

INTERIM REPORT
2021

Six months ended September 30, 2021



CEO Message



In the first half of fiscal 2021, net income attributable to owners of the parent was 23.2 billion yen and net income per share was 108.77 yen. This mainly reflects the contribution to earnings from UDC Finance Limited, which became a consolidated subsidiary in fiscal 2020, as well as the reversal of and decline in credit costs for the corporate and unsecured loan businesses.

While the business environment is undergoing a dramatic change, we are working with external partners, both financial and nonfinancial, to accelerate our initiatives as outlined in the Medium-Term Strategies; Our goal is, by leveraging our strengths, to increase value to people who are not satisfied with conventional financial products and services.

We will continue to strive to meet the expectations of all our stakeholders, and we look forward to your continued support and guidance.

January 2022

Hideyuki Kudo
President and Chief Executive Officer

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- 2 Individual Business
- 3 Institutional Business
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Editorial Policy

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

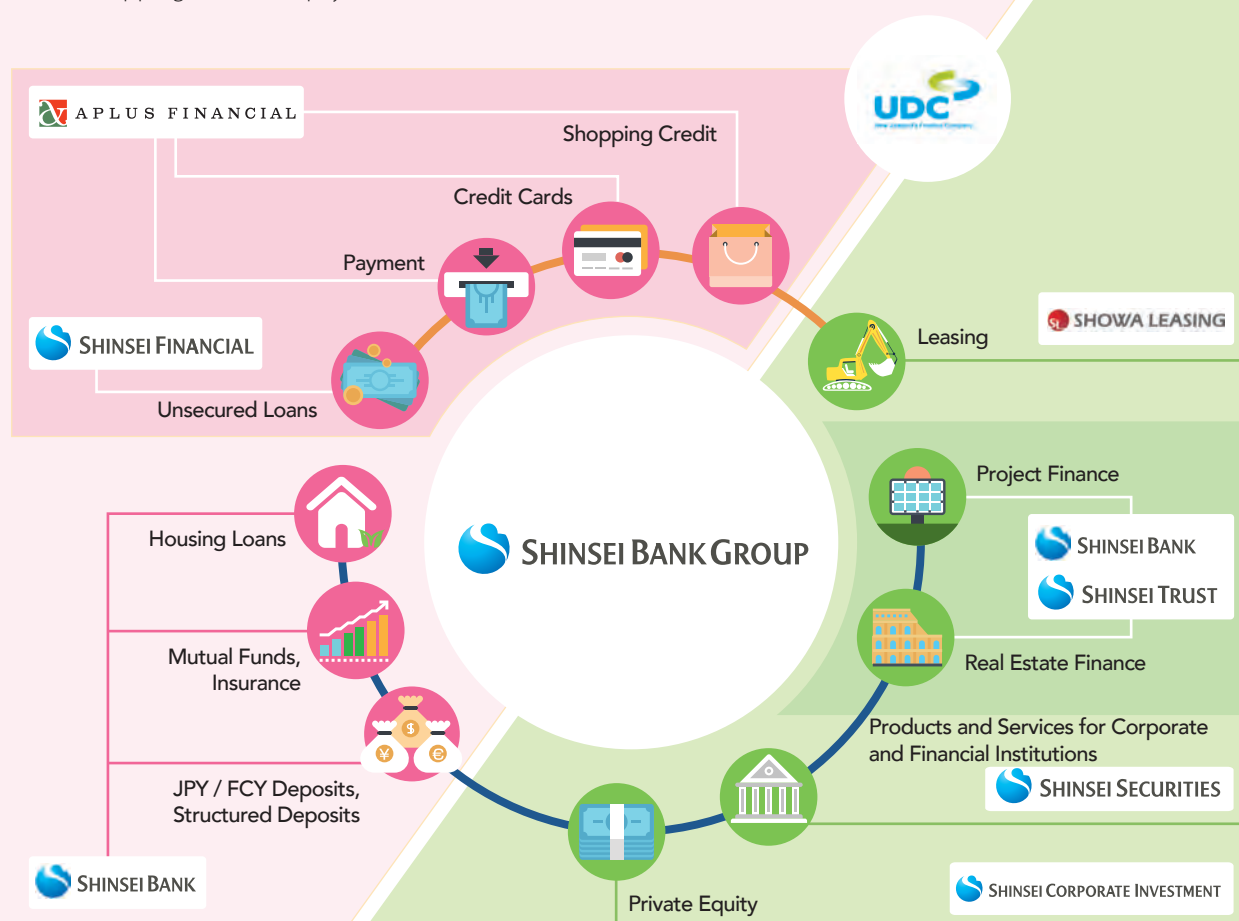
Group Business Profile

The Shinsei Bank Group is a hybrid comprehensive financial group with both bank and nonbank functions.

Taking into account the megatrends of society, we aim to leverage the strengths of a hybrid financial group and combine the financial functions of the Group to provide products and services that respond to customers who are unsatisfied with traditional financial and nonfinancial services.

Individual Business

The Individual Business includes retail banking and consumer finance, which provides products and services, such as unsecured loans, credit cards, shopping credit and payment services for individual customers.



The Institutional Business includes corporate business, structured finance, private equity investment and business succession financing, leasing, as well as delivering services that provide market solutions for foreign exchange and interest rate derivatives, among others.

Institutional Business

Individual Business

Major Businesses

Retail Banking

Yen / foreign currency deposits, structured deposits, investment trusts, securities brokerage services (through a partner institution), life and nonlife insurance (through partner institutions), housing loans, as well as financial transactions and services for individuals

Shinsei Financial

Unsecured loans and credit guarantees

(Shinsei Financial, Shinsei Bank Card Loan L (former Shinsei Bank Lake), NOLOAN, Lake ALSA)

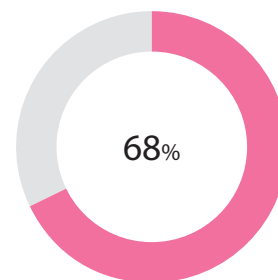
APLUS FINANCIAL

Shopping credit, credit cards and payment services

Other Individual Business

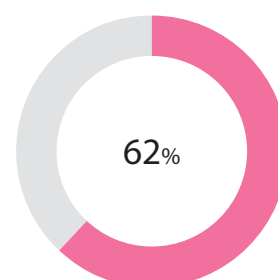
Other subsidiaries

Total Revenue



75.2 billion yen

Ordinary Business Profit after Net Credit Costs

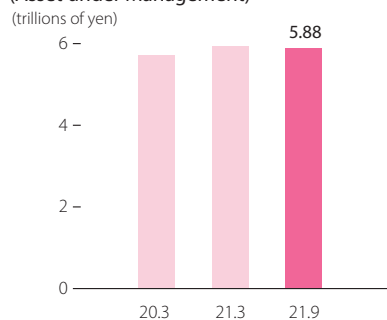


16.5 billion yen

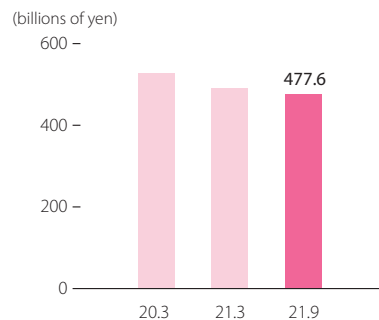
Note: The percentage figures do not add up to 100% due to the contribution of Corporate / Other.

Operating Assets

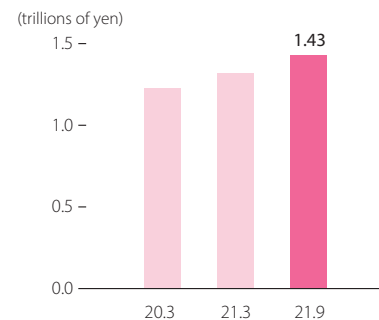
Retail Banking (Asset under Management)



Unsecured Loans

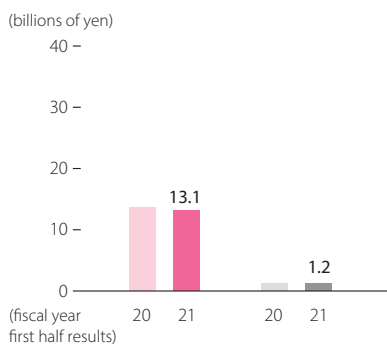


APLUS FINANCIAL

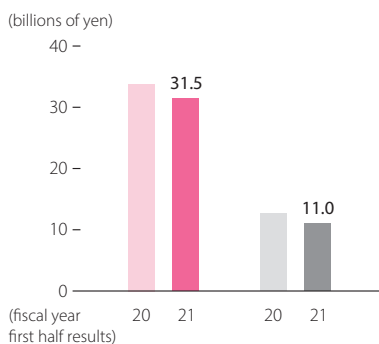


Key Financial Data

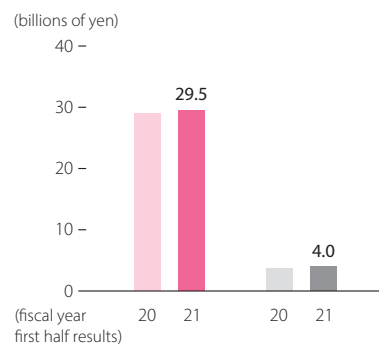
Retail Banking



Unsecured Loans



APLUS FINANCIAL



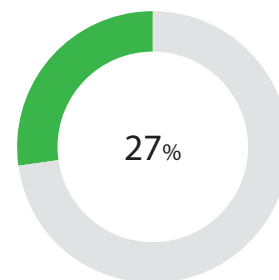
■ Total Revenue ■ OBP after Net Credit Costs

Institutional Business

Major Businesses

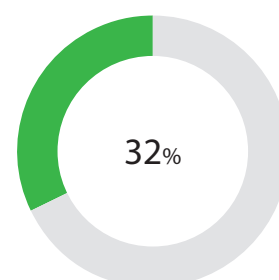
- Corporate Business**
 Financial products, services and advisory services for corporations, public-sector entities and financial institutions, healthcare finance, trust banking
- Structured Finance**
 Real estate-related nonrecourse finance and corporate finance, project finance, specialty finance including M&A-related finance
- Principal Transactions**
 Private equity, credit trading, business succession finance, venture business-related services and asset-backed investment, etc.
- Showa Leasing**
 Financial products and services focused on lease finance
- Markets Business**
 Foreign exchange, derivatives, equity-related and other capital markets
- Other Global Markets Businesses**
 Securities, asset management and wealth management

Total Revenue



29.8 billion yen

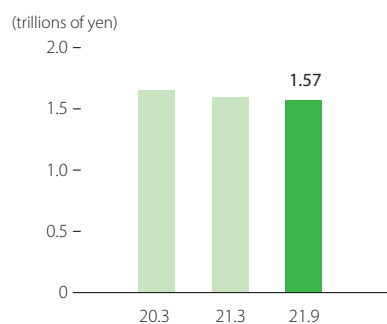
Ordinary Business Profit after Net Credit Costs



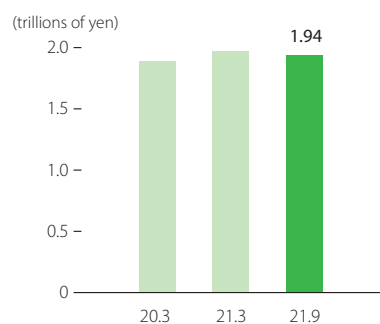
8.6 billion yen

Operating Assets

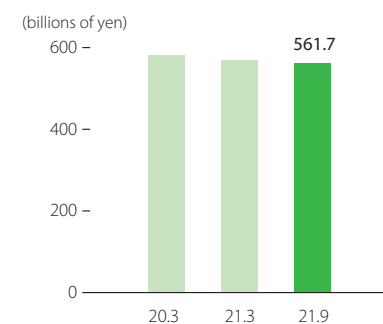
Corporate Business



Structured Finance

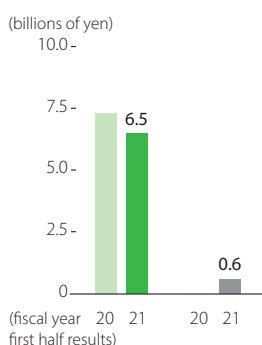


Showa Leasing

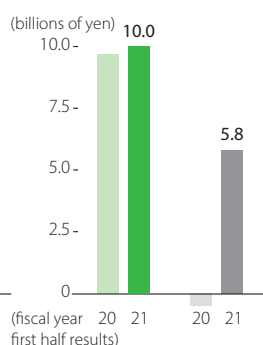


Key Financial Data

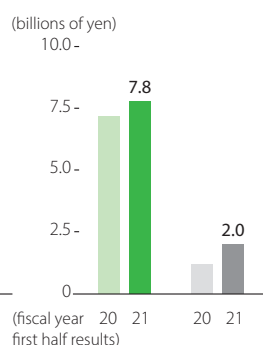
Corporate Business



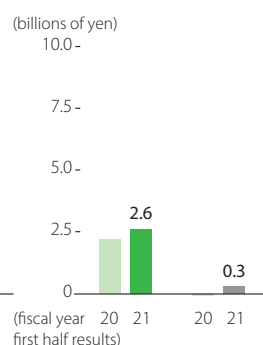
Structured Finance



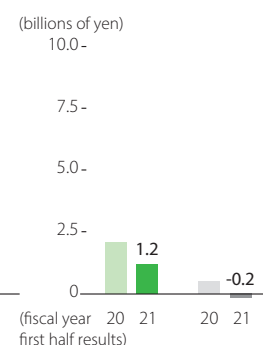
Showa Leasing



Principal Transactions



Markets Business



■ Total Revenue ■ OBP after Net Credit Costs

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 numerous initiatives, such as those described below. We provide our expertise, and depending on the initiative, cooperate with regional financial institutions and the SME Business Support Cooperative.

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 such management issues 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 Business Expansion Service sector

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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 its 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.

Supporting Business Expansion Settlement service venture

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This company provides advance salary payments, as a service to employees of companies that use these services, and is intended to grow by capturing the needs of companies by introducing this service for enhancing their wellbeing. However, the burden of funding associated with advance payments and control of the credit risk of customers had been heavy on the newly founded venture company as they grew. In collaboration with APLUS Co., Ltd., a group company, the Bank supported this company to eliminate constraints on growth by providing APLUS's credit payment function for institutional customers. This has enabled the company to develop services without the burden of procuring funds or the credit risk of customers, and to promote stable business expansion.

Examples of Support at the Growth Stage Technical venture company

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Successful mass production of artificial diamonds based on proprietary technology has markedly increased the application of this company's products to include machinery components, such as semiconductor substrates, optical components, and heat dissipation components. These products are in addition to conventional gemstones as well as cutting and polishing tools. To meet the robust demand from manufacturers, the company faced the challenge of raising funds for increasing production. In recognition of the company's technological superiority and strong growth potential, the Bank provided equity financing to support capital expenditures.

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

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

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

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

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

Fiscal year 2021 refers to the consolidated accounting period ended March 31, 2022, and other accounting periods are denoted in the same manner. The term "current fiscal year" refers to fiscal year 2021 and the term "previous fiscal year" refers to fiscal year 2020. The term the "first half" refers to the period from April 1 to September 30 of each indicated fiscal year and the term the "second half" refers to the period from October 1 to March 31 of each indicated fiscal year.

OVERVIEW

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

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

FINANCIAL SUMMARY FOR THE INTERIM PERIOD ENDED SEPTEMBER 30, 2021

Net income attributable to owners of the parent for the first half of fiscal year 2021 (from April 1, 2021 to September 30, 2021) totaled ¥23.2 billion, increased by ¥9.9 billion from the first half of fiscal year 2020. This first half result equates to 58% progress toward our fiscal year 2021 net income forecast of ¥40.0 billion.

Total revenue for the first half of fiscal year 2021 totaled ¥110.6 billion, increased by ¥0.3 billion from the first half of fiscal year 2020. This amount included ¥61.6 billion in net interest income, decreased by ¥0.2 billion from ¥61.8 billion recorded in the first half of fiscal year 2020. This was due to a decrease in interest income from the unsecured loan business for individual customers, while net interest income of UDC Finance Limited ("UDC") was recorded on a consolidated basis. Noninterest income totaled ¥49.0 billion, increased by ¥0.6 billion from ¥48.4 billion recorded in the first half of fiscal year 2020. This was due to an increase in fees and commissions from the sales of asset management products in Retail Banking, an increase in income from shopping credits business in APLUS FINANCIAL, and revenue from UDC, while gains on sales of government and other bonds at Treasury decreased.

General and administrative expenses excluding amortization of goodwill and intangible assets totaled ¥77.0 billion, increased by ¥4.1 billion from the first half of fiscal year 2020. The increase was primarily due to the consolidation of UDC and an increase in costs related to the promotion of sales such as advertising expenses.

OVERVIEW (CONTINUED)

Net credit costs for the first half of fiscal year 2021 totaled ¥6.5 billion, decreased by ¥10.9 billion from ¥17.4 billion recorded in the first half of fiscal year 2020. In the Institutional Business, net credit costs declined sharply, mainly because the deterioration in borrowers' business conditions by the spread of the Novel Coronavirus was rarely recognized in the first half of fiscal year 2021. In addition, gains on recoveries of write-off receivables were recorded. As a result, profit was recorded in the Institutional Business. In the Individual Business, the provision for the reserves for loan losses decreased mainly due to improved quality of loans in the unsecured card loan business for individual customers.

The balance of loans and bills discounted as of September 30, 2021 totaled ¥5,194.1 billion, decreased by ¥39.4 billion from the ¥5,233.6 billion recorded on March 31, 2021. This was primarily due to a decrease in balances at the Corporate Business and Structured Finance.

Net interest margin for the first half of fiscal year 2021 was 2.33%, increased from 2.31% recorded in the first half of fiscal year 2020. This was due to a decline in yield of interest-bearing liabilities, affected by a decline of foreign currency interest rate and generally flat in yield of interest earning assets as the contribution of a relatively high yield in UDC, despite a decrease in loan balances in the consumer finance business.

The Basel III domestic standard (grandfathering basis) consolidated core capital adequacy ratio as of September 30, 2021 was 11.80%, compared to 11.39% as of March 31, 2021. This was due to an increase in core capital as a result of the steady accumulation of profits, as well as a decrease in risk assets of market-related transactions. The Bank's Basel III international standard (fully loaded basis) Common Equity Tier 1 Ratio increased to 11.7% as of September 30, 2021 from 11.3% as of March 31, 2021, maintaining an adequate level.

The nonperforming loan balance (nonconsolidated basis) under the Financial Revitalization Law decreased to ¥32.1 billion as of September 30, 2021 from ¥34.4 billion as of March 31, 2021. The ratio of nonperforming loans to the total loan balance was 0.61% as of September 30, 2021 compared to 0.64% as of March 31, 2021, which remains at a low level.

SIGNIFICANT EVENTS

Share Buyback

Based on a buyback resolution adopted at meetings of the Board of Directors, Shinsei Bank purchased 6,718,400 shares, totaling ¥10,000 million from the Tokyo Stock Exchange during the period from May 14, 2021 to November 11, 2021.

Capital Alliance with Latitude Group

Effective March 10, 2021, Shinsei Bank has 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 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 serving more than 2.7 million individual customers. "Small-scale finance" business has been one of the focus areas of the Shinsei Bank Group's Medium-Term Strategies. Latitude is engaged in businesses similar to our group company APLUS Co., Ltd. It has a business portfolio that is complementary to UDC Finance Limited in New Zealand, which became our subsidiary last year. Through this alliance, Shinsei will strive to enhance its presence further in the Asia and Oceania region.

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, 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.

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

SELECTED FINANCIAL DATA (CONSOLIDATED)

Shinsei Bank, Limited and its Consolidated Subsidiaries

As of and for the six months ended September 30, 2021 and 2020 and as of and for the fiscal year ended March 31, 2021

	Billions of yen (except per share data and percentages)		
	Sept. 30, 2021 (6 months)	Sept. 30, 2020 (6 months)	Mar. 31, 2021 (1 year)
Statements of income data:			
Net interest income	¥ 61.6	¥ 61.8	¥ 122.0
Net fees and commissions	15.7	13.5	30.1
Net trading income	3.9	2.3	3.8
Net other business income	29.4	32.4	65.8
Total revenue	110.6	110.2	221.9
General and administrative expenses	77.0	72.8	149.1
Amortization of goodwill and intangible assets acquired in business combinations	1.6	1.2	2.7
Total general and administrative expenses	78.6	74.1	151.8
Net credit costs (recoveries)	6.5	17.4	28.3
Net business profit after net credit costs (recoveries)	25.5	18.6	41.6
Other gains (losses), net	1.9	1.0	13.6
Income before income taxes	27.4	19.7	55.3
Current income taxes	4.9	2.9	7.1
Deferred income taxes (benefit)	(0.7)	3.5	3.9
Profit attributable to noncontrolling interests	0.0	(0.0)	(0.8)
Profit attributable to owners of the parent	¥ 23.2	¥ 13.3	¥ 45.1
Balance sheet data:			
Trading assets	¥ 163.4	¥ 201.0	¥ 170.3
Securities	945.9	853.2	929.7
Loans and bills discounted	5,194.1	5,204.1	5,233.6
Customers' liabilities for acceptances and guarantees	576.9	544.2	567.7
Reserve for credit losses	(110.8)	(109.6)	(112.8)
Total assets	10,654.5	10,323.9	10,740.1
Deposits, including negotiable certificates of deposit	6,490.9	6,393.9	6,571.3
Trading liabilities	139.0	172.8	148.3
Borrowed money	964.7	880.4	1,026.6
Acceptances and guarantees	576.9	544.2	567.7
Total liabilities	9,715.0	9,410.9	9,809.4
Common stock	512.2	512.2	512.2
Total equity	939.5	913.0	930.7
Total liabilities and equity	¥ 10,654.5	¥ 10,323.9	¥ 10,740.1
Per share data:			
Common equity ⁽¹⁾	¥ 4,468.31	¥ 4,043.30	¥ 4,283.92
Basic earnings per share	108.77	58.35	202.16
Diluted earnings per share	108.73	58.34	202.10
Capital adequacy data:			
Capital ratio (Basel III, Domestic Standard)	11.8%	10.9%	11.4%
Average balance data:			
Securities	¥ 927.4	¥ 927.7	¥ 943.7
Loans and bills discounted	5,230.8	5,142.6	5,176.4
Total assets	10,697.3	10,275.2	10,483.3
Interest-bearing liabilities	8,743.8	8,140.7	8,304.6
Total liabilities	9,762.2	9,363.5	9,562.7
Total equity	935.1	911.7	920.6
Other data:			
Return on assets	0.4%	0.3%	0.4%
Return on equity ⁽¹⁾	5.0%	2.9%	4.9%
Ratio of deposits, including negotiable certificates of deposit, to total liabilities	66.8%	67.9%	66.9%
Expense-to-revenue ratio ⁽²⁾	69.6%	66.1%	67.2%
Nonperforming claims, nonconsolidated	¥ 32.1	¥ 33.8	¥ 34.4
Ratio of nonperforming claims to total claims, nonconsolidated	0.6%	0.6%	0.6%

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

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

RESULTS OF OPERATIONS (CONSOLIDATED)

NET INTEREST INCOME

Net interest income was ¥61.6 billion, decreased by ¥0.2 billion from ¥61.8 billion in the same period of the previous fiscal year.

This was due to a decrease in interest income from the unsecured loan business for individual customers, while net interest income of UDC was recorded on a consolidated basis.

NET REVENUE ON INTEREST-EARNING ASSETS

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

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

	Billions of yen (except Yield/Rates)					
	Six months ended September 30, 2021			Six months ended September 30, 2020		
	Average Balance	Interest	Yield/Rate ⁽⁴⁾	Average Balance	Interest	Yield/Rate ⁽⁴⁾
Interest-earning assets:						
Loans and bills discounted	¥ 5,230.8	¥ 63.9	2.44%	¥ 5,142.6	¥ 64.5	2.50%
Lease receivables and leased investment assets/ installment receivables	1,090.0	24.4	4.48	914.4	20.5	4.49
Securities	927.4	2.9	0.63	927.7	3.1	0.67
Other interest-earning assets ⁽¹⁾	209.3	1.1	n.m	212.9	1.0	n.m
Total revenue on interest-earning assets (A)	¥ 7,457.6	¥ 92.5	2.48%	¥ 7,197.8	¥ 89.3	2.48%
Interest-bearing liabilities:						
Deposits, including negotiable certificates of deposit	¥ 6,523.1	¥ 1.7	0.05%	¥ 6,231.5	¥ 2.3	0.07%
Borrowed money	1,001.6	1.0	0.22	950.2	1.5	0.33
Corporate bonds	374.1	1.7	0.91	188.3	0.2	0.25
Other interest-bearing liabilities ⁽¹⁾	844.8	1.9	n.m	770.4	2.7	n.m
Total expense on interest-bearing liabilities (B)	¥ 8,743.8	¥ 6.4	0.15%	¥ 8,140.7	¥ 6.8	0.17%
Net interest margin (A) - (B)	—	86.0	2.33%	—	82.4	2.31%
Noninterest-bearing sources of funds:						
Noninterest-bearing (assets) liabilities, net	¥ (2,213.6)	—	—	¥ (1,846.4)	—	—
Total equity excluding noncontrolling interests ⁽²⁾	927.4	—	—	903.5	—	—
Total noninterest-bearing sources of funds (C)	¥ (1,286.1)	—	—	¥ (942.8)	—	—
Total interest-bearing liabilities and noninterest-bearing sources of funds (D) = (B) + (C)	¥ 7,457.6	¥ 6.4	0.17%	¥ 7,197.8	¥ 6.8	0.19%
Net revenue on interest-earning assets/ yield on interest-earning assets (A) - (D)	—	¥ 86.0	2.30%	—	¥ 82.4	2.29%
Reconciliation of total revenue on interest-earning assets to total interest income						
Total revenue on interest-earning assets	¥ 7,457.6	¥ 92.5	2.48%	¥ 7,197.8	¥ 89.3	2.48%
Less: Income on lease transactions and installment receivables	1,090.0	24.4	4.48	914.4	20.5	4.49
Total interest income	¥ 6,367.6	¥ 68.0	2.13%	¥ 6,283.3	¥ 68.7	2.18%
Total interest expenses	—	6.4	—	—	6.8	—
Net interest income	—	¥ 61.6	—	—	¥ 61.8	—

Notes: (1) Other interest-earning assets and other interest-bearing liabilities include interest swaps and funding swaps.

(2) Represents a simple average of the balance as of the beginning and the end of the presented period.

(3) n.m. is not meaningful.

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

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

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

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

Net interest margin was 2.33% compared to 2.31% recorded in the first half of fiscal year 2020 for the following reasons. While the loan balance in the Consumer Finance business decreased, the yield on total interest-earning assets was mostly flat due to contribution from UDC which enjoys a relatively high yield on total interest-earning assets. On the other hand, the interest cost on total interest-bearing liabilities declined due to lower interest rates overseas.

Interest income including lease and installment accounts receivables increased to ¥86.0 billion from ¥82.4 billion recorded in the first half of fiscal year 2020 for the following reasons. Specifically, although total interest expenses on interest-bearing liabilities decreased to ¥6.4 billion from ¥6.8 billion recorded in the first half of fiscal year 2020, total interest income on interest-earning assets also increased to ¥92.5 billion from ¥89.3 billion recorded in the first half of fiscal year 2020.

NET FEES AND COMMISSIONS

Net fees and commissions mainly consist of fee income from the lending business such as real estate finance and project finance, fee income associated with sales of mutual funds and insurance products, credit guarantee income from the consumer finance business and fee income from the payment business. Net fees and commissions in the first half of fiscal year 2021 totaled ¥15.7 billion compared to ¥13.5 billion recorded in the first half of fiscal year 2020. This was primarily due to an increase in fee income from the sales of asset management products in Retail Banking and an increase in income at APLUS FINANCIAL, Co., Ltd.

NET TRADING INCOME

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

TABLE 2. NET TRADING INCOME (CONSOLIDATED)

	Billions of yen		
	Six months ended September 30, 2021	Six months ended September 30, 2020	Change (Amount)
Income from trading securities	¥ 1.5	¥ 0.8	¥ 0.6
Income (loss) from securities held to hedge trading transactions	0.0	0.0	0.0
Income from trading-related financial derivatives	2.2	1.4	0.7
Other, net	—	—	—
Net trading income	¥ 3.9	¥ 2.3	¥ 1.5

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

trading income in the interim period ended September 30, 2021 totaled ¥3.9 billion, increased from ¥2.3 billion recorded in the interim period ended September 30, 2020.

NET OTHER BUSINESS INCOME (LOSS)

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

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

	Billions of yen		
	Six months ended September 30, 2021	Six months ended September 30, 2020	Change (Amount)
Net gain on monetary assets held in trust	¥ 1.6	¥ 1.8	¥ (0.1)
Net gain on foreign exchanges	(1.1)	3.7	(4.9)
Net gain on securities	1.6	2.5	(0.8)
Net gain on other monetary claims purchased	(0.0)	0.0	(0.1)
Other, net:	2.7	3.6	(0.9)
Income (loss) from derivative transactions for banking purpose, net	0.0	0.0	0.0
Equity in net income of affiliates	0.2	1.7	(1.4)
Gain on lease cancellation and other lease income (loss), net	1.4	0.9	0.4
Other, net	0.9	0.9	0.0
Net other business income before income on lease transactions and installment receivables, net	4.9	11.8	(6.9)
Income on lease transactions and installment receivables, net	24.4	20.5	3.8
Net other business income	¥ 29.4	¥ 32.4	¥ (3.0)

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

Net other business income in the first half of fiscal year 2021 totaled ¥29.4 billion compared to ¥32.4 billion recorded in the first half of fiscal year 2020. Net other business income decreased from the first half of fiscal year 2020 due to a decrease in gains on sales of bonds including JGBs and equity in net income of affiliates, while lease and installment income increased through consolidation of UDC.

TOTAL REVENUE

As a result of the preceding, total revenue of ¥110.6 billion was recorded in the interim period ended September 30, 2021, compared to ¥110.2 billion recorded during the interim period ended September 30, 2020.

GENERAL AND ADMINISTRATIVE EXPENSES

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

TABLE 4. GENERAL AND ADMINISTRATIVE EXPENSES (CONSOLIDATED)

	Billions of yen		
	Six months ended September 30, 2021	Six months ended September 30, 2020	Change (Amount)
Personnel expenses	¥ 31.1	¥ 29.6	¥ 1.5
Premises expenses	9.2	9.5	(0.2)
Technology and data processing expenses	12.9	12.3	0.6
Advertising expenses	6.5	4.9	1.5
Consumption and property taxes	5.5	5.3	0.2
Deposit insurance premium	0.7	0.7	(0.0)
Other general and administrative expenses	10.8	10.4	0.4
General and administrative expenses	77.0	72.8	4.1
Amortization of goodwill and intangible assets acquired in business combinations	1.6	1.2	0.3
Total general and administrative expenses	¥ 78.6	¥ 74.1	¥ 4.4

General and administrative expenses excluding amortization of goodwill and intangible assets totaled ¥77.0 billion in the first half of fiscal year 2021, increased from ¥72.8 billion recorded in the first half of fiscal year 2020 for the following reasons. 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 in the first half of fiscal year 2021 totaled ¥31.1 billion, increased from ¥29.6 billion recorded in the first half of fiscal year 2020 for the following reasons. The increase was due to the 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 in the first half of fiscal year 2021 totaled ¥45.9 billion, increased from ¥43.2 billion recorded in the first half of fiscal year 2020. Of the non-personnel expenses, premises expenses decreased to ¥9.2 billion from ¥9.5 billion recorded in the first half of fiscal year 2020. The expenses decreased due to cost-saving through outlet rationalization while premises expenses increased due to the improvement of the office environment.

Technology and data processing expenses for the first half of fiscal year 2020 increased to ¥12.9 billion from ¥12.3 billion recorded in the first half of fiscal year 2020 due to the consolidation of the new overseas subsidiary and continuous investment for stabilizing IT systems.

Advertising expenses for the first half of fiscal year 2021 increased to ¥6.5 billion from ¥4.9 billion recorded in the first half of 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 for the first half of fiscal year 2021 increased to ¥5.5 billion from ¥5.3 billion recorded in the first half of fiscal year 2020 primarily due to an increase in taxable spending.

Deposit insurance premium in the first half of fiscal year 2021 totaled ¥0.7 billion, remaining flat from the same amount recorded in the first half of fiscal year 2020.

