SBI SHINSEI BANK

INTEGRATED REPORT 2023

For the fiscal year ended March 31, 2023

Data Appendix

Contents

Please see SBI Shinsei Bank's Integrated Report 2023 for its businesses, strategies and ESG information.

Corporate Information

As of March 31, 2023, the SBI Shinsei Bank Group consisted of SBI Shinsei Bank, Limited, 135 subsidiaries (comprising 84 consolidated companies including APLUS Co., Ltd., Showa Leasing Co., Ltd., Shinsei Financial Co., Ltd, Shinsei Trust & Banking Co., Ltd. and UDC Finance Limited and 51 unconsolidated subsidiaries) and 43 affiliated companies (43 affiliated companies accounted for using the equity method, such as MB Shinsei Finance Limited Liability Company). The SBI 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.

SBI Shinsei Bank, Limited

- Institutional Business
  - Head Office and domestic branch offices
  - Major subsidiaries: ● Showa Leasing Co., Ltd. ● Shinsei Trust & Banking Co., Ltd. ● Shinsei Securities Co., Ltd.
- Individual Business
  - Head Office and domestic branch offices
  - Major subsidiaries: ● Shinsei Financial Co., Ltd. ● APLUS Co., Ltd.
- Overseas Business/ Treasury/Other
  - Bank Group's overseas consolidated subsidiaries and overseas affiliates
  - Major subsidiaries: ● UDC Finance Limited

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 & Finance Limited	Tokyo, Japan	Financial instruments business[1]
Shinsei Corporate Investment Limited	Tokyo, Japan	Investment[1]
APLUS Co., Ltd.	Osaka, Japan	Installment credit[2]
Shinsei Financial Co., Ltd.	Tokyo, Japan	Finance[2]
Shinsei Personal Loan Co., Ltd.	Tokyo, Japan	Financing for individuals and small businesses[2]
Shinsei Business Services Co., Ltd.	Tokyo, Japan	Outsourcing services[3]
Alpha Servicer Co., Ltd.	Tokyo, Japan	Servicing business[2]
Financial Japan Co., Ltd.	Tokyo, Japan	Insurance business[2]
SBI Shinsei Human Resources, Limited	Tokyo, Japan	Outsourcing services[3]
Major Overseas Subsidiaries		
Shinsei International Limited	London, UK	Securities[1]
EasyLend Finance Company Limited	Wan Chai, 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, 2021	March 31, 2022	March 31, 2023
Consolidated	Number of Employees	5,605	5,608	5,548
Nonconsolidated	Number of Employees	2,186	2,223	2,179
	Male	1,237	1,258	1,231
	Female	949	965	948
Average Age		42 years 4 months	42 years 7 months	42 years 11 months
Average Years of Service		13 years 6 months	13 years 10 months	14 years 1 month
Average Monthly Salary		¥491 thousand	¥489 thousand	¥493 thousand
Number of Business-Limited Employees		138	137	133
Number of Contract Employees and Retired rehired Employees		205	229	134
Number of Temporary Employees		6	5	–

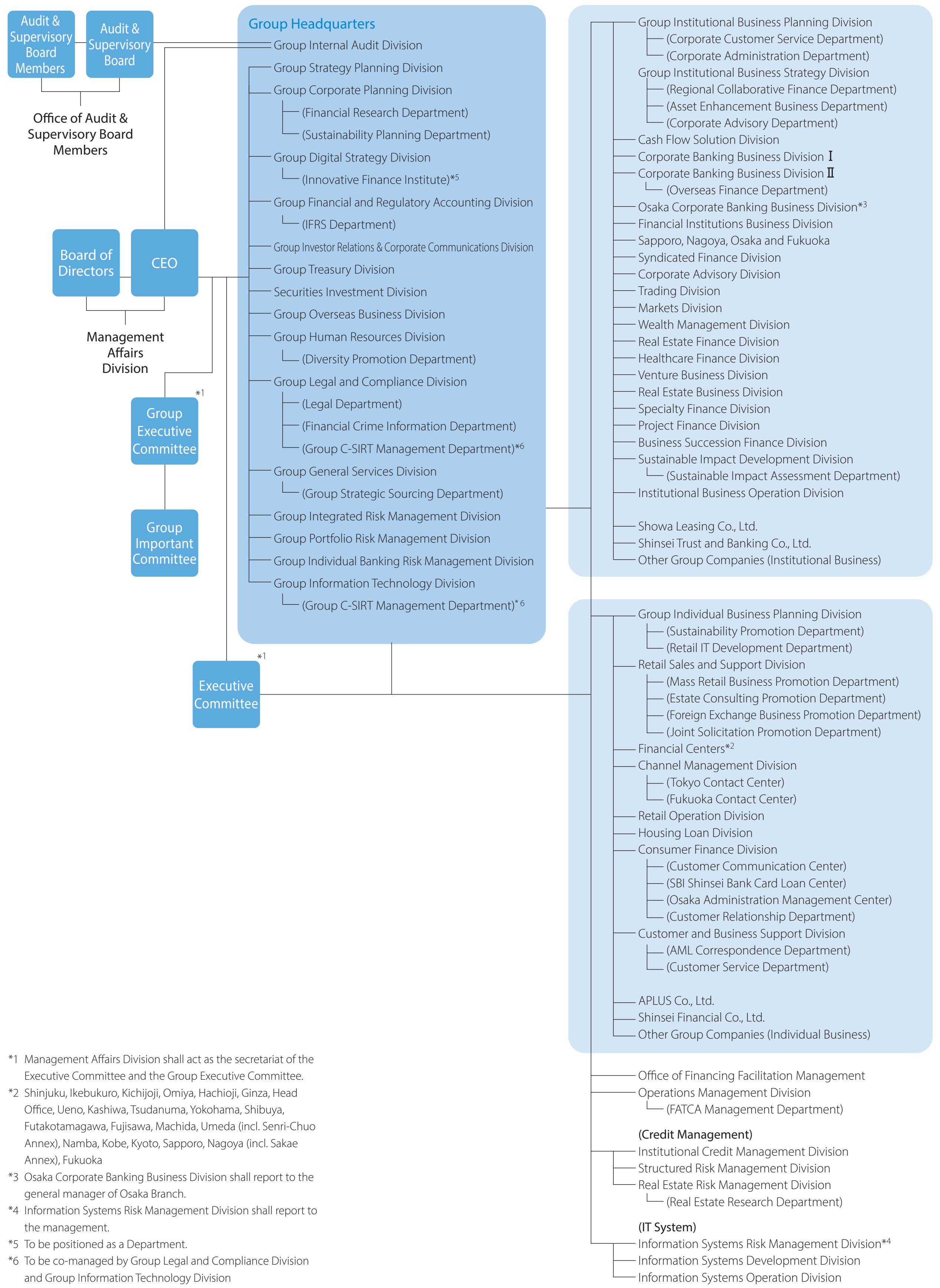
(Note) Number of employees does not include business-limited employees, contract employees and retired rehired employees.
However,the number of employees after accounging for personnel seconded in or out of the Bank is 2,228 as of March 31, 2023.

(As of March 31, 2023)

				Equity stake held by SBI Shinsei Bank and consolidated subsidiaries (%)		
	Capital (in millions)	Established	Acquired		Equity stake held by SBI Shinsei Bank	Equity stake held by consolidated subsidiaries of SBI 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%	—
	100	1997. 8	—	100.0%	100.0%	—
	100	2006. 4	2012.12	100.0%	100.0%	—
	50	2012.11	—	100.0%	100.0%	—
	100	2009. 4	—	100.0%	100.0%	—
	100	1991. 6	2008. 9	100.0%	100.0%	—
	100	1954.12	2007.12	100.0%	—	100.0%
	54	1985. 2	—	60.0%	60.0%	—
	500	2005.12	—	100.0%	100.0%	—
	30	2013. 2	2019. 5	100.0%	100.0%	—
	40	2023. 3	2023. 3	60.0%	60.0%	—
	£3	2004. 9	—	100.0%	100.0%	—
	HK$130	2012. 9	2020. 2	100.0%	100.0%	—
	NZ$52	1938. 4	2020. 9	100.0%	100.0%	—
	¥100	1997.12	2016.12	50.0%	50.0%	—
	VND1,600,000	2016. 3	2017.10	49.0%	49.0%	—

Organization of SBI Shinsei Bank, Limited

(As of July 1, 2023)



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

Network

(As of June 30, 2023)

Domestic Outlets

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

Hokkaido

- Sapporo Branch

Kanto (Excluding Tokyo)

- Omiya Branch
- Kashiwa Branch
- Tsudanuma Branch
- Yokohama Branch
- Fujisawa Branch

Tokyo

- Head Office
- Ginza Branch (SBI SHINSEIBANK MONEYPLAZA Ginza)
- Ikebukuro Branch (SBI SHINSEIBANK MONEYPLAZA Ikebukuro)
- Ueno Branch
- Kichijoji Branch
- Shinjuku Branch
- Shibuya Branch
- Futakotamagawa Branch
- Hachioji Branch
- Machida Branch

Tokai

- Nagoya Branch
- Nagoya Branch—Sakae Annex

Kinki

- Kyoto Branch
- Osaka Branch
- Umeda Branch (SBI SHINSEIBANK MONEYPLAZA Umeda)
- Umeda Branch—Senri Chuo Annex
- Namba Branch
- Kobe Branch

Kyushu

- Fukuoka Branch

Lake Unstaffed Branches:

Lake unstaffed branches	587 locations

ATM Partners: (Train Stations, Convenience Stores, and Supermarkets)

- Seven Bank, Ltd. ATMs
- E-net ATMs
- Lawson ATM Networks ATMs
- AEON Bank ATMs
- VIEW ALTTE ATMs
- Patsat ATMs

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, SBI Shinsei Bank participates in many initiatives, such as those described below. We provide our expertise, and depending on the initiative, cooperate with regional financial institutions and SME revitalization councils. We support SMEs and local businesses that have technologies or business models with unrealized growth potential as well as those in new business fields or business domains that contribute to regional economic revitalization. The Bank goes beyond merely satisfying funding requirements to providing full financing. Full financing emphasizes cash flows and multifaceted solutions to management issues, such as business strategy planning, implementation support, and other complementary services. Through these initiatives, the Bank aims to expand the operations of growth-stage SME clients and contribute to the development of new business opportunities that accompany innovation.

Examples of SBI Shinsei Bank Initiatives

Support at the Growth Stage | High-precision 3-D map data providers

High-precision 3-D maps necessary for automated driving of automobiles are being developed through measurement and data conversion of roads in cooperation with domestic automobile manufacturers, major electric equipment manufacturers, surveying companies, etc. Since such maps have already been installed in the automated driving systems of some types of cars and have successfully been used in hands-free driving on highways, the company is aiming to expand their services globally, beginning with North America and Europe. On the other hand, large up-front investment was necessary for domestic and overseas road measurement and data conversion, and for the venture company concerned, financing was an issue in order to expand its service area. After receiving referrals from SBI INVESTMENT, which formed the fund for this company's shareholder, and after careful examination of the business plan, we recognized the superiority of its technology and the growth potential of the market. By providing no collateral and no credit guarantee venture debt, we realized financial support from both the equity and debt aspects with the SBI Group as a whole.

Supporting Regional Revitalization and Business Succession | Office equipment sales and maintenance services

"The company concerned" sold and maintained OA equipment and office equipment, and had good business relations with government offices, schools, and local companies due to its meticulous service and over 60 years of business history. The sudden passing of the former president and the excessive burden of debt, in addition to a lack of human resources and know-how, posed a challenge to respond to the rapid technological innovations in IT products and DX (digital transformation) needs of customers. This resulted in the business revitalization of the company concerned through third-party sponsorship, with the help of the SME Business Rehabilitation Support Co-operative. We successfully leveraged our network based on our extensive track record of business revitalization M&A initiatives to assist in the search for sponsors for this company, and succeeded in finding a business operator, whose main line of business was to support DX of local companies and government agencies, as a sponsor. Under this procedure, all the transactions and employees of the company in question were succeeded to the new company with the cooperation of the financial institutions involved with the support of the sponsor. This process enabled the new company to continue all of its existing business, and with the support from the sponsor in know-how and human resources required for IT consulting, the new company has started as a DX advisor for local companies.

Supporting Business Succession | Planning, production, and sales company for packaging materials, etc.

While founder owners were preparing for business succession within their relatives and internal successor candidates, they were inclined to the idea that they needed to incorporate new ideas and perspectives from outside in order to sustainably grow their own company while facing rapid changes in the business environment of their customers, such as the rise of EC in the product sales industry, and the impact of COVID-19.
Shinsei Business Succession (an investment specialized subsidiary established by the Bank to support business succession) received advice on support for succession to a third party through the concerned company's main bank and took over all the shares of the said person on the premise to transfer to a leading business company in future that can support the sustainable growth of the company and its employees while respecting the current corporate culture. We will continue to support the realization of the business succession that the previous owner had envisioned by exploring the optimal final transfer destination, while further improving the corporate value under the management delegation to the previous owner.

Supporting Business Expansion | Service business

The company concerned operates a unique B2B order platform and develops businesses that contribute to improving the productivity of corporate management by optimizing corporate order and supply transactions and by providing DX support. To acquire a high share in the huge market for matching business services with orders and supply transactions between companies, it was essential to raise funds for upfront investments, such as systems development. However, for a growing venture company, the challenge was to diversify funding methods, including debt financing, as well as equity financing. We recognized the high potential in the company's growth and business, so we offered a venture debt (loan with stock acquisition rights) to this company because financing was less diluting than issuing pure equity. This financing method will also help the company to realize benefits in future capital policies.

Risk Management

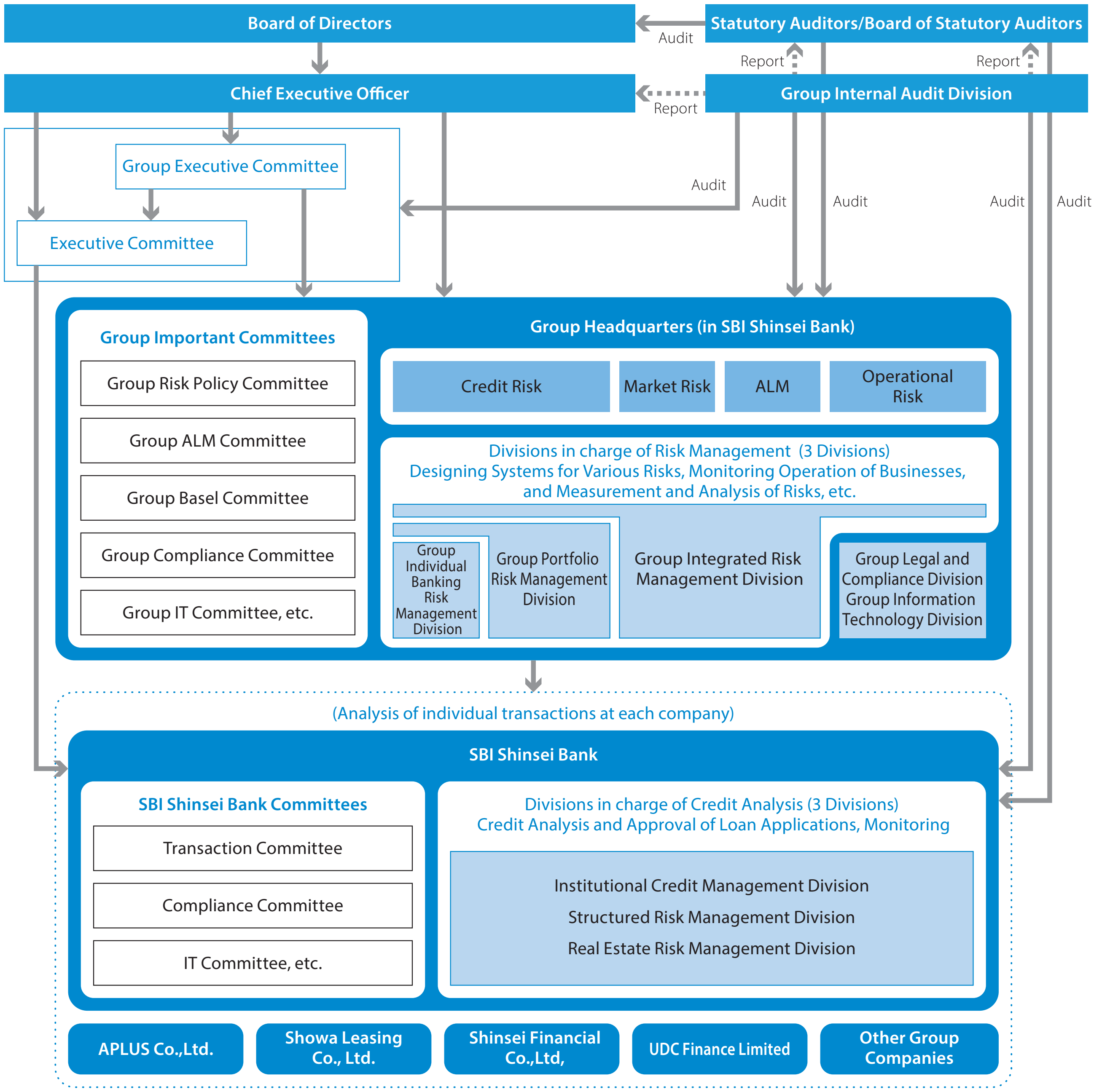
Overview of the Group's Risk Management Systems

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

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

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

■ Risk Management System Chart (As of June 27, 2023)



Risk Management

Basic Concept Regarding Risk Management

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

■ Definitions of Risk Categories

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

Credit Risk

Credit Risk Management: Group Governance

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

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

Institutional Business: Credit Risk Management

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

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

Credit Risk Management for Individual Transactions

(1) Organization & Structure

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

(2) Obligor Rating Systems

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

Portfolio-Based Credit Risk Management

(1) Monitoring Analysis System

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

(2) Quantifying Credit Risk

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

(3) Credit Concentration Guideline

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

Individual Business: Credit Risk Management

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

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

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

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

Credit Risks on Market-Related Transactions

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

Self-Assessment

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

Market Risk

Market Risk Management Policy

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

Trading Book

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

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

(Millions of yen)

	FY2021	FY2022
FY End VaR	313	726
FY VaR		
Maximum	611	931
Average	356	560
Minimum	235	296

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

(Millions of yen)

	FY2021	FY2022
FY End VaR	1,190	800
FY VaR		
Maximum	2,304	2,246
Average	1,611	1,118
Minimum	1,046	598

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

Interest Rate Risk in Banking Book

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

Risk Related to Marketable Credit Instruments

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

Liquidity Risk

Liquidity Risk Management Policy

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

Operational Risk

Operational Risk Management Frameworks

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

Risk Management Frameworks for Administrative Risks

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

Risk Management Frameworks for Systems Risks

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

We will strive to ensure the safety of our customer's information and assets by conducting tests using practical attack methods.

Due Diligence System for New Business and Products

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

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

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

Due diligence system for new business and products

Chairman and committee members

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

Main verification items

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

  → Credit risks, market risks, liquidity risks and etc.

Authority etc.

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

Process after a business is launched

Monitoring system

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

Risk Glossary

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

CONSOLIDATED BALANCE SHEET

SBI Shinsei Bank, Limited, and its Consolidated Subsidiaries
As of March 31, 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
ASSETS			
Cash and due from banks (Notes 4, 24 and 39)	**¥ 1,992,878**	¥ 1,625,159	**$ 14,981,796**
Call loans	**28,302**	–	**212,765**
Other monetary claims purchased (Notes 5 and 39)	**38,287**	31,512	**287,835**
Trading assets (Notes 6, 39 and 40)	**166,722**	149,014	**1,253,366**
Monetary assets held in trust (Notes 7, 9, 24 and 39)	**413,476**	388,177	**3,108,379**
Securities (Notes 8, 9, 24 and 39)	**1,572,791**	674,609	**11,823,719**
Loans and bills discounted (Notes 9, 24 and 39)	**6,888,803**	5,241,817	**51,787,725**
Foreign exchanges (Notes 9 and 10)	**72,388**	56,510	**544,196**
Installment receivables (Notes 11 24 and 39)	**1,074,968**	947,406	**8,081,252**
Lease receivables and leased investment assets (Notes 24, 35 and 39)	**211,002**	190,859	**1,586,246**
Other assets (Notes 9, 12, 39 and 40)	**365,033**	387,318	**2,744,202**
Premises and equipment (Notes 13, 24 and 35)	**57,931**	60,989	**435,507**
Intangible assets (Notes 14 and 35)	**61,051**	62,604	**458,963**
Assets for retirement benefits (Note 21)	**17,235**	19,499	**129,568**
Deferred tax assets (Note 32)	**9,575**	10,725	**71,984**
Customers' liabilities for acceptances and guarantees (Notes 9 and 22)	**842,797**	584,708	**6,335,868**
Reserve for credit losses (Note 15)	**(118,413)**	(119,466)	**(890,195)**
Total assets	**¥ 13,694,831**	¥ 10,311,448	**$102,953,177**
LIABILITIES AND EQUITY			
Liabilities:			
Deposits, including negotiable certificates of deposit (Notes 16, 24 and 39)	**¥ 9,982,297**	¥ 6,398,066	**$ 75,043,585**
Call money (Note 39)	**7,648**	3,654	**57,500**
Payables under repurchase agreements (Notes 24 and 39)	**–**	9,567	**–**
Payables under securities lending transactions (Notes 24 and 39)	**220,099**	237,530	**1,654,638**
Trading liabilities (Notes 17, 39 and 40)	**147,807**	134,068	**1,111,170**
Borrowed money (Notes 18, 24 and 39)	**607,092**	978,424	**4,563,919**
Foreign exchanges (Note 10)	**2,579**	1,905	**19,391**
Short-term corporate bonds (Note 39)	**33,500**	189,200	**251,842**
Corporate bonds (Notes 19, 24 and 39)	**367,071**	380,104	**2,759,517**
Other liabilities (Notes 20, 24, 39 and 40)	**465,242**	416,356	**3,497,538**
Accrued employees' bonuses	**10,069**	9,977	**75,698**
Accrued directors' bonuses	**8**	39	**65**
Liabilities for retirement benefits (Note 21)	**8,355**	8,149	**62,813**
Reserve for directors' retirement benefits	**8**	23	**66**
Reserve for reimbursement of deposits	**354**	393	**2,665**
Reserve for reimbursement of debentures	**2,300**	2,853	**17,291**
Reserve for losses on interest repayments	**30,569**	31,635	**229,811**
Deferred tax liabilities (Note 32)	**522**	472	**3,930**
Acceptances and guarantees (Notes 22, 24 and 39)	**842,797**	584,708	**6,335,868**
Total liabilities	**12,728,325**	9,387,131	**95,687,307**
Equity:			
Common stock (Note 25)	**512,204**	512,204	**3,850,583**
Capital surplus	**72,961**	72,961	**548,498**
Retained earnings	**390,305**	449,547	**2,934,185**
Treasury stock, at cost (Note 25)	**(1,639)**	(98,612)	**(12,322)**
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities (Note 8)	**(20,811)**	(11,667)	**(156,454)**
Deferred gain (loss) on derivatives under hedge accounting	**(4,330)**	(13,940)	**(32,554)**
Foreign currency translation adjustments	**11,703**	5,587	**87,980**
Defined retirement benefit plans (Note 21)	**1,605**	4,182	**12,071**
Total	**961,998**	920,264	**7,231,987**
Noncontrolling interests	**4,507**	4,052	**33,883**
Total equity	**966,506**	924,316	**7,265,870**
Total liabilities and equity	**¥ 13,694,831**	¥ 10,311,448	**$102,953,177**

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

CONSOLIDATED STATEMENT OF INCOME

SBI Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the fiscal year ended March 31, 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Income			
Interest income	**¥ 184,567**	¥ 139,000	**$ 1,387,514**
Fees and commissions income	**65,969**	59,398	**495,936**
Trading income	**3,837**	6,602	**28,852**
Other business income (Note 27)	**150,433**	147,040	**1,130,906**
Other income(Note 30)	**18,891**	22,902	**142,022**
Total income	**423,699**	374,944	**3,185,230**
Expenses			
Interest expenses	**45,805**	13,324	**344,348**
Fees and commissions expenses	**26,809**	25,325	**201,548**
Trading losses	**65**	–	**490**
Other business expenses (Note 28)	**96,704**	103,755	**726,995**
General and administrative expenses	**165,149**	158,313	**1,241,538**
Other expenses (Note 31)	**37,374**	45,729	**280,967**
Total expenses	**371,908**	346,448	**2,795,887**
Income before income taxes	**51,790**	28,495	**389,343**
Income taxes (benefit) (Note 32):			
Income taxes (benefit) - current	**9,000**	8,921	**67,662**
Income taxes (benefit) - deferred	**4**	(770)	**34**
Total income taxes (benefit)	**9,004**	8,151	**67,696**
Profit	**42,785**	20,344	**321,647**
Profit (loss) attributable to noncontrolling interests	**14**	(40)	**108**
Profit attributable to owners of the parent	**¥ 42,771**	¥ 20,385	**$ 321,539**

	Yen		U.S. dollars (Note 1)
Basic earnings per share (Note 33)	**¥ 209.47**	¥ 96.78	**$ 1.57**
Diluted earnings per share (Note 33)	**¥ –**	¥ 96.75	**$ –**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SBI Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the fiscal year ended March 31, 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Profit	**¥ 42,785**	¥ 20,344	**$ 321,647**
Other comprehensive income (Note 34):			
Unrealized gain (loss) on available-for-sale securities	**(8,830)**	(9,938)	**(66,383)**
Deferred gain (loss) on derivatives under hedge accounting	**9,610**	2,858	**72,246**
Foreign currency translation adjustments	**5,862**	6,443	**44,071**
Defined retirement benefit plans	**(2,577)**	(1,312)	**(19,375)**
Share of other comprehensive income (loss) in affiliates	**(45)**	(1,359)	**(344)**
Total other comprehensive income (loss)	**4,019**	(3,306)	**30,214**
Comprehensive income	**¥ 46,804**	¥ 17,037	**$ 351,861**
Total comprehensive income attributable to:			
Owners of the parent	**¥ 46,774**	¥ 17,579	**$ 351,639**
Noncontrolling interests	**29**	(542)	**223**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SBI Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the fiscal year ended March 31, 2023

Millions of yen

	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock, at cost	Accumulated other comprehensive income: Unrealized gain (loss) on available-for-sale securities	Accumulated other comprehensive income: Deferred gain (loss) on derivatives under hedge accounting	Accumulated other comprehensive income: Foreign currency translation adjustments	Accumulated other comprehensive income: Defined retirement benefit plans	Total	Noncontrolling interests	Total equity
BALANCE, March 31, 2021 (April 1, 2021, as previously reported)	¥ 512,204	¥ 72,961	¥ 149	¥ 431,623	¥ (81,464)	¥ (593)	¥ (16,799)	¥ (1,133)	¥ 5,495	¥ 922,442	¥ 8,300	¥ 930,742
Cumulative effect of accounting change				129						129		129
BALANCE, April 1, 2021 (as restated)	512,204	72,961	149	431,753	(81,464)	(593)	(16,799)	(1,133)	5,495	922,572	8,300	930,872
Dividends				(2,583)						(2,583)		(2,583)
Profit attributable to owners of the parent				20,385						20,385		20,385
Purchase of treasury stock					(17,409)					(17,409)		(17,409)
Disposal of treasury stock		(29)			262					233		233
Cancellation of treasury stock										–		–
Transfer to capital surplus from retained earnings		29		(29)						–		–
Changes by forfeit of stock acquisition rights in a consolidated subsidiary				22						22		22
Changes by exclusion of consolidated subsidiaries				(0)						(0)		(0)
Net change during the year			(149)			(11,073)	2,858	6,721	(1,312)	(2,955)	(4,248)	(7,203)
BALANCE, March 31, 2022 (April 1, 2022, as previously reported)	**512,204**	**72,961**	**–**	**449,547**	**(98,612)**	**(11,667)**	**(13,940)**	**5,587**	**4,182**	**920,264**	**4,052**	**924,316**
Cumulative effect of accounting change				**–**						**–**		**–**
BALANCE, April 1, 2022 (as restated)	**512,204**	**72,961**	**–**	**449,547**	**(98,612)**	**(11,667)**	**(13,940)**	**5,587**	**4,182**	**920,264**	**4,052**	**924,316**
Dividends				**(2,462)**						**(2,462)**		**(2,462)**
Profit attributable to owners of the parent				**42,771**						**42,771**		**42,771**
Purchase of treasury stock					**(2,590)**					**(2,590)**		**(2,590)**
Disposal of treasury stock		**5**			**80**					**85**		**85**
Cancellation of treasury stock		**(99,483)**			**99,483**					**–**		**–**
Transfer to capital surplus from retained earnings		**99,478**		**(99,478)**						**–**		**–**
Changes by forfeit of stock acquisition rights in a consolidated subsidiary				**–**						**–**		**–**
Changes by exclusion of consolidated subsidiaries				**(72)**						**(72)**		**(72)**
Net change during the year			**–**			**(9,144)**	**9,610**	**6,115**	**(2,577)**	**4,003**	**454**	**4,458**
BALANCE, March 31, 2023	**¥ 512,204**	**¥ 72,961**	**¥ –**	**¥ 390,305**	**¥ (1,639)**	**¥ (20,811)**	**¥ (4,330)**	**¥ 11,703**	**¥ 1,605**	**¥ 961,998**	**¥ 4,507**	**¥ 966,506**

	Thousands of U.S. dollars (Note 1)											
						Accumulated other comprehensive income						
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock, at cost	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Noncontrolling interests	Total equity
BALANCE, March 31, 2022 (April 1. 2022, as previously reported)	$ 3,850,583	$ 548,498	$ –	$ 3,379,551	$ (741,336)	$ (87,710)	$ (104,800)	$ 42,008	$ 31,446	$ 6,918,240	$ 30,464	$ 6,948,703
Cumulative effect of accounting change				–						–		–
BALANCE, April 1, 2022 (as restated)	3,850,583	548,498	–	3,379,551	(741,336)	(87,710)	(104,800)	42,008	31,446	6,918,240	30,464	6,948,703
Dividends				(18,514)						(18,514)		(18,514)
Profit attributable to owners of the parent				321,539						321,539		321,539
Purchase of treasury stock					(19,475)					(19,475)		(19,475)
Disposal of treasury stock		40			605					644		644
Cancellation of treasury stock		(747,884)			747,884					–		–
Transfer to capital surplus from retained earnings		747,844		(747,844)						–		–
Changes by forfeit of stock acquisition rights in a consolidated subsidiary				–						–		–
Changes by exclusion of consolidated subsidiaries				(547)						(547)		(547)
Net change during the year			–			(68,744)	72,246	45,973	(19,375)	30,100	3,419	33,519
BALANCE, March 31, 2023	$ 3,850,583	$ 548,498	$ –	$ 2,934,185	$ (12,322)	$ (156,454)	$ (32,554)	$ 87,980	$ 12,071	$ 7,231,987	$ 33,883	$ 7,265,870

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

CONSOLIDATED STATEMENT OF CASH FLOWS

SBI Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the fiscal year ended March 31, 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Cash flows from operating activities:			
Income (loss) before income taxes	**¥ 51,790**	¥ 28,495	**$ 389,343**
Adjustments for:			
Income taxes paid	**(5,680)**	(6,781)	**(42,701)**
Depreciation (other than leased assets as lessor)	**14,533**	13,991	**109,260**
Amortization of goodwill and intangible assets acquired in business combinations	**3,518**	3,229	**26,455**
Gain on bargain purchase	**(1,755)**	–	**(13,198)**
Impairment losses on long-lived assets and goodwill	**1,911**	373	**14,366**
Net change in reserve for credit losses	**(1,296)**	6,498	**(9,750)**
Net change in reserve for losses on interest repayments	**(6,165)**	(7,460)	**(46,353)**
Net change in other reserves	**(524)**	975	**(3,940)**
Interest income	**(184,567)**	(139,000)	**(1,387,514)**
Interest expenses	**45,805**	13,324	**344,348**
Investment (gains) losses	**(2,601)**	3,971	**(19,559)**
Net exchange (gain) loss	**(12,860)**	(29,937)	**(96,682)**
Net change in trading assets	**(17,708)**	20,141	**(133,128)**
Net change in trading liabilities	**13,739**	(12,992)	**103,289**
Net change in loans and bills discounted	**(1,582,015)**	(347)	**(11,893,062)**
Net change in deposits, including negotiable certificates of deposit	**3,583,993**	(174,018)	**26,943,265**
Net change in borrowed money (other than subordinated debt)	**(422,033)**	(48,310)	**(3,172,709)**
Net change in corporate bonds (other than subordinated corporate bonds)	**(24,567)**	3,885	**(184,687)**
Net change in interest-bearing deposits with banks (other than due from the Bank of Japan)	**(8,079)**	62,722	**(60,736)**
Net change in call loans and other monetary claims purchased	**(35,076)**	14,674	**(263,697)**
Net change in call money, payables under repurchase agreements, payables under securities lending transactions, and short-term corporate bonds (liabilities)	**(178,703)**	(252,009)	**(1,343,435)**
Net change in foreign exchange assets and liabilities	**(15,204)**	28,235	**(114,301)**
Interest received	**172,455**	138,507	**1,296,461**
Interest paid	**(38,861)**	(12,661)	**(292,146)**
Net change in monetary assets held in trust for trading purposes	**1,661**	1,967	**12,489**
Net change in installment receivables	**(105,195)**	(101,328)	**(790,824)**
Net change in lease receivables and leased investment assets	**(17,658)**	1,662	**(132,753)**
Other, net	**78,115**	(28,439)	**587,248**
Total adjustments	**1,255,177**	(499,126)	**9,436,004**
Net cash provided by (used in) operating activities	**1,306,967**	(470,630)	**9,825,347**
Cash flows from investing activities:			
Purchase of investments	**(3,020,308)**	(1,418,839)	**(22,705,674)**
Proceeds from sales of investments	**721,712**	1,345,926	**5,425,594**
Proceeds from maturity of investments	**1,371,396**	332,230	**10,309,704**
Purchase of premises and equipment (other than leased assets as lessor)	**(3,020)**	(1,933)	**(22,705)**
Purchase of intangible assets (other than leased assets as lessor)	**(8,885)**	(7,214)	**(66,797)**
Payment for acquisition of business	**(18,055)**	–	**(135,737)**
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 4)	**1,440**	–	**10,832**
Proceeds from sale of investments in subsidiaries resulting in change in scope of consolidation	**420**	–	**3,164**
Payment for sale of investments in subsidiaries resulting in change in scope of consolidation	**–**	(96)	**–**
Other, net	**(268)**	923	**(2,020)**
Net cash provided by (used in) investing activities	**(955,567)**	250,997	**(7,183,638)**
Cash flows from financing activities:			
Proceeds from noncontrolling shareholders	**380**	644	**2,860**
Dividends paid	**(2,462)**	(2,583)	**(18,514)**
Dividends paid to noncontrolling shareholders of subsidiaries	**(9)**	(524)	**(68)**
Payment for purchase of treasury stock	**(2,590)**	(17,409)	**(19,475)**
Proceeds from sales of investments in subsidiaries not resulting in change in scope of consolidation	**53**	–	**405**
Net cash provided by (used in) financing activities	**(4,628)**	(19,873)	**(34,792)**
Foreign currency translation adjustments on cash and cash equivalents	**19**	80	**146**
Net change in cash and cash equivalents	**346,791**	(239,425)	**2,607,063**
Cash and cash equivalents at beginning of year	**1,567,129**	1,806,556	**11,781,157**
Decrease in cash and cash equivalents due to deconsolidation of subsidiaries	**(227)**	(1)	**(1,708)**
Cash and cash equivalents at end of year (Note 4)	**¥ 1,913,693**	¥ 1,567,129	**$ 14,386,512**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SBI Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the fiscal year ended March 31, 2023

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS CONSOLIDATED

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

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

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

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥133.02 to U.S. $1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on March 31, 2023. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

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

(Changes of presentation)

The Group changed the presentation of consolidated statement of income from a net basis to a gross basis since the current consolidated fiscal year in order to improve comparability with other Japanese banks. The change is the result of a review of the disclosed materials due to the significant changes in the environment surrounding the Group, which include a change of the Group's shareholder structure. Certain reclassifications have been made in the 2022 consolidated statement of income and related notes to conform to the classifications used in 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES CONSOLIDATED

(A) PRINCIPLES OF CONSOLIDATION

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

The numbers of subsidiaries and affiliates as of March 31, 2023 and 2022 were as follows:

	2023	2022
Consolidated subsidiaries	**84**	81
Unconsolidated subsidiaries	**51**	54
Affiliates accounted for by the equity method	**43**	43
Affiliates accounted for not applying the equity method	**–**	–

SCI Buyout No.2, Ltd. and 5 other companies were newly consolidated due to their formation, clearpass Co., Ltd. was newly consolidated due to its acquisition of shares, and SL Estate 1 LLC. was newly consolidated due to an its increased materiality.

Additionally, Citron Limited was excluded from the scope of consolidation due to liquidation, Shinsei Investment Management Co., Ltd. was excluded from the scope of consolidation due to the sale of their shares, ZenkokuRent Guarantor Service Co., Ltd. was excluded from the scope of consolidation due to the merger with Alpha Servicer Co., Ltd., and SL SIERRA CO., LTD. and 1 other company were excluded from the scope of consolidation due to its decreased materiality.

