion from ¥8.5 billion recorded in fiscal year 2020 primarily due to a decrease in the balance of housing-related loans. Noninterest income increased to ¥51.7 billion from ¥49.9 billion recorded in fiscal year 2020 primarily due to the strong performance of the installment business.

General and administrative expenses decreased to ¥37.8 billion from ¥38.9 billion recorded in fiscal year 2020 due to promoting rationalization and efficiency improvement in operations.

Net credit costs totaled ¥12.4 billion which was essentially the same as ¥12.5 billion recorded in fiscal year 2020.

Other Individual includes the results of other subsidiaries.

INTEREST REPAYMENT

In fiscal year 2020, Shinsei Financial and Shinsei Personal Loan reversed ¥1.5 billion and ¥0.4 billion in reserves for losses on interest repayments, respectively, while APLUS provisioned ¥1.6 billion in additional reserves. In fiscal year 2021, as a result of recalculating the amounts of reserves required to cover future interest repayments, Shinsei Financial reversed ¥0.6 billion while Shinsei Personal Loan and APLUS provisioned ¥0.4 billion and ¥1.4 billion in additional reserves, respectively.

Shinsei Financial's usage of reserves for losses on interest repayments (interest repayments and related principal amortization) totaled ¥6.1 billion compared to ¥6.9 billion recorded in fiscal year 2020. As the company reversed ¥0.6 billion in reserves for losses on interest repayments, the balance of reserves for losses on interest repayments totaled ¥22.5 billion as of March 31, 2022, compared to ¥29.3 billion as of March 31, 2021.

Shinsei Personal Loan's usage of reserves for losses on interest repayments (interest repayments and related principal amortization) totaled ¥0.7 billion compared to ¥1.0 billion recorded in fiscal year 2020. As the company provisioned ¥0.4 billion in additional reserves, the balance of reserves for losses on interest repayments totaled ¥2.7 billion as of March 31, 2022 compared to ¥3.0 billion as of March 31, 2021.

APLUS's usage of reserves for losses on interest repayments (interest repayments and related principal amortization) totaled ¥1.6 billion compared to ¥1.8 billion recorded in fiscal year 2020. As the company provisioned ¥1.4 billion in additional reserves, the balance of reserves for losses on interest repayments totaled ¥6.4 billion as of March 31, 2022 compared to ¥6.6 billion as of March 31, 2021.

RESULTS OF OPERATIONS (CONSOLIDATED) (continued)

CORPORATE/OTHER

Corporate/Other consists of 1) Overseas Business which includes overseas subsidiaries such as UDC (New Zealand) and EasyLend (Hong Kong), 2) Treasury which engages in the ALM and fundraising operations and 3) Others which includes company-wide accounts, variances from budgeted allocations of indirect expenses and eliminated amounts of inter-segment transactions.
Corporate/Other recorded an ordinary business loss after net credit costs of ¥11.4 billion in fiscal year 2021.

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

	Billions of yen		
Fiscal years ended March 31	**2022**	2021	Change (Amount)
Overseas Business[1]:			
Net interest income	**5.7**	0.5	5.1
Noninterest income	**5.8**	5.6	0.1
Total revenue	**11.5**	6.1	5.3
General and administrative expenses	**6.0**	2.4	3.5
Ordinary business profit (loss)	**5.4**	3.6	1.8
Net credit costs (recoveries)	**(0.0)**	0.1	(0.1)
Ordinary business profit (loss) after net credit costs (recoveries)	**5.5**	3.5	1.9
Treasury:			
Net interest income	**¥ (1.9)**	¥ (6.7)	¥ 4.7
Noninterest income	**(9.4)**	4.3	(13.7)
Total revenue	**(11.3)**	(2.3)	(9.0)
General and administrative expenses	**1.4**	1.5	(0.1)
Ordinary business profit (loss)	**(12.7)**	(3.8)	(8.8)
Net credit costs (recoveries)	**–**	–	–
Ordinary business profit (loss) after net credit costs (recoveries)	**¥(12.7)**	¥ (3.8)	¥ (8.8)
Other[2]:			
Net interest income	**¥ (0.0)**	¥ (0.0)	¥ (0.0)
Noninterest income	**(1.7)**	1.4	(3.2)
Total revenue	**(1.7)**	1.4	(3.2)
General and administrative expenses	**2.5**	0.2	2.3
Ordinary business profit (loss)	**(4.3)**	1.2	(5.5)
Net credit costs (recoveries)	**(0.0)**	(0.0)	(0.0)
Ordinary business profit (loss) after net credit costs (recoveries)	**¥ (4.3)**	¥ 1.2	¥ (5.5)
Corporate/Other[2]:			
Net interest income	**¥ 3.8**	¥ (6.1)	¥ 9.9
Noninterest income	**(5.3)**	11.4	(16.8)
Total revenue	**(1.5)**	5.3	(6.8)
General and administrative expenses	**10.0**	4.2	5.7
Ordinary business profit (loss)	**(11.5)**	1.0	(12.6)
Net credit costs (recoveries)	**(0.0)**	0.1	(0.1)
Ordinary business profit (loss) after net credit costs (recoveries)	**¥(11.4)**	¥ 0.9	¥(12.4)

1 "Overseas Business" under the Corporate/Other includes profit(loss), segment assets and liabilities associated with UDC Finance Limited of which whole shares were acquired by the Bank in previous fiscal year. In the previous consolidated fiscal year, profit and loss for the three months from the day following the deemed acquisition date of UDC Finance Limited are included.
2 "Other" under Corporate/Other includes profit(loss), assets and liabilities which are not included in our reportable segments, allocation variance of indirect expense and elimination amount of inter-segment.

In Corporate/Other, total loss was ¥1.5 billion compared to ¥5.3 billion total revenue recorded in fiscal year 2020 due to the following reasons. 1. While the Overseas Business recorded revenues from UDC on a full-year basis, total revenue of the Business for fiscal year 2020 included revenues related to Jih Sun Financial Holding Co., Ltd. which were absent in fiscal year 2021. 2. Treasury recorded losses on sales of securities as a result of disposing of bonds held to reduce interest rate risk amount and for future operation of the security portfolio following the interest rate hike since January 2022.

RESULTS OF OPERATIONS (NONCONSOLIDATED)

OVERVIEW

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

Shinsei recorded net income of ¥30.3 billion on a nonconsolidated basis for the fiscal year ended March 31, 2022. 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 and Shinsei Personal Loan, the gains and losses on our investment in our equity-method affiliate, and the dividends received from our major consolidated subsidiaries.

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

	Billions of yen (except percentages)			
	2022		2021	
Fiscal years ended March 31	**Target**	**Actual**	Target	Actual
Net income	**¥ 35.0**	**¥ 30.3**	¥ 34.0	¥ 34.5
Total expenses (without taxes)[1]	**70.2**	**66.5**	70.2	64.2
Return on equity based on net business profit[2]	**4.3%**	**4.9%**	4.5%	5.0%

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

SUPPLEMENTAL MEASURES

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

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

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

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

While these non Japanese GAAP business profit measures should not be viewed as a substitute for net income, management believes that these measures provide a meaningful way of comparing a number of the important components of Shinsei's revenues and profitability from year to year. The following table sets forth these supplemental financial data and corresponding reconciliations to net income under Japanese GAAP for the fiscal years ended March 31, 2022 and 2021.

RESULTS OF OPERATIONS (NONCONSOLIDATED) (continued)

TABLE 14. SUPPLEMENTAL MEASURES (NONCONSOLIDATED)

Fiscal years ended March 31	Billions of yen 2022	2021
Gross business profit (gyomu sorieki):		
Net interest income	¥ 121.7	¥ 108.5
Net fees and commissions[1]	(2.9)	(6.8)
Net trading income	4.6	1.9
Net other business income	(9.2)	8.3
Total gross business profit	114.2	112.1
Expenses[2]	72.0	69.7
Net business profit (jisshitsu gyomu jun-eki)	42.2	42.3
Net credit costs (recoveries)	8.8	6.4
Other, net[3]	3.3	1.2
Net operating income (keijo rieki)	36.8	37.1
Extraordinary income (loss)	(0.1)	(2.6)
Income before income taxes	36.6	34.5
Current income taxes (benefit)	1.1	1.4
Deferred income taxes (benefit)	5.1	(1.3)
Net income	¥ 30.3	¥ 34.5

1 Includes net gain (loss) on monetary assets held in trust of ¥2.4 billion in the fiscal year ended March 31, 2022 and ¥2.4 billion in the previous fiscal year.
2 General and administrative expenses with certain adjustment.
3 Excludes net gain (loss) on monetary assets held in trust.

CRITICAL ACCOUNTING POLICIES

GENERAL

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

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

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

RESERVE FOR CREDIT LOSSES

The reserve for credit losses of the Bank has been established according to the obligor categorization described below based on the predetermined internal rules for establishing the reserve.

Legally bankrupt obligors:
Obligors who have legally or formally declared bankruptcy, special liquidation

Virtually bankrupt obligors:
Obligors who are in a situation substantially equivalent to that of the "Legally bankrupt obligors"

Possibly bankrupt obligors:
Obligors who are not currently in a state of bankruptcy but are deemed likely to go bankrupt in the future

Substandard obligors:
Obligors whose debts, all or in part, are Substandard Claims (Restructured Loans and Loans in Arrears for three months or longer)

Need caution obligors:
Obligors requiring attention for credit control due to problems with loan terms and repayment performance, poor business conditions, instability, or financial problems

Normal obligors:
Obligors whose business conditions are favorable and whose financial conditions are deemed to have no particular problems

For claims to legally bankrupt obligors and 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 possibly bankrupt obligors, except claims to obligors with large claims described below, a specific reserve is provided by forecasting a loss amount expected from the net amount for the next three years, which is the amount after deducting amounts expected to be collectible through the disposal of collateral and execution of guarantees from the claim amount.

CRITICAL ACCOUNTING POLICIES (continued)

With regard to claims to possibly bankrupt obligors, substandard obligors and certain obligors for which the reserve has been provided based on the discounted cash flow method (as mentioned below) in previous fiscal years, provided that obligors' cash flows (Hereinafter referred to as "future cash flows") for debt service are reasonably estimable and the balance of claims to such obligors are at or larger than the predetermined amount, the reserve for credit losses is determined as the difference between (i) relevant estimated future cash flows discounted by the original contractual interest rate and (ii) the book value of the claim (discounted cash flow 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 (claims to normal, need caution and substandard obligors), the reserve for credit losses is recorded by estimating an expected loss amount of loans and claims. The expected loss amount is calculated based on the characteristics of the portfolio. The portfolio is divided into loans for general non-financial corporations, real estate non-recourse loans, project finance and loans for individual customers. For loans to general non-financial corporations, real estate non-recourse loans and loans for individual customers, loss rate is calculated based mainly on the actual credit loss for the average remaining term to maturity of each obligor category or the actual credit loss for the average remaining term to maturity. For project finance, loss rate is calculated based on the actual credit loss on the basis of actual default for the average remaining term to maturity of each obligor category or the average rate of the probability of default over a certain period in the past. The reserve is provided by making necessary adjustments to the expected loss amount.

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 the self-assessment of asset quality. The risk management division, which is independent of sales promotion divisions and credit analysis divisions, conducts verifications of these assessments, and additional reserves may be provided based on the verification results.

The consolidated subsidiaries calculate the general reserve for general claims based on historical actual rate of credit losses, and the specific reserve for claims to possibly bankrupt obligors, virtually bankrupt obligors and legally bankrupt obligors based on the 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 ¥53.3 billion and ¥49.7 billion as of March 31, 2022 and 2021, respectively.

RESERVE FOR REIMBURSEMENT OF DEPOSITS

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

RESERVE FOR REIMBURSEMENT OF DEBENTURES

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

RESERVE FOR LOSSES ON INTEREST REPAYMENTS

The reserve for losses on interest repayments is provided by a moneylender who had operated at a loan rate exceeding the upper limit of the Interest Rate Restriction Act and below the upper limit of the so-called Contributions Act (Hereinafter referred to as "gray-zone rate") for estimated losses on refund of excess interest receipts arising from a claim for repayment of interest paid by a debtor ("customer") in excess of the maximum interest rate prescribed by the Interest Rate Restriction Act. A claim for refund interest is approved based on a decision of the Supreme Court in 2006 that unless there are special circumstances, the excess interest cannot be deemed to have been voluntarily paid if the contract concerning the loan includes a special provision to the effect that the obligor loses the benefit of time if he/she delays the payment of the agreed interest including excess interest. In general, if the customer claims for refund, the lender shall refund the excess portion (Hereinafter referred to as "excess interest") if the amount exceeds the amount calculated based on the maximum interest rate provided in the Interest Rate Restriction Act.

In the Group, since the fiscal year 2007, consolidated subsidiaries Shinsei Financial, Shinsei Personal Loan, APLUS, and Aplus Investment have applied the reduced maximum interest rate to new loans to new customers and certain existing customers. Also, with the full enforcement of the amended Money Lending Business Act in June 2010 all new loans are made at interest rate within the maximum interest rate regulated by the Interest Rate Restriction Act. However, since the Group had made loans at gray-zone interest in the past, the amount of overpaid interest that would arise in the future as a result of the customer's claims for repayment is estimated and recorded as reserve for losses on interest repayments.

In calculating the reserve for losses on interest repayments, Shinsei Financial and Shinsei Personal Loan estimate the amount that is expected to be repaid in the future by multiplying the amount per account expected to be reclaimed by the population (number of accounts) subject to repayment of overpaid interest on loans by the intervention of a lawyer's office or judicial scrivener's office (intervention rate), or subject

CRITICAL ACCOUNTING POLICIES (continued)

to settlement with the obligor (settlement rate) until the population (number of accounts) falls below a certain number.

In addition, APLUS and Aplus Investment estimates the number of refund requests during a certain period in the future from changes in the number of refund requests in the past and estimates the amount expected to be refunded in the future by multiplying it by the estimated amount of refund requests per account.

The Group calculates reserve for losses on interest repayments based on a reasonable estimate of the amount of interest repayment in the future. The assumptions in these calculations include the analysis of the occurrence of past interest repayment amounts, an estimate of the extent to which the number of accounts will decrease due to the expiration of the statute of limitations, and an estimate of how the past intervention rate, settlement rate, number of claims for repayment, amount of claims for repayment per account or customer will change in the future.

VALUATION OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

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

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

AVAILABLE-FOR-SALE SECURITIES

We record available-for-sale securities, both debt and equity, at their fair values except for nonmarketable equity securities and others. The net unrealized gains or losses on these securities are included in other comprehensive income.

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

Foreign-currency denominated available-for-sale securities (bonds) are translated into Japanese yen at the exchange rates as of the consolidated balance sheet date, and of the translation amount, the translation difference arising from changes in fair values in foreign currencies is treated as unrealized gain or loss on available-for-sale securities and the other translation difference is treated as profit or loss.

IMPAIRMENT IN VALUE OF DEBT AND EQUITY SECURITIES

Available-for-sale debt and equity securities, and held-to-maturity debt securities are both exposed to the risk of decline in their fair values. If the decline in fair values of available-for-sale securities (except for nonmarketable equity securities and others and investment in partnerships and others) and held-to-maturity securities is deemed to be significant, impairment loss is recognized in the amortized/acquisition cost of the securities since the decline in fair values is deemed to be other than temporary. Our rules for the determination of whether an other-than-temporary impairment has occurred differ by the obligor categorization of the security issuer based upon our self-assessment guidelines. The details of these rules are as follows:

Securities issued by "legally bankrupt," "virtually bankrupt" and "possibly bankrupt" obligors	The fair value of securities is less than the amortized/acquisition cost
Securities issued by "need caution" obligors	The fair value of securities declines by 30% or more compared to the amortized/acquisition cost
Securities issued by "normal" obligors	The fair value of securities declines by 50% or more compared to the amortized/acquisition cost

See "RESERVE FOR CREDIT LOSSES" for the definition of each obligor categorization.

For nonmarketable available-for-sale equity securities, if the net asset value of a security has declined in excess of 50% of its acquisition cost, we deem the impairment to be other-than-temporary in principle.

FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING PURPOSES

Our trading book assets and liabilities consist of derivative financial instruments including derivatives embedded in compound financial instruments which are managed and accounted for separately from the physical financial assets and liabilities that are their host, securities, short-term money market investments and other monetary claims maturing within a short period of time.

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

CRITICAL ACCOUNTING POLICIES (continued)

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

CREDIT TRADING ACTIVITIES

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

VALUATION OF DEFERRED TAX ASSETS

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

As a result of that we expired tax loss in the past three years, we recorded deferred tax assets for the temporary differences and tax loss carry-forwards to the extent scheduled as deductible in the next fiscal year. We recorded a valuation allowance to reduce deferred tax assets accordingly. The actual taxable profit amount for the fiscal year ended March 31, 2023 may be different from our estimate.

EMPLOYEES' RETIREMENT BENEFITS AND PENSION PLAN ASSETS

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

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

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

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

HEDGE ACCOUNTING

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

Derivative transactions that meet the hedge accounting criteria for mitigating interest rate risks of the Bank's financial assets and liabilities are accounted for using the deferral method.

CRITICAL ACCOUNTING POLICIES (continued)

The Bank adopted portfolio hedging to determine the effectiveness of its hedging relationship in accordance with "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry" (Industry Committee Practical Guidelines No.24, March 17, 2022, by the JICPA). Under portfolio hedging activities to mitigate the change in fair value, a portfolio of hedged items with common maturities such as deposits or loans is designated and matched with a group of hedging instruments such as interest rate swaps, which offset the effect of fair value fluctuations of the hedged items by designated maturities. The effectiveness of portfolio hedging is assessed by each group.

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

Certain foreign subsidiaries which adopt International Financial Reporting Standards ("IFRS") apply cash flow hedges, and the effective portion of the changes in fair value of the hedging instruments is recognized as "Deferred gain (loss) on derivatives under hedge accounting" of other comprehensive income and the ineffective portion of the hedge is recognized as profit or loss.

The interest rate swaps of certain consolidated domestic 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 domestic subsidiaries apply deferral hedge accounting.

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 Committee Practical Guidelines No.25, October 8, 2020, 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 designated 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 denominated securities such as investments in foreign unconsolidated subsidiaries and affiliates, and available-for-sale securities (other than bond) if the above hedged securities are designated in advance and on-balance (actual) or off-balance (forward) liability exposure which equal or exceed the acquisition cost of the hedged securities exists.

IMPAIRMENT OF LONG-LIVED ASSETS

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

BUSINESS COMBINATIONS

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

Regarding our major subsidiaries, we acquired controlling interests in APLUS and Showa Leasing on September 29, 2004 and March 23, 2005, respectively.

APLUS and Showa Leasing are currently our wholly owned subsidiaries through the following additional share purchase and share exchange after their acquisition.

Also, we purchased additional shares of Shinsei Personal Loan and acquired its controlling interest on December 13, 2007, which was previously an affiliate. On September 22, 2008, the Bank, together with APLUS, acquired 100% of the controlling interest in Shinsei Financial, and its subsidiaries.

CRITICAL ACCOUNTING POLICIES (continued)

On September 1, 2020, we acquired 100% of shares in UDC Finance Limited.

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

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

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

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

The excess of the purchase price over the fair value of the net assets acquired, including identified intangible assets, was recorded as goodwill and is being amortized using the straight-line method over 10 to 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 using the straight-line method primarily over 20 years, which is the maximum period allowed under the previous accounting standards. Any unamortized balances of identified intangible assets and goodwill are subject to impairment testing periodically.

IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATIONS

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

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

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

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

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

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

ASSET RETIREMENT OBLIGATIONS

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

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

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

FINANCIAL CONDITION

TOTAL ASSETS

As of March 31, 2022, we had consolidated total assets of ¥10,311.4 billion, decreased by ¥428.7 billion from March 31, 2021. The balance of loans and bills discounted as of March 31, 2022 was ¥5,241.8 billion, increased by ¥8.2 billion from ¥5,233.6 billion as of March 31, 2021.

SECURITIES

The following table sets forth the composition of our consolidated portfolio of trading securities in the banking book, available-for-sale securities and held-to-maturity securities as of March 31, 2022. The balance of securities as of March 31, 2022 was ¥674.6 billion, decreased compared to the balance of ¥929.7 billion as of March 31, 2021.

TABLE 15. SECURITIES BY MATURITY (CONSOLIDATED)

Billions of yen

As of March 31, 2022	1 year or less	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years	Unspecified term	Total
Japanese national government bonds	¥ 6.0	¥ 26.7	¥ 55.9	¥ 40.0	¥ 84.7	¥ –	¥ –	¥ 213.4
Japanese local government bonds	–	–	2.1	–	–	–	–	2.1
Japanese corporate bonds	4.4	48.8	37.1	23.8	–	30.8	–	145.0
Japanese equity securities	–	–	–	–	–	–	29.2	29.2
Foreign bonds and other	59.9	18.5	12.7	23.8	56.2	81.4	31.8	284.6
Total securities	¥ 70.4	¥ 94.1	¥ 107.9	¥ 87.7	¥ 141.0	¥ 112.2	¥ 61.1	¥ 674.6

Billions of yen

As of March 31, 2021	1 year or less	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years	Unspecified term	Total
Japanese national government bonds	¥ 120.5	¥ 15.0	¥ 90.8	¥ 35.0	¥ 65.0	¥ 23.4	¥ –	¥ 349.9
Japanese local government bonds	–	–	–	–	–	–	–	–
Japanese corporate bonds	8.8	55.6	43.1	18.2	–	46.2	–	172.1
Japanese equity securities	–	–	–	–	–	–	36.0	36.0
Foreign bonds and other	50.7	41.0	12.1	51.1	94.3	106.5	15.6	371.6
Total securities	¥ 180.0	¥ 111.8	¥ 146.1	¥ 104.4	¥ 159.4	¥ 176.1	¥ 51.6	¥ 929.7

FINANCIAL CONDITION (continued)

LOAN PORTFOLIO

As of March 31, 2022, loans and bills discounted totaled ¥5,241.8 billion. Installment receivables of APLUS, Showa Leasing and other non bank subsidiaries are classified in our consolidated balance sheets as other assets, and are not reflected in our data on loans and bills discounted.

As of March 31, 2022, loans to the financial and insurance industry were approximately 9.3% of the total loans and bills discounted, and those to the real estate industry were approximately 13.4%.

TABLE 16. LOANS BY BORROWER INDUSTRY (CONSOLIDATED)

	Billions of yen (except percentages)			
As of March 31	**2022**		2021	
Domestic offices (excluding Japan offshore market account):				
Manufacturing	**¥ 207.0**	**4.3%**	¥ 201.7	4.2%
Agriculture and forestry	**–**	**–**	0.0	0.0
Fishery	**–**	**–**	0.0	0.0
Mining, quarrying and gravel extraction	**0.3**	**0.0**	0.3	0.0
Construction	**13.8**	**0.3**	12.7	0.3
Electric power, gas, heat supply and water supply	**397.2**	**8.3**	380.1	7.9
Information and communications	**48.6**	**1.0**	42.4	0.9
Transportation, postal service	**170.5**	**3.6**	184.8	3.9
Wholesale and retail	**95.6**	**2.0**	100.4	2.1
Finance and insurance	**465.4**	**9.7**	499.5	10.4
Real estate	**702.1**	**14.6**	706.2	14.8
Services	**388.2**	**8.1**	377.4	7.9
Local government	**52.3**	**1.1**	63.9	1.3
Others	**2,250.0**	**47.0**	2,214.8	46.3
Total domestic (A)	**¥ 4,791.6**	**100.0%**	¥ 4,784.9	100.0%
Overseas offices (including Japan offshore market accounts):				
Governments	**¥ –**	**–%**	¥ –	–%
Financial institutions	**22.8**	**5.1**	32.1	7.2
Others	**427.3**	**94.9**	416.5	92.8
Total overseas (B)	**¥ 450.1**	**100.0%**	¥ 448.6	100.0%
Total (A+B)	**¥ 5,241.8**		¥ 5,233.6	

FINANCIAL CONDITION (continued)

LOAN MATURITY

The following table sets forth the composition of Shinsei's nonconsolidated loan portfolio by type of interest rate and maturity as of the dates indicated. In the fiscal year ended March 31, 2022, the increase in total loans primarily resulted from an increase in loans with maturities of one year or less.

TABLE 17. LOAN MATURITY (NONCONSOLIDATED)

As of March 31	Billions of yen 2022	2021
Fixed-interest loans:		
One year or less[1]		¥ –
Over one year to three years	**29.1**	34.2
Over three years to five years	**40.8**	39.8
Over five years to seven years	**27.5**	38.5
Over seven years	**719.2**	771.0
Indefinite term	**193.5**	215.0
Variable-interest loans:		
One year or less[1]		¥ –
Over one year to three years	**826.8**	709.8
Over three years to five years	**769.2**	820.1
Over five years to seven years	**382.1**	388.9
Over seven years	**963.9**	977.6
Indefinite term	**8.5**	16.0
Total loans:		
One year or less	**¥ 1,318.6**	¥ 1,149.4
Over one year to three years	**856.0**	744.1
Over three years to five years	**810.0**	859.9
Over five years to seven years	**409.6**	427.5
Over seven years	**1,683.2**	1,748.7
Indefinite term	**202.0**	231.0
Total loans	**¥ 5,279.6**	¥ 5,160.9

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

ASSET QUALITY AND DISPOSAL OF NONPERFORMING CLAIMS OF SHINSEI

At March 31, 2022, 27.3% of our consolidated nonperforming claims as disclosed in accordance with the Japanese Banking Act (JBA) and the Financial Revitalization Law were held by Shinsei and most of the remaining nonperforming claims were held by Shinsei Financial and APLUS. This discussion of our asset quality presents information of Shinsei on a nonconsolidated basis unless specified otherwise. For a discussion of the nonperforming claims of Shinsei Financial, APLUS and Showa Leasing see "—Asset Quality of Shinsei Financial, APLUS 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 claims using criteria specified in the JBA and the Financial Revitalization Law.

The following table compares the scope of each category of claim under the JBA and the Financial Revitalization Law and obligor Classifications as of March 31, 2021:

FINANCIAL CONDITION (continued)

COMPARISON OF CATEGORIES OF OBLIGOR, CLASSIFICATIONS AND CLAIMS UNDER THE JBA AND THE FINANCIAL REVITALIZATION LAW (NONCONSOLIDATED)

(Billions of yen)

Obligor Classifications		Internal Ratings	Reserve Ratios for Borrowers Type	Claims Classified under the JBA and the Financial Revitalization Law[1,2] Total loans and bills discounted:	5,279.6	Other 108.2
Legally bankrupt		9E	100.0% for unsecured portion	Claims against bankrupt and quasi-bankrupt obligors (Amount of coverage, coverage ratio) *Amount of reserve for loan losses is 0.6, collateral and guarantees is 1.0	1.6 (1.6*, 100.0%)	
Virtually bankrupt		9D	100.0% for unsecured portion			
Possibly bankrupt		9C	84.3% for unsecured portion	Doubtful claims (Amount of coverage, coverage ratio) *Amount of reserve for loan losses is 13.8, collateral and guarantees is 13.0	30.2 (26.8*, 88.9%)	
Need caution	Substandard	9B	35.1% for unsecured portion	Substandard claims (loan account only) (Amount of coverage, coverage ratio) *Amount of reserve for loan losses is 0.4, collateral and guarantees is 2.8	4.3 (3.2*, 75.3%)	
	Other need caution	9A	5.3% for total claims			
Normal		0A-6C	0.3% for total claims	Normal claims		5,351.8
				Total nonperforming claims and ratio to total claims (Total amount of coverage, coverage ratio) *Total amount of reserve for loan losses is 14.8, collateral and guarantees is 16.8	36.1, 0.7% (31.7*, 87.8%)	

1 The JBA and 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.
2 Shaded claims denoted claims that are considered to be nonperforming under the JBA and the Financial Revitalization Law.

In October 2002, the FSA announced the "Program for Financial Revival" that has led to more stringent evaluations of claims. This program requires banks to use discounted cash flow analyses, among other measures, when providing loan loss reserves against major borrowers with substandard claims. Through the program, the FSA also sought greater scrutiny of the effect of recording large amounts of deferred tax assets on the quality of a bank's regulatory capital. We have exceeded the FSA's requirements for employing the discounted cash flow method, applying it to ¥0.5 billion or more in outstanding balance, of our claims against substandard obligors and possibly bankrupt obligors, excluding non Japanese transactions and transactions with individuals as their future cash flows cannot be reasonably estimated.

FINANCIAL CONDITION (continued)

SELF-ASSESSMENT GUIDELINES AND RESERVE POLICIES

DEFINITION OF OBLIGOR CLASSIFICATIONS

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

DEFINITIONS OF CLAIMS CLASSIFIED UNDER THE JBA AND THE FINANCIAL REVITALIZATION LAW

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

FINANCIAL CONDITION (continued)

RESERVE POLICIES

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

CLAIMS CLASSIFIED UNDER THE JBA AND THE FINANCIAL REVITALIZATION LAW

Under the JBA and the Financial Revitalization Law, Japanese banks categorize their total claims in four categories by reference to the nature of the relevant assets. In addition to loans and bills discounted, claims that are subject to disclosure under the JBA and 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 JBA AND 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 JBA and the Financial Revitalization Law increased by ¥1.7 billion, or 4.8%, to ¥36.1 billion, between March 31, 2021 and 2022. During the fiscal year ended March 31, 2022, claims against bankrupt and quasi-bankrupt obligors decreased from ¥4.9 billion to ¥1.6 billion, doubtful claims increased from ¥23.3 billion to ¥30.2 billion, and substandard claims decreased from ¥6.2 billion to ¥4.3 billion as a result of our self assessment. The ratio of nonperforming claims disclosed under the JBA and the Financial Revitalization Law to total nonconsolidated claims as of March 31, 2022 was 0.7%, increased from 0.6% as of March 31, 2021.

Shinsei's claims against other need caution obligors, excluding substandard claims, totaled ¥97.7 billion as of March 31, 2022, a 15.1% decrease from ¥115.1 billion as of March 31, 2021. These include private placement bonds guaranteed by Shinsei and classified as claims against other need caution obligors. These claims represented 1.8% of total nonconsolidated claims as of March 31, 2022, decreased from 2.2% as of March 31, 2021.

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

Billions of yen (except percentages)

As of March 31	2022	2021
Claims against bankrupt and quasi-bankrupt obligors (A)	¥ 1.6	¥ 4.9
Doubtful claims (B)	30.2	23.3
Substandard claims (C)=(D)+(E)	4.3	6.2
Loans past due for three months or more (D)	0.7	0.5
Restructured loans (E)	3.6	5.6
Total claims disclosed under the JBA and the Financial Revitalization Law[1] (A)+(B)+(C)	36.1	34.4
Normal claims and claims against other need caution obligors, excluding substandard claims	5,351.8	5,260.1
Total claims	¥ 5,387.8	¥ 5,294.5
Ratio of total claims disclosed under the JBA and the Financial Revitalization Law to total claims	0.7%	0.6%

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

FINANCIAL CONDITION (continued)

COVERAGE RATIOS

As of March 31, 2022, Shinsei's nonconsolidated coverage ratios for claims classified under the JBA and 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, 88.9% for doubtful claims and 75.3% for substandard claims. For all claims classified under the JBA and the Financial Revitalization Law, the coverage ratio was 87.8%, a decrease from 91.8% as of March 31, 2021.

Shinsei directly writes off, rather than applying reserves, the portion of claims against bankrupt and quasi-bankrupt obligors that are estimated to be uncollectible. In the fiscal year ended March 31, 2022, ¥9.8 billion of such claims were written off on a nonconsolidated basis.

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

	Billions of yen (except percentages)				
		Amounts of coverage			
	Amount of claims	Reserve for loan losses	Collateral and guarantees	Total	Coverage ratio
As of March 31, 2022:					
Claims against bankrupt and quasi-bankrupt obligors	**¥ 1.6**	**¥ 0.6**	**¥ 1.0**	**¥ 1.6**	**100.0%**
Doubtful claims	**30.2**	**13.8**	**13.0**	**26.8**	**88.9**
Substandard claims	**4.3**	**0.4**	**2.8**	**3.2**	**75.3**
Total	**¥ 36.1**	**¥ 14.8**	**¥ 16.8**	**¥ 31.7**	**87.8%**
As of March 31, 2021:					
Claims against bankrupt and quasi-bankrupt obligors	¥ 4.9	¥ 0.7	¥ 4.2	¥ 4.8	100.0%
Doubtful claims	23.3	12.5	10.1	22.6	96.9
Substandard claims	6.2	0.8	3.3	4.1	66.0
Total	¥ 34.4	¥ 14.0	¥ 17.6	¥ 31.6	91.8%

CHANGES IN AMOUNT OF NONPERFORMING CLAIMS

The table below sets forth Shinsei's experience since March 31, 2020 with the removal of nonperforming claims and the emergence of new claims on a nonconsolidated basis:

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

	Billions of yen			
	Substandard claims	Doubtful claims	Claims against bankrupt and quasi-bankrupt obligors	Total
Balance of nonperforming claims as of March 31, 2020	2.8	12.5	2.3	17.6
Claims newly added April 1, 2020 to March 31, 2021	4.3	13.2	3.6	21.1
Claims removed April 1, 2020 to March 31, 2021	(0.4)	(2.7)	(1.2)	(4.4)
Claims migrating between classifications April 1, 2020 to March 31, 2021	(0.5)	0.3	0.2	–
Net change	3.4	10.8	2.6	16.8
Balance of nonperforming claims as of March 31, 2021	¥ 6.2	¥ 23.3	¥ 4.9	¥ 34.4
Claims newly added April 1, 2021 to March 31, 2022	**1.1**	**19.7**	**0.7**	**21.5**
Claims removed April 1, 2021 to March 31, 2022	**(2.9)**	**(6.4)**	**(10.5)**	**(19.8)**
Claims migrating between classifications April 1, 2021 to March 31, 2022	**(0.0)**	**(6.5)**	**6.5**	**–**
Net change	**(1.9)**	**6.8**	**(3.3)**	**1.7**
Balance of nonperforming claims as of March 31, 2022	**¥ 4.3**	**¥ 30.2**	**¥ 1.6**	**¥ 36.1**

In the fiscal year ended March 31, 2022, ¥21.5 billion of claims were newly classified as substandard or worse, while Shinsei removed ¥19.8 billion of claims in these categories during the same period. Of the newly added nonperforming claims, ¥1.1 billion were classified as substandard claims, and ¥19.7 billion were classified as Doubtful claims.

For the fiscal year ended March 31, 2021, ¥21.1 billion of claims were newly classified as substandard or worse, while Shinsei removed ¥4.4 billion of claims in these categories during the same period.

FINANCIAL CONDITION (continued)

RESERVE FOR CREDIT LOSSES

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

TABLE 21. RESERVE FOR CREDIT LOSSES (NONCONSOLIDATED)

Billions of yen (except percentages)

As of March 31	2022	2021
General reserve for loan losses	¥ 22.3	¥ 21.2
Specific reserve for loan losses	15.8	15.0
Reserve for loans to restructuring countries	–	–
Total reserve for credit losses	¥ 38.1	¥ 36.3
Total claims[1]	¥ 5,387.8	¥ 5,294.5
Ratio of total reserve for credit losses to total claims	0.7%	0.7%

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

As of March 31, 2022 and 2021, Shinsei's total reserve for credit losses on a nonconsolidated basis was ¥38.1 billion and ¥36.3 billion, respectively, constituting 0.7% and 0.7%, respectively, of total claims.

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

Percentages

As of March 31		2022	2021
Legally and virtually bankrupt	(unsecured portion)	100.0%	100.0%
Possibly bankrupt	(unsecured portion)	84.3%	99.0%
Substandard	(unsecured portion)	35.1%	34.6%
Other need caution	(total claims)	5.3%	4.0%
	(unsecured portion)	21.0%	13.2%
Normal	(total claims)	0.3%	0.3%

CLAIMS CLASSIFIED UNDER THE JBA AND THE FINANCIAL REVITALIZATION LAW

Consolidated claims classified under the JBA and the Financial Revitalization Law increased by 5.1 % during the fiscal year ended March 31, 2022 to ¥131.9 billion. The increase of ¥7.5 billion in doubtful claims during the period were primarily attributable to downgrading obligor classifications of nonconsolidated claims.

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

TABLE 23. CLAIMS CLASSIFIED UNDER THE JBA AND THE FINANCIAL REVITALIZATION LAW (CONSOLIDATED)

Billions of yen (except percentages)

As of March 31	2022	2021
Total claims	¥ 5,951.2	¥ 5,963.3
Claims against bankrupt and quasi-bankrupt obligors (A)	24.1	27.4
Doubtful claims (B)	44.5	37.1
Substandard claims (C)=(D)+(E)	¥ 63.2	¥ 61.0
Loans past due for three months or more (D)	¥ 1.1	¥ 1.0
Restructured loans (E)	62.2	60.1
Claims Classified under the JBA and the Financial Revitalization Law (A)+(B)+(C)	¥ 131.9	¥ 125.5
Ratio to total claims	2.2%	2.1%
Reserve for credit losses	¥ 119.4	¥ 112.8

FINANCIAL CONDITION (continued)

TABLE 24. LOANS OUT OF CLAIMS CLASSIFIED UNDER THE JBA AND THE FINANCIAL REVITALIZATION LAW BY BORROWER INDUSTRY (NONCONSOLIDATED)

	Billions of yen	
As of March 31	**2022**	2021
Domestic offices (excluding Japan offshore market account):		
Manufacturing	**¥ 9.7**	¥ 0.0
Agriculture and forestry	**–**	–
Fishery	**–**	–
Mining, quarrying and gravel extraction	**–**	–
Construction	**0.1**	0.1
Electric power, gas, heat supply and water supply	**3.3**	9.5
Information and communications	**0.1**	0.1
Transportation and postal service	**–**	2.1
Wholesale and retail	**0.8**	2.7
Finance and insurance	**–**	–
Real estate	**10.9**	8.6
Services	**1.5**	3.8
Local government	**–**	–
Individual	**4.8**	4.8
Overseas yen loan and overseas loans booked domestically	**–**	0.7
Total domestic (A)	**¥ 31.4**	¥ 32.9
Overseas offices (including Japan offshore market accounts):		
Governments	**¥ –**	¥ –
Financial institutions	**–**	–
Others	**4.5**	1.3
Total overseas (B)	**¥ 4.5**	¥ 1.3
Total (A+B)	**¥ 36.0**	¥ 34.2

FINANCIAL CONDITION (continued)

ASSET QUALITY OF SHINSEI FINANCIAL, APLUS AND SHOWA LEASING

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

The following tables set forth information concerning consolidated claims classified under the JBA and the Financial Revitalization Law installment receivables held by Shinsei, Shinsei Financial, APLUS, Showa Leasing and other subsidiaries as of the dates indicated:

TABLE 25. CLAIMS CLASSIFIED UNDER THE JBA AND THE FINANCIAL REVITALIZATION LAW BREAKDOWN FOR LARGE ENTITIES (CONSOLIDATED)

	Billions of yen				
	Shinsei	Shinsei Financial	APLUS	Other subsidiaries	Total
As of March 31, 2022:					
Claims against bankrupt and quasi-bankrupt obligors (A)	**¥ 1.6**	**¥ 9.9**	**¥ 11.3**	**¥ 1.3**	**¥ 24.1**
Doubtful claims (B)	**30.2**	**7.4**	**1.8**	**5.2**	**44.5**
Substandard claims (C)=(D)+(E)	**4.3**	**39.6**	**11.6**	**7.7**	**63.2**
Loans past due for three months or more (D)	**0.7**	**0.0**	**0.3**	**–**	**1.1**
Restructured loans (E)	**3.6**	**39.6**	**11.3**	**7.7**	**62.2**
Total (A)+(B)+(C)	**¥ 36.1**	**¥ 56.9**	**¥ 24.7**	**¥ 14.1**	**¥131.9**
As of March 31, 2021:					
Claims against bankrupt and quasi-bankrupt obligors (A)	¥ 4.9	¥ 9.4	¥ 10.5	¥ 2.6	¥ 27.4
Doubtful claims (B)	23.3	6.4	1.9	5.4	37.1
Substandard claims (C)=(D)+(E)	6.2	35.5	11.4	8.0	61.0
Loans past due for three months or more (D)	0.6	0.0	0.3	0.1	1.0
Restructured loans (E)	5.6	35.5	11.1	7.9	60.1
Total (A)+(B)+(C)	¥ 34.4	¥ 51.3	¥ 23.8	¥ 16.0	¥125.5

TABLE 26. CLAIMS CLASSIFIED UNDER THE JBA AND THE FINANCIAL REVITALIZATION LAW INSTALLMENT RECEIVABLES INCLUDED IN OTHER ASSETS (CONSOLIDATED)[1]

	Billions of yen				
	Shinsei Financial	APLUS	Showa Leasing	Other subsidiaries	Total
As of March 31, 2022:					
Claims against bankrupt and quasi-bankrupt obligors (A)	**¥ –**	**¥ 3.9**	**¥ 0.3**	**¥ 0.6**	**¥ 4.9**
Doubtful claims (B)	**–**	**0.3**	**1.3**	**–**	**1.5**
Substandard claims (C)=(D)+(E)	**–**	**2.4**	**0.1**	**0.9**	**3.4**
Credits past due for three months or more (D)	**–**	**0.5**	**0.0**	**–**	**0.5**
Restructured credits (E)	**–**	**1.9**	**0.1**	**0.9**	**2.9**
Total (A)+(B)+(C)	**¥ –**	**¥ 6.6**	**¥ 1.7**	**¥ 1.5**	**¥ 9.8**
As of March 31, 2021:					
Claims against bankrupt and quasi-bankrupt obligors (A)	¥ –	¥ 3.6	¥ 0.0	¥ 0.9	¥ 4.5
Doubtful claims (B)	–	0.4	1.9	–	2.3
Substandard claims (C)=(D)+(E)	–	1.7	0.1	0.8	2.6
Credits past due for three months or more (D)	–	0.1	0.1	–	0.2
Restructured credits (E)	–	1.5	0.0	0.8	2.4
Total (A)+(B)+(C)	¥ –	¥ 5.7	¥ 2.1	¥ 1.7	¥ 9.4

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

FINANCIAL CONDITION (continued)

FUNDING AND LIQUIDITY

We continue to optimize its funding base through deposits from retail customers. Total deposits and negotiable certificates of deposit decreased from ¥6,571.3 billion as of March 31, 2021 to ¥6,398.0 billion as of March 31, 2022. The retail deposits balance totaled ¥4,730.9 billion as of March 31, 2022, decreased from ¥4,888.1 billion as of March 31, 2021.

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

TABLE 27. DIVERSIFICATION BY FUNDING TYPE (CONSOLIDATED)

	Billions of yen	
As of March 31	**2022**	2021
Retail deposits	**¥ 4,730.9**	¥ 4,888.1
Institutional deposits	**1,667.1**	1,683.2
Total	**¥ 6,398.0**	¥ 6,571.3

DEPOSITS

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

TABLE 28. MATURITY SCHEDULE OF TIME DEPOSITS (CONSOLIDATED)

	Billions of yen	
As of March 31	**2022**	2021
Less than three months[1]	**¥ 1,412.0**	¥ 1,422.3
Three months or more, but less than six months	**162.2**	99.9
Six months or more, but less than one year	**258.4**	291.9
One year or more, but less than two years	**212.1**	315.8
Two years or more, but less than three years	**76.5**	154.1
Three years or more	**329.5**	362.6
Total	**¥ 2,450.9**	¥ 2,646.8

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

CORPORATE BONDS

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

TABLE 29. MATURITY SCHEDULE OF CORPORATE BONDS (CONSOLIDATED)

Corporate Bonds

Fiscal year ending March 31	Billions of yen
2023	¥ 30.0
2024	80.0
2025	215.3
2026	30.0
2027 and thereafter	24.7
Total	¥ 380.1

OTHER

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

TABLE 30. SHINSEI'S CREDIT RATINGS AS OF APRIL 2022

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

FINANCIAL CONDITION (continued)

OTHER CONTRACTUAL CASH OBLIGATIONS

We use other contractual cash obligations for funding purposes. The following table sets forth a summary of our primary consolidated other contractual cash obligations as of March 31, 2022 and 2021 :

TABLE 31. OTHER CONTRACTUAL CASH OBLIGATIONS (CONSOLIDATED)

	Billions of yen		
Payments due by period as of March 31, 2022	**1 year or less**	**Over 1 year**	**Total**
Borrowed money	**¥ 652.5**	**¥ 325.9**	**¥ 978.4**
Obligations under finance leases	**0.1**	**0.4**	**0.6**
Total	**¥ 652.6**	**¥ 326.3**	**¥ 979.0**

	Billions of yen		
Payments due by period as of March 31, 2021	1 year or less	Over 1 year	Total
Borrowed money	¥ 663.2	¥ 363.3	¥1,026.6
Obligations under finance leases	0.3	0.6	0.9
Total	¥ 663.6	¥ 364.0	¥1,027.6

TAXATION

SCHEDULE OF TAX LOSS CARRYFORWARDS

As of March 31, 2022, Shinsei had ¥140.1 billion of tax loss carryforwards based on the consolidated corporate tax system.