Other general and administrative expenses for the first half of fiscal year 2021 increased to ¥10.8 billion from ¥10.4 billion recorded in the first half of fiscal year 2020 due to an increase in sales activities.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

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 ¥1.6 billion in the first half of fiscal year 2021, increased from ¥1.2 billion recorded in

the first half of fiscal year 2020. The increase was primarily due to the accrual of goodwill 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		
	Six months ended September 30, 2021	Six months ended September 30, 2020	Change (Amount)
Shinsei Financial	¥ 0.1	¥ 0.1	¥ (0.0)
Shinsei Personal Loan	(0.1)	(0.1)	—
Showa Leasing	1.1	1.1	(0.0)
Others	0.5	0.1	0.3
Amortization of goodwill and intangible assets acquired in business combinations	¥ 1.6	¥ 1.2	¥ 0.3

NET CREDIT COSTS (RECOVERIES)

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

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

	Billions of yen		
	Six months ended September 30, 2021	Six months ended September 30, 2020	Change (Amount)
Losses on write-off or sales of loans	¥ 0.9	¥ 1.6	¥ (0.6)
Net provision of reserve for loan losses:			
Net provision of general reserve for loan losses	5.4	10.7	(5.3)
Net provision of specific reserve for loan losses	5.7	8.3	(2.6)
Subtotal	11.1	19.1	(7.9)
Other credit costs (recoveries) relating to leasing business	0.1	0.0	0.0
Recoveries of written-off claims	(5.6)	(3.3)	(2.3)
Net credit costs (recoveries)	¥ 6.5	¥ 17.4	¥(10.9)

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

Net credit costs for the first half of fiscal year 2021 totaled ¥6.5 billion compared to ¥17.4 billion recorded in the first half of fiscal year 2020. In the Institutional Business, net credit costs declined sharply, mainly because the deterioration in borrowers' business conditions by the spread of the Novel Coronavirus in the first half of fiscal year 2020 was rarely recognized in the first half of fiscal year 2021. In addition, gains on recoveries of write-off receivables were recorded. As a result, profit was recorded

in the Institutional Business. In the Individual Business, the provision for the reserves for loan losses decreased mainly due to improved quality of loans in the unsecured card loan business for individual customers.

Recoveries of written-off claims in the first half of fiscal year 2021 were ¥5.6 billion, compared to ¥3.3 billion recorded in the first half of fiscal year 2020. The key components of the recoveries of written-off claims in the first half of fiscal year 2021 were ¥0.4 billion at APLUS FINANCIAL Co., Ltd., ¥1.9 billion at Shinsei Bank Limited on a nonconsolidated basis, ¥2.8 billion at Shinsei Financial Co., Ltd., ¥0.3 billion at Alpha Servicer Co., Ltd., and ¥0.1 billion at UDC Finance Limited, respectively. Net credit costs excluding recoveries of written-off claims totaled ¥12.1 billion in the first half of fiscal year 2021, compared to ¥20.7 billion recorded in the first half of fiscal year 2020.

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

Other net gains totaled ¥1.9 billion in the interim period ended September 30, 2021, decreased compared to other net gains of ¥1.0 billion recorded in the interim period ended September 30, 2020.

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

	Billions of yen		
	Six months ended September 30, 2021	Six months ended September 30, 2020	Change (Amount)
Net gain (loss) on disposal of premises and equipment	¥ 0.4	¥ —	¥ 0.4
Gains on write-off of unclaimed deposits	—	—	—
Reversal (provision) of reserve for losses on interest repayments	—	0.9	(0.9)
Impairment losses on long-lived assets	(0.2)	(0.2)	(0.0)
Gain on sale of investments in subsidiaries	1.0	—	1.0
Gain on sale of investments in affiliates	—	—	—
Other, net	0.5	0.3	0.2
Total	¥ 1.9	¥ 1.0	¥ 0.8

INCOME BEFORE INCOME TAXES

As a result of the preceding factors, income before taxes recorded in the interim period ended September 30, 2021, totaled ¥27.4 billion, compared to ¥19.7 billion recorded in the interim period ended September 30, 2020.

INCOME TAXES (BENEFIT)

Current taxes, including corporate tax, residency tax, business tax and deferred tax totaled a net expense of ¥4.1 billion in the first half of fiscal year 2021, compared to a net expense of ¥6.5 billion recorded in the first half of fiscal year 2020.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

As a result of the preceding factors, the Bank recorded a profit attributable to owners of the parent totaling ¥23.2 billion in the interim period ended September 30, 2021, increased compared to ¥13.3 billion recorded in the interim period ended September 30, 2020.

RECONCILIATION OF REPORTED-BASIS AND OPERATING-BASIS RESULTS

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

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

	Billions of yen					
	Six months ended September 30, 2021			Six months ended September 30, 2020		
	Reported-basis	Reclassifications	Operating-basis	Reported-basis	Reclassifications	Operating-basis
Revenue:						
Net interest income	¥ 61.6	¥ —	¥ 61.6	¥ 61.8	¥ —	¥ 61.8
Noninterest income	49.0	—	49.0	48.4	—	48.4
Total revenue	110.6	—	110.6	110.2	—	110.2
General and administrative expenses ⁽¹⁾	77.0	0.2	77.2	72.8	(0.1)	72.7
Amortization of goodwill and intangible assets	1.6	(1.6)	—	1.2	(1.2)	—
Total general and administrative expenses	78.6	(1.3)	77.2	74.1	(1.4)	72.7
Net business profit/Ordinary business profit	32.0	1.3	33.4	36.1	1.4	37.5
Net credit costs (recoveries)	6.5	—	6.5	17.4	—	17.4
Amortization of goodwill and intangible assets	—	1.6	1.6	—	1.2	1.2
Other gains (losses), net ⁽¹⁾	1.9	0.2	2.1	1.0	(0.1)	0.9
Income before income taxes	27.4	—	27.4	19.7	—	19.7
Income taxes and profit attributable to noncontrolling interests	4.1	—	4.1	6.4	—	6.4
Profit attributable to owners of the parent	¥ 23.2	¥ —	¥ 23.2	¥ 13.3	¥ —	¥ 13.3

Notes: (1) Reclassifications consist principally of adjustments relating to lump-sum compensation and amortization of actuarial gains or losses from general and administrative expenses to other gains (losses), net.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

BUSINESS LINES RESULTS

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

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

	Billions of yen		
	Six months ended September 30, 2021	Six months ended September 30, 2020	Change (Amount)
Institutional Group:			
Net interest income	¥ 14.5	¥ 14.3	¥ 0.2
Noninterest income	15.2	15.3	(0.0)
Total revenue	29.8	29.6	0.1
General and administrative expenses	23.4	22.6	0.8
Ordinary business profit (loss)	6.3	7.0	(0.6)
Net credit costs (recoveries)	(2.2)	6.6	(8.9)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 8.6	¥ 0.4	¥ 8.2
Individual Group:			
Net interest income	¥ 45.8	¥ 50.7	¥ (4.9)
Noninterest income	29.3	26.8	2.5
Total revenue	75.2	77.6	(2.4)
General and administrative expenses	49.2	48.6	0.5
Ordinary business profit (loss)	25.9	28.9	(2.9)
Net credit costs (recoveries)	9.4	10.7	(1.3)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 16.5	¥ 18.1	¥ (1.5)
Corporate/Other⁽²⁾:			
Net interest income	¥ 1.2	¥ (3.2)	¥ 4.4
Noninterest income	4.4	6.2	(1.8)
Total revenue	5.6	3.0	2.6
General and administrative expenses	4.5	1.4	3.0
Ordinary business profit (loss)	1.1	1.5	(0.4)
Net credit costs (recoveries)	(0.6)	0.0	(0.6)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 1.7	¥ 1.5	¥ 0.1
Total:			
Net interest income	¥ 61.6	¥ 61.8	¥ (0.2)
Noninterest income	49.0	48.4	0.6
Total revenue	110.6	110.2	0.3
General and administrative expenses	77.2	72.7	4.4
Ordinary business profit (loss)	33.4	37.5	(4.1)
Net credit costs (recoveries)	6.5	17.4	(10.9)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 26.8	¥ 20.0	¥ 6.8

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

(2) includes company-wide accounts which are not included in our reportable segments, allocation variance of indirect expense and elimination amount of intersegment transactions.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

INSTITUTIONAL BUSINESS

The Institutional Business consists of: 1) Corporate Business which provides financial products and services to the Bank's corporate, public corporation and financial institution customers, 2) Structured Finance which provides services including real estate finance and project finance, 3) Principal Transactions which is engaged in 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		
	Six months ended September 30, 2021	Six months ended September 30, 2020	Change (Amount)
Corporate Business:			
Net interest income	¥ 5.1	¥ 5.7	¥ (0.5)
Noninterest income	1.4	1.6	(0.1)
Total revenue	6.5	7.3	(0.7)
General and administrative expenses	6.6	6.4	0.2
Ordinary business profit (loss)	(0.0)	0.8	(0.9)
Net credit costs (recoveries)	(0.7)	0.9	(1.7)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 0.6	¥ (0.0)	¥ 0.7
Structured Finance:			
Net interest income	¥ 6.9	¥ 6.2	¥ 0.7
Noninterest income	3.0	3.4	(0.4)
Total revenue	10.0	9.7	0.3
General and administrative expenses	5.7	5.2	0.5
Ordinary business profit (loss)	4.2	4.4	(0.2)
Net credit costs (recoveries)	(1.5)	5.0	(6.6)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 5.8	¥ (0.5)	¥ 6.4
Principal Transactions:			
Net interest income	¥ 1.6	¥ 1.5	¥ 0.1
Noninterest income	0.9	0.7	0.2
Total revenue	2.6	2.2	0.4
General and administrative expenses	2.2	2.0	0.1
Ordinary business profit (loss)	0.3	0.1	0.2
Net credit costs (recoveries)	(0.0)	0.2	(0.2)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 0.3	¥ (0.1)	¥ 0.5
Showa Leasing:			
Net interest income	¥ 0.0	¥ 0.0	¥ 0.0
Noninterest income	7.7	7.1	0.5
Total revenue	7.8	7.2	0.5
General and administrative expenses	5.7	5.6	0.0
Ordinary business profit (loss)	2.0	1.5	0.5
Net credit costs (recoveries)	0.0	0.3	(0.2)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 2.0	¥ 1.2	¥ 0.7
Markets:			
Net interest income	¥ 0.4	¥ 0.5	¥ (0.1)
Noninterest income	0.8	1.6	(0.7)
Total revenue	1.2	2.1	(0.9)
General and administrative expenses	1.5	1.6	(0.1)
Ordinary business profit (loss)	(0.2)	0.5	(0.7)
Net credit costs (recoveries)	—	—	—
Ordinary business profit (loss) after net credit costs (recoveries)	¥ (0.2)	¥ 0.5	¥ (0.7)
Other Global Markets:			
Net interest income	¥ 0.1	¥ 0.2	¥ (0.0)
Noninterest income	1.2	0.7	0.4
Total revenue	1.4	0.9	0.4
General and administrative expenses	1.4	1.4	(0.0)
Ordinary business profit (loss)	(0.0)	(0.5)	0.4
Net credit costs (recoveries)	0.0	0.0	(0.0)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ (0.0)	¥ (0.5)	¥ 0.5
Institutional Business:			
Net interest income	¥ 14.5	¥ 14.3	¥ 0.2
Noninterest income	15.2	15.3	(0.0)
Total revenue	29.8	29.6	0.1
General and administrative expenses	23.4	22.6	0.8
Ordinary business profit (loss)	6.3	7.0	(0.6)
Net credit costs (recoveries)	(2.2)	6.6	(8.9)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 8.6	¥ 0.4	¥ 8.2

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

The Institutional Business recorded an ordinary business profit after net credit costs of ¥8.6 billion, compared to ¥0.4 billion recorded in the first half of fiscal year 2020. The Institutional Business recorded total revenue of ¥29.8 billion in the first half of fiscal year 2021, compared to ¥29.6 billion recorded in the first half of fiscal year 2020. Of this amount, net interest income totaled ¥14.5 billion, compared to ¥14.3 billion recorded in the first half of fiscal year 2020. Noninterest income totaled ¥15.2 billion, compared to ¥15.3 billion recorded in the first half of fiscal year 2020. Net interest income increased due to an increase in the balance of operating assets in Structured Finance. On the other hand, noninterest income decreased primarily due to a decrease in fee income in Structured Finance and derivatives revenues.

Of the Institutional Business, Corporate Business recorded total revenue of ¥6.5 billion, compared to ¥7.3 billion in the first half of fiscal year 2020. This was due to a decrease in interest income resulting from a decrease in operating assets and due to the impairment of securities owned.

Structured Finance recorded total revenue of ¥10.0 billion, compared to ¥9.7 billion recorded in the first half of fiscal year 2020. This was due to an increase in interest income in line with the accumulation of operating assets, while fee income decreased.

Principal Transactions recorded total revenue of ¥2.6 billion, compared to ¥2.2 billion recorded in the first half of fiscal year 2020. This was primarily due to recording of gains on bond redemption.

Showa Leasing recorded total revenue of ¥7.8 billion, compared to ¥7.2 billion recorded in the first half of fiscal year 2020. This was primarily due to an increase in property disposal gains which is included in non-interest income.

Markets recorded total revenue of ¥1.2 billion, compared to ¥2.1 billion recorded in the first half of fiscal year 2020. This was primarily due to a decrease in derivatives revenues.

The Other Global Markets recorded total revenue of ¥1.4 billion, compared to ¥0.9 billion recorded in the first half of fiscal year 2020. This was primarily due to an increase in revenues from securities intermediary business.

General and administrative expenses in the Institutional Business totaled ¥23.4 billion compared to ¥22.6 billion recorded in the first half of fiscal year 2020 primarily due to an increase in indirect expense allocation.

Net credit costs in the Institutional Business totaled ¥2.2 billion of net credit recoveries, compared to ¥6.6 billion of net credit costs recorded in the first half of fiscal year 2020. This was primarily due to recording of recoveries of written-off claims, in addition to a significant decrease in credit costs primarily because deterioration of obligor performance caused by the COVID-19 expansion was less of a factor compared with the first half of 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 FINANCIAL, which provides shopping credit card loans and payment services; and 4) Other Individual, 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		
	Six months ended September 30, 2021	Six months ended September 30, 2020	Change (Amount)
Retail Banking:			
Net interest income	¥ 9.8	¥ 12.3	¥ (2.4)
Loans	4.4	4.6	(0.2)
Deposits	5.4	7.6	(2.2)
Noninterest income	3.2	1.3	1.9
Asset management products	4.5	2.8	1.7
Other fees (ATM, Fund transfer, FX etc.)	(1.2)	(1.5)	0.2
Total revenue	13.1	13.6	(0.4)
General and administrative expenses	11.8	12.0	(0.1)
Ordinary business profit (loss)	1.2	1.5	(0.3)
Net credit costs (recoveries)	0.0	0.2	(0.2)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 1.2	¥ 1.3	¥ (0.0)
Shinsei Financial⁽¹⁾:			
Net interest income	¥ 31.7	¥ 33.8	¥ (2.0)
Lake Business	29.4	31.1	(1.7)
Noninterest income	(0.1)	0.0	(0.1)
Total revenue	31.5	33.8	(2.2)
General and administrative expenses	16.9	16.5	0.4
Ordinary business profit (loss)	14.6	17.3	(2.7)
Net credit costs (recoveries)	3.6	4.6	(1.0)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 11.0	¥ 12.6	¥ (1.6)
APLUS FINANCIAL:			
Net interest income	¥ 4.0	¥ 4.3	¥ (0.3)
Noninterest income	25.5	24.6	0.8
Total revenue	29.5	29.0	0.5
General and administrative expenses	19.3	19.1	0.2
Ordinary business profit (loss)	10.1	9.9	0.2
Net credit costs (recoveries)	6.1	6.2	(0.1)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 4.0	¥ 3.6	¥ 0.4
Other Individuals⁽²⁾:			
Net interest income	¥ 0.2	¥ 0.3	¥ (0.0)
Noninterest income	0.6	0.7	(0.1)
Total revenue	0.9	1.1	(0.1)
General and administrative expenses	1.0	1.0	0.0
Ordinary business profit (loss)	(0.1)	0.0	(0.2)
Net credit costs (recoveries)	(0.3)	(0.4)	0.0
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 0.2	¥ 0.5	¥ (0.2)
Individual Business:			
Net interest income	¥ 45.8	¥ 50.7	¥ (4.9)
Noninterest income	29.3	26.8	2.5
Total revenue	75.2	77.6	(2.4)
General and administrative expenses	49.2	48.6	0.5
Ordinary business profit (loss)	25.9	28.9	(2.9)
Net credit costs (recoveries)	9.4	10.7	(1.3)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 16.5	¥ 18.1	¥ (1.5)

Notes: (1) Shinsei Financial includes "Shinsei Bank Card Loan L," Shinsei Personal Loan Co., Ltd., "Shinsei Bank Smart Card Loan Plus," and "Shinsei Bank Smart Money Lending" which are unsecured card loan business for individual customers. "Shinsei Bank Card Loan Lake" was renamed as "Shinsei Bank Card Loan L" on November 28, 2019.

(2) Including income of Other subsidiary

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

The Individual Business recorded an ordinary business profit after net credit costs of ¥16.5 billion, compared to ¥18.1 billion recorded in the first half of fiscal year 2020.

RETAIL BANKING

Retail Banking recorded total revenue of ¥13.1 billion, compared to ¥13.6 billion recorded in the first half of fiscal year 2020. Of this amount, net interest income decreased to ¥9.8 billion from ¥12.3 billion recorded in the first half of fiscal year 2020 primarily due to an increase in revenue from foreign currency deposits. Noninterest income increased to ¥3.2 billion from ¥1.3 billion recorded in the first half of fiscal year 2020 primarily due to an increase in revenues related to the sales of asset management products.

General and administrative expenses decreased to ¥11.8 billion from ¥12.0 billion recorded in the first half of fiscal year 2020. The decrease was due to the promotion of rationalization and efficiency improvement in operations.

As a result, Retail Banking recorded an ordinary business loss after net credit costs of ¥1.2 billion, falling into the red from a profit of ¥1.3 billion recorded in the first half of fiscal year 2020.

SHINSEI FINANCIAL

Shinsei Financial recorded an ordinary business profit after net credit costs and related consolidation adjustments of ¥11.0 billion compared to ¥12.6 billion recorded in the first half of fiscal year 2020.

Total revenue decreased to ¥31.5 billion from ¥33.8 billion recorded in the first half of fiscal year 2020 primarily due to a decrease in interest on loans.

General and administrative expenses increased to ¥16.9 billion from ¥16.5 billion recorded in the first half of fiscal year 2020 resulting from resource allocation to advertisement expenses and system investment, while promoting rationalization and efficiency improvement in operations.

Net credit costs decreased to ¥3.6 billion from ¥4.6 billion recorded in the first half of fiscal year 2020 due to continued strict credit control and enhancement of collection structures.

APLUS FINANCIAL

APLUS FINANCIAL recorded an ordinary business profit after net credit costs and related consolidation adjustments of ¥4.0 billion, compared to ¥3.6 billion recorded in the first half of fiscal year 2020.

Total revenue was ¥29.5 billion, increased from ¥29.0 billion recorded in the first half of fiscal year 2020. Of this amount, net interest income decreased to ¥4.0 billion from ¥4.3 billion recorded in the first half of fiscal year 2020, due to decreased loan balances in the loan business. Noninterest income increased to ¥25.5 billion from ¥24.6 billion recorded in the first half of fiscal year 2020, primarily due to the strong performance of the shopping credit business.

General and administrative expenses increased to ¥19.3 billion from ¥19.1 billion recorded in the first half of fiscal year 2020 primarily due to an increase in marketing promotion expenses such as advertisement expenses, while rationalization and efficiency improvement in operations were promoted.

Net credit costs decreased to ¥6.1 billion from ¥6.2 billion recorded in the first half of fiscal year 2020 due to the favorable outcome in the collection of loans.

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

INTEREST REPAYMENTS

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 FINANCIAL. Provisioned ¥1.6 billion in additional reserves. In the first half of fiscal year 2021, as a result of recalculating the amount of reserves required to cover future interest repayments, Shinsei Financial reversed ¥0.1 billion, while Shinsei Personal Loan provisioned ¥0.1 billion additionally.

Shinsei Financial's usage of reserves for losses on interest repayments (interest repayments and related principal amortization) was ¥3.1 billion compared to ¥3.5 billion recorded in the first half of fiscal year 2020. As the company reversed ¥0.1 billion in reserves for losses on interest repayments in the first half of fiscal year 2021, the balance of reserves for losses on interest repayments stood at ¥26.0 billion as of September 30, 2021 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) was ¥0.4 billion compared to ¥0.5 billion recorded in the first half of fiscal year 2020. As the company provisioned ¥0.1 billion in additional reserves in the first half of fiscal year 2021, the balance of reserves for losses on interest repayments totaled ¥2.8 billion as of September 30, 2021 compared to ¥3.0 billion as of March 31, 2021.

APLUS FINANCIAL and its consolidated subsidiaries' usage of reserves for losses on interest repayments (interest repayments and related principal amortization) was ¥0.9 billion compared to ¥0.8 billion recorded in the first half of fiscal year 2020. As a result, the balance of reserves for losses on interest repayments stood at ¥5.6 billion as of September 30, 2021 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.

TABLE 12. CORPORATE/OTHER ORDINARY BUSINESS PROFIT (LOSS) AFTER NET CREDIT COSTS (RECOVERIES) BY BUSINESS (CONSOLIDATED)⁽¹⁾

	Billions of yen		
	Six months ended September 30, 2021	Six months ended September 30, 2020	Change (Amount)
Overseas Business:			
Net interest income	¥ 2.5	¥ 0.0	¥ 2.4
Noninterest income	3.0	1.6	1.3
Total revenue	5.5	1.6	3.8
General and administrative expenses	2.7	0.6	2.1
Ordinary business profit (loss)	2.7	1.0	1.7
Net credit costs (recoveries)	(0.5)	0.0	(0.6)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 3.3	¥ 0.9	¥ 2.3
Treasury:			
Net interest income	¥ (1.3)	¥ (3.2)	¥ 1.9
Noninterest income	1.3	4.2	(2.8)
Total revenue	0.0	1.0	(0.9)
General and administrative expenses	0.7	0.7	(0.0)
Ordinary business profit (loss)	(0.6)	0.2	(0.8)
Net credit costs (recoveries)	—	—	—
Ordinary business profit (loss) after net credit costs (recoveries)	¥ (0.6)	¥ 0.2	¥ (0.8)
Other⁽¹⁾:			
Net interest income	¥ (0.0)	¥ 0.0	¥ (0.0)
Noninterest income	0.0	0.3	(0.2)
Total revenue	0.0	0.3	(0.3)
General and administrative expenses	1.0	(0.0)	1.0
Ordinary business profit (loss)	(1.0)	0.3	(1.3)
Net credit costs (recoveries)	(0.0)	(0.0)	(0.0)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ (1.0)	¥ 0.3	¥ (1.3)
Corporate/Other⁽¹⁾:			
Net interest income	¥ 1.2	¥ (3.2)	¥ 4.4
Noninterest income	4.4	6.2	(1.8)
Total revenue	5.6	3.0	2.6
General and administrative expenses	4.5	1.4	3.0
Ordinary business profit (loss)	1.1	1.5	(0.4)
Net credit costs (recoveries)	(0.6)	0.0	(0.6)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 1.7	¥ 1.5	¥ 0.1

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

In Corporate/Other, total revenue was ¥5.6 billion compared to ¥3.0 billion recorded in the first half of fiscal year 2020. This was mainly due to an increase in

total revenues resulting from the consolidation of consolidating UDC, while gains on sales of government and other bonds decreased at Treasury.

SUMMARY OF NONCONSOLIDATED FINANCIAL RESULTS

We disclose nonconsolidated financial information in addition to our consolidated financial statements. As a recipient of public funds, we are required by the Financial Services Agency of Japan ("FSA") to update and report on nonconsolidated performance in relation to targets set forth in our Revitalization Plan on a quarterly basis and to publicly disclose that information semi-annually. Shinsei recorded net income of ¥4.3 billion on a nonconsolidated

basis for the six months ended September 30, 2019. Differences between the net incomes on a nonconsolidated basis and consolidated basis result mainly from the gains and losses from our consolidated subsidiaries, including Showa Leasing, Shinsei Financial, APLUS FINANCIAL and Shinsei Personal Loan, the gains and losses on our investment in our equity method affiliate, Jih Sun Financial Holding Co., Ltd., and the dividends received from our major consolidated subsidiaries.

RESULTS OF OPERATIONS (NONCONSOLIDATED)

TABLE 13. SUPPLEMENTAL MEASURES (NONCONSOLIDATED)

	Billions of yen	
	Six months ended September 30, 2021	Six months ended September 30, 2020
Gross business profit (gyomu sorieki) :		
Net interest income	¥ 43.3	¥ 44.2
Net fees and commissions ⁽¹⁾	(2.7)	(4.7)
Net trading income	2.5	1.8
Net other business income	0.5	4.1
Total gross business profit	43.7	45.4
Expenses ⁽²⁾	35.6	34.5
Net business profit (jisshitsu gyomu jun-eki)	8.0	10.8
Other, net ⁽³⁾	2.9	(6.5)
Net operating income (keijo rieki)	10.9	4.3
Extraordinary income (loss)	(0.3)	(0.5)
Income before income taxes	10.6	3.8
Current income taxes (benefit)	2.4	0.6
Deferred income taxes (benefit)	3.7	2.6
Net income	¥ 4.3	¥ 0.5

Notes: (1) Includes net gain (loss) on monetary assets held in trust of ¥1.1 billion and ¥1.2 billion for the six months ended September 30, 2021 and 2020, respectively.

(2) General and administrative expenses with certain adjustment.

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

SUPPLEMENTAL NONCONSOLIDATED MEASURES

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

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

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

- net trading income; and
- net other business income, which excludes net gain (loss) on monetary assets held in trust and on equity securities.

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

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

FINANCIAL CONDITION

TOTAL ASSETS

Consolidated total assets decreased from ¥10,740.1 billion to ¥10,654.5 billion over the six months ended September 30, 2021.

The balance of loans and bills discounted as of September 30, 2021 totaled ¥5,194.1 billion, decreased by ¥39.4 billion from the ¥5,233.6 billion recorded on March 31, 2021. The decrease was primarily due to a decrease in balances at the Corporate Business and Structured Finance.

TABLE 14. LOANS BY BORROWER INDUSTRY (CONSOLIDATED)

	Billions of yen (except percentages)			
	As of September 30, 2021		As of September 30, 2020	
Domestic offices (excluding Japan offshore market account):				
Manufacturing	¥ 207.1	4.4%	¥ 205.6	4.3%
Agriculture and forestry	0.0	0.0	0.0	0.0
Fishery	0.0	0.0	—	—
Mining, quarrying and gravel extraction	0.2	0.0	0.7	0.0
Construction	15.7	0.3	11.5	0.3
Electric power, gas, heat supply and water supply	391.8	8.3	399.7	8.3
Information and communications	39.1	0.8	44.3	0.9
Transportation, postal service	177.9	3.8	197.0	4.1
Wholesale and retail	95.7	2.0	110.4	2.3
Finance and insurance	484.8	10.3	520.5	10.9
Real estate	691.0	14.6	662.5	13.8
Services	390.7	8.3	374.9	7.8
Local government	57.6	1.2	54.0	1.1
Others	2,174.4	46.0	2,218.8	46.2
Total domestic (A)	¥ 4,726.5	100.0%	¥ 4,800.5	100.0%
Overseas offices (including Japan offshore market accounts):				
Governments	¥ —	—%	¥ 0.0	0.0%
Financial institutions	30.7	6.6	29.0	7.2
Others	436.8	93.4	374.4	92.8
Total overseas (B)	¥ 467.5	100.0%	¥ 403.5	100.0%
Total (A+B)	¥ 5,194.1		¥ 5,204.1	

FUNDING AND LIQUIDITY

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

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

TABLE 15. DIVERSIFICATION BY DEPOSITS TYPE (CONSOLIDATED)

	Billions of yen	
	As of September 30, 2021	As of September 30, 2020
Retail deposits	¥ 4,788.7	¥ 4,816.9
Institutional deposits	1,702.2	1,577.0
Total	¥ 6,490.9	¥ 6,393.9

TOTAL EQUITY

Total equity as of September 30, 2021 was ¥939.5 billion and included noncontrolling interests of ¥7.1 billion.

FINANCIAL CONDITION (CONTINUED)**ASSET QUALITY AND DISPOSAL OF NONPERFORMING LOANS OF SHINSEI**

At September 30, 2021, 27.2% of our consolidated nonperforming loans as disclosed in accordance with the Japanese Banking Act (JBA) were held by Shinsei and most of the rest were held by Shinsei Financial and APLUS FINANCIAL. This discussion of our asset quality presents information of Shinsei on a nonconsolidated basis unless specified otherwise. In particular, nonperforming claims as defined in the Financial Revitalization Law are only disclosed on a nonconsolidated basis, and therefore do not include nonperforming claims held by Shinsei Financial, APLUS FINANCIAL and Showa Leasing. For a discussion regarding the nonperforming claims of Shinsei Financial, APLUS FINANCIAL and Showa Leasing.

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

CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW

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

DISCLOSURE OF CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW

Our current management team has consistently emphasized the monitoring of nonperforming claims. Shinsei's total amount of nonperforming claims as disclosed pursuant to the Financial Revitalization Law decreased 6.6%, to ¥32.1 billion, between March 31, 2021 and September 30, 2021. During the six months ended September 30, 2021, claims against bankrupt and quasi-bankrupt obligors decreased from ¥4.9 billion to ¥2.8 billion, and doubtful claims decreased from ¥23.3 billion to ¥22.8 billion, and substandard claims increased from ¥6.2 billion to ¥6.6 billion, as a result of our self assessment. The ratio of nonperforming claims disclosed under the Financial Revitalization Law to total nonconsolidated claims as of September 30, 2021 is 0.6% same as of March 31, 2021.

Shinsei's claims against other need caution obligors, excluding substandard claims, totaled ¥97.7 billion as of September 30, 2021, a 15.1% decrease from ¥115.1 billion as of March 31, 2021, which included private placement bonds guaranteed by Shinsei classified as claims against other need caution obligors.

These claims represented 1.9% of total nonconsolidated claims as of September 30, 2021, decreased from 2.2% as of March 31, 2021.

FINANCIAL CONDITION (CONTINUED)

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

(Billions of yen)

Obligor Classifications		Internal Ratings	Reserve Ratios for Borrowers Type	Claims Classified under the Financial Revitalization Law ⁽¹⁾⁽²⁾		Other	Risk-monitored Loans ⁽¹⁾	
				Total loans and bills discounted:	5,156.7		Total loans and bills discounted:	5,156.7
Legally bankrupt		9E	100.0% for unsecured portion	Claims against bankrupt and quasi-bankrupt obligors (Amount of coverage, coverage ratio) 2.8 (2.8*, 100.0%)			Loans to bankrupt obligors	0.3
Virtually bankrupt		9D	100.0% for unsecured portion	*Amount of reserve for loan losses is 0.7, collateral and guarantees is 2.1				
Possibly bankrupt		9C	110.3% for unsecured portion	Doubtful claims (Amount of coverage, coverage ratio) 22.8 (22.4*, 98.2%)			Nonaccrual delinquent loans	25.1
Need caution	Substandard	9B	42.4% for unsecured portion	Substandard claims (loan account only) (Amount of coverage, coverage ratio) 6.6 (4.8*, 73.1%)			Loans past due for three months or more	6.5
	Other need caution	9A	3.7% for total claims	*Amount of reserve for loan losses is 1.1, collateral and guarantees is 3.7			Restructured loans	
Normal		0A-6C	0.3% for total claims	Normal claims	5,233.1		Normal	5,124.7
				Total nonperforming claims and ratio to total claims (Total amount of coverage, coverage ratio) 32.1, 0.6%			Total risk-monitored loans and ratio to total loans and bills discounted	32.0, 0.6%
				*Total amount of reserve for loan losses is 13.2, collateral and guarantees is 16.8				

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

(2) Shaded claims denoted claims that are considered to be nonperforming under the Financial Revitalization Law.

FINANCIAL CONDITION (CONTINUED)

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

	Billions of yen (except percentages)		
	As of September 30, 2021	As of September 30, 2020	As of March 31, 2021
Claims against bankrupt and quasi-bankrupt obligors	¥ 2.8	¥ 4.6	¥ 4.9
Doubtful claims	22.8	24.2	23.3
Substandard claims	6.6	4.9	6.2
Total claims disclosed under the Financial Revitalization Law ⁽¹⁾	32.1	33.8	34.4
Normal claims and claims against other need caution obligors, excluding substandard claims	5,233.1	5,175.3	5,260.1
Total claims	¥ 5,265.3	¥ 5,209.1	¥ 5,294.5
Ratio of total claims disclosed under the Financial Revitalization Law to total claims	0.6%	0.6%	0.6%

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

COVERAGE RATIOS

As of September 30, 2021, nonconsolidated coverage ratios for claims classified under the Financial Revitalization Law, which for each category of claims is the total of collateral pledged against claims, guarantees for claims and reserve for loan losses, measured against total claims, were 100.0% for claims against bankrupt and quasi-

bankrupt obligors, 98.2% for doubtful claims and 73.1% for substandard claims. For all claims classified under the Financial Revitalization Law, the coverage ratio was 93.2%.

Shinsei directly writes off, rather than reserves, the portion of claims against bankrupt and quasi-bankrupt obligors that are estimated to be uncollectible. As of September 30, 2021, ¥5.2 billion of such claims were written off on a nonconsolidated basis.