Shinsei Aoyama Partners Investment Limited Partnership Ⅸ and 4 other companies were newly included in the scope of application of the equity method due to their formation.

SR Capital Co., Ltd. and 4 other companies were excluded from the scope of application of the equity method due to liquidation, and Asuka Corporate Advisory Co., Ltd. was excluded from the scope of application of the equity method due to the sale of shares in the fiscal year ended March 31, 2023.

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

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

Under the Tokumei Kumiai system, assets, profits and losses essentially do not belong to individual operating companies or their parent companies but to the members of the anonymous partnership, and furthermore, as the Group does not have any material transactions with these subsidiaries, pursuant to Article 5, Paragraph 1, Section 2 and Article 10, Paragraph 1, Section 2 of the regulation concerning consolidated financial statements (“Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements”), respectively, these subsidiaries are excluded from the scope of consolidation and the scope of application of the equity method.

Other unconsolidated subsidiaries are excluded from the scope of consolidation and the scope of application of the equity method because they are not material to the financial position or operational results of the Group.

Techno craft corporation and 6 other companies are not accounted for as consolidated subsidiaries even though the Group owns over 50% of their voting rights (the rights to execute business) because the objective for the Group to own the voting rights is merely to raise capital gain through investment fostering and business revitalization and the investment in these companies meets the requirement according to Paragraph 16 of the Accounting Standards Board of Japan (the “ASBJ”) guidance No.22 “Guidance on Determining a Subsidiary and an Affiliate.”

Major consolidated subsidiaries as of March 31, 2023 are listed below:

Name	Location	Percentage ownership
APLUS Co., Ltd.	Japan	100.0%
Showa Leasing Co., Ltd.	Japan	100.0%
Shinsei Financial Co., Ltd.	Japan	100.0%
Shinsei Trust & Banking Co., Ltd.	Japan	100.0%
Shinsei Securities Co., Ltd.	Japan	100.0%
Shinsei Investment & Finance Limited	Japan	100.0%
UDC Finance Limited	New Zealand	100.0%

All significant inter-company transactions, related account balances and unrealized gains have been eliminated upon consolidation. As of March 31, 2023, the fiscal year ending dates were March 31 for 54 subsidiaries, June 24 for 1 subsidiary, September 30 for 2 subsidiaries, December 16 for 1 subsidiary, December 31 for 25 subsidiaries and January 31 for 1 subsidiary. Of the consolidated subsidiaries whose fiscal year ends on a day other than March 31, 4 companies are consolidated using the financial statements based on the provisional settlement of accounts as of March 31, 3 companies are consolidated using the financial statements based on the provisional settlement of accounts as of February 28, and other consolidated subsidiaries are consolidated using the financial statements as of the respective fiscal year end. Appropriate adjustments have been made for significant transactions that occurred during the period from the ending dates of their fiscal year to March 31, 2023.

Major affiliates accounted for by the equity method as of March 31, 2023 are listed below:

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

(B) GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATIONS

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

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

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

The excess of the purchase price over the fair value of the net assets acquired, including identified intangible assets, was recorded as goodwill and is being amortized using the straight-line method over 10 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 using the straight-line method primarily over 20 years, which is the maximum period allowed under the previous accounting standard.

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

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

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

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

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

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

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

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

(D) TRANSLATION OF FOREIGN CURRENCY FINANCIAL STATEMENTS AND TRANSACTIONS

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

(E) CASH AND CASH EQUIVALENTS

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

(F) OTHER MONETARY CLAIMS PURCHASED

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

(G) VALUATION OF TRADING ACCOUNT ACTIVITIES

Trading account positions including derivatives embedded in compound financial instruments, which are managed and accounted for separately from the financial assets and liabilities that are their host, entered to generate gains arising from short-term changes in interest rates, currency exchange rates or market prices of financial instruments and other market-related indices, or from price differences among markets, are included in "Trading assets" and "Trading liabilities" on a trade-date basis. The income and losses resulting from trading activities are included in "Trading income" and "Trading losses."

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

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

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

(H) MONETARY ASSETS HELD IN TRUST

The components of trust assets are accounted for based on the accounting standards appropriate for each asset type. Instruments held in trust for trading purposes are recorded at fair value and unrealized gains and losses are recorded in "Other income" 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 income"
(b) Securities being held to maturity are debt securities which management has both a positive intent and ability to hold until maturity. Securities being held to maturity are carried at amortized cost determined by the moving average method.
(c) Available-for-sale securities are securities other than (a) trading securities and (b) securities being held to maturity. Available-for-sale securities are carried at fair value with the corresponding unrealized gains and losses, net of applicable taxes, recorded in other comprehensive income, after deducting the amount charged to profit or loss by applying fair value hedge accounting. The cost of these securities upon sale is determined by the moving average method. Nonmarketable available-for-sale equity securities are carried at cost determined by the moving average method.

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

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

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

(J) PREMISES AND EQUIPMENT

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

Depreciation of the Group's buildings and the Bank's computer equipment (including ATMs) other than personal computers is computed principally using the straight-line method, and depreciation of other equipment is computed principally using the declining-balance method. Principal estimated useful lives as of March 31, 2023 are as follows:

Buildings...... 3 years to 50 years
Others .... 4 years to 20 years

(K) SOFTWARE

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

(L) IMPAIRMENT OF LONG-LIVED ASSETS

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

(M) DEFERRED CHARGES

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

(N) RESERVE FOR CREDIT LOSSES

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

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

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

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

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

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

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

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

With regard to claims to possibly bankrupt obligors and substandard obligors, provided that obligors' cash flows (hereinafter referred to as "future cash flows") for debt service are reasonably estimable and the balance of claims for 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 (the discounted cash flow method). The reserve is recorded under the discounted cash flow method also when an obligor for which provisioning was made under the method based on the aforementioned policy has recovered to "need caution".

In cases where it is difficult to reasonably estimate future cash flows for such obligors are at or larger than the predetermined amount, the reserve is provided based on the expected loss amount for the remaining term of respective claims.

For other claims (claims to normal, need caution and substandard obligors), the reserve for credit losses is recorded by estimating an expected loss amount of loans and claims. The expected loss amount is calculated based on the characteristics of the portfolio. The portfolio is divided into loans for general non-financial corporations, real estate non-recourse loans, project finance and loans for individual customers. For loans to general non-financial corporations, real estate non-recourse loans and loans for individual customers, loss rate is calculated based mainly on the actual credit loss for the average remaining term to maturity of each obligor category or the actual credit loss for the average remaining term to maturity. For project finance, loss rate is calculated based on the actual credit loss on the basis of actual default for the average remaining term to maturity of each obligor category or the average rate of the probability of default over a certain period in the past. The reserve is provided by making necessary adjustments to the expected loss amount.

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

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

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

The consolidated subsidiaries calculate the general reserve for general claims based on historical actual rate of credit losses, and the specific reserve for claims to possibly bankrupt obligors, virtually bankrupt obligors and legally bankrupt obligors based on estimated losses, considering the recoverable value.

For collateralized or guaranteed claims of the Bank and certain consolidated subsidiaries to legally bankrupt obligors or virtually bankrupt obligors, the amount of claims exceeding the estimated value of collateral or guarantees, which is deemed uncollectible, has been charged off in principal and totaled ¥47,720 million (U.S. $358,746 thousand) and ¥53,356 million as of March 31, 2023 and 2022, respectively.

(O) ACCRUED BONUSES FOR EMPLOYEES AND DIRECTORS

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

(P) EMPLOYEES' RETIREMENT BENEFITS AND PENSION PLAN ASSETS

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

The Group accounts for liabilities or assets for retirement benefits based on the projected benefit obligations and plan assets at the consolidated balance sheet date. The projected benefit obligations are allocated over the periods on a benefit formula basis. Actuarial gains and losses that are yet to be recognized in profit or loss are recognized as "Accumulated other comprehensive income" in equity after tax effects, and are recognized in profit or loss using the straight-line method over 9.68 years to 12.00 years, no longer than the expected average remaining service period of the employees.

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

(Q) RESERVE FOR DIRECTORS' RETIREMENT BENEFITS

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

(R) RESERVE FOR REIMBURSEMENT OF DEPOSITS

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

(S) RESERVE FOR REIMBURSEMENT OF DEBENTURES

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

(T) RESERVE FOR LOSSES ON INTEREST REPAYMENTS

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

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

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

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

For inputs such as intervention rates, future forecast values are obtained by adding necessary adjustments to the most recent actual values. APLUS and Aplus Investment estimate 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. Since 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, for inputs such as intervention rates are calculated as future forecast values by adding necessary adjustments to the most recent actual values.

(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.

(W) LEASE TRANSACTIONS

(As lessee)

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

Depreciation of lease assets from finance lease transactions that are deemed to transfer ownership of the leased property to the lessee, is computed using the same method as the one applied to owned assets.

(As lessor)

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

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

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

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

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

As a result of this transitional treatment, "Income before income taxes" increased by ¥23 million (U.S.$174 thousand) and ¥34 million for the fiscal years ended March 31, 2023 and 2022, respectively, as compared to what would have been reported if the revised accounting standard was applied retroactively to all finance lease transactions as lessor.

(X) INSTALLMENT SALES FINANCE AND CREDIT GUARANTEES

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

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

(Y) REVENUE RECOGNITION FOR INTEREST ON CONSUMER LENDING BUSINESS

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

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

(Z) REVENUE RECOGNITION FROM CONTRACTS WITH CUSTOMERS

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

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

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

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

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

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

(AA) INCOME TAXES

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

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

The Bank and the certain consolidated domestic subsidiaries had shifted from the consolidated taxation system to the group tax sharing system beginning from the current fiscal year. Therefore, the Bank applied “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ Practical Solution No. 42, August 12, 2021) to accounting treatment and disclosure of corporate tax, local corporate tax, and tax effect accounting. The Group assumed that there was no impact from the change in accounting policy due to the application of Practical Solution No.42, in accordance with the paragraph 32(1) of Practical Solution No.42.

(AB) DERIVATIVES AND HEDGE ACCOUNTING

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

(a) Hedge of interest rate risks

Derivative transactions that meet the hedge accounting criteria for mitigating interest rate risks of the Bank's financial assets and liabilities are accounted for using the deferral method. The Bank adopted portfolio hedging to determine the effectiveness of its hedging relationship in accordance with “Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry” (Industry Committee Practical Guidelines No.24, March 17, 2022, by the Japanese Institute of Certified Public Accountants (“JICPA”)). Under portfolio hedging activities to mitigate the change in fair value, a portfolio of hedged items with common maturities such as deposits or loans is designated and matched with a group of hedging instruments such as interest rate swaps, which offset the effect of fair value fluctuations of the hedged items by designated maturities. The effectiveness of portfolio hedging is assessed by each group.

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

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

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

(b) Hedge of foreign exchange fluctuation risks

The Bank applies either deferral hedge accounting or fair value hedge accounting in accordance with “Accounting and Auditing Treatment of Accounting Standards for Foreign Exchange Transactions in the Banking Industry” (Industry Committee Practical Guidelines No.25, October 8, 2020, by of the JICPA), to the derivative transactions that meet the hedge accounting criteria for mitigating foreign currency fluctuation risks of its financial assets and liabilities.

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

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

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

The Bank also applies deferral hedge accounting and fair value hedge accounting to translation gains or losses from foreign-currency denominated securities such as investments in foreign unconsolidated subsidiaries and affiliates, and available-for-sale securities (other than bond) if the above hedged securities are designated in advance and on-balance (actual) or off-balance (forward) liability exposure which equal or exceed the acquisition cost of the hedged securities exists.

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

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

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

Hedging instruments: interest rate swaps, currency swaps

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

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

(AC) PER SHARE INFORMATION

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

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

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

(AD) CHANGE IN ACCOUNTING POLICIES

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Group has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31, revised on June 17, 2021) since the beginning of the current fiscal year. In accordance with the transitional treatment set forth in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the Group has applied the new accounting policy prospectively. Accordingly, the Group has applied the treatment in which a net asset value is deemed to be a fair value to nonmarketable investment trusts whose investment trust property is financial instruments, that have such significant restrictions on cancellation of the investment trusts that a market participant would require compensation for taking on such risks, and that meet certain requirements.

Additionally, in accordance with the transitional treatment prescribed in paragraph 27-3 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, comparative information for the investment trusts is not included in note of matters concerning fair value of financial instruments and breakdown by input level in Note 39 "FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES."

(AE) NEW ACCOUNTING PRONOUNCEMENTS

The Group has not applied the following revised and newly established accounting standards published by March 31, 2023.

"Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022)

"Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, October 28, 2022)

"Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022)

(i) Outline

This stipulates the classification of tax expense when other comprehensive income is taxed and the treatment of tax effects related to the sale of shares in subsidiaries (shares in subsidiaries and affiliates) when the group tax sharing system is applied.

(ii) Expected Application Date

Scheduled to be introduced from the beginning of the fiscal year ending March 31, 2025.

(iii) Effect of Applying the Accounting Standard

The impact is being evaluated at the time of preparation of these consolidated financial statements.

(AF) SIGNIFICANT ACCOUNTING ESTIMATES

(a) Reserve for credit losses

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

Reserve for credit losses

¥118,413 million (U.S.$890,195 thousand) and ¥119,466 million as of March 31, 2023 and 2022, respectively

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

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

Even though the impacts of the Novel Coronavirus on economic activities have eased and the impacts on the credit risk of loans for some obligors have also decreased, the impacts will likely remain for several more years. Based on this assumption, we have assumed at the end of March 2023 that there will be material impacts on the credit risk of loans for some obligors even though the degree of such impacts will differ by obligor.

Obligor categories for real estate non-recourse loans included in the Bank's loans and claims are determined based on the valuation of underlying properties calculated based on assumed income, vacancy rate and discount rate. The Bank had defined hotels and commercial facilities as properties subject to real estate non-recourse loans that have been affected strongly by the economic activities due to the Novel Coronavirus and are likely to remain affected for several more years. However, the Bank has excluded commercial facilities from such properties at the end of March 2023 based on the most recent situation. Based on this assumption, the Bank has reflected a forecasted income trend considering the most recent occupancy in our assumptions for evaluating the hotels that have been affected strongly by the economic activities impacted by the Novel Coronavirus.

In addition, for the individual obligors whose performance has been deteriorating being affected by the economic activities due to the Novel Coronavirus, the Bank has evaluated the possibility of deterioration or recovery of their management and sustainability of their business to decide their obligor category and has recorded reserves for credit losses based on the obligor category.

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

Of the obligors whose business performance has deteriorated due to the recent changes in the economic environment including fluctuations of prices, foreign exchange rates and interest rates in addition to the impacts of the Novel Coronavirus on economic activities, reserves for the obligors, such as possibly bankrupt obligors and substandard obligors, are provisioned based on the discount cashflow method. Such obligor’s reserve for credit losses is calculated based on necessary adjustments taking the obligor’s business plan into consideration (reduction of future cash flow to reflect future uncertainties and establishment of multiple scenarios, etc.).

The estimation is highly uncertain because the possibility of such deterioration or recovery of the obligor’s financial condition, business sustainability and forecasted performance including future cash flow are affected by economic activity due to the Novel Coronavirus and changes in the internal and external economic environments including the recent fluctuation of prices, foreign exchange rates and interest rates.

The amount of reserve for credit losses provisioned as of March 31, 2023 is based on our best estimate at present. However, the amount may change during the next fiscal year if there are changes in the economic environment surrounding the obligors or in their financial conditions.

(b) Reserve for losses on interest repayments

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

As of March 31, 2023 and 2022, the Group recorded reserves for losses on interest repayments of ¥30,569 million (U.S.$229,811 thousand) and ¥31,635 million, respectively, in the consolidated balance sheet as a result of estimating the required amount of reserve for losses on interest repayments and providing for losses on future claims for interest repayments. It consisted of ¥22,526 million (U.S.$169,348 thousand) for Shinsei Financial and ¥1,993 million (U.S.$14,989 thousand) for Shinsei Personal Loan and ¥4,044 million (U.S. $30,401 thousand) for APLUS and ¥2,004 million (U.S. $15,072 thousand) for Aplus Investment. Also, the Group recorded net provision of reserve for losses on interest repayments of ¥1,101 million (U.S.$8,278 thousand) in the consolidated income statement consisting of provisions of ¥354 million (U.S.$2,668 thousand) for Shinsei Financial, ¥207 million (U.S. $1,556 thousand) for APLUS, and ¥582 million (U.S. $4,375 thousand) for Aplus Investment and a reversal of ¥42 million (U.S.$322 thousand) for Shinsei Personal Loan.

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

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

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

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

3. BUSINESS COMBINATION CONSOLIDATED

(Succession of business by absorption-type company split)

On May 1, 2022, Shinsei Financial Co., Ltd., a wholly-owned subsidiary of the Bank, acquired a part of the credit business and the loan business, and all of the credit guarantee business of PayPay Card Corporation (previously named YJ Card Corporation) (hereinafter referred to as "Target Business") under the absorption-type company split agreement. As of the same date, APLUS INVESTMENT Co., Ltd., a wholly-owned subsidiary of the Bank, acquired part of the Target Business from Shinsei Financial Co., Ltd. under the absorption-type company split agreement.

(A) Outline of the business combination

(a) Name and business description of the company splitting in the absorption-type split:

Name: PayPay Card Corporation (former YJ Card Corporation)

Business description: Part of the credit business
Part of the loan business
Credit guarantee business

(b) Main purpose of the business combination:
Expansion of revenues through the absorption-type corporate split

(c) Date on which the business combination is effective:
May 1, 2022

(d) Legal form of the business combination:
Absorption-type company split;
Company Succeeding in the Absorption-type Split: Shinsei Financial Co., Ltd.
Company Splitting in the Absorption-type Split: PayPay Card Corporation (previously named YJ Card Corporation)

(e) Name after the business combination:
The company name did not change.

(f) Basis for determination of the acquiring company:
Shinsei Financial Co., Ltd. acquired the Target Business of PayPay Card Corporation (previously named YJ Card Corporation) by cash.

(B) Period of the acquired businesses' financial results included in the consolidated financial statements of the Group in the current fiscal year

From May 1, 2022 to March 31, 2023

(C) Acquisition costs of the acquired businesses and their breakdown

Consideration	cash	¥ 4,596 million
Acquisition cost		¥ 4,596 million

(D) Major acquisition-related costs and their breakdown

Advisory fees. ¥ 10 million

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

(a) Amount of the goodwill recognized:
¥ 1,340 million

(b) Cause of the occurrence:
Due to the excess earning power expected from future business development.

(c) Amortization method and period:
Five-year straight-line amortization

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

(a) Assets	¥ 9,674 million
Loans and bills discounted	4,637 million
Installment receivables	4,461 million
(b) Liabilities	¥ 6,418 million
Reserve for losses on interest repayments	5,099 million

(G) Approximate impact on the consolidated financial statements and its calculation method, assuming that the business combination had been completed at the beginning of this fiscal year

Information is omitted because the estimated amount of the impact is immaterial.

3. BUSINESS COMBINATION (CONTINUED) CONSOLIDATED

(Business Succession through Business Transfer)

On June 13, 2022, UDC Finance Limited, the Bank's consolidated subsidiary, concluded an Agreement for Sale and Purchase of Business Assets among Giltrap Group Holdings Limited and Euro Rate Finance Limited, European Wholesale Finance Limited and European Financial Services Limited, finance subsidiaries of Giltrap Group Holdings Limited, and concluded on the same day a Strategic Partnership Agreement with Giltrap Group Holdings Limited. Procedures for transferring part of the Giltrap Group's businesses was completed on August 31, 2022 based on the agreements.

(A) Outline of the business combination

(a) Names and business descriptions of the acquired company:

Name of the counterparties:	Giltrap Group Holdings Limited Euro Rate Finance Limited European Wholesale Finance Limited European Financial Services Limited
Business description:	Automobile sales finance

(b) Main reason of the business transfer:
For revenue growth of the Group.

(c) Date of the business transfer:
August 31, 2022

(d) Legal form of the business transfer:
Trading of operating assets and strategic business partnership
The business transfer is recognized under the acquisition method based on International Finance Reporting Standard (IFRS) 3 Business Combinations since the businesses transferred based on the aforementioned agreements meet the definitions of the businesses stipulated in IFRS 3.

(e) Name of the company after the business transfer:
The company name did not change.

(f) Basis for determination of the acquiring company:
UDC Finance Limited acquired the business by cash.

(B) Period of the acquired businesses' financial results included in the consolidated financial statements of the Group in the current fiscal year

The closing date of UDC Finance Limited, the Bank's consolidated subsidiary which acquired the businesses is December 31, which has a three-month gap from the Bank's consolidated closing date. Accordingly, the performance from September 1, 2022 to December 31, 2022 is included.

(C) Acquisition costs of the acquired businesses and their breakdown

Consideration	cash	¥ 13,740 million (NZD 161 million)
Acquisition cost		¥ 13,740 million (NZD 161 million)

(Note) Consideration includes contingent consideration measured at fair value.

(D) Major acquisition-related costs and their breakdown

Advisory fees, etc. ¥ 152 million

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

(a) Amount:
¥ 1,375 million

(b) Cause of the occurrence:
Excessive earnings power expected from future business development

(c) Amortization method and period:
Nine-year straight-line amortization

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

(a) Assets	¥ 12,536 million
Installment receivables	9,779 million
Lease receivables and leased investment assets	2,220 million
(b) Liabilities	¥ 171 million

(G) Description of contingent consideration provided on the Agreement for Sale and Purchase of Business Assets and Strategic Partnership Agreement and their future accounting treatment

Based on the Agreements, additional payment or receipt will be made based on new loans disbursed in the acquired businesses.

Complying with the IFRS, the fair value at the time of the acquisition was initially recognized as part of the consideration of the acquisition. The change of the fair value after the acquisition will also be recognized based on the IFRS.

3. BUSINESS COMBINATION (CONTINUED) CONSOLIDATED

(H) Approximate impact on the consolidated financial statements and its calculation method, assuming that the business transfer had been completed at the beginning of this fiscal year

Information is omitted because the estimated amount of the impact is immaterial.

(Acquisition of shares of clearpass Co., Ltd)

On August 4, 2022, APLUS Co., Ltd. concluded the share purchase agreement with the Kansai Electric Power Co., Inc. Based on the share purchase agreement on November 14, 2022, APLUS Co., Ltd. purchased all the shares of clearpass Co., Ltd. which was a subsidiary company of the Kansai Electric Power Co., Inc. As a result, APLUS Co., Ltd. obtained control of clearpass Co., Ltd.

(A) Outline of the business combination

(a) Names and business descriptions of the acquired company:
Name: clearpass Co., Ltd.
Business description: Loan business
Settlement service

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

(c) The acquisition date:
November 14, 2022

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

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

(f) Percentage of voting rights acquired:
100%

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

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

Since APLUS Co., Ltd. has adopted October 1, 2022 as the deemed business combination date, the consolidated financial statements include the operating results of the acquired company from October 1, 2022 to March 31, 2023.

(C) Acquisition costs of the shares and their breakdown

Consideration	cash	¥ 1,033 million
Acquisition cost		¥ 1,033 million

(D) Major acquisition-related costs and their breakdown

Advisory fees, etc. ¥ 4 million

(E) Amount, reason of the occurrence of the gain on bargain purchase.

(a) Amount of negative goodwill
¥ 1,755 million

(b) Cause of the occurrence:
Because the market capitalization of the acquiring company's equity excessed the acquisition cost as of the business combination, APLUS Co., Ltd recognized the difference as the gain on bargain purchase.

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

(a) Assets	¥ 61,561 million
Loans and bills discounted	49,516 million
(b) Liabilities	¥ 58,772 million
Borrowed money	50,435 million

(G) Description of contingent consideration on the business combination agreement and their future accounting treatment

Under the share purchase agreement, APLUS Co., Ltd. may have to pay contingent consideration later depending on the degree of the achievement of the business performance for a certain period.

In the event of a change in the consideration for acquisition, the acquisition cost is deemed to have been incurred at the time of acquisition, and the amount of goodwill, amortization of goodwill, and negative goodwill will be adjusted.

(H) Approximate impact on the consolidated financial statements and its calculation method, assuming that the business combination had been completed at the beginning of this fiscal year

Information is omitted because the estimated amount of the impact is immaterial.

4. CASH AND CASH EQUIVALENTS CONSOLIDATED

(a)The reconciliation of cash and cash equivalents and cash and due from banks in the consolidated balance sheets as of March 31, 2023 and 2022 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Cash and due from banks	**¥ 1,992,878**	¥ 1,625,159	**$ 14,981,796**
Interest-bearing deposits included in due from banks (other than due from the Bank of Japan)	**(79,184)**	(58,030)	**(595,284)**
Cash and cash equivalents	**¥ 1,913,693**	¥ 1,567,129	**$ 14,386,512**

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

【Fiscal year ended March 31, 2023】
The Group obtained control of clearpass Co., Ltd., and consolidated the company due to the share acquisition by APLUS Co., Ltd., a subsidiary of the Bank. The major components of consolidated assets and liabilities, and reconciliation between the acquisition cost and net inflow of consideration for the acquisition are as follows:

	Millions of yen	Thousands of U.S. dollars
Assets	¥ 61,561	$ 462,797
Loans and bills discounted	49,516	372,249
Liabilities	(58,772)	(441,831)
Borrowed money	(50,435)	(379,154)
Gain on bargain purchase	(1,755)	(13,198)
Acquisition cost	1,033	7,768
Cash and cash equivalents included in acquired asset	(2,474)	(18,600)
Proceeds from acquisition of shares	¥ 1,440	$ 10,832

【Fiscal year ended March 31, 2022】
Not applicable

5. OTHER MONETARY CLAIMS PURCHASED CONSOLIDATED

(a) Other monetary claims purchased as of March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Trading purposes	**¥ 180**	¥ 424	**$ 1,358**
Other	**38,107**	31,088	**286,477**
Total	**¥ 38,287**	¥ 31,512	**$ 287,835**

(b) The fair value and the unrealized loss which is included in net gain (loss) on other monetary claims purchased for trading purposes as of March 31, 2023 and 2022 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2023		2022		**2023**	
	Fair value	**Unrealized loss**	Fair value	Unrealized loss	**Fair value**	**Unrealized loss**
Trading purposes	**¥ 180**	**¥ 45**	¥ 424	¥ 6	**$ 1,358**	**$ 339**

6. TRADING ASSETS CONSOLIDATED

Trading assets as of March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Trading securities	**¥ –**	¥ 265	**$ –**
Derivatives for securities held to hedge trading transactions	**1**	52	**11**
Trading-related financial derivatives	**166,721**	148,696	**1,253,355**
Total	**¥ 166,722**	¥ 149,014	**$ 1,253,366**

7. MONETARY ASSETS HELD IN TRUST

CONSOLIDATED

(a) Monetary assets held in trust as of March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Trading purposes	**¥ 3,179**	¥ 4,843	**$ 23,905**
Other	**410,296**	383,334	**3,084,474**
Total	**¥ 413,476**	¥ 388,177	**$ 3,108,379**

(b) The fair value and the unrealized gain or loss which is included in net gain (loss) on monetary assets held in trust for trading purposes as of March 31, 2023 and 2022 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2023		2022		**2023**	
	Fair value	**Unrealized gain**	Fair value	Unrealized gain	**Fair value**	**Unrealized gain**
Trading purposes	**¥ 3,179**	**¥ 18**	¥ 4,843	¥ 78	**$ 23,905**	**$ 140**

(c) The acquisition cost and the carrying amount of monetary assets held in trust for other than trading purposes as of March 31, 2023 and 2022 were as follows:

	Millions of yen							
	2023				2022			
	Acquisition cost	**Gross unrealized gain**	**Gross unrealized loss**	**Carrying amount**	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Carrying amount
Other	**¥ 411,330**	**¥ 280**	**¥ 1,314**	**¥ 410,296**	¥ 385,876	¥ 207	¥ 2,749	¥ 383,334

	Thousands of U.S. dollars			
	2023			
	Acquisition cost	**Gross unrealized gain**	**Gross unrealized loss**	**Carrying amount**
Other	**$3,092,244**	**$ 2,108**	**$ 9,878**	**$3,084,474**

8. SECURITIES

CONSOLIDATED

(a) Securities as of March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Trading securities	**¥ 0**	¥ 0	**$ 0**
Securities being held to maturity	**354,871**	109,988	**2,667,807**
Securities available for sale:			
Securities carried at fair value	**1,147,191**	511,995	**8,624,205**
Securities carried at cost	**54,615**	37,510	**410,579**
Investments in unconsolidated subsidiaries and affiliates	**16,112**	15,113	**121,128**
Total	**¥ 1,572,791**	¥ 674,609	**$ 11,823,719**

The above balances do not include securities held in connection with securities borrowing transactions with or without cash collateral, securities purchased under resale agreements or securities accepted as collateral for derivative transactions, where the Group has the right to sell or pledge such securities without restrictions. The balances of those securities as of March 31, 2023 and 2022 were ¥1,585 million (U.S.$11,916 thousand) and ¥6,701 million, respectively.

The amount of guarantee obligations for privately-placed bonds (Paragraph 3 of Article 2 of the Financial Instruments and Exchange Act) included in securities as of March 31, 2023 and 2022 were ¥2,880 million (U.S.$21,651 thousand) and ¥3,080 million, respectively.

8. SECURITIES (CONTINUED) CONSOLIDATED

(b) The amortized/acquisition cost and the fair values of securities (other than trading securities) as of March 31, 2023 and 2022 were as follows:

	Millions of yen							
	2023				2022			
	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	**¥ 119,932**	**¥ 101**	**¥ 971**	**¥ 119,063**	¥109,988	¥ 90	¥ 471	¥ 109,608
Foreign securities	**234,938**	**1,139**	**1,050**	**235,028**	–	–	–	–
Total	**¥ 354,871**	**¥ 1,241**	**¥ 2,021**	**¥ 354,092**	¥109,988	¥ 90	¥ 471	¥ 109,608
Securities available for sale:								
Equity securities	**¥ 5,827**	**¥ 5,474**	**¥ 38**	**¥ 11,262**	¥ 5,308	¥ 3,785	¥ 93	¥ 9,000
Japanese national government bonds	**542,805**	**4**	**490**	**542,319**	103,639	1	177	103,463
Japanese local government bonds	**2,200**	**–**	**4**	**2,195**	2,200	1	3	2,197
Japanese corporate bonds	**156,558**	**566**	**2,760**	**154,364**	147,560	18	2,516	145,062
Foreign securities	**268,404**	**810**	**24,046**	**245,168**	262,293	838	11,430	251,701
Other[1]	**203,702**	**1,162**	**822**	**204,042**	9,544	154	3	9,696
Total	**¥ 1,179,498**	**¥ 8,017**	**¥ 28,162**	**¥ 1,159,353**	¥530,545	¥ 4,800	¥ 14,224	¥ 521,121

	Thousands of U.S. dollars			
	2023			
	Amortized/ Acquisition cost	**Gross unrealized gain**	**Gross unrealized loss**	**Fair value**
Securities being held to maturity:				
Japanese national government bonds	**$ 901,614**	**$ 767**	**$ 7,301**	**$ 895,080**
Foreign securities	**1,766,193**	**8,570**	**7,897**	**1,766,866**
Total	**$ 2,667,807**	**$ 9,337**	**$ 15,198**	**$ 2,661,946**
Securities available for sale:				
Equity securities	**$ 43,806**	**$ 41,152**	**$ 290**	**$ 84,668**
Japanese national government bonds	**4,080,634**	**35**	**3,690**	**4,076,979**
Japanese local government bonds	**16,539**	**–**	**31**	**16,508**
Japanese corporate bonds	**1,176,956**	**4,255**	**20,751**	**1,160,461**
Foreign securities	**2,017,773**	**6,094**	**180,773**	**1,843,094**
Other[1]	**1,531,368**	**8,736**	**6,181**	**1,533,923**
Total	**$ 8,867,077**	**$ 60,273**	**$211,716**	**$ 8,715,633**

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

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

Impairment loss on such securities for the fiscal year ended March 31, 2023, was ¥1 million (U.S.$11 thousand), which was related to equity securities.

Impairment loss on such securities for the fiscal year ended March 31, 2022, was ¥773 million, which consisted of ¥375 million for equity securities and ¥397 million for other securities.

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

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

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

8. SECURITIES (CONTINUED) CONSOLIDATED

(c) Unrealized gain (loss) on available-for-sale securities as of March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Unrealized gain (loss) before deferred tax on:			
Available-for-sale securities	**¥ (20,145)**	¥ (9,424)	**$(151,444)**
The Group's interests in available-for-sale securities held by partnerships and other adjustments	**761**	441	**5,723**
Other monetary assets held in trust	**(1,033)**	(2,541)	**(7,771)**
Deferred tax liabilities	**(334)**	(397)	**(2,512)**
Unrealized gain (loss) on available-for-sale securities before interest adjustments	**(20,751)**	(11,921)	**(156,003)**
Noncontrolling interests	**(33)**	(18)	**(250)**
The Group's interests in unrealized gain (loss) on available-for-sale securities held by affiliates to which the equity method is applied	**(26)**	272	**(201)**
Unrealized gain (loss) on available-for-sale securities	**¥ (20,811)**	¥ (11,667)	**$(156,454)**

(d) Available-for-sale securities sold during the fiscal year ended March 31, 2023 and 2022 were as follows:

	Millions of yen					
	2023			2022		
	Proceeds from sales	**Gains on sales**	**Losses on sales**	Proceeds from sales	Gains on sales	Losses on sales
Available-for-sale securities sold:						
Equity securities	**¥ 1,488**	**¥ 1,267**	**¥ –**	¥ 6,830	¥ 5,135	¥ 244
Japanese national government bonds	**379,866**	**319**	**551**	747,289	509	2,453
Japanese local government bonds	**12,017**	**0**	**36**	15,623	3	13
Japanese corporate bonds	**12,160**	**–**	**6**	36,415	96	35
Foreign securities	**132,781**	**327**	**1,930**	383,258	950	9,680
Other	**–**	**–**	**–**	–	–	–
Total	**¥ 538,314**	**¥ 1,915**	**¥ 2,525**	¥ 1,189,418	¥ 6,693	¥ 12,427

	Thousands of U.S. dollars		
	2023		
	Proceeds from sales	**Gains on sales**	**Losses on sales**
Available-for-sale securities sold:			
Equity securities	**$ 11,191**	**$ 9,528**	**$ –**
Japanese national government bonds	**2,855,713**	**2,404**	**4,145**
Japanese local government bonds	**90,345**	**5**	**278**
Japanese corporate bonds	**91,420**	**–**	**48**
Foreign securities	**998,204**	**2,464**	**14,513**
Other	**–**	**–**	**–**
Total	**$ 4,046,872**	**$ 14,401**	**$ 18,984**

9. LOANS AND BILLS DISCOUNTED CONSOLIDATED

Loans and bills discounted as of March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Loans on deeds	**¥ 6,114,495**	¥ 4,543,225	**$ 45,966,740**
Loans on bills	**9,705**	9,662	**72,963**
Bills discounted	**617**	935	**4,644**
Overdrafts	**763,984**	687,993	**5,743,378**
Total	**¥ 6,888,803**	¥ 5,241,817	**$ 51,787,725**

(a) Risk-monitored claims

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

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

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

The balances of the Claims against bankrupt and quasi-bankrupt obligors were ¥24,908 million (U.S.$187,252 thousand) and ¥24,083 million as of March 31, 2023 and 2022, respectively, as well as the balances of the Doubtful claims were ¥25,140 million (U.S.$188,999 thousand) and ¥44,545 million as of March 31, 2023 and 2022, respectively.

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

The “Loans past due for three months or more” consist of loans for which the principal and/or interest is three months or more past due, but excluding the Claims against bankrupt and quasi-bankrupt obligors and the Doubtful claims. The balances of the Loans past due for three months or more as of March 31, 2023 and 2022 were ¥577 million (U.S.$4,342 thousand) and ¥1,050 million, respectively.

The “Restructured loans” are loans where the Group relaxes lending conditions, such as by reducing the original interest rate, or by forbearing interest payments or principal repayments to support the borrower's reorganization, but excluding the Claims against bankrupt and quasi-bankrupt obligors, the Doubtful claims or the Loans past due for three months or more. The outstanding balances of the Restructured loans as of March 31, 2023 and 2022 were ¥71,331 million (U.S.$536,243 thousand) and ¥62,171 million, respectively.

(b) Loan participations

The total amounts accounted for as the transfer of loans and monetary assets held in trust by loan participations as of March 31, 2023 and 2022 were ¥6,913 million (U.S. $51,971 thousand) and ¥6,653 million, respectively. This “off balance sheet” treatment is in accordance with guidelines issued by the JICPA.

The total amounts of the loans in which the Bank participated were ¥12,309 million (U.S.$92,542 thousand) and ¥12,761 million as of March 31, 2023 and 2022, respectively.

(c) Bills discounted

Bills discounted, such as bank acceptances bought, commercial bills discounted, documentary bills and foreign exchange contracts bought, are accounted for as financing transactions in accordance with Industry Committee Practical Guidelines No. 24 revised on October 8, 2020 by the JICPA, although the Group has the right to sell or pledge them without restrictions. The face values of such bills discounted held as of March 31, 2023 and 2022 were ¥617 million (U.S.$4,644 thousand) and ¥935 million, respectively.