TABLE 32. SCHEDULE OF THE TAX EFFECT OF TAX LOSS CARRY-FORWARDS

	Millions of yen						
	1 year or less	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total
Deferred tax assets relating to tax loss carryforwards[1]	¥8,971	¥12,764	¥5,446	¥8,448	¥8,265	¥3,108	¥47,005
Less valuation allowances for tax loss carryforwards	(¥3,632)	(¥12,104)	(¥5,445)	(¥8,174)	(¥8,250)	(¥3,103)	(¥40,711)
Net deferred tax assets relating to tax loss carryforwards	¥5,339	¥660	¥0	¥274	¥14	¥4	¥6,293[2]

	Thousands of U.S. dollars						
	1 year or less	Over 1 year to 2 years	Over 2 years to 3 Years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total
Deferred tax assets relating to tax loss carryforwards[1]	$73,655	$104,794	$44,709	$69,357	$67,853	$25,521	$385,892
Less valuation allowances for tax loss carryforwards	($29,820)	($99,375)	($44,707)	($67,108)	($67,731)	($25,482)	($334,225)
Net deferred tax assets relating to tax loss carryforwards	$43,834	$5,418	$2	$2,249	$122	$39	$51,667[2]

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

The table above sets forth a schedule of the tax effect of the tax loss carryforwards, which resulted in deferred tax assets of the Group as of March 31, 2022.

We record deferred tax assets for tax loss carryforwards and evaluate them in accordance with the ASBJ Guidance. See "—Critical Accounting Policies— Valuation of Deferred Tax Assets" on page 34.

CONSOLIDATED CORPORATE TAX SYSTEM

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

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

APLUS FINANCIAL and its wholly-owned subsidiaries have joined in the Shinsei consolidated corporate tax system from December 1, 2020.

FINANCIAL CONDITION (continued)

CAPITAL RESOURCES AND ADEQUACY

EQUITY

The following table sets forth a summary of our equity as of March 31, 2022 and 2021:

TABLE 33. EQUITY (CONSOLIDATED)

Billions of yen (except percentages)

As of March 31	2022	2021
Common stock	**¥ 512.2**	¥ 512.2
Capital surplus	**72.9**	72.9
Stock acquisition rights	**–**	0.1
Retained earnings	**449.5**	431.6
Treasury stock, at cost	**(98.6)**	(81.4)
Accumulated other comprehensive income:		
Unrealized gain on available-for-sale securities	**(11.6)**	(0.5)
Deferred gain (loss) on derivatives under hedge accounting	**(13.9)**	(16.7)
Foreign currency translation adjustments	**5.5**	(1.1)
Defined retirement benefit plans	**4.1**	5.4
Total	**¥ 920.2**	¥ 922.4
Noncontrolling interests	**4.0**	8.3
Total equity	**¥ 924.3**	¥ 930.7
Ratio of total equity to total assets	**9.0%**	8.7%

CAPITAL RATIOS

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

Our total capital adequacy ratio (Basel III) as of March 31, 2022 was 11.72%, compared with 11.39% as of March 31, 2021.

See"COMPOSITION OF CAPITAL DISCLOSURE (CONSOLIDATED)" on Page 144.

FINANCIAL CONDITION (continued)

OFF-BALANCE SHEET ARRANGEMENTS

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

SECURITIZATION

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

REPACKAGING

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

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

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

FINANCIAL CONDITION (continued)

ARRANGEMENT

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

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

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

LOAN PARTICIPATIONS

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

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

As of March 31, 2022 and 2021, the total principal amount of participation interests in loans transferred to third-parties removed from the loan account was ¥6.6 billion and ¥5.7 billion, respectively.

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

We have off-balance sheet commitments to extend credit to customers up to certain predetermined amounts at current market rates, in consideration of which we receive fee income that is recorded on an accrual basis for the period of the commitments. The unfulfilled amounts of these commitments and established credit line of overdrafts were ¥2,286.4 billion and ¥2,333.1 billion as of March 31, 2022 and 2021, 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 ¥1,907.7 billion and ¥2,027.2 billion as of March 31, 2022 and 2021, respectively.

In addition, we provide acceptances and guarantees, which include lines and letters of credit and guarantees on customers' borrowings from other creditors. These acceptances and guarantees require us to satisfy our customers' obligations in the event they fail to do so, although we would have a claim for reimbursement against them. Under Japanese GAAP for banks, these acceptances and guarantees are deemed to be both contingent assets and liabilities, and are recorded as both assets and liabilities in the principal amount of the acceptances and guarantees. We record the fees we earn from providing acceptances and guarantees on an accrual basis over the period of the acceptance or guarantee. As of March 31, 2022 and 2021, we had ¥584.7 billion and ¥567.7 billion, respectively, of outstanding acceptances and guarantees.

APLUS extends credit in the form of guarantees. The most significant component of its guarantee business is providing guarantees on installment shopping credit provided by other lenders to customers of its partner merchants. APLUS also offers collection guarantees for foreign automobile dealers. As of March 31, 2022 and 2021, ¥532.5 billion and ¥516.7 billion of our outstanding acceptances or guarantees, respectively, were attributable to its guarantee business.

CONSOLIDATED BALANCE SHEET

Shinsei Bank, Limited, and its Consolidated Subsidiaries
As of March 31, 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
ASSETS			
Cash and due from banks (Notes 4, 23 and 37)	**¥ 1,625,159**	¥ 1,919,075	**$ 13,341,758**
Other monetary claims purchased (Notes 5 and 37)	**31,512**	46,187	**258,705**
Trading assets (Notes 6, 23, 37 and 38)	**149,014**	170,376	**1,223,332**
Monetary assets held in trust (Notes 7, 9, 23 and 37)	**388,177**	393,949	**3,186,743**
Securities (Notes 8, 9, 23 and 37)	**674,609**	929,717	**5,538,208**
Loans and bills discounted (Notes 9, 23 and 37)	**5,241,817**	5,233,605	**43,032,737**
Foreign exchanges (Notes 9 and10)	**56,510**	83,730	**463,926**
Lease receivables and leased investment assets (Notes 23, 33 and 37)	**190,859**	192,147	**1,566,862**
Other assets (Notes 9, 11, 23, 37 and 38)	**1,334,725**	1,154,474	**10,957,438**
Premises and equipment (Notes 12, 23 and 33)	**60,989**	63,878	**500,691**
Intangible assets (Notes 13 and 33)	**62,604**	68,685	**513,956**
Assets for retirement benefits (Note 20)	**19,499**	19,482	**160,085**
Deferred tax assets (Note 30)	**10,725**	9,985	**88,054**
Customers' liabilities for acceptances and guarantees (Notes 9 and 21)	**584,708**	567,777	**4,800,167**
Reserve for credit losses (Note 14)	**(119,466)**	(112,897)	**(980,759)**
Total assets	**¥ 10,311,448**	¥ 10,740,174	**$ 84,651,904**
LIABILITIES AND EQUITY			
Liabilities:			
Deposits, including negotiable certificates of deposit (Notes 15, 23 and 37)	**¥ 6,398,066**	¥ 6,571,331	**$ 52,524,973**
Call money (Note 37)	**3,654**	30,000	**30,000**
Payables under repurchase agreements (Notes 23 and 37)	**9,567**	47,712	**78,548**
Payables under securities lending transactions (Notes 23 and 37)	**237,530**	395,449	**1,950,005**
Trading liabilities (Notes 16, 37 and 38)	**134,068**	148,393	**1,100,635**
Borrowed money (Notes 17, 23 and 37)	**978,424**	1,026,679	**8,032,383**
Foreign exchanges (Note 10)	**1,905**	889	**15,644**
Short-term corporate bonds (Note 37)	**189,200**	218,800	**1,553,239**
Corporate bonds (Notes 18, 23 and 37)	**380,104**	367,534	**3,120,470**
Other liabilities (Notes 19, 23, 37 and 38)	**416,356**	374,978	**3,418,080**
Accrued employees' bonuses	**9,977**	8,504	**81,908**
Accrued directors' bonuses	**39**	41	**321**
Liabilities for retirement benefits (Note 20)	**8,149**	8,084	**66,905**
Reserve for directors' retirement benefits	**23**	19	**197**
Reserve for reimbursement of deposits	**393**	391	**3,234**
Reserve for reimbursement of debentures	**2,853**	3,355	**23,424**
Reserve for losses on interest repayments	**31,635**	39,096	**259,711**
Deferred tax liabilities (Note 30)	**472**	393	**3,878**
Acceptances and guarantees (Notes 21, 23 and 37)	**584,708**	567,777	**4,800,167**
Total liabilities	**9,387,131**	9,809,431	**77,063,721**
Equity:			
Common stock (Note 24)	**512,204**	512,204	**4,204,947**
Capital surplus	**72,961**	72,961	**598,976**
Stock acquisition rights (Note 25)	**–**	149	**–**
Retained earnings	**449,547**	431,623	**3,690,566**
Treasury stock, at cost (Note 24)	**(98,612)**	(81,464)	**(809,560)**
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities (Note 8)	**(11,667)**	(593)	**(95,782)**
Deferred gain (loss) on derivatives under hedge accounting	**(13,940)**	(16,799)	**(114,445)**
Foreign currency translation adjustments	**5,587**	(1,133)	**45,874**
Defined retirement benefit plans (Note 20)	**4,182**	5,495	**34,340**
Total	**920,264**	922,442	**7,554,915**
Noncontrolling interests	**4,052**	8,300	**33,267**
Total equity	**924,316**	930,742	**7,588,183**
Total liabilities and equity	**¥ 10,311,448**	¥ 10,740,174	**$ 84,651,904**

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

CONSOLIDATED STATEMENT OF INCOME

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the fiscal year ended March 31, 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Interest income:			
Interest on loans and bills discounted	**¥ 127,493**	¥ 127,299	**$ 1,046,661**
Interest and dividends on securities	**9,261**	5,490	**76,032**
Interest on deposits with banks	**1,460**	1,214	**11,990**
Other interest income	**784**	1,030	**6,443**
Total interest income	**139,000**	135,036	**1,141,127**
Interest expenses:			
Interest on deposits, including negotiable certificates of deposit	**3,588**	4,272	**29,463**
Interest on other borrowings	**2,100**	2,758	**17,246**
Interest on corporate bonds	**3,674**	1,219	**30,162**
Other interest expenses	**3,961**	4,750	**32,520**
Total interest expenses	**13,324**	13,000	**109,390**
Net interest income	**125,675**	122,035	**1,031,737**
Fees and commissions income	**59,398**	56,140	**487,633**
Fees and commissions expenses	**25,325**	25,978	**207,912**
Net fees and commissions	**34,072**	30,162	**279,721**
Net trading income (loss) (Note 26)	**6,602**	3,875	**54,204**
Other business income (loss), net:			
Income on lease transactions and installment receivables, net	**49,961**	43,112	**410,159**
Net gain (loss) on monetary assets held in trust	**3,385**	3,601	**27,794**
Net gain (loss) on foreign exchanges	**506**	10,177	**4,159**
Net gain (loss) on securities	**(8,250)**	1,026	**(67,735)**
Net gain (loss) on other monetary claims purchased	**146**	95	**1,206**
Other, net (Note 27)	**5,472**	7,834	**44,927**
Net other business income (loss)	**51,222**	65,847	**420,511**
Total revenue	**217,573**	221,921	**1,786,172**
General and administrative expenses:			
Personnel expenses	**62,196**	58,619	**510,601**
Premises expenses	**18,912**	19,163	**155,258**
Technology and data processing expenses	**26,391**	25,324	**216,665**
Advertising expenses	**13,190**	11,377	**108,286**
Consumption and property taxes	**9,928**	11,136	**81,508**
Deposit insurance premium	**1,517**	1,520	**12,454**
Other general and administrative expenses	**22,948**	21,984	**188,393**
General and administrative expenses	**155,084**	149,127	**1,273,167**
Amortization of goodwill and intangible assets acquired in business combinations	**3,229**	2,732	**26,511**
Total general and administrative expenses	**158,313**	151,860	**1,299,678**
Net business profit (loss)	**59,259**	70,060	**486,494**
Net credit costs (recoveries) (Note 28)	**31,110**	28,390	**255,406**
Other gains (losses), net (Note 29)	**347**	13,666	**2,850**
Income (loss) before income taxes	**28,495**	55,336	**233,938**
Income taxes (benefit) (Note 30):			
Current	**8,921**	7,168	**73,245**
Deferred	**(770)**	3,945	**(6,323)**
Profit	**20,344**	44,223	**167,016**
Profit (loss) attributable to noncontrolling interests	**(40)**	(886)	**(335)**
Profit attributable to owners of the parent	**¥ 20,385**	¥ 45,109	**$ 167,351**

	Yen		U.S. dollars (Note 1)
Basic earnings per share (Note 31)	**¥ 96.78**	¥ 202.16	**$ 0.79**
Diluted earnings per share (Note 31)	**¥ 96.75**	¥ 202.10	**$ 0.79**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the fiscal year ended March 31, 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Profit	**¥ 20,344**	¥ 44,223	**$ 167,016**
Other comprehensive income (Note 32):			
Unrealized gain (loss) on available-for-sale securities	**(9,938)**	(445)	**(81,586)**
Deferred gain (loss) on derivatives under hedge accounting	**2,858**	(1,079)	**23,469**
Foreign currency translation adjustments	**6,443**	221	**52,899**
Defined retirement benefit plans	**(1,312)**	9,080	**(10,772)**
Share of other comprehensive income (loss) in affiliates	**(1,359)**	(4,515)	**(11,157)**
Total other comprehensive income (loss)	**(3,306)**	3,260	**(27,147)**
Comprehensive income	**¥ 17,037**	¥ 47,483	**$ 139,869**
Total comprehensive income attributable to:			
Owners of the parent	**¥ 17,579**	¥ 47,560	**$ 144,321**
Noncontrolling interests	**(542)**	(76)	**(4,452)**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the fiscal year ended March 31, 2022

Millions of yen

	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock, at cost	Accumulated other comprehensive income: Unrealized gain (loss) on available-for-sale securities	Accumulated other comprehensive income: Deferred gain (loss) on derivatives under hedge accounting	Accumulated other comprehensive income: Foreign currency translation adjustments	Accumulated other comprehensive income: Defined retirement benefit plans	Total	Noncontrolling interests	Total equity
BALANCE, March 31, 2020 (April 1, 2020, as previously reported)	512,204	78,506	125	389,600	(61,097)	4,755	(15,719)	(1,670)	(3,585)	903,120	7,364	910,485
Cumulative effect of accounting change				–						–		–
BALANCE, April 1, 2020 (as restated)	512,204	78,506	125	389,600	(61,097)	4,755	(15,719)	(1,670)	(3,585)	903,120	7,364	910,485
Dividends				(2,307)						(2,307)		(2,307)
Profit attributable to owners of the parent				45,109						45,109		45,109
Purchase of treasury stock					(20,499)					(20,499)		(20,499)
Disposal of treasury stock		(40)			132					91		91
Transfer to capital surplus from retained earnings		40		(40)						–		–
Changes in ownership interest of the parent related to transactions with noncontrolling interests		(5,545)								(5,545)		(5,545)
Changes by forfeit of stock acquisition rights in a consolidated subsidiary				1						1		1
Changes by inclusion of consolidated subsidiaries				(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				(737)						(737)		(737)
Net change during the year			23			(5,349)	(1,079)	536	9,080	3,211	936	4,147
BALANCE, March 31, 2021 (April 1, 2021, as previously reported)	512,204	72,961	149	431,623	(81,464)	(593)	(16,799)	(1,133)	5,495	922,442	8,300	930,742
Cumulative effect of accounting change				129						129		129
BALANCE, April 1, 2021 (as restated)	512,204	72,961	149	431,753	(81,464)	(593)	(16,799)	(1,133)	5,495	922,572	8,300	930,872
Dividends				(2,583)						(2,583)		(2,583)
Profit attributable to owners of the parent				20,385						20,385		20,385
Purchase of treasury stock					(17,409)					(17,409)		(17,409)
Disposal of treasury stock		(29)			262					233		233
Transfer to capital surplus from retained earnings		29		(29)						–		–
Changes in ownership interest of the parent related to transactions with noncontrolling interests		–								–		–
Changes by forfeit of stock acquisition rights in a consolidated subsidiary				22						22		22
Changes by inclusion of consolidated subsidiaries				–						–		–
Changes by exclusion of consolidated subsidiaries				(0)						(0)		(0)
Transfer to retained earnings from unrealized gain (loss) on available-for-sale securities				–						–		–
Net change during the year			(149)			(11,073)	2,858	6,721	(1,312)	(2,955)	(4,248)	(7,203)
BALANCE, March 31, 2022	¥ 512,204	¥ 72,961	¥ –	¥ 449,547	¥ (98,612)	¥ (11,667)	¥ (13,940)	¥ 5,587	¥ 4,182	¥ 920,264	¥ 4,052	¥ 924,316

	Thousands of U.S. dollars (Note 1)											
						Accumulated other comprehensive income						
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock, at cost	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Noncontrolling interests	Total equity
BALANCE, March 31, 2021 (April 1. 2021, as previously reported)	$ 4,204,947	$ 598,976	$ 1,230	$ 3,543,415	$ (668,787)	$ (4,872)	$ (137,914)	$ (9,309)	$ 45,112	$ 7,572,797	$ 68,143	$ 7,640,941
Cumulative effect of accounting change				1,067						1,067		1,067
BALANCE, April 1, 2021 (as restated)	4,204,947	598,976	1,230	3,544,482	(668,787)	(4,872)	(137,914)	(9,309)	45,112	7,573,864	68,143	7,642,007
Dividends				(21,209)						(21,209)		(21,209)
Profit attributable to owners of the parent				167,351						167,351		167,351
Purchase of treasury stock					(142,924)					(142,924)		(142,924)
Disposal of treasury stock		(238)			2,151					1,913		1,913
Transfer to capital surplus from retained earnings		238		(238)						–		–
Changes in ownership interest of the parent related to transactions with noncontrolling interests		–								–		–
Changes by forfeit of stock acquisition rights in a consolidated subsidiary				182						182		182
Changes by inclusion of consolidated subsidiaries				–						–		–
Changes by exclusion of consolidated subsidiaries				(1)						(1)		(1)
Transfer to retained earnings from unrealized gain (loss) on available-for-sale securities				–						–		–
Net change during the year			(1,230)			(90,910)	23,469	55,183	(10,772)	(24,261)	(34,876)	(59,137)
BALANCE, March 31, 2022	$ 4,204,947	$ 598,976	$ –	$ 3,690,566	$ (809,560)	$ (95,782)	$ (114,445)	$ 45,874	$ 34,340	$ 7,554,915	$ 33,267	$ 7,588,183

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the fiscal year ended March 31, 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Cash flows from operating activities:			
Income (loss) before income taxes	¥ 28,495	¥ 55,336	$ 233,938
Adjustments for:			
Income taxes paid	(6,781)	(7,991)	(55,672)
Depreciation (other than leased assets as lessor)	13,991	14,252	114,863
Amortization of goodwill and intangible assets acquired in business combinations	3,229	2,732	26,511
Impairment losses on long-lived assets	373	1,009	3,066
Net change in reserve for credit losses	6,498	4,602	53,346
Net change in reserve for losses on interest repayments	(7,460)	(10,212)	(61,249)
Net change in other reserves	975	(484)	8,012
Interest income	(139,000)	(135,036)	(1,141,127)
Interest expenses	13,324	13,000	109,390
Investment (gains) losses	3,971	(15,235)	32,604
Net exchange (gain) loss	(29,937)	(25,810)	(245,771)
Net change in trading assets	20,141	43,331	165,353
Net change in trading liabilities	(12,992)	(35,549)	(106,662)
Net change in loans and bills discounted	(347)	8,929	(2,857)
Net change in deposits, including negotiable certificates of deposit	(174,018)	266,149	(1,428,607)
Net change in borrowed money (other than subordinated debt)	(48,310)	71,467	(396,604)
Net change in corporate bonds (other than subordinated corporate bonds)	3,885	53,420	31,896
Net change in interest-bearing deposits with banks (other than due from the Bank of Japan)	62,722	(59,071)	514,923
Net change in receivables under securities borrowing transactions and other monetary claims purchased	14,674	17,387	120,473
Net change in call money, payables under repurchase agreements, payables under securities lending transactions, and short-term corporate bonds (liabilities)	(252,009)	(83,702)	(2,068,870)
Net change in foreign exchange assets and liabilities	28,235	(9,649)	231,802
Interest received	138,507	138,004	1,137,076
Interest paid	(12,661)	(14,821)	(103,946)
Net change in monetary assets held in trust for trading purposes	1,967	2,484	16,154
Net change in lease receivables and leased investment assets	1,662	9,785	13,647
Other, net	(129,767)	(55,098)	(1,065,330)
Total adjustments	(499,126)	193,893	(4,097,580)
Net cash provided by (used in) operating activities	(470,630)	249,230	(3,863,642)
Cash flows from investing activities:			
Purchase of investments	(1,418,839)	(1,747,121)	(11,647,970)
Proceeds from sales of investments	1,345,926	1,507,795	11,049,396
Proceeds from maturity of investments	332,230	304,804	2,727,451
Purchase of premises and equipment (other than leased assets as lessor)	(1,933)	(2,104)	(15,872)
Purchase of intangible assets (other than leased assets as lessor)	(7,214)	(9,850)	(59,228)
Purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 4)	–	(46,961)	–
Payment for sale of investments in subsidiaries resulting in change in scope of consolidation	(96)	–	(793)
Other, net	923	623	7,578
Net cash provided by (used in) investing activities	250,997	7,186	2,060,563
Cash flows from financing activities:			
Proceeds from noncontrolling shareholders	644	2,864	5,290
Payment for capital returned to noncontrolling shareholders of subsidiaries	–	(290)	–
Dividends paid	(2,583)	(2,307)	(21,209)
Dividends paid to noncontrolling shareholders of subsidiaries	(524)	(466)	(4,305)
Payment for purchase of treasury stock	(17,409)	(20,499)	(142,924)
Purchase of investments in subsidiaries not resulting in change in scope of consolidation	–	(6,640)	–
Net cash provided by (used in) financing activities	(19,873)	(27,339)	(163,148)
Foreign currency translation adjustments on cash and cash equivalents	80	81	660
Net change in cash and cash equivalents	(239,425)	229,159	(1,965,567)
Cash and cash equivalents at beginning of year	1,806,556	1,578,264	14,830,936
Decrease in cash and cash equivalents due to deconsolidation of subsidiaries	(1)	(868)	(9)
Cash and cash equivalents at end of year (Note 4)	¥ 1,567,129	¥ 1,806,556	$ 12,865,360

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the fiscal year ended March 31, 2022

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS — CONSOLIDATED

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

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

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

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥121.81 to U.S. $1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on March 31, 2022. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES — CONSOLIDATED

(A) PRINCIPLES OF CONSOLIDATION

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

The numbers of subsidiaries and affiliates as of March 31, 2022 and 2021 were as follows:

	2022	2021
Consolidated subsidiaries	**81**	88
Unconsolidated subsidiaries	**54**	73
Affiliates accounted for by the equity method	**43**	39
Affiliates accounted for not applying the equity method	**–**	–

Shinsei Venture Partners II LLP and 5 other companies were newly consolidated due to their formation.

Additionally, FreakOut Shinsei Fund I Limited Partnership and 3 other companies were excluded from the scope of consolidation and transferred to affiliates to which the equity method is applied due to their decreased investment proportion, etc., FMC 2 Co., Ltd. and 2 other companies were excluded from the scope of consolidation due to liquidation, OJBC Co. Ltd and 1 other company were excluded from the scope of consolidation due to the sale of their shares, APLUS FINANCIAL Co., Ltd. and 1 other company were excluded from the scope of consolidation due to the merger with APLUS Co., Ltd., APLUS PERSONAL LOAN Co., Ltd. was excluded from the scope of consolidation due to the merger with Aplus Investment Co., Ltd., and SL ALPS LTD. was excluded from the scope of consolidation as the balance became immaterial in the fiscal year ended March 31, 2022.

Shinsei Shikigaku Partners Co., Ltd and 4 other companies were newly included in the scope of application of the equity method due to their formation and FreakOut Shinsei Fund I Limited Partnership and 3 other companies were newly included in the scope of application because they were changed from consolidated subsidiaries to affiliates due to their decreased investment proportion, etc. Additionally, SR Corporate Support 1st Investment Limited Partnership and 4 other companies were excluded from the scope of application of the equity method due to liquidation in the fiscal year ended March 31, 2022.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED) CONSOLIDATED

Group does not have any material transactions with these subsidiaries, pursuant to Article 5, Paragraph 1, Section 2 and Article 10, Paragraph 1, Section 2 of the regulation concerning consolidated financial statements ("Regulation on Terminology, Forms, and Preparation Methods of 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 because they are not material to the financial position or operational results of the Group.

Techno craft corporation and 3 other companies are not accounted for as consolidated subsidiaries even though the Group owns over 50% of their voting rights (the rights to execute business) because the objective for the Group to own the voting rights is merely to raise capital gain through investment fostering and business revitalization and the investment in these companies meets the requirement according to Paragraph 16 of the Accounting Standards Board of Japan (the "ASBJ") guidance No.22 "Guidance on Determining a Subsidiary and an Affiliate."

Major consolidated subsidiaries as of March 31, 2022 are listed below:

Name	Location	Percentage ownership
APLUS Co., Ltd.	Japan	100.0%
Showa Leasing 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%
UDC Finance Limited	New Zealand	100.0%

All significant inter-company transactions, related account balances and unrealized gains have been eliminated upon consolidation. As of March 31, 2022, the fiscal year ending dates were March 31 for 52 subsidiaries, June 24 for 1 subsidiary, September 30 for 2 subsidiaries, December 16 for 1 subsidiary, December 31 for 24 subsidiaries and January 31 for 1 subsidiary. Of the consolidated subsidiaries whose fiscal year ends on a day other than March 31, 4 companies are consolidated using the financial statements based on the provisional settlement of accounts as of March 31, 3 companies are consolidated using the financial statements based on the provisional settlement of accounts as of February 28, and other consolidated subsidiaries are consolidated using the financial statements as of the respective fiscal year end. Appropriate adjustments have been made for significant transactions that occurred during the period from the ending dates of their fiscal year to March 31, 2022.

Major affiliates accounted for by the equity method as of March 31, 2022 are listed below:

Name	Location	Percentage ownership
Nissen Credit Service Co., Ltd.	Japan	50.0%
MB Shinsei Finance Limited Liability Company	Vietnam	49.0%

(B) GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATIONS

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

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

Customer relationship	8 years to 20 years
Trade names and trademarks	20 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 using the straight-line method over 10 to 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 using the straight-line method 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED) CONSOLIDATED

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

(D) TRANSLATION OF FOREIGN CURRENCY FINANCIAL STATEMENTS AND TRANSACTIONS

(a) The financial statements of consolidated foreign subsidiaries are translated into Japanese yen at exchange rates as of their respective balance sheet dates, except for equity, which is translated at historical exchange rates. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity in the accompanying consolidated balance sheets.
(b) Foreign currency accounts held by consolidated foreign subsidiaries are translated into the functional currency of each subsidiary at exchange rates as of their respective balance sheet dates.
(c) Foreign-currency denominated assets and liabilities of the Bank and consolidated domestic subsidiaries are translated into Japanese yen at exchange rates as of their respective balance sheet dates, except for investments in unconsolidated subsidiaries and affiliates which are translated at the relevant historical exchange rates.
(d) Foreign-currency denominated available-for-sale securities (bonds) are translated into Japanese yen at the exchange rates as of the consolidated balance sheet date, and of the translation amount, the translation difference arising from changes in fair values in foreign currencies is treated as unrealized gain or loss on available-for-sale securities and the other translation difference is treated as profit or loss.

(E) CASH AND CASH EQUIVALENTS

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

(F) OTHER MONETARY CLAIMS PURCHASED

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

(G) VALUATION OF TRADING ACCOUNT ACTIVITIES

Trading account positions including derivatives embedded in compound financial instruments, which are managed and accounted for separately from the financial assets and liabilities that are their host, entered 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. The income and losses resulting from trading activities are included in "Trading income" and "Trading losses."

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

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 fiscal year.

For derivatives, the fair value is determined based on the net assets or liabilities after offsetting the financial assets and financial liabilities with respect to a specific market risk or a specific credit risk, using the group of financial assets and financial liabilities as the unit.

(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 in other comprehensive income.

Instruments held in trust classified as available-for-sale whose consolidated balance sheet amounts are not measured at fair value 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 in other comprehensive income, 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. Nonmarketable available-for-sale equity securities are carried at cost determined by the moving average method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED) CONSOLIDATED

(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 non-marketable equity securities and others and investment in partnerships and others), other than trading securities, experience a decline in fair value which is significant as compared to the acquisition cost of such securities, the securities are written down as the decline in fair value is deemed to be other than temporary.

(J) PREMISES AND EQUIPMENT

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

Depreciation of the Group's buildings and the Bank's computer equipment (including ATMs) other than personal computers is computed principally using the straight-line method, and depreciation of other equipment is computed principally using the declining-balance method. Estimated useful lives of buildings and equipment as of March 31, 2022 are principally as follows:

Buildings........... 3 years to 50 years
Equipment ...... 4 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.

(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 has been established according to the obligor categorization described below based on the predetermined internal rules for establishing the reserve.

Legally bankrupt obligors:
Obligors who have legally or formally declared bankruptcy, special liquidation

Virtually bankrupt obligors:
Obligors who are in a situation substantially equivalent to that of the "Legally bankrupt obligors"

Possibly bankrupt obligors:
Obligors who are not currently in a state of bankruptcy but are deemed likely to go bankrupt in the future

Substandard obligors:
Obligors whose debts, all or in part, are Substandard Claims (Restructured Loans and Loans in Arrears for three months or longer)

Need caution obligors:
Obligors requiring attention for credit control due to problems with loan terms and repayment performance, poor business conditions, instability, or financial problems

Normal obligors:
Obligors whose business conditions are favorable and whose financial conditions are deemed to have no particular problems

For claims to legally bankrupt obligors and 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 possibly bankrupt obligors, except claims to obligors with large claims described below, a specific reserve is provided by forecasting a loss amount expected from the net amount for the next three years, which is the amount deducting amounts expected to be collectible through the disposal of collateral and execution of guarantees from the claim amount.

With regard to claims to possibly bankrupt obligors, substandard obligors and certain obligors for which the reserve has been provided based on the discounted cash flow method (as mentioned below) in previous fiscal years, provided that obligors' cash flows (Hereinafter referred to as "future cash flows") for debt service are reasonably estimable and the balance of claims to such obligors are at or larger than the predetermined amount, the reserve for credit losses is determined as the difference between (i) relevant estimated future cash flows discounted by the original contractual interest rate and (ii) the book value of the claim (discounted cash flow 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 (claims to normal, need caution and substandard obligors), the reserve for credit losses is recorded by estimating an expected loss amount of loans and claims. The expected loss amount is calculated based on the characteristics of the portfolio. The portfolio is divided into loans for general non-financial corporations, real estate non-recourse loans, project finance and loans for individual customers. For loans to general non-financial corporations, real estate non-recourse loans and loans for individual customers, loss rate is calculated based mainly on the actual credit loss for the average remaining term to maturity of each obligor category or the actual credit loss for the average remaining term to maturity. For project finance, loss rate is calculated based on the actual credit loss on the basis of actual default for the average remaining term to maturity of each obligor category or the average rate of the probability of default over a certain period in the past. The reserve is provided by making necessary adjustments to the expected loss amount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED) CONSOLIDATED

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 the self-assessment of asset quality. The risk management division, which is independent of sales promotion divisions and credit analysis divisions, conducts verifications of these assessments, and additional reserves may be provided based on the verification results.

The consolidated subsidiaries calculate the general reserve for general claims based on historical actual rate of credit losses, 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 ¥53,356 million (U.S.$438,027 thousand) and ¥49,769 million as of March 31, 2022 and 2021, 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 fiscal year.

(P) EMPLOYEES' RETIREMENT BENEFITS AND PENSION PLAN ASSETS

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

The Group accounts for liabilities or assets for retirement benefits based on the projected benefit obligations and plan 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 using the straight-line method over 7.49 years to 12.00 years and 10 years, respectively, no longer than the expected average remaining service period of the employees.

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

(Q) RESERVE FOR DIRECTORS' RETIREMENT BENEFITS

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

(R) RESERVE FOR REIMBURSEMENT OF DEPOSITS

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

(S) RESERVE FOR REIMBURSEMENT OF DEBENTURES

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

(T) RESERVE FOR LOSSES ON INTEREST REPAYMENTS

The reserve for losses on interest repayments is provided by a moneylender who had operated at a loan rate exceeding the upper limit of the Interest Rate Restriction Act and below the upper limit of the so-called Contributions Act (Hereinafter referred to as "gray-zone rate") for estimated losses on refund of excess interest receipts arising from a claim for repayment of interest paid by a debtor ("customer") in excess of the maximum interest rate prescribed by the Interest Rate Restriction Act. A claim for refund interest is approved based on a decision of the Supreme Court in 2006 that unless there are special circumstances, the excess interest cannot be deemed to have been voluntarily paid if the contract concerning the loan includes a special provision to the effect that the obligor loses the benefit of time if he/she delays the payment of the agreed interest including excess interest. In general, if the customer claims for refund, the lender shall refund the excess portion (Hereinafter referred to as "excess interest") if the amount exceeds the amount calculated based on the maximum interest rate provided in the Interest Rate Restriction Act.

In the Group, since the fiscal year 2007, consolidated subsidiaries Shinsei Financial, Shinsei Personal Loan, APLUS, and Aplus Investment have applied the reduced maximum interest rate to new loans to new customers and certain existing customers. Also, with the full enforcement of the amended Money Lending Business Act in June 2010 all new loans are made at interest rate within the maximum interest rate regulated by the Interest Rate Restriction Act. However, since the Group had made loans at gray-zone interest in the past, the amount of overpaid interest that would arise in the future as a result of the customer's claims for repayment is estimated and recorded as reserve for losses on interest repayments.

In calculating the reserve for losses on interest repayments, Shinsei Financial and Shinsei Personal Loan estimate the amount that is expected to be repaid in the future by multiplying the amount per account expected to be reclaimed by the population (number of accounts) subject to repayment of overpaid interest on loans by the intervention of a lawyer's office or judicial scrivener's office (intervention rate), or subject to settlement with the obligor (settlement rate) until the population (number of accounts) falls below a certain number.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED) CONSOLIDATED

In addition, APLUS and Aplus Investment estimates the number of refund requests during a certain period in the future from changes in the number of refund requests in the past and estimates the amount expected to be refunded in the future by multiplying it by the estimated amount of refund requests per account.

The Group calculates reserve for losses on interest repayments based on a reasonable estimate of the amount of interest repayment in the future. The assumptions in these calculations include the analysis of the occurrence of past interest repayment amounts, an estimate of the extent to which the number of accounts will decrease due to the expiration of the statute of limitations, and an estimate of how the past intervention rate, settlement rate, number of claims for repayment, amount of claims for repayment per account or customer will change in the future.

(U) ASSET RETIREMENT OBLIGATIONS

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

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

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

(V) STOCK OPTIONS

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

(W) LEASE TRANSACTIONS

(As lessee)

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

Revenues and costs related to finance lease transactions are recorded as leasing revenue in each period, and the amount obtained by deducting the interest equivalent allocated to each period during the lease period from the lease payment is recorded as the leasing cost.

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 ¥34 million (U.S.$284 thousand) and ¥52 million for the fiscal years ended March 31, 2022 and 2021, respectively, as compared to what would have been reported if the revised accounting standard was applied retroactively to all finance lease transactions as lessor.

(X) INSTALLMENT SALES FINANCE AND CREDIT GUARANTEES

Fee revenues from installment sales finance are recognized in principle over the respective installment periods by using the sum-of-the-months digits method or by using the credit-balance method, which are methods for calculation of revenue to be recognized at each repayment due date.

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

(Y) REVENUE RECOGNITION FOR INTEREST ON CONSUMER LENDING BUSINESS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED) CONSOLIDATED

(Z) REVENUE RECOGNITION FROM CONTRACTS WITH CUSTOMERS

The Group recognizes revenue from contracts with customers based on the following five steps.

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

Revenues from contracts with customers are mainly from (i) sales of mutual funds and insurances in Retail Banking segment, (ii) the collection agent service fees in the payment business and merchant fees in the credit card business in APLUS segment, and (iii) sales of used construction machines, etc. in Showa Leasing segment.

The Group recognizes these revenues when the performance obligation is satisfied at the time of transfer of these goods or services.

Also, regarding annual membership fees from the credit card business, revenues are recognized over the contract period of services as each entity in the Group satisfies the performance obligation over time.

In addition, these revenues do not contain elements of material variable estimates or significant financing components.

(AA) 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 taxation 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.

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

The Bank plans to apply "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ Practical Issues Task Force (PITF) No. 42, August 12, 2021) from the beginning of the next fiscal year.

(AB) 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 other comprehensive income until the gains and losses on the hedged items are realized.

(a) Hedge of interest rate risks

Derivative transactions that meet the hedge accounting criteria for mitigating interest rate risks of the Bank's financial assets and liabilities are accounted for using the deferral method. The Bank adopted portfolio hedging to determine the effectiveness of its hedging relationship in accordance with "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry" (Industry Committee Practical Guidelines No.24, March 17, 2022, 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 designated 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 item and that of the hedging instrument.

Certain foreign subsidiaries which adopt IFRS apply cash flow hedges, and the effective portion of the changes in fair value of the hedging instruments is recognized as "Deferred gain (loss) on derivatives under hedge accounting" of other comprehensive income and the ineffective portion of the hedge is recognized as profit or loss.

The interest rate swaps of certain consolidated domestic 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 domestic 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 Committee Practical Guidelines No. 25, October 8, 2020, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED) CONSOLIDATED

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 designated 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 denominated securities such as investments in foreign unconsolidated subsidiaries and affiliates, and available-for-sale securities (other than bond) if the above hedged securities are designated in advance and on-balance (actual) or off-balance (forward) liability exposure which equal or exceed the acquisition cost of the hedged securities exists.

(c) Inter-company and intra-company derivative transactions
Gains and losses on inter-company derivative hedging transactions between consolidated companies 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 Committee Practical Guidelines 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.

(d) Hedging relationships which apply “Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR”
The Group applies the exceptional treatment stipulated in the “Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (ASBJ Practical Solutions No 40, March 17, 2022) to all eligible hedging relationships. The details of the hedging relationships which are subject to the Practical Solutions are as follows.

Hedging methods: the deferral hedge, the exceptional method for interest rate swaps which meet specific matching criteria

Hedging instruments: interest rate swaps, currency swaps

Hedged items: financial assets and liabilities, financial assets and liabilities denominated in foreign currencies, etc.

Types of hedge transactions: those that offset market fluctuation risks, those that fix the cash flows

(AC) 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 periods, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED) CONSOLIDATED

(AD) CHANGES IN ACCOUNTING POLICIES

(a) Application of Accounting Standard for Revenue Recognition and Its Implementation Guidance

The Group has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021) since the beginning of the current fiscal year, and the Group recognized revenue at the amount expected to be received in exchange for the promised goods or services at the time the control of those goods or services was transferred to the customer. As a result, annual membership fees income which some consolidated subsidiaries record from credit cards for the intermediation of comprehensive credit purchases were changed to recognize on a pro rata basis over a certain period because the subsidiaries satisfy their performance obligations over the period. Also, in the case where the consolidated subsidiaries were involved in the transactions as agents, the revenues were recognized in net amounts less commission expenses paid by the consolidated subsidiaries to third parties other than customers. In addition, the timing of recognition of revenues from agency commissions for the intermediation of comprehensive credit purchases changed to the recognition at a point in time since the provision of services is completed and the performance obligation is satisfied when a credit card is used.

In applying the Accounting Standard for Revenue Recognition and its Implementation Guidance, the Group followed the transitional treatment described in the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition, and the cumulative effect of applying of the new accounting policy retroactively prior to the beginning of the current fiscal year was added to or deducted from the balance of "Retained Earnings" at the beginning of the current fiscal year. However, in accordance with the treatment prescribed in paragraph 86(1) of the Accounting Standard for Revenue Recognition, the Group did not apply the new accounting policy to the contracts where nearly all of the revenue amounts had been recognized prior to the beginning of the current fiscal year in accordance with the previous accounting standards. In addition, by applying the method stipulated in paragraph 86(1) of the Accounting Standard for Revenue Recognition, if there had been changes in contracts before the beginning of the current fiscal year, the Group accounted based on the contract terms after reflecting all the changes in contracts, and the cumulative effect was added to or deducted from in "Retained Earnings" at the beginning of the current fiscal year.

As a result, "Other business income" decreased by ¥1,348 million (U.S.$11,068 thousand), "Fees and commissions expenses" decreased by ¥1,336 million (U.S.$10,976 thousand), and both "Net business profit" and "Income before income taxes" decreased by ¥11 million (U.S.$93 thousand) for the current fiscal year. In addition, "Retained earnings" decreased by ¥430 million (U.S.$3,537 thousand), "Deferred tax assets" increased by ¥77 million (U.S.$639 thousand), and "Other liabilities" increased by ¥508 million (U.S.$4,176 thousand) at the beginning of the current fiscal year.

Additionally, in accordance with the transitional treatment prescribed in paragraph 89-3 of the Accounting Standard for Revenue Recognition, comparative information is not included in Note 34 "REVENUE RECOGNITION."

(b) Application of Accounting Standard for Fair Value Measurement and Its Implementation Guidance

The Group has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No.30, July 4, 2019), etc. since the beginning of the current fiscal year. Accordingly, in accordance with paragraph 8 of "Accounting Standard for Fair Value Measurement," the Group has revised the fair value method to reflect the own credit risks and the counterparty's credit risks in the fair value of derivative transactions by making maximum use of relevant observable inputs estimated from derivatives and others traded in the market. As for the impact of this revise, in accordance with the transitional treatment set forth in paragraph 20 of "Accounting Standards for Fair Value Measurement," the cumulative effect of applying of the new accounting policy retroactively prior to the current fiscal year is added to or deducted from "Retained earnings" at the beginning of the current fiscal year.

As a result, "Trading income" decreased by ¥313 million (U.S.$2,571 thousand), "Other business income" increased by ¥25 million (U.S.$208 thousand), and both "Net business profit" and "Income before income taxes" decreased by ¥287 million (U.S.$2,363 thousand) for the current fiscal year. In addition, "Retained earnings" increased by ¥560 million (U.S.$4,604 thousand), "Trading assets" decreased by ¥1,220 million (U.S.$10,018 thousand), "Other assets" decreased by ¥253 million (U.S.$2,079 thousand), "Deferred tax assets" increased by ¥196 million (U.S.$1,617 thousand), "Trading liabilities" decreased by ¥1,333 million (U.S.$10,943 thousand), and "Other liabilities" decreased by ¥504 million (U.S.$4,140 thousand) at the beginning of the current fiscal year.

Among available-for-sale securities, the Group had previously adopted the method of measurement applied to monetary claims or the method of measuring at cost for securities whose fair value cannot be reliably determined. According to the application of this accounting standard and its implementation guidance, the Group changed the method of measurement to the one measuring at fair value, except for nonmarketable equity securities and others. Also in accordance with the transitional treatment set forth in paragraph 19 of "Accounting Standard for Fair Value Measurement" and paragraph 44-2 of "Accounting Standard for Financial Instruments " (ASBJ Statement No. 10, July 4, 2019), the Group has applied the new accounting policy prospectively since the beginning of the current fiscal year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED) CONSOLIDATED

(AE) NEW ACCOUNTING PRONOUNCEMENTS

Accounting Standard for Fair Value Measurement

"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31, revised on June 17, 2021)

(i) Outline

This implementation guidance is published based on the consideration of "fair value calculation of investment trusts" and fair value footnote of the "Investments in partnerships for which the equity interest is recorded on a net basis on the balance sheet," which was to be examined over a period of approximately one year after the publication of the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No.30, July 4, 2019).

(ii) Effective date

The Group plans to apply this accounting standard from the beginning of the fiscal year ending on March 31, 2023.

(iii) The impact of the application

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

(AF) SIGNIFICANT ACCOUNTING ESTIMATES

(a) Reserve for credit losses

(i) Amount recorded in the consolidated financial statements for the current fiscal year

Reserve for credit losses

¥119,466 million (U.S.$980,759 thousand) and ¥112,897 million as of March 31, 2022 and 2021, respectively

(ii) Information that contributes to the understanding of the significant accounting estimates

The Bank determines obligor categories (normal, need caution, substandard, possibly bankrupt, virtually bankrupt and legally bankrupt) for each obligor based on the obligor's financial information and available external information and records reserve for loan losses based on the calculation method described in (N) RESERVE FOR CREDIT LOSSES.

The Group assumes that the impacts of the novel coronavirus outbreak and the resulting stagnant economic activities (hereinafter referred to as the "Novel Coronavirus impact") has alleviated by the end of March 2021, but the impacts on the credit risk for loans to some obligors will remain for several more years and in fact, the Novel Coronavirus impact has still existed even after April 2021. However, no material changes were made from this assumption at the end of March 2022. Based on this assumption, we have assumed that there will be material impacts on the credit risk for loans to specific obligors with the varying degrees of such impacts by obligor.