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

	Billions of yen (except percentages)				
	Amount of claims	Amounts of coverage			Coverage ratio
		Reserve for loan losses	Collateral and guarantees	Total	
As of September 30, 2021:					
Claims against bankrupt and quasi-bankrupt obligors	¥ 2.8	¥ 0.7	¥ 2.1	¥ 2.8	100.0%
Doubtful claims	22.8	11.4	11.0	22.4	98.2
Substandard claims	6.6	1.1	3.7	4.8	73.1
Total	¥ 32.1	¥ 13.2	¥ 16.8	¥ 30.0	93.2%
As of September 30, 2020:					
Claims against bankrupt and quasi-bankrupt obligors	¥ 4.6	¥ 0.6	¥ 4.0	¥ 4.6	100.0%
Doubtful claims	24.2	10.2	10.3	20.5	84.6
Substandard claims	4.9	0.5	2.5	3.0	62.0
Total	¥ 33.8	¥ 11.3	¥ 16.8	¥ 28.2	83.4%
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%

RESERVE FOR CREDIT LOSSES

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

TABLE 18. RESERVE FOR CREDIT LOSSES (NONCONSOLIDATED)

	Billions of yen (except percentages)	
	As of September 30, 2021	As of September 30, 2020
General reserve for loan losses	¥ 19.6	¥ 23.5
Specific reserve for loan losses	13.7	12.6
Reserve for loans to restructuring countries	—	—
Total reserve for credit losses	¥ 33.4	¥ 36.1
Total claims ⁽¹⁾	¥ 5,265.2	¥ 5,209.1
Ratio of total reserve for credit losses to total claims	0.6%	0.7%

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

As of September 30, 2021 and 2020, Shinsei's total reserve for credit losses on a nonconsolidated basis was ¥33.4 billion and ¥36.1 billion, respectively, constituting 0.6% and 0.7%, respectively, of total claims.

FINANCIAL CONDITION (CONTINUED)

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

		Percentages	
		As of September 30, 2021	As of September 30, 2020
Legally and virtually bankrupt	(unsecured portion)	100.0%	100.0%
Possibly bankrupt	(unsecured portion)	110.3%	75.8%
Substandard	(unsecured portion)	42.4%	25.0%
Other need	(total claims)	3.7%	4.6%
	(unsecured portion)	9.7%	14.6%
Normal	(total claims)	0.3%	0.3%

RISK-MONITORED LOANS

Consolidated risk-monitored loans increased by ¥1.2 billion during the six months ended September 30, 2021 to ¥117.9 billion.

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

TABLE 20. RISK-MONITORED LOANS (CONSOLIDATED)

		Billions of yen (except percentages)	
		As of September 30, 2021	As of September 30, 2020
Total loans and bills discounted		¥ 5,194.1	¥ 5,204.1
Loans to bankrupt obligors (A)		3.5	3.6
Nonaccrual delinquent loans (B)		50.4	48.2
Subtotal (A)+(B)		¥ 53.9	¥ 51.8
Ratio to total loans and bills discounted		1.0%	1.0%
Loans past due for three months or more (C)		¥ 1.3	¥ 1.5
Restructured loans (D)		62.6	54.8
Total risk-monitored loans (A)+(B)+(C)+(D)		¥ 117.9	¥ 108.2
Ratio to total loans and bills discounted		2.3%	2.1%
Reserve for credit losses		¥ 110.8	¥ 109.6

TABLE 21. RISK-MONITORED LOANS (NONCONSOLIDATED)

		Billions of yen (except percentages)	
		As of September 30, 2021	As of September 30, 2020
Total loans and bills discounted		¥ 5,156.7	¥ 5,094.1
Loans to bankrupt obligors (A)		0.3	0.6
Nonaccrual delinquent loans (B)		25.1	28.1
Subtotal (A)+(B)		¥ 25.4	¥ 28.7
Ratio to total loans and bills discounted		0.5%	0.6%
Loans past due for three months or more (C)		¥ 0.8	¥ 0.5
Restructured loans (D)		5.7	4.3
Total risk-monitored loans (A)+(B)+(C)+(D)		¥ 32.0	¥ 33.6
Ratio to total loans and bills discounted		0.6%	0.7%
Reserve for credit losses		¥ 33.4	¥ 36.1

FINANCIAL CONDITION (CONTINUED)

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

	Billions of yen	
	As of September 30, 2021	As of September 30, 2020
Domestic offices (excluding Japan offshore market account):		
Manufacturing	¥ 0.1	¥ 0.0
Agriculture and forestry	—	—
Fishery	—	—
Mining, quarrying and gravel extraction	—	—
Construction	0.1	0.2
Electric power, gas, heat supply and water supply	9.4	10.1
Information and communications	0.1	0.1
Transportation and postal service	—	2.2
Wholesale and retail	0.9	3.1
Finance and insurance	—	—
Real estate	10.8	8.8
Services	4.1	2.9
Local government	—	—
Individual	5.2	4.5
Overseas yen loan and overseas loans booked domestically	0.9	0.2
Total domestic (A)	¥ 32.0	¥ 32.3
Overseas offices (including Japan offshore market accounts):		
Governments	¥ —	¥ —
Financial institutions	—	—
Others	—	1.2
Total overseas (B)	¥ —	¥ 1.2
Total (A+B)	¥ 32.0	¥ 33.6

ASSET QUALITY OF SHINSEI FINANCIAL,
APLUS FINANCIAL AND SHOWA LEASING

Shinsei Financial, APLUS FINANCIAL and Showa Leasing classify their obligors and assess their asset quality based on self-assessment guidelines developed in accordance with guidelines published by the FSA. They generally perform their self-assessment quarterly and at least semi-annually. The assessment of Shinsei Financial, APLUS

FINANCIAL and Showa Leasing where applicable, include, among other things, an assessment of credit extended to credit card customers as well as lease obligors, unsecured personal loans and customer guarantees.

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

FINANCIAL CONDITION (CONTINUED)

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

	Billions of yen				Total
	Shinsei	Shinsei Financial	APLUS FINANCIAL	Other subsidiaries	
As of September 30, 2021:					
Loans to bankrupt obligors	¥ 0.3	¥ 2.7	¥ –	¥ 0.4	¥ 3.5
Nonaccrual delinquent loans	25.1	11.9	5.9	7.4	50.4
Loans past due for three months or more	0.8	–	0.4	0.0	1.3
Restructured loans	5.7	37.8	10.9	8.0	62.6
Total	¥ 32.0	¥ 52.5	¥ 17.3	¥ 16.0	¥117.9
As of September 30, 2020:					
Loans to bankrupt obligors	¥ 0.6	¥ 2.7	¥ –	¥ 0.2	¥ 3.6
Nonaccrual delinquent loans	28.1	9.6	5.5	4.8	48.2
Loans past due for three months or more	0.5	–	0.4	0.5	1.5
Restructured loans	4.3	34.2	11.0	5.2	54.8
Total	¥ 33.6	¥ 46.6	¥ 17.0	¥ 10.9	¥108.2
As of March 31, 2021:					
Loans to bankrupt obligors	¥ 0.3	¥ 2.7	¥ –	¥ 0.2	¥ 3.3
Nonaccrual delinquent loans	27.7	11.3	5.7	7.4	52.3
Loans past due for three months or more	0.5	0.0	0.3	0.0	0.9
Restructured loans	5.6	35.5	11.0	7.8	60.0
Total	¥ 34.2	¥ 49.5	¥ 17.1	¥ 15.7	¥116.7

TABLE 24. RISK-MONITORED INSTALLMENT RECEIVABLES INCLUDED IN OTHER ASSETS BREAKDOWN FOR LARGE ENTITIES (CONSOLIDATED)⁽¹⁾

	Billions of yen				Total
	Shinsei Financial	APLUS FINANCIAL	Showa Leasing	Other subsidiaries	
As of September 30, 2021:					
Credits to bankrupt obligors	¥ –	¥ –	¥ –	¥ 0.0	¥ 0.0
Nonaccrual delinquent credits	–	4.0	1.6	0.7	6.4
Credits past due for three months or more	–	0.3	0.1	–	0.5
Restructured credits	–	1.8	0.0	0.7	2.6
Total	¥ –	¥ 6.2	¥ 1.8	¥ 1.5	¥ 9.6
As of September 30, 2020:					
Credits to bankrupt obligors	¥ –	¥ –	¥ 0.0	¥ 0.0	¥ 0.0
Nonaccrual delinquent credits	–	3.9	2.0	0.5	6.5
Credits past due for three months or more	–	0.1	0.0	–	0.2
Restructured credits	–	1.2	0.5	0.7	2.5
Total	¥ –	¥ 5.3	¥ 2.6	¥ 1.4	¥ 9.4
As of March 31, 2021:					
Credits to bankrupt obligors	¥ –	¥ 0.0	¥ 0.0	¥ 0.0	¥ 0.0
Nonaccrual delinquent credits	–	3.9	1.9	0.8	6.7
Credits past due for three months or more	–	0.1	0.0	–	0.2
Restructured credits	–	1.5	0.0	0.7	2.3
Total	¥ –	¥ 5.6	¥ 2.0	¥ 1.6	¥ 9.4

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

CAPITAL RATIOS

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

Our total capital adequacy ratio (Basel III) as of September 30, 2021 was 11.80%, compared with 11.39% as of March 31, 2021.

See “COMPOSITION OF CAPITAL DISCLOSURE (CONSOLIDATED)” on Page 84.

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries
As of September 30, 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Sept. 30, 2021	Mar. 31, 2021	Sept. 30, 2021
ASSETS			
Cash and due from banks (Notes 3, 20 and 31)	¥ 1,901,389	¥ 1,919,075	\$ 16,982,759
Other monetary claims purchased (Notes 4 and 31)	37,274	46,187	332,924
Trading assets (Notes 5, 20, 31 and 32)	163,440	170,376	1,459,809
Monetary assets held in trust (Notes 6, 20 and 31)	384,705	393,949	3,436,097
Securities (Notes 7, 20 and 31)	945,913	929,717	8,448,675
Loans and bills discounted (Notes 8, 20 and 31)	5,194,162	5,233,605	46,393,022
Foreign exchanges (Note 9)	58,163	83,730	519,504
Lease receivables and leased investment assets (Notes 20, 28 and 31)	190,018	192,147	1,697,202
Other assets (Notes 10, 20, 31 and 32)	1,158,229	1,154,474	10,345,026
Premises and equipment (Notes 11, 20 and 28)	60,399	63,878	539,472
Intangible assets (Notes 12 and 28)	64,699	68,685	577,883
Assets for retirement benefits	19,892	19,482	177,672
Deferred tax assets	10,211	9,985	91,208
Customers' liabilities for acceptances and guarantees (Note 19)	576,932	567,777	5,153,021
Reserve for credit losses (Note 13)	(110,866)	(112,897)	(990,231)
Total assets	¥ 10,654,566	¥ 10,740,174	\$ 95,164,044
LIABILITIES AND EQUITY			
Liabilities:			
Deposits, including negotiable certificates of deposit (Notes 14, 20 and 31)	¥ 6,490,988	¥ 6,571,331	\$ 57,975,959
Call money (Note 31)	24,071	30,000	215,000
Payables under repurchase agreements (Notes 20 and 31)	77,083	47,712	688,491
Payables under securities lending transactions (Notes 20 and 31)	424,595	395,449	3,792,385
Trading liabilities (Notes 15, 31 and 32)	139,059	148,393	1,242,045
Borrowed money (Notes 16, 20 and 31)	964,755	1,026,679	8,616,970
Foreign exchanges (Note 9)	695	889	6,211
Short-term corporate bonds (Note 31)	222,300	218,800	1,985,531
Corporate bonds (Notes 17, 20 and 31)	376,987	367,534	3,367,164
Other liabilities (Notes 18, 20, 31 and 32)	365,873	374,978	3,267,891
Accrued employees' bonuses	5,022	8,504	44,859
Accrued directors' bonuses	20	41	181
Liabilities for retirement benefits	8,137	8,084	72,685
Reserve for directors' retirement benefits	21	19	191
Reserve for reimbursement of deposits	438	391	3,914
Reserve for reimbursement of debentures	3,236	3,355	28,905
Reserve for losses on interest repayments	34,566	39,096	308,740
Deferred tax liabilities	214	393	1,917
Acceptances and guarantees (Notes 19, 20 and 31)	576,932	567,777	5,153,021
Total liabilities	9,715,000	9,809,431	86,772,062
Equity:			
Common stock (Note 21)	512,204	512,204	4,574,889
Capital surplus	72,961	72,961	651,672
Stock acquisition rights (Note 22)	139	149	1,246
Retained earnings	452,395	431,623	4,040,693
Treasury stock, at cost (Note 21)	(91,338)	(81,464)	(815,815)
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities (Note 7)	(4,608)	(593)	(41,159)
Deferred gain (loss) on derivatives under hedge accounting	(14,117)	(16,799)	(126,096)
Foreign currency translation adjustments	(415)	(1,133)	(3,710)
Defined retirement benefit plans	5,191	5,495	46,372
Total	932,413	922,442	8,328,091
Noncontrolling interests	7,153	8,300	63,891
Total equity	939,566	930,742	8,391,982
Total liabilities and equity	¥ 10,654,566	¥ 10,740,174	\$ 95,164,044

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

INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the six months ended September 30, 2021

	Millions of yen		Thousands of
	Sept. 30, 2021 (6 months)	Sept. 30, 2020 (6 months)	U.S. dollars (Note 1) Sept. 30, 2021 (6 months)
Interest income:			
Interest on loans and bills discounted	¥ 63,950	¥ 64,582	\$ 571,190
Interest and dividends on securities	2,938	3,105	26,248
Interest on deposits with banks	734	557	6,565
Other interest income	452	529	4,040
Total interest income	68,076	68,774	608,042
Interest expenses:			
Interest on deposits, including negotiable certificates of deposit	1,763	2,335	15,747
Interest on other borrowings	1,077	1,570	9,624
Interest on corporate bonds	1,715	237	15,322
Other interest expenses	1,915	2,749	17,113
Total interest expenses	6,471	6,892	57,805
Net interest income	61,604	61,881	550,237
Fees and commissions income (Note 29)	28,578	26,618	255,259
Fees and commissions expenses	12,846	13,056	114,743
Net fees and commissions	15,732	13,561	140,516
Net trading income (loss) (Note 23)	3,907	2,383	34,903
Other business income (loss), net: (Note 29)			
Income on lease transactions and installment receivables, net	24,492	20,597	218,758
Net gain (loss) on monetary assets held in trust	1,689	1,846	15,087
Net gain (loss) on foreign exchanges	(1,164)	3,746	(10,401)
Net gain (loss) on securities	1,691	2,503	15,106
Net gain (loss) on other monetary claims purchased	(17)	89	(158)
Other, net (Note 24)	2,743	3,678	24,504
Net other business income (loss)	29,433	32,461	262,897
Total revenue	110,678	110,288	988,553
General and administrative expenses:			
Personnel expenses	31,157	29,638	278,287
Premises expenses	9,260	9,511	82,709
Technology and data processing expenses	12,972	12,302	115,867
Advertising expenses	6,522	4,964	58,256
Consumption and property taxes	5,506	5,305	49,182
Deposit insurance premium	758	760	6,775
Other general and administrative expenses	10,826	10,406	96,702
General and administrative expenses	77,003	72,888	687,778
Amortization of goodwill and intangible assets acquired in business combinations	1,608	1,283	14,367
Total general and administrative expenses	78,612	74,171	702,145
Net business profit (loss)	32,066	36,116	286,408
Net credit costs (recoveries) (Note 25)	6,546	17,460	58,475
Other gains (losses), net (Note 26)	1,910	1,078	17,062
Income (loss) before income taxes	27,429	19,735	244,995
Income taxes (benefit):			
Current	4,937	2,918	44,096
Deferred	(787)	3,588	(7,038)
Profit	23,280	13,228	207,936
Profit (loss) attributable to noncontrolling interests	48	(87)	430
Profit (loss) attributable to owners of the parent	¥ 23,232	¥ 13,316	\$ 207,507
	Yen		U.S. dollars (Note 1)
Basic earnings per share (Note 27)	¥ 108.77	¥ 58.35	\$ 0.97
Diluted earnings per share (Note 27)	¥ 108.73	¥ 58.34	\$ 0.97

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

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the six months ended September 30, 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Sept. 30, 2021 (6 months)	Sept. 30, 2020 (6 months)	Sept. 30, 2021 (6 months)
Profit	¥ 23,280	¥ 13,228	\$ 207,936
Other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities	(4,369)	(671)	(39,029)
Deferred gain (loss) on derivatives under hedge accounting	2,681	(812)	23,952
Foreign currency translation adjustments	719	(19)	6,423
Defined retirement benefit plans	(303)	52	(2,710)
Share of other comprehensive income (loss) in affiliates	(158)	721	(1,419)
Total other comprehensive income (loss)	(1,431)	(729)	(12,783)
Comprehensive income	¥ 21,849	¥ 12,499	\$ 195,153
Total comprehensive income attributable to:			
Owners of the parent	¥ 22,314	¥ 12,618	\$ 199,308
Noncontrolling interests	(465)	(118)	(4,155)

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the six months ended September 30, 2021

	Millions of yen											
	Accumulated other comprehensive income											Total equity
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock, at cost	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Noncontrolling interests	
Total												
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				23,232						23,232		23,232
Purchase of treasury stock					(10,000)					(10,000)		(10,000)
Disposal of treasury stock		(11)			126					115		115
Transfer to capital surplus from retained earnings		11		(11)								
Changes in ownership interest of the parent related to transactions with noncontrolling interests												
Increase by forfeit of stock acquisition rights of consolidated subsidiaries				4						4		4
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 period			(10)	(4,014)	2,681	718	(303)	(928)	(1,147)	(2,075)		
BALANCE, September 30, 2021	¥ 512,204	¥ 72,961	¥ 139	¥ 452,395	¥ (91,338)	¥ (4,608)	¥ (14,117)	¥ (415)	¥ 5,191	¥ 932,413	¥ 7,153	¥ 939,566

	Millions of yen											
	Accumulated other comprehensive income											Total equity
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock, at cost	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Noncontrolling interests	
Total												
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				13,316						13,316		13,316
Purchase of treasury stock					(9,543)					(9,543)		(9,543)
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												
Increase by forfeit of stock acquisition rights of consolidated subsidiaries												
Changes by inclusion of consolidated subsidiaries				0						0		0
Changes by exclusion of consolidated subsidiaries				(0)						(0)		(0)
Transfer to retained earnings from unrealized gain (loss) on available-for-sale securities												
Net change during the period			23	(117)	(812)	140	52	(714)	1,628	913		
BALANCE, September 30, 2020	¥ 512,204	¥ 78,538	¥ 149	¥ 400,609	¥ (70,508)	¥ 4,637	¥ (16,532)	¥ (1,529)	¥ (3,532)	¥ 904,035	¥ 8,992	¥ 913,028

Thousands of U.S. dollars (Note 1)

	Accumulated other comprehensive income										Total	Noncontrolling interests	Total equity
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock, at cost	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans				
BALANCE, March 31, 2021 (April 1, 2021, as previously reported)	\$4,574,889	\$ 651,672	\$ 1,339	\$3,855,157	\$ (727,626)	\$ (5,301)	\$ (150,048)	\$ (10,128)	\$ 49,081	\$8,239,036	\$ 74,138	\$8,313,174	
Cumulative effect of accounting change				1,160						1,160		1,160	
BALANCE, April 1, 2021 (as restated)	4,574,889	651,672	1,339	3,856,318	(727,626)	(5,301)	(150,048)	(10,128)	49,081	8,240,196	74,138	8,314,335	
Dividends				(23,075)						(23,075)		(23,075)	
Profit attributable to owners of the parent				207,507						207,507		207,507	
Purchase of treasury stock					(89,318)					(89,318)		(89,318)	
Disposal of treasury stock		(98)			1,129					1,031		1,031	
Transfer to capital surplus from retained earnings		98		(98)									
Changes in ownership interest of the parent related to transactions with noncontrolling interests													
Increase by forfeit of stock acquisition rights of consolidated subsidiaries				42						42		42	
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 period			(92)			(35,858)	23,952	6,418	(2,710)	(8,291)	(10,247)	(18,538)	
BALANCE, September 30, 2021	\$4,574,889	\$ 651,672	\$ 1,246	\$4,040,693	\$ (815,815)	\$ (41,159)	\$ (126,096)	\$ (3,710)	\$ 46,372	\$8,328,091	\$ 63,891	\$8,391,982	

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the six months ended September 30, 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	Sept. 30, 2021 (6 months)	Sept. 30, 2020 (6 months)	Sept. 30, 2021 (6 months)	Sept. 30, 2021 (6 months)
Cash flows from operating activities:				
Income (loss) before income taxes	¥ 27,429	¥ 19,735	\$ 244,995	
Adjustments for:				
Income taxes paid	(1,277)	(1,505)	(11,414)	
Depreciation (other than leased assets as lessor)	6,932	7,074	61,917	
Amortization of goodwill and intangible assets acquired in business combinations	1,608	1,283	14,367	
Impairment losses on long-lived assets	229	229	2,051	
Net change in reserve for credit losses	(2,073)	1,417	(18,517)	
Net change in reserve for losses on interest repayments	(4,529)	(5,943)	(40,456)	
Net change in other reserves	(3,572)	(3,840)	(31,905)	
Interest income	(68,076)	(68,774)	(608,042)	
Interest expenses	6,471	6,892	57,805	
Investment (gains) losses	(3,750)	(5,356)	(33,497)	
Net exchange (gain) loss	(4,583)	(220)	(40,936)	
Net change in trading assets	5,715	12,701	51,050	
Net change in trading liabilities	(8,001)	(11,097)	(71,467)	
Net change in loans and bills discounted	44,932	29,223	401,328	
Net change in deposits, including negotiable certificates of deposit	(80,416)	88,824	(718,264)	
Net change in borrowed money (other than subordinated debt)	(62,083)	(74,624)	(554,515)	
Net change in corporate bonds (other than subordinated corporate bonds)	3,172	48,500	28,340	
Net change in interest-bearing deposits with banks (other than due from the Bank of Japan)	48,324	(18,556)	431,621	
Net change in other monetary claims purchased	8,913	8,483	79,614	
Net change in call money, payables under repurchase agreements, payables under securities lending transactions, and short-term corporate bonds (liabilities)	56,088	(131,223)	500,972	
Net change in foreign exchange assets and liabilities	25,372	9,821	226,623	
Interest received	69,293	71,236	618,909	
Interest paid	(6,212)	(8,314)	(55,484)	
Net change in monetary assets held in trust for trading purposes	1,054	1,296	9,416	
Net change in lease receivables and leased investment assets	2,435	3,327	21,755	
Other, net	(4,315)	(21,125)	(38,544)	
Total adjustments	31,653	(60,267)	282,726	
Net cash provided by (used in) operating activities	59,083	(40,532)	527,721	
Cash flows from investing activities:				
Purchase of investments	(864,113)	(911,032)	(7,718,058)	
Proceeds from sales of investments	674,422	880,991	6,023,784	
Proceeds from maturity of investments	175,060	143,388	1,563,598	
Purchase of premises and equipment (other than leased assets as lessor)	(659)	(777)	(5,890)	
Purchase of intangible assets (other than leased assets as lessor)	(2,881)	(5,133)	(25,741)	
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(46,990)	—	
Other, net	1,388	542	12,399	
Net cash provided by (used in) investing activities	(16,783)	60,988	(149,908)	
Cash flows from financing activities:				
Proceeds from noncontrolling shareholders	183	1,814	1,639	
Dividends paid	(2,583)	(2,307)	(23,075)	
Dividends paid to noncontrolling shareholders of subsidiaries	(524)	(19)	(4,683)	
Payment for purchase of treasury stock	(10,000)	(9,543)	(89,318)	
Purchase of investments in subsidiaries not resulting in change in scope of consolidation	—	(15)	—	
Net cash provided by (used in) financing activities	(12,924)	(10,072)	(115,438)	
Foreign currency translation adjustments on cash and cash equivalents	10	(36)	93	
Net change in cash and cash equivalents	29,385	10,347	262,468	
Cash and cash equivalents at beginning of the period	1,806,556	1,578,264	16,135,730	
Decrease in cash and cash equivalents due to deconsolidation of subsidiaries	(1)	—	(10)	
Cash and cash equivalents at end of the period (Note 4)	¥ 1,835,941	¥ 1,588,612	\$ 16,398,188	

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the six months ended September 30, 2021

1. BASIS OF PRESENTATION OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED

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

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

The preparation of interim consolidated financial statements in conformity with Japanese GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and

disclosures of contingent liabilities at the date of the interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The interim consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥111.96 to U.S. \$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2021. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATED

(A) PRINCIPLES OF CONSOLIDATION

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

The numbers of subsidiaries and affiliates as of September 30, 2021 and March 31, 2021 were as follows:

	September 30, 2021	March 31, 2021
Consolidated subsidiaries	86	88
Unconsolidated subsidiaries	60	73
Affiliates accounted for by the equity method	44	39
Affiliates accounted for not applying the equity method	—	—

Shinsei Venture Partners II LLP and 1 other company were newly consolidated due to their formation.

Additionally, APLUS PERSONAL LOAN Co.,Ltd. was excluded from the scope of consolidation due to a merger with Aplus Investment Co., Ltd., Zen-Nichi Shinpan Co.,Ltd. was excluded

from the scope of consolidation due to a merger with APLUS Co.,Ltd., FreakOut Shinsei Fund I Limited Partnership was excluded from the scope of consolidation due to its decreased investment proportion and its transfer to an affiliate, and SL ALPS LTD. was excluded from the scope of consolidation due to its decreased materiality in the six months ended September 30, 2021.

Shinsei Shikigaku Partners Co., Ltd and 3 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 was newly included in the scope of application because the partnership was changed from a consolidated subsidiary to an affiliate due to its decreased investment proportion in the six months ended September 30, 2021.

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

Under the Tokumei Kumiai system, profits and losses essentially do not belong to individual operating companies or their parent companies but to the members of the silent partnership, and furthermore, as the Group does not have any material transactions with these subsidiaries, pursuant to Article 5, Paragraph 1, Section 2 and Article 7, Paragraph 1, Section 2 of the regulations concerning interim consolidated financial statements ("Regulation on Terminology, Forms, and Preparation Methods of Interim Consolidated Financial Statements"), respectively, these subsidiaries are excluded from the scope of consolidation and the scope of application of the equity method.

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

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

Techno craft corporation is not accounted for as a consolidated subsidiary even though the Group owns over 50% of its 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 Techno craft corporation 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."

FREST Inc. is not accounted for as affiliates even though the Group owns 20% to 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 FREST Inc. meets the requirement according to Paragraph 24 of the ASBJ guidance No.22 "Guidance on Determining a Subsidiary and an Affiliate."

Major consolidated subsidiaries as of September 30, 2021 are listed below:

Name	Location	Percentage ownership
APLUS FINANCIAL 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 September 30, 2021, the six month period ending dates were September 30 for 54 subsidiaries, December 24 for 1 subsidiary, March 31 for 2 subsidiaries, June 16 for 1 subsidiary, June 30 for 27 subsidiaries and July 31 for 1 subsidiary. Of the consolidated subsidiaries whose interim period ends on a day other than September 30, 4 companies are consolidated using the financial statements based on the provisional settlement of accounts as of September 30, 3 companies are consolidated using the financial statements based on the provisional settlement of accounts as of August 31, and other consolidated subsidiaries are consolidated using the six month period-end interim financial statements as of the respective interim period end. Appropriate adjustments have been made for significant transactions that occurred during the period from the ending dates of their interim period to September 30, 2021.

Major affiliates accounted for by the equity method as of September 30, 2021 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 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 on a straight-line basis primarily over 10 years 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 on a straight-line basis primarily over 20 years, which is the maximum period allowed under the previous accounting standard.

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 interim financial statements of consolidated foreign subsidiaries are translated into Japanese yen at exchange rates as of their respective balance sheet dates, except for equity, which is translated at historical exchange rates. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity in the accompanying consolidated balance sheets.
- (b) Foreign currency accounts held by consolidated foreign subsidiaries are translated into the functional currency of each subsidiary at exchange rates as of their respective balance sheet dates.
- (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 interim consolidated statement of cash flows, consist of cash on hand, due from the Bank of Japan and noninterest-bearing deposits.

(F) OTHER MONETARY CLAIMS PURCHASED

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

(G) VALUATION OF TRADING ACCOUNT ACTIVITIES

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

and "Trading liabilities" on a trade-date basis. 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 period.

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

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. Available-for-sale securities whose consolidated balance sheet amounts are not measured at fair value are carried at cost determined by the moving average method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 September 30, 2021 are principally as follows:

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

(K) SOFTWARE

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

(L) IMPAIRMENT OF LONG-LIVED ASSETS

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

(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 after deducting amounts expected to be collectible through the disposal of collateral and execution of guarantees.

With regard to claims to possibly bankrupt obligors, substandard obligors and certain claims 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 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 cash flows discounted by the original contractual interest rate and (ii) the book value of the claim (discounted cash flow method). For claims to large obligors whose future cash flows are difficult to reasonably estimate and whose credit amounts are not less than a certain amount, the reserve is provided based on the expected loss amount for the remaining term to maturity 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. For project finance, loss rate is calculated based on the average rate of the probability of default over a certain period in the past on the basis of actual default for the average remaining term to maturity of each obligor category. The reserve is provided by making necessary adjustments to the expected loss amount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 self-assessment of asset quality. The risk management divisions, which are independent of sales promotion divisions and credit analysis divisions, conduct verifications of these assessments. The above reserves are provided based on the assessments.

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 uncollectible amounts, which are determined on an individual basis.

For collateralized or guaranteed claims of the Bank and certain consolidated subsidiaries to legally bankrupt obligors or virtually bankrupt obligors, the amount of claims exceeding the estimated value of collateral or guarantees, which is deemed uncollectible, has been charged off in principal and totaled ¥48,047 million (U.S.\$429,153 thousand) and ¥49,769 million as of September 30, 2021 and March 31, 2021, respectively.

(Additional information)

On March 31, 2021, the Group assumed that the impacts of the Novel Coronavirus outbreak and the resulting stagnant economic activities would weaken by the end of March 2021, the impacts on the credit risk for loans to some obligors would remain for several more years.

Since April 2021, there are some impacts of stagnant economic activities due to the increase in new infections of the Novel Coronavirus and the prolongation of the declaration of a state of emergency. However, at the end of this interim period, no material changes were made in the assumption set at the end of the previous fiscal year.

Based on this assumption, we have assumed that there will be material impacts on the credit risk for loans to certain obligors, even though the magnitude of such impacts will vary by obligor.

In order to prepare for losses expected from such impacts, we have determined obligor categories for obligors whose performance is deteriorating due to the Novel Coronavirus outbreak by assessing the probability of 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 subject real estate, which is calculated with assumed 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 spread of the Novel Coronavirus infection are assumed to continue to be affected for several years in the future, and the projected changes in future rent income are reflected in the assumptions in the evaluation of the properties subject to non-recourse loans.

The amount of reserve for credit losses provisioned as of September 30, 2021 is based on our best estimate at present, however, the assumptions for estimating reserve for credit losses, including the impacts of the Novel Coronavirus outbreak, are highly uncertain. Accordingly, the amount of reserve for credit losses may change during and after this interim period if there are changes in the economic environment surrounding the obligors or in their financial conditions.

(O) ACCRUED BONUSES FOR EMPLOYEES AND DIRECTORS

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

(P) EMPLOYEES' RETIREMENT BENEFITS AND PENSION PLAN ASSETS

The Bank has a noncontributory defined benefit pension plan. APLUS Co., Ltd. ("APLUS") and Showa Leasing 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 on a straight-line basis 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 interim 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**CONSOLIDATED****(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, and APLUS FINANCIAL 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 (Hereinafter, "loans with gray-zone interest rates" shall be referred to as "loans receivable") 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.

In addition, APLUS FINANCIAL 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 interim 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 interim consolidated balance sheet.

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

(As lessor)

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

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 ¥18 million (U.S.\$167 thousand) and ¥34 million for the six months ended September 30, 2021 and 2020, 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 recognize accrued interest income at the balance sheet date at the lower of the amount determined using a rate permissible under the Interest Rate Restriction Act of Japan and the amount determined using rates on contracts with customers.

(Z) 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 FINANCIAL 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 estimates of material variable considerations 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 corporate tax system, which allows companies to base tax payments on the combined profits and losses of the Bank and its wholly-owned domestic subsidiaries.

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

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

(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, October 8, 2020, 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

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 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.

(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 by 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"
Of the above hedging relationships, the Group applies the exceptional treatment stipulated in the "Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (ASBJ Practical Solutions No. 40, September 29, 2020) 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, etc.

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.

(AD) CHANGE IN ACCOUNTING POLICIES

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

The Group 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) from the beginning of this interim period, and the Group recognizes revenue at the amount to which the

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

Group expects to be entitled 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, the timing of the recognition of annual membership fees income which certain consolidated subsidiaries record from credit cards for the intermediation of comprehensive credit purchases were changed to be recognized on a pro rata basis over a certain period because the subsidiaries satisfy their performance obligations over time. 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 merchant fees of comprehensive credit purchases was changed to be recognized at a point in time since the transfer 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 effects of the application of the new accounting policy were retrospectively adjusted to the balance of "Retained Earnings" at the beginning of this interim period. 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 this interim period in accordance with the Group's previous accounting policy. In addition, by applying the method stipulated in paragraph 86(1) of the Accounting Standard for Revenue Recognition, if there had been contract modifications before the beginning of this interim period, the Group accounted based on the revised contract terms after reflecting all the contract modifications, and the cumulative effects were adjusted to "Retained Earnings" at the beginning of this interim period.