9. LOANS AND BILLS DISCOUNTED (CONTINUED) CONSOLIDATED

(d) Loan commitments

The Bank and certain consolidated subsidiaries set credit lines of overdrafts and issue commitments to extend credit to meet the financing needs of customers. The unfulfilled amounts of these commitments were ¥2,749,245 million (U.S.$20,667,913 thousand) and ¥2,286,425 million as of March 31, 2023 and 2022, respectively, out of which the amounts with the commitments of the agreements expiring within one year or being able to be cancelled at any time with no condition were ¥2,337,638 million (U.S. $17,573,586 thousand) and ¥1,907,728 million as of March 31, 2023 and 2022, respectively. Since a large majority of these commitments expire without being drawn upon, the unfulfilled amounts do not necessarily represent future cash requirements. Several of these agreements include conditions granting the Bank and its consolidated subsidiaries the right to reject the drawdown or to reduce the amount on the basis of changes in the financial circumstances of the borrower or other reasonable grounds.

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

10. FOREIGN EXCHANGES CONSOLIDATED

Foreign exchange assets and liabilities as of March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Foreign exchange assets:			
Due from foreign banks	**72,388**	56,510	**544,196**
Total	**¥ 72,388**	¥ 56,510	**$ 544,196**
Foreign exchange liabilities:			
Foreign bills payable	**2,579**	1,905	**19,391**
Total	**¥ 2,579**	¥ 1,905	**$ 19,391**

11. INSTALLMENT RECEIVABLES CONSOLIDATED

The Risk-monitored claims included in installment receivables as of March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Claims against bankrupt and quasi-bankrupt obligors	**¥ 5,574**	¥ 4,898	**$ 41,905**
Doubtful claims	**1,374**	1,508	**10,329**
Loans past due for three months or more	**722**	529	**5,430**
Restructured loans	**2,987**	2,863	**22,459**
Total	**¥ 10,658**	¥ 9,799	**$ 80,125**

12. OTHER ASSETS CONSOLIDATED

Other assets as of March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Accrued income	**¥ 23,549**	¥ 14,269	**$ 177,038**
Prepaid expenses	**7,863**	7,659	**59,117**
Fair value of derivatives	**61,440**	65,068	**461,889**
Accounts receivable	**26,714**	35,151	**200,832**
Security deposits	**8,222**	13,336	**61,813**
Suspense payments	**18,659**	15,739	**140,277**
Margin deposits for futures transactions	**1,991**	4,039	**14,974**
Cash collateral paid for financial instruments	**119,158**	132,255	**895,795**
Other	**97,432**	99,800	**732,467**
Total	**¥ 365,033**	¥ 387,318	**$ 2,744,202**

13. PREMISES AND EQUIPMENT CONSOLIDATED

Premises and equipment as of March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Buildings	**¥ 28,664**	¥ 27,450	**$ 215,490**
Land	**1,798**	1,798	**13,518**
Tangible leased assets as lessor	**77,117**	81,027	**579,743**
Other	**23,551**	22,286	**177,055**
Subtotal	**131,131**	132,562	**985,806**
Accumulated depreciation	**(73,200)**	(71,573)	**(550,299)**
Net book value	**¥ 57,931**	¥ 60,989	**$ 435,507**

14. INTANGIBLE ASSETS CONSOLIDATED

Intangible assets as of March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Software:			
Software	**¥ 38,251**	¥ 41,885	**$ 287,561**
Software in progress	**6,476**	4,380	**48,686**
Goodwill, net:			
Goodwill	**12,375**	13,001	**93,038**
Negative goodwill	**(1,630)**	(1,993)	**(12,260)**
Intangible assets acquired in business combinations	**4,072**	3,852	**30,613**
Intangible leased assets as lessor	**151**	106	**1,140**
Other	**1,354**	1,372	**10,186**
Total	**¥ 61,051**	¥ 62,604	**$ 458,963**

15. RESERVE FOR CREDIT LOSSES CONSOLIDATED

Reserve for credit losses as of March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Reserve for loan losses:			
General reserve for loan losses	**¥ 86,751**	¥ 80,331	**$ 652,166**
Specific reserve for loan losses	**31,662**	39,134	**238,029**
Total	**¥ 118,413**	¥ 119,466	**$ 890,195**

16. DEPOSITS, INCLUDING NEGOTIABLE CERTIFICATES OF DEPOSIT CONSOLIDATED

Deposits, including negotiable certificates of deposit, as of March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Current deposits	**¥ 180,758**	¥ 45,723	**$ 1,358,882**
Ordinary deposits	**3,090,252**	2,775,824	**23,231,490**
Notice deposits	**32,708**	2,705	**245,892**
Time deposits	**3,758,326**	2,450,965	**28,253,847**
Negotiable certificates of deposit	**2,128,833**	627,010	**16,003,857**
Other	**791,417**	495,837	**5,949,615**
Total	**¥ 9,982,297**	¥ 6,398,066	**$ 75,043,585**

17. TRADING LIABILITIES CONSOLIDATED

Trading liabilities as of March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Derivatives for securities held to hedge trading transactions	**¥ 1**	¥ 51	**$ 8**
Trading-related financial derivatives	**147,806**	134,016	**1,111,162**
Total	**¥ 147,807**	¥ 134,068	**$ 1,111,170**

18. BORROWED MONEY CONSOLIDATED

(a) Borrowed money as of March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Total amount of borrowed money[1]	¥ 607,092	978,424	$ 4,563,919

1 Borrowed money does not include subordinated debt as of March 31, 2023 and 2022.

(b) The weighted average interest rate applicable to the total balance of borrowed money as of March 31, 2023 was 0.33%.

(c) Annual maturities of borrowed money as of March 31, 2023 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2024	¥ 176,852	$ 1,329,522
2025	100,760	757,481
2026	59,777	449,386
2027	45,620	342,956
2028 and thereafter	224,081	1,684,573
Total	¥ 607,092	$ 4,563,919

19. CORPORATE BONDS CONSOLIDATED

(a) Corporate bonds as of March 31, 2023 and 2022 consisted of the following:

Issuer	Description	Issue	Maturity	Interest Rate (%)	Millions of yen 2023	Millions of yen 2022	Thousands of U.S. dollars 2023
SBI Shinsei Bank, Limited	Unsecured straight bond, payable in Yen[1]	Jul. 2018 to Mar. 2021	Oct. 2022 to Jul. 2025	0.15 to 0.36[3]	¥ 140,000	¥ 170,000	$ 1,052,473
APLUS Co., Ltd.	Unsecured straight bond, payable in Yen[1]	Oct. 2018 to Dec. 2019	Oct. 2023 to Dec. 2024	0.25 to 0.29	20,000	20,000	150,353
Showa Leasing Co., Ltd.	Unsecured straight bond, payable in Yen[1]	Jul. 2018 to Dec. 2019	Jul. 2023 to Dec. 2024	0.25 to 0.30	20,000	20,000	150,353
UDC Finance Limited	Secured straight bond, payable in New Zealand Dollar[3]	Sept. 2020 to Dec. 2022	Mar. 2024 to Dec. 2029	5.07 to 6.34	187,071	170,104	1,406,337
Total					¥ 367,071	¥ 380,104	$ 2,759,517

1 These include series of straight bonds, payable in Yen.
2 The maximum and minimum rates under contracts are presented if the interest rates were not decided as of March 31, 2023 and 2022.
3 This is a debt financing in the bond market by liquidation of receivables, through the entities of UDC Endeavour Equipment Finance Trust, UDC Endeavour Auto Finance Trust and UDC Endeavour Auto ABS Finance Trust 2021-1,2022-1.

(b) Annual maturities of corporate bonds as of March 31, 2023 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2024	¥ 80,000	$ 601,413
2025	225,672	1,696,528
2026	30,000	225,530
2027	–	–
2028 and thereafter	31,398	236,046
Total	¥ 367,071	$ 2,759,517

20. OTHER LIABILITIES CONSOLIDATED

Other liabilities as of March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Accrued expenses	**¥ 17,816**	¥ 9,957	**$ 133,938**
Unearned income	**26,872**	25,097	**202,017**
Income taxes payable	**4,694**	4,413	**35,291**
Fair value of derivatives	**130,416**	120,988	**980,427**
Accounts payable	**66,207**	58,292	**497,725**
Deferred gains on installment receivables and credit guarantees	**35,660**	34,575	**268,086**
Asset retirement obligations	**11,076**	9,636	**83,267**
Deposits payable	**144,489**	133,472	**1,086,226**
Cash collateral received for financial instruments	**21,303**	12,029	**160,155**
Other[1]	**6,704**	7,893	**50,406**
Total	**¥ 465,242**	¥ 416,356	**$ 3,497,538**

1. The "Other" includes the provision incurred from business combination, which was provided for estimated payment regarding settlement service business in clearpass Co., Ltd, caused by the acquisition of shares of clearpass Co., Ltd, by APLUS Co., Ltd.
The amount of the provision incurred from business combination included in the Other as of March 31, 2023 and 2022 were ¥861 million (U.S.$6,472 thousand) and nil, respectively.

21. EMPLOYEES' RETIREMENT BENEFITS AND PENSION PLAN ASSETS CONSOLIDATED

(a) The changes in defined benefit obligation for the fiscal years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Balance at beginning of the year	**¥ 94,532**	¥ 93,488	**$ 710,664**
Current service cost	**3,949**	4,037	**29,692**
Interest cost	**1,046**	1,035	**7,864**
Actuarial (gains) losses	**(225)**	146	**(1,697)**
Benefits paid	**(5,157)**	(4,175)	**(38,773)**
Increase upon acquisition of a consolidated subsidiary	**36**	–	**273**
Balance at end of the year	**¥ 94,181**	¥ 94,532	**$ 708,023**

(b) The changes in plan assets for the fiscal years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Balance at beginning of the year	**¥ 105,882**	¥ 104,885	**$ 795,991**
Expected return on plan assets	**2,458**	2,438	**18,481**
Actuarial gains (losses)	**(3,536)**	(808)	**(26,589)**
Contributions from the employer	**2,793**	2,821	**21,000**
Benefits paid	**(4,536)**	(3,454)	**(34,104)**
Balance at end of the year	**¥ 103,061**	¥ 105,882	**$ 774,779**

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

(c) The reconciliation between the liability and the asset recorded in the consolidated balance sheet and balances of defined benefit obligation and plan assets as of March 31, 2023 and 2022 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Defined benefit obligation	**¥ 86,262**	¥ 87,050	**$ 648,491**
Plan assets	**(103,061)**	(105,882)	**(774,779)**
Subtotal	**(16,798)**	(18,831)	**(126,288)**
Unfunded defined benefit obligation	**7,919**	7,481	**59,533**
Net liability (asset) arising from benefit obligation	**¥ (8,879)**	¥ (11,350)	**$ (66,756)**

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Liabilities for retirement benefits	**¥ 8,355**	¥ 8,149	**$ 62,813**
Assets for retirement benefits	**(17,235)**	(19,499)	**(129,568)**
Net liability (asset) arising from benefit obligation	**¥ (8,879)**	¥ (11,350)	**$ (66,756)**

(d) The components of net periodic retirement benefit cost for the fiscal years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Current service cost	**¥ 3,949**	¥ 4,037	**$ 29,692**
Interest cost	**1,046**	1,035	**7,864**
Expected return on plan assets	**(2,458)**	(2,438)	**(18,481)**
Recognized actuarial (gains) losses	**(333)**	(722)	**(2,510)**
Other (primarily consists of extraordinary severance benefit)	**76**	88	**577**
Net periodic retirement benefit cost	**¥ 2,280**	¥ 2,001	**$ 17,142**

(e) Other comprehensive income on defined retirement benefit plans (before adjusting for tax effects) for the fiscal years ended March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Actuarial gains (losses)	**¥ (3,645)**	¥ (1,677)	**$ (27,402)**
Total	**¥ (3,645)**	¥ (1,677)	**$ (27,402)**

(f) Accumulated other comprehensive income on defined retirement benefit plans (before adjusting for tax effects) as of March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Unrecognized actuarial gains (losses)	**¥ 2,428**	¥ 6,073	**$ 18,256**
Total	**¥ 2,428**	¥ 6,073	**$ 18,256**

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

(g) Plan assets

(i) Components of plan assets
Plan assets as of March 31, 2023 and 2022 consisted of the following:

	2023	2022
Domestic bonds	**26.8%**	24.9%
Foreign bonds	**12.9**	12.1
Domestic equity securities	**19.5**	21.4
Foreign equity securities	**17.1**	17.1
Life insurance company accounts (general accounts)	**16.7**	16.1
Other	**7.0**	8.4
Total	**100.0%**	100.0%

・The total plan assets includes retirement benefit trusts under benefit pension plans of 4.9% and 4.0% as of March 31, 2023 and 2022, respectively.

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

The Bank, which dominates a large share of plan assets in the Group, determined 2.2% of long-term expected rate of return on plan assets for the fiscal year ended March 31, 2023, considering the financial condition, policy for asset investment and the asset portfolios of the Bank besides current economic environment and market trend. For major consolidated subsidiaries, the long-term expected rates of return on plan assets were determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(h) Assumptions used for the fiscal years ended March 31, 2023 and 2022 were set forth as follows:

	2023	2022
Discount rate	**0.43 - 1.20%**	0.43 - 1.20%
Long-term expected rate of return on plan assets	**2.00 - 3.50%**	2.00 - 3.50%
Expected future salary increase rate	**1.80 - 5.24%**	1.12 - 5.24%

22. ACCEPTANCES AND GUARANTEES CONSOLIDATED

Acceptances and guarantees as of March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Guarantees	**¥ 842,797**	¥ 584,708	**$ 6,335,868**

23. CONTINGENT LIABILITIES CONSOLIDATED

Contingent liabilities as of March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Agreement for the purchase of personal property	**¥ 1,851**	¥ 179	**$ 13,919**

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

24. ASSETS PLEDGED AS COLLATERAL CONSOLIDATED

Assets pledged as collateral and liabilities collateralized as of March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Assets pledged as collateral:			
Cash and due from banks	**¥ 10**	¥ 10	**$ 76**
Monetary assets held in trust	**3,149**	2,267	**23,675**
Securities	**271,282**	279,175	**2,039,409**
Loans and bills discounted	**671,639**	851,019	**5,049,164**
Installment receivables	**178,727**	172,081	**1,343,616**
Lease receivables and leased investment assets	**8,104**	8,061	**60,927**
Premises and equipment	**1,006**	2,449	**7,563**
Liabilities collateralized:			
Deposits, including negotiable certificates of deposit	**¥ 1,249**	¥ 1,218	**$ 9,391**
Payables under repurchase agreements	**–**	9,567	**–**
Payables under securities lending transactions	**220,099**	237,530	**1,654,638**
Borrowed money	**238,374**	572,587	**1,792,022**
Corporate bonds	**163,150**	170,104	**1,226,508**
Other liabilities	**9**	12	**72**
Acceptances and guarantees	**111**	169	**835**

In addition, ¥857 million (U.S.$6,445 thousand) of securities as of March 31, 2023, were pledged as collateral for transactions, including exchange settlements, swap transactions, replacement of margin for futures transactions and other.

Also, ¥1,991 million (U.S.$14,974 thousand) and ¥4,039 million of margin deposits for futures transactions outstanding, ¥8,222 million (U.S.$61,813 thousand) and ¥13,336 million of security deposits, ¥119,158 million (U.S. $895,795 thousand) and ¥132,255 million of cash collateral paid for financial instruments, nil and ¥1,219 million of guarantee deposits under resale agreements and repurchase agreements and ¥40,000 million (U.S.$300,707 thousand) and ¥40,000 million of cash collateral for Zengin-net were included in “Other assets” as of March 31, 2023 and 2022, respectively.

25. EQUITY

CONSOLIDATED

The authorized number of shares of common stock as of March 31, 2023 was 400,000 thousand shares.
The following table shows changes in the number of shares of common stock.

	Thousands	
	Issued number of shares	Number of treasury stock
Fiscal year ended March 31, 2022:		
Beginning of year	259,034	43,743
Increase[1]	–	10,201
Decrease[2]	–	(142)
End of year	259,034	53,802
Fiscal year ended March 31, 2023:		
Beginning of year	**259,034**	**53,802**
Increase[3]	**–**	**1,130**
Decrease[4,5]	**(54,000)**	**(54,043)**
End of year	**205,034**	**889**

1 The increase of 10,201 thousand treasury stocks is associated with the repurchase of 0 thousand shares less than one unit, and the repurchase of 4 thousand shares due to the free acquisition of a restricted stock compensation, and the repurchase of 10,197 thousand shares from market.
2 The decrease of 142 thousand treasury stocks is associated with the transfer of 86 thousand shares upon exercise of the stock option (stock acquisition rights), and the disposal of 55 thousand shares as a restricted stock compensation.
3 The increase of number of shares in treasury stock is associated with the repurchase of 0 thousand shares less than one unit, the repurchase of 0 thousand shares due to the free acquisition of a restricted stock compensation and the repurchase of 1,130 thousand shares from market.
4 The decrease of 54,000 thousand shares in issued shares is associated with the cancellation of treasury stock.
5 The decrease of 54,043 thousand shares in treasury stock is associated with the cancellation of 54,000 thousand shares and the disposal of 43 thousand shares as a restricted stock compensation.

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

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

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

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

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

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

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

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

26. STOCK ACQUISITION RIGHTS

CONSOLIDATED

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

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

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

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

The following table shows the details of stock acquisition rights and restricted stocks granted during the fiscal year ended March 31, 2023.

(a) Stock-based compensation expenses for the fiscal years ended March 31, 2023 and 2022 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
General and administrative expenses	**¥ 84**	¥ 124	**$ 634**

(b) Details of stock options
Stock options outstanding during the fiscal year ended March 31, 2023 were as follows:

The Bank

None

(c) The number of stock options and movement therein

The Bank

None

(d) Details of restricted stock compensation
Restricted stocks outstanding during the fiscal year ended March 31, 2023 were as follows:

	Number of shares granted	Total number of recipients	Transfer restriction period	Fair value at the grant date (Yen)
Granted on April 19, 2019	36,886	35	April 19, 2019 - April 18, 2022	1,599
Granted on July 18, 2019	12,232	2	July 18, 2019 - July 17, 2022	1,635
Granted on May 8, 2020	37,392	34	May 8, 2020 - May 7, 2023	1,524
Granted on July 16, 2020	24,629	7	July 16, 2020 - July 15, 2023	1,421
Granted on April 23, 2021	32,338	37	April 23, 2021 - April 22, 2024	1,931
Granted on July 21, 2021	23,184	8	July 21, 2021 - July 20, 2024	1,530
Granted on July 22, 2022	17,786	9	July 22, 2022 - July 21, 2025	1,967
Granted on October 20, 2022	25,882	31	October 20, 2022 - October 19, 2025	1,960

26. STOCK ACQUISITION RIGHTS (CONTINUED) CONSOLIDATED

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.

(e) The number of restricted stocks and movement therein

The number of restricted stocks was as follows:

	Granted on April 19, 2019	Granted on July 18, 2019	Granted on May 8, 2020	Granted on July 16, 2020
Fiscal year ended March 31, 2023				
Number of shares before the cancellation of transfer restrictions				
Outstanding at the end of the last fiscal year	36,886	4,281	37,392	4,926
Granted during the fiscal year	–	–	–	–
Acquisition without consideration by the Bank	861	–	–	–
Cancellation of the transfer restrictions	36,025	4,281	–	–
Outstanding at the end of the fiscal year	–	–	37,392	4,926

	Granted on April 23, 2021	Granted on July 21, 2021	Granted on July 22, 2022	Granted on October 20, 2022
Fiscal year ended March 31, 2023				
Number of shares before the cancellation of transfer restrictions				
Outstanding at the end of the last fiscal year	32,338	6,848	–	–
Granted during the fiscal year	–	–	17,786	25,882
Acquisition without consideration by the Bank	–	–	–	–
Cancellation of the transfer restrictions	–	1,960	–	–
Outstanding at the end of the fiscal year	32,338	4,888	17,786	25,882

27. OTHER BUSINESS INCOME CONSOLIDATED

Other business income for the fiscal years ended March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Leasing revenue	**¥ 76,891**	¥ 78,080	**$ 578,041**
Income from installment sales	**49,720**	44,386	**373,781**
Others	**23,821**	24,573	**179,082**
Total	**¥ 150,433**	¥ 147,040	**$ 1,130,906**

28. OTHER BUSINESS EXPENSES CONSOLIDATED

Other business expenses for the fiscal years ended March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Leasing cost	**¥ 68,489**	¥ 69,548	**$ 514,882**
Disposal cost of lease	**11,502**	10,620	**86,468**
Others	**16,713**	23,586	**125,643**
Total	**¥ 96,704**	¥ 103,755	**$ 726,995**

29. NET CREDIT COSTS (RECOVERIES) CONSOLIDATED

Net credit costs (recoveries) for the fiscal years ended March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Losses on write-off or sales of loans	¥ 1,183	¥ 2,783	$ 8,897
Net provision (reversal) of reserve for loan losses:			
Net provision (reversal) of general reserve for loan losses	24,508	19,991	184,248
Net provision (reversal) of specific reserve for loan losses	6,087	17,279	45,766
Subtotal	30,596	37,271	230,014
Other credit costs (recoveries) relating to leasing business	137	210	1,034
Recoveries of written-off claims	(9,850)	(9,154)	(74,049)
Total	¥ 22,067	¥ 31,110	$ 165,896

30. OTHER INCOME CONSOLIDATED

Other income for the fiscal years ended March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Recoveries of written-off claims	¥ 9,850	¥ 9,154	$ 74,049
Gain on monetary assets held in trust	3,399	3,385	25,555
Gain on bargain purchase	1,755	–	13,198
Others	3,886	10,362	29,219
Total	¥ 18,891	¥ 22,902	$ 142,022

31. OTHER EXPENSE CONSOLIDATED

Other expense for the fiscal years ended March 31, 2023, and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Provision of reserve for credit losses	¥ 30,596	¥ 37,271	$ 230,014
Impairment losses of goodwill	230	–	1,729
Impairment losses on long-lived assets	1,680	373	12,636
Others	4,866	8,084	36,586
Total	¥ 37,374	¥ 45,729	$ 280,967

・Impairment losses on long-lived assets and Impairment losses of goodwill

For the fiscal years ended March 31, 2023, and 2022, "Impairment losses on long-lived assets" of ¥1,680 million (U.S. $12,636 thousand) and ¥373 million were recognized respectively, 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.

The Group reviewed the future cash flows of overseas business due to the reduction of the maximum interest rate for the money lending business in Hong Kong. As a result of the review, the book value of goodwill, buildings, other property, plant and equipment and software related to the overseas business in Hong Kong is no longer expected to be recovered. Therefore, the recoverable value was set to zero, and the full unamortized balance of goodwill and fixed assets other than goodwill has been impaired.

32. INCOME TAXES CONSOLIDATED

The Group is subject to a number of taxes based on income, such as corporate tax, inhabitant tax and enterprise tax, which, in the aggregate, resulted in normal effective statutory tax rate of approximately 30.6% for the fiscal years ended March 31, 2023 and 2022.

(a) A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the fiscal years ended March 31, 2023 and 2022 was as follows:

	2023	2022
Normal effective statutory tax rate	**30.6%**	30.6%
Increase (decrease) in taxes resulting from:		
Amortization of goodwill	**0.6**	2.6
Equity in net income/loss of affiliates	**0.1**	(0.0)
Other nondeductible expenses	**0.9**	3.5
Other excluded income	**(1.4)**	(1.0)
Foreign tax	**0.0**	0.0
Change in valuation allowance	**(21.9)**	(23.2)
Expiration of tax loss carryforwards	**6.5**	11.2
Other	**1.7**	4.8
Actual effective tax rate	**17.3%**	28.6%

32. INCOME TAXES (CONTINUED) CONSOLIDATED

(b) The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities, as of March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Deferred tax assets:			
Reserve for credit losses	**¥ 77,978**	¥ 78,913	**$ 586,219**
Tax loss carryforwards [ii]	**38,029**	47,005	**285,896**
Reserve for losses on interest repayments	**10,573**	10,942	**79,491**
Unrealized loss on available-for-sales securities	**6,851**	3,895	**51,507**
Securities	**4,649**	5,277	**34,950**
Deferred loss on derivatives under hedge accounting	**3,318**	3,777	**24,947**
Liabilities for retirement benefits	**3,143**	3,151	**23,631**
Other	**16,322**	14,500	**122,707**
Subtotal	**160,867**	167,465	**1,209,349**
Valuation allowance for tax loss carryforwards	**(32,865)**	(40,711)	**(247,069)**
Valuation allowance for deductible temporary differences	**(105,140)**	(104,214)	**(790,410)**
Total valuation allowance [i]	**(138,005)**	(144,926)	**(1,037,479)**
Total deferred tax assets	**22,862**	22,538	**171,870**
Offset with deferred tax liabilities	**(13,286)**	(11,812)	**(99,886)**
Net deferred tax assets	**¥ 9,575**	¥ 10,726	**$ 71,984**
Deferred tax liabilities:			
Assets for retirement benefits	**¥ 5,182**	¥ 5,871	**$ 38,960**
Deferred gain on derivatives under hedge accounting	**3,255**	1,880	**24,476**
The liability adjustment account	**1,540**	635	**11,584**
Temporary differences due to business combination (primarily related to identified intangible assets)	**1,394**	1,624	**10,484**
Asset retirement costs included in premises and equipment	**1,177**	1,157	**8,851**
Unrealized gain on available-for-sale securities	**451**	485	**3,393**
Other	**807**	630	**6,069**
Total deferred tax liabilities	**13,809**	12,285	**103,817**
Offset with deferred tax assets	**(13,286)**	(11,812)	**(99,886)**
Net deferred tax liabilities	**¥ 522**	¥ 472	**$ 3,930**

(i) Total valuation allowance has decreased by 6,921 million (U.S.$52,030 thousand) from the previous year. This is mainly caused by the decrease in valuation allowance for tax loss carryforwards.

(ii) The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2023 and 2022, were as follows:

	Millions of yen						
As of March 31, 2023	1 year or less	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total
Deferred tax assets relating to tax loss carryforwards[1]	**¥12,465**	**¥5,517**	**¥8,527**	**¥8,249**	**–**	**¥3,270**	**¥38,029**
Less valuation allowances for tax loss carryforwards	**(8,033)**	**(5,517)**	**(8,143)**	**(7,953)**	**–**	**(3,217)**	**(32,865)**
Net deferred tax assets relating to tax loss carryforwards	**¥4,432**	**–**	**¥383**	**¥295**	**–**	**¥53**	**¥5,164[2]**

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

	Thousands of U.S. dollars						
As of March 31, 2023	1 year or less	Over 1 year to 2 years	Over 2 years to 3 Years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total
Deferred tax assets relating to tax loss carryforwards[1]	**$93,713**	**$41,476**	**$64,106**	**$62,013**	**–**	**$24,589**	**$285,896**
Less valuation allowances for tax loss carryforwards	**(60,394)**	**(41,476)**	**(61,222)**	**(59,792)**	**–**	**(24,186)**	**(247,069)**
Net deferred tax assets relating to tax loss carryforwards	**$33,320**	**–**	**$2,883**	**$2,221**	**–**	**$403**	**$38,827[2]**

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

33. EARNINGS PER SHARE

CONSOLIDATED

A reconciliation of the difference between basic and diluted EARNINGS PER SHARE ("EPS") for the fiscal years ended March 31, 2023 and 2022 was as follows:

		Earnings (Millions of yen)	Weighted average shares (Thousands)		EPS (Yen)		EPS (U.S. dollars)
For the fiscal year ended March 31, 2023:							
Basic EPS							
Profit (loss) attributable to owners of the parent available to common shareholders	**¥**	**42,771**	**204,185**	**¥**	**209.47**	**$**	**1.57**
Effect of dilutive securities							
Stock acquisition rights		**–**	**–**		**–**		**–**
Diluted EPS							
Profit (loss) attributable to owners of the parent for computation	**¥**	**–**	**–**	**¥**	**–**	**$**	**–**

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

34. OTHER COMPREHENSIVE INCOME — CONSOLIDATED

The components of other comprehensive income (loss) for the fiscal years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the fiscal year	**¥ (9,783)**	¥ (19,013)	**$ (73,548)**
Reclassification adjustment to profit or loss	**890**	8,995	**6,691**
Amount before income tax effect	**(8,893)**	(10,018)	**(66,857)**
Income tax effect	**63**	80	**474**
Total	**(8,830)**	(9,938)	**(66,383)**
Deferred gain (loss) on derivatives under hedge accounting:			
Gains (losses) arising during the fiscal year	**(10,235)**	(1,843)	**(76,943)**
Reclassification adjustment to profit or loss	**20,555**	4,576	**154,532**
Amount before income tax effect	**10,320**	2,732	**77,589**
Income tax effect	**(710)**	126	**(5,342)**
Total	**9,610**	2,858	**72,246**
Foreign currency translation adjustments:			
Gains (losses) arising during the fiscal year	**5,862**	5,997	**44,071**
Reclassification adjustment to profit or loss	**–**	446	**–**
Amount before income tax effect	**5,862**	6,443	**44,071**
Income tax effect	**–**	–	**–**
Total	**5,862**	6,443	**44,071**
Defined retirement benefit plans:			
Gains (losses) arising during the fiscal year	**(2,990)**	(822)	**(22,478)**
Reclassification adjustment to profit or loss	**(654)**	(855)	**(4,924)**
Amount before income tax effect	**(3,645)**	(1,677)	**(27,402)**
Income tax effect	**1,067**	365	**8,027**
Total	**(2,577)**	(1,312)	**(19,375)**
Share of other comprehensive income (loss) in affiliates:			
Gains (losses) arising during the fiscal year	**(81)**	(400)	**(616)**
Reclassification adjustment to profit or loss	**36**	(958)	**271**
Amount before income tax effect	**(45)**	(1,359)	**(344)**
Income tax effect	**–**	–	**–**
Total	**(45)**	(1,359)	**(344)**
Total other comprehensive income (loss)	**¥ 4,019**	¥ (3,306)	**$ 30,214**

35. LEASE TRANSACTIONS — CONSOLIDATED

(A) FINANCE LEASE TRANSACTIONS

AS LESSEE

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

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

AS LESSOR

(a) Breakdown of "Lease receivables and leased investment assets" as of March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Lease receivables	**¥ 54,877**	¥ 50,748	**$ 412,548**
Leased investment assets:			
Lease payment receivables	**171,795**	156,548	**1,291,499**
Estimated residual value	**5,276**	4,880	**39,666**
Interest equivalent	**(21,619)**	(22,072)	**(162,529)**
Other	**673**	755	**5,062**
Subtotal	**156,125**	140,111	**1,173,699**
Total	**¥ 211,002**	¥ 190,859	**$ 1,586,246**

(b) Lease payment receivables for "Lease receivables and leased investment assets" as of March 31, 2023 and 2022 were as follows:

	Lease receivables			Leased investment assets		
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**	**2023**	2022	**2023**
Due within one year	**¥ 16,402**	¥ 15,593	**$ 123,311**	**¥ 46,241**	¥ 42,498	**$ 347,632**
Due after one year within two years	**13,325**	11,834	**100,176**	**37,643**	33,888	**282,993**
Due after two years within three years	**12,186**	9,028	**91,612**	**30,328**	26,023	**228,000**
Due after three years within four years	**6,914**	7,962	**51,981**	**22,591**	18,498	**169,832**
Due after four years within five years	**3,368**	3,414	**25,323**	**12,627**	12,218	**94,927**
Due after five years	**4,575**	4,872	**34,398**	**22,362**	23,422	**168,114**
Total	**¥ 56,773**	¥ 52,705	**$ 426,801**	**¥ 171,795**	¥ 156,548	**$ 1,291,499**

(B) OPERATING LEASE TRANSACTIONS

Noncancelable operating lease obligations as lessee and lease payment receivables as lessor as of March 31, 2023 and 2022 were as follows:

AS LESSEE

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Lease obligations:			
Due within one year	**¥ 3,813**	¥ 4,032	**$ 28,669**
Due after one year	**3,684**	5,579	**27,701**
Total	**¥ 7,498**	¥ 9,611	**$ 56,370**

AS LESSOR

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Lease payment receivables:			
Due within one year	**¥ 7,925**	¥ 8,293	**$ 59,582**
Due after one year	**26,112**	25,261	**196,303**
Total	**¥ 34,037**	¥ 33,555	**$ 255,885**

36. REVENUE RECOGNITION — CONSOLIDATED

1.INFORMATION ON DISAGGREGATED REVENUE FROM CONTRACTS WITH CUSTOMERS

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

(Millions of yen)

Fiscal year ended March 31, 2023	Institutional Business					
	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Fees and commissions income [1,5]	¥ 805	¥ 2,405	¥ 928	¥ 1,225	¥ 36	¥ 1,046
Other business income [2,5]	327	30	168	6,662	615	–
Total revenue from contracts with customers	1,132	2,436	1,097	7,888	652	1,046
Revenue other than the above [3,5]	37,103	96,043	8,860	98,000	6,483	78
Total revenue from external customers	¥ 38,236	¥ 98,480	¥ 9,957	¥ 105,589	¥ 7,135	¥ 1,125

(Millions of yen)

Fiscal year ended March 31, 2023	Individual Business				Overseas Business/Treasury/Other			Total
		Consumer Finance						
	Retail Banking	Shinsei Financial	APLUS	Other Individual	Overseas Business	Treasury	Other [4]	
Fees and commissions income [1,5]	¥ 10,425	¥ 1,780	¥ 15,870	¥ 608	¥ 12	¥ 18	¥ (1,006)	¥ 34,158
Other business income [2,5]	–	–	14,953	89	–	1,662	(2,472)	22,037
Total revenue from contracts with customers	10,425	1,780	30,823	698	12	1,681	(3,479)	56,195
Revenue other than the above [3,5]	19,761	71,876	54,407	3,488	29,589	13,290	(73,325)	365,657
Total revenue from external customers	¥ 30,187	¥ 73,657	¥ 85,230	¥ 4,186	¥ 29,602	¥ 14,971	¥ (76,805)	¥ 421,853

(Millions of yen)

Fiscal year ended March 31, 2022	Institutional Business					
	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Fees and commissions income [1,5]	¥ 312	¥ 1,993	¥ 1,231	¥ 1,091	¥ 33	¥ 2,076
Other business income [2,5]	397	15	331	6,115	104	–
Total revenue from contracts with customers	710	2,009	1,562	7,207	137	2,076
Revenue other than the above [3,5]	31,268	78,083	11,697	97,366	30,791	2,289
Total revenue from external customers	¥ 31,978	¥ 80,092	¥ 13,259	¥ 104,573	¥ 30,929	¥ 4,365

(Millions of yen)

Fiscal year ended March 31, 2022	Individual Business				Overseas Business/Treasury/Other			Total
		Consumer Finance						
	Retail Banking	Shinsei Financial	APLUS	Other Individual	Overseas Business	Treasury	Other [4]	
Fees and commissions income [1,5]	¥ 10,286	¥ 2,649	¥ 14,310	¥ 613	¥ 9	¥ 25	¥ (3,282)	¥ 31,351
Other business income [2,5]	–	–	12,880	2	15	2,003	(1,767)	20,098
Total revenue from contracts with customers	10,286	2,649	27,190	616	25	2,028	(5,049)	51,450
Revenue other than the above [3,5]	21,935	73,305	51,952	6,094	19,047	8,413	(110,367)	321,877
Total revenue from external customers	¥ 32,221	¥ 75,954	¥ 79,143	¥ 6,711	¥ 19,073	¥ 10,442	¥ (115,417)	¥ 373,328

36. REVENUE RECOGNITION (CONTINUED) CONSOLIDATED

(Thousands of U.S. dollars)

Fiscal year ended March 31, 2023	Institutional Business					
	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Fees and commissions income [1,5]	$ 6,056	$ 18,083	$ 6,982	$ 9,215	$ 275	$ 7,866
Other business income [2,5]	2,458	230	1,265	50,086	4,626	–
Total revenue from contracts with customers	8,514	18,314	8,247	59,302	4,902	7,866
Revenue other than the above [3,5]	278,932	722,026	66,611	736,736	48,739	591
Total revenue from external customers	$ 287,447	$ 740,340	$ 74,858	$ 796,038	$ 53,642	$ 8,457

(Thousands of U.S. dollars)

Fiscal year ended March 31, 2023	Individual Business				Overseas Business/Treasury/Other			
		Consumer Finance						
	Retail Banking	Shinsei Financial	APLUS	Other Individual	Overseas Business	Treasury	Other [4]	Total
Fees and commissions income [1,5]	$ 78,375	$ 13,384	$ 119,309	$ 4,572	$ 97	$ 136	$ (7,565)	$ 256,789
Other business income [2,5]	–	–	112,412	674	–	12,501	(18,589)	165,667
Total revenue from contracts with customers	78,375	13,384	231,722	5,247	97	12,637	(26,154)	422,457
Revenue other than the above [3,5]	148,560	540,344	409,014	26,224	222,443	99,909	(551,240)	2,748,893
Total revenue from external customers	$ 226,935	$ 553,729	$ 640,736	$ 31,471	$ 222,540	$ 112,547	$ (577,394)	$ 3,171,351

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

36. REVENUE RECOGNITION (CONTINUED) CONSOLIDATED

2.BASIC INFORMATION TO UNDERSTAND REVENUE FROM CONTRACTS WITH CUSTOMERS

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

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

(1) CONTRACT BALANCES

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

	Millions of Yen	Millions of Yen	Thousands of U.S. Dollars
	2023	2022	**2023**
Receivables from contracts with customers:			
Balance at beginning of year	**¥ 2,184**	¥ 2,037	**$ 16,419**
Balance at end of year	**2,267**	2,184	**17,044**
Contract liabilities:			
Balance at beginning of year	**1,390**	1,230	**10,451**
Balance at end of year	**¥ 1,745**	¥ 1,390	$ **13,123**

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

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

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

(2) TRANSACTION PRICE ALLOCATED TO REMAINING PERFORMANCE OBLIGATIONS

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

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

37. 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 the "Retail Banking," "Shinsei Financial," and "APLUS." Also, the business and operations that do not belong to any of the Institutional Business and the Individual Business are classified as the "Overseas Business/Treasury/Others." The "Overseas Business" and the "Treasury" in the "Overseas Business/Treasury/Others" are the reportable segments.