In order to provide for losses expected from such impacts, we have determined obligor categories for obligors whose performance is deteriorating due to the impact of the spread of the novel coronavirus infection, etc. by assessing the possibility of future deterioration or recovery in their business conditions and the possibility of their business continuity and have provisioned reserves for credit losses according to their obligor categories.

Obligor categories for real estate non-recourse loans included in the Bank's loans and claims are determined based on the valuation of the underlying real estate, which is calculated with the assumptions including rental income, vacancy rate and discount rate. Among the properties subject to non-recourse loans, hotels and commercial facilities that have been strongly affected by the impact of the spread of the novel coronavirus infection, etc. are assumed to continue to be affected for a few years in the future, and the projected trend in future rent income are reflected in the assumptions in the evaluation of the properties subject to non-recourse loans.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED) CONSOLIDATED

Reserve for credit losses is calculated based on necessary adjustments taking obligor's business plan into consideration (reduction of future cash flow to reflect future uncertainties and establishment of multiple scenarios, etc.) in estimating future cash flow for obligors such as possibly bankrupt obligors and substandard obligors for whom the Bank made provisions based on the discounted cash flow method among those whose business performance has deteriorated due to the recent changes in the economic environment in addition to the impact of the spread of the novel coronavirus infection, etc.

The possibility of such deterioration or recovery of the obligor's financial condition, the possibility of business continuity, and the prospect of future cash flows are affected by the impact of the spread of the novel coronavirus infection, etc. and changes in the economic environments inside and outside. Therefore, the uncertainty of the estimation is high.

Accordingly, the amount of reserve for credit losses provisioned as of March 31, 2022 is based on our best estimate at present. However, the amount of reserve for credit losses may change during the next fiscal year if there are changes in the economic environment surrounding the obligors or in their financial conditions.

(b) Reserve for losses on interest repayments

(i) Amount recorded in the consolidated financial statements for the current fiscal year

As of March 31, 2022 and 2021, the Group recorded reserves for losses on interest repayments of ¥31,635 million (U.S.$259,711 thousand) and ¥39,096 million in the consolidated balance sheet as a result of estimating the required amount of reserve for losses on interest repayments and providing for losses on future claims for interest repayments. It consisted of ¥22,508 million (U.S.$184,784 thousand) for Shinsei Financial and ¥2,726 million (U.S.$22,380 thousand) for Shinsei Personal Loan and ¥4,322 million (U.S.$35,481 thousand) for APLUS and ¥2,078 million (U.S.$17,065 thousand) for Aplus Investment. Also, the Group recorded provision of reserve for losses on interest repayments of ¥1,148 million (U.S.$9,427 thousand) in the consolidated income statement consisting of ¥691 million (U.S.$5,679 thousand) for Shinsei Financial and ¥440 million (U.S.$3,613 thousand) for Shinsei Personal Loan and ¥1,400 million (U.S.$11,493 thousand) for APLUS.

(ii) Information that contributes to the understanding of the significant accounting estimates

The Group has recorded reserves for losses on interest repayments at consolidated subsidiaries Shinsei Financial, Shinsei Personal Loan, APLUS, and Aplus Investment. The calculation method is stated in (T) RESERVE FOR LOSSES ON INTEREST REPAYMENTS.

Recently, due to a decrease in the population (number of accounts) and a decrease in public relations activities of the attorney's offices and judicial scrivener offices as agents for obligors, the number of transaction history disclosure requests regarding matters on the gray zone interest and the amounts of interest refunds for grey zone claim have remained stable and far below the past peak. The Group recognizes that the occurrence of additional losses associated with excess interest refunds will be limited.

In contrast, since the reserve for losses on interest repayments is calculated by estimating the extent to which the number of accounts will decrease due to the expiration of the statute of limitations, the past intervention rate, settlement rate, the number of claims for repayment, and the amount of claims for repayment per account or per customer in the future on the basis of the past performance, the amount of reserves for losses on interest repayments could affect the consolidated financial statements for the next fiscal year of the Group in the event of future changes in the business environment that differ from the current forecast.

3. BUSINESS COMBINATION CONSOLIDATED

(Business combinations under common control)
(Merger between consolidated subsidiaries)

On January 1, 2022, two consolidated subsidiaries, APLUS Co., Ltd. and APLUS FINANCIAL Co., Ltd, have merged by the absorption-type merger based on their merger agreement dated on November 10, 2021. APLUS Co., Ltd. is the surviving company and succeeded the business of APLUS FINANCIAL Co., Ltd.

(A) Outline of the business combination

(a) Names and business descriptions of the companies:

・Surviving company
Name: APLUS Co., Ltd.
Business: Shopping credit business
Card business
Payment business

・Absorbed company
Name: APLUS FINANCIAL Co., Ltd.
Business: Holding company of the APLUS Group
Housing loan operation in credit guarantees business

(b) Date of the business combination:
January 1, 2022

(c) Legal form of the business combination:
Absorption-type merger

(d) Name of the company after the business combination:
APLUS Co., Ltd.

(e) Other matters concerning outline of the business combination:
For a further optimization of business management

(B) Overview of the accounting treatment

Based on "Accounting Standard for Business Combinations (ASBJ Statement No. 21 of January 16, 2019) " and "Implementation Guidance on Accounting Standards for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10 of January 16, 2019) ", the Group accounted for the above transaction as a transaction under common control.

4. CASH AND CASH EQUIVALENTS

CONSOLIDATED

(a)The reconciliation of cash and cash equivalents and cash and due from banks in the consolidated balance sheets as of March 31, 2022 and 2021 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Cash and due from banks	**¥ 1,625,159**	¥ 1,919,075	**$ 13,341,758**
Interest-bearing deposits included in due from banks (other than due from the Bank of Japan)	**(58,030)**	(112,518)	**(476,398)**
Cash and cash equivalents	**¥ 1,567,129**	¥ 1,806,556	**$ 12,865,360**

(b)The major components of increased assets and liabilities by share acquisition

【Fiscal year ended March 31, 2022】
Not applicable

【Fiscal year ended March 31, 2021】
The Group obtained control of UDC Finance Limited and consolidated the company due to the share acquisition. The major components of consolidated assets and liabilities, and reconciliation between the acquisition cost and net consideration for the acquisition are as follows:

	Millions of yen
Assets	¥ 252,452
Loans and bills discounted	123,593
Other assets (Installment receivables)	104,310
Liabilities	(211,419)
Borrowed money	(62,625)
Corporate bonds	(138,169)
Foreign currency translation adjustments	964
Goodwill	4,963
Acquisition cost	46,961
Cash and cash equivalents included in acquired asset	−
Payment for acquisition of shares	¥ 46,961

5. OTHER MONETARY CLAIMS PURCHASED

CONSOLIDATED

(a) Other monetary claims purchased as of March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Trading purposes	**¥ 424**	¥ 1,417	**$ 3,484**
Other	**31,088**	44,770	**255,221**
Total	**¥ 31,512**	¥ 46,187	**$ 258,705**

(b) The fair value and the unrealized loss which is included in net gain (loss) on other monetary claims purchased for trading purposes as of March 31, 2022 and 2021 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2022		2021		**2022**	
	Fair value	**Unrealized loss**	Fair value	Unrealized loss	**Fair value**	**Unrealized loss**
Trading purposes	**¥ 424**	**¥ 6**	¥ 1,417	¥ 49	**$ 3,484**	**$ 53**

6. TRADING ASSETS

CONSOLIDATED

Trading assets as of March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Trading securities	**¥ 265**	¥ 5,783	**$ 2,178**
Derivatives for securities held to hedge trading transactions	**52**	47	**428**
Trading-related financial derivatives	**148,696**	164,545	**1,220,726**
Total	**¥ 149,014**	¥ 170,376	**$ 1,223,332**

7. MONETARY ASSETS HELD IN TRUST CONSOLIDATED

(a) Monetary assets held in trust as of March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Trading purposes	**¥ 4,843**	¥ 6,810	**$ 39,759**
Other	**383,334**	387,138	**3,146,984**
Total	**¥ 388,177**	¥ 393,949	**$ 3,186,743**

(b) The fair value and the unrealized gain or loss which is included in net gain (loss) on monetary assets held in trust for trading purposes as of March 31, 2022 and 2021 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2022		2021		**2022**	
	Fair value	**Unrealized gain**	Fair value	Unrealized gain	**Fair value**	**Unrealized gain**
Trading purposes	**¥ 4,843**	**¥ 78**	¥ 6,810	¥ 40	**$ 39,759**	**$ 643**

(c) The acquisition cost and the carrying amount of monetary assets held in trust for other than trading purposes as of March 31, 2022 and 2021 were as follows:

	Millions of yen							
	2022				2021			
	Acquisition cost	**Gross unrealized gain**	**Gross unrealized loss**	**Carrying amount**	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Carrying amount
Other	**¥ 385,876**	**¥ 207**	**¥ 2,749**	**¥ 383,334**	¥ 389,880	¥ 271	¥ 3,014	¥ 387,138

	Thousands of U.S. dollars			
	2022			
	Acquisition cost	**Gross unrealized gain**	**Gross unrealized loss**	**Carrying amount**
Other	**$3,167,852**	**$ 1,704**	**$ 22,572**	**$3,146,984**

8. SECURITIES CONSOLIDATED

(a) Securities as of March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Trading securities	**¥ 0**	¥ 0	**$ 0**
Securities being held to maturity	**109,988**	185,528	**902,955**
Securities available for sale:			
Securities carried at fair value	**511,995**	690,076	**4,203,232**
Securities carried at cost	**37,510**	35,687	**307,944**
Investments in unconsolidated subsidiaries and affiliates	**15,113**	18,424	**124,077**
Total	**¥ 674,609**	¥ 929,717	**$ 5,538,208**

The above balances do not include securities held in connection with securities borrowing transactions with or without cash collateral, securities purchased under resale agreements or securities accepted as collateral for derivative transactions, where the Group has the right to sell or pledge such securities without restrictions. The balances of those securities as of March 31, 2022 and 2021 were ¥6,701 million (U.S.$55,017 thousand) and ¥3,377 million, respectively.

The amount of guarantee obligations for privately-placed bonds (Paragraph 3 of Article 2 of the Financial Instruments and Exchange Act) included in securities as of March 31, 2022 and 2021 were ¥3,080 million (U.S.$25,285 thousand) and ¥3,380 million, respectively.

8. SECURITIES (CONTINUED)

CONSOLIDATED

(b) The amortized/acquisition cost and the fair values of securities (other than trading securities) as of March 31, 2022 and 2021 were as follows:

	Millions of yen							
	2022				2021			
	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	**¥ 109,988**	**¥ 90**	**¥ 471**	**¥ 109,608**	¥ 185,528	¥ 653	¥ –	¥ 186,181
Total	**¥ 109,988**	**¥ 90**	**¥ 471**	**¥ 109,608**	¥ 185,528	¥ 653	¥ –	¥ 186,181
Securities available for sale:								
Equity securities	**¥ 5,308**	**¥ 3,785**	**¥ 93**	**¥ 9,000**	¥ 6,808	¥ 6,519	¥ 241	¥ 13,086
Japanese national government bonds	**103,639**	**1**	**177**	**103,463**	165,347	3	942	164,408
Japanese local government bonds	**2,200**	**1**	**3**	**2,197**	–	–	–	–
Japanese corporate bonds	**147,560**	**18**	**2,516**	**145,062**	173,576	479	2,178	171,877
Foreign securities	**262,293**	**838**	**11,430**	**251,701**	343,558	1,455	4,450	340,563
Other[1]	**9,544**	**154**	**3**	**9,696**	19,686	251	–	19,938
Total	**¥ 530,545**	**¥ 4,800**	**¥ 14,224**	**¥ 521,121**	¥ 708,977	¥ 8,709	¥ 7,813	¥ 709,874

	Thousands of U.S. dollars			
	2022			
	Amortized/ Acquisition cost	**Gross unrealized gain**	**Gross unrealized loss**	**Fair value**
Securities being held to maturity:				
Japanese national government bonds	**$ 902,955**	**$ 740**	**$ 3,867**	**$ 899,828**
Total	**$ 902,955**	**$ 740**	**$ 3,867**	**$ 899,828**
Securities available for sale:				
Equity securities	**$ 43,576**	**$ 31,076**	**$ 764**	**$ 73,889**
Japanese national government bonds	**850,830**	**9**	**1,453**	**849,385**
Japanese local government bonds	**18,061**	**9**	**30**	**18,040**
Japanese corporate bonds	**1,211,396**	**155**	**20,659**	**1,190,892**
Foreign securities	**2,153,298**	**6,887**	**93,842**	**2,066,342**
Other[1]	**78,358**	**1,272**	**27**	**79,604**
Total	**$ 4,355,519**	**$ 39,407**	**$ 116,774**	**$ 4,278,152**

Note:1 This includes other monetary claims purchased carried at fair value.

In the event individual securities (except for nonmarketable equity securities and others and investment in partnerships and others), other than trading securities, experience a decline in fair value which is significant as compared to the acquisition cost of such securities, the securities are written down as the decline in fair value is deemed to be other than temporary, and the difference is recorded as an impairment loss.

Impairment loss on such securities for the fiscal year ended March 31, 2022, was ¥773 million (U.S.$6,348 thousand), which consisted of ¥375 million (U.S.$3,085 thousand) for equity securities and ¥397 million (U.S.$3,263 thousand) for other securities.

Impairment loss on such securities for the fiscal year ended March 31, 2021, was ¥151 million, which was related to Japanese corporate bonds.

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

The definition of the obligor categorization is described in "(N) RESERVE FOR CREDIT LOSSES" in Note 2 "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES."

Securities issued by "legally bankrupt," "virtually bankrupt" and "possibly bankrupt" obligors	The fair value of securities is less than the amortized/acquisition cost
Securities issued by "need caution" obligors	The fair value of securities declines by 30% or more compared to the amortized/acquisition cost
Securities issued by "normal" obligors	The fair value of securities declines by 50% or more compared to the amortized/acquisition cost

8. SECURITIES (CONTINUED)

CONSOLIDATED

(c) Unrealized gain (loss) on available-for-sale securities as of March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Unrealized gain (loss) before deferred tax on:			
Available-for-sale securities	**¥ (9,424)**	¥ 896	**$ (77,367)**
The Group's interests in available-for-sale securities held by partnerships and other adjustments	**441**	516	**3,628**
Other monetary assets held in trust	**(2,541)**	(2,742)	**(20,868)**
Deferred tax liabilities	**(397)**	(478)	**(3,261)**
Unrealized gain (loss) on available-for-sale securities before interest adjustments	**(11,921)**	(1,807)	**(97,868)**
Noncontrolling interests	**(18)**	(764)	**(148)**
The Group's interests in unrealized gain (loss) on available-for-sale securities held by affiliates to which the equity method is applied	**272**	1,978	**2,234**
Unrealized gain (loss) on available-for-sale securities	**¥ (11,667)**	¥ (593)	**$ (95,782)**

(d) Available-for-sale securities sold during the fiscal year ended March 31, 2022 and 2021 were as follows:

	Millions of yen					
	2022			2021		
	Proceeds from sales	**Gains on sales**	**Losses on sales**	Proceeds from sales	Gains on sales	Losses on sales
Available-for-sale securities sold:						
Equity securities	**¥ 6,830**	**¥ 5,135**	**¥ 244**	¥ 3,031	¥ 1,973	¥ 0
Japanese national government bonds	**747,289**	**509**	**2,453**	492,380	766	486
Japanese local government bonds	**15,623**	**3**	**13**	17,442	6	10
Japanese corporate bonds	**36,415**	**96**	**35**	35,194	129	2
Foreign securities	**383,258**	**950**	**9,680**	662,904	3,609	991
Other	**–**	**–**	**–**	–	–	–
Total	**¥ 1,189,418**	**¥ 6,693**	**¥ 12,427**	¥ 1,210,953	¥ 6,484	¥ 1,490

	Thousands of U.S. dollars		
	2022		
	Proceeds from sales	**Gains on sales**	**Losses on sales**
Available-for-sale securities sold:			
Equity securities	**$ 56,078**	**$ 42,157**	**$ 2,006**
Japanese national government bonds	**6,134,875**	**4,180**	**20,143**
Japanese local government bonds	**128,265**	**26**	**108**
Japanese corporate bonds	**298,952**	**789**	**291**
Foreign securities	**3,146,366**	**7,799**	**79,471**
Other	**–**	**–**	**–**
Total	**$ 9,764,536**	**$ 54,950**	**$ 102,020**

9. LOANS AND BILLS DISCOUNTED

CONSOLIDATED

Loans and bills discounted as of March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Loans on deeds	**¥ 4,543,225**	¥ 4,534,028	**$ 37,297,643**
Loans on bills	**9,662**	11,874	**79,328**
Bills discounted	**935**	957	**7,682**
Overdrafts	**687,993**	686,744	**5,648,085**
Total	**¥ 5,241,817**	¥ 5,233,605	**$ 43,032,737**

(a) Risk-monitored claims

The "Risk-monitored claims" classified under the Banking Act and the Financial Revitalization Law are as follows. The Risk-monitored claims are corporate bonds in the "Securities" (limited to bonds for which redemption of principal and payment of interest are guaranteed in whole or in part, and the issuance of such bonds is due to private placement of securities (Article 2, Paragraph 3 of the Financial Instruments and Exchange Act)), the "Loans and bills discounted", the "Foreign exchanges" assets, accrued income and suspense payments in the "Other assets," the "Customers liabilities for acceptances and guarantees" in the consolidated balance sheet, and securities lent (limited to those under a loan for use or lease contract) disclosed in the notes to the consolidated financial statements, if applicable.

The "Claims against bankrupt and quasi-bankrupt obligors" are claims against obligors under bankruptcy and similar claims, as provided for under the Bankruptcy Law, the Corporate Reorganization Law, the Civil Rehabilitation Law, and similar laws. The Claims against bankrupt and quasi-bankrupt obligors include claims classified as "virtually bankrupt" and "legally bankrupt" under the Group's self assessment guidelines.

The "Doubtful claims" are claims against obligors that are not yet in bankruptcy but have experienced deterioration in their financial condition and operating performance and for which there is a high probability of contractual defaults on principal and interest payments.

The balances of the Claims against bankrupt and quasi-bankrupt obligors were ¥24,083 million (U.S.$197,717 thousand) and ¥27,359 million as of March 31, 2022 and 2021, respectively, as well as the balances of the Doubtful claims were ¥44,545 million (U.S.$365,701 thousand) and ¥37,095 million as of March 31, 2022 and 2021, respectively.

In addition to the Doubtful claims as defined, certain other loans classified as the "Substandard" under the Group's self-assessment guidelines include the Loans past due for three months or more.

The "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 the Claims against bankrupt and quasi-bankrupt obligors and the Doubtful claims. The balances of the Loans past due for three months or more as of March 31, 2022 and 2021 were ¥1,050 million (U.S.$8,626 thousand) and ¥977 million, respectively.

The "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 the Claims against bankrupt and quasi-bankrupt obligors, the Doubtful claims or the Loans past due for three months or more. The outstanding balances of the Restructured loans as of March 31, 2022 and 2021 were ¥62,171 million (U.S.$510,401 thousand) and ¥60,066 million, respectively.

(Changes in presentation)

The Cabinet Office Ordinance to Partially Amend the Ordinance for Enforcement of the Banking Act, etc. (Cabinet Office Ordinance No. 3 of January 24, 2020) came into effect on March 31, 2022. Accordingly, the Risk-monitored claims under the Banking Act are disclosed and restated in accordance with the classification of disclosed claims based on the Financial Revitalization Law.

(b) Loan participations

The total amounts accounted for as the transfer of loans and monetary assets held in trust by loan participations as of March 31, 2022 and 2021 were ¥6,653 million (U.S. $54,622 thousand) and ¥5,759 million, respectively. This "off balance sheet" treatment is in accordance with guidelines issued by the JICPA.

The total amounts of the loans in which the Bank participated were ¥12,761 million (U.S.$104,764 thousand) and ¥14,363 million as of March 31, 2022 and 2021, 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 Committee Practical Guidelines No. 24 revised on October 8, 2020 by the JICPA, although the Group has the right to sell or pledge them without restrictions. The face values of such bills discounted held as of March 31, 2022 and 2021 were ¥935 million (U.S.$7,682 thousand) and ¥957 million, respectively.

9. LOANS AND BILLS DISCOUNTED (CONTINUED) CONSOLIDATED

(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 ¥2,286,425 million (U.S.$18,770,424 thousand) and ¥2,333,130 million as of March 31, 2022 and 2021, respectively, 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 ¥1,907,728 million (U.S. $15,661,508 thousand) and ¥2,027,279 million as of March 31, 2022 and 2021, respectively. Since a large majority of these commitments expire without being drawn upon, the unfulfilled amounts do not necessarily represent future cash requirements. Many such agreements include conditions granting the Bank and its consolidated subsidiaries the right to reject the drawdown or to reduce the amount on the basis of changes in the financial circumstances of the borrower or other reasonable grounds.

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

10. FOREIGN EXCHANGES CONSOLIDATED

Foreign exchange assets and liabilities as of March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Foreign exchange assets:			
Due from foreign banks	**56,510**	83,730	**463,926**
Total	**¥ 56,510**	¥ 83,730	**$ 463,926**
Foreign exchange liabilities:			
Foreign bills payable	**1,905**	889	**15,644**
Total	**¥ 1,905**	¥ 889	**$ 15,644**

11. OTHER ASSETS CONSOLIDATED

Other assets as of March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Accrued income	**¥ 14,269**	¥ 14,599	**$ 117,142**
Prepaid expenses	**7,659**	6,774	**62,877**
Fair value of derivatives	**65,068**	63,173	**534,177**
Accounts receivable	**35,151**	44,715	**288,574**
Installment receivables	**947,406**	839,530	**7,777,743**
Security deposits	**13,336**	13,699	**109,483**
Suspense payments	**15,739**	15,606	**129,210**
Margin deposits for futures transactions	**4,039**	2,978	**33,164**
Cash collateral paid for financial instruments	**132,255**	69,718	**1,085,754**
Other	**99,800**	83,677	**819,314**
Total	**¥ 1,334,725**	¥ 1,154,474	**$10,957,438**

Installment receivables in "Other assets" as of March 31, 2022 and 2021 include the Claims against bankrupt and quasi-bankrupt obligors of ¥4,898 million (U.S.$40,215 thousand) and ¥4,524 million, the Doubtful claims of ¥1,508 million (U.S.$12,381 thousand) and ¥2,312 million, the Loans past due for three months or more of ¥529 million (U.S.$4,343 thousand) and ¥209 million, and the Restructured loans of ¥2,863 million (U.S.$23,511 thousand) and ¥2,353 million, respectively.

12. PREMISES AND EQUIPMENT CONSOLIDATED

Premises and equipment as of March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Buildings	**¥ 27,450**	¥ 28,635	**$ 225,358**
Land	**1,798**	2,475	**14,762**
Tangible leased assets as lessor	**81,027**	77,058	**665,195**
Other	**22,286**	25,068	**182,957**
Subtotal	**132,562**	133,237	**1,088,272**
Accumulated depreciation	**(71,573)**	(69,359)	**(587,581)**
Net book value	**¥ 60,989**	¥ 63,878	**$ 500,691**

13. INTANGIBLE ASSETS CONSOLIDATED

Intangible assets as of March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Software:			
Software	**¥ 41,885**	¥ 43,068	**$ 343,860**
Software in progress	**4,380**	6,539	**35,961**
Goodwill, net:			
Goodwill	**13,001**	15,817	**106,734**
Negative goodwill	**(1,993)**	(2,356)	**(16,368)**
Intangible assets acquired in business combinations	**3,852**	4,191	**31,631**
Intangible leased assets as lessor	**106**	50	**874**
Other	**1,372**	1,374	**11,265**
Total	**¥ 62,604**	¥ 68,685	**$ 513,956**

14. RESERVE FOR CREDIT LOSSES CONSOLIDATED

Reserve for credit losses as of March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Reserve for loan losses:			
General reserve for loan losses	**¥ 80,331**	¥ 76,102	**$ 659,482**
Specific reserve for loan losses	**39,134**	36,795	**321,277**
Total	**¥ 119,466**	¥ 112,897	**$ 980,759**

15. DEPOSITS, INCLUDING NEGOTIABLE CERTIFICATES OF DEPOSIT CONSOLIDATED

Deposits, including negotiable certificates of deposit, as of March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Current deposits	**¥ 45,723**	¥ 51,418	**$ 375,367**
Ordinary deposits	**2,775,824**	2,773,607	**22,788,151**
Notice deposits	**2,705**	3,233	**22,212**
Time deposits	**2,450,965**	2,646,869	**20,121,220**
Negotiable certificates of deposit	**627,010**	515,140	**5,147,443**
Other	**495,837**	581,062	**4,070,579**
Total	**¥ 6,398,066**	¥ 6,571,331	**$ 52,524,973**

16. TRADING LIABILITIES CONSOLIDATED

Trading liabilities as of March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Derivatives for securities held to hedge trading transactions	**¥ 51**	¥ 35	**$ 425**
Trading-related financial derivatives	**134,016**	148,358	**1,100,210**
Total	**¥ 134,068**	¥ 148,393	**$ 1,100,635**

17. BORROWED MONEY

CONSOLIDATED

(a) Borrowed money as of March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Total amount of borrowed money[1]	¥ 978,424	1,026,679	$ 8,032,383

1 Borrowed money does not include subordinated debt as of March 31, 2022 and 2021.

(b) The weighted average interest rate applicable to the total balance of borrowed money as of March 31, 2022 was 0.21%.

(c) Annual maturities of borrowed money as of March 31, 2022 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2023	¥ 652,502	$ 5,356,722
2024	106,698	875,943
2025	75,841	622,624
2026	37,991	311,894
2027 and thereafter	105,389	865,199
Total	¥ 978,424	$ 8,032,383

18. CORPORATE BONDS

CONSOLIDATED

(a) Corporate bonds as of March 31, 2022 and 2021 consisted of the following:

Issuer	Description	Issue	Maturity	Interest Rate (%)	Millions of yen 2022	Millions of yen 2021	Thousands of U.S. dollars 2022
Shinsei Bank, Limited	Unsecured straight bond, payable in Yen[1]	Oct. 2016 to Mar. 2021	Oct. 2021 to Jul. 2025	0.15 to 0.36[3]	¥ 170,000	¥ 180,000	$ 1,395,616
APLUS Co., Ltd.	Unsecured straight bond, payable in Yen[1,2]	Oct. 2018 to Dec. 2019	Oct. 2023 to Dec. 2024	0.25 to 0.29	20,000	20,000	164,190
Showa Leasing Co., Ltd.	Unsecured straight bond, payable in Yen[1]	Jul. 2018 to Dec. 2019	Jul. 2023 to Dec. 2024	0.25 to 0.30	20,000	20,000	164,190
UDC Finance Limited	Secured straight bond, payable in New Zealand Dollar[4]	Sept. 2020 to Dec. 2021	Mar. 2024 to Aug. 2028	1.55 to 2.20	170,104	147,534	1,396,474
Total					¥ 380,104	¥ 367,534	$ 3,120,470

1 These include series of straight bonds, payable in Yen.
2 Since APLUS FINANCIAL Co., Ltd was merged with APLUS Co., Ltd., the balance is added to APLUS Co., Ltd.
3 The maximum and minimum rates under contracts are presented if the interest rates were not decided as of March 31, 2022 and 2021.
4 This is a debt financing in the bond market by liquidation of receivables, through the entities of UDC Endeavour Equipment Finance Trust, UDC Endeavour Auto Finance Trust and UDC Endeavour Auto ABS Finance Trust 2021-1.

(b) Annual maturities of corporate bonds as of March 31, 2022 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2023	¥ 30,000	$ 246,285
2024	80,000	656,761
2025	215,334	1,767,787
2026	30,000	246,285
2027 and thereafter	24,770	203,352
Total	¥ 380,104	$ 3,120,470

19. OTHER LIABILITIES CONSOLIDATED

Other liabilities as of March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Accrued expenses	**¥ 9,957**	¥ 9,476	**$ 81,746**
Unearned income	**25,097**	24,662	**206,036**
Income taxes payable	**4,413**	1,905	**36,236**
Fair value of derivatives	**120,988**	88,203	**993,254**
Accounts payable	**58,292**	66,533	**478,550**
Deferred gains on installment receivables and credit guarantees	**34,575**	33,233	**283,849**
Asset retirement obligations	**9,636**	9,682	**79,107**
Deposits payable	**133,472**	128,195	**1,095,743**
Cash collateral received for financial instruments	**12,029**	9,620	**98,760**
Other	**7,893**	3,464	**64,799**
Total	**¥ 416,356**	¥ 374,978	**$ 3,418,080**

20. EMPLOYEES' RETIREMENT BENEFITS AND PENSION PLAN ASSETS CONSOLIDATED

(a) The changes in defined benefit obligation for the fiscal years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Balance at beginning of the year	**¥ 93,488**	¥ 92,082	**$ 767,493**
Current service cost	**4,037**	3,955	**33,148**
Interest cost	**1,035**	1,018	**8,500**
Actuarial (gains) losses	**146**	719	**1,205**
Benefits paid	**(4,175)**	(4,288)	**(34,280)**
Balance at end of the year	**¥ 94,532**	¥ 93,488	**$ 776,065**

(b) The changes in plan assets for the fiscal years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Balance at beginning of the year	**¥ 104,885**	¥ 89,344	**$ 861,059**
Expected return on plan assets	**2,438**	2,084	**20,016**
Actuarial gains (losses)	**(808)**	14,267	**(6,634)**
Contributions from the employer	**2,821**	2,740	**23,167**
Benefits paid	**(3,454)**	(3,552)	**(28,362)**
Balance at end of the year	**¥ 105,882**	¥ 104,885	**$ 869,245**

(c) The reconciliation between the liability and the asset recorded in the consolidated balance sheet and balances of defined benefit obligation and plan assets as of March 31, 2022 and 2021 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Defined benefit obligation	**¥ 87,050**	¥ 86,025	**$ 714,644**
Plan assets	**(105,882)**	(104,885)	**(869,245)**
Subtotal	**(18,831)**	(18,860)	**(154,601)**
Unfunded defined benefit obligation	**7,481**	7,462	**61,421**
Net liability (asset) arising from benefit obligation	**¥ (11,350)**	¥ (11,397)	**$ (93,180)**

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Liabilities for retirement benefits	**¥ 8,149**	¥ 8,084	**$ 66,905**
Assets for retirement benefits	**(19,499)**	(19,482)	**(160,085)**
Net liability (asset) arising from benefit obligation	**¥ (11,350)**	¥ (11,397)	**$ (93,180)**

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

(d) The components of net periodic retirement benefit cost for the fiscal years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Current service cost	**¥ 4,037**	¥ 3,955	**$ 33,148**
Interest cost	**1,035**	1,018	**8,500**
Expected return on plan assets	**(2,438)**	(2,084)	**(20,016)**
Amortization of past service cost	**–**	(66)	**–**
Recognized actuarial (gains) losses	**(722)**	(501)	**(5,934)**
Other (primarily consists of extraordinary severance benefit)	**88**	155	**730**
Net periodic retirement benefit cost	**¥ 2,001**	¥ 2,476	**$ 16,428**

(e) Other comprehensive income on defined retirement benefit plans (before adjusting for tax effects) for the fiscal years ended March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Past service cost	**¥ –**	¥ (66)	**$ –**
Actuarial gains (losses)	**(1,677)**	13,046	**(13,773)**
Total	**¥ (1,677)**	¥ 12,979	**$ (13,773)**

(f) Accumulated other comprehensive income on defined retirement benefit plans (before adjusting for tax effects) as of March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Unrecognized actuarial gains (losses)	**¥ 6,073**	¥ 7,751	**$ 49,860**
Total	**¥ 6,073**	¥ 7,751	**$ 49,860**

(g) Plan assets

(i) Components of plan assets

Plan assets as of March 31, 2022 and 2021 consisted of the following:

	2022	2021
Domestic bonds	**24.9%**	23.9%
Foreign bonds	**12.1**	11.8
Domestic equity securities	**21.4**	22.3
Foreign equity securities	**17.1**	17.8
Life insurance company accounts (general accounts)	**16.1**	16.1
Other	**8.4**	8.1
Total	**100.0%**	100.0%

・The total plan assets includes retirement benefit trusts under benefit pension plans of 3.6% and 4.0% as of March 31, 2022 and 2021, respectively.

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

The Bank, which dominates a large share of plan assets in the Group, determined 2.2% of long-term expected rate of return on plan assets for the fiscal year ended March 31, 2022, considering the financial condition, policy for asset investment and the asset portfolios of the Bank besides current economic environment and market trend. For major consolidated subsidiaries, the long-term expected rates of return on plan assets were determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(h) Assumptions used for the fiscal years ended March 31, 2022 and 2021 were set forth as follows:

	2022	2021
Discount rate	**0.43 - 1.20%**	0.43 - 1.20%
Long-term expected rate of return on plan assets	**2.00 - 3.50%**	2.00 - 3.50%
Expected future salary increase rate	**1.12 - 5.24%**	1.12 - 5.30%

21. ACCEPTANCES AND GUARANTEES CONSOLIDATED

Acceptances and guarantees as of March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Guarantees	**¥ 584,708**	¥ 567,777	**$ 4,800,167**

22. CONTINGENT LIABILITIES CONSOLIDATED

Contingent liabilities as of March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Agreement for the purchase of personal property	**¥ 179**	¥ 482	**$ 1,476**

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

23. ASSETS PLEDGED AS COLLATERAL CONSOLIDATED

Assets pledged as collateral and liabilities collateralized as of March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Assets pledged as collateral:			
Cash and due from banks	**¥ 10**	¥ 10	**$ 83**
Trading assets	**–**	5,042	**–**
Monetary assets held in trust	**2,267**	294	**18,616**
Securities	**279,175**	484,222	**2,291,894**
Loans and bills discounted	**851,019**	913,544	**6,986,447**
Lease receivables and leased investment assets	**8,061**	8,394	**66,181**
Other assets	**172,081**	152,803	**1,412,700**
Premises and equipment	**2,449**	3,021	**20,113**
Liabilities collateralized:			
Deposits, including negotiable certificates of deposit	**¥ 1,218**	¥ 1,233	**$ 10,000**
Payables under repurchase agreements	**9,567**	47,712	**78,548**
Payables under securities lending transactions	**237,530**	395,449	**1,950,005**
Borrowed money	**572,587**	555,692	**4,700,659**
Corporate bonds	**170,104**	147,534	**1,396,474**
Other liabilities	**12**	12	**103**
Acceptances and guarantees	**169**	232	**1,394**

In addition, ¥4,039 million (U.S.$33,164 thousand) and ¥2,978 million of margin deposits for futures transactions outstanding, ¥13,336 million (U.S.$109,483 thousand) and ¥13,699 million of security deposits, ¥132,255 million (U.S. $1,085,754 thousand) and ¥69,718 million of cash collateral paid for financial instruments, ¥1,219 million (U.S.$10,010 thousand) and nil of guarantee deposits under resale agreements and repurchase agreements and ¥40,000 million (U.S.$328,380 thousand) and ¥50,000 million of cash collateral for Zengin-net were included in “Other assets” as of March 31, 2022 and 2021, respectively.

24. EQUITY

CONSOLIDATED

The authorized number of shares of common stock as of March 31, 2022 was 400,000 thousand shares.
The following table shows changes in the number of shares of common stock.

	Thousands	
	Issued number of shares	Number of treasury stock
Fiscal year ended March 31, 2021:		
Beginning of year	259,034	28,290
Increase[1]	–	15,514
Decrease[2]	–	(62)
End of year	259,034	43,743
Fiscal year ended March 31, 2022:		
Beginning of year	**259,034**	**43,743**
Increase[3]	**–**	**10,201**
Decrease[4]	**–**	**(142)**
End of year	**259,034**	**53,802**

1 The increase of 15,514 thousand treasury stocks is associated with the repurchase from market.
2 The decrease of 62 thousand treasury stocks is associated with the disposal as a restricted stock compensation.
3 The increase of 10,201 thousand treasury stocks is associated with the repurchase of 0 thousand shares less than one unit, and the repurchase of 4 thousand shares due to the free acquisition of a restricted stock compensation, and the repurchase of 10,197 thousand shares from market.
4 The decrease of 142 thousand treasury stocks is associated with the transfer of 86 thousand shares upon exercise of the stock option (stock acquisition rights), and the disposal of 55 thousand shares as a restricted stock compensation.

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

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

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

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

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

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

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

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

25. STOCK ACQUISITION RIGHTS

CONSOLIDATED

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

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

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

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

The following table shows the details of stock acquisition rights and restricted stocks granted during the fiscal year ended March 31, 2022.

(a) Stock-based compensation expenses for the fiscal years ended March 31, 2022 and 2021 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
General and administrative expenses	**¥ 124**	¥ 117	**$ 1,025**

(b) Details of stock options
Stock options outstanding during the fiscal year ended March 31, 2022 were as follows:

(i) The Bank

	Date of issuance	Total number of stock options (shares) at the issuance	Total number of holders at the issuance	Exercise period	Exercise price (Yen)	Fair value at the grant date (Yen)
1st (Share compensation-type)[1]	May 26, 2016	13,430	2	May 27, 2016 - May 26, 2046	1	1,620
2nd (Share compensation-type)[1]	May 25, 2017	16,730	2	May 26, 2017 - May 25, 2047	1	1,780
3rd (Share compensation-type)[1]	May 28, 2018	13,220	2	May 29, 2018 - May 28, 2048	1	1,724
4th (Share compensation-type)[1]	May 30, 2019	18,170	2	May 31, 2019 - May 30, 2049	1	1,489
5th (Share compensation-type)[1]	May 29, 2020	19,290	2	May 30, 2020 - May 29, 2050	1	1,310
6th (Share compensation-type)[1]	July 8, 2021	12,600	1	July 9, 2021 - July 8, 2051	1	1,347
7th (Share compensation-type)[1]	January 21, 2022	7,860	2	January 22, 2022 - January 21, 2052	1	2,057

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

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

(ii) OJBC Co. Ltd

	Date of issuance	Total number of stock options (shares) at the issuance	Total number of holders at the issuance	Exercise period	Exercise price (USD)	Fair value at the grant date (USD)
1st[1]	April 28, 2015	2,114,680	8	April 28, 2017 - April 28, 2025	1.10	0.26

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

25. STOCK ACQUISITION RIGHTS (CONTINUED)

CONSOLIDATED

(c) The number of stock options and movement therein
The number of stock options and price information was as follows:

(i) The Bank

	1st (Share compensation-type)	2nd (Share compensation-type)	3rd (Share compensation-type)	4th (Share compensation-type)
Fiscal year ended March 31, 2022				
Nonvested (shares)				
Outstanding at the beginning of the year	–	–	–	–
Granted during the year	–	–	–	–
Forfeited during the year	–	–	–	–
Vested during the year	–	–	–	–
Outstanding at the end of the year	–	–	–	–
Vested (shares)				
Outstanding at the beginning of the year	8,950	11,150	8,810	18,170
Vested during the year	–	–	–	–
Exercised during the year	8,950	11,150	8,810	18,170
Forfeited during the year	–	–	–	–
Exercisable at the end of the year	–	–	–	–
Exercise price (Yen)	1	1	1	1
Weighted average stock price at the date of exercise (Yen)	2,188	2,188	2,188	1,949

	5th (Share compensation-type)	6th (Share compensation-type)	7th (Share compensation-type)
Fiscal year ended March 31, 2022			
Nonvested (shares)			
Outstanding at the beginning of the year	–	–	–
Granted during the year	–	12,600	7,860
Forfeited during the year	–	–	–
Vested during the year	–	12,600	7,860
Outstanding at the end of the year	–	–	–
Vested (shares)			
Outstanding at the beginning of the year	19,290	–	–
Vested during the year	–	12,600	7,860
Exercised during the year	19,290	12,600	7,860
Forfeited during the year	–	–	–
Exercisable at the end of the year	–	–	–
Exercise price (Yen)	1	1	1
Weighted average stock price at the date of exercise (Yen)	1,949	2,188	2,201

(ii) OJBC Co. Ltd

	1st
Fiscal year ended March 31, 2022	
Nonvested (shares)	
Outstanding at the beginning of the year	–
Granted during the year	–
Forfeited during the year	–
Vested during the year	–
Outstanding at the end of the year	–
Vested (shares)	
Outstanding at the beginning of the year	1,713,620
Vested during the year	–
Exercised during the year	–
Forfeited during the year	1,713,620
Exercisable at the end of the year	–
Exercise price (USD)	1.10
Weighted average stock price at the date of exercise (USD)	–

25. STOCK ACQUISITION RIGHTS (CONTINUED) CONSOLIDATED

(d) Measurement of the fair value of stock options

The following shows the assumptions used to measure the fair value of the stock options granted during the fiscal year ended March 31, 2022.

The Bank

a) Method used: Black-Scholes option pricing model

b) Major inputs and variables to the model

	6th (Share compensation-type)
Exercise period	From July 9, 2021 to July 8, 2051
Expected volatility[1]	35.901%
Expected life[2]	7.3 years
Expected dividends[3]	¥12/Share
Risk-free interest rate[4]	-0.105%

1 Measured based on the historical stock price corresponding to expected life (from March 21, 2014 to July 8, 2021).
2 Estimated based on the retirement data of the director and statutory executive officers of the Bank.
3 Based on the actual dividend for the fiscal year ended in March 2021 (¥12.0/Share).
4 Used the average compound yield of Long term JGB with the maturity that is approximate to expected life.

	7th (Share compensation-type)
Exercise period	From January 22, 2022 to January 21, 2052
Expected volatility[1]	30.792%
Expected life[2]	0.05 years
Expected dividends[3]	¥12/Share
Risk-free interest rate[4]	-0.070%

1 Measured based on the historical stock price corresponding to expected life (from January 3, 2022 to January 21, 2022).
2 Estimated based on the retirement data of the director and statutory executive officers of the Bank.
3 Based on the actual dividend for the fiscal year ended in March 2021 (¥12.0/Share).
4 Used the average compound yield of Long term JGB with the maturity that is approximate to expected life.

(e) Method of determining the vested number of stock options

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

(f) Details of restricted stock compensation

Restricted stocks outstanding during the fiscal year ended March 31, 2022 were as follows:

	Number of shares granted	Total number of recipients	Transfer restriction period	Fair value at the grant date (Yen)
Granted on July 19, 2018	11,675	2	July 19, 2018 - July 18, 2021	1,713
Granted on October 31, 2018	32,447	33	October 31, 2018 - July 18, 2021	1,725
Granted on April 19, 2019	36,886	35	April 19, 2019 - April 18, 2022	1,599
Granted on July 18, 2019	12,232	2	July 18, 2019 - July 17, 2022	1,635
Granted on May 8, 2020	37,392	34	May 8, 2020 - May 7, 2023	1,524
Granted on July 16, 2020	24,629	7	July 16, 2020 - July 15, 2023	1,421
Granted on April 23, 2021	32,338	37	April 23, 2021 - April 22, 2024	1,931
Granted on July 21, 2021	23,184	8	July 21, 2021 - July 20, 2024	1,530

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.