As a result, "Other business income" decreased by ¥702 million (U.S.\$6,279 thousand), "Fees and commissions expenses" decreased by ¥659 million (U.S.\$5,893 thousand), and both "Net business profit" and "Income before income taxes" decreased by ¥43 million (U.S.\$386 thousand) for this interim period. In addition, "Retained earnings" decreased by ¥430 million (U.S.\$3,848 thousand), "Deferred tax assets" increased by ¥77 million (U.S.\$696 thousand), and "Other liabilities" increased by ¥508 million (U.S.\$4,544 thousand) at the beginning of this interim period.

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 29 "REVENUE RECOGNITION."

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

The Group applied "Accounting Standard for Fair Value Measurement" (ASBJ Statement No.30, July 4, 2019) and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Statement No.31, July 4, 2019) from the beginning of this interim period.

Accordingly, in accordance with paragraph 8 of "Accounting Standard for Fair Value Measurement," the Group has changed the method of the fair value measurement of derivative transactions to the one that makes maximum use of relevant observable inputs estimated from derivatives and others traded in the market when reflecting the Group entities' own credit risks and the counterparty's credit risks. As for fair value of derivative transactions, in accordance with the transitional treatment set forth in paragraph 20 of "Accounting Standards for Fair Value Measurement," the cumulative effects of the application of the new accounting policy were retrospectively adjusted to "Retained earnings" at the beginning of this interim period.

As a result, "Trading income" increased by ¥438 million (U.S.\$3,917 thousand), "Other business expenses" increased by ¥60 million (U.S.\$540 thousand), and both "Net business profit" and "Income before income taxes" increased by ¥378 million (U.S.\$3,378 thousand) for this interim period. In addition, "Retained earnings" increased by ¥560 million (U.S.\$5,009 thousand), "Trading assets" decreased by ¥1,220 million (U.S.\$10,900 thousand), "Other assets" decreased by ¥253 million (U.S.\$2,262 thousand), "Deferred tax assets" increased by ¥196 million (U.S.\$1,759 thousand), "Trading liabilities" decreased by ¥1,333 million (U.S.\$11,906 thousand), and "Other liabilities" decreased by ¥504 million (U.S.\$4,505 thousand) at the beginning of this interim period.

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 from the beginning of this interim period.

In addition to the above, the Group has newly disclosed matters concerning fair value of financial instruments and breakdown by input level in Note 31 "FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES." However, in accordance with the transitional treatment paragraph 7-4 of "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), comparative information of the notes is not included.

3. CASH AND CASH EQUIVALENTS**CONSOLIDATED**

The reconciliation of cash and cash equivalents and cash and due from banks in the consolidated balance sheets as of September 30, 2021 and 2020 was as follows:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2021	2020	2020
Cash and due from banks	¥ 1,901,389	¥ 1,659,232	\$ 16,982,759
Interest-bearing deposits included in due from banks (other than due from the Bank of Japan)	(65,448)	(70,620)	(584,571)
Cash and cash equivalents	¥ 1,835,941	¥ 1,588,612	\$ 16,398,188

4. OTHER MONETARY CLAIMS PURCHASED**CONSOLIDATED**

(a) Other monetary claims purchased as of September 30, 2021 and March 31, 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2021	Mar. 31, 2021	Sept. 30, 2021
Trading purposes	¥ 1,340	¥ 1,417	\$ 11,972
Other	35,933	44,770	320,951
Total	¥ 37,274	¥ 46,187	\$ 332,924

(b) The fair value and the unrealized loss which is included in net gain (loss) on other monetary claims purchased for trading purposes as of September 30, 2021 and March 31, 2021 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	Sept. 30, 2021		Mar. 31, 2021		Sept. 30, 2021	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Trading purposes	¥ 1,340	¥ 55	¥ 1,417	¥ 49	\$ 11,972	\$ 494

5. TRADING ASSETS**CONSOLIDATED**

Trading assets as of September 30, 2021 and March 31, 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	Sept. 30, 2021	Mar. 31, 2021	Sept. 30, 2021	Sept. 30, 2021
Trading securities	¥ 5,767	¥ 5,783	\$ 51,511	
Derivatives for securities held to hedge trading transactions	6	47	55	
Trading-related financial derivatives	157,666	164,545	1,408,242	
Total	¥ 163,440	¥ 170,376	\$ 1,459,809	

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

(a) Monetary assets held in trust as of September 30, 2021 and March 31, 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2021	Mar. 31, 2021	Sept. 30, 2021
Trading purposes	¥ 5,756	¥ 6,810	\$ 51,416
Other	378,948	387,138	3,384,681
Total	¥ 384,705	¥ 393,949	\$ 3,436,097

(b) The fair value and the unrealized gain or loss which is included in net gain (loss) on monetary assets held in trust for trading purposes as of September 30, 2021 and March 31, 2021 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	Sept. 30, 2021		Mar. 31, 2021		Sept. 30, 2021	
	Fair value	Unrealized gain	Fair value	Unrealized gain	Fair value	Unrealized gain
Trading purposes	¥ 5,756	¥ 48	¥ 6,810	¥ 40	\$ 51,416	\$ 432

(c) The acquisition cost and the carrying amount of monetary assets held in trust for other than trading purposes as of September 30, 2021 and March 31, 2021 were as follows:

	Millions of yen							
	Sept. 30, 2021				Mar. 31, 2021			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Carrying amount	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Carrying amount
Other	¥ 381,110	¥ 303	¥ 2,466	¥ 378,948	¥ 389,880	¥ 271	¥ 3,014	¥ 387,138

	Thousands of U.S. dollars			
	Sept. 30, 2021			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Carrying amount
Other	\$ 3,403,992	\$ 2,715	\$ 22,026	\$ 3,384,681

7. SECURITIES**CONSOLIDATED**

(a) Securities as of September 30, 2021 and March 31, 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2021	Mar. 31, 2021	Sept. 30, 2021
Trading securities	¥ 0	¥ 0	\$ 0
Securities being held to maturity	125,134	185,528	1,117,673
Securities available for sale:			
Securities carried at fair value	766,332	690,076	6,844,698
Securities carried at cost	37,064	35,687	331,055
Investments in unconsolidated subsidiaries and affiliates	17,381	18,424	155,250
Total	¥ 945,913	¥ 929,717	\$ 8,448,675

The above balances do not include securities held in connection with securities borrowing transactions with or without cash collateral, securities purchased under resale agreements or securities accepted as collateral for derivative transactions, where the Group has the right to sell or pledge such securities without restrictions. The balances of those securities as of September 30, 2021 and March 31, 2021 were ¥2,273 million (U.S.\$20,305 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 September 30, 2021 and March 31, 2021 were ¥3,330 million (U.S.\$29,743 thousand) and ¥3,380 million, respectively.

7. SECURITIES (CONTINUED)

CONSOLIDATED

(b) The amortized/acquisition cost and the fair values of securities (other than trading securities) as of September 30, 2021 and March 31, 2021 were as follows:

	Millions of yen							
	Sept. 30, 2021				Mar. 31, 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	¥ 125,134	¥ 694	– ¥	¥ 125,829	¥ 185,528	¥ 653	– ¥	¥ 186,181
Total	¥ 125,134	¥ 694	– ¥	¥ 125,829	¥ 185,528	¥ 653	– ¥	¥ 186,181
Securities available for sale:								
Equity securities	¥ 6,221	¥ 6,891	¥ 165	¥ 12,947	¥ 6,808	¥ 6,519	¥ 241	¥ 13,086
Japanese national government bonds	230,414	2	866	229,550	165,347	3	942	164,408
Japanese local government bonds	–	–	–	–	–	–	–	–
Japanese corporate bonds	146,246	196	2,545	143,897	173,576	479	2,178	171,877
Foreign securities	387,335	1,652	9,299	379,687	343,558	1,455	4,450	340,563
Other ¹	13,991	201	–	14,192	19,686	251	–	19,938
Total	¥ 784,209	¥ 8,943	¥ 12,877	¥ 780,276	¥ 708,977	¥ 8,709	¥ 7,813	¥ 709,874

Thousands of U.S. dollars

	Sept. 30, 2021			
	Amortized/ Acquisition cost	Gross unrealized gain	Gross unrealized loss	Fair value
Securities being held to maturity:				
Japanese national government bonds	\$1,117,673	\$ 6,207	–	\$1,123,879
Total	\$1,117,673	\$ 6,207	–	\$1,123,879
Securities available for sale:				
Equity securities	\$ 55,572	\$ 61,553	\$ 1,480	\$ 115,644
Japanese national government bonds	2,058,011	21	7,741	2,050,291
Japanese local government bonds	–	–	–	–
Japanese corporate bonds	1,306,241	1,755	22,734	1,285,262
Foreign securities	3,459,584	14,757	83,063	3,391,278
Other ¹	124,969	1,796	–	126,765
Total	\$7,004,376	\$ 79,882	\$ 115,018	\$6,969,240

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 six months ended September 30, 2021, was ¥727 million (U.S.\$6,502 thousand), which consisted of ¥330 million (U.S.\$2,951 thousand) for equity securities and ¥397 million (U.S.\$3,550 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 classification of the security issuer based upon the Group's self-assessment guidelines. The details of these rules are as follows:

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

"Legally bankrupt" obligors are those who have already gone bankrupt from a legal and/or formal perspective.

"Virtually bankrupt" obligors are those who have not yet legally or formally gone bankrupt but who are substantially in bankruptcy because they are in serious financial difficulties and are not deemed to be capable of restructuring.

"Possibly bankrupt" obligors are those who are not yet in bankruptcy but are in financial difficulties and are very likely to go bankrupt in the future.

"Need caution" obligors are those who are in need of close attention because there are problems with their borrowings.

"Normal" obligors are those whose business conditions are favorable and who are deemed not to have any particular problems in their financial position.

7. SECURITIES (CONTINUED)

CONSOLIDATED

(c) Unrealized gain (loss) on available-for-sale securities as of September 30, 2021 and March 31, 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2021	Mar. 31, 2021	Sept. 30, 2021
Unrealized gain (loss) before deferred tax on:			
Available-for-sale securities	¥ (3,933)	¥ 896	\$ (35,136)
The Group's interests in available-for-sale securities held by partnerships and other adjustments	408	516	3,647
Other monetary assets held in trust	(2,162)	(2,742)	(19,311)
Deferred tax liabilities	(489)	(478)	(4,370)
Unrealized gain (loss) on available-for-sale securities before interest adjustments	(6,176)	(1,807)	(55,170)
Noncontrolling interests	(182)	(764)	(1,626)
The Group's interests in unrealized gain (loss) on available-for-sale securities held by affiliates to which the equity method is applied	1,750	1,978	15,637
Unrealized gain (loss) on available-for-sale securities	¥ (4,608)	¥ (593)	\$ (41,159)

8. LOANS AND BILLS DISCOUNTED

CONSOLIDATED

Loans and bills discounted as of September 30, 2021 and March 31, 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2021	Mar. 31, 2021	Sept. 30, 2021
Loans on deeds	¥ 4,506,694	¥ 4,534,028	\$ 40,252,724
Loans on bills	10,540	11,874	94,146
Bills discounted	648	957	5,792
Overdrafts	676,278	686,744	6,040,359
Total	¥ 5,194,162	¥ 5,233,605	\$ 46,393,022

(a) Risk-monitored loans

Loans and bills discounted included loans to bankrupt obligors of ¥3,505 million (U.S.\$31,309 thousand) and ¥3,308 million as of September 30, 2021 and March 31, 2021, respectively, as well as nonaccrual delinquent loans of ¥50,448 million (U.S.\$450,593 thousand) and ¥52,384 million as of September 30, 2021 and March 31, 2021, respectively.

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

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

Loans past due for three months or more consist of loans for which the principal and/or interest is three months or more past due, but excluding loans to bankrupt obligors and nonaccrual delinquent loans. The balances of loans past due for three months or more as of September 30, 2021 and March 31, 2021 were ¥1,362 million (U.S.\$12,171 thousand) and ¥977 million, respectively.

Restructured loans are loans where the Group relaxes lending conditions, such as by reducing the original interest rate, or by forbearing interest payments or principal repayments to support the borrower’s reorganization, but excluding loans to bankrupt obligors, nonaccrual delinquent loans or loans past due for three months or more. The outstanding balances of restructured loans as of September 30, 2021 and March 31, 2021 were ¥62,621 million (U.S.\$559,323 thousand) and ¥60,066 million, respectively.

(b) Loan participations

The total amounts accounted for as the transfer of loans by loan participations as of September 30, 2021 and March 31, 2021 were ¥4,559 million (U.S.\$40,728 thousand) and ¥5,759 million, respectively. This “off-balance sheet” treatment is in accordance with guidelines issued by the JICPA. The total amounts of such loans in

which the Bank participated were ¥14,249 million (U.S.\$127,272 thousand) and ¥14,363 million as of September 30, 2021 and March 31, 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 amounts of such bills discounted held as of September 30, 2021 and March 31, 2021 were ¥648 million (U.S.\$5,792 thousand) and ¥957 million, respectively.

(d) Loan commitments

The Bank and certain consolidated subsidiaries set credit lines of overdrafts and issue commitments to extend credit to meet the financing needs of customers. The unfulfilled amounts of these commitments were ¥2,266,621 million (U.S.\$20,244,926 thousand) and ¥2,333,130 million as of September 30, 2021 and March 31, 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 ¥1,940,696 million (U.S.\$17,333,842 thousand) and ¥2,027,279 million as of September 30, 2021 and March 31, 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.

9. FOREIGN EXCHANGES**CONSOLIDATED**

Foreign exchange assets and liabilities as of September 30, 2021 and March 31, 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2021	Mar. 31, 2021	Sept. 30, 2021
Foreign exchange assets:			
Due from foreign banks	¥ 58,163	¥ 83,730	\$ 519,504
Total	¥ 58,163	¥ 83,730	\$ 519,504
Foreign exchange liabilities:			
Foreign bills sold	¥ 0	¥ —	\$ 6
Foreign bills payable	694	889	6,205
Total	¥ 695	¥ 889	\$ 6,211

10. OTHER ASSETS**CONSOLIDATED**

Other assets as of September 30, 2021 and March 31, 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2021	Mar. 31, 2021	Sept. 30, 2021
Accrued income	¥ 14,115	¥ 14,599	\$ 126,078
Prepaid expenses	8,038	6,774	71,800
Fair value of derivatives	48,042	63,173	429,103
Accounts receivable	35,095	44,715	313,462
Installment receivables	879,280	839,530	7,853,520
Security deposits	13,520	13,699	120,762
Suspense payments	16,404	15,606	146,521
Margin deposits for futures transactions	3,328	2,978	29,730
Cash collateral paid for financial instruments	67,137	69,718	599,659
Other	73,265	83,677	654,390
Total	¥ 1,158,229	¥ 1,154,474	\$ 10,345,026

Installment receivables in "Other assets" as of September 30, 2021 and March 31, 2021 include credits to bankrupt obligors of ¥87 million (U.S.\$779 thousand) and ¥91 million, nonaccrual delinquent credits of ¥6,443 million (U.S.\$57,555 thousand) and ¥6,745 million, credits past

due for three months or more of ¥513 million (U.S.\$4,582 thousand) and ¥209 million, and restructured credits of ¥2,620 million (U.S.\$23,410 thousand) and ¥2,353 million, respectively.

11. PREMISES AND EQUIPMENT**CONSOLIDATED**

Premises and equipment as of September 30, 2021 and March 31, 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2021	Mar. 31, 2021	Sept. 30, 2021
Buildings	¥ 28,368	¥ 28,635	\$ 253,382
Land	1,801	2,475	16,092
Tangible leased assets as lessor	77,762	77,058	694,559
Other	23,885	25,068	213,341
Subtotal	131,818	133,237	1,177,373
Accumulated depreciation	(71,419)	(69,359)	(637,901)
Net book value	¥ 60,399	¥ 63,878	\$ 539,472

12. INTANGIBLE ASSETS**CONSOLIDATED**

Intangible assets as of September 30, 2021 and March 31, 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2021	Mar. 31, 2021	Sept. 30, 2021
Software	¥ 47,023	¥ 49,608	\$ 420,002
Goodwill, net:			
Goodwill	14,472	15,817	129,264
Negative goodwill	(2,175)	(2,356)	(19,429)
Intangible assets acquired in business combinations	4,050	4,191	36,176
Intangible leased assets as lessor	87	50	784
Other	1,241	1,374	11,086
Total	¥ 64,699	¥ 68,685	\$ 577,883

13. RESERVE FOR CREDIT LOSSES**CONSOLIDATED**

Reserve for credit losses as of September 30, 2021 and March 31, 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2021	Mar. 31, 2021	Sept. 30, 2021
Reserve for loan losses:			
General reserve for loan losses	¥ 74,819	¥ 76,102	\$ 668,272
Specific reserve for loan losses	36,046	36,795	321,959
Total	¥ 110,866	¥ 112,897	\$ 990,231

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

Deposits, including negotiable certificates of deposit, as of September 30, 2021 and March 31, 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2021	Mar. 31, 2021	Sept. 30, 2021
Current	¥ 58,345	¥ 51,418	\$ 521,131
Ordinary	2,746,335	2,773,607	24,529,611
Notice	2,693	3,233	24,057
Time	2,617,411	2,646,869	23,378,093
Negotiable certificates of deposit	530,970	515,140	4,742,497
Other	535,232	581,062	4,780,570
Total	¥ 6,490,988	¥ 6,571,331	\$ 57,975,959

15. TRADING LIABILITIES**CONSOLIDATED**

Trading liabilities as of September 30, 2021 and March 31, 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2021	Mar. 31, 2021	Sept. 30, 2021
Derivatives for securities held to hedge trading transactions	¥ 89	¥ 35	\$ 799
Trading-related financial derivatives	138,969	148,358	1,241,246
Total	¥ 139,059	¥ 148,393	\$ 1,242,045

16. BORROWED MONEY

CONSOLIDATED

(a) Borrowed money as of September 30, 2021 and March 31, 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2021	Mar. 31, 2021	Sept. 30, 2021
Total amount of borrowed money ¹	¥ 964,755	1,026,679	\$8,616,970

¹ Borrowed money does not include subordinated debt as of September 30, 2021 and March 31, 2021.

(b) Annual maturities of borrowed money as of September 30, 2021 were as follows:

Year ending September 30,	Millions of yen	Thousands of U.S. dollars
2022	¥ 612,597	\$ 5,471,578
2023	120,992	1,080,676
2024	78,760	703,471
2025	39,798	355,471
2026 and thereafter	112,606	1,005,774
Total	¥ 964,755	\$ 8,616,970

17. CORPORATE BONDS

CONSOLIDATED

(a) Corporate bonds as of September 30, 2021 and March 31, 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2021	Mar. 31, 2021	Sept. 30, 2021
Total amount of corporate bonds ¹	¥ 376,987	¥ 367,534	\$3,367,164

¹ Corporate bonds do not include subordinated corporate bonds as of September 30, 2021 and March 31, 2021.

(b) Annual maturities of corporate bonds as of September 30, 2021 were as follows:

Year ending September 30,	Millions of yen	Thousands of U.S. dollars
2022	¥ 10,000	\$ 89,318
2023	80,000	714,541
2024	30,000	267,953
2025	100,000	893,176
2026 and thereafter	156,987	1,402,176
Total	¥ 376,987	\$ 3,367,164

18. OTHER LIABILITIES

CONSOLIDATED

Other liabilities as of September 30, 2021 and March 31, 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2021	Mar. 31, 2021	Sept. 30, 2021
Accrued expenses	¥ 8,741	¥ 9,476	\$ 78,073
Unearned income	24,927	24,662	222,646
Income taxes payable	6,472	1,905	57,808
Fair value of derivatives	70,640	88,203	630,945
Accounts payable	53,487	66,533	477,736
Deferred gains on installment receivables and credit guarantees	34,032	33,233	303,969
Asset retirement obligations	9,929	9,682	88,687
Deposits payable	136,006	128,195	1,214,778
Cash collateral received for financial instruments	16,243	9,620	145,083
Other	5,392	3,464	48,166
Total	¥ 365,873	¥ 374,978	\$ 3,267,891

19. ACCEPTANCES AND GUARANTEES**CONSOLIDATED**

Acceptances and guarantees as of September 30, 2021 and March 31, 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2021	Mar. 31, 2021	Sept. 30, 2021
Guarantees	¥ 576,932	¥ 567,777	\$5,153,021

20. ASSETS PLEDGED AS COLLATERAL**CONSOLIDATED**

Assets pledged as collateral and liabilities collateralized as of September 30, 2021 and March 31, 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2021	Mar. 31, 2021	Sept. 30, 2021
Assets pledged as collateral:			
Cash and due from banks	¥ 10	¥ 10	\$ 90
Trading assets	5,033	5,042	44,958
Monetary assets held in trust	352	294	3,150
Securities	527,591	484,222	4,712,321
Loans and bills discounted	890,701	913,544	7,955,537
Lease receivables and leased investment assets	8,057	8,394	71,970
Other assets	163,816	152,803	1,463,167
Premises and equipment	2,736	3,021	24,443
Liabilities collateralized:			
Deposits, including negotiable certificates of deposit	¥ 1,064	¥ 1,233	\$ 9,503
Payables under repurchase agreements	77,083	47,712	688,491
Payables under securities lending transactions	424,595	395,449	3,792,385
Borrowed money	534,566	555,692	4,774,625
Corporate bonds	156,987	147,534	1,402,176
Other liabilities	11	12	99
Acceptances and guarantees	202	232	1,812

In addition, ¥3,328 million (U.S.\$29,730 thousand) and ¥2,978 million of margin deposits for futures transactions outstanding, ¥13,520 million (U.S.\$120,762 thousand) and ¥13,699 million of security deposits, ¥67,137 million (U.S.\$599,659 thousand) and ¥69,718 million of cash collateral paid for financial instruments, ¥638 million

(U.S.\$5,705 thousand) and nil of guarantee deposits under resale agreements and repurchase agreements and ¥40,000 million (U.S.\$357,270 thousand) and ¥50,000 million of cash collateral for Zengin-net were included in "Other assets" as of September 30, 2021 and March 31, 2021, respectively.

21. EQUITY**CONSOLIDATED**

The authorized number of shares of common stock as of September 30, 2021 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
Six months ended September 30, 2021:		
Beginning of period	259,034	43,743
Increase ¹	—	6,718
Decrease ²	—	68
End of period	259,034	50,393
Six months ended September 30, 2020:		
Beginning of period	259,034	28,290
Increase ³	—	7,254
Decrease ⁴	—	62
End of period	259,034	35,483

¹ The increase of 6,718 thousand treasury stocks is associated with the repurchase of 0 thousand shares less than one unit, and the repurchase of 6,718 thousand shares from market.

² The decrease of 68 thousand treasury stocks is associated with the transfer of 12 thousand shares upon exercise of the stock option (stock acquisition rights), and the disposal of 55 thousand shares as a restricted stock compensation.

³ The increase of 7,254 thousand treasury stocks is associated with the repurchase from the market.

⁴ The decrease of 62 thousand treasury stocks is associated with the disposal as a restricted stock compensation.

22. STOCK ACQUISITION RIGHTS

CONSOLIDATED

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

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

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

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

The following tables show the details of stock acquisition rights and restricted stocks granted during the six months ended September 30, 2021.

(a) Stock-based compensation expenses for the six months ended September 30, 2021 and 2020 were as follows.

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2021	Sept. 30, 2020	Sept. 30, 2021
General and administrative expenses	¥ 114	¥ 117	\$ 1,026

(b) Details of stock options

The following table shows the details of stock options granted during the six months ended September 30, 2021.

Issuers	Date of issuance	Total number of stock options (shares) at the issuance	Total number of holders at the issuance	Required service period	Exercise period	Exercise price	Fair value at the grant date
The Bank	July 8, 2021	Common stocks 12,600 shares	1	Not applicable	July 9, 2021- July 8, 2051	¥ 1	¥ 1,347

(c) Details of restricted stock compensation

The following table shows the details of restricted stocks granted during the six months ended September 30, 2021.

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

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

Net trading income (loss) for the six months ended September 30, 2021 and 2020 consisted of the following:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Income (loss) from trading securities	¥ 1,555	¥ 887	\$ 13,892
Income (loss) from securities held to hedge trading transactions	97	5	875
Income (loss) from trading-related financial derivatives	2,254	1,490	20,136
Total	¥ 3,907	¥ 2,383	\$ 34,903

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

“Other, net” in other business income (loss), net, for the six months ended September 30, 2021 and 2020 consisted of the following:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Income (loss) from derivatives entered into for banking purposes, net	¥ 99	¥ 45	\$ 884
Equity in net income (loss) of affiliates	236	1,704	2,116
Gain on lease cancellation and other lease income (loss), net	1,420	990	12,685
Other, net	987	938	8,819
Total	¥ 2,743	¥ 3,678	\$ 24,504

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

Net credit costs (recoveries) for the six months ended September 30, 2021 and 2020 consisted of the following:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Losses on write-off or sales of loans	¥ 916	¥ 1,616	\$ 8,190
Net provision (reversal) of reserve for loan losses:			
Net provision (reversal) of general reserve for loan losses	5,429	10,790	48,494
Net provision (reversal) of specific reserve for loan losses	5,702	8,310	50,931
Subtotal	11,131	19,101	99,424
Other credit costs (recoveries) relating to leasing business	160	74	1,432
Recoveries of written-off claims	(5,661)	(3,332)	(50,571)
Total	¥ 6,546	¥ 17,460	\$ 58,475

26. OTHER GAINS (LOSSES), NET

CONSOLIDATED

Other gains (losses), net for the six months ended September 30, 2021 and 2020 consisted of the following:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Gain on sale of investments in subsidiaries	¥ 1,048	¥ –	\$ 9,361
Net gain (loss) on disposal of premises and equipment	494	(30)	4,418
Impairment losses on long-lived assets	(229)	(229)	(2,051)
Reversal (provision) of reserve for losses on interest repayment	–	968	–
Other, net	597	369	5,334
Total	¥ 1,910	¥ 1,078	\$ 17,062

- Impairment losses on long-lived assets

For the six months ended September 30, 2021 and 2020, respectively, “Impairment losses on long-lived assets” of ¥229 million (U.S.\$2,051 thousand) and ¥229 million were recognized mainly on the properties of the Bank’s branches and a certain consolidated subsidiary for the Individual Business which were decided to be closed and on the unused IT-related properties.

27. EARNINGS PER SHARE

CONSOLIDATED

A reconciliation of the difference between basic and diluted EARNINGS PER SHARE (“EPS”) for the six months ended September 30, 2021 and 2020 was as follows:

	Earnings (Millions of yen)	Weighted average shares (Thousands)	EPS (Yen)	EPS (U.S. dollars)
For the six months ended September 30, 2021:				
Basic EPS				
Profit (loss) attributable to owners of the parent available to common shareholders	¥ 23,232	213,587	¥ 108.77	\$ 0.97
Effect of dilutive securities				
Stock acquisition rights	–	65		
Diluted EPS				
Profit (loss) attributable to owners of the parent for computation	¥ 23,232	213,652	¥ 108.73	\$ 0.97

As described in the Note2 (AD) “CHANGE 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, net assets per share was decreased ¥2.06 (U.S.\$0.02), and both net income per share and diluted net income per share were decreased ¥0.20 (U.S.\$0.00) for this interim period.

Also, the Accounting Standard for Fair Value Measurement and Its Implementation Guidance was adopted, the Group applied the transitional treatment described in paragraph 20 of the standard. As a result, net assets per share was decreased ¥2.68 (U.S.\$0.02), and both net income per share and diluted net income per share were decreased ¥1.77 (U.S.\$0.02) for this interim period.

	Earnings (Millions of yen)	Weighted average shares (Thousands)	EPS (Yen)
For the six months ended September 30, 2020:			
Basic EPS			
Profit (loss) attributable to owners of the parent available to common shareholders	¥ 13,316	228,192	¥ 58.35
Effect of dilutive securities			
Stock acquisition rights	–	60	
Diluted EPS			
Profit (loss) attributable to owners of the parent for computation	¥ 13,316	228,252	¥ 58.34

28. LEASE TRANSACTIONS**CONSOLIDATED****(A) FINANCE LEASE TRANSACTIONS****AS LESSEE**

- (a) For finance lease transactions, where the ownership of the property is deemed to transfer to the lessee, lease assets are software included in "Intangible assets."
- (b) For finance lease transactions, where the ownership of the property is not deemed to transfer to the lessee, lease assets are primarily buildings, tools, equipment and fixtures included in "Premises and equipment."
- (c) Depreciation method is described in "(W) LEASE TRANSACTIONS" in Note 2 "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

AS LESSOR

- (a) Breakdown of "Lease receivables and leased investment assets" as of September 30, 2021 and March 31, 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2021	Mar. 31, 2021	Sept. 30, 2021
Lease receivables	¥ 52,684	¥ 54,753	\$ 470,562
Leased investment assets:			
Lease payment receivables	152,517	151,492	1,362,246
Estimated residual value	6,358	6,000	56,796
Interest equivalent	(22,337)	(20,769)	(199,509)
Other	795	669	7,107
Subtotal	137,334	137,393	1,226,640
Total	¥ 190,018	¥ 192,147	\$ 1,697,202

- (b) Lease payment receivables for "Lease receivables and leased investment assets" as of September 30, 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
Due within one year	¥ 16,381	\$ 146,319	¥ 44,046	\$ 393,410
Due after one year within two years	12,024	107,396	33,647	300,530
Due after two years within three years	9,049	80,829	25,518	227,922
Due after three years within four years	7,076	63,206	17,326	154,754
Due after four years within five years	4,961	44,315	11,152	99,607
Due after five years	5,338	47,684	20,827	186,023
Total	¥ 54,832	\$ 489,749	¥ 152,517	\$ 1,362,246

(B) OPERATING LEASE TRANSACTIONS

Noncancelable operating lease obligations as lessee and lease payment receivables as lessor as of September 30, 2021 and March 31, 2021 were as follows:

AS LESSEE

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2021	Mar. 31, 2021	Sept. 30, 2021
Lease obligations:			
Due within one year	¥ 4,381	¥ 4,323	\$ 39,134
Due after one year	7,379	9,265	65,910
Total	¥ 11,760	¥ 13,589	\$ 105,045

AS LESSOR

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2021	Mar. 31, 2021	Sept. 30, 2021
Lease payment receivables:			
Due within one year	¥ 8,306	¥ 8,449	\$ 74,191
Due after one year	24,764	22,519	221,189
Total	¥ 33,070	¥ 30,968	\$ 295,381

29. REVENUE RECOGNITION

CONSOLIDATED

Information on disaggregated revenue from contracts with customers

Information on disaggregated revenue from contracts with customers, which were allocated to each reportable segment, for six month period ended September 30, 2021 were as follows:

(Millions of yen)

Six months ended September 30, 2021	Institutional Business					
	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Fees and commissions income ^{1.5}	¥ 625	¥ 438	¥ 384	¥ 380	¥ 16	¥ 924
Other business income ^{2.5}	382	25	77	2,305	22	0
Total revenue from contracts with customers	1,007	463	461	2,685	38	924
Revenue other than the above ^{3.5}	14,044	40,086	4,109	47,657	6,591	1,770
Total revenue from external customers	¥ 15,052	¥ 40,549	¥ 4,571	¥ 50,342	¥ 6,630	¥ 2,695

(Millions of yen)

Six months ended September 30, 2021	Individual Business				Corporate/Other			Total
	Retail Banking	Consumer Finance			Overseas Business	Treasury	Other ⁴	
		Shinsei Financial	APLUS FINANCIAL	Other Individual				
Fees and commissions income ^{1.5}	¥ 5,165	¥ 867	¥ 7,239	¥ 321	¥ 0	¥ 12	¥ (1,387)	¥ 14,989
Other business income ^{2.5}	–	–	6,216	34	–	433	(341)	9,156
Total revenue from contracts with customers	5,165	867	13,456	356	0	446	(1,729)	24,145
Revenue other than the above ^{3.5}	11,523	36,959	26,695	1,692	9,306	(1,134)	(40,884)	158,417
Total revenue from external customers	¥ 16,689	¥ 37,826	¥ 40,151	¥ 2,048	¥ 9,306	¥ (688)	¥ (42,614)	¥ 182,563

(Thousands of U.S. dollars)

Six months ended September 30, 2021	Institutional Business					
	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Fees and commissions income ^{1.5}	\$ 5,589	\$ 3,919	\$ 3,432	\$ 3,398	\$ 146	\$ 8,257
Other business income ^{2.5}	3,413	224	689	20,589	202	4
Total revenue from contracts with customers	9,002	4,143	4,121	23,987	348	8,261
Revenue other than the above ^{3.5}	125,444	358,039	36,706	425,664	58,874	15,818
Total revenue from external customers	\$ 134,447	\$ 362,182	\$ 40,827	\$ 449,650	\$ 59,222	\$ 24,078

(Thousands of U.S. dollars)

Six months ended September 30, 2021	Individual Business				Corporate/Other			Total
	Retail Banking	Consumer Finance			Overseas Business	Treasury	Other ⁴	
		Shinsei Financial	APLUS FINANCIAL	Other Individual				
Fees and commissions income ^{1.5}	\$ 46,140	\$ 7,744	\$ 64,662	\$ 2,872	\$ 4	\$ 114	\$ (12,396)	\$ 133,882
Other business income ^{2.5}	–	–	55,527	311	–	3,876	(3,052)	81,781
Total revenue from contracts with customers	46,140	7,744	120,188	3,183	4	3,990	(15,448)	215,663
Revenue other than the above ^{3.5}	102,929	330,112	238,434	15,118	83,124	(10,137)	(365,173)	1,414,951
Total revenue from external customers	\$ 149,069	\$ 337,857	\$ 358,622	\$ 18,301	\$ 83,127	\$ (6,147)	\$ (380,621)	\$ 1,630,613

29. REVENUE RECOGNITION

CONSOLIDATED

(Notes)

1. "Fees and commissions income" are mainly from sales of mutual funds and insurances in "Retail Banking" and from collection agent service in the payment business in "APLUS FINANCIAL."
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 FINANCIAL."
3. "Revenue other than the above" includes revenue from transactions within the scope 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 allocation method.