In the Institutional Business, the "Corporate Business" segment provides financial products and services for corporate, public, and financial sectors, advisory services, and wealth management business. The "Structured Finance" segment provides real estate finance such as nonrecourse loans, financial products and services related to project finance and specialty finance such as M&A finance, financial products and services for healthcare facilities and healthcare operators, and trust business. 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, and other capital markets transactions. The "Other Global Markets" segment includes businesses such as securities business provided by Shinsei Securities Co., Ltd.

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, SBI Shinsei Bank Card Loan L, Lake). The "APLUS" segment provides installment sales credit, credit cards, loans and payment services. The "Other Individual" segment in the Individual Business consists of profit and loss attributable to other subsidiaries.

In the Overseas Business/Treasury/Others, 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 includes gains and losses of ALM operations, fund raising including capital instruments and marketable investments such as bonds.

(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.

37. SEGMENT INFORMATION (CONTINUED) CONSOLIDATED

(c) CHANGES IN REPORTABLE SEGMENTS

(1) Changes in a name of reportable segments

The "Corporate/Others" has been changed to the "Overseas Business/Treasury/Others." The change in the name of this reportable segment has no impact on segment information.

(2) Change in classification of reportable segments

On April 1, 2022, the Group Business Strategy Division, which has been primarily engaged in the planning and promotion of new business development, and in business alliances that contribute to the expansion of the business foundation, has been reclassified to the "Corporate Business" under "Institutional Business" from "Others" under "Overseas Business/Treasury/Others". The name of the Group Business Strategy Division has been changed to the Business Co-Creation Division and they focus on the creation of new businesses in the corporate business and collaboration with the SBI Group.

Furthermore, on May 16, 2022, with the aim of consolidating securities investment businesses and maximizing earnings, the Group established the Securities Investment Division by integrating the Investment Business Division, which had been classified in the "Market" under the "Institutional Business", and certain functions of the Group Treasury Division, which had been classified in the "Treasury" under the "Overseas Business/Treasury/Others". The Securities Investment Division is now included in the "Treasury" under the "Overseas Business/Treasury/Others". In addition, in line with the Group's management structure based on its new medium-term vision, the Group has reclassified certain businesses within the "Institutional Business". As a result, the classification of reportable segments has been changed as follows in the current fiscal year.

The operations of the Group Business Strategy Division (currently the Business Co-Creation Division) that had previously belonged to the "Others" segment, the operations of the Real Estate Business Division that had previously belonged to the "Structured Finance" segment, and the operations of the Wealth Management Division that had previously belonged to the "Other Global Markets" segment are consolidated into the "Corporate Business" segment under the "Institutional Business". The business of the Healthcare Finance Division and Shinsei Trust & Banking that had previously belonged to the "Corporate Business" segment are consolidated into the "Structured Finance" segment under the "Institutional Business". The operations of the Investment Business Division (currently the Securities Investment Division) that had previously belonged to the "Markets" segment is consolidated into the "Treasury" segment under the "Overseas Business/Treasury/Others".

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

37. SEGMENT INFORMATION (CONTINUED) CONSOLIDATED

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

	Millions of yen					
	Institutional Business					
Fiscal year ended March 31, 2023	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Revenue[1]:	¥ 20,109	¥ 25,462	¥ 7,982	¥ 15,500	¥ 6,255	¥ 475
Net Interest Income	13,951	15,482	6,604	202	85	11
Noninterest Income	6,157	9,980	1,377	15,297	6,169	463
Expenses[2]	13,421	11,334	4,739	11,839	1,998	1,573
Net Credit Costs (Recoveries)[3]	816	(8,633)	375	(127)	–	(7)
Segment Profit (Loss)[6]	¥ 5,871	¥ 22,762	¥ 2,868	¥ 3,787	¥ 4,256	¥ (1,091)
Segment Assets[4]	¥ 3,110,331	¥ 2,059,301	¥ 154,528	¥ 582,879	¥ 166,645	¥ 200
Segment Liabilities[5]	¥ 4,663,611	¥ 225,385	¥ 11,844	¥ 602	¥ 147,801	¥ 143
Includes:						
i . Equity in net income (loss) of affiliates	¥ –	¥ –	¥ (178)	¥ (21)	¥ –	¥ –
ii . Investment in affiliates	–	–	6,915	423	–	–
Other:						
Goodwill (Negative Goodwill):						
Amortization	¥ –	¥ –	¥ (0)	¥ 2,171	¥ –	¥ –
Unamortized balance	–	–	–	4,292	–	–
Intangible assets acquired in business combinations:						
Amortization	¥ –	¥ –	¥ –	¥ 92	¥ –	¥ –
Unamortized balance	–	–	–	87	–	–
Impairment losses on long-lived assets	¥ 7	¥ –	¥ –	¥ –	¥ –	¥ 0

	Millions of yen							
	Individual Business				Overseas Business/Treasury/Others			
		Consumer Finance						
Fiscal year ended March 31, 2023	Retail Banking	Shinsei Financial	APLUS	Other Individual	Overseas Business	Treasury	Other	Total
Revenue[1]:	¥ 23,855	¥ 61,177	¥ 62,152	¥ 2,127	¥ 14,249	¥ 1,038	¥ (104)	¥ 240,281
Net Interest Income	17,049	61,324	7,413	815	7,929	7,890	0	138,761
Noninterest Income	6,805	(147)	54,739	1,312	6,319	(6,852)	(104)	101,519
Expenses[2]	26,789	36,021	41,235	2,635	6,836	2,481	758	161,665
Net Credit Costs (Recoveries)[3]	(75)	14,331	14,980	(716)	1,071	–	51	22,067
Segment Profit (Loss)[6]	¥ (2,858)	¥ 10,824	¥ 5,936	¥ 208	¥ 6,340	¥ (1,443)	¥ (914)	¥ 56,547
Segment Assets[4]	¥1,119,143	¥ 484,339	¥1,562,868	¥ 33,815	¥ 422,960	¥1,551,957	¥ 223	¥ 11,249,194
Segment Liabilities[5]	¥5,300,306	¥ 45,241	¥ 574,958	¥ 3,007	¥ –	¥ –	¥ –	¥ 10,972,902
Includes:								
i . Equity in net income (loss) of affiliates	¥ –	¥ –	¥ (66)	¥ (20)	¥ (126)	¥ –	¥ –	¥ (411)
ii . Investment in affiliates	–	–	426	4,689	3,478	–	–	15,933
Other:								
Goodwill (Negative Goodwill):								
Amortization	¥ 95	¥ 105	¥ 59	¥ –	¥ 641	¥ –	¥ –	¥ 3,073
Unamortized balance	597	(369)	387	–	5,836	–	–	10,745
Intangible assets acquired in business combinations:								
Amortization	¥ –	¥ –	¥ 173	¥ –	¥ 179	¥ –	¥ –	¥ 445
Unamortized balance	–	–	1,489	–	2,494	–	–	4,072
Impairment losses on long-lived assets	¥ –	¥ 906	¥ 92	¥ –	¥ 834	¥ –	¥ 69	¥ 1,911

37. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

Fiscal year ended March 31, 2022	Millions of yen Institutional Business Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Revenue[1]:	¥ 15,926	¥ 21,032	¥ 9,419	¥ 15,577	¥ 3,129	¥ 2,053
Net Interest Income	12,513	12,956	5,089	226	87	0
Noninterest Income	3,412	8,076	4,330	15,351	3,042	2,053
Expenses[2]	14,498	11,958	4,733	11,533	2,161	2,382
Net Credit Costs (Recoveries)[3]	(371)	9,364	(265)	3	–	7
Segment Profit (Loss)[6]	¥ 1,799	¥ (289)	¥ 4,952	¥ 4,040	¥ 968	¥ (336)
Segment Assets[4]	¥ 1,935,988	¥ 1,678,459	¥ 124,163	¥ 554,666	¥ 148,301	¥ 2,020
Segment Liabilities[5]	¥ 1,509,881	¥ 158,414	¥ 12,294	¥ 529	¥ 133,703	¥ 371
Includes:						
i . Equity in net income (loss) of affiliates	¥ –	¥ –	¥ 1,660	¥ (358)	¥ –	¥ –
ii . Investment in affiliates	–	–	7,319	565	–	–
Other:						
Goodwill (Negative Goodwill):						
Amortization	¥ –	¥ –	¥ (0)	¥ 2,183	¥ –	¥ –
Unamortized balance	–	–	(0)	6,464	–	–
Intangible assets acquired in business combinations:						
Amortization	¥ –	¥ –	¥ –	¥ 132	¥ –	¥ –
Unamortized balance	–	–	–	180	–	–
Impairment losses on long-lived assets	¥ 1	¥ –	¥ –	¥ –	¥ –	¥ 18

Fiscal year ended March 31, 2022	Millions of yen Individual Business Retail Banking	Consumer Finance Shinsei Financial	APLUS	Other Individual	Overseas Business/Treasury/Others Overseas Business	Treasury	Other	Total
Revenue[1]:	¥ 25,819	¥ 62,393	¥ 58,839	¥ 4,083	¥ 11,553	¥ (10,505)	¥ (1,751)	¥ 217,573
Net Interest Income	19,206	62,585	7,314	1,038	5,734	(1,076)	(0)	125,675
Noninterest Income	6,612	(191)	51,525	3,044	5,819	(9,428)	(1,751)	91,897
Expenses[2]	23,940	34,518	37,417	2,625	6,056	2,231	1,398	155,456
Net Credit Costs (Recoveries)[3]	(93)	10,804	12,367	(634)	(69)	–	(1)	31,110
Segment Profit (Loss)[6]	¥ 1,972	¥ 17,070	¥ 9,054	¥ 2,092	¥ 5,567	¥ (12,737)	¥ (3,149)	¥ 31,006
Segment Assets[4]	¥ 1,121,802	¥ 478,835	¥ 1,394,528	¥ 42,925	¥ 328,790	¥ 440,859	¥ 55	¥ 8,251,396
Segment Liabilities[5]	¥ 4,731,182	¥ 39,669	¥ 526,677	¥ 4,119	¥ –	¥ –	¥ –	¥ 7,116,843
Includes:								
i . Equity in net income (loss) of affiliates	¥ –	¥ –	¥ (54)	¥ 474	¥ (341)	¥ –	¥ –	¥ 1,380
ii . Investment in affiliates	–	–	492	4,709	3,351	–	–	16,438
Other:								
Goodwill (Negative Goodwill):								
Amortization	¥ 95	¥ (140)	¥ 59	¥ –	¥ 571	¥ –	¥ –	¥ 2,770
Unamortized balance	693	(1,604)	447	–	5,007	–	–	11,007
Intangible assets acquired in business combinations:								
Amortization	¥ –	¥ –	¥ 173	¥ –	¥ 153	¥ –	¥ –	¥ 459
Unamortized balance	–	–	1,663	–	2,009	–	–	3,852
Impairment losses on long-lived assets	¥ 153	¥ 53	¥ –	¥ –	¥ –	¥ –	¥ 147	¥ 373

37. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

Fiscal year ended March 31, 2023	Thousands of U.S. dollars — Institutional Business: Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Revenue[1]:	$ 151,175	$ 191,422	$ 60,007	$ 116,525	$ 47,027	$ 3,572
Net Interest Income	104,885	116,395	49,649	1,522	646	85
Noninterest Income	46,290	75,027	10,358	115,003	46,382	3,487
Expenses[2]	100,895	85,205	35,627	89,009	15,025	11,833
Net Credit Costs (Recoveries)[3]	6,136	(64,903)	2,820	(956)	–	(55)
Segment Profit (Loss)[6]	$ 44,143	$ 171,120	$ 21,561	$ 28,473	$ 32,003	$ (8,206)
Segment Assets[4]	$23,382,436	$15,481,143	$ 1,161,693	$ 4,381,891	$ 1,252,782	$ 1,507
Segment Liabilities[5]	$35,059,476	$ 1,694,371	$ 89,043	$ 4,532	$ 1,111,119	$ 1,081
Includes:						
i . Equity in net income (loss) of affiliates	$ –	$ –	$ (1,339)	$ (158)	$ –	$ –
ii . Investment in affiliates	–	–	51,990	3,186	–	–
Other:						
Goodwill (Negative Goodwill):						
Amortization	$ –	$ –	$ (4)	$ 16,324	$ –	$ –
Unamortized balance	–	–	–	32,273	–	–
Intangible assets acquired in business combinations:						
Amortization	$ –	$ –	$ –	$ 696	$ –	$ –
Unamortized balance	–	–	–	659	–	–
Impairment losses on long-lived assets	$ 57	$ –	$ –	$ –	$ –	$ 4

Fiscal year ended March 31, 2023	Thousands of U.S. dollars — Individual Business: Retail Banking	Individual Business — Consumer Finance: Shinsei Financial[7]	APLUS	Other Individual	Overseas Business/Treasury/Others: Overseas Business	Treasury	Other[8]	Total
Revenue[1]:	$ 179,337	$ 459,912	$ 467,244	$ 15,994	$ 107,120	$ 7,804	$ (787)	$ 1,806,353
Net Interest Income	128,176	461,019	55,729	6,129	59,613	59,318	0	1,043,166
Noninterest Income	51,161	(1,107)	411,515	9,865	47,508	(51,514)	(787)	763,186
Expenses[2]	201,396	270,801	309,994	19,813	51,394	18,656	5,700	1,215,348
Net Credit Costs (Recoveries)[3]	(570)	107,738	112,620	(5,384)	8,059	–	391	165,896
Segment Profit (Loss)[6]	$ (21,489)	$ 81,373	$ 44,629	$ 1,565	$ 47,668	$ (10,852)	$ (6,878)	$ 425,109
Segment Assets[4]	$ 8,413,344	$ 3,641,104	$11,749,123	$ 254,212	$3,179,675	$11,667,100	$ 1,682	$84,567,693
Segment Liabilities[5]	$39,845,934	$ 340,114	$ 4,322,344	$ 22,608	$ –	$ –	$ –	$82,490,622
Includes:								
i . Equity in net income (loss) of affiliates	$ –	$ –	$ (497)	$ (154)	$ (948)	$ –	$ –	$ (3,094)
ii . Investment in affiliates	–	–	3,208	35,250	26,147	–	–	119,782
Other:								
Goodwill (Negative Goodwill):								
Amortization	$ 719	$ 794	$ 449	$ –	$ 4,821	$ –	$ –	$ 23,103
Unamortized balance	4,491	(2,776)	2,916	–	43,874	–	–	80,778
Intangible assets acquired in business combinations:								
Amortization	$ –	$ –	$ 1,304	$ –	$ 1,351	$ –	$ –	$ 3,352
Unamortized balance	–	–	11,199	–	18,755	–	–	30,613
Impairment losses on long-lived assets	$ –	$ 6,814	$ 694	$ –	$ 6,275	$ –	$ 524	$ 14,366

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, installment receivables, lease receivables and leased investment assets, tangible leased assets, intangible leased assets and customer's liabilities for acceptances and guarantees.
5 "Segment Liabilities" consists of deposits, including negotiable certificates of deposit, debentures, trading liabilities and acceptances and guarantees.
6 Regarding assets and liabilities not allocated to each business segment, there are related revenue and expense items which are allocated to each business segment based on a rational allocation method. For example, interest on other borrowings is considered a part of "Revenue" and included in segment income, although borrowed money is not allocated to each "Segment Liabilities." In addition, depreciation is considered a part of "Expenses" and included in segment income, although premises and equipment excluding tangible leased assets and intangible assets excluding intangible leased assets are not allocated to each "Segment Assets."
7 "Shinsei Financial" includes profit(loss), segment assets and liabilities related to companies such as Shinsei Personal Loan Co., Ltd. and "SBI Shinsei Bank Card Loan L" which is unsecured card loan business for individual customers.
8 "Other" under the Overseas Business/Treasury/Others includes profit(loss), assets and liabilities which are not included in our reportable segments, allocation variance of indirect expense and elimination amount of inter-segment transactions.

37. SEGMENT INFORMATION (CONTINUED) CONSOLIDATED

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

(i) A reconciliation between total segment profit and income (loss) before income taxes on the consolidated statements of income for the fiscal years ended March 31, 2023 and 2022 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Total segment profit	**¥ 56,547**	¥ 31,006	**$ 425,109**
Amortization of goodwill	**(3,073)**	(2,770)	**(23,103)**
Amortization of intangible assets	**(445)**	(459)	**(3,352)**
Lump-sum payments	**35**	372	**265**
Other gains (losses), net	**(1,273)**	347	**(9,576)**
Income (loss) before income taxes	**¥ 51,790**	¥ 28,495	**$ 389,343**

(ii) A reconciliation between total segment assets and total assets on the consolidated balance sheets as of March 31, 2023 and 2022 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Total segment assets	**¥11,249,194**	¥ 8,251,396	**$ 84,567,693**
Cash and due from banks	**1,992,878**	1,625,159	**14,981,796**
Call loans and bills bought	**28,302**	0	**212,765**
Foreign exchanges	**72,388**	56,510	**544,196**
Other assets	**365,033**	387,318	**2,744,202**
Premises and equipment excluding tangible leased assets	**17,737**	17,804	**133,345**
Intangible assets excluding intangible leased assets	**60,899**	62,498	**457,823**
Assets for retirement benefits	**17,235**	19,499	**129,568**
Deferred tax assets	**9,575**	10,725	**71,984**
Reserve for credit losses	**(118,413)**	(119,466)	**(890,195)**
Total assets	**¥13,694,831**	¥ 10,311,448	**$ 102,953,177**

(iii) A reconciliation between total segment liabilities and total liabilities on the consolidated balance sheets as of March 31, 2023 and 2022 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Total segment liabilities	**¥ 10,972,902**	¥ 7,116,843	**$ 82,490,622**
Call money	**7,648**	3,654	**57,500**
Payables under repurchase agreements	**–**	9,567	**–**
Payables under securities lending transactions	**220,099**	237,530	**1,654,638**
Borrowed money	**607,092**	978,424	**4,563,919**
Foreign exchanges	**2,579**	1,905	**19,391**
Short-term corporate bonds	**33,500**	189,200	**251,842**
Corporate bonds	**367,071**	380,104	**2,759,517**
Other liabilities	**465,242**	416,356	**3,497,538**
Accrued employees' bonuses	**10,069**	9,977	**75,698**
Accrued directors' bonuses	**8**	39	**65**
Liabilities for retirement benefits	**8,355**	8,149	**62,813**
Reserve for directors' retirement benefits	**8**	23	**66**
Reserve for reimbursement of deposits	**354**	393	**2,665**
Reserve for reimbursement of debentures	**2,300**	2,853	**17,291**
Reserve for losses on interest repayments	**30,569**	31,635	**229,811**
Deferred tax liabilities	**522**	472	**3,930**
Total liabilities	**¥ 12,728,325**	¥ 9,387,131	**$ 95,687,307**

37. SEGMENT INFORMATION (CONTINUED) CONSOLIDATED

(B) RELATED INFORMATION

(a) INFORMATION BY SERVICES

Revenue regarding major services for the fiscal years ended March 31, 2023 and 2022 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Loan Businesses	**¥ 168,322**	¥ 136,647	**$ 1,265,396**
Lease Businesses	**76,891**	78,080	**578,042**
Securities Investment Businesses	**24,381**	16,370	**183,293**
Installment Sales and Guarantee Businesses	**67,528**	62,877	**507,655**
Others	**84,729**	79,351	**636,967**
Total revenue from external customers	**¥ 421,853**	¥ 373,328	**$ 3,171,352**

Note: The above table shows revenue instead of sales of non-financial companies.

(b) GEOGRAPHICAL INFORMATION

(i) REVENUE

Revenue based on geographical for the fiscal years ended March 31, 2023 and 2022 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Japan	**¥ 346,477**	¥ 341,080	**$2,604,706**
Oceania	**29,829**	18,458	**224,252**
Europe, Middle East	**22,204**	4,601	**166,927**
Asia	**7,950**	3,349	**59,768**
North America	**8,703**	2,168	**65,430**
Others	**6,686**	3,670	**50,270**
Total revenue from external customers	**¥ 421,853**	¥ 373,328	**$3,171,352**

Note: 1. The above table shows revenue instead of sales of non-financial companies.
2. Revenue from the Bank's transactions is classified by country or region, considering the geographical proximity, in light of the customer's location and other actual conditions of the transaction. And revenue from transactions of consolidated subsidiaries is classified by country or region, considering the geographical proximity, based on the location of each company.

(ii) PREMISES AND EQUIPMENT

The balance of domestic premises and equipment exceeded 90% of the total balance of premises and equipment on the consolidated balance sheets as of March 31, 2023 and 2022. Therefore, geographical premises and equipment information is not presented.

(c) MAJOR CUSTOMER INFORMATION

Revenue to a specific customer did not reach 10% of total revenue on the consolidated statements of income for the fiscal years ended March 31, 2023 and 2022. Therefore, major customer information is not presented.

38. RELATED PARTY INFORMATION

CONSOLIDATED

(a) Related party transactions

Related party transactions for the fiscal years ended March 31, 2023 and 2022 were as follows:

Related party	Description of the transaction	Amount of the transaction: Millions of yen 2023	Amount of the transaction: Millions of yen 2022	Amount of the transaction: Thousands of U.S. dollars 2023	Account name	Balance at the end of fiscal year: Millions of yen 2023	Balance at the end of fiscal year: Millions of yen 2022	Balance at the end of fiscal year: Thousands of U.S. dollars 2023
Director								
Hideyuki Kudo[1]	In-kind contributions of monetary compensation claims[2]	¥ –	¥ 12	$ –	–	¥ –	¥ –	$ –
Yoshiaki Kozano	Exercise of stock options[3]	¥ –	¥ 17	$ –	–	¥ –	¥ –	$ –

1 Hideyuki Kudo retired from the Bank's President and Chief Executive Officer on February 8, 2022 and is no longer a related party.
Therefore, the transaction amount is the one from April 1, 2021 to the date of his retirement.

2 The in-kind contributions of the monetary compensation claims for the restricted stock compensation.

3 This is the exercise of stock option rights in accordance with the share compensation type stock option system, and the transaction amount indicates the amount of the consideration for the treasury stock at the time of disposal of it.

(b) Information on parent companies

(Fiscal year ended March 31, 2023)

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

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

(Fiscal year ended March 31, 2022)

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

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

39. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES CONSOLIDATED

(A) GROUP POLICY FOR FINANCIAL INSTRUMENTS

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

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

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

(a) Financial assets

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

Loans and bills discounted

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

Securities

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

Other monetary claims purchased,
Monetary assets held in trust

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

Installment receivables, lease receivables and leased investment assets

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

(b) Financial liabilities

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

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

(c) Derivative transactions

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

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

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

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

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

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

39. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED) CONSOLIDATED

(C) RISK MANAGEMENT FOR FINANCIAL INSTRUMENTS

(a) Credit risk management

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

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

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

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

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

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

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

(b) Market risk management

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

The Group manages market risk by segregating the overall balance sheet, including off-balance-sheet transactions, into a trading business and a banking business. At the Market Business Management Committee, the senior review and decision-making for the management of the trading business, the marketable securities transactions in the banking account and derivative instruments (hereinafter “securities investment business”) are performed. At the Group ALM Committee, the senior review and decision-making for the management mainly related to asset/liability management of the banking business are performed.

The actual risk limits for asset/liability management of the trading business and securities investment business, such as the value-at-risk (hereinafter VaR) method, are approved by the Group Risk Policy Committee based on “Trading Business Risk Management Policy.” The Market Business Management Committee meets monthly to review reports from the Group Integrated Risk Management Division and front office. The interest rate risk of the net asset and/or liability in the banking business, which has interest rate sensitivity, is managed by the Group ALM Committee based on “Group ALM Policy.”

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

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

39. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED) CONSOLIDATED

Quantitative information on market risk is as follows:

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

The VaR in the Group's trading business as of March 31, 2023 and 2022 were ¥726 million (U. S. $5,463 thousand) and ¥776 million in the aggregate, respectively.

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

(ii) Amount of market risk associated with the banking business
The Group uses VaR for quantitative analysis on market risk associated with securities investment business as in trading business. For calculating VaR, the historical simulation method is generally same as that used in trading business.

The VaR in the Group's securities investment business as of March 31, 2023 was ¥16,124 million (U. S. $121,217 thousand) in the aggregate.

Also, the Group's main financial instruments that are affected by interest rate risk, which is one of the major risk variables, includes “Call loans,” “Receivables under resale agreements,” “Receivables under securities borrowing transactions,” “Other monetary claims purchased,” “Monetary assets held in trust,” bonds other than trading business in “Securities,” “Loans and bills discounted,” “Installment receivables,” “Lease receivables and leased investment assets,” “Deposits,” “Negotiable certificates of deposit,” “Call money,” “Payables under repurchase agreements,” “Payables under securities lending transactions,” “Borrowed money,” “Short-term corporate bonds,” “Corporate bonds” and interest rate swaps other than trading business in “Derivative instruments.” The Group uses a quantitative analysis of interest rate risk of these financial assets and liabilities and analyzes the amount of change in economic values (ΔEVE) based on the interest rate shock scenario defined by the interest rate risk of bank accounts under the Basel regulation (IRRBB).

As for ΔEVE for each interest rate shock scenario as of March 31, 2023 and 2022, the ΔEVE of the upward parallel shift in the interest rate curve decreased by ¥73,385 million (U.S.$ 551,685 thousand) and decreased by ¥57,937 million, the ΔEVE of the downward parallel shift decreased by ¥924 million (U.S.$ 6,948 thousand) and decreased by ¥2,175 million, and ΔEVE of the steepening scenario decreased by ¥44,851 million (U.S.$ 337,177 thousand) and decreased by ¥46,043 million, respectively.

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

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

(D) CONCENTRATION OF CREDIT RISK

As of March 31, 2023, loans to the financial and insurance industry were approximately 18% of the total loans and bills discounted, and those to the real estate industry were approximately 13%, approximately 20% of which are nonrecourse loans for real estate.

As of March 31, 2022, loans to the financial and insurance industry were approximately 10% of the total loans and bills discounted, and those to the real estate industry were approximately 15%, approximately 30% of which are nonrecourse loans for real estate.

(E) SUPPLEMENT TO THE FAIR VALUE INFORMATION FOR FINANCIAL INSTRUMENTS

As certain assumptions have been adopted for the calculation of fair value of financial instruments, the fair value of financial instruments may not be the same when assumptions that differ from the Group’s calculation are adopted.

39. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED) CONSOLIDATED

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

Carrying amounts on the consolidated balance sheet as of March 31, 2023, the fair value of financial instruments as well as the difference between them, and fair values by input level are as follows.

The fair values of financial instruments are categorized as the following three levels depending on the observability and significance of the input used in the fair value measurement.

Level 1: Fair value determined based on the quoted prices (unadjusted) in an active market for identical assets and liabilities

Level 2: Fair value determined based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Fair value determined based on significant unobservable inputs

In some cases, multiple inputs with a significant impact on the fair value measurement are used, the financial instrument is categorized as the lowest priority level of fair value measurement in which each input belongs.

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

Fair values of financial instruments as of March 31, 2023 and 2022 were as follows:

	Millions of yen			
	Carrying amount			
March 31, 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Other monetary claims purchased	¥ –	¥ –	¥ 12,342	¥ 12,342
Trading assets	–	–	–	–
Monetary assets held in trust	–	6,160	152,570	158,731
Securities	580,557	382,999	181,498	1,145,055
Trading securities	–	–	0	0
Other securities	580,557	382,999	181,498	1,145,055
Equity securities	8,796	2,465	–	11,262
Japanese national government bonds	542,319	–	–	542,319
Japanese local government bonds	–	2,195	–	2,195
Japanese corporate bonds	–	46,298	108,066	154,364
Foreign securities	29,440	141,687	72,846	243,974
Other[1]	–	190,352	585	190,937
Total	¥ 580,557	¥ 389,159	¥ 346,411	¥ 1,316,128
Derivative instruments[2,3]	¥ (192)	¥ (29,850)	¥ (20,017)	¥ (50,060)
Interest rate-related	–	24,317	(13,196)	11,120
Currency-related	–	(54,651)	(6,821)	(61,472)
Bond-related	(192)	–	–	(192)
Credit derivatives	–	483	–	483

39. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

	Millions of yen			
	Carrying amount			
March 31, 2022	Level 1	Level 2	Level 3	Total
Assets:				
Other monetary claims purchased	¥ –	¥ –	¥ 9,550	¥ 9,550
Trading assets	–	265	–	265
Monetary assets held in trust	–	6,342	159,948	166,290
Securities	150,183	174,630	185,888	510,702
Trading securities	–	–	0	0
Other securities	150,183	174,630	185,888	510,702
Equity securities	8,840	160	–	9,000
Japanese national government bonds	103,463	–	–	103,463
Japanese local government bonds	–	2,197	–	2,197
Japanese corporate bonds	–	32,381	112,681	145,062
Foreign securities	37,879	139,752	73,023	250,656
Other[1]	–	138	183	322
Total	¥ 150,183	¥ 181,238	¥ 355,387	¥ 686,808
Derivative instruments[2,3]	¥ 0	¥ (45,767)	¥ 4,527	¥ (41,239)
Interest rate-related	–	(5,057)	10,508	5,450
Currency-related	–	(41,305)	(5,980)	(47,286)
Bond-related	0	–	–	0
Credit derivatives	–	595	–	595

	Thousands of U.S. dollars			
	Carrying amount			
March 31, 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Other monetary claims purchased	**$ –**	**$ –**	**$ 92,786**	**$ 92,786**
Trading assets	**–**	**–**	**–**	**–**
Monetary assets held in trust	**–**	**46,310**	**1,146,978**	**1,193,287**
Securities	**4,364,435**	**2,879,262**	**1,364,446**	**8,608,143**
Trading securities	**–**	**–**	**–**	**–**
Other securities	**4,364,435**	**2,879,262**	**1,364,446**	**8,608,143**
Equity securities	**66,132**	**18,536**	**–**	**84,668**
Japanese national government bonds	**4,076,979**	**–**	**–**	**4,076,979**
Japanese local government bonds	**–**	**16,508**	**–**	**16,508**
Japanese corporate bonds	**–**	**348,054**	**812,406**	**1,160,461**
Foreign securities	**221,324**	**1,065,159**	**547,638**	**1,834,121**
Other[1]	**–**	**1,431,005**	**4,401**	**1,435,406**
Total	**$ 4,364,435**	**$ 2,925,572**	**$ 2,604,209**	**$ 9,894,216**
Derivative instruments[2,3]	**$ (1,449)**	**$ (224,407)**	**$ (150,486)**	**$ (376,341)**
Interest rate-related	**–**	**182,807**	**(99,206)**	**83,601**
Currency-related	**–**	**(410,848)**	**(51,280)**	**(462,128)**
Bond-related	**(1,449)**	**–**	**–**	**(1,449)**
Credit derivatives	**–**	**3,634**	**–**	**3,634**

1. The amount of investment trusts for which transitional treatments are applied in accordance with Paragraph 24-3 and 24-9 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31, June 17, 2021) is not included in the table above. The amount of such investment trusts on the consolidated balance sheet is ¥ 2,136 million (U.S. $16,062 thousand) and ¥1,292 million as of March 31, 2023 and 2022, respectively.
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 ¥54,218 million (U.S. $407,600 thousand) and ¥42,267 million as of March 31, 2023 and 2022, respectively. Of the hedging relationships, the exceptional treatment prescribed in "the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (the Practical Solution No.40, March 17, 2022) is applied to all hedging relationships included in the scope of application of the Practical Solution.

39. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED) CONSOLIDATED

(2) Financial instruments other than those measured at fair value on the consolidated balance sheet

Notes are omitted for “Cash and due from banks,” “Call loans,” “Call money,” “Payable under repurchase agreements,” “Payable under securities lending transactions,” “Short-term corporate bonds” since they are short in maturity (one year or less) and the carrying amounts approximate fair value.

	Millions of yen					
	Fair value				Carrying amount	Net unrealized gains (losses)
March 31, 2023	**Level 1**	**Level 2**	**Level 3**	**Total**		
Assets:						
Other monetary claims purchased	¥ —	¥ —	¥ 25,868	¥ 25,868	¥ 25,894	¥ (25)
Monetary assets held in trust[1]	—	15,960	239,786	255,747	252,716	3,031
Securities	121,966	—	232,125	354,092	354,871	(779)
Securities being held to maturity	121,966	—	232,125	354,092	354,871	(779)
Japanese national government bonds	119,063	—	—	119,063	119,932	(869)
Foreign securities	2,903	—	232,125	235,028	234,938	89
Loans and bills discounted[2]	—	3,526,292	3,308,476	6,834,769	6,819,315	15,453
Installment receivables[3]	—	137,541	917,114	1,054,655	1,041,564	13,090
Lease receivables and leased investment assets[4]	—	5,179	210,746	215,926	204,326	11,599
Total	¥ 121,966	¥ 3,684,973	¥ 4,934,118	¥ 8,741,059	¥ 8,698,688	¥ 42,370
Liabilities:						
Deposits	¥ —	¥ 6,485,495	¥ 1,363,211	¥ 7,848,707	¥ 7,853,464	¥ 4,757
Negotiable certificates of deposit	—	—	2,128,953	2,128,953	2,128,833	(120)
Borrowed money	—	2,522	603,833	606,356	607,092	736
Corporate bonds	—	366,804	—	366,804	367,071	266
Total	¥ —	¥ 6,854,823	¥ 4,095,998	¥ 10,950,821	¥ 10,956,461	¥ 5,639

	Fair value				Contract Amount
	Level 1	**Level 2**	**Level 3**	**Total**	
Other:					
Guarantee contracts[5]	¥ —	¥ 146	¥ 759	¥ 905	¥ 842,797

	Millions of yen					
	Fair value				Carrying amount	Net unrealized gains (losses)
March 31, 2022	Level 1	Level 2	Level 3	Total		
Assets:						
Other monetary claims purchased	¥ —	¥ —	¥ 22,050	¥ 22,050	¥ 21,902	¥ 147
Monetary assets held in trust[1]	—	16,576	205,625	222,202	219,664	2,537
Securities	109,608	—	—	109,608	109,988	(380)
Securities being held to maturity	109,608	—	—	109,608	109,988	(380)
Japanese national government bonds	109,608	—	—	109,608	109,988	(380)
Loans and bills discounted[2]	—	2,229,191	3,069,365	5,298,557	5,165,998	132,558
Installment receivables[3]	—	115,953	849,881	965,835	917,174	48,661
Lease receivables and leased investment assets[4]	—	3,258	191,293	194,551	184,258	10,293
Total	¥ 109,608	¥ 2,364,980	¥ 4,338,217	¥ 6,812,806	¥ 6,618,988	¥ 193,817
Liabilities:						
Deposits	¥ —	¥ 5,280,233	¥ 487,757	¥ 5,767,991	¥ 5,771,056	¥ 3,065
Negotiable certificates of deposit	—	—	627,093	627,093	627,010	(83)
Borrowed money	—	3,934	973,933	977,867	978,424	556
Corporate bonds	—	379,731	—	379,731	380,104	373
Total	¥ —	¥ 5,663,898	¥ 2,088,784	¥ 7,752,683	¥ 7,756,595	¥ 3,912

	Fair value				Contract Amount
	Level 1	Level 2	Level 3	Total	
Other:					
Guarantee contracts[5]	¥ —	¥ (291)	¥ 44,808	¥ 44,517	¥ 584,708

39. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED) CONSOLIDATED

	Thousands of U.S. dollars					
	Fair value				Carrying amount	Net unrealized gains (losses)
March 31, 2023	**Level 1**	**Level 2**	**Level 3**	**Total**		
Assets:						
Other monetary claims purchased	$ –	$ –	$ 194,473	$ 194,473	$ 194,663	$ (189)
Monetary assets held in trust[1]	–	119,987	1,802,639	1,922,626	1,899,840	22,786
Securities	916,907	–	1,745,039	2,661,946	2,667,807	(5,861)
Securities being held to maturity	916,907	–	1,745,039	2,661,946	2,667,807	(5,861)
Japanese national government bonds	895,080	–	–	895,080	901,614	(6,535)
Foreign securities	21,827	–	1,745,039	1,766,866	1,766,193	673
Loans and bills discounted[2]	–	26,509,489	24,872,026	51,381,515	51,265,339	116,176
Installment receivables[3]	–	1,033,990	6,894,560	7,928,550	7,830,138	98,412
Lease receivables and leased investment assets[4]	–	38,937	1,584,324	1,623,261	1,536,056	87,205
Total	$ 916,907	$ 27,702,404	$ 37,093,060	$ 65,712,370	$ 65,393,843	$ 318,528
Liabilities:						
Deposits	$ –	$ 48,755,793	$ 10,248,172	$ 59,003,966	$ 59,039,727	$ 35,762
Negotiable certificates of deposit	–	–	16,004,763	16,004,763	16,003,857	(906)
Borrowed money	–	18,966	4,539,417	4,558,384	4,563,919	5,535
Corporate bonds	–	2,757,515	–	2,757,515	2,759,517	2,003
Total	$ –	$ 51,532,275	$ 30,792,353	$ 82,324,627	$ 82,367,021	$ 42,394

	Fair value				Contract Amount
	Level 1	Level 2	Level 3	Total	
Other:					
Guarantee contracts[5]	$ –	$ 1,099	$ 5,711	$ 6,810	$ 6,335,868

1. ¥2,028 million (U.S.$ 15,252 thousand) and ¥2,221 million of reserve for credit losses corresponding to "Monetary assets held in trust" are deducted as of March 31, 2023 and 2022, respectively.
2. At the end of March 31, 2023 and 2022, ¥69,487 million (U.S.$ 522,386 thousand) and ¥75,819 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," ¥30,569 million (U.S. $ 229,811 thousand) and ¥31,635 million of reserve for losses on interest repayments are recognized to prepare for estimated losses arising from reimbursement of excess interest payments. A portion of this reserve is for losses on interest repayments that have a possibility of being appropriated for loan principal in the future.
3. ¥15,279 million (U.S. $ 114,870 thousand) and ¥15,014 million of deferred gains on installment receivables and ¥18,123 million (U.S. $ 136,244 thousand) and ¥15,218 million of reserve for credit losses corresponding to "Installment receivables" are deducted as of March 31, 2023 and 2022, respectively.
4. At the end of March 31, 2023 and 2022, ¥1,077 million (U.S. $8,100 thousand) and ¥1,309 million of reserves for credit losses corresponding to "Lease receivables and leased investment assets" are deducted. ¥5,598 million (U.S. $ 42,091 thousand) and ¥5,291 million of estimated residual value of "Lease receivables and leased investment assets" arising from finance lease transactions, where the ownership of the property is not deemed to transfer to the lessee, are deducted from leased investment assets.
5. The "Contract amount" for "Guarantee contracts" presents the amount of "Acceptances and guarantees" on the consolidated balance sheet.

39. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED) CONSOLIDATED

(Note 1) Description of the valuation techniques and inputs used to measure fair value

Assets

Other monetary claims purchased

The fair values of securitized products are measured at quoted prices from third parties, and they are categorized as Level 3 because the impact of unobservable inputs to measure the fair value is significant.

The fair values of other transactions are, in principle, based on methods similar to the methods applied to "Loans and bills discounted," and for short-term transactions, the carrying amounts are used as the fair values as they approximate their fair values. They are categorized as Level 3.

Trading assets

The fair values of bonds and other securities held for trading are measured at market prices or quoted prices from third parties or determined using the discounted cash flow method.

The fair values of such bonds and other securities are categorized as Level 1 if an unadjusted price in active markets is available. Japanese national government bonds are mainly included in it.

The fair values of such bonds and other securities are categorized as Level 2 if a quoted price in inactive markets is used. Corporate bonds are mainly included in it.

Monetary assets held in trust

The fair values of monetary assets held in trust are determined using the discounted cash flow method based on the characteristics of the components of the trust assets. They are categorized as Level 3 if the impact of unobservable inputs to measure the fair values is significant; otherwise, they are categorized as Level 2. Refer to Note 7 "MONETARY ASSETS HELD IN TRUST" for monetary assets held in trust being held to maturity and others.

Securities

The fair values of securities are categorized as Level 1 if an unadjusted quoted price in active markets is available. Equity securities and Japanese national government bonds are mainly included in it.

The fair values of securities are categorized as Level 2 if a quoted price in inactive market is used. Foreign securities are mainly included in it.

In addition, the fair values of nonmarketable investment trusts are based on the net asset value per share if there are no material restrictions that would require compensation for the risk from market participants with respect to cancellation or repurchase requests. They are mainly categorized as Level 2.

The fair values of privately placed bonds are determined by discounting total amounts of principal and interest etc. at discount rate that reflects risk factors like credit risk for each category based on the internal credit rating and period. They are categorized as Level 3 if the impact of unobservable inputs to measure the fair values is significant; otherwise, they are categorized as Level 2.

In principle, the fair values of securitized products are based on valuations obtained from independent third parties. They are categorized as Level 3 if the impact of unobservable inputs to measure the fair values is significant; otherwise, they are categorized as Level 2.

Notes for securities being held to maturity and others are disclosed in Note 8 "SECURITIES."

39. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED) CONSOLIDATED

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 and an adjusted discount rate by considering risk premiums that other market participants need. They are categorized as Level 3 if the impact of unobservable inputs to measure the fair values is significant; otherwise, they are categorized as Level 2. The fair values of housing loans are determined by discounting expected cash flows at a discount rate that consist of the risk-free rate and spread that would be applied for the new housing loans with the same terms at the consolidated balance sheet date. The fair values of consumer loans are determined by discounting cash flows that is expected based on actual principal and interest recovery rates at an adjusted discount rate that is considered the quoted indicators published by industry groups, etc. by a group of similar product types and customer segments. Regarding loans to obligors categorized as “legally bankrupt,” “virtually bankrupt” or “possibly bankrupt,” their fair values are measured at carrying amounts net of reserves for loan losses because the fair values of those loans approximate the carrying amounts net of reserves for loan losses as of the consolidated balance sheet date, which are calculated based on the discounted cash flow method or based on amounts which are expected to be collected through the disposal of collateral or execution of guarantees. They are categorized as Level 3.

Installment receivables

The fair values are primarily determined by discounting expected cash flows that reflect the probability of prepayment at the rates that would be applied for the new contracts and adjusted discount rates that is considered risk premiums that other market participants need, by major product category groups. They are categorized as Level 3 if the impact of unobservable inputs to measure the fair values is significant; otherwise, they are categorized as Level 2.

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 and an adjusted discount rate that is considered risk premiums that other market participants need, by major product category groups. They are categorized as Level 3 if the impact of unobservable inputs to measure the fair values is significant; otherwise, they are categorized as Level 2.

Liabilities

Deposits, including negotiable certificates of deposit

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

Borrowed money

The fair values of borrowed money with fixed interest rates are primarily determined by discounting contractual cash flows (for borrowed money hedged by interest rate swaps which meet specific matching criteria, the contractual cash flows include the cash flows of the interest rate swaps), and the fair values of borrowed money with floating interest rates are determined by discounting expected cash flows on forward rates as of the consolidated balance sheet date, at the funding rates that reflect the credit risk of the bank and its consolidated subsidiaries. Nevertheless, the fair values of borrowed money whose remaining maturities are one year or less approximate the carrying amounts. They are categorized as Level 3 if the impact of unobservable inputs to measure the fair value is significant; otherwise, they are categorized as Level 2.

Corporate bonds

The fair values of marketable corporate bonds are measured at market prices. They are categorized as Level 2.

39. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED) CONSOLIDATED

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 (hereinafter CVA) and the debt valuation adjustment (hereinafter DVA). In calculation of CVA/DVA, CDS spread which is observed in market or probability of default which is measured at estimated spread is considered. Credit risk mitigation by collateral pledged and risk mitigation by netting exposures are also considered.

Listed derivative transactions are mainly categorized as Level 1. Over-the-counter derivative transactions are categorized as Level 2 if observable inputs are available or the impact of unobservable inputs to measure the fair value is not significant.

If the impact of unobservable inputs to measure the fair values is significant, they are categorized as Level 3.

Other

Guarantee contracts

The fair values are determined by discounting the amount of difference between the future cash flows based on the original contracts and the adjusted future cash flows that is considered risk premiums that other market participants need, expected from guarantee contracts that would have been newly entered into on similar terms as of the end of the period. They are categorized as Level 3.

Additional Information

The change of part of the inputs which are used to the fair value measurement

As a result of a review to unify the inputs used in the fair value measurement of financial instruments in SBI Group, the Group changed certain inputs, which are used to the fair value measurement of “Loans and bills discounted,” “Installment receivables,” “Lease receivables and leased investment assets” and “Guarantee contracts” (hereinafter referred to as the “Loans and bills discounted,” etc.) in financial instruments other than those measured at fair value on the consolidated balance sheet at the end of the fiscal year ended March 31, 2023.

In the discounted cash flow method used to measure the fair value of the “Loans and bills discounted,” etc., cash flow or discount rate are estimated and adjusted to include risk premiums that market participants would require. From the end of the fiscal year ended March 31, 2023, the Group decided that the adjustment was done under the unified policies determined by SBI Group and has taken into account available information such as data observed in the market that the other market participants would use.

As a result, “Loans and bills discounted” decreased by ￥72,322 million (U.S.$ 543,696 thousand), “Installment receivables” decreased by ￥25,963 million (U.S.$ 195,185 thousand), “Lease receivables and leased investment assets” decreased by ￥2,368 million (U.S.$ 17,805 thousand) and “Guarantee contracts” decreased ￥47,832 million (U.S.$ 359,589 thousand) as the impact on fair value at the end of the fiscal year ended March 31, 2023. The change is related to financial instruments other than those measured at fair value on the consolidated balance sheet, and there is no impact on the consolidated balance sheet and the consolidated statement of income due to the change.

39. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED) CONSOLIDATED

(Note 2) Information about the Level 3 fair value of financial instruments measured at fair values on the consolidated balance sheet

(1) Quantitative information on significant unobservable inputs as of March 31, 2023 and 2022

March 31, 2023	Valuation technique	Significant unobservable inputs	Range	Weighted average
Other monetary claims purchased	Discounted cash flow	Prepayment rate	**0.1%–14.2%**	**0.6%**
		Probability of default	**0.4%–0.7%**	**0.4%**
		Recovery rate	**0.0%–30.0%**	**1.0%**
		Discount rate	**0.8%–16.9%**	**1.3%**
Monetary assets held in trust	Discounted cash flow	Prepayment rate	**0.0%–27.5%**	**6.5%**
		Probability of default	**0.0%–2.0%**	**1.4%**
		Recovery rate	**30.0%–100.0%**	**86.9%**
		Discount rate	**0.3%–19.4%**	**1.0%**
Securities				
Other securities	Discounted cash flow	Prepayment rate	**0.0%–21.9%**	**18.8%**
		Probability of default	**0.0%–2.6%**	**1.8%**
		Recovery rate	**0.0%–100.0%**	**69.1%**
		Discount rate	**0.6%–8.6%**	**1.4%**
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%**	**–**

March 31, 2022	Valuation technique	Significant unobservable inputs	Range	Weighted average
Other monetary claims purchased	Discounted cash flow	Prepayment rate	13.0%	13.0%
		Probability of default	0.7%	0.7%
		Recovery rate	30.0%	30.0%
		Discount rate	4.0%–16.9%	11.0%
Monetary assets held in trust	Discounted cash flow	Prepayment rate	0.0%–23.6%	7.5%
		Probability of default	0.0%–2.4%	1.6%
		Recovery rate	30.0%–100.0%	84.4%
		Discount rate	1.3%–19.3%	1.3%
Securities				
Other securities	Discounted cash flow	Prepayment rate	1.1%–24.3%	18.2%
		Probability of default	0.0%–2.0%	1.6%
		Recovery rate	0.0%–100.0%	62.1%
		Discount rate	0.9%–1.9%	1.3%
Derivative instruments				
Interest rate-related	Discounted cash flow	Correlation between interest rates	29.0%–85.0%	–
	Option valuation model	Correlation between interest rate and foreign exchange rate	8.0%–38.0%	–
		Recovery rate	35.0%–74.0%	–
Currency -related	Discounted cash flow	Recovery rate	35.0%–74.0%	–

39. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED) CONSOLIDATED

(2) Reconciliation between the beginning and ending balance, and net unrealized gains (losses) recognized in the earnings of the current period as of March 31, 2023 and 2022

March 31, 2023

Categorization	Other monetary claims purchased	Trading assets	Monetary assets held in trust	Securities	Total	Derivative instruments	Interest rate-related	Currency-related
	Millions of yen							
Beginning balance	**¥ 9,550**	**¥ –**	**¥ 159,948**	**¥ 186,136**	**¥ 355,635**	**¥ 4,527**	**¥ 10,508**	**¥ (5,980)**
Earnings of the period[1]	**61**	**–**	**1,219**	**5,309**	**6,590**	**(22,277)**	**(21,180)**	**(1,097)**
Other comprehensive income[2]	**(57)**	**–**	**1,499**	**990**	**2,433**	**–**	**–**	**–**
Net amount of purchase, sale, issuance and settlement	**2,787**	**–**	**(10,096)**	**(10,938)**	**(18,247)**	**(2,267)**	**(2,524)**	**256**
Transfer into Level 3	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Transfer out of Level 3	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Ending balance	**12,342**	**–**	**152,570**	**181,498**	**346,411**	**(20,017)**	**(13,196)**	**(6,821)**
Net unrealized gains(losses) on financial assets and liabilities held at the consolidated balance sheet date among the amount recognized in the earnings of the current period[1]	**(39)**	**–**	**(20)**	**–**	**(60)**	**(24,996)**	**(23,318)**	**(1,678)**

1. The amounts shown in the table above are included in the consolidated statements of income.
2. The amounts shown in the table above are included in "Unrealized gains (loss) available-for-sale securities" under "Other comprehensive income" in the consolidated statements of comprehensive income.

March 31, 2022

Categorization	Other monetary claims purchased	Trading assets	Monetary assets held in trust	Securities	Total	Derivative instruments	Interest rate-related	Currency-related
	Millions of yen							
Beginning balance	¥ 21,214	¥ –	¥ 158,208	¥ 173,853	¥ 353,277	¥ 19,799	¥ 22,107	¥ (2,308)
Earnings of the period[1]	222	–	1,317	6,629	8,169	(11,262)	(7,478)	(3,784)
Other comprehensive income[2]	(174)	–	207	(685)	(653)	–	–	–
Net amount of purchase, sale, issuance and settlement	(11,712)	–	214	6,029	(5,467)	(4,009)	(4,121)	111
Transfer into Level 3[3]	–	–	–	40,724	40,724	–	–	–
Transfer out of Level 3[4]	–	–	–	(40,663)	(40,663)	–	–	–
Ending balance	9,550	–	159,948	185,888	355,387	4,527	10,508	(5,980)
Net unrealized gains(losses) on financial assets and liabilities held at the consolidated balance sheet date among the amount recognized in the earnings of the current period[1]	38	–	37	(397)	(320)	(15,193)	(11,145)	(4,047)

1. The amounts shown in the table above are included in the consolidated statements of income.
2. The amounts shown in the table above are included in "Unrealized gains (loss) available-for-sale securities" under "Other comprehensive income" in the consolidated statements of comprehensive income.
3. A transfer from Level 2 to Level 3 is due to shortage of observable market data mainly caused by a decrease in market activities about some foreign securities. The transfer was made at the beginning of the fiscal year ended March 31, 2022.
4. A transfer from Level 3 to Level 2 is due to the availability of observable market data about some foreign securities. The transfer was made at the beginning of the fiscal year ended March 31,2022.

39. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED) CONSOLIDATED

March 31, 2023

Categorization	Other monetary claims purchased	Trading assets	Monetary assets held in trust	Securities	Total	Derivative instruments	Interest rate-related	Currency-related
	Thousands of U.S. dollars							
Beginning balance	$ 71,797	$ –	$ 1,202,436	$ 1,399,315	$ 2,673,548	$ 34,037	$ 78,997	$ (44,960)
Earnings of the period[1]	462	–	9,169	39,917	49,549	(167,477)	(159,225)	(8,251)
Other comprehensive income[2]	(431)	–	11,273	7,449	18,291	–	–	–
Net amount of purchase, sale, issuance and settlement	20,957	–	(75,900)	(82,235)	(137,178)	(17,047)	(18,978)	1,932
Transfer into Level 3	–	–	–	–	–	–	–	–
Transfer out of Level 3	–	–	–	–	–	–	–	–
Ending balance	92,786	–	1,146,978	1,364,446	2,604,209	(150,486)	(99,206)	(51,280)
Net unrealized gains (losses) on financial assets and liabilities held at the consolidated balance sheet date among the amount recognized in the earnings of the current period[1]	(297)	–	(154)	–	(452)	(187,916)	(175,301)	(12,615)

1. The amounts shown in the table above are included in the consolidated statements of income.
2. The amounts shown in the table above are included in "Unrealized gains (loss) available-for-sale securities" under "Other comprehensive income" in the consolidated statements of comprehensive income.

(3) Description of the fair value valuation process

At the Group, the Integrated Risk Management Division, the middle office unit establishes policies and procedures for the calculation of fair value, and the front division develops valuation models in accordance with such policies and procedures. The middle division verifies the reasonableness of the fair value valuation models, the inputs used, and the middle division also verifies the categorization of fair value level based on the verification results of the model and inputs. If quoted prices obtained from third parties are used, those values are verified by confirming the valuation technique and the inputs used by the third parties or comparison with the fair values of similar financial instruments.

(4) Description of the sensitivity of the fair value to changes in significant unobservable inputs

Prepayment rate

Prepayment rate is proportion of principals estimated to be prepaid and it is an estimate calculated on the past record of prepayment. In general, a significant change in prepayment rate would result in a significant increase or decrease in a fair value according to the contractual terms and conditions.

Probability of default

Probability of default represents the likelihood that the default will occur and contract amounts will be unrecoverable. A significant increase (decrease) in the default rate would result in a significant decrease (increase) in a fair value.

Recovery rate

Recovery rate is proportion of contractual amount estimated to be recovered in the case of default. In general, a significant increase (decrease) in the recovery rate would result in a significant decrease (increase) in a fair value.

Discount rate

Discount rate is an adjustment rate regarding base market interest rate, and it is constituted from risk premium that market participants need against uncertainty of cash flow produced mainly by credit risks.

A significant increase (decrease) in the discount rate would generally result in a significant decrease (increase) in a fair value.

Correlation

Correlation is an indicator of the relation between two variables. A significant change in correlation can cause a significant increase (decrease) in a fair value of derivative according to nature of underlying asset.

39. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED) CONSOLIDATED

(Note 3) Carrying amount of "Nonmarketable equity securities and others" and "Investment in partnerships and others" were as follows, and these are not included in the above "Securities" which are disclosed at tables in fair value of financial instruments and breakdown by input level.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Nonmarketable equity securities and others[1,3]	¥ 35,248	¥ 21,607	$ 264,989
Investments in partnerships and others[2,3]	35,478	31,016	266,718
Total	¥ 70,727	¥ 52,624	$ 531,707

1. "Nonmarketable equity securities and others" including non-listed equity securities are out of the scope of fair values disclosure according to Paragraph 5 of the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19, March 31, 2020).
2. "Investment in partnerships and others" including investments in silent partnership and investment partnership are out of the scope of fair values disclosure according to Paragraph 24-16 of the "Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31, June 17, 2021).
3. For the fiscal years ended March 31, 2023 and 2022, impairment losses on "Nonmarketable equity securities and others" of ¥100 million (U.S.$ 759 thousand), and ¥1,144 million, and on "Investment in partnerships and others" of ¥656 million (U.S.$ 4,939 thousand) and ¥573 million were recognized, respectively.

(Note 4) Redemption schedule of monetary claims and securities with contractual maturities

As of March 31, 2023	Millions of yen 1 year or less	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
Due from banks	¥ 1,988,277	¥ –	¥ –	¥ –
Call loans	28,302	–	–	–
Other monetary claims purchased	14,772	1,402	7,089	14,839
Securities				
Held-to-maturity	–	–	47,898	307,005
Available-for-sale	555,754	49,914	57,224	273,948
Loans and bills discounted	1,734,801	1,618,767	1,196,951	2,290,132
Installment receivables	223,156	314,004	218,982	284,394
Lease receivables and leased investment assets	53,581	85,681	43,182	26,019
Total	¥ 4,598,646	¥ 2,069,771	¥ 1,571,329	¥ 3,196,340

As of March 31, 2022	Millions of yen 1 year or less	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
Due from banks	¥ 1,620,751	¥ –	¥ –	¥ –
Other monetary claims purchased	13,100	–	11,097	6,830
Securities				
Held-to-maturity	5,000	–	–	105,000
Available-for-sale	63,923	93,040	107,102	224,235
Loans and bills discounted	1,155,158	1,326,763	1,088,012	1,639,561
Installment receivables	209,833	281,009	185,018	250,834
Lease receivables and leased investment assets	51,823	73,613	39,271	26,129
Total	¥ 3,119,590	¥ 1,774,427	¥ 1,430,502	¥ 2,252,591

As of March 31, 2023	Thousands of U.S. dollars 1 year or less	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
Due from banks	$ 14,947,204	$ –	$ –	$ –
Call loans	212,765	–	–	–
Other monetary claims purchased	111,058	10,547	53,295	111,558
Securities				
Held-to-maturity	–	–	360,083	2,307,967
Available-for-sale	4,177,977	375,237	430,195	2,059,453
Loans and bills discounted	13,041,658	12,169,358	8,998,285	17,216,455
Installment receivables	1,677,620	2,360,580	1,646,238	2,137,984
Lease receivables and leased investment assets	402,808	644,127	324,634	195,607
Total	$ 34,571,090	$ 15,559,849	$ 11,812,729	$ 24,029,025

Note: The financial instruments whose cash flow cannot be reliably estimated such as loans and bills discounted to obligors of "legally bankrupt," "virtually bankrupt" and "possibly bankrupt," and the financial instruments with no contractual maturity are not included in the tables above.

39. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED) CONSOLIDATED

(Note 5) Redemption schedule of corporate bonds, borrowed money and other interest-bearing debts

As of March 31, 2023	Millions of yen 1 year or less	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
Deposits, including negotiable certificate of deposit[1]	**¥ 9,404,218**	**¥ 343,627**	**¥ 119,515**	**¥ 114,937**
Call money	**7,648**	**–**	**–**	**–**
Payables under repurchase agreements	**–**	**–**	**–**	**–**
Payables under securities lending transactions	**220,099**	**–**	**–**	**–**
Borrowed money	**176,852**	**160,537**	**205,782**	**63,919**
Short-term corporate bonds	**33,500**	**–**	**–**	**–**
Corporate bonds	**80,000**	**255,672**	**–**	**31,398**
Total	**¥ 9,922,319**	**¥ 759,837**	**¥ 325,297**	**¥ 210,255**

As of March 31, 2022	Millions of yen 1 year or less	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
Deposits, including negotiable certificate of deposit[1]	¥ 5,737,766	¥ 332,160	¥ 213,903	¥ 114,237
Call money	3,654	–	–	–
Payables under repurchase agreements	9,567	–	–	–
Payables under securities lending transactions	237,530	–	–	–
Borrowed money	652,502	182,540	67,269	76,112
Short-term corporate bonds	189,200	–	–	–
Corporate bonds	30,000	295,334	30,000	24,770
Total	¥ 6,860,221	¥ 810,034	¥ 311,172	¥ 215,119

As of March 31, 2023	Thousands of U.S. dollars 1 year or less	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
Deposits, including negotiable certificate of deposit[1]	**$ 70,697,776**	**$ 2,583,276**	**$ 898,475**	**$ 864,058**
Call money	**57,500**	**–**	**–**	**–**
Payables under repurchase agreements	**–**	**–**	**–**	**–**
Payables under securities lending transactions	**1,654,638**	**–**	**–**	**–**
Borrowed money	**1,329,522**	**1,206,868**	**1,547,006**	**480,524**
Short-term corporate bonds	**251,842**	**–**	**–**	**–**
Corporate bonds	**601,413**	**1,922,058**	**–**	**236,046**
Total	**$ 74,592,691**	**$ 5,712,202**	**$ 2,445,480**	**$ 1,580,628**

1. The cash flow of demand deposits is included in "1 year or less."

40. DERIVATIVE FINANCIAL INSTRUMENTS

CONSOLIDATED

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

(a) INTEREST RATE-RELATED TRANSACTIONS

Interest rate-related transactions as of March 31, 2023 and 2022 were as follows:

	Millions of yen							
	2023				2022			
	Contract/Notional principal				Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Futures contracts (listed):								
Sold	**¥ –**	**¥ –**	**¥ –**	**¥ –**	¥ –	¥ –	¥ –	¥ –
Bought	**–**	**–**	**–**	**–**	–	–	–	–
Interest rate options (listed):								
Sold	**–**	**–**	**–**	**–**	–	–	–	–
Bought	**–**	**–**	**–**	**–**	–	–	–	–
Interest rate swaps (over the counter):								
Receive fixed and pay floating	**4,125,486**	**3,616,444**	**(26,902)**	**(26,902)**	4,278,978	3,592,840	49,883	49,883
Receive floating and pay fixed	**3,719,871**	**3,272,066**	**26,161**	**26,161**	4,058,271	3,272,288	(42,166)	(42,166)
Receive floating and pay floating	**2,196,505**	**2,017,361**	**(1,082)**	**(1,082)**	4,939,538	2,038,759	(2,563)	(2,563)
Receive fixed and pay fixed	**1,000**	**1,000**	**1**	**1**	1,000	1,000	1	1
Interest rate swaptions (over the counter):								
Sold	**351,660**	**289,660**	**(1,486)**	**(1,437)**	435,800	290,700	(443)	(394)
Bought	**379,257**	**357,957**	**16,118**	**15,990**	299,691	279,591	7,989	7,861
Interest rate options (over the counter):								
Sold	**16,923**	**15,923**	**(169)**	**(103)**	16,049	16,049	(118)	(52)
Bought	**19,539**	**19,539**	**168**	**168**	22,958	22,958	176	176
Total			**¥ 12,809**	**¥ 12,796**			¥ 12,759	¥ 12,746

	Thousands of U.S. dollars			
	2023			
	Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**
Futures contracts (listed):				
Sold	**$ –**	**$ –**	**$ –**	**$ –**
Bought	**–**	**–**	**–**	**–**
Interest rate options (listed):				
Sold	**–**	**–**	**–**	**–**
Bought	**–**	**–**	**–**	**–**
Interest rate swaps(over the counter):				
Receive fixed and pay floating	**31,014,029**	**27,187,226**	**(202,245)**	**(202,245)**
Receive floating and pay fixed	**27,964,756**	**24,598,304**	**196,677**	**196,677**
Receive floating and pay floating	**16,512,597**	**15,165,851**	**(8,136)**	**(8,136)**
Receive fixed and pay fixed	**7,518**	**7,518**	**11**	**11**
Interest rate swaptions (over the counter):				
Sold	**2,643,663**	**2,177,567**	**(11,175)**	**(10,807)**
Bought	**2,851,128**	**2,691,005**	**121,173**	**120,210**
Interest rate options (over the counter):				
Sold	**127,223**	**119,706**	**(1,273)**	**(778)**
Bought	**146,888**	**146,888**	**1,264**	**1,264**
Total			**$ 96,297**	**$ 96,197**

Note:

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

40. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED) CONSOLIDATED

(b) CURRENCY-RELATED TRANSACTIONS

Currency-related transactions as of March 31, 2023 and 2022 were as follows:

	Millions of yen							
	2023				2022			
	Contract/Notional principal				Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Currency swaps (over the counter)	**¥ 662,063**	**¥ 553,257**	**¥ 5,621**	**¥ 5,621**	¥ 626,629	¥ 594,299	¥ 1,325	¥ 1,325
Forward foreign exchange contracts (over-the-counter):								
Sold	**1,131,245**	**171,569**	**(17,980)**	**(17,980)**	1,169,078	159,593	(41,154)	(41,154)
Bought	**510,833**	**132,152**	**14,645**	**14,645**	651,049	112,291	37,575	37,575
Currency options (over the counter):								
Sold	**577,459**	**327,408**	**(23,626)**	**(2,385)**	574,984	311,326	(19,236)	1,822
Bought	**530,054**	**325,995**	**12,398**	**(1,031)**	514,465	291,249	9,162	(5,267)
Total			**¥ (8,942)**	**¥ (1,130)**			¥ (12,327)	¥ (5,698)

	Thousands of U.S. dollars			
	2023			
	Contract/Notional principal			
	Total	**Maturity over 1 year**	**Fair value**	**Unrealized gain (loss)**
Currency swaps (over the counter)	**$ 4,977,171**	**$ 4,159,209**	**$ 42,263**	**$ 42,263**
Forward foreign exchange contracts (over the counter):				
Sold	**8,504,328**	**1,289,800**	**(135,171)**	**(135,171)**
Bought	**3,840,276**	**993,482**	**110,098**	**110,098**
Currency options (over the counter):				
Sold	**4,341,148**	**2,461,348**	**(177,619)**	**(17,935)**
Bought	**3,984,776**	**2,450,726**	**93,206**	**(7,752)**
Total			**$ (67,224)**	**$ (8,497)**

Note:

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

40. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED) CONSOLIDATED

(c) BOND-RELATED TRANSACTIONS

Bond-related transactions as of March 31, 2023 and 2022 were as follows:

	Millions of yen							
	2023				2022			
	Contract/Notional principal				Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Bond futures (listed):								
Sold	¥ 19,620	¥ –	¥ (193)	¥ (193)	¥ 5,514	¥ –	¥ 50	¥ 50
Bought	5,924	–	0	0	8,232	–	(50)	(50)
Bond options (listed):								
Sold	–	–	–	–	–	–	–	–
Bought	–	–	–	–	–	–	–	–
Total			¥ (192)	¥ (192)			¥ 0	¥ 0

	Thousands of U.S. dollars			
	2023			
	Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Bond futures (listed):				
Sold	$ 147,500	$ –	$ (1,452)	$ (1,452)
Bought	44,538	–	3	3
Bond options (listed):				
Sold	–	–	–	–
Bought	–	–	–	–
Total			$ (1,449)	$ (1,449)

Note:

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

(d) CREDIT DERIVATIVES TRANSACTIONS

Credit derivatives transactions as of March 31, 2023 and 2022 were as follows:

	Millions of yen							
	2023				2022			
	Contract/Notional principal				Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Credit default option (over the counter):								
Sold	¥ 19,000	¥ 18,500	¥ (93)	¥ (93)	¥ 32,500	¥ 19,000	¥ 381	¥ 381
Bought	19,000	18,500	576	576	32,500	19,000	213	213
Total			¥ 483	¥ 483			¥ 595	¥ 595

	Thousands of U.S. dollars			
	2023			
	Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Credit default option (over the counter):				
Sold	$ 142,836	$ 139,077	$ (703)	$ (703)
Bought	142,836	139,077	4,337	4,337
Total			$ 3,634	$ 3,634

Notes:

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

(2) “Sold” stands for accepting credit risk and “Bought” stands for transferring credit risk.

40. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED) CONSOLIDATED

(B) DERIVATIVE TRANSACTIONS TO WHICH HEDGE ACCOUNTING WAS APPLIED

(a) INTEREST RATE-RELATED TRANSACTIONS

Interest rate-related transactions, which are accounted for using the deferral method, as of March 31, 2023 and 2022 were as follows:

	Millions of yen					
	2023			2022		
	Contract/Notional principal			Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**	Total	Maturity over 1 year	Fair value
Interest rate swaps:						
Receive fixed and pay floating	**¥ 93,000**	**¥ 93,000**	**¥ (2,173)**	¥ 93,000	¥ 93,000	¥ (471)
Receive floating and pay fixed	**425,401**	**424,401**	**(4,410)**	141,788	141,788	(9,187)
Total			**¥ (6,584)**			¥ (9,658)

	Thousands of U.S. dollars		
	2023		
	Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**
Interest rate swaps:			
Receive fixed and pay floating	**$ 699,143**	**$ 699,143**	**$ (16,342)**
Receive floating and pay fixed	**3,198,025**	**3,190,508**	**(33,160)**
Total			**$ (49,502)**

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.

40. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED) CONSOLIDATED

Interest rate swaps, which meet specific matching criteria, as of March 31, 2023 and 2022 were as follows:

	Millions of yen					
	2023			2022		
	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	**¥ 1,000**	**¥ –**		¥ 14,803	¥ 1,803	

	Thousands of U.S. dollars		
	2023		
	Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**
Interest rate swaps:			
Receive fixed and pay floating	**$ –**	**$ –**	
Receive floating and pay fixed	**$ 7,518**	**$ –**	

Notes:

(1) The hedged items are borrowed money as of March 31, 2023 and loans and bills discounted and borrowed money as of March 31, 2022.

(2) Interest rate swaps which meet specific matching criteria are accounted for as component of hedged borrowed money as of March 31, 2023 and as component of hedged loans and bills discounted and borrowed money as of March 31,2022. Therefore, the fair value of those interest rate swaps is included in the fair value of borrowed money in fair value information shown in Note 39 “FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES.” as of March 31 ,2023 and the fair value of loans and bills discounted and borrowed money in fair value information shown in Note 39 “FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES.” as of March 31,2022.

Interest rate-related transactions, which are accounted for using the cash flow hedge method, as of March 31, 2023 and 2022 were as follows:

	Millions of yen					
	2023			2022		
	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	**¥ 18,886**	**¥ 10,492**	**¥ (843)**	¥ 25,941	¥ 17,687	¥ (297)
Receive floating and pay fixed	**158,474**	**102,234**	**5,739**	147,472	101,092	2,647
Total			**¥ 4,896**			¥ 2,350

	Thousands of U.S. dollars		
	2023		
	Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**
Interest rate swaps:			
Receive fixed and pay floating	**$ 141,982**	**$ 78,879**	**$ (6,344)**
Receive floating and pay fixed	**1,191,359**	**768,567**	**43,151**
Total			**$ 36,807**

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.

40. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED) CONSOLIDATED

(b) CURRENCY-RELATED TRANSACTIONS

Currency-related transactions, which are accounted for using the deferral method, as of March 31, 2023 and 2022 were as follows:

	Millions of yen					
	2023			2022		
	Contract/Notional principal			Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**	Total	Maturity over 1 year	Fair value
Currency swaps	**¥ 540,445**	**¥ 399,186**	**¥ (52,530)**	¥ 441,314	¥ 356,418	¥ (34,958)

	Thousands of U.S. dollars		
	2023		
	Contract/Notional principal		
	Total	**Maturity over 1 year**	**Fair value**
Currency swaps	**$ 4,062,889**	**$ 3,000,948**	**$ (394,905)**

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.

41. SUBSEQUENT EVENTS — CONSOLIDATED

(A) DIVIDENDS

The following appropriation of retained earnings of the Bank for the fiscal year ended March 31, 2023 was approved at the meeting of the Board of Directors held on May 12, 2023:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, common stock, ¥12.00 (U.S.$0.1) per share	**¥ 2,449**	**$ 18,416**

(B) Business combination under common control (Establishment of the intermediate holding company)

The Bank and SBI Holdings, Inc., the parent company, have established SBI PE Holdings Co., Ltd., a consolidated subsidiary of SBI Holdings, Inc. (i.e., the Bank's sister company), as a new intermediate holding company on May 1, 2023 through joint share transfer based on a Business Integration Agreement concluded on March 23, 2023 with SBI Holdings, Inc., related to organizational restructuring of Shinsei Corporate Investment Limited (hereinafter referred to as "Shinsei Corporate Investment"), the Bank's consolidated subsidiary, and SBI Investment Co., Ltd. (hereinafter referred to as "SBI Investment"), the Bank's sister company.

(a) Outline of the transaction

(i) Name and business description of the parties to the business combination
Wholly owned subsidiaries through joint share transfer
Shinsei Corporate Investment (Business: Private equity)
SBI Investment (Business: Venture capital fund management)

(ii) Date of the business combination
May 1, 2023

(iii) Legal form of the business combination
Establishment of the intermediate holding company through joint share transfer

(iv) Name of the company after the business combination
SBI PE Holdings Co., Ltd.

(v) Other matters concerning the outline of the transaction
The share transfer aims to further strengthen the Private equity business of the SBI Group by thoroughly pursuing synergies between Shinsei Corporate Investment, which has strengths in joint fund management with partners, etc., and SBI Investment, which has extensive in investing in venture companies in Japan and overseas.