25. STOCK ACQUISITION RIGHTS (CONTINUED) CONSOLIDATED

(g) The number of restricted stocks and movement therein
The number of restricted stocks was as follows:

	Granted on July 19, 2018	Granted on October 31, 2018	Granted on April 19, 2019	Granted on July 18, 2019
Fiscal year ended March 31, 2022				
Number of shares before the cancellation of transfer restrictions				
Outstanding at the end of the last fiscal year	11,675	32,447	36,886	12,232
Granted during the fiscal year	–	–	–	–
Acquisition without consideration by the Bank	–	–	–	–
Cancellation of the transfer restrictions	11,675	32,447	–	7,951
Outstanding at the end of the fiscal year	–	–	36,886	4,281

	Granted on May 8, 2020	Granted on July 16, 2020	Granted on April 23, 2021	Granted on July 21, 2021
Fiscal year ended March 31, 2022				
Number of shares before the cancellation of transfer restrictions				
Outstanding at the end of the last fiscal year	37,392	24,629	–	–
Granted during the fiscal year	–	–	32,338	23,184
Acquisition without consideration by the Bank	–	–	–	4,084
Cancellation of the transfer restrictions	–	19,703	–	12,252
Outstanding at the end of the fiscal year	37,392	4,926	32,338	6,848

26. NET TRADING INCOME (LOSS) CONSOLIDATED

Net trading income (loss) for the fiscal years ended March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Income (loss) from trading securities	**¥ 2,241**	¥ 2,509	**$ 18,404**
Income (loss) from securities held to hedge trading transactions	**1**	(234)	**15**
Income (loss) from trading-related financial derivatives	**4,358**	1,601	**35,784**
Total	**¥ 6,602**	¥ 3,875	**$ 54,204**

27. OTHER BUSINESS INCOME (LOSS), NET CONSOLIDATED

"Other, net" in other business income (loss), net, for the fiscal years ended March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Income (loss) from derivatives entered into for banking purposes, net	**¥ 319**	¥ 167	**$ 2,626**
Equity in net income (loss) of affiliates	**1,380**	6,720	**11,337**
Gain on lease cancellation and other lease income (loss), net	**2,212**	1,935	**18,164**
Other, net	**1,559**	(988)	**12,799**
Total	**¥ 5,472**	¥ 7,834	**$ 44,927**

28. NET CREDIT COSTS (RECOVERIES) CONSOLIDATED

Net credit costs (recoveries) for the fiscal years ended March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Losses on write-off or sales of loans	**¥ 2,783**	¥ 2,158	**$ 22,854**
Net provision (reversal) of reserve for loan losses:			
Net provision (reversal) of general reserve for loan losses	**19,991**	17,817	**164,122**
Net provision (reversal) of specific reserve for loan losses	**17,279**	15,649	**141,858**
Subtotal	**37,271**	33,467	**305,981**
Other credit costs (recoveries) relating to leasing business	**210**	202	**1,725**
Recoveries of written-off claims	**(9,154)**	(7,438)	**(75,154)**
Total	**¥ 31,110**	¥ 28,390	**$ 255,406**

29. OTHER GAINS (LOSSES), NET CONSOLIDATED

Other gains (losses), net for the fiscal years ended March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Net gain (loss) on disposal of premises and equipment	**¥ 121**	¥ 77	**$ 998**
Gains on write-off of unclaimed deposits	**–**	141	**–**
Provision for reimbursement of deposits	**(148)**	–	**(1,223)**
Reversal (provision) of reserve for losses on interest repayment	**(1,148)**	329	**(9,427)**
Impairment losses on long-lived assets	**(373)**	(1,009)	**(3,066)**
Loss on liquidation of subsidiaries	**(446)**	–	**(3,665)**
Gain on sale of investments in subsidiaries	**1,048**	–	**8,604**
Loss on sale of investments in subsidiaries	**(150)**	(0)	**(1,234)**
Gain on sale of investments in affiliates	**–**	11,872	**–**
Other, net	**1,444**	2,254	**11,862**
Total	**¥ 347**	¥ 13,666	**$ 2,850**

・ Impairment losses on long-lived assets

For the fiscal years ended March 31, 2022 and 2021, respectively, "Impairment losses on long-lived assets" of ¥373 million (U.S.$3,066 thousand) and ¥1,009 million were recognized mainly on the properties of the Bank's branches for the Individual Business which were decided to be closed, and on the unused IT-related properties.

30. INCOME TAXES CONSOLIDATED

The Group is subject to a number of taxes based on income, such as corporate tax, inhabitant tax and enterprise tax, which, in the aggregate, resulted in normal effective statutory tax rates of approximately 30.6% and 30.6% for the fiscal years ended March 31, 2022 and 2021, respectively.

(a) A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the fiscal years ended March 31, 2022 and 2021 was as follows:

	2022	2021
Normal effective statutory tax rate	**30.6%**	30.6%
Increase (decrease) in taxes resulting from:		
Amortization of goodwill	**2.6**	1.1
Equity in net income/loss of affiliates	**(0.0)**	(2.7)
Other nondeductible expenses	**3.5**	0.3
Foreign tax	**0.0**	0.0
Change in valuation allowance	**(23.2)**	(20.3)
Expiration of tax loss carryforwards	**11.2**	8.0
Other	**3.7**	2.9
Actual effective tax rate	**28.6%**	20.0%

30. INCOME TAXES (CONTINUED) CONSOLIDATED

(b) The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities, as of March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Deferred tax assets:			
Reserve for credit losses	**¥ 78,913**	¥ 74,574	**$ 647,843**
Tax loss carryforwards[ii]	**47,005**	53,300	**385,892**
Reserve for losses on interest repayments	**10,942**	13,336	**89,834**
Securities	**5,277**	4,627	**43,328**
Deferred loss on derivatives under hedge accounting	**3,777**	5,145	**31,014**
Liabilities for retirement benefits	**3,151**	3,023	**25,874**
Other	**18,396**	17,001	**151,024**
Subtotal	**167,465**	171,009	**1,374,808**
Valuation allowance for tax loss carryforwards	**(40,711)**	(45,477)	**(334,225)**
Valuation allowance for deductible temporary differences	**(104,214)**	(99,056)	**(855,552)**
Total valuation allowance[i]	**(144,926)**	(144,534)	**(1,189,776)**
Total deferred tax assets	**22,538**	26,475	**185,032**
Offset with deferred tax liabilities	**(11,812)**	(16,489)	**(96,978)**
Net deferred tax assets	**¥ 10,726**	¥ 9,985	**$ 88,054**
Deferred tax liabilities:			
Assets for retirement benefits	**¥ 5,871**	¥ 5,312	**$ 48,199**
Deferred gain on derivatives under hedge accounting	**1,880**	1,432	**15,436**
Temporary differences due to business combination (primarily related to identified intangible assets)	**1,624**	2,178	**13,340**
Asset retirement costs included in premises and equipment	**1,157**	1,235	**9,504**
The liability adjustment account	**635**	997	**5,214**
Unrealized gain on available-for-sale securities	**485**	553	**3,990**
Taxation under Japanese controlled foreign company rules	**–**	4,632	**–**
Other	**630**	540	**5,177**
Total deferred tax liabilities	**12,285**	16,883	**100,857**
Offset with deferred tax assets	**(11,812)**	(16,489)	**(96,978)**
Net deferred tax liabilities	**¥ 472**	¥ 393	**$ 3,880**

(i) Total valuation allowance has increased by 392 million (U.S.$3,223 thousand) from the previous year. This is mainly caused by the increase in valuation allowance for deductible temporary differences related to reserve for credit losses and by the decrease in valuation allowance for tax loss carryforwards.

(ii) The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2022 and 2021, were as follows:

	Millions of yen						
As of March 31, 2022	1 year or less	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total
Deferred tax assets relating to tax loss carryforwards[1]	**¥8,971**	**¥12,764**	**¥5,446**	**¥8,448**	**¥8,265**	**¥3,108**	**¥47,005**
Less valuation allowances for tax loss carryforwards	**(3,632)**	**(12,104)**	**(5,445)**	**(8,174)**	**(8,250)**	**(3,103)**	**(40,711)**
Net deferred tax assets relating to tax loss carryforwards	**¥5,339**	**¥660**	**¥0**	**¥274**	**¥14**	**¥4**	**¥6,293**[2]

	Millions of yen						
As of March 31, 2021	1 year or less	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total
Deferred tax assets relating to tax loss carryforwards[1]	¥7,744	¥9,107	¥12,846	¥5,454	¥8,165	¥9,982	¥53,300
Less valuation allowances for tax loss carryforwards	(907)	(8,913)	(12,112)	(5,448)	(8,127)	(9,968)	(45,477)
Net deferred tax assets relating to tax loss carryforwards	¥6,837	¥193	¥733	¥5	¥37	¥14	¥7,822[2]

	Thousands of U.S. dollars						
As of March 31, 2022	1 year or less	Over 1 year to 2 years	Over 2 years to 3 Years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total
Deferred tax assets relating to tax loss carryforwards[1]	**$73,655**	**$104,794**	**$44,710**	**$69,358**	**$67,854**	**$25,522**	**$385,893**
Less valuation allowances for tax loss carryforwards	**(29,821)**	**(99,376)**	**(44,707)**	**(67,108)**	**(67,731)**	**(25,482)**	**(334,225)**
Net deferred tax assets relating to tax loss carryforwards	**$43,835**	**$5,418**	**$2**	**$2,250**	**$123**	**$40**	**$51,667**[2]

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

31. EARNINGS PER SHARE CONSOLIDATED

A reconciliation of the difference between basic and diluted EARNINGS PER SHARE ("EPS") for the fiscal years ended March 31, 2022 and 2021 was as follows:

	Earnings (Millions of yen)	Weighted average shares (Thousands)	EPS (Yen)	EPS (U.S. dollars)
For the fiscal year ended March 31, 2022:				
Basic EPS				
Profit (loss) attributable to owners of the parent available to common shareholders	**¥ 20,385**	**210,631**	**¥ 96.78**	**$ 0.79**
Effect of dilutive securities				
Stock acquisition rights	**–**	**58**		
Diluted EPS				
Profit (loss) attributable to owners of the parent for computation	**¥ 20,385**	**210,690**	**¥ 96.75**	**$ 0.79**

As described in the Note2 (AD) "CHANGES IN ACCOUNTING POLICIES", the Accounting Standard for Revenue Recognition and its Implementation Guidance was adopted, and the Group applied the transitional treatment described in the proviso of paragraph 84 of the standard. As a result, both net income per share and diluted net income per share were decreased ¥0.05 (U.S.$0.00) for the current fiscal year.

Also, the Accounting Standard for Fair Value Measurement and Its Implementation Guidance was adopted, and the Group applied the transitional treatment described in paragraph 20 of the standard. As a result, both net income per share and diluted net income per share were decreased ¥1.36 (U.S.$0.01) for the current fiscal year.

	Earnings (Millions of yen)	Weighted average shares (Thousands)	EPS (Yen)
For the fiscal year ended March 31, 2021:			
Basic EPS			
Profit (loss) attributable to owners of the parent available to common shareholders	¥ 45,109	223,134	¥ 202.16
Effect of dilutive securities			
Stock acquisition rights	–	63	
Diluted EPS			
Profit (loss) attributable to owners of the parent for computation	¥ 45,109	223,197	¥ 202.10

32. OTHER COMPREHENSIVE INCOME

CONSOLIDATED

The components of other comprehensive income for the fiscal years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the fiscal year	¥ (19,013)	¥ 1,086	$ (156,095)
Reclassification adjustment to profit or loss	8,995	(1,140)	73,846
Amount before income tax effect	(10,018)	(53)	(82,249)
Income tax effect	80	(392)	663
Total	(9,938)	(445)	(81,586)
Deferred gain (loss) on derivatives under hedge accounting:			
Gains (losses) arising during the fiscal year	(1,843)	(6,495)	(15,137)
Reclassification adjustment to profit or loss	4,576	4,908	37,569
Amount before income tax effect	2,732	(1,587)	22,432
Income tax effect	126	507	1,037
Total	2,858	(1,079)	23,469
Foreign currency translation adjustments:			
Gains (losses) arising during the fiscal year	5,997	225	49,235
Reclassification adjustment to profit or loss	446	–	3,665
Amount before income tax effect	6,443	225	52,899
Income tax effect	–	(4)	–
Total	6,443	221	52,899
Defined retirement benefit plans:			
Gains (losses) arising during the fiscal year	(822)	12,660	(6,751)
Reclassification adjustment to profit or loss	(855)	319	(7,022)
Amount before income tax effect	(1,677)	12,979	(13,773)
Income tax effect	365	(3,899)	3,000
Total	(1,312)	9,080	(10,772)
Share of other comprehensive income (loss) in affiliates:			
Gains (losses) arising during the fiscal year	(400)	3,675	(3,289)
Reclassification adjustment to profit or loss	(958)	(8,191)	(7,869)
Amount before income tax effect	(1,359)	(4,515)	(11,157)
Income tax effect	–	–	–
Total	(1,359)	(4,515)	(11,157)
Total other comprehensive income (loss)	¥ (3,306)	¥ 3,260	$ (27,147)

33. LEASE TRANSACTIONS CONSOLIDATED

(A) FINANCE LEASE TRANSACTIONS

AS LESSEE

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

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

AS LESSOR

(a) Breakdown of "Lease receivables and leased investment assets" as of March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Lease receivables	**¥ 50,748**	¥ 54,753	**$ 416,616**
Leased investment assets:			
Lease payment receivables	**156,548**	151,492	**1,285,184**
Estimated residual value	**4,880**	6,000	**40,068**
Interest equivalent	**(22,072)**	(20,769)	**(181,207)**
Other	**755**	669	**6,201**
Subtotal	**140,111**	137,393	**1,150,246**
Total	**¥ 190,859**	¥ 192,147	**$ 1,566,862**

(b) Lease payment receivables for "Lease receivables and leased investment assets" as of March 31, 2022 and 2021 were as follows:

	Lease receivables			Leased investment assets		
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**	**2022**	2021	**2022**
Due within one year	**¥ 15,593**	¥ 17,357	**$ 128,017**	**¥ 42,498**	¥ 44,973	**$ 348,891**
Due after one year within two years	**11,834**	12,344	**97,152**	**33,888**	34,344	**278,204**
Due after two years within three years	**9,028**	9,166	**74,123**	**26,023**	25,470	**213,639**
Due after three years within four years	**7,962**	6,492	**65,367**	**18,498**	17,407	**151,860**
Due after four years within five years	**3,414**	5,873	**28,030**	**12,218**	10,530	**100,305**
Due after five years	**4,872**	5,510	**40,001**	**23,422**	18,766	**192,285**
Total	**¥ 52,705**	¥ 56,746	**$ 432,690**	**¥ 156,548**	¥ 151,492	**$ 1,285,184**

(B) OPERATING LEASE TRANSACTIONS

Noncancelable operating lease obligations as lessee and lease payment receivables as lessor as of March 31, 2022 and 2021 were as follows:

AS LESSEE

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Lease obligations:			
Due within one year	**¥ 4,032**	¥ 4,323	**$ 33,108**
Due after one year	**5,579**	9,265	**45,801**
Total	**¥ 9,611**	¥ 13,589	**$ 78,908**

AS LESSOR

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Lease payment receivables:			
Due within one year	**¥ 8,293**	¥ 8,449	**$ 68,084**
Due after one year	**25,261**	22,519	**207,387**
Total	**¥ 33,555**	¥ 30,968	**$ 275,470**

34. REVENUE RECOGNITION CONSOLIDATED

1.INFORMATION ON DISAGGREGATED REVENUE FROM CONTRACTS WITH CUSTOMERS

Information on disaggregated revenue from contracts with customers allocated to each reportable segment was as follows:

(Millions of yen)

Fiscal year ended March 31, 2022	Institutional Business					
	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Fees and commissions income [1,5]	¥ 1,336	¥ 948	¥ 1,231	¥ 1,091	¥ 33	¥ 2,097
Other business income [2,5]	329	83	331	6,115	105	0
Total revenue from contracts with customers	1,666	1,031	1,562	7,207	138	2,097
Revenue other than the above [3,5]	29,792	79,094	11,697	97,366	32,503	2,751
Total revenue from external customers	¥ 31,458	¥ 80,126	¥ 13,259	¥ 104,573	¥ 32,642	¥ 4,849

(Millions of yen)

Fiscal year ended March 31, 2022	Individual Business				Corporate/Other			
		Consumer Finance						
	Retail Banking	Shinsei Financial	APLUS	Other Individual	Overseas Business	Treasury	Other [4]	Total
Fees and commissions income [1,5]	¥ 10,286	¥ 2,649	¥ 14,310	¥ 613	¥ 9	¥ 25	¥ (3,282)	¥ 31,351
Other business income [2,5]	–	–	12,880	2	15	2,002	(1,767)	20,098
Total revenue from contracts with customers	10,286	2,649	27,190	616	25	2,027	(5,049)	51,450
Revenue other than the above [3,5]	21,935	73,305	52,808	5,238	19,047	6,702	(110,365)	321,877
Total revenue from external customers	¥ 32,221	¥ 75,954	¥ 79,999	¥ 5,854	¥ 19,073	¥ 8,729	¥ (115,415)	¥ 373,328

(Thousands of U.S. dollars)

Fiscal year ended March 31, 2022	Institutional Business					
	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Fees and commissions income [1,5]	$ 10,973	$ 7,789	$ 10,109	$ 8,963	$ 274	$ 17,216
Other business income [2,5]	2,706	682	2,721	50,205	867	3
Total revenue from contracts with customers	13,679	8,471	12,830	59,168	1,141	17,219
Revenue other than the above [3,5]	244,579	649,328	96,027	799,329	266,835	22,592
Total revenue from external customers	$ 258,258	$ 657,800	$ 108,857	$ 858,496	$ 267,975	$ 39,811

(Thousands of U.S. dollars)

Fiscal year ended March 31, 2022	Individual Business				Corporate/Other			
		Consumer Finance						
	Retail Banking	Shinsei Financial	APLUS	Other Individual	Overseas Business	Treasury	Other [4]	Total
Fees and commissions income [1,5]	$ 84,445	$ 21,748	$ 117,484	$ 5,038	$ 81	$ 208	$ (26,945)	$ 257,382
Other business income [2,5]	–	–	105,739	24	127	16,438	(14,509)	165,002
Total revenue from contracts with customers	84,445	21,748	223,223	5,062	207	16,645	(41,455)	422,383
Revenue other than the above [3,5]	180,080	601,800	433,535	43,004	156,373	55,022	(906,047)	2,642,457
Total revenue from external customers	$ 264,525	$ 623,548	$ 656,758	$ 48,066	$ 156,580	$ 71,667	$ (947,502)	$ 3,064,841

34. REVENUE RECOGNITION (CONTINUED) CONSOLIDATED

1. "Fees and commissions income" are mainly from sales of mutual funds and insurances in "Retail Banking" and from collection agent service fees in the payment business in "APLUS."
2. "Other business income" are mainly from sales of used construction machines, etc. in "Showa Leasing" and merchant fees and annual membership fees in the credit card business in "APLUS."
3. "Revenue other than the above" includes revenue from transactions in the scope of application of "Accounting Standard for Financial Instruments" (ASBJ Statement No.10, revised on July 4, 2019) and "Accounting Standard for Lease Transactions" (ASBJ Statement No.13, revised on March 30, 2007).
4. "Other" under the Corporate/Other includes revenues which are not included in our reportable segments and elimination amounts of inter-segment transactions.
5. Revenues relating to each reportable segment are allocated based on our rational standard.

2.BASIC INFORMATION TO UNDERSTAND REVENUE FROM CONTRACTS WITH CUSTOMERS

Basic information for understanding revenue from contracts with customers is as stated in "2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Z) REVENUE RECOGNITION FROM CONTRACTS WITH CUSTOMERS".

3.INFORMATION ON THE RELATION BETWEEN THE SATISFACTION OF PERFORMANCE OBLIGATIONS UNDER THE CONTRACT WITH CUSTOMERS AND CASH FLOW ARISING FROM CONTRACTS WITH CUSTOMER, AND ON THE AMOUNTS AND TIMING OF REVENUE EXPECTED TO BE RECOGNIZED IN THE FOLLOWING FISCAL YEAR AND THEREAFTER FROM CONTRACTS WITH CUSTOMERS EXISTING AT THE END OF THE CURRENT FISCAL YEAR

(1) CONTRACT BALANCES

Receivables from contracts with customers and contract liabilities at the beginning and end of the year were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2022	2022
Receivables from contracts with customers:		
Balance at beginning of year (as of April 1, 2021)	**¥ 2,037**	**$ 16,724**
Balance at end of year (as of March 31, 2022)	**2,184**	**17,931**
Contract liabilities:		
Balance at beginning of year (as of April 1, 2021)	**1,230**	**10,106**
Balance at end of year (as of March 31, 2022)	**¥ 1,390**	**$ 11,413**

Receivables from contracts with customers were included in "Other assets" and contract liabilities were included in "Other liabilities" on the consolidated balance sheets.

Contract liabilities mainly include the balance of annual membership fees in the credit card business in APLUS segment that do not satisfy the performance obligation at the end of the fiscal year.

Of revenue recognized during the current fiscal year, the amount that was included in the contract liability balance at the beginning of the period and the amount of revenue recognized from the performance obligations satisfied in previous periods were not significant.

(2) TRANSACTION PRICE ALLOCATED TO REMAINING PERFORMANCE OBLIGATIONS

Notes are omitted for transaction price allocated to remaining performance obligations because the Group does not have any material contracts that have an original expected duration of more than one year.

In addition, in the consideration received from contracts with customers, there are no material amounts such as variable consideration, etc. that are not included in the transaction price.

35. 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 Group 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, Individual Business and Overseas 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." Also, the business and operations which do not belong to any of the Institutional Business and the Individual Business are classified as the "Corporate/Other." The "Overseas Business" and "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 private equity businesses and business succession services, and financial products and services related to credit trading. The "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.

The "Shinsei Financial" segment provides unsecured card loan business and credit guarantee business (Shinsei Financial, Shinsei Bank Card Loan L, Lake ALSA). The "APLUS" 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 "Overseas Business" segment includes the majority of the Group's overseas consolidated subsidiaries and overseas affiliates, through which it mainly provides small-scale financing. The "Treasury" segment engages in ALM operations and fund raising including capital instruments.

(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 "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.

35. SEGMENT INFORMATION (CONTINUED) CONSOLIDATED

(c) CHANGES IN REPORTABLE SEGMENTS

(1) Changes in classification of reportable segment

In July 2020, the Bank established Group Overseas Business Division ("GOBD") for the purpose of planning, controlling, and managing the strategic operations of the Group's overseas businesses as a whole, and planning, promoting, and managing the business strategies of the Group's overseas operating companies.

Before the establishment of GOBD, the Group's overseas businesses were engaged in business promotion and management in both Institutional business and Individual business separately, but concentrating management resources in GOBD, the Group has been strengthening our system for accumulating know-how and governance in overseas businesses and building a sustainable business structure.

Since the establishment of this business structure was completed in the first quarter of the current fiscal year, from the results of June 2021, the "Overseas Business", which combines GOBD and overseas subsidiaries and overseas affiliates managed by GOBD, has been determined as a unit for evaluating performance at the Group Executive Committee.

Accordingly, from the first quarter of the current fiscal year, "Overseas Business" has been newly established as a reportable segment under "Corporate/Other." Majority of overseas subsidiaries and overseas affiliates that had previously belonged to each reportable segment, etc. (e.g., UDC Finance Limited, in which the Bank acquired 100% of the outstanding shares in September 2020) have been consolidated into "Overseas Business."

Revenue and profit (loss) by reportable segment for the previous fiscal year were prepared based on the reportable segment classification for the current fiscal year.

(2) Change in methods of measurement of profit (loss) for the amounts of reportable segments

In the first quarter of the current fiscal year, the Group decided to revise the method of allocating income and costs related to the Group's financing operations.

As a result, from the first quarter of the current fiscal year, the method of measurement for the amounts of profits and losses of reportable segments has been changed.

Previously, income and costs related to Retail Banking's financing operations were allocated as indirect expenses in accordance with the ratio of operating assets of each reportable segment, with the intention of being borne by each reportable segment as the beneficiary.

From the first quarter of the current fiscal year, the Group has changed part of the methods of calculating (1)the amount of income and costs related to the Group's financing operations and (2)the allocation to each reportable segment in order to reflect changes in the business structure while maintaining the framework of the previous allocation method in light of market changes resulting from the Novel Coronavirus.

Profit (loss) by reportable segment for the previous fiscal year has been prepared based on the method of measurement for the current fiscal year.

(3) Change in the name of the segment

As of January 1, 2022, due to the absorption-type merger, in which APLUS CO., LTD. was the surviving company and APLUS FINANCIAL CO., LTD. was the absorbed company, the name of the reportable segment was changed from APLUS FINANCIAL to APLUS.

35. SEGMENT INFORMATION (CONTINUED) CONSOLIDATED

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

	Millions of yen					
	Institutional Business					
Fiscal year ended March 31, 2022	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Revenue[1]:	¥ 15,220	¥ 21,250	¥ 9,419	¥ 15,577	¥ 3,957	¥ 2,544
Net Interest Income	11,162	13,903	5,089	226	941	406
Noninterest Income	4,058	7,346	4,330	15,351	3,015	2,137
Expenses[2]	13,183	11,589	4,733	11,533	2,983	2,897
Net Credit Costs (Recoveries)[3]	1,254	7,636	(265)	3	–	109
Segment Profit (Loss)[6]	¥ 782	¥ 2,024	¥ 4,952	¥ 4,040	¥ 973	¥ (461)
Segment Assets[4]	¥ 1,567,130	¥ 2,015,723	¥ 124,163	¥ 554,666	¥ 284,655	¥ 33,427
Segment Liabilities[5]	¥ 1,487,314	¥ 149,596	¥ 12,294	¥ 529	¥ 133,703	¥ 31,755
Includes:						
i . Equity in net income (loss) of affiliates	¥ –	¥ –	¥ 1,660	¥ (358)	¥ –	¥ –
ii . Investment in affiliates	–	–	7,319	565	–	–
Other:						
Goodwill (Negative Goodwill):						
Amortization	¥ –	¥ –	¥ (0)	¥ 2,183	¥ –	¥ –
Unamortized balance	–	–	(0)	6,464	–	–
Intangible assets acquired in business combinations:						
Amortization	¥ –	¥ –	¥ –	¥ 132	¥ –	¥ –
Unamortized balance	–	–	–	180	–	–
Impairment losses on long-lived assets	¥ 1	¥ –	¥ –	¥ –	¥ –	¥ 18

	Millions of yen							
	Individual Business				Corporate/Other			
		Consumer Finance						
Fiscal year ended March 31, 2022	Retail Banking	Shinsei Financial	APLUS	Other Individual	Overseas Business	Treasury	Other	Total
Revenue[1]:	¥ 25,819	¥ 62,393	¥ 59,620	¥ 3,302	11,553	¥ (11,333)	¥ (1,753)	¥ 217,573
Net Interest Income	19,206	62,585	7,852	501	5,734	(1,931)	(2)	125,675
Noninterest Income	6,612	(191)	51,768	2,801	5,819	(9,401)	(1,751)	91,897
Expenses[2]	23,940	34,518	37,882	2,160	6,056	1,409	2,568	155,456
Net Credit Costs (Recoveries)[3]	(93)	10,804	12,485	(752)	(69)	–	(1)	31,110
Segment Profit (Loss)[6]	¥ 1,972	¥ 17,070	¥ 9,253	¥ 1,893	5,567	¥ (12,742)	¥ (4,320)	¥ 31,006
Segment Assets[4]	¥1,121,802	¥ 478,835	¥1,409,753	¥ 27,699	328,790	¥ 304,505	¥ 241	¥8,251,396
Segment Liabilities[5]	¥4,731,182	¥ 39,669	¥ 526,677	¥ 4,119	–	¥ –	¥ –	¥7,116,843
Includes:								
i . Equity in net income (loss) of affiliates	¥ –	¥ –	¥ (54)	¥ 474	(341)	¥ –	¥ –	¥ 1,380
ii . Investment in affiliates	–	–	492	4,709	3,351	–	–	16,438
Other:								
Goodwill (Negative Goodwill):								
Amortization	¥ 95	¥ (140)	¥ 59	¥ –	571	¥ –	¥ –	¥ 2,770
Unamortized balance	693	(1,604)	447	–	5,007	–	–	11,007
Intangible assets acquired in business combinations:								
Amortization	¥ –	¥ –	¥ 173	¥ –	153	¥ –	¥ –	¥ 459
Unamortized balance	–	–	1,663	–	2,009	–	–	3,852
Impairment losses on long-lived assets	¥ 153	¥ 53	¥ –	¥ –	–	¥ –	¥ 147	¥ 373

35. SEGMENT INFORMATION (CONTINUED) CONSOLIDATED

	Millions of yen					
	Institutional Business					
Fiscal year ended March 31, 2021	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Revenue[1]:	¥ 14,862	¥ 21,056	¥ 3,343	¥ 14,521	¥ 5,827	¥ 2,405
Net Interest Income	11,133	12,667	2,973	116	1,007	407
Noninterest Income	3,728	8,388	369	14,405	4,819	1,998
Expenses[2]	12,954	10,471	4,274	11,517	3,258	2,951
Net Credit Costs (Recoveries)[3]	(1,202)	7,519	66	190	–	(44)
Segment Profit (Loss)[6]	¥ 3,110	¥ 3,065	¥ (997)	¥ 2,813	¥ 2,569	¥ (501)
Segment Assets[4]	¥ 1,603,599	¥ 1,971,580	¥ 125,940	¥ 569,035	¥ 274,122	¥ 46,212
Segment Liabilities[5]	¥ 1,504,152	¥ 142,412	¥ 6,114	¥ 1,413	¥ 148,035	¥ 35,413
Includes:						
i. Equity in net income (loss) of affiliates	¥ –	¥ –	¥ 3,028	¥ (393)	¥ –	¥ –
ii. Investment in affiliates	–	–	8,657	883	–	–
Other:						
Goodwill (Negative Goodwill):						
Amortization	¥ –	¥ –	¥ (0)	¥ 2,183	¥ –	¥ –
Unamortized balance	–	–	(1)	8,648	–	–
Intangible assets acquired in business combinations:						
Amortization	¥ –	¥ –	¥ –	¥ 173	¥ –	¥ –
Unamortized balance	–	–	–	312	–	–
Impairment losses on long-lived assets	¥ 0	¥ –	¥ –	¥ –	¥ 0	¥ 99

	Millions of yen							
	Individual Business				Corporate/Other			
		Consumer Finance						
Fiscal year ended March 31, 2021	Retail Banking	Shinsei Financial	APLUS	Other Individual	Overseas Business	Treasury	Other	Total
Revenue[1]:	¥ 28,322	¥ 66,010	¥ 58,480	¥ 1,753	6,177	¥ (2,322)	¥ 1,482	¥ 221,921
Net Interest Income	24,743	65,996	8,558	581	555	(6,706)	(0)	122,035
Noninterest Income	3,579	13	49,922	1,172	5,621	4,383	1,482	99,886
Expenses[2]	24,344	34,614	38,946	2,066	2,480	1,548	208	149,638
Net Credit Costs (Recoveries)[3]	361	9,639	12,572	(838)	127	–	(0)	28,390
Segment Profit (Loss)[6]	¥ 3,617	¥ 21,756	¥ 6,960	¥ 526	3,569	¥ (3,870)	¥ 1,273	¥ 43,892
Segment Assets[4]	¥ 1,143,966	¥ 486,749	¥ 1,320,334	¥ 31,433	271,896	¥ 571,578	¥ 120	¥ 8,416,569
Segment Liabilities[5]	¥ 4,888,112	¥ 41,052	¥ 512,142	¥ 8,652	–	¥ –	¥ –	¥ 7,287,502
Includes:								
i. Equity in net income (loss) of affiliates	¥ –	¥ –	¥ (38)	¥ 578	3,546	¥ –	¥ –	¥ 6,720
ii. Investment in affiliates	–	–	547	4,234	3,329	–	–	17,652
Other:								
Goodwill (Negative Goodwill):								
Amortization	¥ 95	¥ (140)	¥ 59	¥ –	151	¥ –	¥ –	¥ 2,349
Unamortized balance	788	(1,744)	507	–	5,261	–	–	13,460
Intangible assets acquired in business combinations:								
Amortization	¥ –	¥ –	¥ 173	¥ –	36	¥ –	¥ –	¥ 383
Unamortized balance	–	–	1,836	–	2,042	–	–	4,191
Impairment losses on long-lived assets	¥ 141	¥ 41	¥ 156	¥ –	–	¥ –	¥ 569	¥ 1,009

35. SEGMENT INFORMATION (CONTINUED) CONSOLIDATED

	Thousands of U.S. dollars					
	Institutional Business					
Fiscal year ended March 31, 2022	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Revenue[1]:	$ 124,952	$ 174,452	$ 77,332	$ 127,887	$ 32,491	$ 20,890
Net Interest Income	91,637	114,137	41,780	1,862	7,733	3,340
Noninterest Income	33,315	60,315	35,552	126,025	24,758	17,549
Expenses[2]	108,227	95,144	38,859	94,686	24,497	23,785
Net Credit Costs (Recoveries)[3]	10,300	62,689	(2,182)	31	–	895
Segment Profit (Loss)[6]	$ 6,425	$ 16,619	$ 40,655	$ 33,171	$ 7,994	$ (3,791)
Segment Assets[4]	$12,865,372	$16,548,099	$ 1,019,324	$ 4,553,534	$ 2,336,884	$ 274,426
Segment Liabilities[5]	$12,210,121	$ 1,228,116	$ 100,932	$ 4,344	$ 1,097,637	$ 260,701
Includes:						
i . Equity in net income (loss) of affiliates	$ –	$ –	$ 13,634	$ (2,940)	$ –	$ –
ii . Investment in affiliates	–	–	60,090	4,645	–	–
Other:						
Goodwill (Negative Goodwill):						
Amortization	$ –	$ –	$ (5)	$ 17,929	$ –	$ –
Unamortized balance	–	–	(5)	53,069	–	–
Intangible assets acquired in business combinations:						
Amortization	$ –	$ –	$ –	$ 1,087	$ –	$ –
Unamortized balance	–	–	–	1,480	–	–
Impairment losses on long-lived assets	$ 9	$ –	$ –	$ –	$ –	$ 150

	Thousands of U.S. dollars							
	Individual Business				Corporate/Other			
		Consumer Finance						
Fiscal year ended March 31, 2022	Retail Banking	Shinsei Financial[7]	APLUS	Other Individual	Overseas Business	Treasury	Other[8]	Total
Revenue[1]:	$ 211,964	$ 512,221	$ 489,458	$ 27,111	94,848	$ (93,038)	$ (14,396)	$ 1,786,172
Net Interest Income	157,678	513,792	64,461	4,115	47,073	(15,855)	(17)	1,031,737
Noninterest Income	54,287	(1,572)	424,997	22,996	47,775	(77,183)	(14,379)	754,435
Expenses[2]	196,543	283,377	310,997	17,738	49,717	11,569	21,083	1,276,221
Net Credit Costs (Recoveries)[3]	(770)	88,701	102,498	(6,174)	(573)	–	(9)	255,406
Segment Profit (Loss)[6]	$ 16,192	$ 140,143	$ 75,963	$ 15,547	45,704	$ (104,607)	$ (35,470)	$ 254,545
Segment Assets[4]	$ 9,209,441	$ 3,931,002	$11,573,385	$ 227,403	2,699,207	$ 2,499,838	$ 1,979	$67,739,894
Segment Liabilities[5]	$38,840,677	$ 325,666	$ 4,323,761	$ 33,819	–	$ –	$ –	$58,425,775
Includes:								
i . Equity in net income (loss) of affiliates	$ –	$ –	$ (448)	$ 3,896	(2,805)	$ –	$ –	$ 11,337
ii . Investment in affiliates	–	–	4,045	38,662	27,512	–	–	134,956
Other:								
Goodwill (Negative Goodwill):								
Amortization	$ 785	$ (1,150)	$ 490	$ –	4,692	$ –	$ –	$ 22,741
Unamortized balance	5,689	(13,170)	3,675	–	41,107	–	–	90,366
Intangible assets acquired in business combinations:								
Amortization	$ –	$ –	$ 1,425	$ –	1,258	$ –	$ –	$ 3,770
Unamortized balance	–	–	13,654	–	16,497	–	–	31,631
Impairment losses on long-lived assets	$ 1,259	$ 440	$ –	$ –	–	$ –	$ 1,208	$ 3,066

1 "Revenue," which represents gross operating profit under our management reporting, is presented as a substitute for sales in other industries. "Revenue" is defined as the total of net interest income, net fees and commissions, net trading income and net other business income on the management reporting basis. "Revenue" represents income and related cost attributable to our core business.
2 "Expenses" are general and administrative expenses deducting amortization of goodwill and intangible assets, amortization of actuarial gains or losses of retirement benefit cost and lump-sum payments.
3 "Net Credit Costs (Recoveries)" consists of provision/reversal of reserve for credit losses, losses on write-off/sales of loans and recoveries of written-off claims.
4 "Segment Assets" consists of other monetary claims purchased, trading assets, monetary assets held in trust, securities, loans and bills discounted, lease receivables and leased investment assets, installment receivables, tangible leased assets, intangible leased assets and customer's liabilities for acceptances and guarantees.
5 "Segment Liabilities" consists of deposits, including negotiable certificates of deposit, debentures, trading liabilities and acceptances and guarantees.
6 Regarding assets and liabilities not allocated to each business segment, there are related revenue and expense items which are allocated to each business segment based on a rational allocation method. For example, interest on other borrowings is considered a part of "Revenue" and included in segment income, although borrowed money is not allocated to each "Segment Liabilities." In addition, depreciation is considered a part of "Expenses" and included in segment income, although premises and equipment excluding tangible leased assets and intangible assets excluding intangible leased assets are not allocated to each "Segment Assets."
7 "Shinsei Financial" includes profit(loss), segment assets and liabilities related to companies such as Shinsei Personal Loan Co., Ltd. and "Shinsei Card Loan L," which is unsecured card loan business for individual customers.
8 "Other" under the Corporate/Other includes profit(loss), assets and liabilities which are not included in our reportable segments, allocation variance of indirect expense and elimination amount of inter-segment transactions.

35. SEGMENT INFORMATION (CONTINUED) CONSOLIDATED

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

(i) A reconciliation between total segment profit and income (loss) before income taxes on the consolidated statements of income for the fiscal years ended March 31, 2022 and 2021 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Total segment profit	**¥ 31,006**	¥ 43,892	**$ 254,545**
Amortization of goodwill	**(2,770)**	(2,349)	**(22,741)**
Amortization of intangible assets	**(459)**	(383)	**(3,770)**
Lump-sum payments	**372**	510	**3,055**
Other gains (losses), net	**347**	13,666	**2,850**
Income (loss) before income taxes	**¥ 28,495**	¥ 55,336	**$ 233,938**

(ii) A reconciliation between total segment assets and total assets on the consolidated balance sheets as of March 31, 2022 and 2021 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Total segment assets	**¥ 8,251,396**	¥ 8,416,569	**$ 67,739,894**
Cash and due from banks	**1,625,159**	1,919,075	**13,341,758**
Foreign exchanges	**56,510**	83,730	**463,926**
Other assets excluding installment receivables	**387,318**	314,944	**3,179,696**
Premises and equipment excluding tangible leased assets	**17,804**	20,650	**146,169**
Intangible assets excluding intangible leased assets	**62,498**	68,634	**513,082**
Assets for retirement benefits	**19,499**	19,482	**160,085**
Deferred tax assets	**10,725**	9,985	**88,054**
Reserve for credit losses	**(119,466)**	(112,897)	**(980,759)**
Total assets	**¥ 10,311,448**	¥ 10,740,174	**$ 84,651,904**

(iii) A reconciliation between total segment liabilities and total liabilities on the consolidated balance sheets as of March 31, 2022 and 2021 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Total segment liabilities	**¥ 7,116,843**	¥ 7,287,502	**$ 58,425,775**
Call money	**3,654**	30,000	**30,000**
Payables under repurchase agreements	**9,567**	47,712	**78,548**
Payables under securities lending transactions	**237,530**	395,449	**1,950,005**
Borrowed money	**978,424**	1,026,679	**8,032,383**
Foreign exchanges	**1,905**	889	**15,644**
Short-term corporate bonds	**189,200**	218,800	**1,553,239**
Corporate bonds	**380,104**	367,534	**3,120,470**
Other liabilities	**416,356**	374,978	**3,418,080**
Accrued employees' bonuses	**9,977**	8,504	**81,908**
Accrued directors' bonuses	**39**	41	**321**
Liabilities for retirement benefits	**8,149**	8,084	**66,905**
Reserve for directors' retirement benefits	**23**	19	**197**
Reserve for reimbursement of deposits	**393**	391	**3,234**
Reserve for reimbursement of debentures	**2,853**	3,355	**23,424**
Reserve for losses on interest repayments	**31,635**	39,096	**259,711**
Deferred tax liabilities	**472**	393	**3,878**
Total liabilities	**¥ 9,387,131**	¥ 9,809,431	**$ 77,063,721**

35. SEGMENT INFORMATION (CONTINUED) CONSOLIDATED

(B) RELATED INFORMATION

(a) INFORMATION BY SERVICES

Income regarding major services for the fiscal years ended March 31, 2022 and 2021 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Loan Businesses	**¥ 136,648**	¥ 134,738	**$ 1,121,815**
Lease Businesses	**8,730**	7,822	**71,670**
Securities Investment Businesses	**1,010**	6,517	**8,297**
Installment Sales and Guarantee Businesses	**59,722**	53,998	**490,290**

(b) GEOGRAPHICAL INFORMATION

(i) REVENUE

Revenue from external domestic customers exceeded 90% of total revenue on the consolidated statements of income for the fiscal years ended March 31, 2022 and 2021, and therefore, geographical revenue information is not presented.

(ii) PREMISES AND EQUIPMENT

The balance of domestic premises and equipment exceeded 90% of the total balance of premises and equipment on the consolidated balance sheets as of March 31, 2022 and 2021, and therefore, geographical premises and equipment information is not presented.

(c) MAJOR CUSTOMER INFORMATION

Revenue to a specific customer did not reach 10% of total revenue on the consolidated statements of income for the fiscal years ended March 31, 2022 and 2021, and therefore, major customer information is not presented.

36. RELATED PARTY INFORMATION CONSOLIDATED

(a) Related party transactions

Related party transactions for the fiscal years ended March 31, 2022 and 2021 were as follows:

		Amount of the transaction			Balance at the end of fiscal year			
		Millions of yen		Thousands of U.S. dollars		Millions of yen		Thousands of U.S. dollars
Related party	Description of the transaction	**2022**	2021	**2022**	Account name	**2022**	2021	**2022**
Director								
Hideyuki Kudo[1]	In-kind contributions of monetary compensation claims[2]	**¥ 12**	¥ 12	**$ 118**	–	**¥ –**	¥ –	**$ –**
Yoshiaki Kozano	Exercise of stock options[3]	**¥ 17**	¥ –	**$ 157**	–	**¥ –**	¥ –	**$ –**

1 Hideyuki Kudo retired from the Bank's President and Chief Executive Officer on February 8, 2022 and is no longer a related party. Therefore, the transaction amount is the one from April 1, 2021 to the date of his retirement.
2 The in-kind contributions of the monetary compensation claims for the restricted stock compensation.
3 This is the exercise of stock option rights in accordance with the share compensation type stock option system, and the transaction amount indicates the amount of the consideration for the treasury stock at the time of disposal of it.

(b) Information on parent companies

(Fiscal year ended March 31, 2022)

SBI Holdings, Inc. (ultimate parent company, listed on the Tokyo Stock Exchange)

SBI Regional Bank Holdings Co., Ltd. (immediate parent company, unlisted)

(Fiscal year ended March 31, 2021)

None

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES CONSOLIDATED

(A) GROUP POLICY FOR FINANCIAL INSTRUMENTS

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

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

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

(a) Financial assets

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

Loans and bills discounted

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

Securities

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

Other monetary claims purchased,
Monetary assets held in trust

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

Lease receivables and leased investment assets,
Installment receivables

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

(b) Financial liabilities

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

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

(c) Derivative transactions

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

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

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

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

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

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

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED) CONSOLIDATED

(C) RISK MANAGEMENT FOR FINANCIAL INSTRUMENTS

(a) Credit risk management

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

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

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

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

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

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

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

(b) Market risk management

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

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

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

The actual risk limits for asset/liability management of the trading business, such as the value-at-risk (VaR) method, are approved by the Group Risk Policy Committee based on “Trading Business Risk Management Policy.” The Market Business Management Committee meets monthly to review reports from the Group Integrated Risk Management Division and front office. The interest rate risk of the net asset and/or liability in the banking business, which has interest rate sensitivity, is managed by the Group ALM Committee based on “Group ALM Policy.”

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

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

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED) CONSOLIDATED

Quantitative information on market risk is as follows:

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

The VaR in the Group's trading business as of March 31, 2022 and 2021 were ¥776 million (U. S. $ 6,372 thousand) and ¥1,854 million in the aggregate, respectively.

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

(ii) Amount of market risk associated with the banking business
The Group's main financial instruments which are affected by interest rate risk, one of the major risk variables, includes “Call loans,” “Receivables under resale agreements,” “Receivables under securities borrowing transactions,” “Other monetary claims purchased,” “Monetary assets held in trust,” bonds other than trading business in “Securities,” “Loans and bills discounted,” “Lease receivables and leased investment assets,” “Installment receivables,” “Deposits,” “Negotiable certificates of deposit,” “Call money,” “Payables under repurchase agreements,” “Payables under securities lending transactions,” “Borrowed money,” “Short-term corporate bonds,” “Corporate bonds” and interest rate swaps other than trading business in “Derivative instruments.” The Group uses a quantitative analysis of interest rate risk of these financial assets and liabilities and analyzes the amount of change in economic values (ΔEVE) based on the interest rate shock scenario defined by the interest rate risk of bank accounts under the Basel regulation (IRRBB) with the revision of interest rate risk monitoring methods.

As for ΔEVE for each interest rate shock scenario as of March 31, 2022 and 2021, the ΔEVE of the upward parallel shift in the interest rate curve decreased by ¥57,937 million (U.S.$ 475,635 thousand) and decreased by ¥60,061 million, the ΔEVE of the downward parallel shift decreased by ¥2,175 million (U.S.$ 17,857 thousand) and decreased by ¥5,494 million, and ΔEVE of the steepening scenario decreased by ¥46,043 million (U.S.$ 377,998 thousand) and decreased by ¥39,328 million, respectively.

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

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

(D) CONCENTRATION OF CREDIT RISK

As of March 31, 2022, loans to the financial and insurance industry were approximately 10% of the total loans and bills discounted, and those to the real estate industry were approximately 15%, approximately 30% of which are nonrecourse loans for real estate.

As of March 31, 2021, loans to the financial and insurance industry were approximately 10% of the total loans and bills discounted, and those to the real estate industry were approximately 15%, approximately 30% of which are nonrecourse loans for real estate.

(E) SUPPLEMENT TO THE FAIR VALUE INFORMATION FOR FINANCIAL INSTRUMENTS

As certain assumptions have been adopted for the calculation of fair value of financial instruments, the fair value of financial instruments may not be the same when assumptions that differ from the Group’s calculation are adopted.