30. SEGMENT INFORMATION

CONSOLIDATED

(A) SEGMENT INFORMATION**(a) DESCRIPTION OF REPORTABLE SEGMENTS**

Our reportable segments consist of businesses whose individual financial information is available and regular evaluation by the 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 FINANCIAL.” Also, the business and operations which do not belong to any of the Institutional Business and the Individual Business are classified as the “Corporate/Other.” The “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 (former Shinsei Bank Card Loan Lake), Lake ALSA). The “APLUS FINANCIAL” segment provides installment sales credit, credit cards, loans and payment services.

The “Other Individual” segment in the Individual Business consists of profit and loss attributable to other subsidiaries.

In the Corporate/Other, the “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 2 “SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,” except for interest on inter-segment transactions and indirect expense.

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

30. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

(c) 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 overseas businesses as a whole, and planning, promoting, and managing the business strategies of the Group's overseas operating companies.

In the past, the Group's overseas businesses were engaged in business promotion and management in both Institutional business and Individual business independently. By concentrating management resources in GOBD, the Group have 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 first half of the previous fiscal year were prepared based on the reportable segment classification for the first half of 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 first half of the previous fiscal year has been prepared based on the method of measurement for the first half of the current fiscal year.

30. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

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

Six months ended September 30, 2021	Millions of yen					
	Institutional Business					
	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Revenue ¹ :	¥ 6,576	¥ 10,065	¥ 2,654	¥ 7,822	¥ 1,292	¥ 1,401
Net Interest Income	5,151	6,997	1,680	89	429	196
Noninterest Income	1,424	3,067	973	7,732	862	1,204
Expenses ²	6,672	5,795	2,290	5,759	1,500	1,457
Net Credit Costs (Recoveries) ³	(766)	(1,576)	(10)	45	–	18
Segment Profit (Loss) ⁶	¥ 670	¥ 5,846	¥ 373	¥ 2,017	¥ (207)	¥ (75)
Segment Assets ⁴	¥ 1,571,144	¥ 1,946,315	¥ 125,406	¥ 561,792	¥ 286,684	¥ 42,349
Segment Liabilities ⁵	¥ 1,549,832	¥ 141,897	¥ 11,235	¥ 619	¥ 138,765	¥ 11,138
Includes:						
i. Equity in net income (loss) of affiliates	¥ –	¥ –	¥ (143)	¥ (125)	¥ –	¥ –
ii. Investment in affiliates	–	–	9,437	793	–	–
Other:						
Goodwill (Negative Goodwill):						
Amortization	¥ –	¥ –	¥ (0)	¥ 1,091	¥ –	¥ –
Unamortized balance	–	–	(0)	7,556	–	–
Intangible assets acquired in business combinations:						
Amortization	¥ –	¥ –	¥ –	¥ 66	¥ –	¥ –
Unamortized balance	–	–	–	246	–	–
Impairment losses on long-lived assets	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –

Six months ended September 30, 2021	Millions of yen							
	Individual Business				Corporate/Other			
	Retail Banking	Consumer Finance			Overseas Business	Treasury	Other	Total
	Shinsei Financial	APLUS FINANCIAL	Other Individual					
Revenue ¹ :	¥ 13,134	¥ 31,599	¥ 29,562	¥ 927	¥ 5,556	¥ 80	¥ 5	¥ 110,678
Net Interest Income	9,845	31,702	4,023	267	2,527	(1,306)	(0)	61,604
Noninterest Income	3,289	(103)	25,538	659	3,028	1,387	6	49,073
Expenses ²	11,867	16,940	19,372	1,055	2,794	701	1,026	77,235
Net Credit Costs (Recoveries) ³	3	3,635	6,148	(351)	(596)	–	(4)	6,546
Segment Profit (Loss) ⁶	¥ 1,264	¥ 11,022	¥ 4,040	¥ 222	¥ 3,358	¥ (620)	¥ (1,016)	¥ 26,896
Segment Assets ⁴	¥ 1,132,063	¥ 480,879	¥ 1,364,113	¥ 29,675	¥ 308,367	¥ 564,641	¥ 226	¥ 8,413,659
Segment Liabilities ⁵	¥ 4,788,785	¥ 40,039	¥ 519,265	¥ 5,400	¥ –	¥ –	¥ –	¥ 7,206,980
Includes:								
i. Equity in net income (loss) of affiliates	¥ –	¥ –	¥ (26)	¥ 393	¥ 138	¥ –	¥ –	¥ 236
ii. Investment in affiliates	–	–	520	4,628	3,552	–	–	18,933
Other:								
Goodwill (Negative Goodwill):								
Amortization	¥ 47	¥ (70)	¥ 29	¥ –	¥ 280	¥ –	¥ –	¥ 1,379
Unamortized balance	740	(1,674)	477	–	5,197	–	–	12,297
Intangible assets acquired in business combinations:								
Amortization	¥ –	¥ –	¥ 86	¥ –	¥ 75	¥ –	¥ –	¥ 228
Unamortized balance	–	–	1,749	–	2,054	–	–	4,050
Impairment losses on long-lived assets	¥ 114	¥ 53	¥ –	¥ –	¥ –	¥ –	¥ 61	¥ 229

30. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

Six months ended September 30, 2020	Millions of yen						
	Institutional Business						Other Global Markets
	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets		
Revenue ¹ :	¥ 7,314	¥ 9,723	¥ 2,239	¥ 7,252	¥ 2,197	¥ 914	
Net Interest Income	5,705	6,237	1,524	79	555	207	
Noninterest Income	1,608	3,486	715	7,172	1,641	706	
Expenses ²	6,453	5,251	2,092	5,697	1,650	1,468	
Net Credit Costs (Recoveries) ³	942	5,064	275	302	–	28	
Segment Profit (Loss) ⁶	¥ (80)	¥ (592)	¥ (128)	¥ 1,251	¥ 546	¥ (582)	
Segment Assets ⁴	¥ 1,626,652	¥ 1,911,875	¥ 131,331	¥ 577,659	¥ 307,068	¥ 39,983	
Segment Liabilities ⁵	¥ 1,410,610	¥ 137,126	¥ 6,849	¥ 1,885	¥ 170,586	¥ 34,486	
Includes:							
i. Equity in net income (loss) of affiliates	¥ –	¥ –	¥ (38)	¥ (234)	¥ –	¥ –	
ii. Investment in affiliates	–	–	7,806	1,031	–	–	
Other:							
Goodwill (Negative Goodwill):							
Amortization	¥ –	¥ –	¥ (0)	¥ 1,091	¥ –	¥ –	
Unamortized balance	–	–	(1)	9,740	–	–	
Intangible assets acquired in business combinations:							
Amortization	¥ –	¥ –	¥ –	¥ 86	¥ –	¥ –	
Unamortized balance	–	–	–	399	–	–	
Impairment losses on long-lived assets	¥ 0	¥ –	¥ –	¥ –	¥ 0	¥ –	

Six months ended September 30, 2020	Millions of yen							
	Retail Banking	Individual Business			Corporate/Other			Total
		Shinsei Financial	APLUS FINANCIAL	Other Individual	Overseas Business	Treasury	Other	
Revenue ¹ :	¥ 13,620	¥ 33,884	¥ 29,022	¥ 1,101	¥ 1,697	¥ 1,016	¥ 305	¥ 110,288
Net Interest Income	12,314	33,800	4,354	311	28	(3,239)	0	61,881
Noninterest Income	1,305	83	24,667	789	1,668	4,255	305	48,407
Expenses ²	12,038	16,521	19,112	1,017	667	787	(19)	72,739
Net Credit Costs (Recoveries) ³	264	4,666	6,286	(418)	50	–	(1)	17,460
Segment Profit (Loss) ⁶	¥ 1,317	¥ 12,696	¥ 3,623	¥ 501	¥ 979	¥ 228	¥ 326	¥ 20,088
Segment Assets ⁴	¥ 1,153,668	¥ 493,746	¥ 1,268,944	¥ 33,511	¥ 311,933	¥ 430,899	¥ 114	¥ 8,287,390
Segment Liabilities ⁵	¥ 4,816,988	¥ 42,684	¥ 487,012	¥ 2,851	¥ –	¥ –	¥ –	¥ 7,111,083
Includes:								
i. Equity in net income (loss) of affiliates	¥ –	¥ –	¥ (12)	¥ 428	¥ 1,562	¥ –	¥ –	¥ 1,704
ii. Investment in affiliates	–	–	572	4,084	64,463	–	–	77,958
Other:								
Goodwill (Negative Goodwill):								
Amortization	¥ 47	¥ (70)	¥ 29	¥ –	¥ 10	¥ –	¥ –	¥ 1,109
Unamortized balance	836	(1,814)	537	–	7,383	–	–	16,681
Intangible assets acquired in business combinations:								
Amortization	¥ –	¥ –	¥ 86	¥ –	¥ –	¥ –	¥ –	¥ 173
Unamortized balance	–	–	1,923	–	–	–	–	2,322
Impairment losses on long-lived assets	¥ 141	¥ 13	¥ –	¥ –	¥ –	¥ –	¥ 74	¥ 229

30. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

Six months ended September 30, 2021	Thousands of U.S. dollars					
	Institutional Business					
	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Revenue ¹ :	\$ 58,736	\$ 89,903	\$ 23,710	\$ 69,866	\$ 11,545	\$ 12,514
Net Interest Income	46,010	62,502	15,013	797	3,840	1,756
Noninterest Income	12,726	27,401	8,697	69,069	7,705	10,758
Expenses ²	59,595	51,763	20,461	51,438	13,401	13,020
Net Credit Costs (Recoveries) ³	(6,847)	(14,077)	(89)	404	–	169
Segment Profit (Loss) ⁶	\$ 5,988	\$ 52,216	\$ 3,338	\$ 18,024	\$ (1,855)	\$ (676)
Segment Assets ⁴	\$ 14,033,091	\$ 17,384,024	\$ 1,120,100	\$ 5,017,795	\$ 2,560,601	\$ 378,259
Segment Liabilities ⁵	\$ 13,842,735	\$ 1,267,396	\$ 100,353	\$ 5,534	\$ 1,239,418	\$ 99,487
Includes:						
i. Equity in net income (loss) of affiliates	\$ –	\$ –	\$ (1,277)	\$ (1,121)	\$ –	\$ –
ii. Investment in affiliates	–	–	84,298	7,090	–	–
Other:						
Goodwill (Negative Goodwill):						
Amortization	\$ –	\$ –	\$ (3)	\$ 9,753	\$ –	\$ –
Unamortized balance	–	–	(8)	67,491	–	–
Intangible assets acquired in business combinations:						
Amortization	\$ –	\$ –	\$ –	\$ 593	\$ –	\$ –
Unamortized balance	–	–	–	2,200	–	–
Impairment losses on long-lived assets	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –

Six months ended September 30, 2021	Thousands of U.S. dollars							
	Individual Business				Corporate/Other			
	Retail Banking	Consumer Finance			Overseas Business	Treasury	Other	Total
	Shinsei Financial	APLUS FINANCIAL	Other Individual					
Revenue ¹ :	\$ 117,318	\$ 282,235	\$ 264,042	\$ 8,281	\$ 49,629	\$ 723	\$ 52	\$ 988,553
Net Interest Income	87,939	283,156	35,935	2,387	22,577	(11,668)	(8)	550,237
Noninterest Income	29,380	(921)	228,107	5,893	27,051	12,390	60	438,316
Expenses ²	105,996	151,312	173,031	9,430	24,962	6,264	9,171	689,846
Net Credit Costs (Recoveries) ³	31	32,469	54,919	(3,136)	(5,332)	–	(36)	58,475
Segment Profit (Loss) ⁶	\$ 11,291	\$ 98,454	\$ 36,092	\$ 1,986	\$ 29,999	\$ (5,542)	\$ (9,084)	\$ 240,232
Segment Assets ⁴	\$10,111,318	\$4,295,098	\$12,183,932	\$ 265,051	\$2,754,269	\$5,043,242	\$ 2,019	\$75,148,797
Segment Liabilities ⁵	\$42,772,292	\$ 357,619	\$ 4,637,954	\$ 48,237	\$ –	\$ –	\$ –	\$64,371,026
Includes:								
i. Equity in net income (loss) of affiliates	\$ –	\$ –	\$ (241)	\$ 3,516	\$ 1,239	\$ –	\$ –	\$ 2,116
ii. Investment in affiliates	–	–	4,649	41,341	31,734	–	–	169,110
Other:								
Goodwill (Negative Goodwill):								
Amortization	\$ 427	\$ (626)	\$ 267	\$ –	\$ 2,507	\$ –	\$ –	\$ 12,325
Unamortized balance	6,617	(14,955)	4,264	–	46,425	–	–	109,835
Intangible assets acquired in business combinations:								
Amortization	\$ –	\$ –	\$ 775	\$ –	\$ 674	\$ –	\$ –	\$ 2,042
Unamortized balance	–	–	15,630	–	18,346	–	–	36,176
Impairment losses on long-lived assets	\$ 1,022	\$ 479	\$ –	\$ –	\$ –	\$ –	\$ 550	\$ 2,051

Notes: 1 "Revenue," which represents gross operating profit under our management reporting, is presented as a substitute for sales in other industries. "Revenue" is defined as the total of net interest income, net fees and commissions, net trading income and net other business income on the management reporting basis. "Revenue" represents income and related cost attributable to our core business.

2 "Expenses" are general and administrative expenses deducting amortization of goodwill and intangible assets, amortization of actuarial gains or losses of retirement benefit cost and lump-sum payments.

3 "Net Credit Costs (Recoveries)" consists of provision/reversal of reserve for credit losses, losses on write-off/sales of loans and recoveries of written-off claims.

4 "Segment Assets" consists of other monetary claims purchased, trading assets, monetary assets held in trust, securities, loans and bills discounted, lease receivables and leased investment assets, installment receivables, tangible leased assets, intangible leased assets and customer's liabilities for acceptances and guarantees.

5 "Segment Liabilities" consists of deposits, including negotiable certificates of deposit, 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 profit (loss)," although borrowed money is not allocated to each "Segment liabilities." In addition, depreciation is considered a part of "Expenses" and included in "Segment profit (loss)," although premises and equipment excluding tangible leased assets and intangible assets excluding intangible leased assets are not allocated to each "Segment assets."

30. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

(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 six months ended September 30, 2021 and 2020 was as follows:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Total segment profit	¥ 26,896	¥ 20,088	\$ 240,232
Amortization of goodwill	(1,379)	(1,109)	(12,325)
Amortization of intangible assets acquired in business combinations	(228)	(173)	(2,042)
Lump-sum payments	231	(148)	2,068
Other gains (losses), net	1,910	1,078	17,062
Income (loss) before income taxes	¥ 27,429	¥ 19,735	\$ 244,995

(ii) A reconciliation between total segment assets and total assets on the consolidated balance sheets as of September 30, 2021 and 2020 was as follows:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Total segment assets	¥ 8,413,659	¥ 8,287,390	\$ 75,148,797
Cash and due from banks	1,901,389	1,659,232	16,982,759
Foreign exchanges	58,163	64,578	519,504
Other assets excluding installment receivables	278,949	309,509	2,491,506
Premises and equipment excluding tangible leased assets	18,555	21,584	165,729
Intangible assets excluding intangible leased assets	64,612	70,919	577,099
Assets for retirement benefits	19,892	5,952	177,672
Deferred tax assets	10,211	14,479	91,208
Reserve for credit losses	(110,866)	(109,694)	(990,231)
Total assets	¥ 10,654,566	¥ 10,323,952	\$ 95,164,044

(iii) A reconciliation between total segment liabilities and total liabilities on the consolidated balance sheets as of September 30, 2021 and 2020 was as follows:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Total segment liabilities	¥ 7,206,980	¥ 7,111,083	\$ 64,371,026
Call money	24,071	95,000	215,000
Payables under repurchase agreements	77,083	11,069	688,491
Payables under securities lending transactions	424,595	311,171	3,792,385
Borrowed money	964,755	880,491	8,616,970
Foreign exchanges	695	1,208	6,211
Short-term corporate bonds	222,300	227,200	1,985,531
Corporate bonds	376,987	353,368	3,367,164
Other liabilities	365,873	359,438	3,267,891
Accrued employees' bonuses	5,022	4,928	44,859
Accrued directors' bonuses	20	23	181
Liabilities for retirement benefits	8,137	8,459	72,685
Reserve for directors' retirement benefits	21	17	191
Reserve for reimbursement of deposits	438	577	3,914
Reserve for reimbursement of debentures	3,236	3,406	28,905
Reserve for losses on interest repayments	34,566	43,365	308,740
Deferred tax liabilities	214	115	1,917
Total liabilities	¥ 9,715,000	¥ 9,410,924	\$ 86,772,062

30. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

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

Income regarding major services for the six months ended September 30, 2021 and 2020 was as follows:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Loan Businesses	¥ 69,612	¥ 67,914	\$ 621,760
Lease Businesses	4,315	3,868	38,548
Securities Investment Businesses	4,629	15,581	41,354
Installment Sales and Guarantee Businesses	29,514	26,112	263,616

(b) GEOGRAPHICAL INFORMATION*(i) REVENUE*

Revenue from external domestic customers exceeded 90% of total revenue on the consolidated statements of income for the six months ended September 30, 2021 and 2020, therefore geographical revenue information is not presented.

(ii) PREMISES AND EQUIPMENT

The balance of domestic premises and equipment exceeded 90% of total balance of premises and equipment on the consolidated balance sheets as of September 30, 2021 and 2020, therefore geographical premises and equipment information is not presented.

(c) MAJOR CUSTOMER INFORMATION

Revenue to a specific customer did not reach 10% of total revenue on the consolidated statements of income for the six months ended September 30, 2021 and 2020, therefore major customer information is not presented.

31. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

CONSOLIDATED

Matters concerning fair value of financial instruments and breakdown by input level

Carrying amounts on the interim consolidated balance sheet as of September 30, 2021, 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 classified 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 classified as the lowest priority level of fair value measurement in which each input belongs.

(1) Financial instruments measured at fair value on the interim consolidated balance sheets

Fair values of financial instruments as of September 30, 2021 and March 31, 2021 were as follows:

March 31, 2021	Millions of yen	
	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		–
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 ^{2,3}	¥	(8,830)
Interest rate-related		3,897
Currency-related		(13,474)
Bond-related		13
Credit derivatives		732

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) are not included in the table above. The amount of such investment trusts on the consolidated balance sheet is ¥ 980 million.

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 ¥15,592 million.

31. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

September 30, 2021	Millions of yen			
	Carrying amount			
	Level 1	Level 2	Level 3	Total
Assets:				
Other monetary claims purchased	¥ -	¥ -	¥ 15,284	¥ 15,284
Trading assets	5,697	69	-	5,767
Monetary assets held in trust	-	5,048	159,615	164,663
Securities	401,436	158,956	204,865	765,257
Trading securities	-	-	0	0
Other securities	401,436	158,956	204,865	765,257
Equity securities	11,814	1,132	-	12,947
Japanese national government bonds	229,550	-	-	229,550
Japanese local government bonds	-	-	-	-
Japanese corporate bonds	-	34,302	109,595	143,897
Foreign securities	160,070	123,379	95,161	378,612
Other ¹	-	141	107	248
Total	¥ 407,133	¥ 164,074	¥ 379,764	¥ 950,972
Derivative instruments ^{2,3}	¥ (78)	¥ (23,600)	¥ 19,696	¥ (3,982)
Interest rate-related	-	(21,944)	25,244	3,300
Currency-related	-	(2,311)	(5,548)	(7,860)
Bond-related	(78)	-	-	(78)
Credit derivatives	-	655	-	655

September 30, 2021	Thousands of U.S. dollars			
	Carrying amount			
	Level 1	Level 2	Level 3	Total
Assets:				
Other monetary claims purchased	\$ -	\$ -	\$ 136,514	\$ 136,514
Trading assets	50,890	621	-	51,511
Monetary assets held in trust	-	45,093	1,425,644	1,470,737
Securities	3,585,532	1,419,761	1,829,805	6,835,098
Trading securities	-	-	-	-
Other securities	3,585,532	1,419,761	1,829,805	6,835,098
Equity securities	105,525	10,120	-	115,644
Japanese national government bonds	2,050,291	-	-	2,050,291
Japanese local government bonds	-	-	-	-
Japanese corporate bonds	-	306,380	978,881	1,285,262
Foreign securities	1,429,716	1,102,000	849,962	3,381,678
Other ¹	-	1,261	962	2,223
Total	\$ 3,636,422	\$ 1,465,475	\$ 3,391,964	\$ 8,493,861
Derivative instruments ^{2,3}	\$ (702)	\$ (210,790)	\$ 175,922	\$ (35,570)
Interest rate-related	-	(196,002)	225,479	29,477
Currency-related	-	(20,648)	(49,557)	(70,204)
Bond-related	(702)	-	-	(702)
Credit derivatives	-	5,859	-	5,859

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 interim consolidated balance sheet is ¥1,074 million (U.S. \$9,600 thousand).

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 balance sheet amount to a net liability of ¥17,218 million (U.S.\$153,794 thousand). Of these hedging relationships, the exceptional treatment prescribed in the Practical Solution is applied to all hedging relationships included in the scope of application of the Practical Solution No.40 "The Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (the Practical Solution No.40, September 29, 2020).

31. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

(2) Financial instruments other than those measured at fair value on the interim 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 fair values approximate to their carrying amounts.

March 31, 2021	Millions of yen		
	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
Other:			
Guarantee contracts ⁵	¥ 17,866	¥ 567,777	

1. ¥2,601 million of Reserve for credit losses corresponding to “Monetary assets held in trust” are deducted.

2. ¥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,” reserve for losses on interest repayments of ¥39,096 million is 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. ¥1,289 million of Reserves for credit losses corresponding to “Lease receivables and leased investment assets” are deducted. ¥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, is deducted from leased investment assets.

4. ¥13,302 million of deferred gains on installment receivables and ¥12,306 million of Reserve for credit losses corresponding to “Other assets” are deducted.

5. The “Contract Amount” for “Guarantee contracts” presents the amount of “Acceptances and guarantees” on the consolidated balance sheets.

September 30, 2021	Millions of yen						
	Fair value				Carrying amount	Net unrealized gains (losses)	
	Level 1	Level 2	Level 3	Total			
Assets:							
Other monetary claims purchased	¥ -	¥ -	¥ 22,148	¥ 22,148	¥ 21,914	¥ 234	
Monetary assets held in trust ¹	-	23,974	197,412	221,386	218,054	3,332	
Securities	125,829	-	-	125,829	125,134	694	
Securities being held to maturity	125,829	-	-	125,829	125,134	694	
Japanese national government bonds	125,829	-	-	125,829	125,134	694	
Loans and bills discounted ²	-	2,211,937	3,061,957	5,273,895	5,123,596	150,298	
Lease receivables and leased investment assets ³	-	3,215	185,305	188,520	181,968	6,552	
Other assets (Installment receivables) ⁴	-	113,767	791,251	905,019	851,519	53,500	
Total	¥ 125,829	¥ 2,352,895	¥ 4,258,075	¥ 6,736,800	¥ 6,522,187	¥ 214,613	
Liabilities:							
Deposits	¥ -	¥ 5,395,945	¥ 564,292	¥ 5,960,238	¥ 5,960,018	¥ (219)	
Negotiable certificates of deposit	-	-	531,183	531,183	530,970	(213)	
Borrowed money	-	3,870	960,599	964,469	964,755	286	
Corporate bonds	-	377,006	-	377,006	376,987	(18)	
Total	¥ -	¥ 5,776,822	¥ 2,056,074	¥ 7,832,897	¥ 7,832,732	¥ (165)	
Other:							
Guarantee contracts ⁵	¥ -	¥ -	¥ 47,073	¥ 47,073	¥ 576,932		

31. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

Thousands of U.S. dollars

September 30, 2021	Fair value				Carrying amount	Net unrealized gains (losses)
	Level 1	Level 2	Level 3	Total		
Assets:						
Other monetary claims purchased	\$ -	\$ -	\$ 197,830	\$ 197,830	\$ 195,738	\$ 2,091
Monetary assets held in trust ¹	-	214,131	1,763,244	1,977,375	1,947,607	29,768
Securities	1,123,879	-	-	1,123,879	1,117,673	6,207
Securities being held to maturity	1,123,879	-	-	1,123,879	1,117,673	6,207
Japanese national government bonds	1,123,879	-	-	1,123,879	1,117,673	6,207
Loans and bills discounted ²	-	19,756,502	27,348,670	47,105,172	45,762,737	1,342,435
Lease receivables and leased investment assets ³	-	28,722	1,655,102	1,683,825	1,625,302	58,523
Other assets (Installment receivables) ⁴	-	1,016,148	7,067,270	8,083,418	7,605,567	477,851
Total	\$ 1,123,879	\$ 21,015,504	\$ 38,032,115	\$ 60,171,498	\$ 58,254,624	\$ 1,916,874
Liabilities:						
Deposits	\$ -	\$ 48,195,300	\$ 5,040,125	\$ 53,235,425	\$ 53,233,462	\$ (1,963)
Negotiable certificates of deposit	-	-	4,744,401	4,744,401	4,742,497	(1,903)
Borrowed money	-	34,570	8,579,845	8,614,415	8,616,970	2,556
Corporate bonds	-	3,367,332	-	3,367,332	3,367,164	(168)
Total	\$ -	\$ 51,597,201	\$ 18,364,371	\$ 69,961,572	\$ 69,960,093	\$ (1,478)
Other:						
Guarantee contracts ⁵	\$ -	\$ -	\$ 420,450	\$ 420,450	\$ 5,153,021	

1. ¥1,987 million (U.S.\$17,753 thousand) of Reserve for credit losses corresponding to "Monetary assets held in trust" are deducted.

2. ¥70,566 million (U.S.\$630,284 thousand) 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," reserve for losses on interest repayments of ¥34,566 million (U.S.\$308,740 thousand) is 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. ¥6,779 million (U.S.\$60,551 thousand) of Reserves for credit losses corresponding to "Lease receivables and leased investment assets" are deducted. ¥1,270 million (U.S.\$11,349 thousand) 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, is deducted from leased investment assets.

4. ¥13,535 million (U.S.\$120,894 thousand) of deferred gains on installment receivables and ¥14,225 million (U.S.\$127,059 thousand) of Reserve for credit losses corresponding to "Other assets" are deducted.

5. The "Contract amount" for "Guarantee contracts" presents the amount of "Acceptances and guarantees" on the interim consolidated balance sheets.

(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 classified 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 to their fair values. They are classified 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 classified 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 classified 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 classified as Level 3 if the impact of unobservable inputs to measure the fair values is significant; otherwise, they are classified as Level 2. Refer to Note 6 "MONETARY ASSETS HELD IN TRUST" for monetary assets held in trust being held to maturity and others.

31. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

Securities

The fair values of securities are classified 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 classified 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 classified as Level 3 if the impact of unobservable inputs to measure the fair values is significant; otherwise, they are classified as Level 2.

In principle, the fair values of securitized products are based on valuations obtained from independent third parties. They are classified as Level 3 if the impact of unobservable inputs to measure the fair values is significant; otherwise, they are classified 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 classified as any level.

Notes for securities being held to maturity and others are disclosed in Note 7 "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 classified as Level 3 if the impact of unobservable inputs to measure the fair values is significant; otherwise, they are classified 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 interim consolidated balance sheet date. The fair values of consumer loans are determined by discounting expected cash flows that reflect expected loss at the rates that consist of the risk-free rate and certain costs, by a group of similar product types and customer segments. Regarding loans to obligors classified as "legally bankrupt," "virtually bankrupt" or "possibly bankrupt," their fair values are measured at carrying amounts net of reserves for loan losses because the fair values of those loans approximate to the carrying amounts net of reserves for loan losses as of the consolidated balance sheet date, which are calculated based on the DCF method or based on amounts which are expected to be collected through the disposal of collateral or execution of guarantees. They are classified as Level 3.

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 classified as Level 3 if the impact of unobservable inputs to measure the fair values is significant; otherwise, they are classified 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 classified as Level 3 if the impact of unobservable inputs to measure the fair values is significant; otherwise, they are classified as Level 2.

LiabilitiesDeposits, 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 interim consolidated balance sheet date. The fair values of the deposits with maturities of six months or less approximate to carrying amounts because of their short-term maturities. The fair values of time deposits and negotiable certificates of deposit are determined by discounting expected cash flows at the rates that consist of the risk-free rate and spread that would be applied for the new contracts with the same terms at the interim consolidated balance sheet date. They are classified as Level 3 if the impact of unobservable inputs to measure the fair value is significant; otherwise, they are classified as Level 2.

31. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

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 its consolidated subsidiaries. Nevertheless, the fair values of borrowed money whose remaining maturities are one year or less approximate to the carrying amounts. They are classified as Level 3 if the impact of unobservable inputs to measure the fair value is significant; otherwise, they are classified as Level 2.

Corporate bonds

The fair values of marketable corporate bonds are measured at market prices. They are classified 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 classified as Level 1. Over-the-counter derivative transactions are classified 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 classified as Level 3.

OtherGuarantee 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 guarantee contracts that would have been newly entered into on similar terms as of the end of the interim period. They are classified as Level 3.

31. 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 interim consolidated balance sheet

(1) Quantitative information on significant unobservable inputs as of September 30, 2021

	Valuation technique	Significant unobservable inputs	Range	Weighted average
Other monetary claims purchased	Discounted cash flow	Prepayment rate	12.5%	12.5%
		Probability of default	0.7%	0.7%
		Recovery rate	30.0%	30.0%
		Discount rate	4.0%–16.9%	12.8%
Monetary assets held in trust	Discounted cash flow	Prepayment rate	0.0%–22.9%	7.9%
		Probability of default	0.0%–7.6%	4.0%
		Recovery rate	30.0%–100.0%	84.3%
		Discount rate	1.3%–19.2%	1.3%
Securities				
Other securities	Discounted cash flow	Prepayment rate	0.0%–26.4%	19.5%
		Probability of default	0.0%–2.0%	1.9%
		Recovery rate	22.8%–100.0%	68.7%
		Discount rate	0.5%–3.9%	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%	–

(2) Reconciliation between the beginning and ending balance, and net unrealized gains (losses) recognized in the earnings of the current period as of September 30, 2021

Classification	Millions of yen								
	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	32	–	640	349	1,022	2,136	5,427	(3,291)	
Other comprehensive income ²	(109)	–	523	(426)	(11)	–	–	–	
Net amount of purchase, sale, issuance and settlement	(5,854)	–	242	(9,637)	(15,248)	(2,239)	(2,290)	51	
Transfer to Level 3 ³	–	–	–	40,724	40,724	–	–	–	
Transfer from Level 3	–	–	–	–	–	–	–	–	
Ending balance	15,284	–	159,615	204,865	379,764	19,696	25,244	(5,548)	
Net unrealized gains (losses) on financial assets and liabilities held at the interim consolidated balance sheet date among the amount recognized in the earnings of the period ¹	¥ (6)	¥ –	¥ 8	¥ (397)	¥ (395)	¥ 114	¥ 3,405	¥ (3,290)	

31. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

Thousands of U.S. dollars

Classification	Other monetary claims purchased	Trading assets	Monetary assets held in trust	Securities	Total	Derivative instruments	Interest rate- related	Currency- related
Beginning balance	\$ 189,487	\$ -	\$ 1,413,083	\$ 1,552,820	\$ 3,155,391	\$ 176,842	\$ 197,461	\$ (20,619)
Earnings of the period ¹	290	-	5,719	3,125	9,134	19,083	48,479	(29,396)
Other comprehensive income ²	(974)	-	4,677	(3,807)	(104)	-	-	-
Net amount of purchase, sale, issuance and settlement	(52,290)	-	2,166	(86,076)	(136,200)	(20,004)	(20,461)	458
Transfer to Level 3 ³	-	-	-	363,742	363,742	-	-	-
Transfer from Level 3	-	-	-	-	-	-	-	-
Ending balance	136,514	-	1,425,644	1,829,805	3,391,964	175,922	225,479	(49,557)
Net unrealized gains (losses) on financial assets and liabilities held at the interim consolidated balance sheet date among the amount recognized in the earnings of the period ¹	\$ (55)	\$ -	\$ 72	\$ (3,550)	\$ (3,533)	\$ 1,026	\$ 30,416	\$ (29,391)

1. The amounts shown in the table above are included in the interim consolidated statements of income.

2. The amounts shown in the table above are included in "Unrealized gain (loss) on available-for-sale securities" under "Other comprehensive income" in the interim 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 period ended September 30, 2021.