(b) Overview of the accounting treatment

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

INDEPENDENT AUDITORS' REPORT

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of SBI Shinsei Bank, Limited:

Opinion

We have audited the consolidated financial statements of SBI Shinsei Bank, Limited (formerly, Shinsei Bank, Limited) and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Member of
Deloitte Touche Tohmatsu Limited

Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
Determination of reserve for credit losses	
Refer to Note 2, "Summary of Significant Accounting Policies and Estimates, (N) Reserve for credit losses, (AF) Significant Accounting Estimates, (a) Reserve for credit losses"	
SBI Shinsei Bank, Limited (the "Bank") assesses all claims, including loans and bills discounted, by its sales promotion divisions and credit analysis divisions in accordance with the predetermined internal rules for self-assessment of asset quality. The risk management division, which is independent of the sales promotion divisions and the credit analysis divisions, conducts verifications of these assessments. Based on the assessments, the Bank records a reserve for credit losses. As of March 31, 2023, the claims including loans and bills discounted were 6,888.8 billion yen and the reserve for credit losses for the claims was 118.4 billion yen on the consolidated balance sheet. In making the accounting estimates, the Bank expects that the impacts of the novel coronavirus on economic activities have largely been abated and the impacts on the credit risk of loans and claims to certain obligors will continue for a few more years even though the extent of the impacts has been reduced. Based on this expectation, the Bank assumes that the credit risk of loans and claims to certain obligors will be affected significantly with different degrees of impacts for each obligor. Regarding real estate non-recourse loans included in loans and claims of the Bank, the obligor classification depends on the valuation of the underlying real estate properties, which is based on assumptions, such as income, vacancy rates and discount rates. As for the underlying real estate properties of hotels that have been severely affected by the impacts of the novel coronavirus on economic activities, the Bank has reflected forecasts of future trends in income and other factors for the assumptions used in the valuation of the properties. Forecasting such trends involves a high degree of subjective judgment by management. As of March 31, 2023, the Bank changed the assumption regarding which underlying real estate properties (hotels and commercial properties) has been severely affected by the impacts of the novel coronavirus on economic activities and the impacts will continue for a few more years in light of the current situation. In addition, the Bank determines the obligor classification for individual obligors whose business performance continues to deteriorate due to the impacts of the novel coronavirus on economic activities by evaluating the likelihood of future deterioration or recovery of business conditions and business continuity. The likelihood of future deterioration or recovery of business conditions and business continuity are affected by changes in the internal and external economic environment of the company.	Our audit procedures for the key audit matter included the following, among others: • We evaluated the effectiveness of the controls over the verification procedures by the credit analysis divisions for the first assessment of the sales promotion divisions and the verification procedures by the risk management divisions for the verification results in accordance with the Bank's internal rules for self-assessment of asset quality. In addition, as for the assessment of real estate non-recourse loans, we evaluated the effectiveness of the controls over the verification procedures conducted by the credit analysis divisions for the valuation of the underlying real estate properties in accordance with the Bank's valuation criteria. • We evaluated the effectiveness of the controls over the verification procedures by the credit analysis divisions for the results of the determination of the reserve for credit losses using the cash flow estimation method by the sales promotion divisions and the verification procedures by the risk management divisions for the verification results in accordance with the Bank's internal write-off reserve guidelines. • By comparing the Bank's assumption with external information such as economic outlook, we assessed whether the Bank's assumption that the impacts of the novel coronavirus on economic activities would continue for a few more years for certain obligors was not overly pessimistic or optimistic, or was considered to be reasonable even in the highly uncertain environment. • By inspecting the Bank's internal factor analyses of the most recent performance of the underlying real estate properties and inquiring of the responsible persons in the Bank, we assessed the Bank's assumption regarding the extent of underlying real estate properties that have been severely affected by the impacts of the novel coronavirus on economic activities and the impacts expected to continue for a few more years among the underlying real estate properties of real estate non-recourse loans of the Bank.

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Furthermore, the Bank determines the reserve for credit losses based on the future cash flows of large obligors whose credit amounts exceed a certain amount, obligors that are possibly bankrupt and substandard obligors whose cash flows related to the collection of principals and the receipt of interest (hereinafter referred to as the "Future Cash Flows") can be reasonably estimated. The Future Cash Flows are estimated by incorporating necessary adjustments to reflect future uncertainties based on business plans and other information. Such Future Cash Flows are affected by changes in the internal and external economic environments of the company, including recent fluctuations in prices, foreign exchange rates and interest rates in addition to the impacts of the novel coronavirus on economic activities. Therefore, the estimates involve high levels of uncertainty and high degree of subjective judgment of management. Accordingly, the assumptions used to determine the obligor classification of certain obligors and the reserve for credit losses, including future forecast regarding recent fluctuations in prices, foreign exchange rates and interest rates or the impacts of the novel coronavirus on economic activities are highly uncertain and subject to management's subjective judgments even though they are the best estimates at this point in time. Therefore, we identified the appropriateness of the obligor classification of certain obligors and the determination of reserve for credit losses including the assumptions as a key audit matter.	• With the assistance of our specialists on real estate valuation, we evaluated the appropriateness and consistency of the assumptions used in the valuation of the underlying real estate properties that have been severely affected by the impacts of the novel coronavirus on economic activities, such as trend forecasts of future in income and other factors and assessed the relevance and reliability of data used in such real estate valuation. • We assessed whether the obligor classification of certain obligors was appropriately determined by the Bank based on the assumptions regarding the impacts of the novel coronavirus on economic activities by inquiring of the responsible persons in the Bank and inspecting the Bank's internal analyses on the impacts of the novel coronavirus on economic activities and documents used to determine the obligor classifications as well as analyzing the obligors' business plans and other relevant information. • In light of changes in the internal and external economic environments of the company, including recent fluctuations in prices, foreign exchange rates and interest rates in addition to the impacts of the novel coronavirus on economic activities, we assessed the appropriateness of the method and assumptions used to estimate the Future Cash Flows, including any adjustments, of certain obligors, such as possibly bankrupt obligors and substandard obligors whose reserve for credit losses are determined based on the cash flow estimation method, by inquiring of the responsible persons in the Bank, inspecting the Bank's internal analyses, and analyzing the business plans of the obligors. In the assessment, we evaluated the appropriateness of the assumptions by comparing the estimation of the Bank with the results of our independent recalculation and by comparing the calculation basis of the Bank with available external information with the assistance of our specialists on real estate valuation and corporate valuation as well as the assistance of our specialists who have expertise in industries to which the obligors belong, as necessary.

Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
Determination of reserve for losses on interest repayments	
Refer to Note 2, "Summary of Significant Accounting Policies and Estimates, (T) Reserve for losses on interest repayments, (AF) Significant Accounting Estimates, (b) Reserve for losses on interest repayments"	
Certain consolidated subsidiaries of the Group provide for a reserve for losses on interest repayments. The reserve for losses on interest repayments amounted to 30.5 billion yen on the consolidated balance sheet as of March 31, 2023, of which 22.5 billion yen, or approximately 73%, was recorded by Shinsei Financial Co., Ltd. ("Shinsei Financial"), a wholly owned subsidiary. The Group reported a provision for the reserve for losses on interest repayments of 0.7 billion yen that consists of the provision recorded by Shinsei Financial of 0.3 billion yen and the provision recorded by other consolidated subsidiaries of 0.4 billion yen. In estimating the losses on interest repayments, Shinsei Financial used several calculation factors. Such factors include the population subject to reimbursements of excess interest payments (hereinafter referred to as the "Number of accounts"), the ratio of future expected reimbursement requests from customers represented by law firms and judicial scrivener firms to the population (hereinafter referred to as the "Intervention rate), and the expected amount of reimbursement to be requested per account. In addition, Shinsei Financial compares the forecasted figures of the above calculation factors at the end of the previous year with the actual figures at the end of the current year at the committee of Shinsei Financial and determines future forecasts after examining qualitative and quantitative factors that caused the difference between forecasts and actual results. The validity of the recorded amount of the reserve for losses on interest repayments is approved by the authorized persons specified in the internal rules. Shinsei Financial prepares the future forecasts based on the actual results in the past. As the assumptions related to the future trend of the calculation factors, especially the Number of accounts and the Intervention rate, are highly uncertain and involve significant judgment, we identified the future forecasts of the Number of accounts and the Intervention rate as a key audit matter.	Our audit procedures for the key audit matter included the following, among others: • We inspected the committee minutes and other related materials of Shinsei Financial and inquired of the attendees of the committee to evaluate whether Shinsei Financial compared the forecasts with the actual figures of the calculation factors underlying the estimated reserve for losses on interest repayments and analyzed the differences between the forecasts and the actual figures from both qualitative and quantitative points of view. • We tested the accuracy and completeness of the underlying data used by Shinsei Financial to estimate the reserve for losses on interest repayments. • We compared the Number of accounts for the future, which Shinsei Financial forecasted from the actual trend in the past, with the estimated number that we independently developed, and examined whether they are within the reasonable range. • We examined whether there were any significant changes in external environments, such as trends in the number of the cases represented by major law firms and judicial scrivener firms, in relation to the future Intervention rate that Shinsei Financial forecasted from the past trend. We also evaluated reasonableness of assumptions used by management and adjustment to actual results of Intervention rate.

Other Information

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Integrated report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

July 18, 2023

NONCONSOLIDATED BALANCE SHEET (UNAUDITED)

SBI Shinsei Bank, Limited
As of March 31, 2023

	Millions of yen		Thousands of U.S. dollars (Note)
	2023	2022	**2023**
ASSETS			
Cash and due from banks	**¥ 1,886,184**	¥ 1,514,510	**$ 14,179,706**
Call loans	**28,302**	–	**212,765**
Other monetary claims purchased	**17,805**	15,225	**133,859**
Trading assets	**166,646**	148,385	**1,252,791**
Monetary assets held in trust	**332,078**	299,893	**2,496,452**
Securities	**1,966,021**	1,104,839	**14,779,894**
Loans and bills discounted	**7,255,606**	5,279,626	**54,545,233**
Foreign exchanges	**73,862**	56,510	**555,275**
Other assets	**262,999**	281,119	**1,977,139**
Premises and equipment	**9,397**	10,149	**70,646**
Intangible assets	**21,649**	23,040	**162,750**
Prepaid pension cost	**10,021**	9,195	**75,341**
Deferred tax assets	**1,853**	546	**13,935**
Customers' liabilities for acceptances and guarantees	**226,145**	22,003	**1,700,086**
Reserve for credit losses	**(29,906)**	(38,149)	**(224,829)**
Total assets	**¥ 12,228,667**	¥ 8,726,897	**$ 91,931,043**
LIABILITIES AND EQUITY			
Liabilities:			
Deposits, including negotiable certificates of deposit	**¥ 10,164,185**	¥ 6,582,048	**$ 76,410,955**
Call money	**7,648**	3,654	**57,500**
Payables under repurchase agreements	**–**	9,567	**–**
Payables under securities lending transactions	**220,099**	237,530	**1,654,638**
Trading liabilities	**144,965**	128,032	**1,089,806**
Borrowed money	**230,567**	546,635	**1,733,328**
Foreign exchanges	**2,579**	1,905	**19,391**
Corporate bonds	**140,000**	170,000	**1,052,473**
Other liabilities	**188,034**	164,006	**1,413,584**
Accrued employees' bonuses	**5,228**	4,909	**39,305**
Reserve for reimbursement of deposits	**354**	393	**2,665**
Reserve for reimbursement of debentures	**2,300**	2,853	**17,291**
Acceptances and guarantees	**226,145**	22,003	**1,700,086**
Total liabilities	**11,332,109**	7,873,541	**85,191,023**
Equity:			
Common stock	**512,204**	512,204	**3,850,583**
Capital surplus	**79,465**	79,465	**597,398**
Retained earnings:			
Legal reserve	**17,205**	16,712	**129,343**
Unappropriated retained earnings	**328,787**	382,229	**2,471,711**
Unrealized gain (loss) on available-for-sale securities	**(21,719)**	(12,667)	**(163,277)**
Deferred gain (loss) on derivatives under hedge accounting	**(17,746)**	(25,976)	**(133,415)**
Treasury stock, at cost	**(1,639)**	(98,612)	**(12,322)**
Total equity	**896,557**	853,356	**6,740,020**
Total liabilities and equity	**¥ 12,228,667**	¥ 8,726,897	**$ 91,931,043**

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥133.02=U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on March 31, 2023.

NONCONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

SBI Shinsei Bank, Limited
For the fiscal year ended March 31, 2023

	Millions of yen		Thousands of U.S. dollars (Note)
	2023	2022	**2023**
Income			
Interest income	**¥ 156,086**	¥ 130,092	**$ 1,173,409**
Fees and commissions income	**17,581**	16,881	**132,175**
Trading income	**4,818**	4,660	**36,226**
Other business income	**1,949**	4,664	**14,658**
Other income	**12,996**	10,919	**97,704**
Total income	**193,434**	167,219	**1,454,173**
Expenses			
Interest expenses	**39,672**	8,470	**298,246**
Fees and commissions expenses	**20,460**	22,289	**153,816**
Trading losses	**65**	–	**490**
Other business expenses	**5,872**	13,909	**44,151**
General and administrative expenses	**71,268**	71,663	**535,771**
Other expenses	**8,531**	14,199	**64,136**
Total expenses	**145,871**	130,532	**1,096,611**
Income before income taxes	**47,562**	36,686	**357,562**
Income taxes (benefit)			
Income taxes (benefit) - current	**584**	1,103	**4,397**
Income taxes (benefit) - deferred	**(2,013)**	5,195	**(15,136)**
Total income taxes (benefit)	**(1,428)**	6,299	**(10,739)**
Net income	**¥ 48,991**	¥ 30,387	**$ 368,301**

	Yen		U.S. dollars (Note)
Basic earnings per share	**¥ 239.93**	¥ 144.26	**$ 1.80**
Diluted earnings per share	**¥ –**	¥ 144.22	**$ –**

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥133.02=U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on March 31, 2023.

NONCONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

SBI Shinsei Bank, Limited
For the fiscal year ended March 31, 2023

Millions of yen

		Capital surplus			Retained earnings					
	Common stock	Additional paid-in capital	Other capital surplus	Stock acquisition rights	Legal reserve	Unappropriated retained earnings	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Treasury stock, at cost	Total equity
BALANCE, March 31, 2021 (April 1, 2021, as previously reported)	¥ 512,204	¥ 79,465	¥ –	¥ 101	¥ 16,195	¥ 354,492	¥ (1,717)	¥ (21,432)	¥ (81,464)	¥ 857,845
Cumulative effect of accounting change						478				478
BALANCE, April 1, 2021 (as restated)	512,204	79,465	–	101	16,195	354,970	(1,717)	(21,432)	(81,464)	858,323
Dividends					516	(3,100)				(2,583)
Net income (loss)						30,387				30,387
Purchase of treasury stock									(17,409)	(17,409)
Disposal of treasury stock			(29)						262	233
Cancellation of treasury stock			–						–	–
Transfer to capital surplus from retained earnings			29			(29)				–
Net change during the year				(101)			(10,949)	(4,543)		(15,594)
BALANCE, March 31, 2022 (April 1, 2022, as previously reported)	**512,204**	**79,465**	**–**	**–**	**16,712**	**382,229**	**(12,667)**	**(25,976)**	**(98,612)**	**853,356**
Cumulative effect of accounting change						**–**				**–**
BALANCE, April 1, 2022 (as restated)	**512,204**	**79,465**	**–**	**–**	**16,712**	**382,229**	**(12,667)**	**(25,976)**	**(98,612)**	**853,356**
Dividends					**492**	**(2,955)**				**(2,462)**
Net income (loss)						**48,991**				**48,991**
Purchase of treasury stock									**(2,590)**	**(2,590)**
Disposal of treasury stock			**5**						**80**	**85**
Cancellation of treasury stock			**(99,483)**						**99,483**	**–**
Transfer to capital surplus from retained earnings			**99,478**			**(99,478)**				**–**
Net change during the year				**–**			**(9,051)**	**8,229**		**(822)**
BALANCE, March 31, 2023	**¥ 512,204**	**¥ 79,465**	**¥ –**	**¥ –**	**¥ 17,205**	**¥ 328,787**	**¥ (21,719)**	**¥ (17,746)**	**¥ (1,639)**	**¥ 896,557**

Thousands of U.S. dollars (Note)

		Capital surplus			Retained earnings					
	Common stock	Additional paid-in capital	Other capital surplus	Stock acquisition rights	Legal reserve	Unappropriated retained earnings	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Treasury stock, at cost	Total equity
BALANCE, March 31, 2022 (April 1, 2022, as previously reported)	**$ 3,850,583**	**$ 597,398**	**$ –**	**$ –**	**$ 125,640**	**$ 2,873,471**	**$ (95,228)**	**$ (195,281)**	**$ (741,336)**	**$ 6,415,248**
Cumulative effect of accounting change						**–**				**–**
BALANCE, April 1, 2022 (as restated)	**3,850,583**	**597,398**	**–**	**–**	**125,640**	**2,873,471**	**(95,228)**	**(195,281)**	**(741,336)**	**6,415,248**
Dividends					**3,703**	**(22,217)**				**(18,514)**
Net income (loss)						**368,301**				**368,301**
Purchase of treasury stock									**(19,475)**	**(19,475)**
Disposal of treasury stock			**40**						**605**	**644**
Cancellation of treasury stock			**(747,884)**						**747,884**	**–**
Transfer to capital surplus from retained earnings			**747,844**			**(747,844)**				**–**
Net change during the year				**–**			**(68,049)**	**61,865**		**(6,184)**
BALANCE, March 31, 2023	**$ 3,850,583**	**$ 597,398**	**$ –**	**$ –**	**$ 129,343**	**$ 2,471,711**	**$ (163,277)**	**$ (133,415)**	**$ (12,322)**	**$ 6,740,020**

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥133.02=U.S.$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on March 31, 2023.

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

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

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

QUALITATIVE DISCLOSURE

1. RANGE OF CONSOLIDATION

(1) DIFFERENCES BETWEEN COMPANIES WHICH BELONG TO THE GROUP OF COMPANIES (CONSOLIDATED GROUP) SUBJECTED TO CALCULATION OF THE CONSOLIDATED CAPITAL RATIOS BASED ON THE ACCORD'S ARTICLE 26 AND COMPANIES INCLUDED IN THE SCOPE OF ACCOUNTING CONSOLIDATION AND REASONS FOR DIFFERENCES

· There are no differences.

(2) NUMBER OF CONSOLIDATED SUBSIDIARIES AND NAMES AND BUSINESS OF MAJOR CONSOLIDATED SUBSIDIARIES

i) Number of consolidated subsidiaries
84 consolidated subsidiaries.

ii) Major consolidated subsidiaries
- Shinsei Trust & Banking Co., Ltd. (trust banking)
- Shinsei Securities Co., Ltd. (securities)
- APLUS Co., Ltd. (installment credit)
- Showa Leasing Co., Ltd. (leasing)
- Shinsei Personal Loan Co., Ltd. (consumer finance)
- SHINSEI FINANCIAL Co., Ltd. (consumer finance)
- Shinsei Investment & Finance Limited (financial instruments business)
- UDC Finance Limited (financial instruments business)

(3) NUMBER AND NAMES OF FINANCIAL AFFILIATES UNDER ARTICLE 32 OF THE ACCORD AND TOTAL ASSETS AND NET ASSETS AMOUNTS ON BALANCE SHEET AND MAJOR BUSINESS OF THOSE FINANCIAL AFFILIATES

· There are no financial affiliate companies.

(4) NAMES OF COMPANIES WHICH BELONG TO THE CONSOLIDATED GROUP BUT ARE NOT INCLUDED IN THE SCOPE OF ACCOUNTING CONSOLIDATION OR COMPANIES WHICH DO NOT BELONG TO THE CONSOLIDATED GROUP BUT ARE INCLUDED IN THE SCOPE OF ACCOUNTING CONSOLIDATION, AND TOTAL ASSETS AND NET ASSETS AMOUNTS ON BALANCE SHEET AND MAJOR BUSINESS OF THOSE COMPANIES

· There are no companies that are subject to the above.

(5) SUMMARY OF RESTRICTIONS ON TRANSFER OF CASH AND CAPITAL IN THE CONSOLIDATED GROUP

· There are no particular restrictions.

2. TYPES OF CAPITAL INSTRUMENTS

The Bank has raised capital through the issuance of common shares.

3. ASSESSMENT OF CAPITAL ADEQUACY OF THE GROUP

As part of its comprehensive risk management, Risk Capital is under the budget control on a consolidated basis. In concrete terms, the Bank determines a Risk Capital budget in consideration of its source of capital. The amount of Risk Capital compared to its source of capital and its budget is monitored on a monthly basis, and senior management, e. g. the Group Executive Committee of each month, receives a report on a regular basis. Additionally, in regards to regulatory capital, capital ratio is reported at the above mentioned reporting to the Group Executive Committee, allowing senior management to monitor and assess the overall availability of capital. At least once a year, the Bank performs stress tests on its estimates of Risk Capital and regulatory capital.

4. CREDIT RISK MANAGEMENT POLICIES AND PROCEDURES

CREDIT RISK MANAGEMENT SYSTEM

Credit risk is defined as the risk of loss due to a counterpart defaulting on contractual debt obligations. The Bank has formulated the Group Credit Risk Management Policy, which defines the areas of responsibility for the Group's Credit Risk management, in addition to the various rules. The Bank has clarified its basic policies on credit risk management and has established the required systems. Specifically, the Bank identify unacceptable risks as a corporate group, establish criteria for credit coverage and selection, avoid excessive concentration on a specific sector or specific debtor, and manage the maximum loss that can arise from the credit portfolio.

The Group Integrated Risk Management Division, the Group Portfolio Risk Management Division, and the Group Individual Business Risk Management Division, established at the Group Head Office, are the main roles of the Group in managing Credit Risk. Each division at the Group Head Office is independent from the division in charge of risk assessment and designs risk management from a more objective standpoint.

QUALITATIVE DISCLOSURE (CONTINUED)

CREDIT RISK MANAGEMENT FOR INDIVIDUAL TRANSACTIONS

(1) Organization and Systems

In principle, a credit provision is consulted jointly by the sales promotion divisions and the credit risk management divisions that are independent from the sales promotion divisions and have veto rights. Thus the transparent and strict decision making processes are secured and the framework to put a brake on the sales promotion division has been established. Each transaction is discussed and approved by the Transaction Committee, etc. The level of approval authority over the obligor whose group companies should be taken into consideration is decided based mainly on the total exposure to the obligor group and ratings, and the decision is made strictly.

Among receivables that must be paid attention, for those that falls under a certain category decided by rating, the exposure, reserve, etc., the obligor's business performance are monitored by the Doubtful Debt Committee so that the Bank is able to take preventive measures, and by deciding the measures to handle the obligor in future, the Bank is making efforts to minimize credit-related costs and to ensure soundness of assets.

(2) Obligor Rating System

For corporate exposures, the Bank uses an internal obligor rating system with the following characteristics:

- Increasing model accuracy and reflecting appropriate qualitative factors
- Benchmarked against external ratings
- Ensuring conformity with rating systems among industry classifications

More specifically, obligor ratings are determined by applying adjustments with qualitative factors to the model ratings calculated by our estimation models, which are based on external ratings etc. Obligor ratings shall be determined by credit risk management divisions and reviewed regularly and continuously.

Obligor ratings are used in the standards of credit approval authority procedures and portfolio controls and are the foundation for credit risk management.

Furthermore, the Bank also applies a facility rating system based on expected losses that allows for improvement in the credit status, such as collateral and/or covenants, from the perspective of obligor ratings and the credit status of individual transactions.

An obligor rating system and facility rating system similar to those adopted in the Bank have been implemented for large amount leasing receivables of Showa Leasing.

(3) Pool Classification

The Bank assigns retail exposures to specific pools based on risk profile such as obligor characteristics and transaction characteristics that create reasonably homogeneous sub-portfolios. Major retail exposures to which pool classification is applied are housing loans and unsecured personal loans of the Bank, installment sales credit receivables of APLUS, unsecured personal loans of Shinsei Financial, and small-lot leasing receivables of Showa Leasing.

PORTFOLIO-BASED CREDIT RISK MANAGEMENT

It is essential that credit risks are diversified in terms of industries as well as ratings. This is done on a portfolio basis, which is an aggregation of transactions, and operations of individual transactions must be conducted based on appropriate risk analyses. The bank monitors the segment-specific risk diversification status including industry classifications, ratings, products, and regions, and undertakes analyses from the product-specific perspectives based on each risk profile. Portfolio Risk Management Division uses this information to improve portfolio management operations and provide reports to senior management on a monthly as well as on an ad hoc basis.

PRINCIPAL "CREDIT RISK MANAGEMENT STANDARDS"

For Basel Regulation, the Foundation Internal Ratings-Based Approach (F-IRB) has been adopted by the Bank for calculation of credit risk-weighted assets. In accordance with this approach, the Bank established "Credit Risk Management Standards," a set of policy, standards/guideline and procedures, which define the Bank's internal rating system design and operations, internal control, use of internal rating and risk quantification.

These Standards contain "Group Credit Rating System Policy" as the highest level policy to define basic framework of overall internal rating systems. Details of management policy and procedures are defined in the form of subordinate specific rules for each group of exposures in the portfolio.

Summary of internal rating system of each group of exposures is shown in "EXHIBIT."

INTERNAL CONTROL ROLES AND RESPONSIBILITIES

The Group's internal control system for credit risk management has been set up in accordance with current regulations.

(1) Credit Risk Management Divisions

Group Portfolio Risk Management Division undertakes the roles and responsibilities for management of credit risk of the bank and is responsible for integrated management of credit risk across the Group.

(2) Senior Management Control/Oversight

Control and oversight for internal rating systems by senior management is defined in "Credit Risk Management Standards," and is performed in an appropriate manner.

(3) Audit Section

The Internal Audit Divisions within the Bank and its subsidiaries evaluate the internal rating system employed by the Group and ensures the system is in compliance with existing regulations.

APPLICATION OF THE INTERNAL RATING SYSTEM

The Bank uses its own internal rating systems for portfolios to which the F-IRB Approach are applied. These items are listed in the "Exhibit" for each portfolio.

The internal rating system is applied to corporate and retail exposures as categorized below. The rules for applying the internal rating system are part of the Bank's overall "Credit Risk Management Standards."

(1) Corporate Exposure

Corporate exposure, financial institution exposure, and sovereign exposure are included. Basic standards and related detailed rules for design and operations of internal rating system, which are benchmarked against R&I rating and categorized as 0A, and 1A-9E, are applied. Corporate exposure includes Specialized Lending such as Non-Recourse Real Estate Loans, Project Finance, etc. using slotting criteria categorized as Strong, Good, Satisfactory, Weak, and Default. Specific rating standards are established for each type of finance.

QUALITATIVE DISCLOSURE (CONTINUED)

(2) Retail Exposure
Retail exposures are defined as:
・Exposures subject to pool management
・Claims against an individual (except for a claim for the purpose of funding business operations), or claims against a corporation (including an individual with the purpose of funding a business) with an outstanding amount of less than ¥100 million after the "aggregation" (nayose) on a consolidated basis.
Features of these products and credit analysis standards may vary between the Bank and its subsidiaries. As such, specific pool classification systems for each product are applied at each entity, in accordance with established guidelines.

ESTIMATION AND VALIDATION OF PARAMETERS
The approach for estimation and validation of parameters such as Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD) is set forth in "Credit Risk Management Standards." Ratings, pool classifications and estimated parameters are also used for internal control.

STRESS TESTS
Specific implementation guidelines are established for stress tests used in the assessment of capital adequacy, and credit risk stress tests to assess the effect of certain specific conditions on the Bank's regulatory capital requirements. Stress test results are reported to senior management at least once a year.

RESERVE POLICY
A reserve for credit losses of the Bank and its subsidiaries is provided as detailed below, pursuant to the predetermined internal rules for providing such reserves according to the obligor categorizations based on the self-assessment of their assets.
A general reserve for claims against normal obligors, need caution obligors and substandard obligors is provided based on the specific actual past loss experience.
A specific reserve for claims to possibly bankrupt, virtually bankrupt, and legally bankrupt obligors is provided based on the full amount of the unsecured, un-guaranteed portion of the respective claims after a solvency assessment.
For claims against obligors that are possibly bankrupt (that is, those that are not presently bankrupt but are likely to go bankrupt in the future), a specific reserve is provided for the amount considered to be necessary based on an overall solvency assessment performed for the amount of claims, net of amounts expected to be collected through the disposal of collateral or execution of guarantees.
For claims against obligors that are legally bankrupt (due to bankruptcy and special liquidation) or virtually bankrupt, a specific reserve is provided based on the amount of claims, net of amounts expected to be collected through the disposal of collateral or execution of guarantees.
The reserve for loans to restructuring countries is provided based on the amount of expected losses due to the political and economic situation in each country.
Additionally, with regard to claims against possibly bankrupt obligors and substandard obligors, a reserve is provided based on the discounted cash flow method when the obligor's future cash flows for debt service are reasonably estimable and the balance of claims to such obligors is large.

TRANSITION PLAN FOR MOVING A PORTION OF THE BANK'S PORTFOLIO, WHICH HAS NOT YET APPLIED F-IRB, FROM THE STANDARDIZED APPROACH TO THE F-IRB APPROACH
Expected IRB roll-out periods of assets currently evaluated using the Standardized Approach, and the F-IRB Approach will be applied at a future date to secure sufficient data observation periods are as follows:
UDC Finance Limited : because this entity became a subsidiary in 2020. To secure historical data for a longer period and to further develop its internal rating system, the Group plans to apply F-IRB for this subsidiary.

In the case of portfolios to which the Standardized Approach is applied, the Bank will use ratings from the following qualified rating agencies to determine exposure risk weights:
S&P, Moody's, Fitch, R&I and JCR.

5. CREDIT RISK MITIGATION POLICIES AND PROCEDURES

(1) Policies and framework for mitigating credit risk
The Bank mitigates credit exposure with collateral and guarantees to reduce the credit risk of obligors. The Bank has a clear framework regarding methods for mitigating credit risk. Basic procedures and descriptions of controls, as well as types of standard collateral, guarantees necessary in granting credit, evaluation methods for different types of credit and collateral, possible "haircuts" to collateral and regular revaluation of collateral are stipulated in the Bank's credit procedures.

(2) Controls concerning overall methods to mitigate credit risk
The Bank uses net exposure for capital calculations after netting deposit and loan claims. All collateral and guarantees are registered in a dedicated system. The information is linked to obligor and credit account data. Collateral and guarantees are revalued at least once a year. Perfection of security interest, currency, date and correlation between collateral and counterparty are checked.

(3) Eligible financial asset collateral
Financial asset collateral types are defined by the Bank to include deposits, fixed income securities, equities, and commercial paper.

(4) Eligible collateralized claims
Collateral types in this category include commercial bills, rights to claim return of security deposits, rights to claim return of construction funds, loan receivables, leasing and sales installment receivables and beneficial interests in trust.

(5) Eligible real estate collateral
Collateral types in this category include land and buildings, plants and foundations including industrial foundations.

(6) Other asset-backed collateral
Eligible other asset-backed collateral is defined by the Bank as aircraft and ships.

(7) Guarantees
Guarantors are classified into the following categories: governments, central banks, municipalities, public institutions, credit guarantee associations, banks, general business entities and individuals.

QUALITATIVE DISCLOSURE (CONTINUED)

6. POLICIES AND PROCEDURES FOR COUNTERPARTIES OF DERIVATIVE PRODUCT AND TRANSACTIONS WITH LONG-HORIZON SETTLEMENT PERIODS

(1) COUNTERPARTY RISK

Counterparty credit risk arising from market trading, such as derivatives, is controlled based on current fair value and estimation of future fair value volatility. Estimation of future fair value volatility covers various products including exotic derivatives, and considers risk mitigation effect by collateral as well as netting effect by the ISDA Credit Support Annex (CSA) etc.

As the risk associated with market trade changes by market rate fluctuation after the trade, the Bank controls it based on estimation of future fair value volatility.

(2) ALLOCATION OF CREDIT LIMITS

Counterparty limits due to derivatives transactions are established based on counterparty's specific situation, and credit limits are managed as appropriate on both a counterparty limit basis, and total credit limit basis where counterparty limit is added to any other credit exposure for each obligor in order to reflect the Bank's overall exposure.

(3) CREDIT ENHANCEMENT BASED ON COLLATERAL AND RESERVES

Credit enhancement measures are taken to mitigate the Bank's concerns regarding certain obligors' credit quality as well as concentration risk in the Bank's portfolio.

The Bank follows the guidelines outlined in the ISDA CSA, which has been accepted by many financial institutions. Reserves are calculated based on expected losses according to the counterparty's credit quality and are taken into consideration in the mark-to-market process.

(4) POSSIBILITY OF THE BANK POSTING ADDITIONAL COLLATERAL DUE TO A DECLINE IN THE BANK'S CREDIT QUALITY

If the Bank's credit quality were to decline and be reflected as such in the assignment of lower external ratings, the Bank may be required to provide additional collateral to counterparties in transactions subject to the ISDA CSA.

7. EQUITY RISK MANAGEMENT

The Bank's equity investments are mainly composed of strategic merger/acquisition or business alliance related transactions, which are approved by the Group Executive Committee, and investment business related transactions, which are approved by the Transaction Committee (TC).

The risk management methodologies for these investments are determined based on their investment types and purposes. Each risk is recognized and monitored appropriately by evaluating underlying assets/enterprise value. For stocks with no market prices, self-assessment is conducted every quarter.

Investments in subsidiaries and affiliates are carried at cost determined by the moving average method. Available-for-sale securities are carried at fair value (cost of securities sold is determined by the moving average method) in principle. Stocks with no market prices are carried at cost determined by the moving average method.

8. SECURITIZATION EXPOSURE RISK MANAGEMENT POLICIES AND RISK CHARACTERISTICS

BANK RULES

The Bank manages securitization transactions as follows:

(1) Originator

For fundraising, mitigation of exposure concentration, transfer of credit risk and balance sheet management purposes, the Bank securitizes loans and the Bank's subsidiaries securitize financial assets such as credit card and consumer loan receivables.

As an originator, the Bank manages the credit risk of its securitized transactions using the assumption that original assets are maintained on its books. Since the purpose of these transactions includes acquiring funds, mitigating exposure concentration, transferring credit risk, and managing the Bank's balance sheet, securitization transactions are a tool to control liquidity risk.

(2) Investor

In order to invest in assets whose credit risks are different from those of existing corporate exposure and to enhance the profit earning opportunity, the Bank selectively invests in securitization transactions, including re-securitization as well as securitization defined as non-re-securitization as per Clause 2 a or b in Article 1 of Administrative Notice, which are backed by various financial products.

The Bank also re-securitizes some securitized products of which the Bank has purchased and may hold the subordinated/residual portion.

Generally, Risk Management Section, which is fully independent from Business Sections, manages the risks arising from securitization exposure, and risk management/monitoring methodologies and risk taking/reduction policies are specified according to the types of products. Although the Bank does not actively intend to increase securitization exposure at this moment, aforementioned procedure defined in “4. Credit Risk Management and Procedures, Credit Risk Management of Specific Transactions” will be followed for new investments after specifying and recognizing the risk profile, product specifics, nature of underlying assets and structure including credit enhancement, etc.

(3) Servicer

The Bank acts as a servicer when loans, which were originated by the Bank, are used as underlying assets in securitization.

Similarly, when financial assets such as credit card and consumer loan receivables originated by the Bank's subsidiaries are used as underlying assets for a securitization, the subsidiary serves as a servicer.

(4) Swap provider

In some transactions wherein the Bank is the arranger, the Bank provides swaps in order to mitigate interest rate risk within a specified range or to manage any cashflow difference between interest from underlying assets and coupons from the securities backed by the same assets.

Securitized exposure includes various risk characteristics that are unique to each product, as well as general risks, such as credit risk, market risk, and liquidity risk.

The Bank does not act as a credit enhancement provider/liquidity provider in any transaction. The Bank does not conduct ABCP business as well.

QUALITATIVE DISCLOSURE (CONTINUED)

When the Bank acquires and monitors securitized exposures, outside ratings and their changes are closely watched as one of the effective indicators. Moreover, when the Bank assigns internal ratings, risk characteristics and structural characteristics are understood and future performance forecast is analyzed, without depending solely on outside ratings.

Investment decisions are made based on the results of such analysis and expected return. Even after an investment is made, various covenants and triggers are checked based on trustee reports and servicer reports. A continuous and regular monitoring framework is established whereby information on comprehensive risk characteristics and performance of securitized exposures and underlying assets is captured in a timely manner.

Risk capital is measured based on internal ratings assigned for each transaction. For investments in securities without a fair market value or market prices, risks are understood and controlled through self-assessments.

In terms of the reporting, overall situation of the Bank's portfolio including the securitization exposure is reported to the senior management via the Group Risk Policy Committee etc. on a monthly or a quarterly basis. The report includes information of exposure, risk quantification, change in the portfolio, and risk profiles.

POLICIES USING SECURITIZATION TRANSACTIONS FOR CREDIT RISK MITIGATION
The Bank is not using securitization transactions for credit risk mitigation.

CALCULATION METHODS FOR DETERMINING THE AMOUNT OF CREDIT RISK IN THE CONTEXT OF SECURITIZATION EXPOSURE
Risk weights are calculated based on internal rules entitled "Standards for Administering Risk Weight Calculation for Securitization Exposure." The amount of credit risk assets related to securitization exposures is calculated using the Internal Ratings-Based Approach (IRBA), the External Ratings-Based Approach (ERBA), or the Standardized Approach (SA).

The risk assets of securitization exposures for which any methods mentioned above are not available, are calculated in 1,250%.

CALCULATION METHODS FOR DETERMINING THE AMOUNT OF MARKET RISK IN THE CONTEXT OF SECURITIZATION EXPOSURE
The amount of the general market risk of the market risk related to securitization exposures is calculated using the internal model approach. The amount of the specific risk of the market risk related to securitization exposures is calculated using the Internal Ratings-Based Approach (IRBA), the External Ratings-Based Approach (ERBA), or the Standardized Approach (SA).