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED) CONSOLIDATED

Matters concerning fair value of financial instruments and breakdown by input level

Carrying amounts on the consolidated balance sheet as of March 31, 2022, the fair value of financial instruments as well as the difference between them, and fair values by input level are as follows.

The fair values of financial instruments are categorized as the following three levels depending on the observability and significance of the input used in the fair value measurement.

Level 1: Fair value determined based on the quoted prices (unadjusted) in an active market for identical assets and liabilities

Level 2: Fair value determined based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Fair value determined based on significant unobservable inputs

In some cases, multiple inputs with a significant impact on the fair value measurement are used, the financial instrument is categorized as the lowest priority level of fair value measurement in which each input belongs.

(1) Financial instruments measured at fair value on the consolidated balance sheet

Fair values of financial instruments as of March 31, 2022 and March 31, 2021 were as follows:

	Millions of yen			
	Carrying amount			
March 31, 2022	Level 1	Level 2	Level 3	Total
Assets:				
Other monetary claims purchased	¥ –	¥ –	¥ 9,550	¥ 9,550
Trading assets	–	265	–	265
Monetary assets held in trust	–	6,342	159,948	166,290
Securities	150,183	174,630	185,888	510,702
Trading securities	–	–	0	0
Other securities	150,183	174,630	185,888	510,702
Equity securities	8,840	160	–	9,000
Japanese national government bonds	103,463	–	–	103,463
Japanese local government bonds	–	2,197	–	2,197
Japanese corporate bonds	–	32,381	112,681	145,062
Foreign securities	37,879	139,752	73,023	250,656
Other[1]	–	138	183	322
Total	¥ 150,183	¥ 181,238	¥ 355,387	¥ 686,808
Derivative instruments[2,3]	¥ 0	¥ (45,767)	¥ 4,527	¥ (41,239)
Interest rate-related	–	(5,057)	10,508	5,450
Currency-related	–	(41,305)	(5,980)	(47,286)
Bond-related	0	–	–	0
Credit derivatives	–	595	–	595

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED) CONSOLIDATED

		Millions of yen
March 31, 2021		Carrying amount
Assets:		
Other monetary claims purchased	¥	21,214
Trading assets		5,783
Monetary assets held in trust		163,257
Securities		689,095
Trading securities		0
Other securities		689,095
Equity securities		13,086
Japanese national government bonds		164,408
Japanese local government bonds		–
Japanese corporate bonds		171,877
Foreign securities		339,582
Other[1]		140
Total	¥	879,351
Derivative instruments[2,4]	¥	(8,830)
Interest rate-related		3,897
Currency-related		(13,474)
Bond-related		13
Credit derivatives		732

	Thousands of U.S. dollars			
	Carrying amount			
March 31, 2022	Level 1	Level 2	Level 3	Total
Assets:				
Other monetary claims purchased	$ –	$ –	$ 78,404	$ 78,404
Trading assets	–	2,178	–	2,178
Monetary assets held in trust	–	52,067	1,313,094	1,365,162
Securities	1,232,934	1,433,630	1,526,055	4,192,618
Trading securities	–	–	–	–
Other securities	1,232,934	1,433,630	1,526,055	4,192,618
Equity securities	72,574	1,315	–	73,889
Japanese national government bonds	849,385	–	–	849,385
Japanese local government bonds	–	18,040	–	18,040
Japanese corporate bonds	–	265,833	925,059	1,190,892
Foreign securities	310,975	1,147,303	599,489	2,057,766
Other[1]	–	1,139	1,507	2,646
Total	$ 1,232,934	$ 1,487,875	$ 2,917,553	$ 5,638,363
Derivative instruments[2,3]	$ 3	$ (375,731)	$ 37,170	$ (338,558)
Interest rate-related	–	(41,522)	86,267	44,746
Currency-related	–	(339,100)	(49,098)	(388,198)
Bond-related	3	–	–	3
Credit derivatives	–	4,891	–	4,891

1. The amount of investment trusts for which transitional treatments are applied in accordance with Paragraph 26 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31, July 4, 2019) is not included in the table above. The amount of such investment trusts on the consolidated balance sheet are ¥ 1,292 million (U.S. $10,614 thousand) and ¥980 million as of March 31, 2022 and 2021.
2. The amounts collectively represent the derivative transactions which are recorded in "Trading assets," "Trading liabilities," "Other assets," and "Other liabilities." Assets and liabilities arising from derivative transactions are presented on a net basis, with a net liability presented in round brackets.
3. As for derivative transactions for which hedge accounting is applied, the balances recorded on the consolidated balance sheet amount to a net liability of ¥42,267 million (U.S. $347 thousand). Of the hedging relationships, the exceptional treatment prescribed in the Practical Solution No.40 "the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (the Practical Solution No.40, March 17, 2022) is applied to all hedging relationships included in the scope of application of the Practical Solution.
4. As for derivative transactions for which hedge accounting is applied, the balances recorded on the consolidated balance sheet amount to a net liability of ¥15,592 million.

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED) CONSOLIDATED

(2) Financial instruments other than those measured at fair value on the consolidated balance sheet

Notes are omitted for “Cash and due from banks,” “Call money and bills sold,” “Payable under repurchase agreements,” “Payable under securities lending transactions,” “Short-term bonds payable” since they are mostly with short maturity of one year or less and their carrying amounts approximate their fair values.

	Millions of yen					
	Fair value				Carrying amount	Net unrealized gains (losses)
March 31, 2022	Level 1	Level 2	Level 3	Total		
Assets:						
Other monetary claims purchased	¥ –	¥ –	¥ 22,050	¥ 22,050	¥ 21,902	¥ 147
Monetary assets held in trust[1]	–	16,576	205,625	222,202	219,664	2,537
Securities	109,608	–	–	109,608	109,988	(380)
Securities being held to maturity	109,608	–	–	109,608	109,988	(380)
Japanese national government bonds	109,608	–	–	109,608	109,988	(380)
Loans and bills discounted[2]	–	2,229,191	3,069,365	5,298,557	5,165,998	132,558
Lease receivables and leased investment assets[3]	–	3,258	191,293	194,551	184,258	10,293
Other assets (Installment receivables)[4]	–	115,953	849,881	965,835	917,174	48,661
Total	¥ 109,608	¥ 2,364,980	¥ 4,338,217	¥ 6,812,806	¥ 6,618,988	¥ 193,817
Liabilities:						
Deposits	¥ –	¥ 5,280,233	¥ 487,757	¥ 5,767,991	¥ 5,771,056	¥ 3,065
Negotiable certificates of deposit	–	–	627,093	627,093	627,010	(83)
Borrowed money	–	3,934	973,933	977,867	978,424	556
Corporate bonds	–	379,731	–	379,731	380,104	373
Total	¥ –	¥ 5,663,898	¥ 2,088,784	¥ 7,752,683	¥ 7,756,595	¥ 3,912

	Fair value				Contract Amount
	Level 1	Level 2	Level 3	Total	
Other:					
Guarantee contracts[5]	¥ –	¥ (291)	¥ 44,808	¥ 44,517	¥ 584,708

	Millions of yen		
March 31, 2021	Fair value	Carrying amount	Net unrealized gains (losses)
Assets:			
Other monetary claims purchased	¥ 25,129	¥ 24,862	¥ 267
Monetary assets held in trust[1]	231,379	228,089	3,289
Securities	186,181	185,528	653
Securities being held to maturity	186,181	185,528	653
Japanese national government bonds	186,181	185,528	653
Loans and bills discounted[2]	5,328,873	5,160,911	167,961
Lease receivables and leased investment assets[3]	190,769	184,437	6,332
Other assets (Installment receivables)[4]	876,853	813,920	62,932
Total	¥ 6,839,187	¥ 6,597,750	¥ 241,437
Liabilities:			
Deposits	¥ 6,053,897	¥ 6,056,191	¥ 2,293
Negotiable certificates of deposit	515,484	515,140	(344)
Borrowed money	1,027,300	1,026,679	(621)
Corporate bonds	367,713	367,534	(179)
Total	¥ 7,964,396	¥ 7,965,545	¥ 1,148

	Fair value	Contract Amount
Other:		
Guarantee contracts[5]	¥ 17,866	¥ 567,777

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED) CONSOLIDATED

	Thousands of U.S. dollars					
	Fair value				Carrying amount	Net unrealized gains (losses)
March 31, 2022	Level 1	Level 2	Level 3	Total		
Assets:						
Other monetary claims purchased	$ –	$ –	$ 181,023	$ 181,023	$ 179,812	$ 1,210
Monetary assets held in trust[1]	–	136,086	1,688,086	1,824,173	1,803,341	20,832
Securities	899,828	–	–	899,828	902,955	(3,127)
Securities being held to maturity	899,828	–	–	899,828	902,955	(3,127)
Japanese national government bonds	899,828	–	–	899,828	902,955	(3,127)
Loans and bills discounted[2]	–	18,300,564	25,197,980	43,498,544	42,410,301	1,088,243
Lease receivables and leased investment assets[3]	–	26,748	1,570,426	1,597,175	1,512,673	84,502
Other assets (Installment receivables)[4]	–	951,924	6,977,110	7,929,034	7,529,548	399,486
Total	$ 899,828	$ 19,415,322	$ 35,614,626	$ 55,929,776	$ 54,338,630	$ 1,591,146
Liabilities:						
Deposits	$ –	$ 43,348,111	$ 4,004,251	$ 47,352,362	$ 47,377,530	$ 25,168
Negotiable certificates of deposit	–	–	5,148,128	5,148,128	5,147,443	(685)
Borrowed money	–	32,297	7,995,515	8,027,811	8,032,383	4,571
Corporate bonds	–	3,117,406	–	3,117,406	3,120,470	3,064
Total	$ –	$ 46,497,813	$ 17,147,894	$ 63,645,707	$ 63,677,826	$ 32,119

	Fair value				Contract Amount
	Level 1	Level 2	Level 3	Total	
Other:					
Guarantee contracts[5]	$ –	$ (2,396)	$ 367,859	$ 365,463	$ 4,800,167

1. ¥2,221 million (U.S.$ 18,241 thousand) and ¥2,601 million of reserve for credit losses corresponding to "Monetary assets held in trust" are deducted as of March 31, 2022 and 2021.
2. At the end of March 31, 2022 and 2021, ¥75,819 million (U.S.$ 622,437 thousand) and ¥72,693 million of reserve for credit losses corresponding to "Loans and bills discounted" are deducted. For consumer loans held by consolidated subsidiaries included in "Loans and bills discounted," ¥31,635 million (U.S. $259,711 thousand) and ¥39,096 million of reserve for losses on interest repayments are recognized to prepare for estimated losses arising from reimbursement of excess interest payments. A portion of this reserve is for losses on interest repayments that have a possibility of being appropriated for loan principal in the future.
3. At the end of March 31, 2022 and 2021, ¥1,309 million (U.S. $10,749 thousand) and ¥1,289 million of reserves for credit losses corresponding to "Lease receivables and leased investment assets" are deducted. ¥5,291 million (U.S. $ 43,440 thousand) and ¥6,420 million of estimated residual value of "Lease receivables and leased investment assets" arising from finance lease transactions, where the ownership of the property is not deemed to transfer to the lessee, are deducted from leased investment assets.
4. ¥15,014 million (U.S. $ 123,262 thousand) and ¥13,302 million of deferred gains on installment receivables and ¥15,218 million (U.S. $ 124,932 thousand) and ¥13,302 million of reserve for credit losses corresponding to "Other assets (Installment receivables)" are deducted as of March 31, 2022 and 2021.
5. The "Contract amount" for "Guarantee contracts" presents the amount of "Acceptances and guarantees" on the consolidated balance sheet.

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED) CONSOLIDATED

(Note 1) Description of the valuation techniques and inputs used to measure fair value

Assets

Other monetary claims purchased

The fair values of securitized products are measured at quoted prices from third parties, and they are categorized as Level 3 because the impact of unobservable inputs to measure the fair value is significant.
The fair values of other transactions are, in principle, based on methods similar to the methods applied to "Loans and bills discounted," and for short-term transactions, the carrying amounts are used as the fair values as they approximate their fair values. They are categorized as Level 3.

Trading assets

The fair values of bonds and other securities held for trading are measured at market prices or quoted prices from third parties or determined using the discounted cash flow method.
The fair values of such bonds and other securities are categorized as Level 1 if an unadjusted price in active markets is available. Japanese national government bonds are mainly included in it.
The fair values of such bonds and other securities are categorized as Level 2 if a quoted price in inactive markets is used. Corporate bonds are mainly included in it.

Monetary assets held in trust

The fair values of monetary assets held in trust are determined using the discounted cash flow method based on the characteristics of the components of the trust assets. They are categorized as Level 3 if the impact of unobservable inputs to measure the fair values is significant; otherwise, they are categorized as Level 2. Refer to Note 7 "MONETARY ASSETS HELD IN TRUST" for monetary assets held in trust being held to maturity and others.

Securities

The fair values of securities are categorized as Level 1 if an unadjusted quoted price in active markets is available. Equity securities and Japanese national government bonds are mainly included in it.
The fair values of securities are categorized as Level 2 if a quoted price in inactive market is used. Foreign securities are mainly included in it.
The fair values of privately placed bonds are determined by discounting total amounts of principal and interest etc. at discount rate that reflects risk factors like credit risk for each category based on the internal credit rating and period. They are categorized as Level 3 if the impact of unobservable inputs to measure the fair values is significant; otherwise, they are categorized as Level 2.
In principle, the fair values of securitized products are based on valuations obtained from independent third parties. They are categorized as Level 3 if the impact of unobservable inputs to measure the fair values is significant; otherwise, they are categorized as Level 2.
The fair values of mutual funds are based on the published net asset value per share etc., as transitional measures are applied in accordance with Paragraph 26 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31, July 4, 2019) they are not categorized as any level.
Notes for securities being held to maturity and others are disclosed in Note 8 "SECURITIES."

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 as of the consolidated balance sheet date (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 Credit Default Swap (CDS) spread etc. corresponding to the internal credit rating of each borrower. They are categorized as Level 3 if the impact of unobservable inputs to measure the fair values is significant; otherwise, they are categorized as Level 2. 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 categorized as "legally bankrupt," "virtually bankrupt" or "possibly bankrupt," their fair values are measured at carrying amounts net of reserves for loan losses because the fair values of those loans approximate the carrying amounts net of reserves for loan losses as of the consolidated balance sheet date, which are calculated based on the discounted cash flow method or based on amounts which are expected to be collected through the disposal of collateral or execution of guarantees. They are categorized as Level 3.

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED) CONSOLIDATED

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 major product category groups. They are categorized as Level 3 if the impact of unobservable inputs to measure the fair values is significant; otherwise, they are categorized as Level 2.

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. They are categorized as Level 3 if the impact of unobservable inputs to measure the fair values is significant; otherwise, they are categorized as Level 2.

Liabilities

Deposits, including negotiable certificates of deposit

The fair values of demand deposits, such as current deposits and ordinary deposits are recognized as the payment amounts (the carrying amounts) at the consolidated balance sheet date. The fair values of the deposits with maturities of six months or less approximate carrying amounts because of their short-term maturities. The fair values of time deposits and negotiable certificates of deposit are determined by discounting expected cash flows at the rates that consist of the risk-free rate and spread that would be applied for the new contracts with the same terms at the consolidated balance sheet date. They are categorized as Level 3 if the impact of unobservable inputs to measure the fair value is significant; otherwise, they are categorized as Level 2.

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 as of the consolidated balance sheet date, at the funding rates that reflect the credit risk of the bank and its consolidated subsidiaries. Nevertheless, the fair values of borrowed money whose remaining maturities are one year or less approximate the carrying amounts. They are categorized as Level 3 if the impact of unobservable inputs to measure the fair value is significant; otherwise, they are categorized as Level 2.

Corporate bonds

The fair values of marketable corporate bonds are measured at market prices. They are categorized as Level 2.

Derivative instruments

The fair values of listed derivatives are based on their closing prices. The fair values of over-the-counter derivative transactions are mainly based on the DCF method, option pricing models, etc., using inputs such as interest rate, foreign exchange rate, volatility, etc.

The valuation of derivatives transactions reflects the liquidity risk, the credit valuation adjustment (CVA) and the debt valuation adjustment (DVA). In calculation of CVA/DVA, CDS spread which is observed in market or probability of default which is measured at estimated spread is considered. Credit risk mitigation by collateral pledged and risk mitigation by netting exposures are also considered.

Listed derivative transactions are mainly categorized as Level 1. Over-the-counter derivative transactions are categorized as Level 2 if observable inputs are available or the impact of unobservable inputs to measure the fair value is not significant.

If the impact of unobservable inputs to measure the fair values is significant, they are categorized as Level 3.

Other

Guarantee contracts

The fair values are determined by discounting the amount of difference between the future cash flows based on the original contracts and the future cash flows expected from guaranteed contracts that would have been newly entered into on similar terms as of the end of the period. They are categorized as Level 3.

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED) CONSOLIDATED

(Note 2) Information about the Level 3 fair value of financial instruments measured at fair values on the consolidated balance sheet

(1) Quantitative information on significant unobservable inputs as of March 31, 2022

	Valuation technique	Significant unobservable inputs	Range	Weighted average
Other monetary claims purchased	Discounted cash flow	Prepayment rate	13.0%	13.0%
		Probability of default	0.7%	0.7%
		Recovery rate	30.0%	30.0%
		Discount rate	4.0%–16.9%	11.0%
Monetary assets held in trust	Discounted cash flow	Prepayment rate	0.0%–23.6%	7.5%
		Probability of default	0.0%–2.4%	1.6%
		Recovery rate	30.0%–100.0%	84.4%
		Discount rate	1.3%–19.3%	1.3%
Securities				
Other securities	Discounted cash flow	Prepayment rate	1.1%–24.3%	18.2%
		Probability of default	0.0%–2.0%	1.6%
		Recovery rate	0.0%–100.0%	62.1%
		Discount rate	0.9%–1.9%	1.3%
Derivative instruments				
Interest rate-related	Discounted cash flow	Correlation between interest rates	29.0%–85.0%	–
	Option valuation model	Correlation between interest rate and foreign exchange rate	8.0%–38.0%	–
		Recovery rate	35.0%–74.0%	–
Currency -related	Discounted cash flow	Recovery rate	35.0%–74.0%	–

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED) CONSOLIDATED

(2) Reconciliation between the beginning and ending balance, and net unrealized gains (losses) recognized in the earnings of the current period as of March 31, 2022

	Millions of yen							
Categorization	Other monetary claims purchased	Trading assets	Monetary assets held in trust	Securities	Total	Derivative instruments	Interest rate-related	Currency-related
Beginning balance	¥ 21,214	¥ –	¥ 158,208	¥ 173,853	¥ 353,277	¥ 19,799	¥ 22,107	¥ (2,308)
Earnings of the period[1]	222	–	1,317	6,629	8,169	(11,262)	(7,478)	(3,784)
Other comprehensive income[2]	(174)	–	207	(685)	(653)	–	–	–
Net amount of purchase, sale, issuance and settlement	(11,712)	–	214	6,029	(5,467)	(4,009)	(4,121)	111
Transfer into Level 3[3]	–	–	–	40,724	40,724	–	–	–
Transfer out of Level 3[4]	–	–	–	(40,663)	(40,663)	–	–	–
Ending balance	9,550	–	159,948	185,888	355,387	4,527	10,508	(5,980)
Net unrealized gains(losses) on financial assets and liabilities held at the consolidated balance sheet date among the amount recognized in the earnings of the current period[1]	38	–	37	(397)	(320)	(15,193)	(11,145)	(4,047)

	Thousands of U.S. dollars							
Categorization	Other monetary claims purchased	Trading assets	Monetary assets held in trust	Securities	Total	Derivative instruments	Interest rate-related	Currency-related
Beginning balance	$ 174,165	$ –	$ 1,298,816	$ 1,427,254	$ 2,900,234	$ 162,542	$ 181,494	$ (18,952)
Earnings of the period[1]	1,826	–	10,813	54,427	67,066	(92,458)	(61,393)	(31,065)
Other comprehensive income[2]	(1,436)	–	1,703	(5,628)	(5,361)	–	–	–
Net amount of purchase, sale, issuance and settlement	(96,150)	–	1,762	49,500	(44,888)	(32,915)	(33,834)	919
Transfer into Level 3[3]	–	–	–	334,329	334,329	–	–	–
Transfer out of Level 3[4]	–	–	–	(333,827)	(333,827)	–	–	–
Ending balance	78,404	–	1,313,094	1,526,055	2,917,553	37,170	86,267	(49,098)
Net unrealized gains (losses) on financial assets and liabilities held at the consolidated balance sheet date among the amount recognized in the earnings of the current period[1]	317	–	312	(3,263)	(2,634)	(124,727)	(91,499)	(33,228)

1. The amounts shown in the table above are included in the consolidated statements of income.
2. The amounts shown in the table above are included in "Unrealized gains (loss) available-for-sale securities" under "Other comprehensive income" in the consolidated statements of comprehensive income.
3. A transfer from Level 2 to Level 3 is due to shortage of observable market data mainly caused by a decrease in market activities about some foreign securities. The transfer was made at the beginning of the fiscal year ended March 31, 2022.
4. A transfer from Level 3 to Level 2 is due to the availability of observable market data about some foreign securities. The transfer was made at the beginning of the fiscal year ended March 31, 2022.

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED) CONSOLIDATED

(3) Description of the fair value valuation process

At the Group, the Integrated Risk Management Division, the middle office unit establishes policies and procedures for the calculation of fair value, and the front division develops valuation models in accordance with such policies and procedures. The middle division verifies the reasonableness of the fair value valuation models, the inputs used, and the middle division also verifies the categorization of fair value level based on the verification results of the model and inputs. If quoted prices obtained from third parties are used, those values are verified by confirming the valuation technique and the inputs used by the third parties or comparison with the fair values of similar financial instruments.

(4) Description of the sensitivity of the fair value to changes in significant unobservable inputs

Prepayment rate

Prepayment rate is proportion of principals estimated to be prepaid and it is an estimate calculated on the past record of prepayment. In general, a significant change in prepayment rate would result in a significant increase or decrease in a fair value according to the contractual terms and conditions.

Probability of default

Probability of default represents the likelihood that the default will occur and contract amounts will be unrecoverable. A significant increase (decrease) in the default rate would result in a significant decrease (increase) in a fair value.

Recovery rate

Recovery rate is proportion of contractual amount estimated to be recovered in the case of default. In general, a significant increase (decrease) in the recovery rate would result in a significant decrease (increase) in a fair value.

Discount rate

Discount rate is an adjustment rate regarding base market interest rate, and it is constituted from risk premium that market participants need against uncertainty of cash flow produced mainly by credit risks.

A significant increase (decrease) in the discount rate would generally result in a significant decrease (increase) in a fair value.

Correlation

Correlation is an indicator of the relation between two variables. A significant change in correlation can cause a significant increase (decrease) in a fair value of derivative according to nature of underlying asset.

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED) CONSOLIDATED

(Notes 3) Carrying amount of "Nonmarketable equity securities and others" and "Investment in partnerships and others" were as follows, and these are not included in the above "Securities" which are disclosed at tables in fair value of financial instruments and breakdown by input level.

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Nonmarketable equity securities and others[1,3]	¥ 21,607	¥ 24,247	$ 177,389
Investments in partnerships and others[2,3]	31,016	29,865	254,632
Total	¥ 52,624	¥ 54,112	$ 432,021

1. "Nonmarketable equity securities and others" including non-listed equity securities are out of the scope of fair values disclosure according to Paragraph 5 of the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19, March 31, 2020).
2. "Investment in partnerships and others" including investments in silent partnership and investment partnership are out of the scope of fair values disclosure according to Paragraph 27 of the "Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31, July 4, 2019).
3. For the fiscal years ended March 31, 2022 and March 31, 2021, impairment losses on "Nonmarketable equity securities and others" of ¥1,144 million (U.S.$ 9,392), and ¥1,994 million, and on "Investment in partnerships and others" of ¥573 million (U.S.$ 4,706) and ¥1,309 million were recognized, respectively.

(Note 4) Redemption schedule of monetary claims and securities with contractual maturities

	Millions of yen			
As of March 31, 2022	1 year or less	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
Due from banks	¥ 1,620,751	¥ –	¥ –	¥ –
Other monetary claims purchased	13,100	–	11,097	6,830
Securities				
Held-to-maturity	5,000	–	–	105,000
Available-for-sale	63,923	93,040	107,102	224,235
Loans and bills discounted	1,155,158	1,326,763	1,088,012	1,639,561
Lease receivables and leased investment assets	51,823	73,613	39,271	26,129
Installment receivables	209,833	281,009	185,018	250,834
Total	¥ 3,119,590	¥ 1,774,427	¥ 1,430,502	¥ 2,252,591

	Millions of yen			
As of March 31, 2021	1 year or less	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
Due from banks	¥ 1,913,644	¥ –	¥ –	¥ –
Other monetary claims purchased	14,340	327	2,646	27,220
Securities				
Held-to-maturity	110,000	5,000	–	70,000
Available-for-sale	66,073	105,344	141,867	356,064
Loans and bills discounted	1,175,787	1,299,940	1,094,704	1,609,436
Lease receivables and leased investment assets	57,142	75,177	37,496	22,300
Installment receivables	213,333	276,288	126,055	213,848
Total	¥ 3,550,321	¥ 1,762,078	¥ 1,402,771	¥ 2,298,869

	Thousands of U.S. dollars			
As of March 31, 2022	1 year or less	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
Due from banks	$ 13,305,566	$ –	$ –	$ –
Other monetary claims purchased	107,551	–	91,104	56,075
Securities				
Held-to-maturity	41,048	–	–	861,998
Available-for-sale	524,776	763,817	879,261	1,840,863
Loans and bills discounted	9,483,284	10,892,071	8,932,048	13,459,992
Lease receivables and leased investment assets	425,447	604,334	322,396	214,510
Installment receivables	1,722,630	2,306,947	1,518,911	2,059,225
Total	$ 25,610,302	$ 14,567,171	$ 11,743,720	$ 18,492,663

Note: The financial instruments whose cash flow cannot be reliably estimated such as loans and bills discounted to obligors of "legally bankrupt," "virtually bankrupt" and "possibly bankrupt," and the financial instruments with no contractual maturity are not included in the tables above.

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED) CONSOLIDATED

(Note 5) Redemption schedule of corporate bonds, borrowed money and other interest-bearing debts

	Millions of yen			
As of March 31, 2022	1 year or less	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
Deposits, including negotiable certificate of deposit[1]	¥ 5,737,766	¥ 332,160	¥ 213,903	¥ 114,237
Call money	3,654	–	–	–
Payables under repurchase agreements	9,567	–	–	–
Payables under securities lending transactions	237,530	–	–	–
Borrowed money	652,502	182,540	67,269	76,112
Short-term corporate bonds	189,200	–	–	–
Corporate bonds	30,000	295,334	30,000	24,770
Total	¥ 6,860,221	¥ 810,034	¥ 311,172	¥ 215,119

	Millions of yen			
As of March 31, 2021	1 year or less	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
Deposits, including negotiable certificate of deposit[1]	¥ 5,728,880	¥ 514,113	¥ 206,200	¥ 122,137
Call money	30,000	–	–	–
Payables under repurchase agreements	47,712	–	–	–
Payables under securities lending transactions	395,449	–	–	–
Borrowed money	663,289	198,429	69,726	95,233
Short-term corporate bonds	218,800	–	–	–
Corporate bonds	10,000	110,000	100,000	147,534
Total	¥ 7,094,132	¥ 822,542	¥ 375,926	¥ 364,905

	Thousands of U.S. dollars			
As of March 31, 2022	1 year or less	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
Deposits, including negotiable certificate of deposit[1]	$ 47,104,231	$ 2,726,873	$ 1,756,039	$ 937,829
Call money	30,000	–	–	–
Payables under repurchase agreements	78,548	–	–	–
Payables under securities lending transactions	1,950,005	–	–	–
Borrowed money	5,356,722	1,498,567	552,247	624,845
Short-term corporate bonds	1,553,239	–	–	–
Corporate bonds	246,285	2,424,548	246,285	203,352
Total	$ 56,319,031	$ 6,649,988	$ 2,554,572	$ 1,766,027

1. The cash flow of demand deposits is included in "1 year or less."

38. DERIVATIVE FINANCIAL INSTRUMENTS — CONSOLIDATED

(A) DERIVATIVE TRANSACTIONS TO WHICH HEDGE ACCOUNTING WAS NOT APPLIED

As of March 31, 2021, the fair values of derivatives are adjusted for credit risk and liquidity risk by reduction of ¥1,649 million and ¥1,771 million respectively. The adjustment is not reflected in the fair values shown in the following tables.

At the end of the current consolidated accounting period, as described in Note 2 "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES," in accordance with paragraph 8 of "Accounting Standard for Fair Value Measurement," the Group has revised the fair value method to reflect the own credit risks and the counterparty's credit risks in the fair value of derivative transactions by making maximum use of relevant observable inputs estimated from derivatives and others traded in the market. As a result, the credit risk and liquidity risk are taken into consideration when calculating the fair value of relevant trading assets, etc., and the values shown in the following tables reflect those risks.

(a) INTEREST RATE-RELATED TRANSACTIONS

Interest rate-related transactions as of March 31, 2022 and 2021 were as follows:

	Millions of yen							
	2022				2021			
	Contract/Notional principal				Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Futures contracts (listed):								
Sold	**¥ –**	**¥ –**	**¥ –**	**¥ –**	¥ 1,250	¥ –	¥ (0)	¥ (0)
Bought	**–**	**–**	**–**	**–**	2,624	–	1	1
Interest rate options (listed):								
Sold	**–**	**–**	**–**	**–**	–	–	–	–
Bought	**–**	**–**	**–**	**–**	–	–	–	–
Interest rate swaps (over the counter):								
Receive fixed and pay floating	**4,278,978**	**3,592,840**	**49,883**	**49,883**	4,275,797	3,623,184	127,570	127,570
Receive floating and pay fixed	**4,058,271**	**3,272,288**	**(42,166)**	**(42,166)**	4,120,923	3,460,755	(113,410)	(113,410)
Receive floating and pay floating	**4,939,538**	**2,038,759**	**(2,563)**	**(2,563)**	1,870,898	1,656,231	(1,249)	(1,249)
Receive fixed and pay fixed	**1,000**	**1,000**	**1**	**1**	1,000	1,000	2	2
Interest rate swaptions (over the counter):								
Sold	**435,800**	**290,700**	**(443)**	**(394)**	586,500	350,400	2,643	3,231
Bought	**299,691**	**279,591**	**7,989**	**7,861**	427,934	327,834	2,958	2,597
Interest rate options (over the counter):								
Sold	**16,049**	**16,049**	**(118)**	**(52)**	17,373	15,373	(77)	51
Bought	**22,958**	**22,958**	**176**	**176**	22,019	22,019	127	127
Total			**¥ 12,759**	**¥ 12,746**			¥ 18,567	¥ 18,923

	Thousands of U.S. dollars			
	2022			
	Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**
Futures contracts (listed):				
Sold	**$ –**	**$ –**	**$ –**	**$ –**
Bought	**–**	**–**	**–**	**–**
Interest rate options (listed):				
Sold	**–**	**–**	**–**	**–**
Bought	**–**	**–**	**–**	**–**
Interest rate swaps(over the counter):				
Receive fixed and pay floating	**35,128,299**	**29,495,450**	**409,516**	**409,516**
Receive floating and pay fixed	**33,316,407**	**26,863,874**	**(346,169)**	**(346,169)**
Receive floating and pay floating	**40,551,170**	**16,737,213**	**(21,045)**	**(21,045)**
Receive fixed and pay fixed	**8,210**	**8,210**	**15**	**15**
Interest rate swaptions (over the counter):				
Sold	**3,577,703**	**2,386,504**	**(3,644)**	**(3,241)**
Bought	**2,460,322**	**2,295,310**	**65,591**	**64,541**
Interest rate options (over the counter):				
Sold	**131,758**	**131,758**	**(969)**	**(429)**
Bought	**188,477**	**188,477**	**1,451**	**1,451**
Total			**$ 104,747**	**$ 104,638**

Notes:

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

38. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED) CONSOLIDATED

(b) CURRENCY-RELATED TRANSACTIONS

Currency-related transactions as of March 31, 2022 and 2021 were as follows:

	Millions of yen							
	2022				2021			
	Contract/Notional principal				Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Currency swaps (over the counter)	**¥ 626,629**	**¥ 594,299**	**¥ 1,325**	**¥ 1,325**	¥ 592,556	¥ 551,628	¥ (489)	¥ (489)
Forward foreign exchange contracts (over-the-counter):								
Sold	**1,169,078**	**159,593**	**(41,154)**	**(41,154)**	1,044,622	80,632	(23,561)	(23,561)
Bought	**651,049**	**112,291**	**37,575**	**37,575**	617,297	79,239	21,623	21,623
Currency options (over the counter):								
Sold	**574,984**	**311,326**	**(19,236)**	**1,822**	731,377	411,040	(21,374)	11,192
Bought	**514,465**	**291,249**	**9,162**	**(5,267)**	689,093	389,397	14,672	(7,222)
Total			**¥ (12,327)**	**¥ (5,698)**			¥ (9,129)	¥ 1,542

	Thousands of U.S. dollars			
	2022			
	Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**
Currency swaps (over the counter)	**$ 5,144,317**	**$ 4,878,905**	**$ 10,879**	**$ 10,879**
Forward foreign exchange contracts (over the counter):				
Sold	**9,597,562**	**1,310,186**	**(337,858)**	**(337,858)**
Bought	**5,344,794**	**921,860**	**308,476**	**308,476**
Currency options (over the counter):				
Sold	**4,720,337**	**2,555,835**	**(157,922)**	**14,960**
Bought	**4,223,511**	**2,391,013**	**75,221**	**(43,241)**
Total			**$ (101,203)**	**$ (46,784)**

Notes:

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

38. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED) CONSOLIDATED

(c) BOND-RELATED TRANSACTIONS

Bond-related transactions as of March 31, 2022 and 2021 were as follows:

	Millions of yen							
	2022				2021			
	Contract/Notional principal				Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Bond futures (listed):								
Sold	**¥ 5,514**	**¥ –**	**¥ 50**	**¥ 50**	¥ 6,050	¥ –	¥ 4	¥ 4
Bought	**8,232**	**–**	**(50)**	**(50)**	31,120	–	9	9
Bond options (listed):								
Sold	**–**	**–**	**–**	**–**	–	–	–	–
Bought	**–**	**–**	**–**	**–**	–	–	–	–
Total			**¥ 0**	**¥ 0**			¥ 13	¥ 13

	Thousands of U.S. dollars			
	2022			
	Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**
Bond futures (listed):				
Sold	**$ 45,268**	**$ –**	**$ 415**	**$ 415**
Bought	**67,588**	**–**	**(413)**	**(413)**
Bond options (listed):				
Sold	**–**	**–**	**–**	**–**
Bought	**–**	**–**	**–**	**–**
Total			**$ 3**	**$ 3**

Notes:

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

(d) CREDIT DERIVATIVES TRANSACTIONS

Credit derivatives transactions as of March 31, 2022 and 2021 were as follows:

	Millions of yen							
	2022				2021			
	Contract/Notional principal				Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Credit default option (over the counter):								
Sold	**¥ 32,500**	**¥ 19,000**	**¥ 381**	**¥ 381**	¥ 35,000	¥ 32,500	¥ 693	¥ 693
Bought	**32,500**	**19,000**	**213**	**213**	35,000	32,500	39	39
Total			**¥ 595**	**¥ 595**			¥ 732	¥ 732

	Thousands of U.S. dollars			
	2022			
	Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**
Credit default option (over the counter):				
Sold	**$ 266,809**	**$ 155,981**	**$ 3,136**	**$ 3,136**
Bought	**266,809**	**155,981**	**1,755**	**1,755**
Total			**$ 4,891**	**$ 4,891**

Notes:

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

(2) "Sold" stands for accepting credit risk and "Bought" stands for transferring credit risk.

38. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED) CONSOLIDATED

(B) DERIVATIVE TRANSACTIONS TO WHICH HEDGE ACCOUNTING WAS APPLIED

(a) INTEREST RATE-RELATED TRANSACTIONS

Interest rate-related transactions, which are accounted for using the deferral method, as of March 31, 2022 and 2021 were as follows:

	Millions of yen					
	2022			2021		
	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	**¥ 93,000**	**¥ 93,000**	**¥ (471)**	¥ 103,000	¥ 93,000	¥ 1,079
Receive floating and pay fixed	**141,788**	**141,788**	**(9,187)**	142,794	140,580	(13,399)
Total			**¥ (9,658)**			¥ (12,319)

	Thousands of U.S. dollars		
	2022		
	Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**
Interest rate swaps:			
Receive fixed and pay floating	**$ 763,484**	**$ 763,484**	**$ (3,868)**
Receive floating and pay fixed	**1,164,015**	**1,164,015**	**(75,425)**
Total			**$ (79,293)**

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 Committee Practical Guidelines No. 24 by the JICPA.

38. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED) CONSOLIDATED

Interest rate swaps, which meet specific matching criteria, as of March 31, 2022 and 2021 were as follows:

	Millions of yen					
	2022			2021		
	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	**¥ –**	**¥ –**		¥ –	¥ –	
Receive floating and pay fixed	**¥ 14,803**	**¥ 1,803**		¥ 21,622	¥ 15,313	

	Thousands of U.S. dollars		
	2022		
	Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**
Interest rate swaps:			
Receive fixed and pay floating	**$ –**	**$ –**	
Receive floating and pay fixed	**$ 121,533**	**$ 14,809**	

Notes:
(1) The hedged items are loans and bills discounted.
(2) Interest rate swaps which meet specific matching criteria are accounted for as component of hedged loans and bills discounted. Therefore, the fair value of those interest rate swaps is included in the fair value of loans and bills discounted in fair value information shown in Note 37 "FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES."

Interest rate-related transactions, which are accounted for using the cash flow hedge method, as of March 31, 2022 and 2021 were as follows:

	Millions of yen					
	2022			2021		
	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	**¥ 25,941**	**¥ 17,687**	**¥ (297)**	¥ –	¥ –	¥ –
Receive floating and pay fixed	**147,472**	**101,092**	**2,647**	104,307	64,960	272
Total			**¥ 2,350**			¥ 272

	Thousands of U.S. dollars		
	2022		
	Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**
Interest rate swaps:			
Receive fixed and pay floating	**$ 212,965**	**$ 145,204**	**$ (2,438)**
Receive floating and pay fixed	**1,210,675**	**829,919**	**21,731**
Total			**$ 19,292**

Notes:
(1) The hedged item is corporate bonds.
(2) Interest rate swaps are accounted for using the cash flow hedge method in transactions at certain foreign subsidiaries, which are adopting IFRS.

38. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED) CONSOLIDATED

(b) CURRENCY-RELATED TRANSACTIONS

Currency-related transactions, which are accounted for using the deferral method, as of March 31, 2022 and 2021 were as follows:

	Millions of yen					
	2022			2021		
	Contract/Notional principal			Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**	Total	Maturity over 1 year	Fair value
Currency swaps	**¥ 441,314**	**¥ 356,418**	**¥ (34,958)**	¥ 333,601	¥ 264,949	¥ (3,545)

	Thousands of U.S. dollars		
	2022		
	Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**
Currency swaps	**$ 3,622,975**	**$ 2,926,021**	**$ (286,994)**

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 Committee Practical Guidelines No. 25 by the JICPA.

39. SUBSEQUENT EVENTS CONSOLIDATED

(A) DIVIDENDS

The following appropriation of retained earnings of the Bank for the fiscal year ended March 31, 2022 was approved at the meeting of the Board of Directors held on May 13, 2022:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, common stock, ¥12.00 (U.S.$0.1) per share	**¥ 2,462**	**$ 20,218**

(B) SUCCESSION OF BUSINESS BY ABSORPTION-TYPE COMPANY SPLIT

On May 1, 2022, Shinsei Financial Co., Ltd., a wholly-owned subsidiary of the Bank, has acquired part of the credit business, part of the loan business, and all of the credit guarantee business of PayPay Card Corporation (previously named YJ Card Corporation) (hereinafter referred to as "Target Business") under the absorption-type company split agreement. As of the same date, APLUS INVESTMENT Co., Ltd., a wholly-owned subsidiary of the Bank, has acquired part of the Target Business from Shinsei Financial Co., Ltd. under the absorption-type company split agreement.

The transaction between Shinsei Financial Co., Ltd. and APLUS INVESTMENT Co., Ltd. is accounted for as a business combination under common control in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

(a) Outline of the business combination

(i) Name and business description of the company splitting in the absorption-type split

Name: PayPay Card Corporation (previously named YJ Card Corporation)

Business description: Part of credit business
Part of loan business
Credit guarantee business

(ii) Purpose of the business combination

For revenue growth of the Group.

(iii) Date on which the business combination is effective

May 1, 2022

(iv) Legal form of the business combination

Absorption-type company split;

Company Succeeding in the Absorption-type Split: Shinsei Financial Co., Ltd.

Company Splitting in the Absorption-type Split: PayPay Card Corporation (previously named YJ Card Corporation)

(b) Acquisition costs of the acquired businesses and their breakdown

Not determined at the moment

(c) Primary acquisition-related costs and their breakdown

Not determined at the moment

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

Not determined at the moment

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

Not determined at the moment

40. ADDITIONAL INFORMATION CONSOLIDATED

(A) ACQUISITION OF TREASURY SHARES

On May 13, 2021, the Bank decided to acquire its own treasury shares in accordance with the provision of its Articles of Incorporation, pursuant to Article 459, paragraph 1 of the Companies Act of Japan.

(a) Reason for acquisition

As a part of the Bank's efforts to achieve the repayment of public funds, a resolution to undertake the acquisition of treasury shares has been approved in light of factors such as the Bank's current capital position, earnings capability and per share values. Through this acquisition of treasury shares, assuming the maintenance of capital at sufficient levels, the Bank aims to increase the per share values through the implementation of an appropriate capital policy. However, subsequent to the launch of a takeover bid by SBI Regional Bank Holdings Co., Ltd. on September 10, 2021, comprehensively considering the fact that the pricing process of the Bank's shares had become different from that under the ordinary circumstances, etc., the Bank had taken the decision to temporarily suspend the acquisition of its treasury shares since September 27, 2021, but the Bank restarted the acquisition of its treasury shares from December 28, 2021.

In addition, on the same date, the Bank decided to change the acquisition period from "From May 14, 2021 to March 31, 2022" to "From May 14, 2021 to May 12, 2022".

(b) Details of acquisition

(i) Type of shares to be repurchased
Common stock
(ii) Total number of shares to be repurchased
(Up to) 20 million shares (9.29% of total number of common shares issued, excluding treasury shares)
(iii) Total repurchase amount
(Up to) ¥20.0 billion (U.S.$164,190 thousand)
(iv) Acquisition period
From May 14, 2021 to May 12, 2022

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

(i) Type of shares repurchased
Common stock
(ii) Total number of shares repurchased
11,327,500 shares
(iii) Total amount of repurchase
¥19,999,829,774 (U.S.$164,189 thousand)
(iv) Acquisition period
From May 14, 2021 to May 12, 2022
(v) Acquisition method
Open market purchase on the Tokyo Stock Exchange

INDEPENDENT AUDITORS' REPORT

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Shinsei Bank, Limited:

Opinion

We have audited the consolidated financial statements of Shinsei Bank, Limited and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2022, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Member of
Deloitte Touche Tohmatsu Limited

Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
Determination of reserve for credit losses	
Refer to Note 2, "Summary of Significant Accounting Policies and Estimates, (N) Reserve for credit losses, (AF) Significant Accounting Estimates, (a) Reserve for credit losses"	
Shinsei Bank, Limited (the "Bank") assesses all claims, including loans and bills discounted, by its sales promotion divisions and credit analysis divisions in accordance with the predetermined internal rules for self-assessment of asset quality. The risk management division, which is independent of the sales promotion divisions and the credit analysis divisions, conducts verifications of these assessments. Based on the assessments, the Bank records reserve for credit losses. As of March 31, 2022, the claims including loans and bills discounted were 5,241.8 billion yen and the reserve for credit losses for the claims was 119.4 billion yen on the consolidated balance sheet. In making the accounting estimates, the Bank expects that, while the impacts from the Novel Coronavirus outbreak and the resulting stagnant economic activities by the outbreak (hereinafter collectively referred to as the "Novel Coronavirus impact") have generally abated by the end of March 2021, the impacts on the credit risk of loans and claims to certain obligors will continue for a few more years. Based on this expectation, the Bank assumes that the credit risk of loans and claims to certain obligors will be affected significantly with different degrees of impacts for each obligor. Based on the above assumption, the Bank determined the obligor classification by evaluating the probability of future deterioration or recovery of business conditions of the obligors as well as sustainability of their businesses related to the obligors facing deterioration of business performance due to the Novel Coronavirus impact. Since the possibility of future deterioration or recovery of business conditions and the possibility of business continuity are affected by the changes in the economic environments inside and outside the obligor, there is a high degree of uncertainty related to estimates and subjective judgment of management. In addition, regarding real estate non-recourse loans included in loans and claims of the Bank, the obligor classification depends on the valuation of the underlying real estate properties, which is based on assumptions, such as rental income, vacancy rates and discount rates. As for the underlying real estate properties of hotels and commercial facilities that have been severely affected by the Novel Coronavirus impact, the Bank has reflected forecasts of future trends in rental income and other factors in the assumptions used in the valuation of the properties. Forecasting such trends involves a high degree of subjective judgment by management.	Our audit procedures for the key audit matter included the following, among others: • We evaluated the effectiveness of the controls over the verification procedures by the credit analysis divisions for the first assessment of the sales promotion divisions and the verification procedures by the risk management divisions for the verification results in accordance with the Bank's internal rules for self-assessment of asset quality. In addition, as for the assessment of real estate non-recourse loans, we evaluated the effectiveness of the controls over the verification procedures conducted by the credit analysis divisions for the valuation of the underlying real estate properties in accordance with the Bank's valuation criteria. • We evaluated the effectiveness of the controls over the verification procedures by the credit analysis divisions for the results of the determination of the reserve for credit losses using the cash flow estimation method by the sales promotion divisions and the verification procedures by the risk management divisions for the verification results in accordance with the Bank's internal write-off reserve guidelines. • By comparing the Bank's assumption with external information such as economic outlook, we assessed whether the Bank's assumption that the Novel Coronavirus impact would continue for a few more years for certain obligors was not overly pessimistic or optimistic, or was not considered to be unreasonable even in the highly uncertain environment. • We assessed whether the obligor classification of certain obligors was appropriately determined by the Bank based on the assumptions about the Novel Coronavirus impact by inquiring of the responsible persons in the Bank and inspecting the Bank's internal analyses on the effects of the Novel Coronavirus impact and documents used to determine the obligor classifications as well as analyzing the obligors' business plans and other relevant information.