(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 classification 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.

31. 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.”

	Millions of yen		Thousands of U.S. dollars
	September 30, 2021	March 31, 2021	September 30, 2021
Nonmarketable equity securities and others ^{1 3}	¥ 22,767	¥ 24,247	\$ 203,351
Investments in partnerships and others ^{2 3}	31,679	29,865	282,953
Total	¥ 54,446	¥ 54,112	\$ 486,305

1. “Nonmarketable equity securities and others” including non-listed equity securities are out of the scope of fair values disclosure according to Guidance on Disclosures about Fair Value of Financial Instruments Paragraph 5 (ASBJ Guidance No.19, March 31, 2020).

2. Investment in partnerships and others including investments in silent partnerships and investment partnership are out of the scope of fair values disclosure according to Guidance on Accounting Standard for Fair Value Measurement Paragraph 27 (ASBJ Guidance No.31, July 4, 2019).

3. For the fiscal years ended September 30, 2021 and March 31, 2021, impairment losses on nonmarketable equity securities and others of ¥161 million (U.S.\$ 1,440), and ¥1,994 million, and on investment in partnerships and others of ¥130 million (U.S.\$ 1,164) and ¥1,309 million were recognized, respectively.

32. DERIVATIVE FINANCIAL INSTRUMENTS

CONSOLIDATED

(A) DERIVATIVE TRANSACTIONS TO WHICH HEDGE ACCOUNTING WAS NOT APPLIED

In the valuation of derivatives, credit risk and liquidity risk calculated based on reasonable methods are reflected by depreciation from relevant trading assets, etc. as of the end of previous consolidated fiscal year and the total amount of depreciation is ¥1,649 million and ¥1,771 million respectively. The values shown for each transaction are before depreciation of credit risk and liquidity risk.

At the end of the current interim 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 risk.

(a) INTEREST RATE-RELATED TRANSACTIONS

Interest rate-related transactions as of September 30, 2021 and March 31, 2021 were as follows:

	Millions of yen							
	Sept. 30, 2021				Mar. 31, 2021			
	Contract/Notional principal		Fair value	Unrealized gain (loss)	Contract/Notional principal		Fair value	Unrealized gain (loss)
Total	Maturity over 1 year	Total			Maturity over 1 year			
Futures contracts (listed):								
Sold	¥ -	¥ -	¥ -	¥ -	¥ 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	4,091,755	3,382,796	117,259	117,259	4,275,797	3,623,184	127,570	127,570
Receive floating and pay fixed	3,843,652	3,109,784	(102,833)	(102,833)	4,120,923	3,460,755	(113,410)	(113,410)
Receive floating and pay floating	2,014,531	1,842,286	(3,308)	(3,308)	1,870,898	1,656,231	(1,249)	(1,249)
Receive fixed and pay fixed	1,000	1,000	2	2	1,000	1,000	2	2
Interest rate swaptions (over-the-counter):								
Sold	526,400	309,300	1,736	1,929	586,500	350,400	2,643	3,231
Bought	389,530	315,430	1,420	1,137	427,934	327,834	2,958	2,597
Interest rate options (over-the-counter):								
Sold	15,450	15,450	(61)	4	17,373	15,373	(77)	51
Bought	21,691	21,691	86	86	22,019	22,019	127	127
Total			¥ 14,301	¥ 14,277			¥ 18,567	¥ 18,923

Thousands of U.S. dollars

	Sept. 30, 2021			
	Contract/Notional principal		Fair value	Unrealized gain (loss)
	Total	Maturity over 1 year		
Futures contracts (listed):				
Sold	\$ -	\$ -	\$ -	\$ -
Bought	-	-	-	-
Interest rate options (listed):				
Sold	-	-	-	-
Bought	-	-	-	-
Interest rate swaps (over-the-counter):				
Receive fixed and pay floating	36,546,579	30,214,334	1,047,332	1,047,332
Receive floating and pay fixed	34,330,591	27,775,855	(918,482)	(918,482)
Receive floating and pay floating	17,993,310	16,454,863	(29,548)	(29,548)
Receive fixed and pay fixed	8,932	8,932	18	18
Interest rate swaptions (over-the-counter):				
Sold	4,701,679	2,762,594	15,508	17,232
Bought	3,479,196	2,817,352	12,687	10,161
Interest rate options (over-the-counter):				
Sold	138,005	138,005	(552)	36
Bought	193,744	193,744	771	771
Total			\$ 127,734	\$ 127,520

32. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

Notes:

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

(b) CURRENCY-RELATED TRANSACTIONS

Currency-related transactions as of September 30, 2021 and March 31, 2021 were as follows:

	Millions of yen							
	Sept. 30, 2021				Mar. 31, 2021			
	Contract/Notional principal		Fair value	Unrealized gain (loss)	Contract/Notional principal		Fair value	Unrealized gain (loss)
Total	Maturity over 1 year	Total			Maturity over 1 year			
Currency swaps (over-the-counter)	¥ 561,178	¥ 526,935	¥ 3,739	¥ 3,739	¥ 592,556	¥ 551,628	¥ (489)	¥ (489)
Forward foreign exchange contracts (over-the-counter):								
Sold	985,081	83,010	(7,750)	(7,750)	1,044,622	80,632	(23,561)	(23,561)
Bought	540,593	73,498	9,871	9,871	617,297	79,239	21,623	21,623
Currency options (over-the-counter):								
Sold	662,500	390,691	(18,188)	9,833	731,377	411,040	(21,374)	11,192
Bought	638,709	353,463	10,685	(9,258)	689,093	389,397	14,672	(7,222)
Total			¥ (1,642)	¥ 6,435			¥ (9,129)	¥ 1,542

Thousands of U.S. dollars

	Sept. 30, 2021			
	Contract/Notional principal		Fair value	Unrealized gain (loss)
	Total	Maturity over 1 year		
Currency swaps (over-the-counter)	\$ 5,012,313	\$ 4,706,460	\$ 33,403	\$ 33,403
Forward foreign exchange contracts (over-the-counter):				
Sold	8,798,510	741,428	(69,227)	(69,227)
Bought	4,828,451	656,475	88,173	88,173
Currency options (over-the-counter):				
Sold	5,917,301	3,489,562	(162,458)	87,828
Bought	5,704,798	3,157,049	95,442	(82,696)
Total			\$ (14,667)	\$ 57,481

Notes:

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

32. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(c) BOND-RELATED TRANSACTIONS

Bond-related transactions as of September 30, 2021 and March 31, 2021 were as follows:

	Millions of yen							
	Sept. 30, 2021				Mar. 31, 2021			
	Contract/Notional principal		Fair value	Unrealized gain (loss)	Contract/Notional principal		Fair value	Unrealized gain (loss)
Total	Maturity over 1 year	Total			Maturity over 1 year			
Bond futures (listed):								
Sold	¥ 3,475	¥ -	¥ 6	¥ 6	¥ 6,050	¥ -	¥ 4	¥ 4
Bought	32,574	-	(86)	(86)	31,120	-	9	9
Bond options (listed):								
Sold	1,505	-	(0)	2	-	-	-	-
Bought	-	-	-	-	-	-	-	-
Total			¥ (80)	¥ (78)			¥ 13	¥ 13

Thousands of U.S. dollars

	Sept. 30, 2021			
	Contract/Notional principal		Fair value	Unrealized gain (loss)
	Total	Maturity over 1 year		
Bond futures (listed):				
Sold	\$ 31,040	\$ -	\$ 55	\$ 55
Bought	290,951	-	(775)	(775)
Bond options (listed):				
Sold	13,450	-	(2)	19
Bought	-	-	-	-
Total			\$ (722)	\$ (702)

Notes:

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

(d) CREDIT DERIVATIVES TRANSACTIONS

Credit derivatives transactions as of September 30, 2021 and March 31, 2021 were as follows:

	Millions of yen							
	Sept. 30, 2021				Mar. 31, 2021			
	Contract/Notional principal		Fair value	Unrealized gain (loss)	Contract/Notional principal		Fair value	Unrealized gain (loss)
Total	Maturity over 1 year	Total			Maturity over 1 year			
Credit default option (over-the-counter):								
Sold	¥ 33,500	¥ 24,000	¥ 582	¥ 582	¥ 35,000	¥ 32,500	¥ 693	¥ 693
Bought	33,500	24,000	73	73	35,000	32,500	39	39
Total			¥ 655	¥ 655			¥ 732	¥ 732

Thousands of U.S. dollars

	Sept. 30, 2021			
	Contract/Notional principal		Fair value	Unrealized gain (loss)
	Total	Maturity over 1 year		
Credit default option (over-the-counter):				
Sold	\$ 299,214	\$ 214,362	\$ 5,204	\$ 5,204
Bought	299,214	214,362	655	655
Total			\$ 5,859	\$ 5,859

Notes:

- Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in the interim consolidated statement of income.
- "Sold" stands for accepting credit risk and "Bought" stands for transferring credit risk.

32. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(B) DERIVATIVE TRANSACTIONS TO WHICH HEDGE ACCOUNTING WAS APPLIED

(a) INTEREST RATE-RELATED TRANSACTIONS

Interest rate-related transactions which are accounted for using the deferral method as of September 30, 2021 and March 31, 2021 were as follows:

	Millions of yen					
	Sept. 30, 2021			Mar. 31, 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	¥ 103,000	¥ 93,000	¥ 1,260	¥ 103,000	¥ 93,000	¥ 1,079
Receive floating and pay fixed	142,769	140,530	(13,131)	142,794	140,580	(13,399)
Total			¥ (11,000)			¥ (12,319)

Thousands of U.S. dollars

	Sept. 30, 2021		
	Contract/Notional principal		
	Total	Maturity over 1 year	Fair value
Interest rate swaps:			
Receive fixed and pay floating	\$ 919,971	\$ 830,654	\$ 11,258
Receive floating and pay fixed	1,275,186	1,255,186	(117,287)
Total			\$ (98,257)

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.

Interest rate swaps which meet specific matching criteria as of September 30, 2021 and March 31, 2021 were as follows:

	Millions of yen					
	Sept. 30, 2021			Mar. 31, 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	¥ 20,593	¥ 14,238	¥ -	¥ 21,622	¥ 15,313	¥ -

Thousands of U.S. dollars

	Sept. 30, 2021		
	Contract/Notional principal		
	Total	Maturity over 1 year	Fair value
Interest rate swaps:			
Receive fixed and pay floating	\$ -	\$ -	\$ -
Receive floating and pay fixed	\$ 183,936	\$ 127,179	\$ -

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 and borrowed money. 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 31 "FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES."

32. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

Interest rate-related transactions which are accounted for using the cash flow hedge method as of September 30, 2021 and March 31, 2021 were as follows:

	Millions of yen					
	Sept. 30, 2021			Mar. 31, 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	112,617	69,660	870	104,307	64,960	272
Total			¥ 870			¥ 272

Thousands of U.S. dollars

	Sept. 30, 2021		
	Contract/Notional principal		
	Total	Maturity over 1 year	Fair value
Interest rate swaps:			
Receive fixed and pay floating	\$ -	\$ -	\$ -
Receive floating and pay fixed	1,005,868	622,186	7,772
Total			\$ 7,772

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.

(b) CURRENCY-RELATED TRANSACTIONS

Currency-related transactions which are accounted for using the deferral method as of September 30, 2021 and March 31, 2021 were as follows:

	Millions of yen					
	Sept. 30, 2021			Mar. 31, 2021		
	Contract/Notional principal			Contract/Notional principal		
	Total	Maturity over 1 year	Fair value	Total	Maturity over 1 year	Fair value
Currency swaps	¥ 317,193	¥ 266,833	¥ (6,217)	¥ 333,601	¥ 264,949	¥ (3,545)

Thousands of U.S. dollars

	Sept. 30, 2021		
	Contract/Notional principal		
	Total	Maturity over 1 year	Fair value
Currency swaps	\$ 2,833,097	\$ 2,383,291	\$ (55,537)

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.

33. 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.

(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.\$178,635 thousand)
- (iv) Acquisition period
From May 14, 2021 to March 31, 2022

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

However, subsequent to the launch of a takeover bid by SBI Regional Bank Holdings Co., Ltd. on September 10, 2021, the pricing process of the Bank's shares have become different from that under the ordinary circumstances. The Bank has taken all circumstances including the pricing process into consideration, and the Bank has taken the decision to temporarily suspend the acquisition of its treasury shares from September 27, 2021.

- (i) Type of shares repurchased
Common stock
- (ii) Total number of shares repurchased
6,718,400 shares
- (iii) Total amount of repurchase
¥9,999,997,800 (U.S.\$89,317 thousand)
- (iv) Acquisition period
From May 14, 2021 to October 31, 2021
- (v) Acquisition method
Open market purchase on the Tokyo Stock Exchange

34. SUBSEQUENT EVENTS

CONSOLIDATED

(MERGER BETWEEN CONSOLIDATED SUBSIDIARIES, BUSINESS COMBINATIONS UNDER COMMON CONTROL)

On November 10, 2021, for a further optimization of business management, the Board of Directors of two consolidated subsidiaries, APLUS FINANCIAL Co., Ltd. and APLUS Co., Ltd. approved an absorption-type merger agreement between them and they concluded the agreement on the same date.

(A) TRANSACTION OUTLINE

(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 (Planned)

(c) Legal form of the business combination:

Absorption-type merger

(d) Name of the company after the business combination:

APLUS Co., Ltd.

(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 Bank plans to account for the above transaction as a transaction under common control.

INTERIM NONCONSOLIDATED BALANCE SHEET (UNAUDITED)

Shinsei Bank, Limited
As of September 30, 2021

	Millions of yen		Thousands of U.S. dollars (Note)
	Sept. 30, 2021	Mar. 31, 2021	Sept. 30, 2021
ASSETS			
Cash and due from banks	¥ 1,773,185	¥ 1,765,612	\$ 15,837,669
Other monetary claims purchased	20,248	26,392	180,853
Trading assets	157,312	164,194	1,405,076
Monetary assets held in trust	287,116	286,427	2,564,453
Securities	1,373,273	1,352,522	12,265,751
Loans and bills discounted	5,156,751	5,160,932	46,058,870
Foreign exchanges	58,163	83,730	519,504
Other assets	190,345	218,898	1,700,120
Premises and equipment	10,238	10,947	91,452
Intangible assets	23,108	24,376	206,404
Prepaid pension cost	8,691	8,060	77,632
Deferred tax assets	1,577	5,269	14,088
Customers' liabilities for acceptances and guarantees	22,926	19,885	204,775
Reserve for credit losses	(33,430)	(36,358)	(298,592)
Total assets	¥ 9,049,509	¥ 9,090,890	\$ 80,828,056
LIABILITIES AND EQUITY			
Liabilities:			
Deposits, including negotiable certificates of deposit	¥ 6,708,276	¥ 6,727,974	\$ 59,916,728
Call money	24,071	30,000	215,000
Payables under repurchase agreements	77,083	47,712	688,491
Payables under securities lending transactions	419,557	390,404	3,747,389
Trading liabilities	136,035	142,966	1,215,038
Borrowed money	508,985	534,810	4,546,140
Foreign exchanges	695	23,029	6,211
Corporate bonds	180,000	180,000	1,607,717
Other liabilities	119,577	127,831	1,068,041
Accrued employees' bonuses	2,572	4,684	22,980
Reserve for reimbursement of deposits	438	391	3,914
Reserve for reimbursement of debentures	3,236	3,355	28,905
Acceptances and guarantees	22,926	19,885	204,775
Total liabilities	8,203,457	8,233,044	73,271,328
Equity:			
Common stock	512,204	512,204	4,574,889
Capital surplus	79,465	79,465	709,771
Stock acquisition rights	101	101	906
Retained earnings:			
Legal reserve	16,712	16,195	149,273
Unappropriated retained earnings	356,228	354,492	3,181,744
Unrealized gain (loss) on available-for-sale securities	(5,775)	(1,717)	(51,587)
Deferred gain (loss) on derivatives under hedge accounting	(21,546)	(21,432)	(192,451)
Treasury stock, at cost	(91,338)	(81,464)	(815,815)
Total equity	846,051	857,845	7,556,727
Total liabilities and equity	¥ 9,049,509	¥ 9,090,890	\$ 80,828,056

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥111.96=U.S.\$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2021.

INTERIM NONCONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Shinsei Bank, Limited
For the six months ended September 30, 2021

	Millions of yen		Thousands of U.S. dollars (Note)
	Sept. 30, 2021 (6 months)	Sept. 30, 2020 (6 months)	Sept. 30, 2021 (6 months)
Interest income:			
Interest on loans and bills discounted	¥ 39,513	¥ 43,240	\$ 352,928
Interest and dividends on securities	6,880	5,549	61,451
Interest on deposits with banks	722	537	6,454
Other interest income	193	320	1,730
Total interest income	47,310	49,648	422,562
Interest expenses:			
Interest on deposits, including negotiable certificates of deposit	1,765	2,337	15,772
Interest on other borrowings	6	348	57
Interest on corporate bonds	223	169	1,995
Other interest expenses	2,091	2,674	18,681
Total interest expenses	4,087	5,529	36,505
Net interest income	43,222	44,119	386,057
Fees and commissions income	7,548	6,616	67,424
Fees and commissions expenses	11,419	12,636	101,998
Net fees and commissions (loss)	(3,870)	(6,019)	(34,574)
Net trading income	2,558	1,801	22,850
Other business income (loss), net:			
Net gain (loss) on monetary assets held in trust	1,163	1,285	10,390
Net gain (loss) on foreign exchanges	(574)	2,432	(5,133)
Net gain (loss) on securities	700	1,619	6,258
Net gain (loss) on other monetary claims purchased	–	(0)	–
Other, net	426	77	3,807
Net other business income (loss)	1,715	5,415	15,322
Total revenue	43,625	45,315	389,655
General and administrative expenses:			
Personnel expenses	13,734	13,788	122,670
Premises expenses	5,013	5,184	44,779
Technology and data processing expenses	6,692	6,393	59,775
Advertising expenses	471	434	4,211
Consumption and property taxes	2,867	2,702	25,616
Deposit insurance premium	758	760	6,775
Other general and administrative expenses	5,909	5,387	52,784
Total general and administrative expenses	35,447	34,651	316,608
Net business profit	8,178	10,664	73,047
Net credit costs (recoveries)	(2,437)	6,391	(21,771)
Other gains (losses), net	32	(439)	288
Income (loss) before income taxes	10,648	3,833	95,106
Income taxes (benefit):			
Current	2,485	635	22,196
Deferred	3,794	2,638	33,893
Net income (loss)	¥ 4,368	¥ 560	\$ 39,016

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥111.96=U.S.\$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2021.

INTERIM NONCONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Shinsei Bank, Limited
For the six months ended September 30, 2021

	Millions of yen										
	Capital surplus				Retained earnings						Total equity
	Common stock	Additional paid-in capital	Other capital surplus	Stock acquisition rights	Legal reserve	Unappropriated retained earnings	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Treasury stock, at cost		
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)						4,368				4,368	
Purchase of treasury stock									(10,000)	(10,000)	
Disposal of treasury stock				(11)					126	115	
Transfer to capital surplus from retained earnings			11			(11)				-	
Net change during the period				(0)			(4,057)	(114)		(4,172)	
BALANCE, September 30, 2021	¥ 512,204	¥ 79,465	¥ -	¥ 101	¥ 16,712	¥ 356,228	¥ (5,775)	¥ (21,546)	¥ (91,338)	¥ 846,051	

	Millions of yen										
	Capital surplus				Retained earnings						Total equity
	Common stock	Additional paid-in capital	Other capital surplus	Stock acquisition rights	Legal reserve	Unappropriated retained earnings	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Treasury stock, at cost		
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)						560				560	
Purchase of treasury stock									(9,543)	(9,543)	
Disposal of treasury stock				(40)					132	91	
Transfer to capital surplus from retained earnings			40			(40)				-	
Net change during the period				25			(1,049)	9		(1,014)	
BALANCE, September 30, 2020	¥ 512,204	¥ 79,465	¥ -	¥ 101	¥ 16,195	¥ 320,546	¥ (424)	¥ (16,164)	¥ (70,508)	¥ 841,415	

	Thousands of U.S. dollars (Note)										
	Capital surplus				Retained earnings						Total equity
	Common stock	Additional paid-in capital	Other capital surplus	Stock acquisition rights	Legal reserve	Unappropriated retained earnings	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Treasury stock, at cost		
BALANCE, March 31, 2021 (April 1, 2021, as previously reported)	\$ 4,574,889	\$ 709,771	\$ -	\$ 910	\$ 144,658	\$ 3,166,243	\$ (15,344)	\$ (191,432)	\$ (727,626)	\$ 7,662,069	
Cumulative effect of accounting change						4,273				4,273	
BALANCE, April 1, 2021 (as restated)	4,574,889	709,771	-	910	144,658	3,170,516	(15,344)	(191,432)	(727,626)	7,666,341	
Dividends					4,615	(27,690)				(23,075)	
Net income (loss)						39,016				39,016	
Purchase of treasury stock									(89,318)	(89,318)	
Disposal of treasury stock				(98)					1,129	1,031	
Transfer to capital surplus from retained earnings			98			(98)				-	
Net change during the period				(4)			(36,243)	(1,020)		(37,267)	
BALANCE, September 30, 2021	\$ 4,574,889	\$ 709,771	\$ -	\$ 906	\$ 149,273	\$ 3,181,744	\$ (51,587)	\$ (192,451)	\$ (815,815)	\$ 7,556,727	

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥111.96=U.S.\$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2021.

CAPITAL ADEQUACY REQUIREMENT (BASEL ACCORD) PILLAR III (MARKET DISCIPLINE) DISCLOSURE

This chapter describes information that needs to be disclosed in disclosure documents related to the reported business year pursuant to the Financial Services Agency Notice No. 7 of 2014 (Basel Accord - Pillar III: Market Discipline) as the "matters concerning the status of capital adequacy separately prescribed by the Commissioner of the Financial Services Agency" as provided in Article 19-2 (1) (v) (d) of the Ordinance for Enforcement of the Banking Act (Ministry of Finance Ordinance No. 10 of 1982).

"Accord" in this chapter refers to the Financial Services Agency Notice No. 19 of 2006 (Basel Accord - Pillar I: Minimum Capital Ratio).

With regard to the internal controls related to the calculation of the capital adequacy ratio, we received an independent audit by Deloitte Touche Tohmatsu LLC in accordance with "Treatment of Inspection of the Capital Ratio Calculation Framework Based on Agreed-Upon Procedures" (JICPA Professional Business Practice Guidelines 4465, as per Industry Committee Report No. 30). The certain procedures performed by the external auditor are not a part of the audit of the financial statements. The certain procedures are agreed with us and the external auditor and are not a validation of appropriateness of the capital ratio itself or opinion on the internal controls related to the capital ratio.

COMPOSITION OF CAPITAL DISCLOSURE (CONSOLIDATED)

Shinsei Bank and subsidiaries

Millions of yen (except percentages)

Items	September 30, 2021	September 30, 2020
	Basel III (Domestic Standard)	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	¥ 946,223	¥ 920,843
of which: capital and capital surplus	585,165	590,743
of which: retained earnings	452,395	400,609
of which: treasury stock (-)	91,338	70,508
of which: earning to be distributed (-)	-	-
of which: other than above	-	-
Accumulated other comprehensive income (amount allowed to be included in Core capital)	4,776	(5,062)
of which: foreign currency translation adjustment	(415)	(1,529)
of which: amount related defined benefit	5,191	(3,532)
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	101	101
Adjusted noncontrolling interests (amount allowed to be included in Core capital)	11	16
Total of reserves included in Core capital: instruments and reserves	2,089	936
of which: general reserve for loan losses included in Core capital	2,089	936
of which: eligible provision included in Core capital	-	-
Eligible noncumulative perpetual preferred shares subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	-	-
Eligible capital instruments subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	-	-
Capital instruments issued through measures for capital enhancement by public institutions (amount allowed to be included in Core capital: instruments and reserves)	-	-
Land revaluation excess after 55% discount (amount allowed to be included in Core capital: instruments and reserves)	-	-
Noncontrolling interests subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	2,237	3,869
Core capital: instruments and reserves (A)	¥ 955,438	¥ 920,705
Core capital: regulatory adjustments (2)		
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 50,636	¥ 56,516
of which: goodwill (including those equivalent)	14,279	18,839
of which: other intangibles other than goodwill and mortgage servicing rights	36,356	37,676
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	4,750	5,593
Shortfall of eligible provisions to expected losses	35,199	30,949
Gain on sale of securitization	-	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Net defined benefit asset	13,801	4,129
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)	¥ 104,387	¥ 97,188
Capital (consolidated)		
Capital (consolidated)((A)-(B))(C)	¥ 851,050	¥ 823,516
Risk-weighted assets, etc.		
Total amount of credit risk-weighted assets	¥6,739,637	¥6,943,573
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)	85,237	204,650
Operational risk (derived by multiplying the capital requirement by 12.5)	383,824	387,339
Credit risk-weighted assets adjustments	-	-
Operational risk adjustments	-	-
Total amount of Risk-weighted assets (D)	¥7,208,699	¥7,535,562
Capital ratio (consolidated)		
Capital ratio (consolidated)((C)/(D))	11.80%	10.92%

COMPOSITION OF CAPITAL DISCLOSURE (CONSOLIDATED) (continued)

Shinsei Bank and subsidiaries	Millions of yen (except percentages)
Items	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	¥ 932,740
of which: capital and capital surplus	585,165
of which: retained earnings	431,623
of which: treasury stock (-)	81,464
of which: earning to be distributed (-)	2,583
of which: other than above	-
Accumulated other comprehensive income (amount allowed to be included in Core capital)	4,361
of which: foreign currency translation adjustment	(1,133)
of which: amount related defined benefit	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	1,482
of which: general reserve for loan losses included in Core capital	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)	2,680
Core capital: instruments and reserves (A)	¥ 941,383
Core capital: regulatory adjustments (2)	
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 53,873
of which: goodwill (including those equivalent)	15,557
of which: other intangibles other than goodwill and mortgage servicing rights	38,315
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	4,110
Shortfall of eligible provisions to expected losses	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	13,516
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)	¥ 107,480
Capital (consolidated)	
Capital (consolidated)((A)-(B))(C)	¥ 833,903
Risk-weighted assets, etc.	
Total amount of credit risk-weighted assets	¥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)	184,772
Operational risk (derived by multiplying the capital requirement by 12.5)	385,088
Credit risk-weighted assets adjustments	-
Operational risk adjustments	-
Total amount of Risk-weighted assets (D)	¥7,320,393
Capital ratio (consolidated)	
Capital ratio (consolidated)((C)/(D))	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	
	As of September 30, 2021	As of September 30, 2020
	Required capital amount	Required capital amount
Shinsei Bank	¥ 301	¥ 324
Subsidiaries	35,371	32,830
UDC Finance Limited	21,033	18,775

Note: UDC Finance Limited was newly consolidated due to its acquisition of shares in the six months ended September 30, 2020.

Portfolios under the Internal Ratings-Based Approach (IRB)

	Millions of yen	
	As of September 30, 2021	As of September 30, 2020
	Required capital amount	Required capital amount
Corporate (Excluding Specialized Lending) ¹	¥ 147,153	¥ 152,633
Specialized Lending ²	116,122	115,836
Sovereign	6,602	4,260
Bank	12,246	12,292
Residential mortgages	10,014	9,946
Qualified revolving retails	115,398	116,792
Other retails	184,332	177,414
Equity	13,236	23,185
Fund	13,037	15,745
Securitization	35,813	43,977
Purchase receivables	11,122	13,781
Other assets	3,602	3,649
CVA risk	12,817	14,209
CCP risk	104	97
Total	¥ 681,604	¥ 703,822

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	
	As of September 30, 2021	As of September 30, 2020
	Required capital amount	Required capital amount
Market-Based Approach Simplified Method	¥ 5,319	¥ 6,161
PD/LGD Method	6,424	2,764
RW100% Applied	4	4
RW250% Applied	1,488	14,255
Total	¥ 13,236	¥ 23,185

(3) EXPOSURE RELATING TO INVESTMENT FUNDS

	Millions of yen	
	As of September 30, 2021	As of September 30, 2020
	Required capital amount	Required capital amount
Look-through approach	¥ 11,436	¥ 1,832
Mandate-based approach	598	335
Probability-based approach[250%]	-	-
Probability-based approach[400%]	826	13,576
Fall-back approach[1,250%]	176	0
Total	¥ 13,037	¥ 15,745

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

	Millions of yen	
	As of September 30, 2021	As of September 30, 2020
	Required capital amount	Required capital amount
The Standardized Approach	¥ 1,079	¥ 631
Interest rate risk	20	27
Equity position risk	—	2
FX risk	1,058	600
Securitization risk	1	1
The Internal Models Approach (IMA) (General Market Risk)	¥ 5,739	¥ 15,740

(5) AMOUNT OF REQUIRED CAPITAL FOR OPERATIONAL RISK

	Millions of yen	
	As of September 30, 2021	As of September 30, 2020
	Required capital amount	Required capital amount
The Standardized Approach	¥ 30,705	¥ 30,987

(6) TOTAL REQUIRED CAPITAL (DOMESTIC STANDARD)

	Millions of yen	
	As of September 30, 2021	As of September 30, 2020
Total Required Capital (Risk-weighted Assets x 4%)	¥ 288,347	¥ 301,422

3. CREDIT RISK EXPOSURE (EXCLUDING SECURITIZATION AND EXPOSURES RELATING TO INVESTMENT FUNDS)**(1) AMOUNT OF CREDIT RISK EXPOSURE**

Geographic, Industries or Maturity

	Millions of yen							
	As of September 30, 2021				As of September 30, 2020			
	Amount of Credit Risk Exposure				Amount of Credit Risk Exposure			
	Total	Loans, etc. ¹	Securities ²	Derivatives ³	Total	Loans, etc. ¹	Securities ²	Derivatives ³
Manufacturing	¥ 305,684	¥ 284,207	¥ —	¥ 21,476	¥ 341,343	¥ 319,547	¥ —	¥ 21,796
Agriculture	1,891	1,891	—	—	1,725	1,725	—	—
Mining	1,270	1,269	—	0	1,582	1,580	—	1
Construction	73,808	73,608	200	—	71,793	71,593	200	—
Electric power, gas, water supply	492,016	461,794	—	30,222	518,733	489,319	—	29,413
Information and communication	36,399	36,399	—	—	49,217	49,217	—	0
Transportation	158,935	158,837	—	97	179,560	179,171	—	389
Wholesale and retail	196,083	183,955	100	12,028	212,744	199,765	100	12,878
Finance and insurance	2,631,248	2,384,473	225,465	21,309	2,404,413	2,156,689	224,362	23,361
Real estate	805,496	705,056	99,276	1,163	795,023	685,132	108,117	1,773
Services	600,075	599,035	550	490	585,810	584,051	900	858
Government	425,831	70,281	355,549	—	374,347	63,384	310,962	—
Individuals	3,318,629	3,318,629	—	—	3,266,302	3,266,060	—	241
Others	72,928	72,928	—	—	2,324	2,324	—	—
Domestic Total	9,120,297	8,352,365	681,141	86,789	8,804,922	8,069,565	644,642	90,715
Foreign	1,375,184	1,070,864	240,946	63,373	1,192,822	988,731	141,561	62,529
Total	¥ 10,495,482	¥ 9,423,230	¥ 922,088	¥ 150,162	¥ 9,997,745	¥ 9,058,297	¥ 786,203	¥ 153,244
To 1 year	1,535,400	1,443,011	76,502	15,886	1,626,553	1,464,009	148,568	13,975
1 to 3 years	1,639,425	1,454,065	157,232	28,127	1,662,753	1,472,643	167,347	22,762
3 to 5 years	1,530,726	1,250,884	258,558	21,283	1,338,440	1,135,503	178,284	24,651
Over 5 years	3,513,597	2,998,937	429,794	84,865	3,323,054	2,940,699	290,500	91,855
Undated	2,276,332	2,276,332	—	—	2,046,943	2,045,441	1,501	—
Total	¥ 10,495,482	¥ 9,423,230	¥ 922,088	¥ 150,162	¥ 9,997,745	¥ 9,058,297	¥ 786,203	¥ 153,244

Note:1 Excluding purchased receivables.