TYPE OF SECURITIZATION-PURPOSE-CONDUITS FOR SECURITIZATION TRANSACTIONS OF THIRD PARTIES' ASSETS, AND WHETHER THE BANK HOLDS RELATED SECURITIZATION EXPOSURE
The Bank securitizes third parties' assets using "trust" as a part of its businesses. However, the Bank does not hold related securitization exposure.

NONCONSOLIDATED SUBUSIDIARIES AND AFFILIATES WHO HOLD SECURITIZATION EXPOSURES RELATED TO THE BANK'S ORIGINATED SECURITIZATION TRANSACTIONS
No securitization exposures related to the Bank's originated securitization transactions are held by the Bank's nonconsolidated subsidiaries and affiliates.

ACCOUNTING POLICY ADOPTED FOR SECURITIZATION TRANSACTIONS
(1) When assets to be securitized are owned by the Bank, securitization assets are removed from the balance sheet and assignment of gains and losses are calculated based on the financial component (*zaimu-kousei-youso*) approach.

The assets sold and retained interests are recognized as separate components of a transfer of financial assets. Those components in the transferred assets are measured by allocating the previous carrying amount between the assets sold and retained interests based on the relative fair values at the time of transfer. Based on the calculated values of assets that are sold, gains or losses on the transfer are recognized.

However, when assets are securitized for fundraising purposes, the book value to be credited on the balance sheet is adjusted to prevent generating any initial profits, after removing the assets from the balance sheet using the financial component approach.

(2) When the Bank purchases securitized products, Accounting Standards for Financial Products apply to each financial asset.

(3) Fee income earned by the Bank in arranging securitization for other parties (no investment) is treated as noninterest income.

QUALIFIED RATING AGENCIES WHOSE RATINGS ARE USED BY THE BANK IN DETERMINING SECURITIZED EXPOSURE TYPE-SPECIFIC RISK WEIGHTS:
S&P, Moody's, Fitch, R&I, and JCR.

SUMMARY OF INTERNAL VALUATION METHOD FOR SECURITIZATION
The Bank is not using the internal valuation method for securitization.

SIGNIFICANT CHANGES OF QUANTITATIVE INFORMATION
There are no significant changes of quantitative information.

9. MARKET RISK MANAGEMENT POLICIES AND PROCEDURES

a) POLICY AND PROCEDURE FOR RISK MANAGEMENT

(1) DEFINITION OF MARKET RISK
Market risk is the risk of incurring losses due to changes in interest rates, FX rates, stock prices, etc.

QUALITATIVE DISCLOSURE (CONTINUED)

(2) MARKET RISK MANAGEMENT POLICY

The Executive Committee and the Group Risk Policy Committee make important decisions concerning trading business. The Executive Committee approves "Trading Business Risk Management Policy" and the Group Risk Policy Committee approves qualitative limits of Value at Risk and Loss limit for the Bank and its Securities.

The Market Business Management Committee regularly controls market risk management and risk review of trading businesses. The Committee reviews monthly individual limit settings, customer related business movement, profit and loss/market risk situation and inherent market products risk in the business as a whole and makes decision on risk management. The market risk reports are delivered to the Executive Officer in charge of Group Risk and to the front office.

(3) MARKET RISK MANAGEMENT FRAMEWORK

We have established effective organizational framework for check and balance by making front office unit, back office unit and middle office management unit independent respectively. The Integrated Risk Management Division, the middle office unit, is responsible for the objective and timely recognition, monitoring and reporting of these market risks and carries out regular risk analysis and recommendations, as well as timely and appropriately providing management and front office unit.

(4) QUANTITATIVE MARKET RISK MANAGEMENT

The market risk is managed based on the VaR limit and loss limit which are determined by the Group Risk Policy Committee. The bank also set sensitivity limits relating to interest rate and FX rate etc. and implement stress testing based on various market shocks to enhance market risk management.

The Integrated Risk Management Division is consistently responsible for risk measurement and its control stipulating its definitions and rules.

b) NAME OF METHODOLOGY FOR MARKET RISK MEASUREMENT

The internal-model method has been adopted for general market risk at market risk measurement and the standardized method for specific risk (except for securities) since March 31, 2007 for the Bank and Shinsei Securities. The standardized method is applied for FX related risks except Trading.

Market Risk Methodologies

		Trading	FX-related Risks except Trading
SBI Shinsei Bank	General Market Risk	Internal Model Method • Historical Simulation Method	Standardized Method
	Specific Risk (except for securities)	Standardized method	
Shinsei Securities	General Market Risk	Internal Model Method • Historical Simulation Method	Standardized Method
	Specific Risk (except for securities)	Standardized Method	
Other Subsidiaries		–	Standardized Method

c) ADEQUATE PRICING METHOD ACCORDING TO TRANSACTION PROFILE TAKING POSSIBILITIES INTO CONSIDERATION THAT ACTUAL HOLDING PERIOD MAY EXCEED EXPECTED HOLDING PERIOD

The VaR framework is using this 10-day for holding period. Market liquidity of all trading book's products are high enough, and we evaluate adequately the pricing according to the products profile including the independent price valuation process.

d) INTERNAL MODEL METHOD AND BACK-TESTING, STRESS-TESTING

The Bank and Shinsei Securities use a historical simulation VaR for internal model at general market risk measurement (a 99% confidential level, 10 day holding period, 250 observation days). Please refer to following table for VaR data and Stressed VaR.

		Millions of yen	
		Consolidated	Nonconsolidated
VaR at the end of year		726	722
through FY	High	931	927
	Mean	560	556
	Low	296	293

		Millions of yen	
		Consolidated	Nonconsolidated
Stressed VaR at the end of year		800	796
through FY	High	2,246	2,237
	Mean	1,118	1,107
	Low	598	593

The validity of the VaR is verified through back-testing etc., which examines how frequently hypothetical daily loss that would have occurred if the position remained unchanged exceeds VaR for a one-day holding period. The back-testing results for fiscal year 2022 show that the number of days in which loss amount exceeded VaR for one-day holding period on a consolidated basis was two.

For complementing the Internal Model method and figuring out loss possibility at stress, the Bank implements stress testing on a weekly basis. And the stress test results are reported to the Market Business Management Committee etc.

e) INTERNAL MODEL SUMMARY IN CASE THAT INCREMENTAL RISK IS MEASURED BY INTERNAL MODEL

Not applicable.

f) INTERNAL MODEL SUMMARY IN CASE THAT COMPREHENSIVE RISK IS MEASURED BY INTERNAL MODEL

Not applicable.

g) ASSUMPTIONS AND VALUATION METHOD FOR INTERNAL EVALUATION OF CAPITAL SUFFICIENCY ON MARKET RISK

When we evaluate capital sufficiency for market risk using risk capital, we convert the above mentioned VaR calculation method into a one-year horizon basis.

QUALITATIVE DISCLOSURE (CONTINUED)

10. BANKING BOOK INTEREST RATE RISK MANAGEMENT

A. Overview of risk management policy and procedure
Interest rate risk is the risk of losses on the current value of assets and liabilities whose cash flow mismatch may be impacted by interest rates due to market interest rate fluctuations.

The interest rate risk of the banking account is managed and administered pursuant to the Group Asset Liability Management Policy. In order to appropriately control interest rate risk, at the beginning of each fiscal year the Group ALM Committee determines limits for the Bank and its group companies, such as the interest rate sensitivity limit and the loss limit. At the monthly meetings, the Group ALM Committee makes comprehensive decisions on assets and liabilities based on the monitoring of the limits and net interest income (NII).

In addition to monthly reporting to the Group ALM Committee, the Group Integrated Risk Management Division, which is independent of the front offices, monitors the status of acquiring the risk and observing the limits on a daily basis and reports the results to management.

B. Overview of the interest rate risk calculation method for the banking account used by the Bank and its consolidated subsidiaries for internal control
Based on the banking IR sensitivity calculation procedure, a rule subordinate to the Group Asset Liability Management Policy and the procedure related to interest rate risk of banking account is calculated as follows.

1) Calculation method
We measure the change of economic value of the banking book (ΔEVE) per currency by means the three scenarios of IRRBB: parallel shock up, parallel shock down and steepener shock and use maximum ΔEVE across three scenarios. Also, we measure the change of cash flows of the banking book (ΔNII) per currency for one year from the calculation base date by means the two scenarios of IRRBB: parallel shock up and parallel shock down. The aggregation of ΔEVE and ΔNII for each currency is performed by simple addition of only positive values. In the measurement, future cash flows use interest rates including spreads, but discount rates do not include spreads.

2) Subject assets and liabilities
Subject assets and liabilities of the Bank and its main subsidiaries are deposits, loans, JGBs, and other assets and liabilities whose future cash flow is impacted by interest rates fluctuation.

3) Measurement premise
ΔEVE is significantly impacted by the recognition of maturities and prepayments. Accordingly, we are endeavoring to appropriately capture interest rate risk by adopting the following models.

a. Housing loans
We calculate the interest rate risk of retail housing loans by statistically analyzing prepayment data and estimating future cash flow based on a proportional hazard model using periods lapsed from the loan origination.

b. Core deposits
Core deposits (Up to 20 years, average period 2.8 year) are defined as retail ordinary yen deposits and 2-week yen denominated time deposits which are left with financial institutions for a long term without withdrawal. We model depositors' behaviors by statistically analyzing deposit balance data and estimating maturities by customer group.

c. Time deposits
We use a model for early withdrawal rates for retail time deposits, and use conservative assumptions for other early withdrawal rates for time deposits.

Millions of yen

IRRBB1:Interest rate risk

No		A	B	C	D
		ΔEVE		ΔNII	
		End of the year	End of last year	End of the year	End of last year
1	parallel shock up	73,917	57,937	17,199	10,734
2	parallel shock down	924	2,174	18,259	7,271
3	steepener shock	48,563	46,043		
4	Flattener shock	–	–		
5	Short rate up shock	–	–		
6	Short rate down shock	–	–		
7	Max	73,917	57,937	18,259	10,734
		E		F	
		End of the year		End of last year	
8	Core capital	889,320		851,318	

11. OPERATIONAL RISK MANAGEMENT POLICIES AND PROCEDURES

MANAGEMENT POLICIES AND PROCEDURES

(1) Definition of Operational Risk
The Bank classifies operational risk into several risk categories, such as operational and administrative risk, compliance risk, labor-related risk, systems risk, extensive disaster risk and material object risk, which are applied across the Bank and its consolidated subsidiaries.

QUALITATIVE DISCLOSURE (CONTINUED)

(2) Operational Risk Management System

The Bank manages operational risk at multiple levels as follows:

- Management by business lines according to the nature of each business
- Cross-organizational management by designated management divisions for respective risk categories mentioned above (hereinafter "designated management divisions") and by the firmwide management division of operational risk (hereinafter "firm-wide management division")
- Verification by the Group Internal Audit Division on the appropriateness and effectiveness of the overall risk management system
- Based on reports and proposals, the Board of Directors etc. makes decisions on important items, including general rules and organizational changes related to operational risk management

The designated management divisions and the firm-wide management division are independent from business lines, which are accountable for earnings, and promoting management of overall operational risk and each risk category. The divisions develop uniform management standards and procedures, capture and evaluate errors and irregularities, conduct causal analysis and support establishment of recurrence prevention measures. Moreover, the divisions meet on a regular basis to discuss challenges and measures for operational risk management, as well as to share information.

Operational risk is recognized and evaluated through review of internal errors and irregularities that have occurred, as well as through consideration of potential errors and irregularity scenarios that may occur less frequently but may have a significant impact. Uniform standards for collection and evaluation of errors and irregularities are established to capture and/or evaluate significant actual errors and/or irregularities on a regular basis. Procedures are determined to ensure that potential errors and irregular scenarios for each business operation are specified and their frequency and severity are evaluated in a complete and appropriate manner on an at least an annual basis.

Such identified and evaluated risks are reported to senior management by the designated management divisions and the firm-wide management division and are used in Risk Capital measurement for internal management purposes.

(3) "Operational Risk Management Standards"

"Operational Risk Management Standards" are a set of policies and procedures used to define the organizational framework, specific methods and processes for operational risk management. They are composed of the following:

- "Operational Risk Management Policy"
- Specific management rules
- Management rules at consolidated subsidiaries

"Operational Risk Management Policy" is the highest set of rules on operational risk management. To ensure comprehensive and consistent operational risk management within the Group, the Policy establishes risk definitions, governance and basic policies on operational risk management, and the basic framework for risk capture, evaluation, monitoring, reporting, control and mitigation.

Specific management rules include management standards and procedures for each respective operational risk category, and for new businesses and products.

Management rules at each consolidated subsidiary are composed of comprehensive rules on overall operational risk management and specific rules for respective operational risk categories. Consolidated subsidiaries establish, revise and repeal rules with the approval of their Board of Directors, according to their risk characteristics and specific internal controls. Their establishment, revision and repeal are subject to prior discussions with and after-the-fact reports to the Bank to ensure consistency with the Bank's risk management rules.

METHODOLOGY TO CALCULATE OPERATIONAL RISK UNDER BASEL REGULATION

The Standardized Approach is adopted by the Bank.

Amount of required capital for Operational Risk at the end of fiscal year 2022:

	Millions of yen	
	Required capital amount (Consolidated)	Required capital amount (Nonconsolidated)
The Standardized Approach	31,307	16,835

QUALITATIVE DISCLOSURE (CONTINUED)

EXHIBIT: SUMMARY OF INTERNAL RATING SYSTEM

<table>
<tr><td rowspan="2">Type of Exposures</td><td colspan="2">Corporate Exposures (SBI Shinsei Bank, and Showa Leasing (large amount exposures))</td></tr>
<tr><td>(a) Corporate Exposures, (b) Sovereign Exposures, (c) Exposures to Banks, and (d) Equity Exposures
(Exposures to which Internal Rating and PD/LGD approach is applied)</td><td>(e) Specialized Lending</td></tr>
<tr><td>Structure of Internal Rating System</td><td>An obligor rating system benchmarked against external ratings (R&I) which reflects credit status of obligor is in place.

Obligor rating is derived from quantitative score calculated from model prepared by using external ratings etc. as a benchmark based on the financial data of a customer and determined taking into account of influence from group companies and future financial projection.

Obligor ratings for Sovereign/Bank exposures are assigned based on specific rules.</td><td>A facility rating system based on degree of expected loss ratio according to the transaction type is in place for specialized lending assets whose interest payments and principal repayments are heavily dependent on the profit of assets and the business.

Ratings are assessed according to facility type as follows.
· Real estate nonrecourse loans are decided by adding qualitative adjustments to quantitative index based on the LTV.
· Ratings for project finance or non-recourse shipping finance are decided by comprehensively considering financial indices such as DSCR and the assessment of each risk factor that has an impact on the operation of the project. Regarding nonrecourse shipping finance, evaluation of ship is also considered in the risk assessment.</td></tr>
<tr><td>Usage of Various Estimated Value (Use Test)</td><td colspan="2">Obligor rating and facility rating are used in the standards of credit approval authority procedures, pricing, portfolio management, and allocating Risk Capital.</td></tr>
<tr><td>Management of Internal Rating System, and Rating Assignment Procedures</td><td colspan="2">Group Portfolio Risk Management Division (GPRMD) of the Bank is in charge of designing the rating system and ratings are assigned by the section in charge of credit analysis.</td></tr>
<tr><td>Validation Procedures</td><td>Back testing, rating transition analyses, the reasonability of the rating and appropriateness of the rating process are conducted in a multifaceted manner for validation of rating and parameters by using internal and external data.</td><td>According to the type of transactions, rating transition analyses, the reasonability of the rating and appropriateness of the rating process are conducted for validation of rating by using internal and external data.</td></tr>
<tr><td>Estimation of Parameters</td><td>Definition of Default
Obligor categorization under self-assessment falls to sub-standard (9B) or lower, etc.

PD
Long-term averages are calculated based on internal data, and margin for estimation error is added to derive estimates.

LGD/EAD
Parameters are not estimated as a bank using Fundamental Internal Ratings-Based Approach.</td><td>Internal ratings are allocated to slotting criteria, and parameters are not estimated.</td></tr>
</table>

QUALITATIVE DISCLOSURE (CONTINUED)

EXHIBIT: SUMMARY OF INTERNAL RATING SYSTEM

<table>
<tr><th rowspan="2">Type of Exposures</th><th colspan="2">Retail Exposures (SBI Shinsei Bank)</th><th>Retail Exposures (APLUS, Shinsei Financial, Shinsei Personal Loan, Showa Leasing and APLUS INVESTMENT)</th></tr>
<tr><th>(f) Residential Mortgage Exposures</th><th>(g) Qualifying Revolving Retail Exposures</th><th>(h) Qualifying Revolving Retail Exposures, (i) Other Retail Exposures</th></tr>
<tr><td>Structure of Internal Rating System</td><td>Assignment of Pool Category to each exposure shall be conducted so that risk is appropriately categorized, considering the obligor's risk characteristics, transaction's risk characteristics and the delinquency status of the exposure.

(In addition to housing loans described above, housing loans originated by lenders other than the Bank and purchased as portfolios by the Bank are managed as purchased receivables.)</td><td>Portfolios which the bank originated are classified as qualifying revolving retail exposures.
Pools are classified quantitatively by obligor risk characteristics etc.</td><td>Portfolios of the Bank's subsidiaries are classified as qualifying revolving retail exposures (such as unsecured personal loans, credit cards) or other retail exposures (such as installment sales credit receivables, small-lot lease receivables) according to credit facility types. (Housing loan portfolios of APLUS and Zen-Nichi Shinpan are classified as residential mortgage exposures).

Exposures are assigned to appropriate pools established for each subsidiary, considering obligor risk characteristics, transaction risk characteristics, and delinquency status.</td></tr>
<tr><td>Usage of Various Estimated Value (Use Test)</td><td>Pool classification and PD/LGD/EAD estimates are used for calculating and allocating Risk Capital.</td><td>Pool classification and PD/LGD/EAD estimates are used for calculating and allocating Risk Capital.</td><td>Pool classification and PD/LGD/EAD estimates are used for calculating and allocating Risk Capital.</td></tr>
<tr><td>Management of Internal Rating System, and Rating Assignment Procedures</td><td>Group Portfolio Risk Management Division (GPRMD) of the Bank is in charge of internal rating system design, pool assignment and estimates/validates parameters.</td><td>GPRMD of the Bank is in charge of internal rating system design, pool assignment and estimates/validates parameters with guarantee company in the SBI Shinsei group.</td><td>GPRMD of the Bank is in charge of internal rating system design, pool assignment and estimates/validates parameters with subsidiaries.</td></tr>
<tr><td>Validation Procedures</td><td>Key methodologies of validation are as follows:
· PD: Validation whether gap between PD estimates/theoretical PD values by age of exposures based on the PD seasoning curve and historical PD
· LGD: Validation whether gap between LGD estimates and historical LGD remain within a certain confidence level, and validation whether estimated collateral sale price is conservative.</td><td>Key methodologies of validation are as follows:
· PD: Validation of accordance between PD estimates and historical PD, and validation of PD and rating goodness of fit
· LGD: Validation if gap between LGD estimates and historical LGD remain within a certain confidence level
· Pool classification: Validation on default predictive power</td><td>Key methodologies of validation are as follows:
· PD: Validation of accordance between PD estimates and historical PD, and validation of PD and rating goodness of fit
· LGD: Validation if gap between LGD estimates and historical LGD remain within a certain confidence level
· Pool classification: Validation on default predictive power</td></tr>
<tr><td>Estimation of Parameters</td><td>Definition of Default
Any of the following:
i) past due three months or more,
ii) relaxation of terms and conditions,
iii) legal bankruptcy

PD/LGD
PD/LGD are estimated using the Bank's historical data and the margin for estimation error is added to derive estimates. The seasoning characteristics of default for PD and collection from collateral sale value for LGD are taken into consideration.</td><td>Definition of Default
Subrogated for late payment and etc.

PD/LGD/EAD
PD/LGD/EAD are estimated on pool by pool basis, using the historical data. Long-term averages are calculated based on these data, and margin for estimation error is added to derive estimates.</td><td>Definition of Default
Any of the following:
i) past due three months or more,
ii) relaxation of terms and conditions,
iii) legal bankruptcy, etc.

PD/LGD/EAD
PD/LGD/EAD are estimated on pool by pool basis, using the Bank's subsidiaries' historical data.
Long-term averages are calculated based on these data, and margin for estimation error is added to derive estimates.</td></tr>
</table>

QUALITATIVE DISCLOSURE (CONTINUED)

SBI SHINSEI BANK CORPORATE OBLIGOR RATING SYSTEM

Obligor Rating Categories	Corresponding Rating Assigned by R & I	Summary
0A		1. Japanese Government, BOJ. 2. Government-affiliated agencies, expected high certainty from strong backup by the Government.
1A	AAA	Highest capability to meet its financial commitments on the obligations and many other positive factors.
2A	AA+	Very high capability to meet its financial commitment on the obligation and other positive factors.
2B	AA	
2C	AA-	
3A	A+	High capability to meet its financial commitments on the obligations and some good factors.
3B	A	
3C	A-	
4A	BBB+	There is adequate certainty of the fulfillment of obligations, but there are also some factors requiring attention in the event of serious adverse economic conditions in the future.
4B	BBB	
4C	BBB-	
5A	BB+	No problem regarding the certainty of the fulfillment of obligations for the time being, but some factors need to be closely watched in the event of adverse economic conditions in the future.
5B	BB	
5C	BB-	
6A	B+	No problem regarding the certainty of the fulfillment of obligations in the present situation, but special supervision is needed to monitor the trends in business performance and the protection of credit exposure.
6B	B	
6C	B-	
9A		Classified as “Other Need Caution” in the self-assessment.
9B		Classified as “Sub-Standard” in the self-assessment.
9C		Classified as “Possibly Bankrupt” in the self-assessment.
9D		Classified as “Virtually Bankrupt” in the self-assessment.
9E		Classified as “Bankrupt” in the self-assessment.

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

COMPOSITION OF CAPITAL DISCLOSURE (CONSOLIDATED)

SBI Shinsei Bank and subsidiaries

As of March 31 Items	Millions of yen (except percentages) **March 31, 2023 Basel III (Domestic Standard)**	March 31, 2022 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	**¥ 971,382**	¥ 933,638
of which: capital and capital surplus	**585,165**	585,165
of which: retained earnings	**390,305**	449,547
of which: treasury stock (–)	**(1,639)**	(98,612)
of which: earning to be distributed (–)	**(2,449)**	(2,462)
of which: other than above	**–**	–
Accumulated other comprehensive income (amount allowed to be included in Core capital)	**13,308**	9,770
of which: foreign currency translation adjustment	**11,703**	5,587
of which: amount related defined benefit	**1,605**	4,182
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	**–**	–
Adjusted noncontrolling interests (amount allowed to be included in Core capital)	**–**	–
Total of reserves included in Core capital: instruments and reserves	**4,211**	3,076
of which: general reserve for loan losses included in Core capital	**4,211**	3,076
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)	**449**	810
Core capital: instruments and reserves (A)	**¥ 989,351**	¥ 947,296
Core capital: regulatory adjustments (2)		
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	**¥ 47,400**	¥ 48,778
of which: goodwill (including those equivalent)	**12,497**	12,980
of which: other intangibles other than goodwill and mortgage servicing rights	**34,902**	35,798
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	**3,592**	4,297
Shortfall of eligible provisions to expected losses	**37,079**	29,372
Gain on sale of securitization	**–**	–
Gains and losses due to changes in own credit risk on fair valued liabilities	**–**	–
Net defined benefit asset	**11,957**	13,529
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)	**¥ 100,030**	¥ 95,977
Capital (consolidated)		
Capital (consolidated)((A)–(B))(C)	**¥ 889,320**	¥ 851,318
Risk-weighted assets, etc.		
Total amount of credit risk-weighted assets	**¥ 8,160,225**	¥ 6,788,975
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)	**72,327**	88,657
Operational risk (derived by multiplying the capital requirement by 12.5)	**445,176**	384,967
Credit risk-weighted assets adjustments	**–**	–
Operational risk adjustments	**–**	–
Total amount of Risk-weighted assets (D)	**¥ 8,677,729**	¥ 7,262,600
Capital ratio (consolidated)		
Capital ratio (consolidated)((C)/(D))	**10.24%**	11.72%

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	
	2023	2022
As of March 31	**Required capital amount**	Required capital amount
SBI Shinsei Bank	**¥ 265**	¥ 289
Subsidiaries	**47,372**	37,080
UDC Finance Limited	**29,040**	22,706

Portfolios under the Internal Ratings-Based Approach (IRB)

	Millions of yen	
	2023	2022
As of March 31	**Required capital amount**	Required capital amount
Corporate (Excluding Specialized Lending)[1]	**¥ 175,657**	¥ 143,101
Specialized Lending[2]	**134,198**	126,107
Sovereign	**4,959**	3,560
Bank	**18,694**	12,555
Residential mortgages	**8,143**	9,967
Qualified revolving retails	**119,654**	117,696
Other retails	**199,357**	188,222
Equity	**20,624**	12,837
Fund	**40,084**	13,298
Securitization	**40,962**	37,999
Purchase receivables	**15,131**	11,550
Other assets	**3,489**	3,156
CVA risk	**9,053**	11,046
CCP risk	**131**	117
Total	**¥ 790,141**	¥ 691,218

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	
	2023	2022
As of March 31	**Required capital amount**	Required capital amount
Market-Based Approach Simplified Method	**¥ 10,004**	¥ 5,146
PD/LGD Method	**2,060**	6,222
RW100% Applied	**4**	4
RW250% Applied	**8,555**	1,464
Total	**¥ 20,624**	¥ 12,837

(3) EXPOSURE RELATING TO INVESTMENT FUNDS

	Millions of yen	
	2023	2022
As of March 31	**Required capital amount**	Required capital amount
Look-through approach	**¥ 39,005**	¥ 11,897
Mandate-based approach	**318**	604
Probability-based approach[250%]	**–**	–
Probability-based approach[400%]	**760**	796
Fall-back approach[1,250%]	**0**	0
Total	**¥ 40,084**	¥ 13,298

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

(4) AMOUNT OF REQUIRED CAPITAL FOR MARKET RISK

	Millions of yen	
	2023	2022
As of March 31	**Required capital amount**	Required capital amount
The Standardized Approach	**¥ 2,010**	¥ 1,430
Interest rate risk	**–**	12
Equity position risk	**–**	–
FX risk	**2,010**	1,416
Securitization risk	**–**	1
The Internal Models Approach (IMA) (General Market Risk)	**¥ 3,775**	¥ 5,662

(5) AMOUNT OF REQUIRED CAPITAL FOR OPERATIONAL RISK

	Millions of yen	
	2023	2022
As of March 31	**Required capital amount**	Required capital amount
The Standardized Approach	**¥ –**	¥ 30,797
Basic Indicator Approach	**35,614**	–

(6) TOTAL REQUIRED CAPITAL (DOMESTIC STANDARD)

	Millions of yen	
As of March 31	**2023**	2022
Total Required Capital (Risk-weighted Assets x 4%)	**¥ 347,109**	¥ 290,504

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							
	2023				2022			
	Amount of Credit Risk Exposure				Amount of Credit Risk Exposure			
As of March 31	**Total**	**Loans, etc.[1]**	**Securities[2]**	**Derivatives[3]**	Total	Loans, etc.[1]	Securities[2]	Derivatives[3]
Manufacturing	**¥ 520,570**	**¥ 505,957**	**¥ –**	**¥ 14,613**	¥ 300,819	¥ 284,016	¥ –	¥ 16,803
Agriculture	**1,980**	**1,980**	**–**	**–**	1,928	1,928	–	–
Mining	**1,299**	**1,298**	**–**	**0**	1,315	1,314	–	0
Construction	**84,146**	**84,146**	**–**	**–**	71,010	71,010	–	–
Electric power, gas, water supply	**577,708**	**553,270**	**–**	**24,438**	513,876	487,204	–	26,671
Information and communication	**133,481**	**133,481**	**–**	**–**	50,134	50,134	–	–
Transportation	**214,265**	**214,223**	**–**	**41**	174,804	174,661	–	142
Wholesale and retail	**230,245**	**219,929**	**–**	**10,316**	191,639	182,986	100	8,552
Finance and insurance	**3,239,050**	**2,972,609**	**247,435**	**19,005**	2,359,775	2,100,924	231,198	27,651
Real estate	**1,019,331**	**927,363**	**91,326**	**641**	829,807	730,043	98,995	768
Services	**717,142**	**716,050**	**400**	**692**	605,960	604,805	500	655
Government	**955,401**	**290,462**	**664,938**	**–**	280,393	64,564	215,828	–
Individuals	**3,509,323**	**3,509,323**	**–**	**–**	3,355,958	3,355,958	–	–
Others	**104,520**	**104,520**	**–**	**–**	78,855	78,855	–	–
Domestic Total	**11,308,468**	**10,234,618**	**1,004,100**	**69,749**	8,816,179	8,188,309	546,623	81,247
Foreign	**1,647,314**	**1,439,839**	**140,942**	**66,533**	1,357,755	1,180,373	103,591	73,790
Total	**¥12,955,783**	**¥11,674,457**	**¥ 1,145,042**	**¥ 136,283**	¥ 10,173,935	¥ 9,368,682	¥ 650,214	¥ 155,038
To 1 year	**2,885,418**	**2,303,442**	**565,022**	**16,953**	1,518,276	1,450,248	43,564	24,462
1 to 3 years	**2,039,392**	**1,879,710**	**123,807**	**35,874**	1,717,972	1,548,024	131,119	38,827
3 to 5 years	**1,624,676**	**1,444,234**	**165,097**	**15,344**	1,524,939	1,292,327	213,512	19,099
Over 5 years	**3,969,197**	**3,609,971**	**291,114**	**68,111**	3,358,463	3,023,797	262,017	72,648
Undated	**2,437,099**	**2,437,099**	**–**	**–**	2,054,385	2,054,385	–	–
Total	**¥12,955,783**	**¥11,674,457**	**¥ 1,145,042**	**¥ 136,283**	¥ 10,173,935	¥ 9,368,682	¥ 650,214	¥ 155,038

Note:1 Excluding purchased receivables.
2 Excluding equity exposures.
3 Credit equivalent amount basis.

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

(2) AMOUNT OF DEFAULT EXPOSURE BEFORE PARTIAL WRITE-OFF

Geographic, Industries

	Millions of yen	
	2023	2022
As of March 31	**Default Exposure**	Default Exposure
Manufacturing	**¥ 553**	¥ 561
Agriculture	**33**	46
Mining	**30**	–
Construction	**1,722**	1,234
Electric power, gas, water supply	**689**	9,411
Information and communication	**109**	114
Transportation	**873**	2,844
Wholesale and retail	**3,546**	4,961
Finance and insurance	**0**	–
Real estate	**1,426**	14,268
Services	**5,787**	7,112
Government	**–**	–
Individuals	**142,029**	131,655
Others	**211**	446
Domestic Total	**157,015**	172,658
Foreign	**12,049**	8,346
Total	**¥ 169,064**	¥ 181,005

Note: Excluding purchased receivables.

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

	Millions of yen					
	2023			2022		
As of March 31	**Start Amount**	**Change Amount**	**End Amount**	Start Amount	Change Amount	End Amount
General	**¥ 80,751**	**¥ 6,079**	**¥ 86,830**	¥ 76,547	¥ 4,203	¥ 80,751
Specific	**90,739**	**(13,285)**	**77,454**	85,535	5,203	90,739
Country	**–**	**–**	**–**	–	–	–
Total	**¥ 171,490**	**¥ (7,205)**	**¥ 164,285**	¥ 162,083	¥ 9,407	¥ 171,490

Geographic

	Millions of yen							
	2023				2022			
	Reserve Amount				Reserve Amount			
As of March 31	**Total**	**General**	**Specific**	**Country**	Total	General	Specific	Country
Domestic	**¥ 150,666**	**¥ 74,674**	**¥ 75,992**	**–**	¥ 160,961	¥ 72,361	¥ 88,599	–
Foreign	**13,618**	**12,156**	**1,461**	**–**	10,529	8,389	2,140	–
Total	**¥ 164,285**	**¥ 86,830**	**¥ 77,454**	**–**	¥ 171,490	¥ 80,751	¥ 90,739	–

Industries

	Millions of yen	
	2023	2022
As of March 31	**Reserve Amount**	Reserve Amount
Manufacturing	**¥ 4,193**	¥ 8,066
Agriculture	**7**	16
Mining	**12**	7
Construction	**446**	515
Electric power, gas, water supply	**2,719**	11,206
Information and communication	**436**	336
Transportation	**1,002**	1,083
Wholesale and retail	**3,657**	6,239
Finance and insurance	**1,937**	1,078
Real estate	**4,406**	7,013
Services	**5,608**	6,564
Government	**21**	15
Individuals	**125,121**	117,410
Others	**130**	293
Foreign	**13,618**	10,529
Non-classified	**963**	1,112
Total	**¥ 164,285**	¥ 171,490

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

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

(4) AMOUNT OF WRITE-OFFS

Industries

	Millions of yen	
	FY2022	FY2021
	Amount of write-off	Amount of write-off
Manufacturing	**¥ 4,103**	¥ 37
Agriculture	**12**	13
Mining	**–**	–
Construction	**168**	112
Electric power, gas, water supply	**2,552**	–
Information and communication	**–**	4
Transportation	**7**	39
Wholesale and retail	**547**	1,793
Finance and insurance	**–**	–
Real estate	**0**	–
Services	**1,350**	386
Government	**–**	–
Individuals	**27,813**	22,004
Others	**–**	–
Foreign	**0**	532
Non-classified	**–**	–
Total	**¥ 36,558**	¥ 24,925

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

	Millions of yen			
	2023		2022	
As of March 31	**Rated**	**Unrated**	Rated	Unrated
0%	**¥ 126**	**¥ 8,767**	¥ 67	¥ 8,992
10%	**–**	**–**	–	–
20%	**35,874**	**–**	27,965	29
35%	**–**	**2,310**	–	2,389
50%	**2,334**	**1,243**	2,245	818
75%	**–**	**202,658**	–	157,271
100%	**2,168**	**430,137**	1,469	338,891
150%	**–**	**938**	–	561
350%	**–**	**–**	–	–
1,250%	**–**	**–**	–	–
Total	**¥ 40,504**	**¥646,057**	¥ 31,747	¥508,954

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

Specialized lending excluding high-volatility commercial real estate

	Millions of yen	
As of March 31	**2023**	2022
Risk weight ratio	**Amount of Exposure**	Amount of Exposure
50%	**¥ 211,890**	¥ 170,505
70%	**660,168**	582,242
90%	**108,157**	193,138
115%	**103,133**	67,617
250%	**119,063**	87,019
0% (Default)	**11,829**	14,829
Total	**¥1,214,244**	¥1,115,353

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

Specialized lending for high-volatility commercial real estate

As of March 31	Millions of yen	
	2023	2022
Risk weight ratio	**Amount of Exposure**	Amount of Exposure
70%	**¥ 10,400**	¥ 16,771
95%	**85,427**	42,884
120%	**20,710**	31,794
140%	**29,184**	44,610
250%	**21,521**	13,736
0% (Default)	**–**	11,564
Total	**¥ 167,244**	¥ 161,361

Equity exposure under Market-Based Simplified Method

As of March 31	Millions of yen	
	2023	2022
Risk weight ratio	**Amount of Exposure**	Amount of Exposure
300%	**¥ 1,087**	¥ 374
400%	**28,678**	14,890
Total	**¥ 29,765**	¥ 15,264

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

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

Corporate

As of March 31	Millions of yen (except percentages)									
	2023					2022				
Credit Rating	**PD**	**LGD**	**Risk Weight**	**EAD (On-balance)**	**EAD (Off-balance)**	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0–4	**0.11%**	**45.01%**	**35.18%**	**¥2,265,109**	**¥ 432,467**	0.12%	45.02%	35.97%	¥1,640,049	¥ 166,275
5–6	**1.42%**	**44.18%**	**89.37%**	**776,400**	**98,026**	1.59%	43.93%	94.63%	637,631	75,777
9A	**9.28%**	**44.16%**	**184.53%**	**78,594**	**3,891**	9.50%	44.04%	188.17%	76,812	4,615
Default	**100.00%**	**45.00%**	**–**	**12,496**	**169**	100.00%	45.00%	–	18,182	243

Note: LGD is shown after credit risk mitigation

Sovereign

As of March 31	Millions of yen (except percentages)									
	2023					2022				
Credit Rating	**PD**	**LGD**	**Risk Weight**	**EAD (On-balance)**	**EAD (Off-balance)**	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0–4	**0.00%**	**45.00%**	**1.90%**	**¥3,021,598**	**¥ 20,170**	0.00%	45.00%	2.14%	¥1,934,570	¥ 2,434
5–6	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–
9A	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–
Default	**100.00%**	**45.00%**	**–**	**10**	**–**	100.00%	45.00%	–	10	–

Note: LGD is shown after credit risk mitigation

Bank

As of March 31	Millions of yen (except percentages)									
	2023					2022				
Credit Rating	**PD**	**LGD**	**Risk Weight**	**EAD (On-balance)**	**EAD (Off-balance)**	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0–4	**0.07%**	**45.47%**	**31.84%**	**¥ 501,595**	**¥ 70,714**	0.06%	45.00%	32.73%	¥ 233,387	¥ 91,241
5–6	**0.85%**	**45.00%**	**76.80%**	**34,296**	**1,133**	1.19%	45.00%	95.09%	32,518	277
9A	**9.28%**	**45.00%**	**199.32%**	**2,868**	**–**	9.50%	44.85%	198.13%	2,958	–
Default	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–

Note: LGD is shown after credit risk mitigation

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

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

Millions of yen (except percentages)

As of March 31	2023				2022			
Credit Rating	**PD**	**LGD**	**Risk Weight**	**Amount**	PD	LGD	Risk Weight	Amount
0–4	**0.11%**	**90.00%**	**244.14%**	**¥ 6,915**	0.12%	90.00%	206.54%	¥ 32,836
5–6	**1.29%**	**90.00%**	**284.11%**	**1,450**	1.55%	90.00%	354.57%	1,095
9A	**9.28%**	**90.00%**	**652.09%**	**504**	9.50%	90.00%	658.42%	253
Default	**100.00%**	**90.00%**	**1,125.00%**	**0**	–	–	–	–

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

Residential mortgage exposure

Millions of yen (except percentages)

As of March 31	2023							2022						
Pool	**PD**	**LGD**	**Risk Weight**	**EAD (On-balance)**	**EAD (Off-balance)**	**Undrawn Amount**	**Commitment CCF**	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF
Normal	**0.21%**	**14.95%**	**6.38%**	**¥ 1,103,860**	**¥ 893**	**¥ –**	**–**	0.24%	15.87%	7.77%	¥ 1,105,264	¥ 1,307	¥ –	–
Need caution	**59.85%**	**17.54%**	**74.90%**	**1,913**	**14**	**–**	**–**	60.48%	19.25%	80.89%	1,847	28	–	–
Default	**100.00%**	**27.02%**	**60.32%**	**4,488**	**17**	**–**	**–**	100.00%	27.43%	62.78%	5,581	18	–	–

Note: LGD is shown after credit risk mitigation

Qualified revolving retail exposure

Millions of yen (except percentages)

As of March 31	2023							2022						
Pool	**PD**	**LGD**	**Risk Weight**	**EAD (On-balance)**	**EAD (Off-balance)**	**Undrawn Amount**	**Commitment CCF**	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF
Normal	**5.96%**	**71.77%**	**83.18%**	**¥ 476,995**	**¥ 128,532**	**¥ 3,321,860**	**3.86%**	5.78%	72.61%	83.59%	¥ 481,223	¥ 132,558	¥ 3,415,279	3.88%
Need caution	**81.81%**	**75.45%**	**110.42%**	**4,181**	**52**	**4,336**	**1.22%**	82.65%	76.51%	107.67%	4,071	64	4,255	1.52%
Default	**100.00%**	**64.15%**	**3.91%**	**72,348**	**–**	**–**	**–**	100.00%	65.41%	4.07%	66,883	–	–	–

Note: LGD is shown after credit risk mitigation

Other retail exposure

Millions of yen (except percentages)

As of March 31	2023							2022						
Pool	**PD**	**LGD**	**Risk Weight**	**EAD (On-balance)**	**EAD (Off-balance)**	**Undrawn Amount**	**Commitment CCF**	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF
Normal	**2.65%**	**67.20%**	**86.07%**	**¥ 886,586**	**¥ 824,218**	**¥ 143,448**	**2.71%**	2.82%	66.86%	86.71%	¥ 809,891	¥ 787,544	¥ 127,546	2.46%
Need caution	**65.98%**	**59.13%**	**117.14%**	**4,435**	**2,107**	**505**	**3.25%**	65.33%	57.21%	114.43%	4,120	2,288	358	3.50%
Default	**100.00%**	**60.22%**	**0.81%**	**66,252**	**210**	**–**	**–**	100.00%	59.78%	0.48%	60,989	480	–	–

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

	FY2022	FY2021	FY2020
Results of actual losses (a)	**¥ 11,642**	¥ 7,886	¥ 3,484
Expected losses (b)	**14,956**	9,235	9,042
Differences ((b) - (a))	**3,313**	1,349	5,558

Sovereign

Millions of yen

	FY2022	FY2021	FY2020
Results of actual losses (a)	**¥ 7**	¥ –	¥ –
Expected losses (b)	**13**	17	16
Differences ((b) - (a))	**6**	17	16

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

Bank

	Millions of yen		
	FY2022	FY2021	FY2020
Results of actual losses (a)	**¥ –**	¥ –	¥ –
Expected losses (b)	**121**	95	128
Differences ((b) - (a))	**121**	95	128

Residential mortgage exposure

	Millions of yen		
	FY2022	FY2021	FY2020
Results of actual losses (a)	**¥ 168**	¥ 297	¥ 474
Expected losses (b)	**2,210**	682	785
Differences ((b) - (a))	**2,041**	385	311

Qualified revolving retail exposure

	Millions of yen		
	FY2022	FY2021	FY2020
Results of actual losses (a)	**¥ 18,065**	¥ 16,999	¥ 16,694
Expected losses (b)	**27,210**	28,912	33,030
Differences ((b) - (a))	**9,145**	11,912	16,336

Other retail exposure

	Millions of yen		
	FY2022	FY2021	FY2020
Results of actual losses (a)	**¥ 7,371**	¥ 7,119	¥ 7,173
Expected losses (b)	**28,445**	28,875	28,312
Differences ((b) - (a))	**21,074**	21,755	21,138

[Analysis]
The actual losses was increased because of default of the large borrower classified as corporate exposure.