Furthermore, the Bank determines the reserve for credit losses based on the future cash flows of large obligors whose credit amounts exceed a certain amount, among obligors such as possibly bankrupt obligors and substandard obligors whose cash flows related to the collection of principals and the receipt of interest (hereinafter referred to as the "Future Cash Flows") can be reasonably estimated. The Future Cash Flows are estimated by incorporating necessary adjustments to reflect future uncertainties based on business plans and other information. Those Future Cash Flows are affected by changes in the economic environments inside and outside the company. Therefore, the uncertainty of estimates and the degree of subjective judgment of management are high. Accordingly, the assumptions used to determine the obligor classification of certain obligors and to determine reserve for credit losses, including the Novel Coronavirus impact even if they are the best estimates at this point in time, are highly uncertain and subject to management's critical judgments. Therefore, we identified the appropriateness of the obligor classification of certain obligors and the determination of reserve for credit losses including the assumptions as a key audit matter.	• We evaluated the appropriateness of the assumptions used in the valuation of the underlying real estate properties affected by the Novel Coronavirus impact, such as trend forecasts of future in rental income and other factors, and assessed the reasonableness of such real estate valuation with the assistance of our specialists on real estate valuation. • We assessed the appropriateness of the method and assumptions used to estimate the Future Cash Flows, including adjustments to them, of certain obligors, such as possibly bankrupt obligors and substandard obligors whose reserve for credit losses are determined based on the cash flow estimation method by inquiring of the responsible persons in the Bank, inspecting the Bank's internal analyses, and analyzing the business plans of the obligors. In the assessment, we evaluated the appropriateness of the assumptions by comparing the estimation of the Bank with the results of our independent recalculation and by comparing the calculation basis of the Bank with available external information with the assistance of our specialists on real estate valuation and corporate valuation as well as the assistance of our specialists who have expertise in industries to which the obligors belong, as necessary.

Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
Determination of reserve for losses on interest repayments	
Refer to Note 2, "Summary of Significant Accounting Policies and Estimates, (T) Reserve for losses on interest repayments, (AF) Significant Accounting Estimates, (b) Reserve for losses on interest repayments"	
Certain consolidated subsidiaries of the Group provide for a reserve for losses on interest repayments. The reserve for losses on interest repayments amounted to 31.6 billion yen on the consolidated balance sheet as of March 31, 2022, of which 22.5 billion yen, or approximately 71%, was recorded by Shinsei Financial Co., Ltd. ("Shinsei Financial"), a wholly owned subsidiary. The Group reported 1.1 billion yen of a provision of the reserve for losses on interest repayments that is the net amount and consists of 0.6 billion yen of the reversal recorded by Shinsei Financial and 1.8 billion yen of the provision recorded by other consolidated subsidiaries.	Our audit procedures for the key audit matter included the following, among others: • We inspected the committee minutes and other related materials of Shinsei Financial, and inquired of the attendees of the committee to evaluate whether Shinsei Financial compared the forecasts with the actual figures of the calculation factors underlying the estimated reserve for losses on interest repayments and analyzed the differences between the forecasts and the actual figures from both qualitative and quantitative points of view.

Several calculation factors are considered to estimate the losses on interest repayments of Shinsei Financial. Such factors include the population subject to reimbursements of excess interest payments, which is the number of accounts, the ratio of expected reimbursement requests from customers represented by law firms and judicial scrivener firms to the population, which is the intervention rate, and the expected amount of reimbursement to be requested per account. Shinsei Financial compares the forecasted figures of the above calculation factors at the end of the previous year with the actual figures at the end of the current year at the committee of Shinsei Financial and determines future forecasts after examining qualitative and quantitative factors that caused the difference between forecasts and actual results. The validity of the recorded amount of the reserve for losses on interest repayments is approved by the authorized persons specified in the internal rules. Shinsei Financial prepares the future forecasts based on the actual results in the past. As the assumptions related to the future trend of the calculation factors, especially the number of the accounts and the intervention rate, are highly uncertain and involve significant judgment, we identified the future forecasts of the number of accounts and the intervention rate as a key audit matter.	• We tested the accuracy and completeness of the underlying data used by Shinsei Financial to estimate the reserve for losses on interest repayments. • We compared the number of accounts for the future, which Shinsei Financial forecasted from the actual trend in the past, with the estimated number that we independently developed, and examined whether they are within the reasonable range. • We evaluated whether the future intervention rate that Shinsei Financial forecasted from the past trend was based on reasonable assumptions in terms of external environments, such as trends in the number of the cases represented by major law firms and judicial scrivener firms.

Other Information

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Integrated report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

June 27, 2022

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NONCONSOLIDATED BALANCE SHEET (UNAUDITED)

Shinsei Bank, Limited
As of March 31, 2022

	Millions of yen		Thousands of U.S. dollars (Note)
	2022	2021	**2022**
ASSETS			
Cash and due from banks	**¥ 1,514,510**	¥ 1,765,612	**$ 12,433,387**
Other monetary claims purchased	**15,225**	26,392	**124,997**
Trading assets	**148,385**	164,194	**1,218,171**
Monetary assets held in trust	**299,893**	286,427	**2,461,974**
Securities	**1,104,839**	1,352,522	**9,070,188**
Loans and bills discounted	**5,279,626**	5,160,932	**43,343,126**
Foreign exchanges	**56,510**	83,730	**463,926**
Other assets	**281,119**	218,898	**2,307,854**
Premises and equipment	**10,149**	10,947	**83,322**
Intangible assets	**23,040**	24,376	**189,150**
Prepaid pension cost	**9,195**	8,060	**75,487**
Deferred tax assets	**546**	5,269	**4,485**
Customers' liabilities for acceptances and guarantees	**22,003**	19,885	**180,640**
Reserve for credit losses	**(38,149)**	(36,358)	**(313,186)**
Total assets	**¥ 8,726,897**	¥ 9,090,890	**$ 71,643,522**
LIABILITIES AND EQUITY			
Liabilities:			
Deposits, including negotiable certificates of deposit	**¥ 6,582,048**	¥ 6,727,974	**$ 54,035,369**
Call money	**3,654**	30,000	**30,000**
Payables under repurchase agreements	**9,567**	47,712	**78,548**
Payables under securities lending transactions	**237,530**	390,404	**1,950,005**
Trading liabilities	**128,032**	142,966	**1,051,086**
Borrowed money	**546,635**	534,810	**4,487,607**
Foreign exchanges	**1,905**	23,029	**15,644**
Corporate bonds	**170,000**	180,000	**1,395,616**
Other liabilities	**164,006**	127,831	**1,346,410**
Accrued employees' bonuses	**4,909**	4,684	**40,303**
Reserve for reimbursement of deposits	**393**	391	**3,234**
Reserve for reimbursement of debentures	**2,853**	3,355	**23,424**
Acceptances and guarantees	**22,003**	19,885	**180,640**
Total liabilities	**7,873,541**	8,233,044	**64,637,888**
Equity:			
Common stock	**512,204**	512,204	**4,204,947**
Capital surplus	**79,465**	79,465	**652,376**
Stock acquisition rights	**–**	101	**–**
Retained earnings:			
Legal reserve	**16,712**	16,195	**137,202**
Unappropriated retained earnings	**382,229**	354,492	**3,137,913**
Unrealized gain (loss) on available-for-sale securities	**(12,667)**	(1,717)	**(103,992)**
Deferred gain (loss) on derivatives under hedge accounting	**(25,976)**	(21,432)	**(213,252)**
Treasury stock, at cost	**(98,612)**	(81,464)	**(809,560)**
Total equity	**853,356**	857,845	**7,005,634**
Total liabilities and equity	**¥ 8,726,897**	¥ 9,090,890	**$ 71,643,522**

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥121.81=U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on March 31, 2022.

NONCONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Shinsei Bank, Limited
For the fiscal year ended March 31, 2022

	Millions of yen		Thousands of U.S. dollars (Note)
	2022	2021	**2022**
Interest income:			
Interest on loans and bills discounted	**¥ 78,480**	¥ 83,708	**$ 644,289**
Interest and dividends on securities	**49,852**	32,800	**409,265**
Interest on deposits with banks	**1,435**	1,180	**11,788**
Other interest income	**323**	567	**2,656**
Total interest income	**130,092**	118,255	**1,067,998**
Interest expenses:			
Interest on deposits, including negotiable certificates of deposit	**3,595**	4,276	**29,516**
Interest on other borrowings	**71**	371	**587**
Interest on corporate bonds	**440**	387	**3,619**
Other interest expenses	**4,362**	4,831	**35,816**
Total interest expenses	**8,470**	9,866	**69,538**
Net interest income	**121,622**	108,389	**998,460**
Fees and commissions income	**16,881**	15,430	**138,589**
Fees and commissions expenses	**22,289**	24,644	**182,986**
Net fees and commissions (loss)	**(5,408)**	(9,213)	**(44,398)**
Net trading income	**4,660**	1,978	**38,262**
Other business income (loss), net:			
Net gain (loss) on monetary assets held in trust	**2,488**	2,409	**20,430**
Net gain (loss) on foreign exchanges	**1,937**	7,507	**15,909**
Net gain (loss) on securities	**(8,936)**	1,266	**(73,360)**
Net gain (loss) on other monetary claims purchased	**–**	(22)	**–**
Other, net	**577**	212	**4,738**
Net other business income (loss)	**(3,932)**	11,374	**(32,283)**
Total revenue	**116,942**	112,528	**960,041**
General and administrative expenses:			
Personnel expenses	**26,963**	26,082	**221,357**
Premises expenses	**10,401**	10,321	**85,388**
Technology and data processing expenses	**13,427**	13,061	**110,236**
Advertising expenses	**1,152**	1,166	**9,460**
Consumption and property taxes	**5,494**	5,466	**45,109**
Deposit insurance premium	**1,517**	1,520	**12,454**
Other general and administrative expenses	**12,707**	11,541	**104,322**
Total general and administrative expenses	**71,663**	69,161	**588,326**
Net business profit	**45,278**	43,367	**371,715**
Net credit costs (recoveries)	**8,816**	6,495	**72,380**
Other gains (losses), net	**224**	(2,339)	**1,844**
Income (loss) before income taxes	**36,686**	34,532	**301,179**
Income taxes (benefit):			
Current	**1,103**	1,421	**9,058**
Deferred	**5,195**	(1,395)	**42,655**
Net income (loss)	**¥ 30,387**	¥ 34,506	**$ 249,466**

	Yen		U.S. dollars (Note)
Basic earnings per share	**¥ 144.26**	¥ 154.64	**$ 1.18**
Diluted earnings per share	**¥ 144.22**	¥ 154.60	**$ 1.18**

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥121.81=U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on March 31, 2022.

NONCONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Shinsei Bank, Limited
For the fiscal year ended March 31, 2022

	Millions of yen									
		Capital surplus			Retained earnings					
	Common stock	Additional paid-in capital	Other capital surplus	Stock acquisition rights	Legal reserve	Unappropriated retained earnings	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Treasury stock, at cost	Total equity
BALANCE, March 31, 2020 (April 1, 2020, as previously reported)	¥ 512,204	¥ 79,465	¥ –	¥ 76	¥ 15,734	¥ 322,795	¥ 624	¥ (16,174)	¥ (61,097)	¥ 853,629
Cumulative effect of accounting change						–				–
BALANCE, April 1, 2020 (as restated)	512,204	79,465	–	76	15,734	322,795	624	(16,174)	(61,097)	853,629
Dividends					461	(2,768)				(2,307)
Net income (loss)						34,506				34,506
Purchase of treasury stock									(20,499)	(20,499)
Disposal of treasury stock			(40)						132	91
Transfer to capital surplus from retained earnings			40			(40)				–
Net change during the year				25			(2,342)	(5,258)		(7,575)
BALANCE, March 31, 2021 (April 1, 2021, as previously reported)	**512,204**	**79,465**	**–**	**101**	**16,195**	**354,492**	**(1,717)**	**(21,432)**	**(81,464)**	**857,845**
Cumulative effect of accounting change						**478**				**478**
BALANCE, April 1, 2021 (as restated)	**512,204**	**79,465**	**–**	**101**	**16,195**	**354,970**	**(1,717)**	**(21,432)**	**(81,464)**	**858,323**
Dividends					**516**	**(3,100)**				**(2,583)**
Net income (loss)						**30,387**				**30,387**
Purchase of treasury stock									**(17,409)**	**(17,409)**
Disposal of treasury stock			**(29)**						**262**	**233**
Transfer to capital surplus from retained earnings			**29**			**(29)**				**–**
Net change during the year				**(101)**			**(10,949)**	**(4,543)**		**(15,594)**
BALANCE, March 31, 2022	**¥ 512,204**	**¥ 79,465**	**¥ –**	**¥ –**	**¥ 16,712**	**¥ 382,229**	**¥ (12,667)**	**¥ (25,976)**	**¥ (98,612)**	**¥ 853,356**

	Thousands of U.S. dollars (Note)									
		Capital surplus			Retained earnings					
	Common stock	Additional paid-in capital	Other capital surplus	Stock acquisition rights	Legal reserve	Unappropriated retained earnings	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Treasury stock, at cost	Total equity
BALANCE, March 31, 2021 (April 1, 2021, as previously reported)	**$ 4,204,947**	**$ 652,376**	**$ –**	**$ 836**	**$ 132,960**	**$ 2,910,209**	**$ (14,103)**	**$ (175,952)**	**$ (668,787)**	**$ 7,042,486**
Cumulative effect of accounting change						**3,927**				**3,927**
BALANCE, April 1, 2021 (as restated)	**4,204,947**	**652,376**	**–**	**836**	**132,960**	**2,914,136**	**(14,103)**	**(175,952)**	**(668,787)**	**7,046,413**
Dividends					**4,242**	**(25,451)**				**(21,209)**
Net income (loss)						**249,466**				**249,466**
Purchase of treasury stock									**(142,924)**	**(142,924)**
Disposal of treasury stock			**(238)**						**2,151**	**1,913**
Transfer to capital surplus from retained earnings			**238**			**(238)**				**–**
Net change during the year				**(836)**			**(89,888)**	**(37,300)**		**(128,025)**
BALANCE, March 31, 2022	**$ 4,204,947**	**$ 652,376**	**$ –**	**$ –**	**$ 137,202**	**$ 3,137,913**	**$ (103,992)**	**$ (213,252)**	**$ (809,560)**	**$ 7,005,634**

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥121.81=U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on March 31, 2022.

CAPITAL ADEQUACY REQUIREMENT (BASEL ACCORD) PILLAR III (MARKET DISCIPLINE) DISCLOSURE

This chapter describes information that needs to be disclosed in disclosure documents related to the reported business year pursuant to the Financial Services Agency Notice No. 7 of 2014 (Basel Accord - Pillar III: Market Discipline) as the "matters concerning the status of capital adequacy separately prescribed by the Commissioner of the Financial Services Agency" as provided in Article 19-2 (1)(v)(d) of the Ordinance for Enforcement of the Banking Act (Ministry of Finance Ordinance No. 10 of 1982).

"Accord" in this chapter refers to the Financial Services Agency Notice No. 19 of 2006 (Basel Accord - Pillar I: Minimum Capital Ratio).

QUALITATIVE DISCLOSURE

1. RANGE OF CONSOLIDATION

(1) DIFFERENCES BETWEEN COMPANIES WHICH BELONG TO THE GROUP OF COMPANIES (CONSOLIDATED GROUP) SUBJECTED TO CALCULATION OF THE CONSOLIDATED CAPITAL RATIOS BASED ON THE ACCORD'S ARTICLE 26 AND COMPANIES INCLUDED IN THE SCOPE OF ACCOUNTING CONSOLIDATION AND REASONS FOR DIFFERENCES

・There are no differences.

(2) NUMBER OF CONSOLIDATED SUBSIDIARIES AND NAMES AND BUSINESS OF MAJOR CONSOLIDATED SUBSIDIARIES

i) Number of consolidated subsidiaries
81 consolidated subsidiaries.

ii) Major consolidated subsidiaries
- Shinsei Trust & Banking Co., Ltd. (trust banking)
- Shinsei Securities Co., Ltd. (securities)
- APLUS Co., Ltd. (installment credit)
- Showa Leasing Co., Ltd. (leasing)
- Shinsei Personal Loan Co., Ltd. (consumer finance)
- SHINSEI FINANCIAL Co., Ltd. (consumer finance)
- Shinsei Investment & Finance Limited (financial instruments business)
- UDC Finance Limited (financial instruments business)

(3) NUMBER AND NAMES OF FINANCIAL AFFILIATES UNDER ARTICLE 32 OF THE ACCORD AND TOTAL ASSETS AND NET ASSETS AMOUNTS ON BALANCE SHEET AND MAJOR BUSINESS OF THOSE FINANCIAL AFFILIATES

・There are no financial affiliate companies.

(4) NAMES OF COMPANIES WHICH BELONG TO THE CONSOLIDATED GROUP BUT ARE NOT INCLUDED IN THE SCOPE OF ACCOUNTING CONSOLIDATION OR COMPANIES WHICH DO NOT BELONG TO THE CONSOLIDATED GROUP BUT ARE INCLUDED IN THE SCOPE OF ACCOUNTING CONSOLIDATION, AND TOTAL ASSETS AND NET ASSETS AMOUNTS ON BALANCE SHEET AND MAJOR BUSINESS OF THOSE COMPANIES

・There are no companies that are subject to the above.

(5) SUMMARY OF RESTRICTIONS ON TRANSFER OF CASH AND CAPITAL IN THE CONSOLIDATED GROUP

・There are no particular restrictions.

2. TYPES OF CAPITAL INSTRUMENTS

The Bank has raised capital through the issuance of common shares.

3. ASSESSMENT OF CAPITAL ADEQUACY OF THE GROUP

As part of its comprehensive risk management, Risk Capital is under the budget control on a consolidated basis. In concrete terms, the Bank determines a Risk Capital budget in consideration of its source of capital. The amount of Risk Capital compared to its source of capital and its budget is monitored on a monthly basis, and senior management, e. g. the Group Executive Committee of each month, receives a report on a regular basis. Additionally, in regards to regulatory capital, capital ratio is reported at the above mentioned reporting to the Group Executive Committee, allowing senior management to monitor and assess the overall availability of capital. At least once a year, the Bank performs stress tests on its estimates of Risk Capital and regulatory capital.

4. CREDIT RISK MANAGEMENT POLICIES AND PROCEDURES

CREDIT RISK MANAGEMENT SYSTEM

Credit risk is defined as the risk of loss due to a counterpart defaulting on contractual debt obligations. The Bank has formulated the Group Credit Risk Management Policy, which defines the areas of responsibility for the Group's Credit Risk management, in addition to the various rules. The Bank has clarified its basic policies on credit risk management and has established the required systems. Specifically, the Bank identify unacceptable risks as a corporate group, establish criteria for credit coverage and selection, avoid excessive concentration on a specific sector or specific debtor, and manage the maximum loss that can arise from the credit portfolio.

The Group Integrated Risk Management Division, the Group Portfolio Risk Management Division, and the Group Individual Business Risk Management Division, established at the Group Head Office, are the main roles of the Group in managing Credit Risk. Each division at the Group Head Office is independent from the division in charge of risk assessment and designs risk management from a more objective standpoint.

QUALITATIVE DISCLOSURE (CONTINUED)

CREDIT RISK MANAGEMENT FOR INDIVIDUAL TRANSACTIONS

(1) Organization and Systems

In principle, a credit provision is consulted jointly by the sales promotion divisions and the credit risk management divisions that are independent from the sales promotion divisions and have veto rights. Thus the transparent and strict decision making processes are secured and the framework to put a brake on the sales promotion division has been established. Each transaction is discussed and approved by the Transaction Committee, etc. The level of approval authority over the obligor whose group companies should be taken into consideration is decided based mainly on the total exposure to the obligor group and ratings, and the decision is made strictly.

Among receivables that must be paid attention, for those that falls under a certain category decided by rating, the exposure, reserve, etc., the obligor's business performance are monitored by the Doubtful Debt Committee so that the Bank is able to take preventive measures, and by deciding the measures to handle the obligor in future, the Bank is making efforts to minimize credit-related costs and to ensure soundness of assets.

(2) Obligor Rating System

For corporate exposures, the Bank uses an internal obligor rating system with the following characteristics:

- Increasing model accuracy and reflecting appropriate qualitative factors
- Benchmarked against external ratings
- Ensuring conformity with rating systems among industry classifications

More specifically, obligor ratings are determined by applying adjustments with qualitative factors to the model ratings calculated by our estimation models, which are based on external ratings etc. Obligor ratings shall be determined by credit risk management divisions and reviewed regularly and continuously.

Obligor ratings are used in the standards of credit approval authority procedures and portfolio controls and are the foundation for credit risk management.

Furthermore, the Bank also applies a facility rating system based on expected losses that allows for improvement in the credit status, such as collateral and/or covenants, from the perspective of obligor ratings and the credit status of individual transactions.

An obligor rating system and facility rating system similar to those adopted in the Bank have been implemented for large amount leasing receivables of Showa Leasing.

(3) Pool Classification

The Bank assigns retail exposures to specific pools based on risk profile such as obligor characteristics and transaction characteristics that create reasonably homogeneous sub-portfolios. Major retail exposures to which pool classification is applied are housing loans and unsecured personal loans of the Bank, installment sales credit receivables of APLUS, unsecured personal loans of Shinsei Financial, and small-lot leasing receivables of Showa Leasing.

PORTFOLIO-BASED CREDIT RISK MANAGEMENT

It is essential that credit risks are diversified in terms of industries as well as ratings. This is done on a portfolio basis, which is an aggregation of transactions, and operations of individual transactions must be conducted based on appropriate risk analyses. The bank monitors the segment-specific risk diversification status including industry classifications, ratings, products, and regions, and undertakes analyses from the product-specific perspectives based on each risk profile. Portfolio Risk Management Division uses this information to improve portfolio management operations and provide reports to senior management on a monthly as well as on an ad hoc basis.

PRINCIPAL "CREDIT RISK MANAGEMENT STANDARDS"

For Basel Regulation, the Foundation Internal Ratings-Based Approach (F-IRB) has been adopted by the Bank for calculation of credit risk-weighted assets. In accordance with this approach, the Bank established "Credit Risk Management Standards," a set of policy, standards/guideline and procedures, which define the Bank's internal rating system design and operations, internal control, use of internal rating and risk quantification.

These Standards contain "Group Credit Rating System Policy" as the highest level policy to define basic framework of overall internal rating systems. Details of management policy and procedures are defined in the form of subordinate specific rules for each group of exposures in the portfolio.

Summary of internal rating system of each group of exposures is shown in "EXHIBIT."

INTERNAL CONTROL ROLES AND RESPONSIBILITIES

The Group's internal control system for credit risk management has been set up in accordance with current regulations.

(1) Credit Risk Management Divisions

Group Portfolio Risk Management Division undertakes the roles and responsibilities for management of credit risk of the bank and is responsible for integrated management of credit risk across the Group.

(2) Senior Management Control/Oversight

Control and oversight for internal rating systems by senior management is defined in "Credit Risk Management Standards," and is performed in an appropriate manner.

(3) Audit Section

The Internal Audit Divisions within the Bank and its subsidiaries evaluate the internal rating system employed by the Group and ensures the system is in compliance with existing regulations.

APPLICATION OF THE INTERNAL RATING SYSTEM

The Bank uses its own internal rating systems for portfolios to which the F-IRB Approach are applied. These items are listed in the "Exhibit" for each portfolio.

The internal rating system is applied to corporate and retail exposures as categorized below. The rules for applying the internal rating system are part of the Bank's overall "Credit Risk Management Standards."

(1) Corporate Exposure

Corporate exposure, financial institution exposure, and sovereign exposure are included. Basic standards and related detailed rules for design and operations of internal rating system, which are benchmarked against R&I rating and categorized as 0A, and 1A-9E, are applied. Corporate exposure includes Specialized Lending such as Non-Recourse Real Estate Loans, Project Finance, etc. using slotting criteria categorized as Strong, Good, Satisfactory, Weak, and Default. Specific rating standards are established for each type of finance.

QUALITATIVE DISCLOSURE (CONTINUED)

(2) Retail Exposure
Retail exposures are defined as:
- Exposures subject to pool management
- Claims against an individual (except for a claim for the purpose of funding business operations), or claims against a corporation (including an individual with the purpose of funding a business) with an outstanding amount of less than ¥100 million after the "aggregation" (nayose) on a consolidated basis.

Features of these products and credit analysis standards may vary between the Bank and its subsidiaries. As such, specific pool classification systems for each product are applied at each entity, in accordance with established guidelines.

ESTIMATION AND VALIDATION OF PARAMETERS

The approach for estimation and validation of parameters such as Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD) is set forth in "Credit Risk Management Standards." Ratings, pool classifications and estimated parameters are also used for internal control.

STRESS TESTS

Specific implementation guidelines are established for stress tests used in the assessment of capital adequacy, and credit risk stress tests to assess the effect of certain specific conditions on the Bank's regulatory capital requirements. Stress test results are reported to senior management at least once a year.

RESERVE POLICY

A reserve for credit losses of the Bank and its subsidiaries is provided as detailed below, pursuant to the predetermined internal rules for providing such reserves according to the obligor categorizations based on the self-assessment of their assets.

A general reserve for claims against normal obligors, need caution obligors and substandard obligors is provided based on the specific actual past loss experience.

A specific reserve for claims to possibly bankrupt, virtually bankrupt, and legally bankrupt obligors is provided based on the full amount of the unsecured, un-guaranteed portion of the respective claims after a solvency assessment.

For claims against obligors that are possibly bankrupt (that is, those that are not presently bankrupt but are likely to go bankrupt in the future), a specific reserve is provided for the amount considered to be necessary based on an overall solvency assessment performed for the amount of claims, net of amounts expected to be collected through the disposal of collateral or execution of guarantees.

For claims against obligors that are legally bankrupt (due to bankruptcy and special liquidation) or virtually bankrupt, a specific reserve is provided based on the amount of claims, net of amounts expected to be collected through the disposal of collateral or execution of guarantees.

The reserve for loans to restructuring countries is provided based on the amount of expected losses due to the political and economic situation in each country.

Additionally, with regard to claims against possibly bankrupt obligors and substandard obligors, a reserve is provided based on the discounted cash flow method when the obligor's future cash flows for debt service are reasonably estimable and the balance of claims to such obligors is large.

TRANSITION PLAN FOR MOVING A PORTION OF THE BANK'S PORTFOLIO, WHICH HAS NOT YET APPLIED F-IRB, FROM THE STANDARDIZED APPROACH TO THE F-IRB APPROACH

Expected IRB roll-out periods of assets currently evaluated using the Standardized Approach, and the F-IRB Approach will be applied at a future date to secure sufficient data observation periods are as follows:
UDC Finance Limited : because this entity became a subsidiary in 2020. To secure historical data for a longer period and to further develop its internal rating system, the Group plans to apply F-IRB for this subsidiary.

In the case of portfolios to which the Standardized Approach is applied, the Bank will use ratings from the following qualified rating agencies to determine exposure risk weights:
S&P, Moody's, Fitch, R&I and JCR.

5. CREDIT RISK MITIGATION POLICIES AND PROCEDURES

(1) Policies and framework for mitigating credit risk
The Bank mitigates credit exposure with collateral and guarantees to reduce the credit risk of obligors. The Bank has a clear framework regarding methods for mitigating credit risk. Basic procedures and descriptions of controls, as well as types of standard collateral, guarantees necessary in granting credit, evaluation methods for different types of credit and collateral, possible "haircuts" to collateral and regular revaluation of collateral are stipulated in the Bank's credit procedures.

(2) Controls concerning overall methods to mitigate credit risk
The Bank uses net exposure for capital calculations after netting deposit and loan claims. All collateral and guarantees are registered in a dedicated system. The information is linked to obligor and credit account data. Collateral and guarantees are revalued at least once a year. Perfection of security interest, currency, date and correlation between collateral and counterparty are checked.

(3) Eligible financial asset collateral
Financial asset collateral types are defined by the Bank to include deposits, fixed income securities, equities, and commercial paper.

(4) Eligible collateralized claims
Collateral types in this category include commercial bills, rights to claim return of security deposits, rights to claim return of construction funds, loan receivables, leasing and sales installment receivables and beneficial interests in trust.

(5) Eligible real estate collateral
Collateral types in this category include land and buildings, plants and foundations including industrial foundations.

(6) Other asset-backed collateral
Eligible other asset-backed collateral is defined by the Bank as aircraft and ships.

(7) Guarantees
Guarantors are classified into the following categories: governments, central banks, municipalities, public institutions, credit guarantee associations, banks, general business entities and individuals.

QUALITATIVE DISCLOSURE (CONTINUED)

6. POLICIES AND PROCEDURES FOR COUNTERPARTIES OF DERIVATIVE PRODUCT AND TRANSACTIONS WITH LONG-HORIZON SETTLEMENT PERIODS

(1) COUNTERPARTY RISK

Counterparty credit risk arising from market trading, such as derivatives, is controlled based on current fair value and estimation of future fair value volatility. Estimation of future fair value volatility covers various products including exotic derivatives, and considers risk mitigation effect by collateral as well as netting effect by the ISDA Credit Support Annex (CSA) etc.

As the risk associated with market trade changes by market rate fluctuation after the trade, the Bank controls it based on estimation of future fair value volatility.

(2) ALLOCATION OF CREDIT LIMITS

Counterparty limits due to derivatives transactions are established based on counterparty's specific situation, and credit limits are managed as appropriate on both a counterparty limit basis, and total credit limit basis where counterparty limit is added to any other credit exposure for each obligor in order to reflect the Bank's overall exposure.

(3) CREDIT ENHANCEMENT BASED ON COLLATERAL AND RESERVES

Credit enhancement measures are taken to mitigate the Bank's concerns regarding certain obligors' credit quality as well as concentration risk in the Bank's portfolio.

The Bank follows the guidelines outlined in the ISDA CSA, which has been accepted by many financial institutions. Reserves are calculated based on expected losses according to the counterparty's credit quality and are taken into consideration in the mark-to-market process.

(4) POSSIBILITY OF THE BANK POSTING ADDITIONAL COLLATERAL DUE TO A DECLINE IN THE BANK'S CREDIT QUALITY

If the Bank's credit quality were to decline and be reflected as such in the assignment of lower external ratings, the Bank may be required to provide additional collateral to counterparties in transactions subject to the ISDA CSA.

7. EQUITY RISK MANAGEMENT

The Bank's equity investments are mainly composed of strategic merger/acquisition or business alliance related transactions, which are approved by the Group Executive Committee, and investment business related transactions, which are approved by the Transaction Committee (TC).

The risk management methodologies for these investments are determined based on their investment types and purposes. Each risk is recognized and monitored appropriately by evaluating underlying assets/enterprise value. For stocks with no market prices, self-assessment is conducted every quarter.

Investments in subsidiaries and affiliates are carried at cost determined by the moving average method. Available-for-sale securities are carried at fair value (cost of securities sold is determined by the moving average method) in principle. Stocks with no market prices are carried at cost determined by the moving average method.

8. SECURITIZATION EXPOSURE RISK MANAGEMENT POLICIES AND RISK CHARACTERISTICS

BANK RULES

The Bank manages securitization transactions as follows:

(1) Originator

For fundraising, mitigation of exposure concentration, transfer of credit risk and balance sheet management purposes, the Bank securitizes loans and the Bank's subsidiaries securitize financial assets such as credit card and consumer loan receivables.

As an originator, the Bank manages the credit risk of its securitized transactions using the assumption that original assets are maintained on its books. Since the purpose of these transactions includes acquiring funds, mitigating exposure concentration, transferring credit risk, and managing the Bank's balance sheet, securitization transactions are a tool to control liquidity risk.

(2) Investor

In order to invest in assets whose credit risks are different from those of existing corporate exposure and to enhance the profit earning opportunity, the Bank selectively invests in securitization transactions, including re-securitization as well as securitization defined as non-re-securitization as per Clause 2 a or b in Article 1 of Administrative Notice, which are backed by various financial products.

The Bank also re-securitizes some securitized products of which the Bank has purchased and may hold the subordinated/residual portion.

Generally, Risk Management Section, which is fully independent from Business Sections, manages the risks arising from securitization exposure, and risk management/monitoring methodologies and risk taking/reduction policies are specified according to the types of products. Although the Bank does not actively intend to increase securitization exposure at this moment, aforementioned procedure defined in "4. Credit Risk Management and Procedures, Credit Risk Management of Specific Transactions" will be followed for new investments after specifying and recognizing the risk profile, product specifics, nature of underlying assets and structure including credit enhancement, etc.

(3) Servicer

The Bank acts as a servicer when loans, which were originated by the Bank, are used as underlying assets in securitization.

Similarly, when financial assets such as credit card and consumer loan receivables originated by the Bank's subsidiaries are used as underlying assets for a securitization, the subsidiary serves as a servicer.

(4) Swap provider

In some transactions wherein the Bank is the arranger, the Bank provides swaps in order to mitigate interest rate risk within a specified range or to manage any cashflow difference between interest from underlying assets and coupons from the securities backed by the same assets.

Securitized exposure includes various risk characteristics that are unique to each product, as well as general risks, such as credit risk, market risk, and liquidity risk.

The Bank does not act as a credit enhancement provider/liquidity provider in any transaction. The Bank does not conduct ABCP business as well.

QUALITATIVE DISCLOSURE (CONTINUED)

When the Bank acquires and monitors securitized exposures, outside ratings and their changes are closely watched as one of the effective indicators. Moreover, when the Bank assigns internal ratings, risk characteristics and structural characteristics are understood and future performance forecast is analyzed, without depending solely on outside ratings.

Investment decisions are made based on the results of such analysis and expected return. Even after an investment is made, various covenants and triggers are checked based on trustee reports and servicer reports. A continuous and regular monitoring framework is established whereby information on comprehensive risk characteristics and performance of securitized exposures and underlying assets is captured in a timely manner.

Risk capital is measured based on internal ratings assigned for each transaction. For investments in securities without a fair market value or market prices, risks are understood and controlled through self-assessments.

In terms of the reporting, overall situation of the Bank's portfolio including the securitization exposure is reported to the senior management via the Group Risk Policy Committee etc. on a monthly or a quarterly basis. The report includes information of exposure, risk quantification, change in the portfolio, and risk profiles.

POLICIES USING SECURITIZATION TRANSACTIONS FOR CREDIT RISK MITIGATION

The Bank is not using securitization transactions for credit risk mitigation.

CALCULATION METHODS FOR DETERMINING THE AMOUNT OF CREDIT RISK IN THE CONTEXT OF SECURITIZATION EXPOSURE

Risk weights are calculated based on internal rules entitled “Standards for Administering Risk Weight Calculation for Securitization Exposure.” The amount of credit risk assets related to securitization exposures is calculated using the Internal Ratings-Based Approach (IRBA), the External Ratings-Based Approach (ERBA), or the Standardized Approach (SA).

The risk assets of securitization exposures for which any methods mentioned above are not available, are calculated in 1,250%.

CALCULATION METHODS FOR DETERMINING THE AMOUNT OF MARKET RISK IN THE CONTEXT OF SECURITIZATION EXPOSURE

The amount of the general market risk of the market risk related to securitization exposures is calculated using the internal model approach. The amount of the specific risk of the market risk related to securitization exposures is calculated using the Internal Ratings-Based Approach (IRBA), the External Ratings-Based Approach (ERBA), or the Standardized Approach (SA).

TYPE OF SECURITIZATION-PURPOSE-CONDUITS FOR SECURITIZATION TRANSACTIONS OF THIRD PARTIES' ASSETS, AND WHETHER THE BANK HOLDS RELATED SECURITIZATION EXPOSURE

The Bank securitizes third parties' assets using “trust” as a part of its businesses. However, the Bank does not hold related securitization exposure.

NONCONSOLIDATED SUBSIDIARIES AND AFFILIATES WHO HOLD SECURITIZATION EXPOSURES RELATED TO THE BANK'S ORIGINATED SECURITIZATION TRANSACTIONS

No securitization exposures related to the Bank's originated securitization transactions are held by the Bank's nonconsolidated subsidiaries and affiliates.

ACCOUNTING POLICY ADOPTED FOR SECURITIZATION TRANSACTIONS

(1) When assets to be securitized are owned by the Bank, securitization assets are removed from the balance sheet and assignment of gains and losses are calculated based on the financial component (*zaimu-kousei-youso*) approach.

The assets sold and retained interests are recognized as separate components of a transfer of financial assets. Those components in the transferred assets are measured by allocating the previous carrying amount between the assets sold and retained interests based on the relative fair values at the time of transfer. Based on the calculated values of assets that are sold, gains or losses on the transfer are recognized.

However, when assets are securitized for fundraising purposes, the book value to be credited on the balance sheet is adjusted to prevent generating any initial profits, after removing the assets from the balance sheet using the financial component approach.

(2) When the Bank purchases securitized products, Accounting Standards for Financial Products apply to each financial asset.

(3) Fee income earned by the Bank in arranging securitization for other parties (no investment) is treated as noninterest income.

QUALIFIED RATING AGENCIES WHOSE RATINGS ARE USED BY THE BANK IN DETERMINING SECURITIZED EXPOSURE TYPE-SPECIFIC RISK WEIGHTS:

S&P, Moody's, Fitch, R&I, and JCR.

SUMMARY OF INTERNAL VALUATION METHOD FOR SECURITIZATION

The Bank is not using the internal valuation method for securitization.

SIGNIFICANT CHANGES OF QUANTITATIVE INFORMATION

There are no significant changes of quantitative information.

9. MARKET RISK MANAGEMENT POLICIES AND PROCEDURES

a) POLICY AND PROCEDURE FOR RISK MANAGEMENT

(1) DEFINITION OF MARKET RISK

Market risk is the risk of incurring losses due to changes in interest rates, FX rates, stock prices, etc.

QUALITATIVE DISCLOSURE (CONTINUED)

(2) MARKET RISK MANAGEMENT POLICY

The Executive Committee makes important decisions concerning trading business. The Committee approves important items relating to market risk, including "Trading Business Risk Management Policy" and qualitative limits of Value at Risk and Loss limit for the Bank and its Securities.

The Market Business Management Committee regularly controls market risk management and risk review of trading businesses. The Committee reviews monthly individual limit settings, customer related business movement, profit and loss/market risk situation and inherent market products risk in the business as a whole and makes decision on risk management. The market risk reports are delivered to the Executive Officer in charge of Group Risk and to the front office.

(3) MARKET RISK MANAGEMENT FRAMEWORK

We have established effective organizational framework for check and balance by making front office unit, back office unit and middle office management unit independent respectively. The Integrated Risk Management Division, the middle office unit, is responsible for the objective and timely recognition, monitoring and reporting of these market risks and carries out regular risk analysis and recommendations, as well as timely and appropriately providing management and front office unit.

(4) QUANTITATIVE MARKET RISK MANAGEMENT

The market risk is managed based on the VaR limit and loss limit which are determined by the Group Risk Policy Committee. The bank also set sensitivity limits relating to interest rate and FX rate etc. and implement stress testing based on various market shocks to enhance market risk management.

The Integrated Risk Management Division is consistently responsible for risk measurement and its control stipulating its definitions and rules.

b) NAME OF METHODOLOGY FOR MARKET RISK MEASUREMENT

The internal-model method has been adopted for general market risk at market risk measurement and the standardized method for specific risk (except for securities) since March 31, 2007 for the Bank and Shinsei Securities. The standardized method is applied for FX related risks except Trading.

Market Risk Methodologies

		Trading	FX-related Risks except Trading
Shinsei Bank	General Market Risk	Internal Model Method • Historical Simulation Method	Standardized Method
	Specific Risk (except for securities)	Standardized method	
Shinsei Securities	General Market Risk	Internal Model Method • Historical Simulation Method	Standardized Method
	Specific Risk (except for securities)	Standardized Method	
Other Subsidiaries		—	Standardized Method

c) ADEQUATE PRICING METHOD ACCORDING TO TRANSACTION PROFILE TAKING POSSIBILITIES INTO CONSIDERATION THAT ACTUAL HOLDING PERIOD MAY EXCEED EXPECTED HOLDING PERIOD

The VaR framework is using this 10-day for holding period. Market liquidity of all trading book's products are high enough, and we evaluate adequately the pricing according to the products profile including the independent price valuation process.

d) INTERNAL MODEL METHOD AND BACK-TESTING, STRESS-TESTING

The Bank and Shinsei Securities use a historical simulation VaR for internal model at general market risk measurement (a 99% confidential level, 10 day holding period, 250 observation days). Please refer to following table for VaR data and Stressed VaR.

		Millions of yen	
		Consolidated	Nonconsolidated
VaR at the end of year		313	310
through FY	High	611	589
	Mean	356	334
	Low	235	204

		Millions of yen	
		Consolidated	Nonconsolidated
Stressed VaR at the end of year		1,190	1,181
through FY	High	2,304	2,235
	Mean	1,611	1,542
	Low	1,046	979

The validity of the VaR is verified through back-testing etc., which examines how frequently hypothetical daily loss that would have occurred if the position remained unchanged exceeds VaR for a one-day holding period. The back-testing results for fiscal year 2021 show that the number of days in which loss amount exceeded VaR for one-day holding period on a consolidated basis was one.

For complementing the Internal Model method and figuring out loss possibility at stress, the Bank implements stress testing on a weekly basis. And the stress test results are reported to the Market Business Management Committee etc.

e) INTERNAL MODEL SUMMARY IN CASE THAT INCREMENTAL RISK IS MEASURED BY INTERNAL MODEL

Not applicable.

f) INTERNAL MODEL SUMMARY IN CASE THAT COMPREHENSIVE RISK IS MEASURED BY INTERNAL MODEL

Not applicable.

g) ASSUMPTIONS AND VALUATION METHOD FOR INTERNAL EVALUATION OF CAPITAL SUFFICIENCY ON MARKET RISK

When we evaluate capital sufficiency for market risk using risk capital, we convert the above mentioned VaR calculation method into a one-year horizon basis.

QUALITATIVE DISCLOSURE (CONTINUED)

10. BANKING BOOK INTEREST RATE RISK MANAGEMENT

A. Overview of risk management policy and procedure
Interest rate risk is the risk of losses on the current value of assets and liabilities whose cash flow mismatch may be impacted by interest rates due to market interest rate fluctuations.

The interest rate risk of the banking account is managed and administered pursuant to the Group Asset Liability Management Policy. In order to appropriately control interest rate risk, at the beginning of each fiscal year the Group ALM Committee determines limits for the Bank and its group companies, such as the interest rate sensitivity limit and the loss limit. At the monthly meetings, the Group ALM Committee makes comprehensive decisions on assets and liabilities based on the monitoring of the limits and net interest income (NII).

In addition to monthly reporting to the Group ALM Committee, the Group Integrated Risk Management Division, which is independent of the front offices, monitors the status of acquiring the risk and observing the limits on a daily basis and reports the results to management.

B. Overview of the interest rate risk calculation method for the banking account used by the Bank and its consolidated subsidiaries for internal control
Based on the banking IR sensitivity calculation procedure, a rule subordinate to the Group Asset Liability Management Policy and the procedure related to interest rate risk of banking account is calculated as follows.

1) Calculation method
We measure the change of economic value of the banking book (ΔEVE) per currency by means the three scenarios of IRRBB: parallel shock up, parallel shock down and steepener shock and use maximum ΔEVE across three scenarios. Also, we measure the change of cash flows of the banking book (ΔNII) per currency for one year from the calculation base date by means the two scenarios of IRRBB: parallel shock up and parallel shock down. The aggregation of ΔEVE and ΔNII for each currency is performed by simple addition of only positive values. In the measurement, future cash flows use interest rates including spreads, but discount rates do not include spreads.