2 Excluding equity exposures.

3 Credit equivalent amount basis.

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)**(2) AMOUNT OF DEFAULT EXPOSURE BEFORE PARTIAL WRITE-OFF**

Geographic, Industries

	Millions of yen			
	As of September 30, 2021		As of September 30, 2020	
	Default Exposure		Default Exposure	
Manufacturing	¥	678	¥	864
Agriculture		30		21
Mining		—		—
Construction		1,491		2,295
Electric power, gas, water supply		9,666		5,548
Information and communication		130		140
Transportation		3,665		2,463
Wholesale and retail		7,555		8,215
Finance and insurance		0		0
Real estate		14,058		10,808
Services		7,218		6,501
Government		—		—
Individuals		124,007		120,560
Others		437		635
Domestic Total		168,941		158,055
Foreign		5,171		8,705
Total		¥ 174,113		¥ 166,761

Note: Excluding purchased receivables.

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

	Millions of yen					
	As of September 30, 2021			As of September 30, 2020		
	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount
General	¥ 76,547	¥ (1,534)	¥ 75,013	¥ 77,979	¥ (615)	¥ 77,363
Specific	85,535	(3,063)	82,471	78,703	4,922	83,626
Country	—	—	—	—	—	—
Total	¥ 162,083	¥ (4,598)	¥ 157,485	¥ 156,682	¥ 4,306	¥ 160,989

Geographic

	Millions of yen							
	As of September 30, 2021				As of September 30, 2020			
	Reserve Amount				Reserve Amount			
	Total	General	Specific	Country	Total	General	Specific	Country
Domestic	¥ 149,606	¥ 68,371	¥ 81,235	¥ —	¥ 152,971	¥ 72,180	¥ 80,790	¥ —
Foreign	7,878	6,641	1,236	—	8,018	5,183	2,835	—
Total	¥ 157,485	¥ 75,013	¥ 82,471	¥ —	¥ 160,989	¥ 77,363	¥ 83,626	¥ —

Industries

	Millions of yen	
	As of September 30, 2021	As of September 30, 2020
	Reserve Amount	Reserve Amount
Manufacturing	¥ 1,860	¥ 1,918
Agriculture	11	9
Mining	5	9
Construction	615	882
Electric power, gas, water supply	10,350	8,280
Information and communication	387	472
Transportation	1,128	3,732
Wholesale and retail	6,246	7,069
Finance and insurance	1,147	1,317
Real estate	6,730	7,984
Services	6,698	7,593
Government	20	41
Individuals	113,116	110,971
Others	307	507
Foreign	7,878	8,018
Non-classified	980	2,180
Total	¥ 157,485	¥ 160,989

Note: Although the specific allowance for credit losses does not include the allowance relating to any securitization exposures and exposures relating to funds, the allowance relating to these exposures is not excluded from both the general allowance for credit losses and the allowance for loans to specific foreign borrowers, because we do not manage provisioning with respect to each asset class based on Basel III.

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)**(4) AMOUNT OF WRITE-OFFS**

Industries

	Millions of yen	
	Six months ended September 30, 2021	Six months ended September 30, 2020
	Amount of write-off	Amount of write-off
Manufacturing	¥ 2	¥ 114
Agriculture	—	23
Mining	—	—
Construction	80	93
Electric power, gas, water supply	—	—
Information and communication	—	1
Transportation	5	12
Wholesale and retail	74	108
Finance and insurance	—	—
Real estate	—	—
Services	116	95
Government	—	—
Individuals	12,036	16,834
Others	—	—
Foreign	345	610
Non-classified	—	0
Total	¥12,661	¥17,895

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

	Millions of yen			
	As of September 30, 2021		As of September 30, 2020	
	Rated	Unrated	Rated	Unrated
0%	¥ 191	¥ 9,868	¥ 73	¥ 9,808
10%	—	—	—	—
20%	31,726	29	39,384	29
35%	—	2,426	—	2,700
50%	2,322	957	3,752	1,256
75%	—	164,501	—	157,309
100%	1,904	309,861	377	279,473
150%	—	1,286	—	1,981
350%	—	—	—	—
1,250%	—	—	—	—
Total	¥ 36,146	¥ 488,931	¥ 43,588	¥ 452,558

(6) SPECIALIZED LENDING EXPOSURE UNDER SLOTTING CRITERIA AND EQUITY EXPOSURE UNDER MARKET-BASED SIMPLIFIED METHOD

Specialized lending excluding high-volatility commercial real estate

	Millions of yen	
	As of September 30, 2021	As of September 30, 2020
	Amount of Exposure	Amount of Exposure
Risk weight ratio		
50%	¥ 156,771	¥ 140,150
70%	569,658	607,576
90%	159,765	163,234
115%	65,216	50,453
250%	81,049	89,191
0% (Default)	10,604	14,216
Total	¥ 1,043,065	¥ 1,064,822

Specialized lending for high-volatility commercial real estate

	Millions of yen	
	As of September 30, 2021	As of September 30, 2020
	Amount of Exposure	Amount of Exposure
Risk weight ratio		
70%	¥ 13,173	¥ 3,400
95%	32,497	21,542
120%	47,079	24,516
140%	28,408	53,952
250%	14,485	13,559
0% (Default)	11,592	3,288
Total	¥ 147,237	¥ 120,259

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

Equity exposure under Market-Based Simplified Method

	Millions of yen	
	As of September 30, 2021	As of September 30, 2020
Risk weight ratio	Amount of Exposure	Amount of Exposure
300%	¥ 978	¥ 1,098
400%	14,949	17,339
Total	¥15,927	¥18,438

(7) PORTFOLIOS UNDER IRB EXCLUDING THE AMOUNT OF EXPOSURES UNDER SA (AFTER CREDIT RISK MITIGATION)

• Estimated average PD, LGD, Risk Weight Ratio and Exposure at Default (EAD) (on-balance and off-balance) for Corporate, Sovereign and Bank exposure

Corporate

Credit Rating	As of September 30, 2021					As of September 30, 2020				
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0-4	0.12%	45.15%	36.51%	¥ 1,608,231	¥ 162,700	0.14%	44.90%	37.35%	¥ 1,610,657	¥ 181,566
5-6	1.58%	45.00%	96.62%	625,227	75,860	1.51%	44.02%	93.83%	641,981	88,133
9A	9.50%	45.00%	191.29%	81,764	7,233	9.56%	43.83%	179.63%	99,196	7,528
Default	100.00%	45.00%	-	23,143	387	100.00%	44.90%	-	24,140	508

Note: LGD is shown after credit risk mitigation

Sovereign

Credit Rating	As of September 30, 2021					As of September 30, 2020				
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0-4	0.00%	45.00%	3.14%	¥ 2,450,749	¥ 2,661	0.00%	45.00%	2.38%	¥ 2,079,131	¥ 3,870
5-6	-	-	-	-	-	-	-	-	-	-
9A	-	-	-	-	-	-	-	-	-	-
Default	100.00%	45.00%	-	10	-	100.00%	45.00%	-	10	-

Note: LGD is shown after credit risk mitigation

Bank

Credit Rating	As of September 30, 2021					As of September 30, 2020				
	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%	33.03%	¥ 230,826	¥ 75,670	0.06%	44.99%	34.60%	¥ 204,502	¥ 74,709
5-6	1.00%	45.00%	89.87%	35,732	344	1.13%	45.00%	106.93%	33,692	650
9A	9.50%	45.00%	200.55%	3,072	-	9.56%	45.00%	191.02%	3,546	-
Default	-	-	-	-	-	100.00%	45.00%	-	0	-

Note: LGD is shown after credit risk mitigation

• Estimated average PD, risk weight ratio and amount of exposure for equity exposure under PD/LGD method

Credit Rating	As of September 30, 2021				As of September 30, 2020			
	PD	LGD	Risk Weight	Amount	PD	LGD	Risk Weight	Amount
0-4	0.12%	90.00%	205.66%	¥ 29,110	0.13%	90.00%	223.93%	¥ 6,950
5-6	0.81%	90.00%	300.41%	893	0.73%	90.00%	290.04%	1,421
9A	9.50%	90.00%	713.08%	1,851	9.56%	90.00%	757.56%	1,704
Default	100.00%	90.00%	1,125.00%	0	100.00%	90.00%	1,125.00%	0

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

· Estimated average PD, LGD, risk weight ratio, Exposure at Default (EAD) (on- and off-balance), amount of undrawn commitments and estimated average Credit Conversion Factors (CCF) of undrawn commitments for residential mortgage exposure, qualified revolving retail exposure and other retail exposure

Residential mortgage exposure

Millions of yen (except percentages)

Pool	As of September 30, 2021							As of September 30, 2020						
	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%	15.80%	7.67%	¥ 1,115,065	¥ 1,508	¥ -	-	0.22%	16.23%	7.47%	¥ 1,136,467	¥ 2,062	¥ -	-
Need caution	60.61%	19.53%	81.54%	1,905	44	-	-	62.99%	19.83%	78.96%	2,332	37	-	-
Default	100.00%	26.04%	64.21%	5,992	11	-	-	100.00%	29.81%	57.88%	5,143	-	-	-

Note: LGD is shown after credit risk mitigation

Qualified revolving retail exposure

Millions of yen (except percentages)

Pool	As of September 30, 2021							As of September 30, 2020						
	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	5.80%	72.75%	84.35%	¥ 480,716	¥ 129,472	¥ 3,482,087	3.71%	5.60%	73.74%	84.29%	¥ 506,357	¥ 137,658	¥ 3,591,425	3.83%
Need caution	81.59%	76.92%	112.65%	3,276	48	3,148	1.53%	81.53%	78.18%	113.97%	2,470	47	2,641	1.79%
Default	100.00%	65.58%	3.98%	63,938	-	-	-	100.00%	67.89%	1.30%	59,778	-	-	-

Note: LGD is shown after credit risk mitigation

Other retail exposure

Millions of yen (except percentages)

Pool	As of September 30, 2021							As of September 30, 2020						
	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	2.86%	66.64%	86.63%	¥ 812,220	¥ 746,883	¥ 125,187	2.36%	3.03%	66.25%	87.10%	¥ 704,220	¥ 760,027	¥ 124,379	1.83%
Need caution	66.59%	59.66%	118.34%	4,548	2,252	400	3.53%	65.52%	57.42%	115.39%	3,869	2,026	413	2.44%
Default	100.00%	59.96%	0.57%	59,311	354	-	-	100.00%	60.67%	0.71%	58,610	303	-	-

Note: LGD is shown after credit risk mitigation

(8) COMPARATIVE RESULTS OF ACTUAL LOSSES AND EXPECTED LOSSES FOR THE LAST THREE YEARS UNDER F-IRB APPROACH

Corporate

	Millions of yen		
	12 months ended September 30, 2021	12 months ended September 30, 2020	12 months ended September 30, 2019
Results of actual losses (a)	¥ 824	¥ 4,106	¥ 2,467
Expected losses (b)	9,547	8,392	8,531
Differences ((b) - (a))	8,722	4,286	6,064

Sovereign

	Millions of yen		
	12 months ended September 30, 2021	12 months ended September 30, 2020	12 months ended September 30, 2019
Results of actual losses (a)	¥ -	¥ -	¥ -
Expected losses (b)	15	15	23
Differences ((b) - (a))	15	15	23

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

Bank

	Millions of yen					
	12 months ended September 30, 2021		12 months ended September 30, 2020		12 months ended September 30, 2019	
Results of actual losses (a)	¥	—	¥	—	¥	—
Expected losses (b)		117		146		89
Differences ((b) - (a))		117		146		89

Residential mortgage exposure

	Millions of yen					
	12 months ended September 30, 2021		12 months ended September 30, 2020		12 months ended September 30, 2019	
Results of actual losses (a)	¥	318	¥	449	¥	280
Expected losses (b)		816		751		912
Differences ((b) - (a))		498		302		632

Qualified revolving retail exposure

	Millions of yen					
	12 months ended September 30, 2021		12 months ended September 30, 2020		12 months ended September 30, 2019	
Results of actual losses (a)	¥	15,981	¥	20,363	¥	21,797
Expected losses (b)		28,553		34,999		37,366
Differences ((b) - (a))		12,571		14,635		15,568

Other retail exposure

	Millions of yen					
	12 months ended September 30, 2021		12 months ended September 30, 2020		12 months ended September 30, 2019	
Results of actual losses (a)	¥	6,595	¥	7,936	¥	8,782
Expected losses (b)		27,726		27,520		26,972
Differences ((b) - (a))		21,131		19,583		18,190

[Analysis]

The result of actual losses for the term ended September 30, 2021 was decreased 9.1 billion compared with in the previous year. The actual losses of Corporate exposures was decreased due to less deterioration of business performance by the impact of COVID-19 than the previous year.

Furthermore, even in Qualified revolving retail exposures, it was also decreased due to the improved quality of receivables.

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 September 30, 2019, 2020 and 2021 for the Bank Group's non-default exposures at the start of the twelve-month period, with expected losses.

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

FIRB

	Millions of yen			
	As of September 30, 2021		As of September 30, 2020	
	Eligible financial collateral	Other eligible FIRB collateral	Eligible financial collateral	Other eligible FIRB collateral
Corporate	¥ 1,449	¥ 206,057	¥ 4,061	¥ 219,674
Sovereign	—	—	—	—
Bank	—	235	—	517
Total	¥ 1,449	¥ 206,292	¥ 4,061	¥ 220,191

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

IRB

	Millions of yen	
	As of September 30, 2021	As of September 30, 2020
	Corporate	¥ 2,687
Sovereign	409	496
Bank	—	—
Residential mortgages	—	—
Qualified revolving retail	—	—
Other retail	—	—
Total	¥ 3,096	¥ 3,664

5. COUNTERPARTY CREDIT RISK OF DERIVATIVES

	Millions of yen	
	As of September 30, 2021	As of September 30, 2020
	Total amount of gross positive fair value	¥ 183,755
Amount of gross add-on	126,339	134,261
EAD before CRM	310,095	359,052
FX-related	155,570	167,439
Interest-related	150,100	183,599
Equity-related	—	2,771
Commodity-related	—	—
Credit derivatives	4,415	5,115
Others	8	126
Amount of net	159,932	205,807
EAD after net	150,162	153,244
Amount covered collateral	—	—
EAD after CRM	150,162	153,244

Note: Current Exposure Method

• Notional amount of credit derivatives which have counterparty risk

	Millions of yen			
	As of September 30, 2021		As of September 30, 2020	
	Protection-buy	Protection-sell	Protection-buy	Protection-sell
Notional amount				
Single name	¥ 23,500	¥ 23,500	¥ 27,000	¥ 23,000
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 BANK GROUP (CREDIT RISK)

Not applicable

SECURITIZATION EXPOSURE IN WHICH THE BANK GROUP INVESTS

(1) Amount of securitization exposure the Bank Group has by type of original asset

Excluding resecuritization exposure

Type of original assets	Millions of yen	
	As of September 30, 2021	As of September 30, 2020
	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ 17,059	¥ 21,290
Consumer loans	—	—
Commercial real estate loans	115,845	126,079
Corporate loans	73,088	61,022
Others	43,177	61,752
Total	¥ 249,170	¥ 270,143

※There is no resecuritization exposure.

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

Excluding resecuritization exposure

Band of risk weight ratio	Millions of yen			
	As of September 30, 2021		As of September 30, 2020	
	Amount	Required capital amount	Amount	Required capital amount
To 20%	¥ 66,520	¥ 1,013	¥ 75,122	¥ 1,154
Over 20% to 50%	16,925	571	20,548	749
Over 50% to 100%	74,935	4,130	57,855	3,396
Over 100% to 400%	49,903	9,895	65,840	13,489
Over 400% to 625%	40,886	20,201	50,775	25,186
Over 625% to 1,250%	—	—	—	—
Total	¥ 249,170	¥ 35,813	¥ 270,143	¥ 43,977

※There is no resecuritization exposure.

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

Type of original assets	Millions of yen	
	As of September 30, 2021	As of September 30, 2020
	Amount	Amount
Residential mortgages	¥ —	¥ —
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
Total	¥ —	¥ —

Not applicable for the following items:

- Credit risk mitigation for resecuritization exposure

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)**SECURITIZATION EXPOSURE IN WHICH THE BANK GROUP INVESTS (MARKET RISK)**

(1) Amount of securitization exposure the Bank Group has by type of original asset
Excluding resecuritization exposure

Type of original assets	Millions of yen	
	As of September 30, 2021	As of September 30, 2020
	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ 69	¥ 79
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
Total	¥ 69	¥ 79

※There is no resecuritization exposure.

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

Band of risk weight ratio	Millions of yen			
	As of September 30, 2021		As of September 30, 2020	
	Amount	Required capital amount	Amount	Required capital amount
To 1.6%	¥ 69	¥ 1	¥ 79	¥ 1
Over 1.6% to 4%	—	—	—	—
Over 4% to 8%	—	—	—	—
Over 8% to 32%	—	—	—	—
Over 32% to 50%	—	—	—	—
Over 50% under 100%	—	—	—	—
Total	¥ 69	¥ 1	¥ 79	¥ 1

※There is no resecuritization exposure.

Not applicable for the following items;

- Amount of securitization exposure targeted for comprehensive risk
- Amount of securitization exposure applied Risk weight 1,250% under the Accord Article 302-2.2

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

7. MARKET RISK (UNDER INTERNAL MODEL APPROACH)

(1) VAR AT THE END OF SEPTEMBER 2021 AND SEPTEMBER 2020 AND THE HIGH, MEAN AND LOW VAR

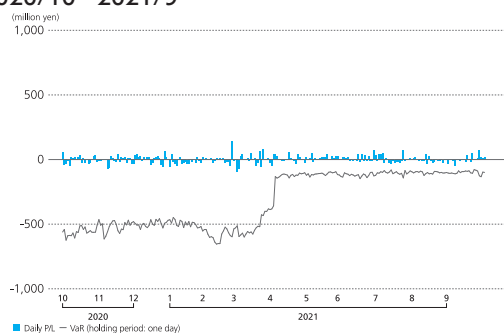
	Millions of yen	
	As of September 30, 2021	As of September 30, 2020
VaR at term end	¥ 314	¥ 1,544
VaR through this term		
High	2,068	2,802
Mean	1,004	1,669
Low	246	732

(2) STRESSED VAR AT THE END OF SEPTEMBER 2021 AND SEPTEMBER 2020 AND THE HIGH, MEAN AND LOW VAR

	Millions of yen	
	As of September 30, 2021	As of September 30, 2020
VaR at term end	¥ 1,366	¥ 2,609
VaR through this term		
High	3,715	4,977
Mean	2,302	3,440
Low	1,366	2,463

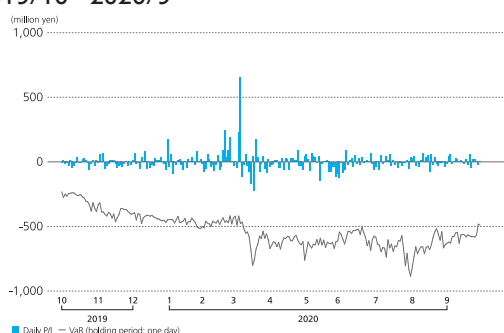
(3) RESULT OF BACK TESTING

2020/10~2021/9



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

2019/10~2020/9



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

Not applicable for the following items;

- The amount of required capital related to additional risk and comprehensive risk as of the period-end, as well as the maximum, minimum and average values for the amount of required capital for additional risk and comprehensive risk during the disclosure period

Backtesting on the VaR Model Applied to the Trading Account

Backtesting involves comparing fixed position virtual losses to estimated VaR to confirm the reliability of the VaR method.

Assumptions of Shinsei's VaR Model

Method : Historical simulation method
Confidence level : 99%
Holding period : 10days
Observation days : 250days
Coverage : Trading account

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

8. EQUITY EXPOSURE IN BOOK

(1) BOOK VALUE AND FAIR VALUE

	Millions of yen	
	As of September 30, 2021	As of September 30, 2020
Market-based approach		
Listed equity exposure	¥ 978	¥ 1,098
Unlisted equity exposure	14,949	17,339
PD/LGD method		
Listed equity exposure	28,092	4,996
Unlisted equity exposure	3,763	5,079

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

	Millions of yen	
	Six months ended September 30, 2021	Six months ended September 30, 2020
Gain (loss) on sale	¥ 1,485	¥ 750
Loss of depreciation	887	201

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

	Millions of yen	
	As of September 30, 2021	As of September 30, 2020
Unrealized gain (loss)	¥ 2,082	¥ 5,183

(4) AMOUNT FOR EACH PORTFOLIO CLASSIFICATION OF EQUITY EXPOSURE

	Millions of yen	
	As of September 30, 2021	As of September 30, 2020
Market-based approach	¥ 15,927	¥ 18,438
PD/LGD Method	31,855	10,076
RW100% Applied	51	51
RW250% Applied	7,019	67,242

Not applicable for the following items;

- UNREALIZED GAIN OR LOSS WHICH IS NOT RECOGNIZED BOTH ON BALANCE SHEET AND ON PROFIT AND LOSS STATEMENT

9. EXPOSURE RELATING TO INVESTMENT FUNDS

The accord article 167 was amended on march 31, 2019.

Describe the present disclosure based on the "notice" and "notice of disclosure" after amended.

	Millions of yen	
	As of September 30, 2021	As of September 30, 2020
Look-through approach	¥ 39,875	¥ 5,392
Mandate-based approach	1,282	791
Probability-based approach (250%)	—	—
Probability-based approach (400%)	2,436	40,024
Fall-back approach	166	0
Total	¥ 43,760	¥ 46,209

Note: 1. "Look-through approach" requires a bank to risk weight the underlying exposures of a fund as if the exposures were held directly by the bank.

2. "Mandate-based approach" is a method of conservatively estimating the asset structure based on the fund management method.

3. "Probability-based approach (250%)" can be selected when each asset of fund will be highly probable that the risk weight is less than 250%.

4. "Probability-based approach (400%)" can be selected when each asset of fund will be highly probable that the risk weight is more than 250% and less than 400%.

5. "Fall-back approach" is required to apply if above approaches are not feasible.

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)
10. INTEREST RATE RISK

Decrease in economic values from interest-rate shock

Millions of yen

IRRBB1 : Interest rate risk					
No		A	B	C	D
		ΔEVE		ΔNII	
		As of September 30, 2021	As of September 30, 2020	As of September 30, 2021	As of September 30, 2020
1	Parallel shock up	74,209	41,490	16,434	18,425
2	Parallel shock down	1,004	20,959	5,185	7,744
3	Steeper shock	47,882	25,249		
4	Flattener shock	–	–		
5	Short rate up shock	–	–		
6	Short rate down shock	–	–		
7	Max	74,209	41,490	16,434	18,425
		E		F	
		As of September 30, 2021		As of September 30, 2020	
8	Core capital	851,050		823,516	

COMPOSITION OF CAPITAL DISCLOSURE (NONCONSOLIDATED)

Shinsei Bank Items	Millions of yen (except percentages)	
	September 30, 2021 Basel III (Domestic Standard)	September 30, 2020 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	¥ 873,272	¥ 857,903
of which: capital and capital surplus	591,670	591,670
of which: retained earnings	372,940	336,742
of which: treasury stock (-)	91,338	70,508
of which: earning to be distributed (-)	-	-
of which: other than above	-	-
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	101	101
Total of reserves included in Core capital: instruments and reserves	11	14
of which: general reserve for loan losses included in Core capital	11	14
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)	¥ 873,385	¥ 858,020
Core capital: regulatory adjustments (2)		
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 16,121	¥ 17,296
of which: goodwill (including those equivalent)	289	454
of which: other intangibles other than goodwill and mortgage servicing rights	15,832	16,841
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,913	1,812
Shortfall of eligible provisions to expected losses	15,771	15,349
Gain on sale of securitization	-	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Prepaid pension cost	6,030	4,927
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)	¥ 39,837	¥ 39,386
Capital (nonconsolidated)		
Capital (nonconsolidated)((A)-(B))(C)	¥ 833,547	¥ 818,634
Risk-weighted assets, etc.		
Total amount of credit risk-weighted assets	¥5,904,428	¥5,969,503
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)	72,491	194,314
Operational risk (derived by multiplying the capital requirement by 12.5)	186,307	185,442
Credit risk-weighted assets adjustments	-	-
Operational risk adjustments	-	-
Total amount of Risk-weighted assets (D)	¥6,163,227	¥6,349,260
Capital ratio (nonconsolidated)		
Capital ratio (nonconsolidated)((C)/(D))	13.52%	12.89%

COMPOSITION OF CAPITAL DISCLOSURE (NONCONSOLIDATED) (continued)

Shinsei Bank	Millions of yen (except percentages)
Items	March 31, 2021 Basel III (Domestic Standard)
Core capital: instruments and reserves (1)	
Directly issued qualifying common share capital with a compulsory conversion clause plus related capital surplus and retained earnings	¥ 878,310
of which: capital and capital surplus	591,670
of which: retained earnings	370,688
of which: treasury stock (-)	81,464
of which: earning to be distributed (-)	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	15
of which: general reserve for loan losses included in Core capital	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)	¥ 878,428
Core capital: regulatory adjustments (2)	
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 17,026
of which: goodwill (including those equivalent)	372
of which: other intangibles other than goodwill and mortgage servicing rights	16,654
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	2,601
Shortfall of eligible provisions to expected losses	17,406
Gain on sale of securitization	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-
Prepaid pension cost	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)	¥ 42,625
Capital (nonconsolidated)	
Capital (nonconsolidated)((A)-(B))(C)	¥ 835,802
Risk-weighted assets, etc.	
Total amount of credit risk-weighted assets	¥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)	175,214
Operational risk (derived by multiplying the capital requirement by 12.5)	191,455
Credit risk-weighted assets adjustments	-
Operational risk adjustments	-
Total amount of Risk-weighted assets (D)	¥6,299,550
Capital ratio (nonconsolidated)	
Capital ratio (nonconsolidated)((C)/(D))	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	
	As of September 30, 2021	As of September 30, 2020
	Required capital amount	Required capital amount
Shinsei Bank	¥ 301	¥ 324

Portfolios under the Internal Ratings-Based Approach (IRB)

	Millions of yen	
	As of September 30, 2021	As of September 30, 2020
	Required capital amount	Required capital amount
Corporate (Excluding Specialized Lending) ¹	¥ 143,845	¥ 145,182
Specialized Lending ²	111,735	110,282
Sovereign	6,583	4,233
Bank	10,773	11,814
Residential mortgages	9,838	9,625
Qualified revolving retails	29,164	34,225
Other retails	319	184
Equity	124,722	118,289
Fund	14,258	13,448
Securitization	37,125	45,302
Purchase receivables	15,134	21,657
Other assets	1,129	1,228
CVA risk	13,063	13,817
CCP risk	104	97
Total	¥ 517,797	¥ 529,390

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	
	As of September 30, 2021	As of September 30, 2020
	Required capital amount	Required capital amount
Market-Based Approach Simplified Method	¥ 18,642	¥ 11,455
PD/LGD Method	104,857	105,611
RW100% Applied	4	4
RW250% Applied	1,217	1,217
Total	¥ 124,722	¥ 118,289

(3) EXPOSURE RELATING TO INVESTMENT FUNDS

	Millions of yen	
	As of September 30, 2021	As of September 30, 2020
	Required capital amount	Required capital amount
Look-through approach	¥ 11,815	¥ 1,678
Mandated-based approach	564	335
Probability-based approach[250%]	—	—
Probability-based approach[400%]	1,878	11,434
Fall-back approach[1,250%]	0	—
Total	¥ 14,258	¥ 13,448

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

	Millions of yen	
	As of September 30, 2021	As of September 30, 2020
	Required capital amount	Required capital amount
The Standardized Approach	¥ 341	¥ 257
Interest rate risk	—	—
Equity position risk	—	2
FX risk	341	255
Securitization risk	—	—
The Internal Models Approach (IMA) (General Market Risk)	¥ 5,458	¥ 15,287

(5) AMOUNT OF REQUIRED CAPITAL FOR OPERATIONAL RISK

	Millions of yen	
	As of September 30, 2021	As of September 30, 2020
	Required capital amount	Required capital amount
The Standardized Approach	¥ 14,904	¥ 14,835

(6) TOTAL REQUIRED CAPITAL (DOMESTIC STANDARD)

	Millions of yen	
	As of September 30, 2021	As of September 30, 2020
Total Required Capital (Risk-weighted Assets x 4%)	¥ 246,529	¥ 253,970

2. CREDIT RISK EXPOSURE (EXCLUDING SECURITIZATION AND EXPOSURES RELATING TO INVESTMENT FUNDS)**(1) AMOUNT OF CREDIT RISK EXPOSURE**

Geographic, Industries or Maturity

	Millions of yen							
	As of September 30, 2021				As of September 30, 2020			
	Amount of Credit Risk Exposure				Amount of Credit Risk Exposure			
	Total	Loans, etc. ¹	Securities ²	Derivatives ³	Total	Loans, etc. ¹	Securities ²	Derivatives ³
Manufacturing	¥ 251,195	¥ 229,718	¥ —	¥ 21,476	¥ 281,392	¥ 259,596	¥ —	¥ 21,796
Agriculture	19	19	—	—	—	—	—	—
Mining	378	377	—	0	804	802	—	1
Construction	34,538	34,338	200	—	34,168	33,968	200	—
Electric power, gas, water supply	480,018	449,796	—	30,222	508,067	478,653	—	29,413
Information and communication	26,348	26,348	—	—	34,140	34,140	—	0
Transportation	133,287	133,189	—	97	136,000	135,634	—	365
Wholesale and retail	105,698	93,569	100	12,028	120,232	107,254	100	12,878
Finance and insurance	3,028,252	2,782,162	225,466	20,623	2,693,446	2,443,264	228,350	21,831
Real estate	788,411	687,971	99,276	1,163	770,627	660,736	108,117	1,773
Services	471,744	470,704	550	490	438,254	436,495	900	858
Government	411,831	57,289	354,541	—	363,970	54,021	309,949	—
Individuals	1,349,421	1,349,421	—	—	1,391,371	1,391,129	—	241
Others	5,361	5,361	—	—	531	531	—	—
Domestic Total	7,086,507	6,320,269	680,134	86,103	6,773,008	6,036,229	647,617	89,161
Foreign	1,151,346	848,262	240,946	62,137	1,000,089	795,555	141,561	62,973
Total	¥ 8,237,853	¥ 7,168,531	¥ 921,080	¥ 148,241	¥ 7,773,098	¥ 6,831,784	¥ 789,178	¥ 152,135
To 1 year	1,748,019	1,655,725	76,502	15,792	1,742,204	1,579,610	147,555	15,039
1 to 3 years	1,139,926	956,796	156,224	26,905	1,119,979	930,602	167,347	22,029
3 to 5 years	1,102,037	822,484	258,558	20,994	936,554	734,137	178,284	24,132
Over 5 years	2,380,792	1,866,448	429,794	84,549	2,342,970	1,957,549	294,488	90,932
Undated	1,867,077	1,867,077	—	—	1,631,387	1,629,886	1,501	—
Total	¥ 8,237,853	¥ 7,168,531	¥ 921,080	¥ 148,241	¥ 7,773,098	¥ 6,831,784	¥ 789,178	¥ 152,135

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	
	As of September 30, 2021	As of September 30, 2020
	Default Exposure	Default Exposure
Manufacturing	¥ 117	¥ 88
Agriculture	–	–
Mining	–	–
Construction	170	200
Electric power, gas, water supply	9,666	5,548
Information and communication	109	122
Transportation	33	195
Wholesale and retail	3,380	3,766
Finance and insurance	–	0
Real estate	13,872	10,591
Services	5,420	3,965
Government	–	–
Individuals	6,033	5,187
Others	0	–
Domestic Total	38,803	29,667
Foreign	471	3,244
Total	¥ 39,274	¥ 32,912

Note: Excluding purchased receivables.

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

	Millions of yen					
	As of September 30, 2021			As of September 30, 2020		
	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount
General	¥ 21,284	¥ (1,605)	¥ 19,679	¥ 23,494	¥ 87	¥ 23,582
Specific	19,812	(900)	18,911	12,634	6,132	18,767
Country	–	–	–	–	–	–
Total	¥ 41,096	¥ (2,505)	¥ 38,590	¥ 36,129	¥ 6,220	¥ 42,350

Geographic

	Millions of yen							
	As of September 30, 2021				As of September 30, 2020			
	Total	General	Specific	Country	Total	General	Specific	Country
Domestic	¥ 32,769	¥ 14,326	¥ 18,443	¥ –	¥ 35,872	¥ 18,853	¥ 17,018	¥ –
Foreign	5,821	5,352	468	–	6,477	4,728	1,749	–
Total	¥ 38,590	¥ 19,679	¥ 18,911	¥ –	¥ 42,350	¥ 23,582	¥ 18,767	¥ –

Industries

	Millions of yen	
	As of September 30, 2021	As of September 30, 2020
	Reserve Amount	Reserve Amount
Manufacturing	¥ 1,328	¥ 1,290
Agriculture	0	–
Mining	2	6
Construction	185	204
Electric power, gas, water supply	10,311	8,233
Information and communication	340	389
Transportation	848	3,189
Wholesale and retail	3,100	3,827
Finance and insurance	2,027	2,216
Real estate	6,612	7,873
Services	5,235	5,792
Government	–	–
Individuals	2,775	2,846
Others	0	0
Foreign	5,821	6,477
Non-classified	–	–
Total	¥ 38,590	¥ 42,350

Note: Although the specific allowance for credit losses does not include the allowance relating to any securitization exposures and exposures relating to funds, the allowance relating to these exposures is not excluded from both the general allowance for credit losses and the allowance for loans to specific foreign borrowers, because we do not manage provisioning with respect to each asset class based on Basel III.