2) Subject assets and liabilities
Subject assets and liabilities of the Bank and its main subsidiaries are deposits, loans, JGBs, and other assets and liabilities whose future cash flow is impacted by interest rates fluctuation.

3) Measurement premise
ΔEVE is significantly impacted by the recognition of maturities and prepayments. Accordingly, we are endeavoring to appropriately capture interest rate risk by adopting the following models.

a. Housing loans
We calculate the interest rate risk of retail housing loans by statistically analyzing prepayment data and estimating future cash flow based on a proportional hazard model using periods lapsed from the loan origination.

b. Core deposits
Core deposits (Up to 20 years, average period 3.1 year) are defined as retail ordinary yen deposits and 2-week yen denominated time deposits which are left with financial institutions for a long term without withdrawal. We model depositors' behaviors by statistically analyzing deposit balance data and estimating maturities by customer group.

c. Time deposits
We use a model for early withdrawal rates for retail time deposits, and use conservative assumptions for other early withdrawal rates for time deposits.

Millions of yen

IRRBB1:Interest rate risk

No		A	B	C	D
		ΔEVE		ΔNII	
		End of the year	End of last year	End of the year	End of last year
1	parallel shock up	57,937	59,633	10,734	16,832
2	parallel shock down	2,174	7,450	7,271	4,594
3	steepener shock	46,043	39,573		
4	Flattener shock	–	–		
5	Short rate up shock	–	–		
6	Short rate down shock	–	–		
7	Max	57,937	59,633	10,734	16,832
		E		F	
		End of the year		End of last year	
8	Core capital	851,318		833,903	

11. OPERATIONAL RISK MANAGEMENT POLICIES AND PROCEDURES

MANAGEMENT POLICIES AND PROCEDURES
(1) Definition of Operational Risk
The Bank classifies operational risk into several risk categories, such as operational and administrative risk, compliance risk, labor-related risk, systems risk, extensive disaster risk and material object risk, which are applied across the Bank and its consolidated subsidiaries.

QUALITATIVE DISCLOSURE (CONTINUED)

(2) Operational Risk Management System
The Bank manages operational risk at multiple levels as follows:
- Management by business lines according to the nature of each business
- Cross-organizational management by designated management divisions for respective risk categories mentioned above (hereinafter "designated management divisions") and by the firmwide management division of operational risk (hereinafter "firm-wide management division")
- Verification by the Group Internal Audit Division on the appropriateness and effectiveness of the overall risk management system
- Based on reports and proposals, the Board of Directors etc. makes decisions on important items, including general rules and organizational changes related to operational risk management

The designated management divisions and the firm-wide management division are independent from business lines, which are accountable for earnings, and promoting management of overall operational risk and each risk category. The divisions develop uniform management standards and procedures, capture and evaluate errors and irregularities, conduct causal analysis and support establishment of recurrence prevention measures. Moreover, the divisions meet on a regular basis to discuss challenges and measures for operational risk management, as well as to share information.

Operational risk is recognized and evaluated through review of internal errors and irregularities that have occurred, as well as through consideration of potential errors and irregularity scenarios that may occur less frequently but may have a significant impact. Uniform standards for collection and evaluation of errors and irregularities are established to capture and/or evaluate significant actual errors and/or irregularities on a regular basis. Procedures are determined to ensure that potential errors and irregular scenarios for each business operation are specified and their frequency and severity are evaluated in a complete and appropriate manner on an at least an annual basis.

Such identified and evaluated risks are reported to senior management by the designated management divisions and the firm-wide management division and are used in Risk Capital measurement for internal management purposes.

(3) "Operational Risk Management Standards"
"Operational Risk Management Standards" are a set of policies and procedures used to define the organizational framework, specific methods and processes for operational risk management. They are composed of the following:
- "Operational Risk Management Policy"
- Specific management rules
- Management rules at consolidated subsidiaries

"Operational Risk Management Policy" is the highest set of rules on operational risk management. To ensure comprehensive and consistent operational risk management within the Group, the Policy establishes risk definitions, governance and basic policies on operational risk management, and the basic framework for risk capture, evaluation, monitoring, reporting, control and mitigation.

Specific management rules include management standards and procedures for each respective operational risk category, and for new businesses and products.

Management rules at each consolidated subsidiary are composed of comprehensive rules on overall operational risk management and specific rules for respective operational risk categories. Consolidated subsidiaries establish, revise and repeal rules with the approval of their Board of Directors, according to their risk characteristics and specific internal controls. Their establishment, revision and repeal are subject to prior discussions with and after-the-fact reports to the Bank to ensure consistency with the Bank's risk management rules.

METHODOLOGY TO CALCULATE OPERATIONAL RISK UNDER BASEL REGULATION
The Standardized Approach is adopted by the Bank.

Amount of required capital for Operational Risk at the end of fiscal year 2021:

	Millions of yen	
	Required capital amount (Consolidated)	Required capital amount (Nonconsolidated)
The Standardized Approach	¥ 30,797	¥ 16,261

QUALITATIVE DISCLOSURE (CONTINUED)

EXHIBIT: SUMMARY OF INTERNAL RATING SYSTEM

<table>
<tr><td rowspan="2">Type of Exposures</td><td colspan="2">Corporate Exposures (Shinsei Bank, and Showa Leasing (large amount exposures))</td></tr>
<tr><td>(a) Corporate Exposures, (b) Sovereign Exposures,
(c) Exposures to Banks, and (d) Equity Exposures
(Exposures to which Internal Rating and PD/LGD approach is applied)</td><td>(e) Specialized Lending</td></tr>
<tr><td>Structure of Internal Rating System</td><td>An obligor rating system benchmarked against external ratings (R&I) which reflects credit status of obligor is in place.

Obligor rating is derived from quantitative score calculated from model prepared by using external ratings etc. as a benchmark based on the financial data of a customer and determined taking into account of influence from group companies and future financial projection.

Obligor ratings for Sovereign/Bank exposures are assigned based on specific rules.</td><td>A facility rating system based on degree of expected loss ratio according to the transaction type is in place for specialized lending assets whose interest payments and principal repayments are heavily dependent on the profit of assets and the business.

Ratings are assessed according to facility type as follows.
· Real estate nonrecourse loans are decided by adding qualitative adjustments to quantitative index based on the LTV.
· Ratings for project finance or non-recourse shipping finance are decided by comprehensively considering financial indices such as DSCR and the assessment of each risk factor that has an impact on the operation of the project. Regarding nonrecourse shipping finance, evaluation of ship is also considered in the risk assessment.</td></tr>
<tr><td>Usage of Various Estimated Value (Use Test)</td><td colspan="2">Obligor rating and facility rating are used in the standards of credit approval authority procedures, pricing, portfolio management, and allocating Risk Capital.</td></tr>
<tr><td>Management of Internal Rating System, and Rating Assignment Procedures</td><td colspan="2">Group Portfolio Risk Management Division (GPRMD) of the Bank is in charge of designing the rating system and ratings are assigned by the section in charge of credit analysis.</td></tr>
<tr><td>Validation Procedures</td><td>Back testing, rating transition analyses, the reasonability of the rating and appropriateness of the rating process are conducted in a multifaceted manner for validation of rating and parameters by using internal and external data.</td><td>According to the type of transactions, rating transition analyses, the reasonability of the rating and appropriateness of the rating process are conducted for validation of rating by using internal and external data.</td></tr>
<tr><td>Estimation of Parameters</td><td>Definition of Default
Obligor categorization under self-assessment falls to sub-standard (9B) or lower, etc.

PD
Long-term averages are calculated based on internal data, and margin for estimation error is added to derive estimates.

LGD/EAD
Parameters are not estimated as a bank using Fundamental Internal Ratings-Based Approach.</td><td>Internal ratings are allocated to slotting criteria, and parameters are not estimated.</td></tr>
</table>

QUALITATIVE DISCLOSURE (CONTINUED)

EXHIBIT: SUMMARY OF INTERNAL RATING SYSTEM

Type of Exposures	Retail Exposures (Shinsei Bank)		Retail Exposures (APLUS, Shinsei Financial, Shinsei Personal Loan, Showa Leasing and APLUS INVESTMENT)
	(f) Residential Mortgage Exposures	(g) Qualifying Revolving Retail Exposures	(h) Qualifying Revolving Retail Exposures, (i) Other Retail Exposures
Structure of Internal Rating System	Assignment of Pool Category to each exposure shall be conducted so that risk is appropriately categorized, considering the obligor's risk characteristics, transaction's risk characteristics and the delinquency status of the exposure. (In addition to housing loans described above, housing loans originated by lenders other than the Bank and purchased as portfolios by the Bank are managed as purchased receivables.)	Portfolios which the bank originated are classified as qualifying revolving retail exposures. Pools are classified quantitatively by obligor risk characteristics etc.	Portfolios of the Bank's subsidiaries are classified as qualifying revolving retail exposures (such as unsecured personal loans, credit cards) or other retail exposures (such as installment sales credit receivables, small-lot lease receivables) according to credit facility types. (Housing loan portfolios of APLUS and Zen-Nichi Shinpan are classified as residential mortgage exposures). Exposures are assigned to appropriate pools established for each subsidiary, considering obligor risk characteristics, transaction risk characteristics, and delinquency status.
Usage of Various Estimated Value (Use Test)	Pool classification and PD/LGD/EAD estimates are used for calculating and allocating Risk Capital.	Pool classification and PD/LGD/EAD estimates are used for calculating and allocating Risk Capital.	Pool classification and PD/LGD/EAD estimates are used for calculating and allocating Risk Capital.
Management of Internal Rating System, and Rating Assignment Procedures	Group Portfolio Risk Management Division (GPRMD) of the Bank is in charge of internal rating system design, pool assignment and estimates/validates parameters.	GPRMD of the Bank is in charge of internal rating system design, pool assignment and estimates/validates parameters with guarantee company in the Shinsei group.	GPRMD of the Bank is in charge of internal rating system design, pool assignment and estimates/validates parameters with subsidiaries.
Validation Procedures	Key methodologies of validation are as follows: · PD: Validation whether gap between PD estimates/theoretical PD values by age of exposures based on the PD seasoning curve and historical PD · LGD: Validation whether gap between LGD estimates and historical LGD remain within a certain confidence level, and validation whether estimated collateral sale price is conservative.	Key methodologies of validation are as follows: · PD: Validation of accordance between PD estimates and historical PD, and validation of PD and rating goodness of fit · LGD: Validation if gap between LGD estimates and historical LGD remain within a certain confidence level · Pool classification: Validation on default predictive power	Key methodologies of validation are as follows: · PD: Validation of accordance between PD estimates and historical PD, and validation of PD and rating goodness of fit · LGD: Validation if gap between LGD estimates and historical LGD remain within a certain confidence level · Pool classification: Validation on default predictive power
Estimation of Parameters	Definition of Default Any of the following: i) past due three months or more, ii) relaxation of terms and conditions, iii) legal bankruptcy PD/LGD PD/LGD are estimated using the Bank's historical data and the margin for estimation error is added to derive estimates. The seasoning characteristics of default for PD and collection from collateral sale value for LGD are taken into consideration.	Definition of Default Subrogated for late payment and etc. PD/LGD/EAD PD/LGD/EAD are estimated on pool by pool basis, using the historical data. Long-term averages are calculated based on these data, and margin for estimation error is added to derive estimates.	Definition of Default Any of the following: i) past due three months or more, ii) relaxation of terms and conditions, iii) legal bankruptcy, etc. PD/LGD/EAD PD/LGD/EAD are estimated on pool by pool basis, using the Bank's subsidiaries' historical data. Long-term averages are calculated based on these data, and margin for estimation error is added to derive estimates.

QUALITATIVE DISCLOSURE (CONTINUED)

SHINSEI BANK CORPORATE OBLIGOR RATING SYSTEM

Obligor Rating Categories	Corresponding Rating Assigned by R & I	Summary
0A		1. Japanese Government, BOJ. 2. Government-affiliated agencies, expected high certainty from strong backup by the Government.
1A	AAA	Highest capability to meet its financial commitments on the obligations and many other positive factors.
2A	AA+	Very high capability to meet its financial commitment on the obligation and other positive factors.
2B	AA	
2C	AA-	
3A	A+	High capability to meet its financial commitments on the obligations and some good factors.
3B	A	
3C	A-	
4A	BBB+	There is adequate certainty of the fulfillment of obligations, but there are also some factors requiring attention in the event of serious adverse economic conditions in the future.
4B	BBB	
4C	BBB-	
5A	BB+	No problem regarding the certainty of the fulfillment of obligations for the time being, but some factors need to be closely watched in the event of adverse economic conditions in the future.
5B	BB	
5C	BB-	
6A	B+	No problem regarding the certainty of the fulfillment of obligations in the present situation, but special supervision is needed to monitor the trends in business performance and the protection of credit exposure.
6B	B	
6C	B-	
9A		Classified as “Other Need Caution” in the self-assessment.
9B		Classified as “Sub-Standard” in the self-assessment.
9C		Classified as “Possibly Bankrupt” in the self-assessment.
9D		Classified as “Virtually Bankrupt” in the self-assessment.
9E		Classified as “Bankrupt” in the self-assessment.

With regard to the internal controls related to the calculation of the capital adequacy ratio, we received an independent audit by Deloitte Touche Tohmatsu LLC in accordance with "Treatment of Inspection of the Capital Ratio Calculation Framework Based on Agreed-Upon Procedures" (JICPA Professional Business Practice Guidelines 4465, as per Industry Committee Report No. 30). The certain procedures performed by the external auditor are not a part of the audit of the financial statements. The certain procedures are agreed with us and the external auditor and are not a validation of appropriateness of the capital ratio itself or opinion on the internal controls related to the capital ratio.

COMPOSITION OF CAPITAL DISCLOSURE (CONSOLIDATED)

Shinsei Bank and subsidiaries

As of March 31 Items	Millions of yen (except percentages) **March 31, 2022 Basel III (Domestic Standard)**	March 31, 2021 Basel III (Domestic Standard)
Core capital: instruments and reserves (1)		
Directly issued qualifying common share capital or preferred share capital with a compulsory conversion clause plus related capital surplus and retained earnings	**¥ 933,638**	¥ 932,740
of which: capital and capital surplus	**585,165**	585,165
of which: retained earnings	**449,547**	431,623
of which: treasury stock (–)	**(98,612)**	81,464
of which: earning to be distributed (–)	**(2,462)**	2,583
of which: other than above	**–**	–
Accumulated other comprehensive income (amount allowed to be included in Core capital)	**9,770**	4,361
of which: foreign currency translation adjustment	**5,587**	(1,133)
of which: amount related defined benefit	**4,182**	5,495
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	**–**	101
Adjusted noncontrolling interests (amount allowed to be included in Core capital)	**–**	16
Total of reserves included in Core capital: instruments and reserves	**3,076**	1,482
of which: general reserve for loan losses included in Core capital	**3,076**	1,482
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)	**810**	2,680
Core capital: instruments and reserves (A)	**¥ 947,296**	¥ 941,383
Core capital: regulatory adjustments (2)		
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	**¥ 48,778**	¥ 53,873
of which: goodwill (including those equivalent)	**12,980**	15,557
of which: other intangibles other than goodwill and mortgage servicing rights	**35,798**	38,315
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	**4,297**	4,110
Shortfall of eligible provisions to expected losses	**29,372**	35,980
Gain on sale of securitization	**–**	–
Gains and losses due to changes in own credit risk on fair valued liabilities	**–**	–
Net defined benefit asset	**13,529**	13,516
Investments in own shares (excluding those reported in the net assets section)	**–**	–
Reciprocal cross-holdings in common equity	**–**	–
Investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation ("Other Financial Institutions"), net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above the 10% threshold)	**–**	–
Amount exceeding the 10% threshold on specific items	**–**	–
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	**–**	–
of which: mortgage servicing rights	**–**	–
of which: deferred tax assets arising from temporary differences (net of related tax liability)	**–**	–
Amount exceeding the 15% threshold on specific items	**–**	–
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	**–**	–
of which: mortgage servicing rights	**–**	–
of which: deferred tax assets arising from temporary differences (net of related tax liability)	**–**	–
Core capital: regulatory adjustments (B)	**¥ 95,977**	¥ 107,480
Capital (consolidated)		
Capital (consolidated)((A)–(B))(C)	**¥ 851,318**	¥ 833,903
Risk-weighted assets, etc.		
Total amount of credit risk-weighted assets	**¥ 6,788,975**	¥ 6,750,532
of which: total amount included in risk-weighted assets by transitional arrangements	**–**	–
of which: significant investments in the common stock of Other Financial Institutions (net of eligible short positions)	**–**	–
of which: other than above	**–**	–
Market risk (derived by multiplying the capital requirement by 12.5)	**88,657**	184,772
Operational risk (derived by multiplying the capital requirement by 12.5)	**384,967**	385,088
Credit risk-weighted assets adjustments	**–**	–
Operational risk adjustments	**–**	–
Total amount of Risk-weighted assets (D)	**¥ 7,262,600**	¥ 7,320,393
Capital ratio (consolidated)		
Capital ratio (consolidated)((C)/(D))	**11.72%**	11.39%

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	
	2022	2021
As of March 31	**Required capital amount**	Required capital amount
Shinsei Bank	**¥ 289**	¥ 313
Subsidiaries	**37,080**	34,069
UDC Finance Limited	**22,706**	19,708

Portfolios under the Internal Ratings-Based Approach (IRB)

	Millions of yen	
	2022	2021
As of March 31	**Required capital amount**	Required capital amount
Corporate (Excluding Specialized Lending)[1]	**¥ 143,101**	¥ 150,425
Specialized Lending[2]	**126,107**	121,088
Sovereign	**3,560**	6,918
Bank	**12,555**	13,665
Residential mortgages	**9,967**	8,897
Qualified revolving retails	**117,696**	118,775
Other retails	**188,222**	182,448
Equity	**12,837**	10,126
Fund	**13,298**	10,820
Securitization	**37,999**	38,231
Purchase receivables	**11,550**	13,207
Other assets	**3,156**	3,599
CVA risk	**11,046**	13,123
CCP risk	**117**	100
Total	**¥ 691,218**	¥ 691,428

Note:1."Corporate" includes "Small and Medium-sized Entities."
2."Specialized Lending" refers to a claim whose source of recovery is solely dependent on the cash flow generated from a transaction such as a real estate nonrecourse loan.

(2) AMOUNT OF REQUIRED CAPITAL FOR EQUITY EXPOSURE UNDER IRB

	Millions of yen	
	2022	2021
As of March 31	**Required capital amount**	Required capital amount
Market-Based Approach Simplified Method	**¥ 5,146**	¥ 6,244
PD/LGD Method	**6,222**	2,543
RW100% Applied	**4**	4
RW250% Applied	**1,464**	1,333
Total	**¥ 12,837**	¥ 10,126

(3) EXPOSURE RELATING TO INVESTMENT FUNDS

	Millions of yen	
	2022	2021
As of March 31	**Required capital amount**	Required capital amount
Look-through approach	**¥ 11,897**	¥ 9,787
Mandate-based approach	**604**	552
Probability-based approach[250%]	**–**	–
Probability-based approach[400%]	**796**	269
Fall-back approach[1,250%]	**0**	210
Total	**¥ 13,298**	¥ 10,820

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

(4) AMOUNT OF REQUIRED CAPITAL FOR MARKET RISK

	Millions of yen	
	2022	2021
As of March 31	**Required capital amount**	Required capital amount
The Standardized Approach	**¥ 1,430**	¥ 763
Interest rate risk	**12**	3
Equity position risk	**–**	–
FX risk	**1,416**	758
Securitization risk	**1**	1
The Internal Models Approach (IMA) (General Market Risk)	**¥ 5,662**	¥ 14,018

(5) AMOUNT OF REQUIRED CAPITAL FOR OPERATIONAL RISK

	Millions of yen	
	2022	2021
As of March 31	**Required capital amount**	Required capital amount
The Standardized Approach	**¥ 30,797**	¥ 30,807

(6) TOTAL REQUIRED CAPITAL (DOMESTIC STANDARD)

	Millions of yen	
As of March 31	**2022**	2021
Total Required Capital (Risk-weighted Assets x 4%)	**¥ 290,504**	¥ 292,815

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							
	2022				2021			
	Amount of Credit Risk Exposure				Amount of Credit Risk Exposure			
As of March 31	**Total**	**Loans, etc.[1]**	**Securities[2]**	**Derivatives[3]**	Total	Loans, etc.[1]	Securities[2]	Derivatives[3]
Manufacturing	**300,819**	**284,016**	**–**	**16,803**	¥ 329,965	¥ 307,475	¥ –	¥ 22,489
Agriculture	**1,928**	**1,928**	**–**	**–**	1,822	1,822	–	–
Mining	**1,315**	**1,314**	**–**	**0**	1,300	1,299	–	1
Construction	**71,010**	**71,010**	**–**	**–**	74,630	74,424	206	–
Electric power, gas, water supply	**513,876**	**487,204**	**–**	**26,671**	488,528	459,188	–	29,340
Information and communication	**50,134**	**50,134**	**–**	**–**	43,946	43,946	–	0
Transportation	**174,804**	**174,661**	**–**	**142**	155,780	155,692	–	87
Wholesale and retail	**191,639**	**182,986**	**100**	**8,552**	205,002	192,338	100	12,564
Finance and insurance	**2,359,775**	**2,100,924**	**231,198**	**27,651**	2,639,549	2,371,137	241,692	26,719
Real estate	**829,807**	**730,043**	**98,995**	**768**	843,484	735,716	106,354	1,413
Services	**605,960**	**604,805**	**500**	**655**	591,270	589,697	921	651
Government	**280,393**	**64,564**	**215,828**	**–**	429,581	78,705	350,876	–
Individuals	**3,355,958**	**3,355,958**	**–**	**–**	3,300,402	3,300,402	–	–
Others	**78,855**	**78,855**	**–**	**–**	68,042	68,042	–	–
Domestic Total	**8,816,179**	**8,188,309**	**546,623**	**81,247**	9,173,309	8,379,890	700,151	93,267
Foreign	**1,357,755**	**1,180,373**	**103,591**	**73,790**	1,397,832	1,092,639	239,002	66,191
Total	**10,173,935**	**9,368,682**	**650,214**	**155,038**	¥ 10,571,141	¥ 9,472,529	¥ 939,153	¥ 159,458
To 1 year	**1,518,276**	**1,450,248**	**43,564**	**24,462**	1,637,692	1,467,788	149,507	20,396
1 to 3 years	**1,717,972**	**1,548,024**	**131,119**	**38,827**	1,619,791	1,469,273	122,221	28,296
3 to 5 years	**1,524,939**	**1,292,327**	**213,512**	**19,099**	1,540,787	1,262,336	254,539	23,912
Over 5 years	**3,358,463**	**3,023,797**	**262,017**	**72,648**	3,473,474	2,973,735	412,885	86,853
Undated	**2,054,385**	**2,054,385**	**–**	**–**	2,299,394	2,299,394	–	–
Total	**10,173,935**	**9,368,682**	**650,214**	**155,038**	¥ 10,571,141	¥ 9,472,529	¥ 939,153	¥ 159,458

Note:1 Excluding purchased receivables.
2 Excluding equity exposures.
3 Credit equivalent amount basis.

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

(2) AMOUNT OF DEFAULT EXPOSURE BEFORE PARTIAL WRITE-OFF

Geographic, Industries

As of March 31	Millions of yen 2022 Default Exposure	2021 Default Exposure
Manufacturing	¥ 561	¥ 629
Agriculture	46	34
Mining	–	–
Construction	1,234	1,696
Electric power, gas, water supply	9,411	9,884
Information and communication	114	133
Transportation	2,844	3,657
Wholesale and retail	4,961	7,882
Finance and insurance	–	1
Real estate	14,268	10,612
Services	7,112	7,746
Government	–	–
Individuals	131,655	124,184
Others	446	617
Domestic Total	172,658	167,081
Foreign	8,346	10,171
Total	¥ 181,005	¥ 177,252

Note: Excluding purchased receivables.

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

	Millions of yen					
	2022			2021		
As of March 31	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount
General	¥ 76,547	¥ 4,203	¥ 80,751	¥ 77,979	¥ (1,431)	¥ 76,547
Specific	85,535	5,203	90,739	78,703	6,832	85,535
Country	–	–	–	–	–	–
Total	¥ 162,083	¥ 9,407	¥ 171,490	¥ 156,682	¥ 5,400	¥ 162,083

Geographic

	Millions of yen							
	2022				2021			
	Reserve Amount				Reserve Amount			
As of March 31	Total	General	Specific	Country	Total	General	Specific	Country
Domestic	¥ 160,961	¥ 72,361	¥ 88,599	–	¥ 154,773	¥ 70,637	¥ 84,135	¥ –
Foreign	10,529	8,389	2,140	–	7,310	5,910	1,400	–
Total	¥ 171,490	¥ 80,751	¥ 90,739	–	¥ 162,083	¥ 76,547	¥ 85,535	¥ –

Industries

As of March 31	Millions of yen 2022 Reserve Amount	2021 Reserve Amount
Manufacturing	8,066	¥ 1,588
Agriculture	16	12
Mining	7	6
Construction	515	689
Electric power, gas, water supply	11,206	10,285
Information and communication	336	460
Transportation	1,083	3,098
Wholesale and retail	6,239	6,112
Finance and insurance	1,078	1,184
Real estate	7,013	7,891
Services	6,564	7,089
Government	15	34
Individuals	117,410	114,978
Others	293	485
Foreign	10,529	7,310
Non-classified	1,112	856
Total	171,490	¥ 162,083

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	
	FY2021	FY2020
	Amount of write-off	Amount of write-off
Manufacturing	**¥ 37**	¥ 166
Agriculture	**13**	20
Mining	**–**	–
Construction	**112**	79
Electric power, gas, water supply	**–**	–
Information and communication	**4**	2
Transportation	**39**	53
Wholesale and retail	**1,793**	290
Finance and insurance	**–**	–
Real estate	**–**	0
Services	**386**	480
Government	**–**	–
Individuals	**22,004**	28,395
Others	**–**	–
Foreign	**532**	147
Non-classified	**–**	0
Total	**¥ 24,925**	¥ 29,635

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

	Millions of yen			
	2022		2021	
As of March 31	**Rated**	**Unrated**	Rated	Unrated
0%	**¥ 67**	**¥ 8,992**	¥ 70	¥ 8,726
10%	**–**	**–**	–	–
20%	**27,965**	**29**	35,733	29
35%	**–**	**2,389**	–	2,621
50%	**2,245**	**818**	2,262	1,317
75%	**–**	**157,271**	–	167,754
100%	**1,469**	**338,891**	1,786	286,752
150%	**–**	**561**	–	1,489
350%	**–**	**–**	–	–
1,250%	**–**	**–**	–	–
Total	**¥ 31,747**	**¥508,954**	¥ 39,851	¥468,692

(6) SPECIALIZED LENDING EXPOSURE UNDER SLOTTING CRITERIA AND EQUITY EXPOSURE UNDER MARKET-BASED SIMPLIFIED METHOD

Specialized lending excluding high-volatility commercial real estate

	Millions of yen	
As of March 31	**2022**	2021
Risk weight ratio	**Amount of Exposure**	Amount of Exposure
50%	**¥ 170,505**	¥ 161,450
70%	**582,242**	606,577
90%	**193,138**	181,191
115%	**67,617**	76,295
250%	**87,019**	68,615
0% (Default)	**14,829**	12,095
Total	**¥1,115,353**	¥1,106,226

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

Specialized lending for high-volatility commercial real estate

As of March 31	Millions of yen 2022	2021
Risk weight ratio	**Amount of Exposure**	Amount of Exposure
70%	¥ **16,771**	¥ –
95%	**42,884**	33,133
120%	**31,794**	40,833
140%	**44,610**	23,382
250%	**13,736**	32,920
0% (Default)	**11,564**	9,417
Total	¥ **161,361**	¥ 139,687

Equity exposure under Market-Based Simplified Method

As of March 31	Millions of yen 2022	2021
Risk weight ratio	**Amount of Exposure**	Amount of Exposure
300%	¥ **374**	¥ 1,120
400%	**14,890**	17,568
Total	¥ **15,264**	¥ 18,689

(7) PORTFOLIOS UNDER IRB EXCLUDING THE AMOUNT OF EXPOSURES UNDER SA (AFTER CREDIT RISK MITIGATION)

· Estimated average PD, LGD, Risk Weight Ratio and Exposure at Default (EAD) (on-balance and off-balance) for Corporate, Sovereign and Bank exposure

Corporate

Millions of yen (except percentages)

As of March 31	2022					2021				
Credit Rating	**PD**	**LGD**	**Risk Weight**	**EAD (On-balance)**	**EAD (Off-balance)**	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0–4	**0.12%**	**45.02%**	**35.97%**	**¥1,640,049**	**¥ 166,275**	0.13%	44.97%	37.71%	¥1,612,461	¥ 181,746
5–6	**1.59%**	**43.93%**	**94.63%**	**637,631**	**75,777**	1.52%	44.13%	93.12%	621,232	80,651
9A	**9.50%**	**44.04%**	**188.17%**	**76,812**	**4,615**	9.56%	43.83%	189.90%	90,943	7,067
Default	**100.00%**	**45.00%**	**–**	**18,182**	**243**	100.00%	45.00%	–	26,008	443

Note: LGD is shown after credit risk mitigation

Sovereign

Millions of yen (except percentages)

As of March 31	2022					2021				
Credit Rating	**PD**	**LGD**	**Risk Weight**	**EAD (On-balance)**	**EAD (Off-balance)**	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0–4	**0.00%**	**45.00%**	**2.14%**	**¥1,934,570**	**¥ 2,434**	0.00%	45.00%	3.27%	¥2,457,782	¥ 5,274
5–6	**–**	**–**	**–**	**–**	**–**	3.80%	45.00%	121.20%	102	–
9A	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–
Default	**100.00%**	**45.00%**	**–**	**10**	**–**	100.00%	45.00%	–	10	–

Note: LGD is shown after credit risk mitigation

Bank

Millions of yen (except percentages)

As of March 31	2022					2021				
Credit Rating	**PD**	**LGD**	**Risk Weight**	**EAD (On-balance)**	**EAD (Off-balance)**	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0–4	**0.06%**	**45.00%**	**32.73%**	**¥ 233,387**	**¥ 91,241**	0.06%	45.00%	35.11%	¥ 232,082	¥ 81,366
5–6	**1.19%**	**45.00%**	**95.09%**	**32,518**	**277**	1.47%	45.00%	109.15%	35,906	311
9A	**9.50%**	**44.85%**	**198.13%**	**2,958**	**–**	9.56%	44.38%	194.90%	3,128	–
Default	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–

Note: LGD is shown after credit risk mitigation

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

· Estimated average PD, risk weight ratio and amount of exposure for equity exposure under PD/LGD method

Millions of yen (except percentages)

As of March 31	**2022**				2021			
Credit Rating	**PD**	**LGD**	**Risk Weight**	**Amount**	PD	LGD	Risk Weight	Amount
0–4	**0.12%**	**90.00%**	**206.54%**	**¥ 32,836**	0.12%	90.00%	225.75%	¥ 6,459
5–6	**1.55%**	**90.00%**	**354.57%**	**1,095**	0.72%	90.00%	291.13%	1,340
9A	**9.50%**	**90.00%**	**658.42%**	**253**	9.56%	90.00%	752.27%	1,530
Default	**–**	**–**	**–**	**–**	100.00%	90.00%	1,125.00%	0

· Estimated average PD, LGD, risk weight ratio, Exposure at Default (EAD) (on- and off-balance), amount of undrawn commitments and estimated average Credit Conversion Factors (CCF) of undrawn commitments for residential mortgage exposure, qualified revolving retail exposure and other retail exposure

Residential mortgage exposure

Millions of yen (except percentages)

As of March 31	**2022**							2021						
Pool	**PD**	**LGD**	**Risk Weight**	**EAD (On-balance)**	**EAD (Off-balance)**	**Undrawn Amount**	**Commitment CCF**	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF
Normal	**0.24%**	**15.87%**	**7.77%**	**¥ 1,105,264**	**¥ 1,307**	**¥ –**	**–**	0.19%	15.81%	6.49%	¥ 1,127,786	¥ 1,794	¥ –	–
Need caution	**60.48%**	**19.25%**	**80.89%**	**1,847**	**28**	**–**	**–**	61.45%	19.06%	78.50%	2,387	30	–	–
Default	**100.00%**	**27.43%**	**62.78%**	**5,581**	**18**	**–**	**–**	100.00%	27.12%	61.49%	5,640	6	–	–

Note: LGD is shown after credit risk mitigation

Qualified revolving retail exposure

Millions of yen (except percentages)

As of March 31	**2022**							2021						
Pool	**PD**	**LGD**	**Risk Weight**	**EAD (On-balance)**	**EAD (Off-balance)**	**Undrawn Amount**	**Commitment CCF**	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF
Normal	**5.78%**	**72.61%**	**83.59%**	**¥ 481,223**	**¥ 132,558**	**¥ 3,415,279**	**3.88%**	5.73%	73.73%	85.01%	¥ 497,175	¥ 136,621	¥ 3,562,280	3.83%
Need caution	**82.65%**	**76.51%**	**107.67%**	**4,071**	**64**	**4,255**	**1.52%**	81.86%	78.06%	113.06%	3,105	61	3,461	1.77%
Default	**100.00%**	**65.41%**	**4.07%**	**66,883**	**–**	**–**	**–**	100.00%	67.67%	1.21%	62,385	–	–	–

Note: LGD is shown after credit risk mitigation

Other retail exposure

Millions of yen (except percentages)

As of March 31	**2022**							2021						
Pool	**PD**	**LGD**	**Risk Weight**	**EAD (On-balance)**	**EAD (Off-balance)**	**Undrawn Amount**	**Commitment CCF**	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF
Normal	**2.82%**	**66.86%**	**86.71%**	**¥ 809,891**	**¥ 787,544**	**¥ 127,546**	**2.46%**	2.99%	66.49%	87.29%	¥ 734,008	¥ 778,445	¥ 124,342	1.86%
Need caution	**65.33%**	**57.21%**	**114.43%**	**4,120**	**2,288**	**358**	**3.50%**	65.80%	58.28%	117.07%	4,843	2,437	406	2.44%
Default	**100.00%**	**59.78%**	**0.48%**	**60,989**	**480**	**–**	**–**	100.00%	60.48%	0.57%	58,518	349	–	–

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

	FY2021	FY2020	FY2019
Results of actual losses (a)	**7,886**	¥ 3,484	¥ 2,695
Expected losses (b)	**9,235**	9,042	8,563
Differences ((b) - (a))	**1,349**	5,558	5,867

Sovereign

Millions of yen

	FY2021	FY2020	FY2019
Results of actual losses (a)	**–**	¥ –	¥ –
Expected losses (b)	**17**	16	21
Differences ((b) - (a))	**17**	16	21

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

The Group

	Millions of yen		
	FY2021	FY2020	FY2019
Results of actual losses (a)	**—**	¥ —	¥ —
Expected losses (b)	**95**	128	137
Differences ((b) - (a))	**95**	128	137

Residential mortgage exposure

	Millions of yen		
	FY2021	FY2020	FY2019
Results of actual losses (a)	**297**	¥ 474	¥ 264
Expected losses (b)	**682**	785	832
Differences ((b) - (a))	**385**	311	568

Qualified revolving retail exposure

	Millions of yen		
	FY2021	FY2020	FY2019
Results of actual losses (a)	**16,999**	¥ 16,694	¥ 21,825
Expected losses (b)	**28,912**	33,030	37,003
Differences ((b) - (a))	**11,912**	16,336	15,178

Other retail exposure

	Millions of yen		
	FY2021	FY2020	FY2019
Results of actual losses (a)	**7,119**	¥ 7,173	¥ 8,590
Expected losses (b)	**28,875**	28,312	26,851
Differences ((b) - (a))	**21,755**	21,138	18,260

[Analysis]
The actual losses was increased because of default of the large borrower classified as corporate exposure.

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, 2020, 2021 and 2022 for the Group's non-default exposures at the start of the twelve-month period, with expected losses.

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

4. CREDIT RISK MITIGATION (CRM)

(1) COVERED AMOUNT OF CRM BY COLLATERAL

FIRB

	Millions of yen			
	2022		2021	
As of March 31	**Eligible financial collateral**	**Other eligible FIRB collateral**	Eligible financial collateral	Other eligible FIRB collateral
Corporate	**¥ 5,537**	**¥ 207,159**	¥ 1,355	¥ 212,454
Sovereign	**–**	**–**	–	–
Bank	**–**	**85**	–	387
Total	**¥ 5,537**	**¥ 207,244**	¥ 1,355	¥ 212,842

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

IRB

	Millions of yen	
As of March 31	**2022**	2021
Corporate	**¥ 724**	¥ 2,988
Sovereign	**386**	433
Bank	**–**	–
Residential mortgages	**–**	–
Qualified revolving retail	**–**	–
Other retail	**–**	–
Total	**¥ 1,110**	¥ 3,422

5. COUNTERPARTY CREDIT RISK OF DERIVATIVES

	Millions of yen	
As of March 31	**2022**	2021
Total amount of gross positive fair value	**184,312**	¥ 197,911
Amount of gross add-on	**136,322**	134,887
EAD before CRM	**320,634**	332,798
FX-related	**187,358**	168,900
Interest-related	**128,899**	159,050
Equity-related	**–**	–
Commodity-related	**–**	–
Credit derivatives	**4,178**	4,796
Others	**199**	51
Amount of net	**165,596**	173,339
EAD after net	**155,038**	159,458
Amount covered collateral	**–**	–
EAD after CRM	**155,038**	159,458

Note: Current Exposure Method

· Notional amount of credit derivatives which have counterparty risk

	Millions of yen			
As of March 31	**2022**		2021	
Notional amount	**Protection-buy**	**Protection-sell**	Protection-buy	Protection-sell
Single name	**22,500**	**22,500**	¥ 25,000	¥ 25,000
Multi name	**10,000**	**10,000**	10,000	10,000

Not applicable for the following items;

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

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

6. SECURITIZATION

SECURITIZATION EXPOSURE ORIGINATED BY THE GROUP (CREDIT RISK)

Not applicable

SECURITIZATION EXPOSURE IN WHICH THE GROUP INVESTS

(1) Amount of securitization exposure the Group has by type of original asset

Excluding resecuritization exposure

As of March 31	Millions of yen	
	2022	2021
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**17,135**	¥ 14,271
Consumer loans	**–**	–
Commercial real estate loans	**122,566**	117,123
Corporate loans	**74,372**	62,974
Others	**51,950**	56,128
Total	**266,024**	¥ 250,497

※There is no resecutization exposure.

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

Excluding resecuritization exposure

As of March 31	Millions of yen			
	2022		2021	
Band of risk weight ratio	**Amount**	**Required capital amount**	Amount	Required capital amount
To 20%	**59,618**	**907**	¥ 73,399	¥ 1,119
Over 20% to 50%	**28,430**	**810**	6,223	189
Over 50% to 100%	**95,855**	**5,351**	69,453	3,725
Over 100% to 400%	**31,652**	**5,756**	63,473	14,424
Over 400% to 625%	**50,468**	**25,173**	37,948	18,772
Over 625% to 1,250%	**–**	**–**	–	–
Total	**266,024**	**37,999**	¥ 250,497	¥ 38,231

※There is no resecutization exposure.

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

As of March 31	Millions of yen	
	2022	2021
Type of original assets	**Amount**	Amount
Residential mortgages	**–**	¥ –
Consumer loans	**–**	–
Commercial real estate loans	**–**	–
Corporate loans	**–**	–
Others	**–**	–
Total	**–**	¥ –

Not applicable for the following items;

・**Credit risk mitigation for resecuritization exposure**

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

SECURITIZATION EXPOSURE IN WHICH THE GROUP INVESTS (MARKET RISK)

(1) Amount of securitization exposure the Group has by type of original asset
Excluding resecuritization exposure

	Millions of yen	
As of March 31	**2022**	2021
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**65**	¥ 74
Consumer loans	**–**	–
Commercial real estate loans	**–**	–
Corporate loans	**–**	–
Others	**–**	–
Total	**65**	¥ 74

※There is no resecutization exposure.

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

	Millions of yen			
As of March 31	**2022**		2021	
Band of risk weight ratio	**Amount**	**Required capital amount**	Amount	Required capital amount
To 1.6%	**65**	**1**	¥ 74	¥ 1
Over 1.6% to 4%	**–**	**–**	–	–
Over 4% to 8%	**–**	**–**	–	–
Over 8% to 32%	**–**	**–**	–	–
Over 32% to 50%	**–**	**–**	–	–
Over 50% under 100%	**–**	**–**	–	–
Total	**65**	**1**	¥ 74	¥ 1

※There is no resecutization exposure.

Not applicable for the following items;

- **Amount of securitization exposure targeted for comprehensive risk**
- **Amount of securitization exposure applied Risk weight 1,250% under the Accord Article 302-2.2**

7. MARKET RISK (UNDER INTERNAL MODEL APPROACH)

(1) VAR AT THE END OF MARCH 2022 AND MARCH 2021 AND THE HIGH, MEAN AND LOW VAR

	Millions of yen	
As of March 31	**2022**	2021
VaR at term end	**313**	¥ 1,132
VaR through this term		
High	**611**	2,802
Mean	**356**	1,810
Low	**235**	1,132

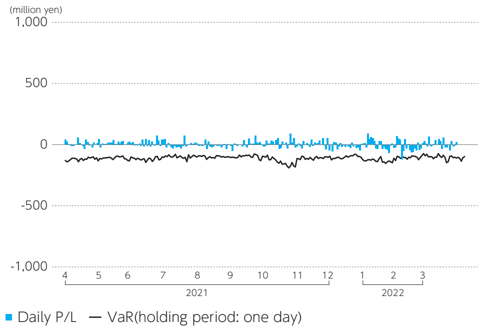
(2) STRESSED VAR AT THE END OF MARCH 2022 AND MARCH 2021 AND THE HIGH, MEAN AND LOW VAR

	Millions of yen	
As of March 31	**2022**	2021
VaR at term end	**1,190**	¥ 2,412
VaR through this term		
High	**2,304**	4,346
Mean	**1,611**	3,173
Low	**1,046**	2,412

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

(3) RESULT OF BACK TESTING

2021/4～2022/3

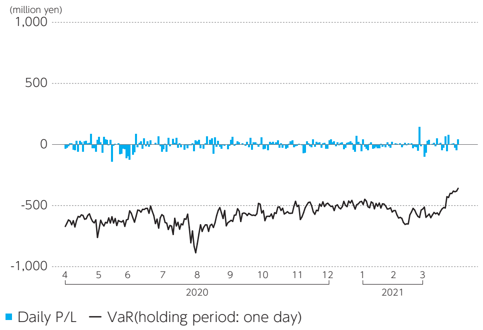


Hypothetical loss exceeded VaR once in the last fiscal year.
The details of the excess incident :
Date : February 8, 2022
Amount in excess : JPY 19 million
Main cause of the excess : fluctuation of interest rates

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

2020/4～2021/3



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**

8. EQUITY EXPOSURE IN BOOK

(1) BOOK VALUE AND FAIR VALUE

As of March 31	Millions of yen **2022**	 2021
Market-based approach		
Listed equity exposure	**¥ 374**	¥ 1,120
Unlisted equity exposure	**14,890**	17,568
PD/LGD method		
Listed equity exposure	**31,544**	3,217
Unlisted equity exposure	**2,641**	6,112

(2) GAIN OR LOSS ON SALE OR IMPAIRMENT OF EQUITY EXPOSURE

	Millions of yen **FY2021**	 FY2020
Gain (loss) on sale	**¥ 4,891**	¥ 1,972
Loss of impairment	**1,912**	2,022

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

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

Millions of yen

As of March 31	**2022**	2021
Unrealized gain (loss)	**¥ (4,704)**	¥ 6,849

(4) AMOUNT FOR EACH PORTFOLIO CLASSIFICATION OF EQUITY EXPOSURE

Millions of yen

As of March 31	**2022**	2021
Market-based approach	**¥ 15,264**	¥ 18,689
PD/LGD Method	**34,185**	9,330
RW100% Applied	**51**	51
RW250% Applied	**6,910**	6,291

Not applicable for the following items;

· UNREALIZED GAIN OR LOSS WHICH IS NOT RECOGNIZED BOTH ON BALANCE SHEET AND ON STATEMENT OF INCOME

9. EXPOSURE RELATING TO INVESTMENT FUNDS

Millions of yen

As of March 31	**2022**	2021
Look-through approach	**¥ 40,626**	¥ 33,198
Mandate-based approach	**1,782**	1,411
Probability-based approach (250%)	**-**	–
Probability-based approach (400%)	**2,346**	795
Fall-back approach	**0**	198
Total	**¥ 44,756**	¥ 35,604

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 not more 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 not more than 400%.
5. "Fall-back approach" is required to apply if above approaches are not feasible.

10. INTEREST RATE RISK

Decrease in economic values from interest-rate shock

As of March 31

Millions of yen

IRRBB1：Interest rate risk

No		A	B	C	D
		⊿EVE		⊿NII	
		2022	2021	2022	2021
1	Parallel shock up	57,937	59,633	10,734	16,832
2	Parallel shock down	2,174	7,450	7,271	4,594
3	Steepener shock	46,043	39,573		
4	Flattener shock	–	–		
5	Short rate up shock	–	–		
6	Short rate down shock	–	–		
7	Max	57,937	59,633	10,734	16,832
		E		F	
		2022		2021	
8	Core capital	851,318		833,903	

COMPOSITION OF CAPITAL DISCLOSURE (NONCONSOLIDATED)

Shinsei Bank

Millions of yen (except percentages)

As of March 31 Items	**March 31, 2022 Basel III (Domestic Standard)**	March 31, 2021 Basel III (Domestic Standard)
Core capital: instruments and reserves (1)		
Directly issued qualifying common share capital or preferred share capital with a compulsory conversion clause plus related capital surplus and retained earnings	**¥ 889,536**	¥ 878,310
of which: capital and capital surplus	**591,670**	591,670
of which: retained earnings	**398,941**	370,688
of which: treasury stock (–)	**(98,612)**	81,464
of which: earning to be distributed (–)	**(2,462)**	2,583
of which: other than above	**–**	–
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	**–**	101
Total of reserves included in Core capital: instruments and reserves	**8**	15
of which: general reserve for loan losses included in Core capital	**8**	15
of which: eligible provision included in Core capital	**–**	–
Eligible noncumulative perpetual preferred shares subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	**–**	–
Eligible capital instruments subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	**–**	–
Capital instruments issued through measures for capital enhancement by public institutions (amount allowed to be included in Core capital: instruments and reserves)	**–**	–
Land revaluation excess after 55% discount (amount allowed to be included in Core capital: instruments and reserves)	**–**	–
Core capital: instruments and reserves (A)	**¥ 889,545**	¥ 878,428
Core capital: regulatory adjustments (2)		
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	**¥ 16,063**	¥ 17,026
of which: goodwill (including those equivalent)	**256**	372
of which: other intangibles other than goodwill and mortgage servicing rights	**15,807**	16,654
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	**1,195**	2,601
Shortfall of eligible provisions to expected losses	**9,943**	17,406
Gain on sale of securitization	**–**	–
Gains and losses due to changes in own credit risk on fair valued liabilities	**–**	–
Prepaid pension cost	**6,379**	5,592
Investments in own shares (excluding those reported in the net assets section)	**–**	–
Reciprocal cross-holdings in common equity	**–**	–
Investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation ("Other Financial Institutions"), net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above the 10% threshold)	**–**	–
Amount exceeding the 10% threshold on specific items	**–**	–
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	**–**	–
of which: mortgage servicing rights	**–**	–
of which: deferred tax assets arising from temporary differences (net of related tax liability)	**–**	–
Amount exceeding the 15% threshold on specific items	**–**	–
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	**–**	–
of which: mortgage servicing rights	**–**	–
of which: deferred tax assets arising from temporary differences (net of related tax liability)	**–**	–
Core capital: regulatory adjustments (B)	**¥ 33,582**	¥ 42,625
Capital (nonconsolidated)		
Capital (nonconsolidated)((A)–(B))(C)	**¥ 855,963**	¥ 835,802
Risk-weighted assets, etc.		
Total amount of credit risk-weighted assets	**¥ 5,928,495**	¥ 5,932,880
of which: total amount included in risk-weighted assets by transitional arrangements	**–**	–
of which: significant investments in the common stock of Other Financial Institutions (net of eligible short positions)	**–**	–
of which: other than above	**–**	–
Market risk (derived by multiplying the capital requirement by 12.5)	**72,865**	175,214
Operational risk (derived by multiplying the capital requirement by 12.5)	**203,272**	191,455
Credit risk-weighted assets adjustments	**–**	–
Operational risk adjustments	**–**	–
Total amount of Risk-weighted assets (D)	**¥ 6,204,633**	¥ 6,299,550
Capital ratio (nonconsolidated)		
Capital ratio (nonconsolidated)((C)/(D))	**13.79%**	13.26%

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED)

1. CAPITAL ADEQUACY

(1) AMOUNT OF REQUIRED CAPITAL FOR CREDIT RISK

Portfolios under the Standardized Approach (SA)

	Millions of yen	
	2022	2021
As of March 31	**Required capital amount**	Required capital amount
Shinsei Bank	**¥ 289**	¥ 313

Portfolios under the Internal Ratings-Based Approach (IRB)

	Millions of yen	
	2022	2021
As of March 31	**Required capital amount**	Required capital amount
Corporate (Excluding Specialized Lending)[1]	**¥ 143,513**	¥ 143,683
Specialized Lending[2]	**121,893**	115,731
Sovereign	**3,543**	6,881
Bank	**10,780**	12,309
Residential mortgages	**9,814**	8,604
Qualified revolving retails	**27,645**	32,123
Other retails	**318**	251
Equity	**124,377**	119,128
Fund	**15,071**	12,206
Securitization	**39,266**	39,643
Purchase receivables	**15,386**	20,632
Other assets	**1,108**	1,179
CVA risk	**10,811**	12,928
CCP risk	**117**	100
Total	**¥ 523,649**	¥ 525,403

Note: 1."Corporate" includes "Small and Medium-sized Entities."
2."Specialized Lending" refers to a claim whose source of recovery is solely dependent on the cash flow generated from a transaction such as a real estate nonrecourse loan.

(2) AMOUNT OF REQUIRED CAPITAL FOR EQUITY EXPOSURE UNDER IRB

	Millions of yen	
	2022	2021
As of March 31	**Required capital amount**	Required capital amount
Market-Based Approach Simplified Method	**¥ 18,000**	¥ 11,245
PD/LGD Method	**105,155**	106,661
RW100% Applied	**4**	4
RW250% Applied	**1,217**	1,217
Total	**¥ 124,377**	¥ 119,128

(3) EXPOSURE RELATING TO INVESTMENT FUNDS

	Millions of yen	
	2022	2021
As of March 31	**Required capital amount**	Required capital amount
Look-through approach	**¥ 13,518**	¥ 11,615
Mandated-based approach	**604**	552
Probability-based approach[250%]	**–**	–
Probability-based approach[400%]	**947**	37
Fall-back approach[1,250%]	**0**	0
Total	**¥ 15,071**	¥ 12,206

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

(4) AMOUNT OF REQUIRED CAPITAL FOR MARKET RISK

	Millions of yen	
	2022	2021
As of March 31	**Required capital amount**	Required capital amount
The Standardized Approach	**¥ 402**	¥ 338
Interest rate risk	**–**	–
Equity position risk	**–**	–
FX risk	**402**	338
Securitization risk	**–**	–
The Internal Models Approach (IMA) (General Market Risk)	**¥ 5,427**	¥ 13,678

(5) AMOUNT OF REQUIRED CAPITAL FOR OPERATIONAL RISK

	Millions of yen	
	2022	2021
As of March 31	**Required capital amount**	Required capital amount
The Standardized Approach	**¥ 16,261**	¥ 15,316

(6) TOTAL REQUIRED CAPITAL (DOMESTIC STANDARD)

	Millions of yen	
As of March 31	**2022**	2021
Total Required Capital (Risk-weighted Assets x 4%)	**¥ 248,185**	¥ 251,982

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							
	2022				2021			
	Amount of Credit Risk Exposure				Amount of Credit Risk Exposure			
As of March 31	**Total**	**Loans, etc.[1]**	**Securities[2]**	**Derivatives[3]**	Total	Loans, etc.[1]	Securities[2]	Derivatives[3]
Manufacturing	**248,487**	**231,683**	**–**	**16,803**	¥ 271,568	¥ 249,078	¥ –	¥ 22,489
Agriculture	**–**	**–**	**–**	**–**	73	73	–	–
Mining	**453**	**452**	**–**	**0**	450	448	–	1
Construction	**34,634**	**34,634**	**–**	**–**	31,928	31,728	200	–
Electric power, gas, water supply	**501,042**	**474,370**	**–**	**26,671**	476,982	447,641	–	29,340
Information and communication	**36,050**	**36,050**	**–**	**–**	32,147	32,146	–	0
Transportation	**147,864**	**147,721**	**–**	**142**	130,778	130,690	–	87
Wholesale and retail	**102,064**	**93,411**	**100**	**8,552**	109,997	97,333	100	12,564
Finance and insurance	**2,824,791**	**2,566,428**	**231,199**	**27,163**	2,964,616	2,697,081	241,692	25,842
Real estate	**810,051**	**710,287**	**98,995**	**768**	825,618	717,850	106,354	1,413
Services	**497,482**	**496,327**	**500**	**655**	454,123	452,621	850	651
Government	**265,972**	**51,148**	**214,823**	**–**	414,454	64,589	349,865	–
Individuals	**1,330,686**	**1,330,686**	**–**	**–**	1,370,029	1,370,029	–	–
Others	**4,937**	**4,937**	**–**	**–**	5,430	5,430	–	–
Domestic Total	**6,804,519**	**6,178,141**	**545,618**	**80,759**	7,088,199	6,296,745	699,062	92,390
Foreign	**1,124,013**	**949,945**	**103,591**	**70,476**	1,185,846	880,754	239,002	66,089
Total	**7,928,532**	**7,128,087**	**649,210**	**151,235**	¥ 8,274,045	¥ 7,177,500	¥ 938,064	¥ 158,480
To 1 year	**1,804,948**	**1,738,205**	**42,560**	**24,183**	1,761,013	1,590,621	149,507	20,884
1 to 3 years	**1,208,639**	**1,040,683**	**131,119**	**36,836**	1,103,902	955,087	121,210	27,603
3 to 5 years	**1,080,275**	**848,701**	**213,512**	**18,061**	1,121,716	843,756	254,461	23,499
Over 5 years	**2,198,177**	**1,864,005**	**262,018**	**72,153**	2,407,205	1,907,826	412,885	86,492
Undated	**1,636,491**	**1,636,491**	**–**	**–**	1,880,207	1,880,207	–	–
Total	**7,928,532**	**7,128,087**	**649,210**	**151,235**	¥ 8,274,045	¥ 7,177,500	¥ 938,064	¥ 158,480

Note:1 Excluding purchased receivables.
2 Excluding equity exposures.
3 Credit equivalent amount basis.

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

(2) AMOUNT OF DEFAULT EXPOSURE BEFORE PARTIAL WRITE-OFF

Geographic, Industries

	Millions of yen	
	2022	2021
As of March 31	**Default Exposure**	Default Exposure
Manufacturing	**¥ 16**	¥ 33
Agriculture	**–**	–
Mining	**–**	–
Construction	**168**	172
Electric power, gas, water supply	**9,411**	9,884
Information and communication	**104**	118
Transportation	**–**	35
Wholesale and retail	**1,528**	3,528
Finance and insurance	**–**	–
Real estate	**14,176**	10,417
Services	**3,273**	5,681
Government	**–**	–
Individuals	**5,594**	5,621
Others	**0**	–
Domestic Total	**34,273**	35,494
Foreign	**5,081**	2,499
Total	**¥ 39,355**	¥ 37,993

Note: Excluding purchased receivables.

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

	Millions of yen					
	2022			2021		
As of March 31	**Start Amount**	**Change Amount**	**End Amount**	Start Amount	Change Amount	End Amount
General	**¥ 21,284**	**¥ 1,026**	**¥ 22,310**	¥ 23,494	¥ (2,210)	¥ 21,284
Specific	**19,812**	**5,900**	**25,713**	12,634	7,178	19,812
Country	**–**	**–**	**–**	–	–	–
Total	**¥ 41,096**	**¥ 6,926**	**¥ 48,023**	¥ 36,129	¥ 4,967	¥ 41,096

Geographic

	Millions of yen							
	2022				2021			
As of March 31	**Total**	**General**	**Specific**	**Country**	Total	General	Specific	Country
Domestic	**¥ 40,049**	**¥ 16,179**	**¥ 23,870**	**–**	¥ 35,687	¥ 16,343	¥ 19,344	¥ –
Foreign	**7,973**	**6,131**	**1,842**	**–**	5,409	4,941	468	–
Total	**¥ 48,023**	**¥ 22,310**	**¥ 25,713**	**–**	¥ 41,096	¥ 21,284	¥ 19,812	¥ –

Industries

	Millions of yen	
	2022	2021
As of March 31	**Reserve Amount**	Reserve Amount
Manufacturing	**¥ 7,601**	¥ 1,076
Agriculture	**–**	0
Mining	**4**	3
Construction	**189**	192
Electric power, gas, water supply	**11,174**	10,240
Information and communication	**291**	396
Transportation	**925**	2,689
Wholesale and retail	**3,283**	2,973
Finance and insurance	**2,133**	2,042
Real estate	**6,923**	7,781
Services	**4,877**	5,455
Government	**–**	–
Individuals	**2,643**	2,832
Others	**0**	0
Foreign	**7,973**	5,409
Non-classified	**–**	–
Total	**¥ 48,023**	¥ 41,096

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	
	FY2021	FY2020
	Amount of write-off	Amount of write-off
Manufacturing	**¥ –**	¥ 95
Agriculture	**–**	–
Mining	**–**	–
Construction	**–**	0
Electric power, gas, water supply	**–**	–
Information and communication	**–**	–
Transportation	**–**	44
Wholesale and retail	**1,699**	183
Finance and insurance	**–**	–
Real estate	**–**	–
Services	**72**	310
Government	**–**	–
Individuals	**99**	78
Others	**–**	–
Foreign	**–**	–
Non-classified	**–**	–
Total	**¥ 1,871**	¥ 712

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

	Millions of yen			
	2022		2021	
As of March 31	**Rated**	**Unrated**	Rated	Unrated
0%	**¥ –**	**¥ –**	¥ –	¥ –
10%	**–**	**–**	–	–
20%	**–**	**–**	–	–
35%	**–**	**2,389**	–	2,621
50%	**–**	**–**	–	–
75%	**–**	**3,701**	–	3,897
100%	**–**	**9**	–	75
150%	**–**	**–**	–	–
350%	**–**	**–**	–	–
1,250%	**–**	**–**	–	–
Total	**¥ –**	**¥ 6,099**	¥ –	¥ 6,594

(6) SPECIALIZED LENDING EXPOSURE UNDER SLOTTING CRITERIA AND EQUITY EXPOSURE UNDER MARKET-BASED SIMPLIFIED METHOD

Specialized lending excluding high-volatility commercial real estate

	Millions of yen	
As of March 31	**2022**	2021
Risk weight ratio	**Amount of Exposure**	Amount of Exposure
50%	**¥ 170,505**	¥ 161,450
70%	**582,242**	606,577
90%	**193,138**	181,191
115%	**67,617**	76,295
250%	**74,350**	54,567
0% (Default)	**13,801**	9,585
Total	**¥1,101,655**	¥1,089,668

Specialized lending for high-volatility commercial real estate

	Millions of yen	
As of March 31	**2022**	2021
Risk weight ratio	**Amount of Exposure**	Amount of Exposure
70%	**¥ 16,771**	¥ –
95%	**42,884**	33,133
120%	**31,794**	40,833
140%	**44,610**	23,382
250%	**13,736**	32,920
0% (Default)	**11,564**	9,417
Total	**¥ 161,361**	¥ 139,687

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

Equity exposure under Market-Based Simplified Method

As of March 31	Millions of yen 2022	2021
Risk weight ratio	**Amount of Exposure**	Amount of Exposure
300%	**¥ 184**	¥ 226
400%	**52,927**	32,983
Total	**¥ 53,112**	¥ 33,209

(7) PORTFOLIOS UNDER IRB EXCLUDING THE AMOUNT OF EXPOSURES UNDER SA (AFTER CREDIT RISK MITIGATION)

· Estimated average PD, LGD, Risk Weight Ratio and Exposure at Default (EAD) (on-balance and off-balance) for Corporate, Sovereign and Bank exposure

Corporate

Millions of yen (except percentages)

As of March 31	2022					2021				
Credit Rating	**PD**	**LGD**	**Risk Weight**	**EAD (On-balance)**	**EAD (Off-balance)**	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0–4	**0.13%**	**45.01%**	**36.00%**	**¥2,189,719**	**¥ 243,220**	0.14%	44.97%	37.39%	¥1,998,185	¥ 244,474
5–6	**1.49%**	**43.83%**	**93.30%**	**581,723**	**75,018**	1.42%	44.07%	91.83%	574,803	81,285
9A	**9.50%**	**43.05%**	**178.21%**	**35,453**	**4,594**	9.56%	42.82%	180.20%	45,638	7,067
Default	**100.00%**	**45.00%**	**–**	**8,149**	**243**	100.00%	45.00%	–	12,253	419

Note: LGD is shown after credit risk mitigation

Sovereign

Millions of yen (except percentages)

As of March 31	2022					2021				
Credit Rating	**PD**	**LGD**	**Risk Weight**	**EAD (On-balance)**	**EAD (Off-balance)**	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0–4	**0.00%**	**45.00%**	**2.15%**	**¥1,917,481**	**¥ 2,434**	0.00%	45.00%	3.29%	¥2,435,082	¥ 5,274
5–6	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–
9A	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–
Default	**100.00%**	**45.00%**	**–**	**10**	**–**	100.00%	45.00%	–	10	–

Note: LGD is shown after credit risk mitigation

Bank

Millions of yen (except percentages)

As of March 31	2022					2021				
Credit Rating	**PD**	**LGD**	**Risk Weight**	**EAD (On-balance)**	**EAD (Off-balance)**	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0–4	**0.07%**	**45.00%**	**36.71%**	**¥ 151,235**	**¥ 98,306**	0.06%	45.00%	40.39%	¥ 150,763	¥ 86,218
5–6	**1.19%**	**45.00%**	**94.87%**	**33,030**	**277**	1.46%	45.00%	108.23%	37,097	311
9A	**9.50%**	**43.83%**	**178.21%**	**367**	**–**	9.56%	41.85%	177.45%	615	–
Default	**–**	**–**	**–**	**–**	**–**	100.00%	45.00%	–	719	–

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

Millions of yen (except percentages)

As of March 31	2022				2021			
Credit Rating	**PD**	**LGD**	**Risk Weight**	**Amount**	PD	LGD	Risk Weight	Amount
0–4	**0.14%**	**90.00%**	**292.61%**	**¥ 410,750**	0.15%	90.00%	298.96%	¥ 406,704
5–6	**1.17%**	**90.00%**	**327.03%**	**11,500**	1.12%	90.00%	323.72%	11,247
9A	**9.50%**	**90.00%**	**614.83%**	**81**	9.56%	90.00%	765.79%	635
Default	**–**	**–**	**–**	**–**	100.00%	90.00%	1,125.00%	56

· Estimated average PD, LGD, risk weight ratio, Exposure at Default (EAD) (on- and off-balance), amount of undrawn commitments and estimated average Credit Conversion Factors (CCF) of undrawn commitments for residential mortgage exposure, qualified revolving retail exposure and other retail exposure

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

Residential mortgage exposure

Millions of yen (except percentages)

As of March 31	**2022**							2021						
Pool	**PD**	**LGD**	**Risk Weight**	**EAD (On-balance)**	**EAD (Off-balance)**	**Undrawn Amount**	**Commitment CCF**	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF
Normal	**0.24%**	**15.84%**	**7.68%**	**¥ 1,105,262**	**¥ –**	**¥ –**	**–**	0.19%	15.68%	6.30%	¥ 1,126,592	¥ –	¥ –	–
Need caution	**60.23%**	**18.85%**	**80.28%**	**1,846**	**–**	**–**	**–**	61.23%	18.68%	77.97%	2,386	–	–	–
Default	**100.00%**	**27.18%**	**63.73%**	**5,516**	**–**	**–**	**–**	100.00%	26.71%	62.36%	5,548	–	–	–

Note: LGD is shown after credit risk mitigation

Qualified revolving retail exposure

Millions of yen (except percentages)

As of March 31	**2022**							2021						
Pool	**PD**	**LGD**	**Risk Weight**	**EAD (On-balance)**	**EAD (Off-balance)**	**Undrawn Amount**	**Commitment CCF**	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF
Normal	**6.76%**	**75.60%**	**99.01%**	**¥ 184,799**	**¥ 16,380**	**¥ 380,787**	**4.30%**	7.05%	78.00%	104.34%	¥ 205,957	¥ 14,407	¥ 410,494	3.50%
Need caution	**83.69%**	**75.60%**	**105.69%**	**546**	**18**	**581**	**3.23%**	84.65%	78.00%	103.71%	581	18	613	3.03%
Default	**100.00%**	**75.60%**	**–**	**69**	**–**	**–**	**–**	100.00%	78.00%	–	73	–	–	–

Note: LGD is shown after credit risk mitigation

Other retail exposure

Millions of yen (except percentages)

As of March 31	**2022**							2021						
Pool	**PD**	**LGD**	**Risk Weight**	**EAD (On-balance)**	**EAD (Off-balance)**	**Undrawn Amount**	**Commitment CCF**	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF
Normal	**3.41%**	**76.61%**	**69.10%**	**¥ 3,605**	**¥ 102**	**¥ 3,591**	**2.86%**	4.47%	82.75%	84.98%	¥ 2,257	¥ 49	¥ 2,392	2.08%
Need caution	**–**	**–**	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–	–	–
Default	**100.00%**	**106.10%**	**–**	**0**	**–**	**–**	**–**	100.00%	107.70%	–	0	–	–	–

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

	FY2021	FY2020	FY2019
Results of actual losses (a)	**7,531**	¥ 2,813	¥ 1,655
Expected losses (b)	**7,407**	7,160	6,160
Differences ((b) - (a))	**-124**	4,347	4,505

Sovereign

Millions of yen

	FY2021	FY2020	FY2019
Results of actual losses (a)	**-**	¥ –	¥ –
Expected losses (b)	**15**	14	20
Differences ((b) - (a))	**15**	14	20

Bank

Millions of yen

	FY2021	FY2020	FY2019
Results of actual losses (a)	**-**	¥ –	¥ –
Expected losses (b)	**138**	269	276
Differences ((b) - (a))	**138**	269	276

Residential mortgage exposure

Millions of yen

	FY2021	FY2020	FY2019
Results of actual losses (a)	**291**	¥ 452	¥ 260
Expected losses (b)	**651**	735	762
Differences ((b) - (a))	**360**	282	501

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

Qualified revolving retail exposure

	Millions of yen		
	FY2021	FY2020	FY2019
Results of actual losses (a)	**6,592**	¥ 7,915	¥ 11,514
Expected losses (b)	**11,868**	15,606	17,777
Differences ((b) - (a))	**5,275**	7,690	6,262

[Analysis]
The actual losses was increased because of default of the large borrower classified as corporate exposure.

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, 2020, 2021 and 2022 for the Bank's non-default exposures at the start of the twelve-month period, with expected losses.

3. CREDIT RISK MITIGATION (CRM)

(1) COVERED AMOUNT OF CRM BY COLLATERAL

FIRB

	Millions of yen			
	2022		2021	
As of March 31	**Eligible financial collateral**	**Other eligible FIRB collateral**	Eligible financial collateral	Other eligible FIRB collateral
Corporate	**¥ 5,537**	**¥ 208,059**	¥ 1,355	¥ 213,827
Sovereign	**–**	**–**	–	–
Bank	**–**	**85**	–	387
Total	**¥ 5,537**	**¥ 208,144**	¥ 1,355	¥ 214,214

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

IRB

	Millions of yen	
As of March 31	**2022**	2021
Corporate	**¥ 724**	¥ 2,988
Sovereign	**386**	433
Bank	**–**	–
Residential mortgages	**–**	–
Qualified revolving retail	**–**	–
Other retail	**–**	–
Total	**¥ 1,110**	¥ 3,422

4. COUNTERPARTY CREDIT RISK OF DERIVATIVES

	Millions of yen	
As of March 31	**2022**	2021
Total amount of gross positive fair value	**181,229**	¥ 197,643
Amount of gross add-on	**135,856**	134,987
EAD before CRM	**317,086**	332,631
FX-related	**187,359**	169,605
Interest-related	**125,657**	158,480
Equity-related	**-**	–
Commodity-related	**-**	–
Credit derivatives	**3,869**	4,493
Others	**199**	51
Amount of net	**165,850**	174,150
EAD after net	**151,235**	158,480
Amount covered collateral	**-**	–
EAD after CRM	**151,235**	158,480

Note: Current Exposure Method

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

・Notional amount of credit derivatives which have counterparty risk

As of March 31	2022		2021	
	Millions of yen			
Notional amount	**Protection-buy**	**Protection-sell**	Protection-buy	Protection-sell
Single name	**22,500**	**22,500**	¥ 25,000	¥ 25,000
Multi name	**10,000**	**10,000**	10,000	10,000

Not applicable for the following items;

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

5. SECURITIZATION

SECURITIZATION EXPOSURE ORIGINATED BY THE BANK (CREDIT RISK)

Not applicable

SECURITIZATION EXPOSURE IN WHICH THE BANK INVESTS

(1) Amount of securitization exposure the Bank has by type of original asset

Excluding resecuritization exposure

As of March 31	2022	2021
	Millions of yen	
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**17,135**	¥ 14,271
Consumer loans	**–**	–
Commercial real estate loans	**122,566**	117,123
Corporate loans	**74,372**	62,974
Others	**86,370**	99,147
Total	**300,444**	¥ 293,517

※There is no resecuritization exposure.

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

Excluding resecuritization exposure

As of March 31	2022		2021	
	Millions of yen			
Band of risk weight ratio	**Amount**	**Required capital amount**	Amount	Required capital amount
To 20%	**64,038**	**975**	¥ 86,418	¥ 1,326
Over 20% to 50%	**58,430**	**2,010**	10,763	370
Over 50% to 100%	**95,855**	**5,351**	94,913	4,749
Over 100% to 400%	**31,652**	**5,756**	63,473	14,424
Over 400% to 625%	**50,468**	**25,173**	37,948	18,772
Over 625% under 1,250%	**–**	**–**	–	–
Total	**300,444**	**39,266**	¥ 293,517	¥ 39,643

※There is no resecuritization exposure.

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

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

	Millions of yen	
As of March 31	**2022**	2021
Type of original assets	**Amount**	Amount
Residential mortgages	**—**	¥ —
Consumer loans	**—**	—
Commercial real estate loans	**—**	—
Corporate loans	**—**	—
Others	**—**	—
Total	**—**	¥ —

Not applicable for the following items;

· Credit risk mitigation for resecuritization exposure

6. MARKET RISK (UNDER INTERNAL MODEL APPROACH)

(1) VAR AT THE END OF MARCH 2022 AND MARCH 2021 AND THE HIGH, MEAN AND LOW VAR

	Millions of yen	
As of March 31	**2022**	2021
VaR at term end	**310**	¥ 1,106
VaR through this term		
High	**589**	2,751
Mean	**334**	1,763
Low	**204**	1,106

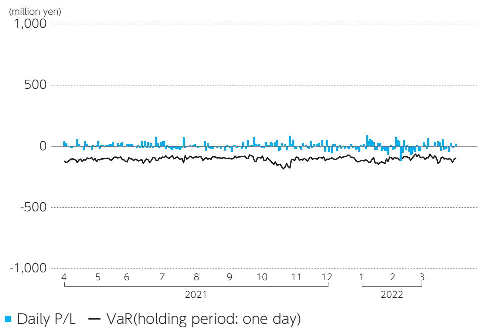
(2) STRESSED VAR AT THE END OF MARCH 2022 AND MARCH 2021 AND THE HIGH, MEAN AND LOW VAR

	Millions of yen	
As of March 31	**2022**	2021
VaR at term end	**1,181**	¥ 2,335
VaR through this term		
High	**2,235**	4,259
Mean	**1,542**	3,086
Low	**979**	2,335

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

(3) RESULT OF BACK TESTING

2021/4～2022/3



Hypothetical loss exceeded VaR once in the last fiscal year.

The details of the excess incident :

Date : February 8, 2022

Amount in excess : JPY 23 million

Main cause of the excess : fluctuation of interest rates

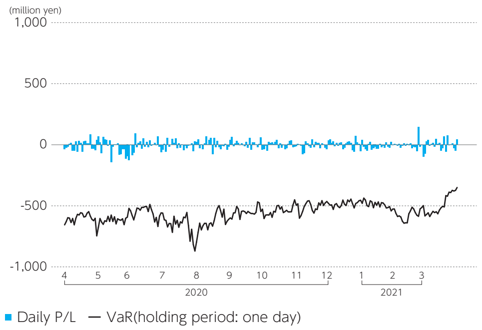
Backtesting on the VaR Model Applied to the Trading Account

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

2020/4～2021/3



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**

7. EQUITY EXPOSURE IN BOOK

(1) BOOK VALUE AND FAIR VALUE

	Millions of yen	
As of March 31	**2022**	2021
Market-based approach		
Listed equity exposure	**¥ 184**	¥ 226
Unlisted equity exposure	**52,927**	32,983
PD/LGD method		
Listed equity exposure	**31,106**	2,570
Unlisted equity exposure	**391,225**	416,074

(2) GAIN OR LOSS ON SALE OR IMPAIRMENT OF EQUITY EXPOSURE

	Millions of yen	
	FY2021	FY2020
Gain (loss) on sale	**¥ 3,844**	¥ 936
Loss of impairment	**1,001**	208

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

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

	Millions of yen	
As of March 31	**2022**	2021
Unrealized gain (loss)	**¥ (6,140)**	¥ 4,213

(4) AMOUNT FOR EACH PORTFOLIO CLASSIFICATION OF EQUITY EXPOSURE

	Millions of yen	
As of March 31	**2022**	2021
Market-based approach	**¥ 53,112**	¥ 33,209
PD/LGD Method	**422,332**	418,644
RW100% Applied	**51**	51
RW250% Applied	**5,744**	5,744

Not applicable for the following items;

· UNREALIZED GAIN OR LOSS WHICH IS NOT RECOGNIZED BOTH ON BALANCE SHEET AND ON STATEMENT OF INCOME

8. EXPOSURE RELATING TO INVESTMENT FUNDS

	Millions of yen	
As of March 31	**2022**	2021
Look-through approach	**¥ 47,037**	¥ 39,088
Mandate-based approach	**1,782**	1,411
Probability-based approach (250%)	**-**	–
Probability-based approach (400%)	**2,794**	110
Fall-back approach	**0**	–
Total	**¥ 51,615**	¥ 40,611

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 not more 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 not more than 400%.
5. "Fall-back approach" is required to apply if above approaches are not feasible.

9. INTEREST RATE RISK

Decrease in economic values from interest-rate shock

As of March 21

Millions of yen

IRRBB1 : Interest rate risk					
No		A	B	C	D
		⊿EVE		⊿NII	
		2022	2021	2022	2021
1	Parallel shock up	25,212	28,000	4,100	11,436
2	Parallel shock down	14,772	37,142	9,418	7,074
3	Steepener shock	36,568	29,415		
4	Flattener shock	–	–		
5	Short rate up shock	–	–		
6	Short rate down shock	–	–		
7	Max	36,568	37,142	9,418	11,436
		E		F	
		2022		2021	
8	Core capital	855,963		835,802	

DISCLOSURE ITEMS CONCERNING REMUNERATION, ETC.

1. ORGANIZATIONAL STRUCTURE REGARDING REMUNERATION, ETC. FOR APPLICABLE OFFICERS AND EMPLOYEES OF SHINSEI BANK (GROUP)

(1) Scope of "Applicable Officers and Employees"
The scope of "Applicable Officers" and "Applicable Employees, etc." (collectively, "Applicable Officers and Employees") prescribed in the announcement on remuneration subject to disclosure is as shown below.

1) "Applicable Officers"
Applicable Officers refer to the Directors and Audit & Supervisory Board Members of Shinsei Bank, excluding outside Directors and outside Audit & Supervisory Board Members.

2) "Applicable Employees, etc."
At Shinsei Bank, "Applicable Employees, etc." who are subject to disclosure refer to the "persons who receive a high level of remuneration, etc." and who have a material impact on business operations or the situation of assets of Shinsei Bank and its major consolidated subsidiaries, etc. among the officers and employees of Shinsei Bank and officers and employees of its major consolidated subsidiaries, etc., excluding Applicable Officers.

(a) Scope of "major consolidated subsidiaries, etc."
Major consolidated subsidiaries etc. refer to the subsidiaries that are independently mentioned in the business report and consolidated financial statements and which are important for the operations of the Shinsei Bank Group, taking into account the significance of their impact on the financial conditions and business results of the Shinsei Bank Group. More specifically, they refer to the following seven companies. While there are three consolidated subsidiaries, etc. with total assets accounting for 2% or more of consolidated total asset, all of those three companies are included in the following seven companies.

APLUS Co., Ltd.
Showa Leasing Co., Ltd.
Shinsei Financial Co., Ltd.
Shinsei Trust & Banking Co., Ltd.
Shinsei Securities Co., Ltd.
Shinsei Investment & Finance Limited
UDC Finance Limited

(b) Scope of the "persons who receive a high level of remuneration, etc."
A "Person who receive a high level of remuneration, etc." refers to a person who receives remuneration that exceeds the base amount from Shinsei Bank or its major consolidated subsidiaries, etc. The base amount at Shinsei Bank has been set at ¥41 million. Such base amount has been set based on the average amounts of the compensation of Applicable Officers for the last three fiscal years (excluding persons who resigned or retired during each of such fiscal years), taking into account the changes in the remuneration level in the previous year, as there is a possibility that the total remuneration of the Applicable Officers will be significantly affected by the retirement of the target officers during FY2021, if Shinsei Bank continues to keep the base amount based on the amount obtained by dividing the total remuneration of the Applicable Officers by the number of Applicable Officers.

(c) Scope of the "persons who have a material impact on business operation or the situation of assets of the Shinsei Bank Group"
The "persons who have a material impact on business operation or the situation of assets of the Shinsei Bank Group" refer to the persons who, in their normal duties, execute transactions and manage matters which have a significant degree of impact on the business operations of Shinsei Bank, Shinsei Bank Group, and its major consolidated subsidiaries, etc. or who have a material impact on the situation of assets through losses incurred in transactions, etc. More specifically, these include the Executive Officers and persons in similar positions at Shinsei Bank, and Directors, Executive Officers, etc. of its major consolidated subsidiaries.

(2) Names, compositions, and duties of the Committee and other major bodies, etc. supervising the determination of remuneration, etc. for Applicable Officers and Employees, the payment of remuneration, etc., and other business execution related to remuneration, etc.

DISCLOSURE ITEMS CONCERNING REMUNERATION, ETC. (CONTINUED)

1) Shinsei Bank established the Nomination and Compensation Committee, an optional body, in March 2019 to discuss and respond to the Board concerning agenda items for the general meeting of shareholders related to the election/dismissal of Directors, matters related to the election/dismissal of the President and CEO, and matters related to remuneration of Directors of the Bank, based on a request from the Board of Directors. The Nomination and Compensation Committee is composed of all outside directors and Audit & Supervisory Board Members may attend the Committee. The allocation to each individual of the remuneration of Directors approved at the General Meeting of Shareholders is determined by the Board of Directors. The allocation to each individual of the remuneration for Audit & Supervisory Board Members is determined by the consultations among Audit & Supervisory Board Members within the total amount of remuneration approved at the General Meeting of Shareholders in accordance with Paragraph 2, Article 387 of the Companies Act.

2) Decisions on compensation of “Applicable employees, etc.”
The remuneration for employees of the Bank and its major consolidated subsidiaries, etc. is determined and paid in accordance with the policies adopted by the Group Management Development Committee of the Bank and established by the prescribed voting organs of major consolidated subsidiaries, etc.
This policy is designed by Group Human Resources Division of Shinsei Bank, which is independent from Business Promotion Division.

3) Determination of Remuneration for Overseas Officers and Employees
Remuneration for officers and employees overseas is determined and paid by each local subsidiary under the compensation system in accordance with local laws and regulations and employment practices.
The Board of Directors of the Overseas Subsidiaries, which consists of a majority of employees dispatched from the Bank, decides on the establishment and change of overseas compensation systems.

4) Total amount of remuneration, etc. paid to the members of the Compensation Committee, etc. and the number of the meetings of the Compensation Committee, etc. held

	Number of meetings held (April 2021 to March 2022)	Total amount of remuneration, etc.
Nomination and Compensation Committee	5	–

(Notes) The total amount of remuneration, etc. is not indicated because the portion equivalent to consideration for business execution by the Compensation Committee, etc. cannot be calculated separately.

2. EVALUATION OF THE APPROPRIATENESS OF THE DESIGN AND APPLICATION OF THE SYSTEM RELATED TO REMUNERATION, ETC. FOR APPLICABLE OFFICERS AND EMPLOYEES OF SHINSEI BANK (GROUP)

(1) Policy on remuneration, etc. for Applicable Officers and Applicable Employees, etc.

1) Policy on remuneration, etc. for “Applicable Officers”
The General Meeting of Shareholders determines the total maximum amount of remuneration paid to its officers (for Directors: up to 230 million yen a year (of this amount, 60 million yen is for outside directors and the amount of the restricted stock remuneration is up to 25 million yen); for Audit & Supervisory Board Members: up to 60 million yen a year) and separately from this maximum remuneration the total maximum amount of the Subscription Warrants to be allotted as Equity Remuneration Type Stock Options (for Full-Time Directors: up to 75 million yen a year). Remuneration for Applicable Officers of Shinsei Bank is deliberated at the Nomination and Compensation Committee and determined at the Board of Directors attended by five outside Directors, Audit & Supervisory Board Members (Full-Time), and two outside Audit & Supervisory Board Members, based on an appropriate evaluation of the responsibilities, and contributions to the Bank's performance, of each officer in his/her duties and sufficient discussions taking into account the Bank's business results, market standards, etc., following the policy on the ratios and the amount of each type of remuneration, which is determined by the Board of Directors taking into consideration the recommendation of the Nomination and Compensation Committee.
The remuneration of the full-time directors consists of Base Remuneration, Equity Remuneration Type Stock Options and restricted stock compensation.
The base remuneration shall be the fixed remuneration corresponding to their full-time or part-time status, positions and responsibilities, to be determined after deliberation by the Nomination and Compensation Committee on the appropriate level of remuneration as a public fund injection bank with reference to the level of other companies in the same industry.
The amount of the Equity Remuneration Type Stock Options for full-time directors shall be determined at a Board of Directors meeting, after deliberation by the Nomination and Compensation Committee, by calculation using a formula that takes into account the Bank's stock price fluctuation rate, the performance of the Bank's stock price in comparison with the stock price of the banking industry and the Bank's net asset fluctuation rate during the previous fiscal year, and it is provided that upon the occurrence of a certain event to a director, all stock options granted to such director shall be waived.
A restricted stock compensation plan has been introduced with the objective of providing them with incentives to continuously improve our corporate value and further promoting value sharing with shareholders and, after deliberation by the Nomination and Compensation Committee, the amount to be granted to each director is determined corresponding to his/her positions and job responsibilities and common shares are granted to each director at a certain percentage of the total amount of remuneration for such director that is authorized by the General Meeting of Shareholders. It is provided that upon the occurrence of a certain event to a director, all shares granted to such director shall be acquired by the bank without consideration. The ratio of the base remuneration to the total remuneration for full-time directors shall be determined specifically at a Board of Directors meeting, after deliberation by the Nomination and Compensation Committee, generally on the basis that the base remuneration shall be 60% of the total remuneration, the restricted stock compensation shall be 15-20% of the total remuneration and the Equity Remuneration Type Stock Options shall be 20-25% of the total remuneration with regard to full-time directors.

2) Policy on remuneration, etc. for “Applicable Employees, etc.”

The remuneration system for applicable employees is based on the concept of job function/job grade (position/role), etc., and is not excessively linked to performance. Salaries are determined according to qualifications, positions, and roles. Bonuses are also determined by reflecting the results of performance evaluation in the standard amount based on salary levels.

The Bank's executive officers are entitled to restricted stock awards based on their position.

Overseas, salaries are determined according to duties and responsibilities, and bonuses are based on a basic policy of paying salaries in consideration of performance. However, a system is in place to ensure that the prominent performance of individuals does not have an excessive impact on the total value of the fund.

(2) Explanation on the categories of persons included in Applicable Officers and Employees and the number of persons by category

The definitions of “Applicable Officers” and “Applicable Employees, etc.” are as indicated in 1. (1). There are seven “Applicable Officers” and there is one person who falls under the definition of “Applicable Employees, etc.”

DISCLOSURE ITEMS CONCERNING REMUNERATION, ETC. (CONTINUED)

3. CONSISTENCY BETWEEN THE SYSTEM FOR REMUNERATION, ETC. OF APPLICABLE OFFICERS AND EMPLOYEES OF SHINSEI BANK (GROUP) AND RISK MANAGEMENT AND THE LINKAGE BETWEEN REMUNERATION, ETC. OF APPLICABLE OFFICERS AND EMPLOYEES OF SHINSEI BANK (GROUP) AND BUSINESS RESULTS

When determining remuneration, etc. of Applicable Officers, the total amounts of remuneration payable to Directors and Audit & Supervisory Board Members are each determined at the General Meeting of Shareholders, while the amount of remuneration, etc. payable to each Director and Audit & Supervisory Board Member is determined at the Board of Directors or through consultations among Audit & Supervisory Board Members, respectively.

Moreover, the performance-linked remuneration accounts for a very small percentage of the amount of remuneration, etc. for Applicable Officers, and we have not adopted a remuneration system which may have a negative impact on risk management. The compensation of full-time Directors is comprised of the following three elements: fixed compensation, Equity Remuneration Type Stock Options and restricted stock.

<Types of remuneration, etc. placing emphasis on creating corporate value from a longer perspective in accordance with the duties and operations of Applicable Officers and Employees, and remuneration, etc. payment method taking into account the period until risk is materialized>

The Shinsei Bank Group has adopted Equity Remuneration Type Stock Options in order to share the risk and advantage of share price fluctuations with shareholders and enhance motivation to contribute to medium- and long-term performance and share price increases. The stock option contract stipulates that exercise shall be deferred to the resignation of the Bank's Director even during the exercise period. There is no unexercised Equity Remuneration Type Stock Options at the end of the fiscal year 2021.

DISCLOSURE ITEMS CONCERNING REMUNERATION, ETC. (CONTINUED)

4. TYPES, TOTAL AMOUNT PAYABLE, AND PAYMENT METHOD OF REMUNERATION, ETC. FOR APPLICABLE OFFICERS AND EMPLOYEES OF SHINSEI BANK (GROUP)

(Persons, Millions of Yen)

Remuneration, etc. allocated to the fiscal year			A	B
Item No.			Applicable Officers	Applicable Employees, etc.
1	Fixed remuneration	Number of Applicable Officers and Applicable Employees, etc.	7	1
2		Total amount of fixed remuneration (3+5+7)	129	40
3		Of which, amount of cash remuneration	116	40
4		Of Item 3, deferred amount	–	–
5		Of which, amount of equity remuneration or share-linked remuneration	13	–
6		Of Item 5, deferred amount	3	–
7		Of which, amount of other remuneration	–	–
8		Of Item 7, deferred amount	–	–
9	Variable remuneration	Number of Applicable Officers and Applicable Employees, etc.	2	1
10		Total amount of variable remuneration (11+13+15)	43	13
11		Of which, amount of cash remuneration	10	13
12		Of Item 11, deferred amount	–	–
13		Of which, amount of equity remuneration or share-linked remuneration	33	–
14		Of Item 13, deferred amount	–	–
15		Of which, amount of other remuneration	–	–
16		Of Item 15, deferred amount	–	–
17	Retirement allowance	Number of Applicable Officers and Applicable Employees, etc.	–	–
18		Total amount of retirement allowance	–	–
19		Of which, deferred amount	–	–
20	Other remuneration	Number of Applicable Officers and Applicable Employees, etc.	–	–
21		Total amount of other remuneration	–	–
22		Of which, deferred amount	–	–
23	Total amount of remuneration, etc. (2+10+18+21)		172	53

Note : Item 5 includes 13 million yen of restricted stock compensation and Item13 includes equity remuneration-type stock options of 33 million yen.

5. OTHER MATTERS THAT SHOULD BE REFERRED TO CONCERNING THE SYSTEM OF REMUNERATION, ETC. FOR APPLICABLE OFFICERS AND EMPLOYEES OF SHINSEI BANK (GROUP)

(Millions of Yen)

Deferred remuneration, etc.		A	B	C	D	E
		Balance of deferred remuneration, etc.	Of Item A, balance of deferred remuneration, etc. subject to adjustments or fluctuations	Amount of changes to allocated remunerations, etc. subject to adjustments for the fiscal year not linked to fluctuations in indicators, etc.	Amount of changes to allocated remunerations, etc. subject to adjustments for the fiscal year linked to fluctuations in indicators, etc.	Amount of deferred remuneration, etc. paid in the fiscal year
Applicable Officers	Amount of cash remuneration	–	–	–	–	–
	Amount of equity remuneration or share-linked remuneration	5	5	–	–	5
	Total amount of other remuneration	–	–	–	–	–
Applicable Employees, etc.	Amount of cash remuneration	–	–	–	–	–
	Amount of equity remuneration or share-linked remuneration	–	–	–	–	–
	Total amount of other remuneration	–	–	–	–	–
Total amount		5	5	–	–	5

For further information, please contact:
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