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)
(4) AMOUNT OF WRITE-OFFS

Industries

	Millions of yen	
	Six months ended September 30, 2021	Six months ended September 30, 2020
	Amount of write-off	Amount of write-off
Manufacturing	¥ —	¥ 95
Agriculture	—	—
Mining	—	—
Construction	—	0
Electric power, gas, water supply	—	—
Information and communication	—	—
Transportation	—	0
Wholesale and retail	—	65
Finance and insurance	—	—
Real estate	—	—
Services	—	—
Government	—	—
Individuals	50	1
Others	—	—
Foreign	—	—
Non-classified	—	—
Total	¥ 50	¥ 162

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

	Millions of yen			
	As of September 30, 2021		As of September 30, 2020	
	Rated	Unrated	Rated	Unrated
0%	¥ —	¥ —	¥ —	¥ —
10%	—	—	—	—
20%	—	—	—	—
35%	—	2,426	—	2,700
50%	—	—	—	—
75%	—	3,828	—	4,009
100%	—	49	—	101
150%	—	—	—	—
350%	—	—	—	—
1,250%	—	—	—	—
Total	¥ —	¥ 6,304	¥ —	¥ 6,811

(6) SPECIALIZED LENDING EXPOSURE UNDER SLOTTING CRITERIA AND EQUITY EXPOSURE UNDER MARKET-BASED SIMPLIFIED METHOD

Specialized lending excluding high-volatility commercial real estate

	Millions of yen	
	As of September 30, 2021	As of September 30, 2020
	Amount of Exposure	Amount of Exposure
Risk weight ratio		
50%	¥ 156,771	¥ 140,150
70%	569,658	607,576
90%	159,765	163,234
115%	65,216	50,453
250%	68,068	72,646
0% (Default)	9,410	12,769
Total	¥ 1,028,890	¥ 1,046,831

Specialized lending for high-volatility commercial real estate

	Millions of yen	
	As of September 30, 2021	As of September 30, 2020
	Amount of Exposure	Amount of Exposure
Risk weight ratio		
70%	¥ 13,173	¥ 3,400
95%	32,497	21,542
120%	47,079	24,516
140%	28,408	53,952
250%	14,485	13,559
0% (Default)	11,592	3,288
Total	¥ 147,237	¥ 120,259

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

Equity exposure under Market-Based Simplified Method

	Millions of yen	
	As of September 30, 2021	As of September 30, 2020
Risk weight ratio	Amount of Exposure	Amount of Exposure
300%	¥ 225	¥ 930
400%	54,791	33,075
Total	¥ 55,017	¥ 34,006

(7) PORTFOLIOS UNDER IRB EXCLUDING THE AMOUNT OF EXPOSURES UNDER SA (AFTER CREDIT RISK MITIGATION)

· Estimated average PD, LGD, Risk Weight Ratio and Exposure at Default (EAD) (on-balance and off-balance) for Corporate, Sovereign and Bank exposure

Corporate

Credit Rating	As of September 30, 2021					As of September 30, 2020				
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0-4	0.13%	45.11%	36.12%	¥ 2,095,655	¥ 225,414	0.14%	44.91%	37.74%	¥ 1,928,174	¥ 246,731
5-6	1.49%	45.00%	95.51%	570,425	76,628	1.42%	43.94%	92.19%	585,914	87,730
9A	9.50%	45.00%	187.62%	37,690	7,216	9.56%	43.03%	177.31%	55,564	7,528
Default	100.00%	45.00%	-	11,861	377	100.00%	44.80%	-	11,199	484

Note: LGD is shown after credit risk mitigation

Sovereign

Credit Rating	As of September 30, 2021					As of September 30, 2020				
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0-4	0.00%	45.00%	3.15%	¥ 2,433,466	¥ 2,661	0.00%	45.00%	2.39%	¥ 2,054,779	¥ 3,870
5-6	-	-	-	-	-	-	-	-	-	-
9A	-	-	-	-	-	-	-	-	-	-
Default	100.00%	45.00%	-	10	-	100.00%	45.00%	-	10	-

Note: LGD is shown after credit risk mitigation

Bank

Credit Rating	As of September 30, 2021					As of September 30, 2020				
	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%	38.71%	¥ 134,849	¥ 82,764	0.06%	44.98%	40.35%	¥ 126,183	¥ 79,469
5-6	1.00%	45.00%	89.65%	36,583	344	1.13%	45.00%	105.96%	34,956	650
9A	9.50%	45.00%	204.12%	719	-	9.56%	45.00%	234.68%	5,387	118
Default	100.00%	45.00%	-	951	-	100.00%	45.00%	-	0	-

Note: LGD is shown after credit risk mitigation

· Estimated average PD, risk weight ratio and amount of exposure for equity exposure under PD/LGD method

Credit Rating	As of September 30, 2021				As of September 30, 2020			
	PD	LGD	Risk Weight	Amount	PD	LGD	Risk Weight	Amount
0-4	0.14%	90.00%	293.36%	¥ 406,934	0.14%	90.00%	298.94%	¥ 400,124
5-6	1.11%	90.00%	322.47%	11,009	1.14%	90.00%	361.16%	10,799
9A	9.50%	90.00%	686.68%	960	9.56%	90.00%	693.76%	1,479
Default	100.00%	90.00%	1,125.00%	56	100.00%	90.00%	1,125.00%	0

· Estimated average PD, LGD, risk weight ratio, Exposure at Default (EAD) (on- and off-balance), amount of undrawn commitments and estimated average Credit Conversion Factors (CCF) of undrawn commitments for residential mortgage exposure, qualified revolving retail exposure and other retail exposure

Residential mortgage exposure

Pool	As of September 30, 2021							As of September 30, 2020						
	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%	15.76%	7.57%	¥ 1,115,064	¥ -	¥ -	-	0.22%	16.09%	7.24%	¥ 1,135,075	¥ -	¥ -	-
Need caution	60.23%	18.94%	80.63%	1,903	-	-	-	62.74%	19.38%	78.30%	2,331	-	-	-
Default	100.00%	25.79%	65.10%	5,923	-	-	-	100.00%	29.51%	58.70%	5,061	-	-	-

Note: LGD is shown after credit risk mitigation

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

Qualified revolving retail exposure

Millions of yen (except percentages)

Pool	As of September 30, 2021								As of September 30, 2020					
	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	6.82%	75.60%	99.57%	¥ 194,301	¥ 17,019	¥ 394,480	4.31%	7.06%	78.00%	104.57%	¥ 218,879	¥ 15,150	¥ 425,340	3.56%
Need caution	83.69%	75.60%	105.69%	483	16	516	3.23%	84.65%	78.00%	103.71%	619	19	652	3.03%
Default	100.00%	75.60%	-	69	-	-	-	100.00%	78.00%	-	126	-	-	-

Note: LGD is shown after credit risk mitigation

Other retail exposure

Millions of yen (except percentages)

Pool	As of September 30, 2021								As of September 30, 2020					
	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	4.16%	77.48%	78.74%	¥ 2,905	¥ 83	¥ 2,931	2.84%	4.11%	78.95%	78.63%	¥ 1,801	¥ 37	¥ 1,802	2.08%
Need caution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Default	100.00%	74.00%	-	30	-	-	-	-	-	-	-	-	-	-

Note: LGD is shown after credit risk mitigation

(8) COMPARATIVE RESULTS OF ACTUAL LOSSES AND EXPECTED LOSSES FOR THE LAST THREE YEARS UNDER F-IRB APPROACH

Corporate

Millions of yen

	12 months ended September 30, 2021	12 months ended September 30, 2020	12 months ended September 30, 2019
Results of actual losses (a)	¥ 781	¥ 3,583	¥ 2,022
Expected losses (b)	7,574	6,158	7,223
Differences ((b) - (a))	6,793	2,575	5,201

Sovereign

Millions of yen

	12 months ended September 30, 2021	12 months ended September 30, 2020	12 months ended September 30, 2019
Results of actual losses (a)	¥ -	¥ -	¥ -
Expected losses (b)	14	14	22
Differences ((b) - (a))	14	14	22

Bank

Millions of yen

	12 months ended September 30, 2021	12 months ended September 30, 2020	12 months ended September 30, 2019
Results of actual losses (a)	¥ -	¥ -	¥ -
Expected losses (b)	171	146	198
Differences ((b) - (a))	171	146	198

Residential mortgage exposure

Millions of yen

	12 months ended September 30, 2021	12 months ended September 30, 2020	12 months ended September 30, 2019
Results of actual losses (a)	¥ 312	¥ 432	¥ 273
Expected losses (b)	780	696	838
Differences ((b) - (a))	467	264	564

Qualified revolving retail exposure

Millions of yen

	12 months ended September 30, 2021	12 months ended September 30, 2020	12 months ended September 30, 2019
Results of actual losses (a)	¥ 7,068	¥ 9,670	¥ 12,713
Expected losses (b)	12,593	16,039	19,347
Differences ((b) - (a))	5,525	6,369	6,634

[Analysis]

The result of actual losses for the term ended September 30, 2021 was decreased 5.5billion compared with in the previous year. The actual losses of Corporate exposures was decreased due to less deterioration of business performance by the impact of COVID-19 than the previous year.

The above matrix shows the results of default (downgrade below substandard) losses (increase of reserve, write-offs and loss on sale) for the twelve-month period ended September 30, 2019, 2020 and 2021 for the Bank's non-default exposures at the start of the twelve-month period, with expected losses.

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

FIRB

	Millions of yen			
	As of September 30, 2021		As of September 30, 2020	
	Eligible financial collateral	Other eligible FIRB collateral	Eligible financial collateral	Other eligible FIRB collateral
Corporate	¥ 1,449	¥ 207,194	¥ 4,061	¥ 221,282
Sovereign	—	—	—	—
Bank	—	235	—	517
Total	¥ 1,449	¥ 207,429	¥ 4,061	¥ 221,799

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

IRB

	Millions of yen	
	As of September 30, 2021	As of September 30, 2020
	Corporate	¥ 2,687
Sovereign	409	496
Bank	—	—
Residential mortgages	—	—
Qualified revolving retail	—	—
Other retail	—	—
Total	¥ 3,096	¥ 3,664

4. COUNTERPARTY CREDIT RISK OF DERIVATIVES

	Millions of yen	
	As of September 30, 2021	As of September 30, 2020
Total amount of gross positive fair value	¥ 182,520	¥ 224,546
Amount of gross add-on	126,145	134,059
EAD before CRM	308,665	358,605
FX-related	155,571	168,447
Interest-related	148,941	182,699
Equity-related	—	2,874
Commodity-related	—	—
Credit derivatives	4,143	4,457
Others	8	126
Amount of net	160,424	206,470
EAD after net	148,241	152,135
Amount covered collateral	—	—
EAD after CRM	¥ 148,241	¥ 152,135

Note: Current Exposure Method

• Notional amount of credit derivatives which have counterparty risk

	Millions of yen			
	As of September 30, 2021		As of September 30, 2020	
	Protection-buy	Protection-sell	Protection-buy	Protection-sell
Notional amount				
Single name	¥ 23,500	¥ 23,500	¥ 23,000	¥ 23,000
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 (NONCONSOLIDATED) (continued)

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

Type of original assets	Millions of yen	
	As of September 30, 2021	As of September 30, 2020
	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ 17,059	¥ 21,290
Consumer loans	—	—
Commercial real estate loans	115,845	126,079
Corporate loans	73,088	61,022
Others	80,339	107,288
Total	¥ 286,332	¥ 315,679

※ There is no resecuritization exposure.

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

Excluding resecuritization exposure

Band of risk weight ratio	Millions of yen			
	As of September 30, 2021		As of September 30, 2020	
	Amount	Required capital amount	Amount	Required capital amount
To 20%	¥ 73,681	¥ 1,125	¥ 95,658	¥ 1,479
Over 20% to 50%	46,925	1,771	45,548	1,749
Over 50% to 100%	74,935	4,130	57,855	3,396
Over 100% to 400%	49,903	9,895	65,840	13,489
Over 400% to 625%	40,886	20,201	50,775	25,186
Over 625% under 1,250%	—	—	—	—
Total	¥ 286,332	¥ 37,125	¥ 315,679	¥ 45,302

※ There is no resecuritization exposure.

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

Type of original assets	Millions of yen	
	As of September 30, 2021	As of September 30, 2020
	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 (NONCONSOLIDATED) (continued)

6. MARKET RISK (UNDER INTERNAL MODEL APPROACH)

(1) VAR AT THE END OF SEPTEMBER 2021 AND SEPTEMBER 2020 AND THE HIGH, MEAN AND LOW VAR

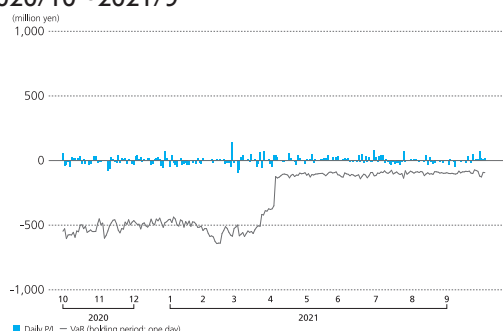
	Millions of yen	
	As of September 30, 2021	As of September 30, 2020
VaR at term end	¥ 295	¥ 1,502
VaR through this term		
High	2,031	2,751
Mean	974	1,620
Low	228	691

(2) STRESSED VAR AT THE END OF SEPTEMBER 2021 AND SEPTEMBER 2020 AND THE HIGH, MEAN AND LOW VAR

	Millions of yen	
	As of September 30, 2021	As of September 30, 2020
VaR at term end	¥ 1,297	¥ 2,522
VaR through this term		
High	3,634	4,920
Mean	2,224	3,331
Low	1,297	2,312

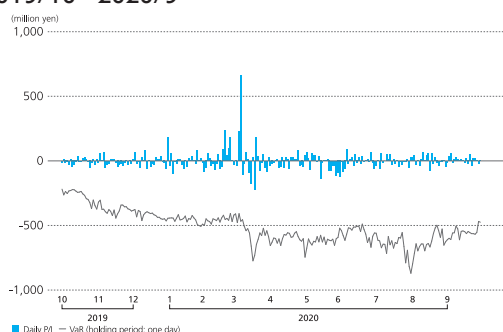
(3) RESULT OF BACK TESTING

2020/10~2021/9



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

2019/10~2020/9



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

Not applicable for the following items;

- The amount of required capital related to additional risk and comprehensive risk as of the period-end, as well as the maximum, minimum and average values for the amount of required capital for additional risk and comprehensive risk during the disclosure period

Backtesting on the VaR Model Applied to the Trading Account

Backtesting involves comparing fixed position virtual losses to estimated VaR to confirm the reliability of the VaR method.

Assumptions of Shinsei's VaR Model

Method : Historical simulation method
Confidence level : 99%
Holding period : 10days
Observation days : 250days
Coverage : Trading account

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

	Millions of yen	
	As of September 30, 2021	As of September 30, 2020
Market-based approach		
Listed equity exposure	¥ 225	¥ 930
Unlisted equity exposure	54,791	33,075
PD/LGD method		
Listed equity exposure	27,549	3,843
Unlisted equity exposure	391,410	408,559

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

	Millions of yen	
	Six months ended September 30, 2021	Six months ended September 30, 2020
Gain (loss) on sale	¥ 746	¥ 109
Loss of depreciation	735	1,319

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

	Millions of yen	
	As of September 30, 2021	As of September 30, 2020
Unrealized gain (loss)	¥ 177	¥ 3,215

(4) AMOUNT FOR EACH PORTFOLIO CLASSIFICATION OF EQUITY EXPOSURE

	Millions of yen	
	As of September 30, 2021	As of September 30, 2020
Market-based approach	¥ 55,017	¥ 34,006
PD/LGD Method	418,959	412,403
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 PROFIT AND LOSS STATEMENT

8. EXPOSURE RELATING TO INVESTMENT FUNDS

The accord article 167 was amended on March 31, 2019.

Describe the present disclosure based on the "notice" and "notice of disclosure" after amended.

	Millions of yen	
	As of September 30, 2021	As of September 30, 2020
Look-through approach	¥ 41,529	¥ 4,950
Mandate-based approach	1,184	791
Probability-based approach (250%)	—	—
Probability-based approach (400%)	5,536	33,709
Fall-back approach	0	—
Total	¥ 48,250	¥ 39,452

Note: 1. "Look-through approach" requires a bank to risk weight the underlying exposures of a fund as if the exposures were held directly by the bank.

2. "Mandate-based approach" is a method of conservatively estimating the asset structure based on the fund management method.

3. "Probability-based approach (250%)" can be selected when each asset of fund will be highly probable that the risk weight is less than 250%.

4. "Probability-based approach (400%)" can be selected when each asset of fund will be highly probable that the risk weight is more than 250% and less than 400%.

5. "Fall-back approach" is required to apply if above approaches are not feasible.

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)
9. INTEREST RATE RISK

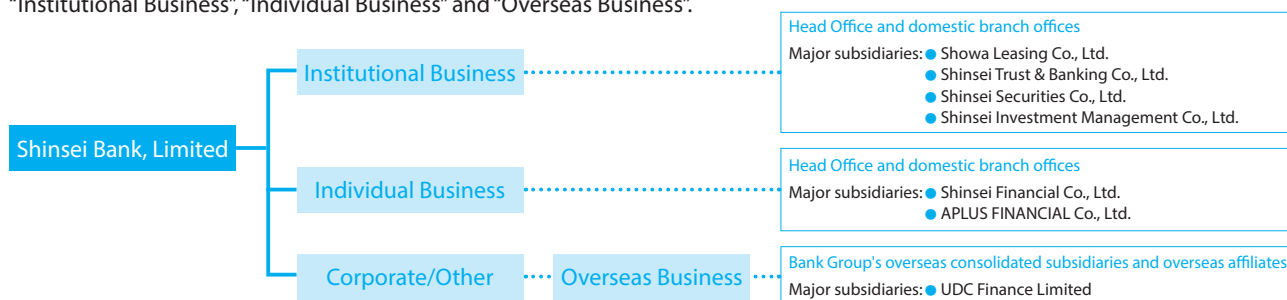
Decrease in economic values from interest-rate shock

Millions of yen

IRRBB1 : Interest rate risk					
No		A	B	C	D
		ΔEVE		ΔNII	
		As of September 30, 2021	As of September 30, 2020	As of September 30, 2021	As of September 30, 2020
1	Parallel shock up	42,321	9,224	10,821	12,505
2	Parallel shock down	28,227	50,327	7,473	10,176
3	Steeper shock	37,915	14,859		
4	Flattener shock	–	–		
5	Short rate up shock	–	–		
6	Short rate down shock	–	–		
7	Max	42,321	50,327	10,821	12,505
		E		F	
		As of September 30, 2021		As of September 30, 2020	
8	Core capital	833,547		818,634	

Corporate Information

As of September 30, 2021, the Shinsei Bank Group consisted of Shinsei Bank, Limited, 146 subsidiaries (comprising 86 consolidated companies including APLUS FINANCIAL Co., Ltd., Showa Leasing Co., Ltd., Shinsei Financial Co., Ltd, Shinsei Investment & Finance Limited and UDC Finance Limited and 60 unconsolidated subsidiaries) and 44 affiliated companies (44 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 FINANCIAL Co., Ltd.	Osaka, Japan	Holding company ²
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
OJBC Co. Ltd.	Tortola, British Virgin Islands	Financial holding company ²
Nippon Wealth Limited	Kowloon, Hong Kong	Investment trust and discretionary investment advising ²
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

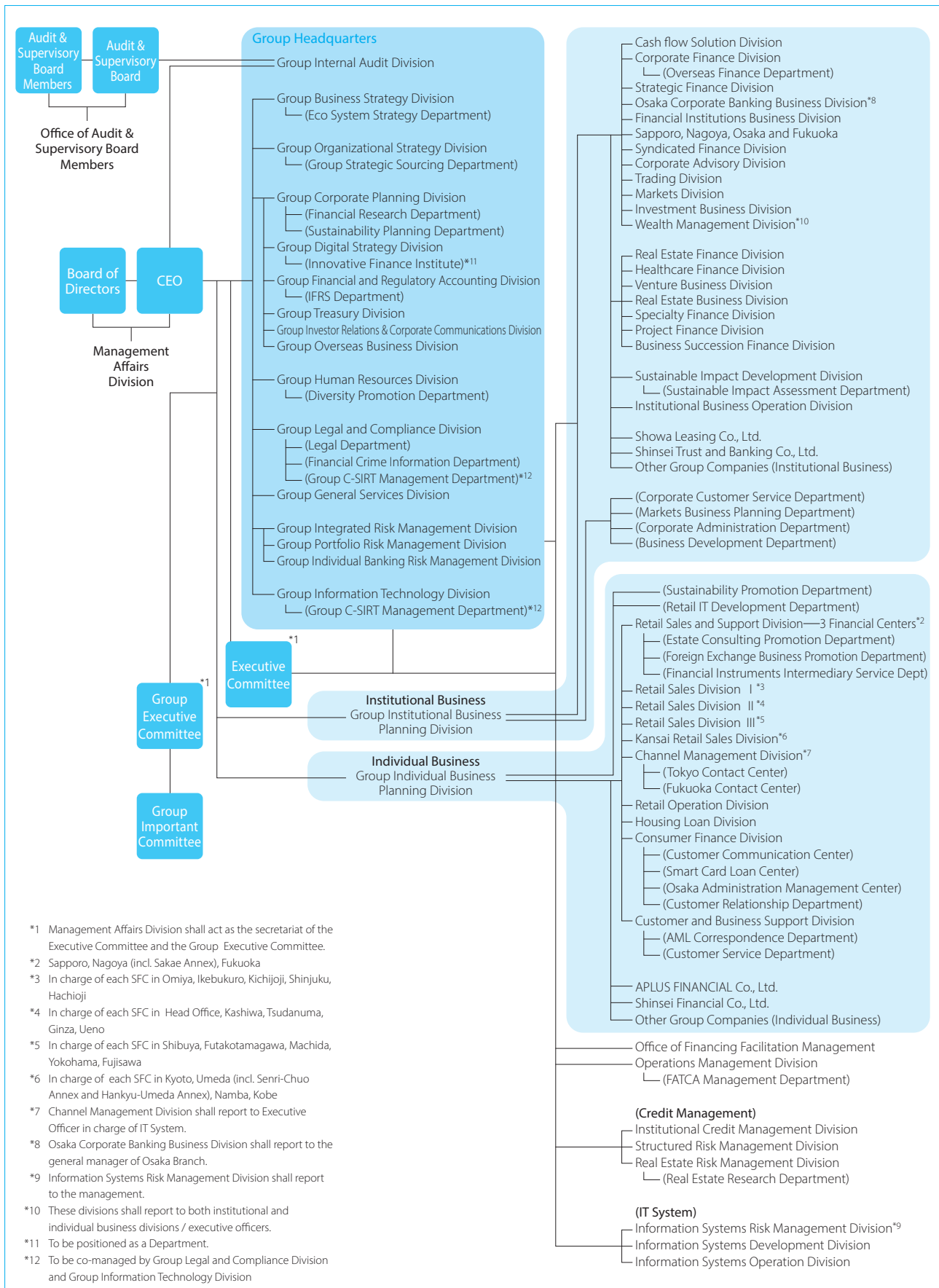
Employees

		March 31, 2020	March 31, 2021	September 30, 2021
Consolidated	Number of Employees	5,349	5,605	5,711
Nonconsolidated	Number of Employees	2,137	2,186	2,256
	Male	1,203	1,237	1,278
	Female	934	949	978
Average age		42 years 1 month	42 years 4 months	42 years 2 months
Average years of service		13 years 4 months	13 years 6 months	13 years 0 month
Average monthly salary		¥476 thousand	¥491 thousand	¥484 thousand
Number of Business-Limited Employees		147	138	140
Number of Part-time Employees		204	205	211
Number of Temporary Employees		6	6	6

(Note) Number of employees does not include business-limited employees, part-time employees and temporary employees.
However, the number of employees after accounting for personnel seconded in or out of the Bank is 2,304 as of September 30, 2021.

(As of September 30, 2021)

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%	—	
15,000	1956.10	2004. 9	100.0%	100.0%	—	
15,000	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	2017. 7	100.0%	100.0%	—	
30	2013. 2	2019. 5	100.0%	100.0%	—	
£3	2004. 9	—	100.0%	100.0%	—	
\$56	2013. 6	—	50.0%	50.0%	—	
HK\$513	2013. 8	—	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%	—	
VND800,000	2016. 3	2017.10	49.0%	49.0%	—	



Directors and Executive Officers

(As of December 1, 2021)

Board of Directors (7)

Hideyuki Kudo

Representative Director, President

Akira Hirasawa

Director

Ernest M. Higa *1

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

Jun Makihara *1

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

Rie Murayama *1

Director
Director, INFRONEER Holdings Inc.

Hiroko Sasaki *1

Director
President and CEO, Lyxis Co., Ltd.
President & CEO, ChangeWAVE Inc.

Ryuichi Tomimura *1

Director
President, Representative Director, SIGMAXYZ Holdings Inc.

*1 Independent External Directors

*2 Independent External Audit & Supervisory Board Members

Audit & Supervisory Board Members (3)

Shinya Nagata

Audit & Supervisory Board Member

Ikuko Akamatsu *2

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

Shiho Konno *2

Audit & Supervisory Board Member
Lawyer

Group Headquarters Officers and Shinsei Bank Executive Officers (40)

Hideyuki Kudo

Representative Director
Senior Managing Executive Officer, Advisor
Chief Officer, Group Corporate Planning and Finance

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

Sanjeev Gupta

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

Shoichi Hirano

Senior Managing Executive Officer, Head of Institutional Business Unit

Akira Hirasawa

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

Yoshiaki Kozano

Chief Officer, Group Business Strategy

Michiyuki Okano

Chief Officer, Group Organizational Strategy and Group IT

Tetsuro Shimizu

Senior Managing Executive Officer, Head of Individual Business Unit, Senior Officer, Group Corporate Planning and Finance, In charge of Sustainability Planning (Special Assignment), Group Corporate Planning Division, Representative Director and President of APLUS FINANCIAL Co., Ltd.

Note: Chief Officer and Senior Officer are positions of Group Headquarters.

Note: Officers and Executive Officers are listed in alphabetical order.

Note: Messrs. Yoshiaki Kozano and Michiyuki Okano are equivalent to Senior Managing Executive Officer of Shinsei Bank, Ms. Takako Hayashi, Messrs. Kouichi Sawaji and Toichiro Shiomi are equivalent to Managing Executive Officer of Shinsei Bank and Messrs. Shinobu Jitsukawa, Shuichi Kubo, Junya Nakamura, Kojiro Taima, Usei Yano and Takahiro Yoshida are equivalent to Executive Officers of Shinsei Bank.

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

Kunimitsu Hayashi

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

Takako Hayashi

Chief Officer, Group Human Resources

Hirofumi Kusakabe

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

Tsukasa Makizumi

Managing Executive Officer, Head of Credit Risk Management

Masanori Matsubara

Managing Executive Officer, Head of IT System, Senior Officer, Group IT

Hiroki Otake

Managing Executive Officer, Head of Retail Sales

Kouichi Sawaji

Chief Officer, Group General Service

Toichiro Shiomi

Chief Officer, Group Risk

(Executive Officer (EO) and equivalent to EO)

Hiroko Adachi

Executive Officer, Executive Officer in charge of Institutional Business

Tomohiro Arimatsu

Executive Officer, General Manager of Structured Risk Management Division

Takahiro Fujii

Executive Officer, Executive Officer in charge of Institutional Business

Koichi Hazama

Executive Officer, General Manager of Retail Sales Division I

Etsuko Ichiba

Executive Officer, In charge of Retail Operation, Department Head of Sustainability Promotion Department, Group Individual Business Planning Division

Yukiko Iwasaki

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

Shinobu Jitsukawa

Executive Director, In charge of Institutional Business Planning

Hiroyuki Kagita

Executive Officer, General Manager of Group Individual Business Planning Division

Taichi Kawai

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

Kumi Kikugawa

Executive Officer, In charge of Customer and Business Support, General Manager of Customer and Business Support Division

Junichi Kobayashi

Senior Officer, Group Corporate Planning and Finance, Group Overseas Business Division (Special Assignment)
Executive Officer, Head of Consumer Finance, President and CEO of Shinsei Financial Co., Ltd.

Takahisa Komoda

Executive Officer, In charge of Group Institutional Business Planning Division (Special Assignment)

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

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

Tomoko Ogawara

Executive Officer, General Manager of Retail Sales and Support Division, Senior Officer, Group Human Resources, In charge of Diversity Promotion (Special Assignment), Group Human Resources Division

Chikara Oguni

Executive Officer, In charge of Institutional Business

Arimitsu Osato

Executive Officer, General Manager of Financial Institutions Business Division, Senior Officer, Group Corporate Planning and Finance, Group Corporate Planning Division (Special Assignment)

Shinichirou Seto

Executive Officer, President and CEO of Showa Leasing Co., Ltd.

Kojiro Taima

Senior Officer, Group Legal and Compliance

Eisuke Terasawa

Senior Officer, Group Corporate Planning and Finance, GM of Group Corporate Planning Division, Executive Officer, In charge of Financing Facilitation, General Manager of Office of Financing Facilitation Management

Kenji Uesaka

Executive Officer, In charge of Group Structured Solution

Usei Yano

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

Takahiro Yoshida

Senior Officer, Group Corporate Planning and Finance

Senior Advisor

Shigeru Kani

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

Advisor

Yuji Tsushima

Executive Advisor

Kiyohiro Kiyotani

Tamane Nishi

Hiroshi Ooyama

Yasufumi Shimada

Shigetou Yanase

Domestic Outlets

26 outlets (23 branches including head office, 3 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—Hankyu Umeda Annex

Umeda Branch—Senri Chuo Annex

Namba Branch

Kobe Branch

Kyushu

Fukuoka Branch

Lake Unstaffed Branches:

Lake unstaffed branches 685 locations

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

Seven Bank, Ltd. ATMs	25,975 locations
E-net ATMs	12,516 locations
Lawson ATM Networks ATMs	13,580 locations
AEON Bank ATMs	6,404 locations
VIEW ALTTE ATMs	387 locations
Patsat ATMs	132 locations

Stock Information

(As of September 30, 2021)

Shares Outstanding and Capital

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

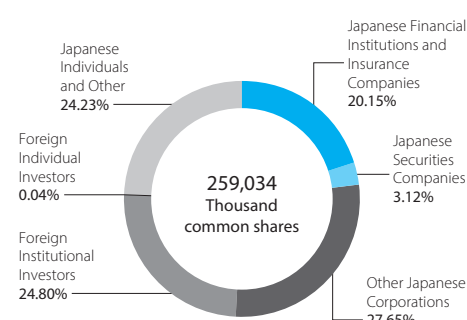
¹ Figures include number of preferred shares outstanding.

Largest Shareholders

Rank	Shareholders	Thousands of Common Shares	Shareholding Ratio
1	SHINSEI BANK, LIMITED	50,393	19.45%
2	SBI Holdings, Inc.	42,737	16.49%
3	Deposit Insurance Corporation of Japan	26,912	10.38%
4	THE RESOLUTION AND COLLECTION CORPORATION	20,000	7.72%
5	THE MASTER TRUST BANK OF JAPAN, LTD.(TRUST ACCOUNT)	16,663	6.43%
6	Custody Bank of Japan, Ltd. (TRUST ACCOUNT)	5,246	2.02%
7	MORGAN STANLEY & CO. INTERNATIONAL PLC	4,782	1.84%
8	JPMBL RE NOMURA INTERNATIONAL PLC 1 COLL EQUITY	4,325	1.66%
9	BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	4,104	1.58%
10	BNYM AS AGT/CLTS NON TREATY JASDEC	3,399	1.31%
11	JAPAN SECURITIES FINANCE CO., LTD.	3,267	1.26%
Total		259,034	100.00%

Note: As of September 30, 2021 in total, the Deposit Insurance Corporation of Japan and the Resolution and Collection Corporation hold 46,912,888 common shares or 22.48% of Shinsei Bank's outstanding common shares, excluding treasury shares.

Beneficial Ownership / Type of Shareholder



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

Ratings Information

(As of November 30, 2021)

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

For further information, please contact:
Group Investor Relations & Corporate Communications Division

Shinsei Bank, Limited

4-3, Nihonbashi-muromachi 2-chome, Chuo-ku, Tokyo 103-8303, Japan
URL: <https://www.shinseibank.com/english/> E-mail: Shinsei_IR@shinseibank.com

SHINSEI BANK, LIMITED

4-3, Nihonbashi-muromachi 2-chome, Chuo-ku, Tokyo 103-8303, Japan
TEL: 81-3-6880-7000
URL: <https://www.shinseibank.com/english/>