The above matrix shows the results of default (downgrade below substandard) losses (increase of reserve, write-offs and loss on sale) for the twelve-month period ended March 31, 2021, 2022 and 2023 for the Group's non-default exposures at the start of the twelve-month period, with expected losses.

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

4. CREDIT RISK MITIGATION (CRM)

(1) COVERED AMOUNT OF CRM BY COLLATERAL

FIRB

	Millions of yen			
	2023		2022	
As of March 31	**Eligible financial collateral**	**Other eligible FIRB collateral**	Eligible financial collateral	Other eligible FIRB collateral
Corporate	**¥ 4,463**	**¥ 228,112**	¥ 5,537	¥ 207,159
Sovereign	**–**	**–**	–	–
Bank	**–**	**–**	–	85
Total	**¥ 4,463**	**¥ 228,112**	¥ 5,537	¥ 207,244

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

IRB

	Millions of yen	
As of March 31	**2023**	2022
Corporate	**¥ 3,806**	¥ 724
Sovereign	**261**	386
Bank	**–**	–
Residential mortgages	**–**	–
Qualified revolving retail	**–**	–
Other retail	**–**	–
Total	**¥ 4,067**	¥ 1,110

5. COUNTERPARTY CREDIT RISK OF DERIVATIVES

	Millions of yen	
As of March 31	**2023**	2022
Total amount of gross positive fair value	**¥ 158,143**	¥ 184,312
Amount of gross add-on	**138,015**	136,322
EAD before CRM	**296,158**	320,634
FX-related	**182,700**	187,358
Interest-related	**109,789**	128,899
Equity-related	**–**	–
Commodity-related	**–**	–
Credit derivatives	**3,642**	4,178
Others	**25**	199
Amount of net	**159,875**	165,596
EAD after net	**136,283**	155,038
Amount covered collateral	**–**	–
EAD after CRM	**136,283**	155,038

Note: Current Exposure Method

・Notional amount of credit derivatives which have counterparty risk

	Millions of yen			
As of March 31	**2023**		2022	
Notional amount	**Protection-buy**	**Protection-sell**	Protection-buy	Protection-sell
Single name	**¥ 19,000**	**¥ 19,000**	¥ 22,500	¥ 22,500
Multi name	**0**	**0**	10,000	10,000

Not applicable for the following items;

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

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

6. SECURITIZATION

SECURITIZATION EXPOSURE ORIGINATED BY THE GROUP (CREDIT RISK)

Not applicable

SECURITIZATION EXPOSURE IN WHICH THE GROUP INVESTS

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

Excluding resecuritization exposure

As of March 31	Millions of yen 2023	2022
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥ 15,409**	¥ 17,135
Consumer loans	**–**	–
Commercial real estate loans	**161,822**	122,566
Corporate loans	**487,120**	74,372
Others	**34,942**	51,950
Total	**¥ 699,294**	¥ 266,024

※There is no resecutization exposure.

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

Excluding resecuritization exposure

As of March 31	Millions of yen 2023		2022	
Band of risk weight ratio	**Amount**	**Required capital amount**	Amount	Required capital amount
To 20%	**¥ 350,878**	**¥ 5,294**	¥ 59,618	¥ 907
Over 20% to 50%	**3,105**	**66**	28,430	810
Over 50% to 100%	**270,074**	**13,129**	95,855	5,351
Over 100% to 400%	**56,814**	**13,380**	31,652	5,756
Over 400% to 625%	**18,421**	**9,090**	50,468	25,173
Over 625% to 1,250%	**–**	**–**	–	–
Total	**¥ 699,294**	**¥ 40,962**	¥ 266,024	¥ 37,999

※There is no resecutization exposure.

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

As of March 31	Millions of yen 2023	2022
Type of original assets	**Amount**	Amount
Residential mortgages	**¥ –**	¥ –
Consumer loans	**–**	–
Commercial real estate loans	**–**	–
Corporate loans	**–**	–
Others	**–**	–
Total	**¥ –**	¥ –

Not applicable for the following items;

・Credit risk mitigation for resecuritization exposure

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

SECURITIZATION EXPOSURE IN WHICH THE GROUP INVESTS (MARKET RISK)

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

As of March 31	Millions of yen 2023	2022
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥ –**	¥ 65
Consumer loans	**–**	–
Commercial real estate loans	**–**	–
Corporate loans	**–**	–
Others	**–**	–
Total	**¥ –**	¥ 65

※There is no resecutization exposure.

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

As of March 31	Millions of yen 2023		2022	
Band of risk weight ratio	**Amount**	**Required capital amount**	Amount	Required capital amount
To 1.6%	**¥ –**	**¥ –**	¥ 65	¥ 1
Over 1.6% to 4%	**–**	**–**	–	–
Over 4% to 8%	**–**	**–**	–	–
Over 8% to 32%	**–**	**–**	–	–
Over 32% to 50%	**–**	**–**	–	–
Over 50% under 100%	**–**	**–**	–	–
Total	**¥ –**	**¥ –**	¥ 65	¥ 1

※There is no resecutization exposure.

Not applicable for the following items;

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

7. MARKET RISK (UNDER INTERNAL MODEL APPROACH)

(1) VAR AT THE END OF MARCH 2023 AND MARCH 2022 AND THE HIGH, MEAN AND LOW VAR

As of March 31	Millions of yen 2023	2022
VaR at term end	**¥ 726**	¥ 313
VaR through this term		
High	**931**	611
Mean	**560**	356
Low	**296**	235

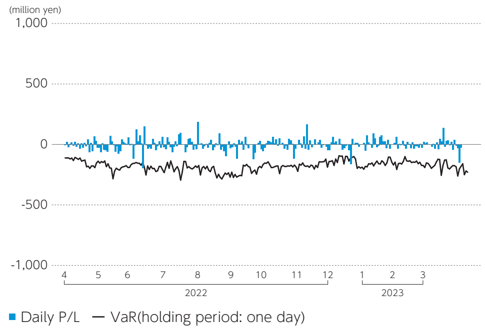
(2) STRESSED VAR AT THE END OF MARCH 2023 AND MARCH 2022 AND THE HIGH, MEAN AND LOW VAR

As of March 31	Millions of yen 2023	2022
VaR at term end	**¥ 800**	¥ 1,190
VaR through this term		
High	**2,246**	2,304
Mean	**1,118**	1,611
Low	**598**	1,046

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

(3) RESULT OF BACK TESTING

2022/4～2023/3



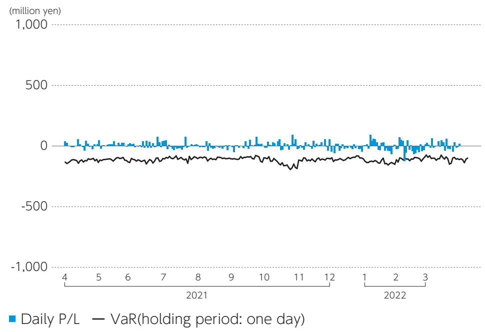
Hypothetical loss exceeded VaR twice in the last fiscal year.
The details of the excess incident :
Date : June 14, 2022
Amount in excess : JPY 10 million
Main cause of the excess : fluctuation of interest rates

Date : December 20, 2022
Amount in excess : JPY 41 million
Main cause of the excess : fluctuation of interest rates

Backtesting on the VaR Model Applied to the Trading Account
Backtesting involves comparing fixed position virtual losses to estimated VaR to confirm the reliability of the VaR method.

Assumptions of Shinsei's VaR Model
Method : Historical simulation method
Confidence level : 99%
Holding period : 10days
Observation days : 250days
Coverage : Trading account

2021/4～2022/3



Hypothetical loss exceeded VaR once in the last fiscal year.
The details of the excess incident :
Date : February 8, 2022
Amount in excess : JPY 19 million
Main cause of the excess : fluctuation of interest rates

Not applicable for the following items;

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

8. EQUITY EXPOSURE IN BOOK

(1) BOOK VALUE AND FAIR VALUE

As of March 31	Millions of yen 2023	2022
Market-based approach		
Listed equity exposure	¥ **1,087**	¥ 374
Unlisted equity exposure	**28,678**	14,890
PD/LGD method		
Listed equity exposure	**4,863**	31,544
Unlisted equity exposure	**4,007**	2,641

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

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

	Millions of yen	
	FY2022	FY2021
Gain (loss) on sale	**¥ 1,346**	¥ 4,891
Loss of impairment	**98**	1,912

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

	Millions of yen	
As of March 31	**2023**	2022
Unrealized gain (loss)	**¥ 5,973**	¥ (4,704)

(4) AMOUNT FOR EACH PORTFOLIO CLASSIFICATION OF EQUITY EXPOSURE

	Millions of yen	
As of March 31	**2023**	2022
Market-based approach	**¥ 29,765**	¥ 15,264
PD/LGD Method	**8,870**	34,185
RW100% Applied	**51**	51
RW250% Applied	**40,355**	6,910

Not applicable for the following items;

・UNREALIZED GAIN OR LOSS WHICH IS NOT RECOGNIZED BOTH ON BALANCE SHEET AND ON STATEMENT OF INCOME

9. EXPOSURE RELATING TO INVESTMENT FUNDS

	Millions of yen	
As of March 31	**2023**	2022
Look-through approach	**¥ 46,217**	¥ 40,626
Look-through approach (Third party RW decision)	**188,596**	–
Mandate-based approach	**939**	1,782
Probability-based approach (250%)	**–**	–
Probability-based approach (400%)	**2,241**	2,346
Fall-back approach	**0**	0
Total	**¥ 237,994**	¥ 44,756

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. "Look-through approach (Third party RW decision)" is a method that applies risk weights determined by a third party who has a detailed understanding of the fund's asset composition.
3. "Mandate-based approach" is a method of conservatively estimating the asset structure based on the fund management method.
4. "Probability-based approach (250%)" can be selected when each asset of fund will be highly probable that the risk weight is not more than 250%.
5. "Probability-based approach (400%)" can be selected when each asset of fund will be highly probable that the risk weight is more than 250% and not more than 400%.
6. "Fall-back approach" is required to apply if above approaches are not feasible.

10. INTEREST RATE RISK

Decrease in economic values from interest-rate shock

As of March 31

Millions of yen

IRRBB1：Interest rate risk

No		A	B	C	D
		⊿EVE		⊿NII	
		2023	2022	2023	2022
1	Parallel shock up	73,917	57,937	17,199	10,734
2	Parallel shock down	924	2,174	18,259	7,271
3	Steepener shock	48,563	46,043		
4	Flattener shock	–	–		
5	Short rate up shock	–	–		
6	Short rate down shock	–	–		
7	Max	73,917	57,937	18,259	10,734
		E		F	
		2023		2022	
8	Core capital	889,320		851,318	

COMPOSITION OF CAPITAL DISCLOSURE (NONCONSOLIDATED)

SBI Shinsei Bank

Millions of yen (except percentages)

As of March 31 Items	March 31, 2023 Basel III (Domestic Standard)	March 31, 2022 Basel III (Domestic Standard)
Core capital: instruments and reserves (1)		
Directly issued qualifying common share capital or preferred share capital with a compulsory conversion clause plus related capital surplus and retained earnings	¥ 933,573	¥ 889,536
of which: capital and capital surplus	591,670	591,670
of which: retained earnings	345,992	398,941
of which: treasury stock (–)	(1,639)	(98,612)
of which: earning to be distributed (–)	(2,449)	(2,462)
of which: other than above	–	–
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	–	–
Total of reserves included in Core capital: instruments and reserves	6	8
of which: general reserve for loan losses included in Core capital	6	8
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)	¥ 933,580	¥ 889,545
Core capital: regulatory adjustments (2)		
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 15,078	¥ 16,063
of which: goodwill (including those equivalent)	190	256
of which: other intangibles other than goodwill and mortgage servicing rights	14,887	15,807
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,587	1,195
Shortfall of eligible provisions to expected losses	19,810	9,943
Gain on sale of securitization	–	–
Gains and losses due to changes in own credit risk on fair valued liabilities	–	–
Prepaid pension cost	6,953	6,379
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)	¥ 43,429	¥ 33,582
Capital (nonconsolidated)		
Capital (nonconsolidated)((A)–(B))(C)	¥ 890,150	¥ 855,963
Risk-weighted assets, etc.		
Total amount of credit risk-weighted assets	¥ 7,066,360	¥ 5,928,495
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)	52,836	72,865
Operational risk (derived by multiplying the capital requirement by 12.5)	223,869	203,272
Credit risk-weighted assets adjustments	–	–
Operational risk adjustments	–	–
Total amount of Risk-weighted assets (D)	¥ 7,343,066	¥ 6,204,633
Capital ratio (nonconsolidated)		
Capital ratio (nonconsolidated)((C)/(D))	12.12%	13.79%

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED)

1. CAPITAL ADEQUACY

(1) AMOUNT OF REQUIRED CAPITAL FOR CREDIT RISK

Portfolios under the Standardized Approach (SA)

	Millions of yen	
	2023	2022
As of March 31	**Required capital amount**	Required capital amount
SBI Shinsei Bank	**¥ 265**	¥ 289

Portfolios under the Internal Ratings-Based Approach (IRB)

	Millions of yen	
	2023	2022
As of March 31	**Required capital amount**	Required capital amount
Corporate (Excluding Specialized Lending)[1]	**¥ 188,302**	¥ 143,513
Specialized Lending[2]	**131,667**	121,893
Sovereign	**4,934**	3,543
Bank	**16,932**	10,780
Residential mortgages	**8,038**	9,814
Qualified revolving retails	**25,413**	27,645
Other retails	**347**	318
Equity	**119,464**	124,377
Fund	**42,822**	15,071
Securitization	**41,965**	39,266
Purchase receivables	**18,793**	15,386
Other assets	**1,074**	1,108
CVA risk	**8,925**	10,811
CCP risk	**131**	117
Total	**¥ 608,813**	¥ 523,649

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	
	2023	2022
As of March 31	**Required capital amount**	Required capital amount
Market-Based Approach Simplified Method	**¥ 12,790**	¥ 18,000
PD/LGD Method	**98,416**	105,155
RW100% Applied	**4**	4
RW250% Applied	**8,254**	1,217
Total	**¥ 119,464**	¥ 124,377

(3) EXPOSURE RELATING TO INVESTMENT FUNDS

	Millions of yen	
	2023	2022
As of March 31	**Required capital amount**	Required capital amount
Look-through approach	**¥ 41,887**	¥ 13,518
Mandated-based approach	**–**	604
Probability-based approach[250%]	**318**	–
Probability-based approach[400%]	**–**	947
Fall-back approach[1,250%]	**616**	0
Total	**¥ 42,822**	¥ 15,071

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

(4) AMOUNT OF REQUIRED CAPITAL FOR MARKET RISK

	Millions of yen	
	2023	2022
As of March 31	**Required capital amount**	Required capital amount
The Standardized Approach	**¥ 479**	¥ 402
Interest rate risk	**–**	–
Equity position risk	**–**	–
FX risk	**479**	402
Securitization risk	**–**	–
The Internal Models Approach (IMA) (General Market Risk)	**¥ 3,747**	¥ 5,427

(5) AMOUNT OF REQUIRED CAPITAL FOR OPERATIONAL RISK

	Millions of yen	
	2023	2022
As of March 31	**Required capital amount**	Required capital amount
The Standardized Approach	**¥ –**	¥ 16,261
Basic Indicator Approach	**17,909**	–

(6) TOTAL REQUIRED CAPITAL (DOMESTIC STANDARD)

	Millions of yen	
As of March 31	**2023**	2022
Total Required Capital (Risk-weighted Assets x 4%)	**¥ 293,722**	¥ 248,185

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							
	2023				2022			
	Amount of Credit Risk Exposure				Amount of Credit Risk Exposure			
As of March 31	**Total**	**Loans, etc.[1]**	**Securities[2]**	**Derivatives[3]**	Total	Loans, etc.[1]	Securities[2]	Derivatives[3]
Manufacturing	**¥ 472,789**	**¥ 458,175**	**¥ –**	**¥ 14,613**	¥ 248,487	¥ 231,683	¥ –	¥ 16,803
Agriculture	**–**	**–**	**–**	**–**	–	–	–	–
Mining	**351**	**351**	**–**	**0**	453	452	–	0
Construction	**47,730**	**47,730**	**–**	**–**	34,634	34,634	–	–
Electric power, gas, water supply	**565,117**	**540,678**	**–**	**24,438**	501,042	474,370	–	26,671
Information and communication	**118,882**	**118,882**	**–**	**–**	36,050	36,050	–	–
Transportation	**191,375**	**191,333**	**–**	**41**	147,864	147,721	–	142
Wholesale and retail	**143,145**	**132,828**	**–**	**10,316**	102,064	93,411	100	8,552
Finance and insurance	**4,015,016**	**3,748,451**	**247,435**	**19,129**	2,824,791	2,566,428	231,199	27,163
Real estate	**993,182**	**901,214**	**91,326**	**641**	810,051	710,287	98,995	768
Services	**731,559**	**730,467**	**400**	**692**	497,482	496,327	500	655
Government	**924,468**	**259,530**	**664,938**	**–**	265,972	51,148	214,823	–
Individuals	**1,314,087**	**1,314,087**	**–**	**–**	1,330,686	1,330,686	–	–
Others	**6,232**	**6,232**	**–**	**–**	4,937	4,937	–	–
Domestic Total	**9,523,938**	**8,449,964**	**1,004,100**	**69,873**	6,804,519	6,178,141	545,618	80,759
Foreign	**1,342,602**	**1,141,433**	**140,942**	**60,227**	1,124,013	949,945	103,591	70,476
Total	**¥10,866,541**	**¥ 9,591,398**	**¥ 1,145,042**	**¥ 130,100**	¥ 7,928,532	¥ 7,128,087	¥ 649,210	¥ 151,235
To 1 year	**3,506,792**	**2,925,780**	**565,022**	**15,989**	1,804,948	1,738,205	42,560	24,183
1 to 3 years	**1,579,977**	**1,423,741**	**123,807**	**32,429**	1,208,639	1,040,683	131,119	36,836
3 to 5 years	**1,127,465**	**948,797**	**165,097**	**13,570**	1,080,275	848,701	213,512	18,061
Over 5 years	**2,692,379**	**2,333,153**	**291,114**	**68,111**	2,198,177	1,864,005	262,018	72,153
Undated	**1,959,925**	**1,959,925**	**–**	**–**	1,636,491	1,636,491	–	–
Total	**¥10,866,541**	**¥ 9,591,398**	**¥ 1,145,042**	**¥ 130,100**	¥ 7,928,532	¥ 7,128,087	¥ 649,210	¥ 151,235

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	
	2023	2022
As of March 31	**Default Exposure**	Default Exposure
Manufacturing	**¥ 16**	¥ 16
Agriculture	**–**	–
Mining	**–**	–
Construction	**153**	168
Electric power, gas, water supply	**–**	9,411
Information and communication	**98**	104
Transportation	**–**	–
Wholesale and retail	**695**	1,528
Finance and insurance	**–**	–
Real estate	**1,385**	14,176
Services	**2,971**	3,273
Government	**–**	–
Individuals	**4,513**	5,594
Others	**–**	0
Domestic Total	**9,834**	34,273
Foreign	**9,893**	5,081
Total	**¥ 19,727**	¥ 39,355

Note: Excluding purchased receivables.

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

	Millions of yen					
	2023			2022		
As of March 31	**Start Amount**	**Change Amount**	**End Amount**	Start Amount	Change Amount	End Amount
General	**¥ 22,310**	**¥ 666**	**¥ 22,976**	¥ 21,284	¥ 1,026	¥ 22,310
Specific	**25,713**	**(16,038)**	**9,674**	19,812	5,900	25,713
Country	**–**	**–**	**–**	–	–	–
Total	**¥ 48,023**	**¥(15,372)**	**¥ 32,650**	¥ 41,096	¥ 6,926	¥ 48,023

Geographic

	Millions of yen							
	2023				2022			
As of March 31	**Total**	**General**	**Specific**	**Country**	Total	General	Specific	Country
Domestic	**¥ 22,599**	**¥ 14,227**	**¥ 8,371**	**–**	¥ 40,049	¥ 16,179	¥ 23,870	–
Foreign	**10,051**	**8,748**	**1,302**	**–**	7,973	6,131	1,842	–
Total	**¥ 32,650**	**¥ 22,976**	**¥ 9,674**	**–**	¥ 48,023	¥ 22,310	¥ 25,713	–

Industries

	Millions of yen	
	2023	2022
As of March 31	**Reserve Amount**	Reserve Amount
Manufacturing	**¥ 3,836**	¥ 7,601
Agriculture	**–**	–
Mining	**2**	4
Construction	**180**	189
Electric power, gas, water supply	**2,194**	11,174
Information and communication	**315**	291
Transportation	**889**	925
Wholesale and retail	**1,165**	3,283
Finance and insurance	**3,033**	2,133
Real estate	**4,321**	6,923
Services	**4,303**	4,877
Government	**–**	–
Individuals	**2,355**	2,643
Others	**0**	0
Foreign	**10,051**	7,973
Non-classified	**–**	–
Total	**¥ 32,650**	¥ 48,023

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	
	FY2022	FY2021
	Amount of write-off	Amount of write-off
Manufacturing	**¥ 4,065**	¥ –
Agriculture	**–**	–
Mining	**–**	–
Construction	**–**	–
Electric power, gas, water supply	**2,552**	–
Information and communication	**–**	–
Transportation	**–**	–
Wholesale and retail	**365**	1,699
Finance and insurance	**–**	–
Real estate	**0**	–
Services	**1,154**	72
Government	**–**	–
Individuals	**147**	99
Others	**–**	–
Foreign	**–**	–
Non-classified	**–**	–
Total	**¥ 8,285**	¥ 1,871

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

	Millions of yen			
	2023		2022	
As of March 31	**Rated**	**Unrated**	Rated	Unrated
0%	**¥ –**	**¥ –**	¥ –	¥ –
10%	**–**	**–**	–	–
20%	**–**	**–**	–	–
35%	**–**	**2,310**	–	2,389
50%	**–**	**–**	–	–
75%	**–**	**3,289**	–	3,701
100%	**–**	**44**	–	9
150%	**–**	**–**	–	–
350%	**–**	**–**	–	–
1,250%	**–**	**–**	–	–
Total	**¥ –**	**¥ 5,644**	¥ –	¥ 6,099

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

Specialized lending excluding high-volatility commercial real estate

	Millions of yen	
As of March 31	**2023**	2022
Risk weight ratio	**Amount of Exposure**	Amount of Exposure
50%	**¥ 211,890**	¥ 170,505
70%	**660,168**	582,242
90%	**108,157**	193,138
115%	**103,133**	67,617
250%	**111,576**	74,350
0% (Default)	**11,139**	13,801
Total	**¥1,206,066**	¥1,101,655

Specialized lending for high-volatility commercial real estate

	Millions of yen	
As of March 31	**2023**	2022
Risk weight ratio	**Amount of Exposure**	Amount of Exposure
70%	**¥ 10,400**	¥ 16,771
95%	**85,427**	42,884
120%	**20,710**	31,794
140%	**29,184**	44,610
250%	**21,521**	13,736
0% (Default)	**–**	11,564
Total	**¥ 167,244**	¥ 161,361

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

Equity exposure under Market-Based Simplified Method

As of March 31	Millions of yen	
	2023	2022
Risk weight ratio	**Amount of Exposure**	Amount of Exposure
300%	**¥ 908**	¥ 184
400%	**37,025**	52,927
Total	**¥ 37,933**	¥ 53,112

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

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

Corporate

As of March 31	Millions of yen (except percentages)									
	2023					2022				
Credit Rating	**PD**	**LGD**	**Risk Weight**	**EAD (On-balance)**	**EAD (Off-balance)**	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0–4	**0.11%**	**45.00%**	**34.37%**	**¥3,233,452**	**¥ 526,026**	0.13%	45.01%	36.00%	¥2,189,719	¥ 243,220
5–6	**1.31%**	**44.13%**	**87.95%**	**726,378**	**99,966**	1.49%	43.83%	93.30%	581,723	75,018
9A	**9.28%**	**43.25%**	**178.23%**	**35,522**	**3,891**	9.50%	43.05%	178.21%	35,453	4,594
Default	**100.00%**	**45.00%**	**–**	**5,886**	**169**	100.00%	45.00%	–	8,149	243

Note: LGD is shown after credit risk mitigation

Sovereign

As of March 31	Millions of yen (except percentages)									
	2023					2022				
Credit Rating	**PD**	**LGD**	**Risk Weight**	**EAD (On-balance)**	**EAD (Off-balance)**	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0–4	**0.00%**	**45.00%**	**1.91%**	**¥2,995,290**	**¥ 20,170**	0.00%	45.00%	2.15%	¥1,917,481	¥ 2,434
5–6	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–
9A	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–
Default	**100.00%**	**45.00%**	**–**	**10**	**–**	100.00%	45.00%	–	10	–

Note: LGD is shown after credit risk mitigation

Bank

As of March 31	Millions of yen (except percentages)									
	2023					2022				
Credit Rating	**PD**	**LGD**	**Risk Weight**	**EAD (On-balance)**	**EAD (Off-balance)**	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0–4	**0.07%**	**45.53%**	**33.49%**	**¥ 426,319**	**¥ 76,838**	0.07%	45.00%	36.71%	¥ 151,235	¥ 98,306
5–6	**0.85%**	**45.00%**	**76.83%**	**34,424**	**1,133**	1.19%	45.00%	94.87%	33,030	277
9A	**9.28%**	**45.00%**	**195.46%**	**54**	**–**	9.50%	43.83%	178.21%	367	–
Default	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–

Note: LGD is shown after credit risk mitigation

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

As of March 31	Millions of yen (except percentages)							
	2023				2022			
Credit Rating	**PD**	**LGD**	**Risk Weight**	**Amount**	PD	LGD	Risk Weight	Amount
0–4	**0.13%**	**90.00%**	**299.08%**	**¥ 370,384**	0.14%	90.00%	292.61%	¥ 410,750
5–6	**0.72%**	**90.00%**	**311.81%**	**11,054**	1.17%	90.00%	327.03%	11,500
9A	**9.28%**	**90.00%**	**744.61%**	**2,463**	9.50%	90.00%	614.83%	81
Default	**100.00%**	**90.00%**	**1,125.00%**	**0**	–	–	–	–

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

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

Residential mortgage exposure

Millions of yen (except percentages)

As of March 31	2023							2022						
Pool	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF
Normal	0.21%	14.93%	6.32%	¥ 1,103,857	¥ –	¥ –	–	0.24%	15.84%	7.68%	¥ 1,105,262	¥ –	¥ –	–
Need caution	59.73%	17.33%	74.51%	1,912	–	–	–	60.23%	18.85%	80.28%	1,846	–	–	–
Default	100.00%	26.78%	61.19%	4,441	–	–	–	100.00%	27.18%	63.73%	5,516	–	–	–

Note: LGD is shown after credit risk mitigation

Qualified revolving retail exposure

Millions of yen (except percentages)

As of March 31	2023							2022						
Pool	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF
Normal	6.87%	74.00%	97.92%	¥ 171,071	¥ 15,329	¥ 355,901	4.30%	6.76%	75.60%	99.01%	¥ 184,799	¥ 16,380	¥ 380,787	4.30%
Need caution	82.01%	74.00%	112.07%	544	19	580	3.33%	83.69%	75.60%	105.69%	546	18	581	3.23%
Default	100.00%	74.00%	–	68	–	–	–	100.00%	75.60%	–	69	–	–	–

Note: LGD is shown after credit risk mitigation

Other retail exposure

Millions of yen (except percentages)

As of March 31	2023							2022						
Pool	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF
Normal	2.70%	75.02%	59.91%	¥ 4,680	¥ 122	¥ 4,627	2.63%	3.41%	76.61%	69.10%	¥ 3,605	¥ 102	¥ 3,591	2.86%
Need caution	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Default	100.00%	105.70%	–	0	–	–	–	100.00%	106.10%	–	0	–	–	–

Note: LGD is shown after credit risk mitigation

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

Corporate

Millions of yen

	FY2022	FY2021	FY2020
Results of actual losses (a)	¥ 11,660	¥ 7,531	¥ 2,813
Expected losses (b)	13,659	7,407	7,160
Differences ((b) - (a))	1,999	(124)	4,347

Sovereign

Millions of yen

	FY2022	FY2021	FY2020
Results of actual losses (a)	¥ 7	¥ –	¥ –
Expected losses (b)	12	15	14
Differences ((b) - (a))	5	15	14

Bank

Millions of yen

	FY2022	FY2021	FY2020
Results of actual losses (a)	¥ –	¥ –	¥ –
Expected losses (b)	151	138	269
Differences ((b) - (a))	151	138	269

Residential mortgage exposure

Millions of yen

	FY2022	FY2021	FY2020
Results of actual losses (a)	¥ 168	¥ 291	¥ 452
Expected losses (b)	2,189	651	735
Differences ((b) - (a))	2,021	360	282

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

Qualified revolving retail exposure

	Millions of yen		
	FY2022	FY2021	FY2020
Results of actual losses (a)	**¥ 5,604**	¥ 6,592	¥ 7,915
Expected losses (b)	**10,003**	11,868	15,606
Differences ((b) - (a))	**4,398**	5,275	7,690

[Analysis]
The actual losses was increased because of default of the large borrower classified as corporate exposure.

The above matrix shows the results of default (downgrade below substandard) losses (increase of reserve, write-offs and loss on sale) for the twelve-month period ended March 31, 2020, 2021 and 2022 for the Bank's non-default exposures at the start of the twelve-month period, with expected losses.

3. CREDIT RISK MITIGATION (CRM)

(1) COVERED AMOUNT OF CRM BY COLLATERAL

FIRB

	Millions of yen			
	2023		2022	
As of March 31	**Eligible financial collateral**	**Other eligible FIRB collateral**	Eligible financial collateral	Other eligible FIRB collateral
Corporate	**¥ 4,463**	**¥ 228,539**	¥ 5,537	¥ 208,059
Sovereign	**–**	**–**	–	–
Bank	**–**	**–**	–	85
Total	**¥ 4,463**	**¥ 228,539**	¥ 5,537	¥ 208,144

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

IRB

	Millions of yen	
As of March 31	**2023**	2022
Corporate	**¥ 3,806**	¥ 724
Sovereign	**261**	386
Bank	**–**	–
Residential mortgages	**–**	–
Qualified revolving retail	**–**	–
Other retail	**–**	–
Total	**¥ 4,067**	¥ 1,110

4. COUNTERPARTY CREDIT RISK OF DERIVATIVES

	Millions of yen	
As of March 31	**2023**	2022
Total amount of gross positive fair value	**¥ 152,401**	¥ 181,229
Amount of gross add-on	**137,575**	135,856
EAD before CRM	**289,977**	317,086
FX-related	**182,700**	187,359
Interest-related	**103,608**	125,657
Equity-related	**–**	–
Commodity-related	**–**	–
Credit derivatives	**3,642**	3,869
Others	**25**	199
Amount of net	**159,876**	165,850
EAD after net	**130,100**	151,235
Amount covered collateral	**–**	–
EAD after CRM	**130,100**	151,235

Note: Current Exposure Method

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

· Notional amount of credit derivatives which have counterparty risk

As of March 31	2023		2022	
	Millions of yen			
Notional amount	**Protection-buy**	**Protection-sell**	Protection-buy	Protection-sell
Single name	**¥ 19,000**	**¥ 19,000**	¥ 22,500	¥ 22,500
Multi name	**0**	**0**	10,000	10,000

Not applicable for the following items;

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

5. SECURITIZATION

SECURITIZATION EXPOSURE ORIGINATED BY THE BANK (CREDIT RISK)

Not applicable

SECURITIZATION EXPOSURE IN WHICH THE BANK INVESTS

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

Excluding resecuritization exposure

As of March 31	2023	2022
	Millions of yen	
Type of original assets	**Amount of Exposure**	Amount of Exposure
Residential mortgages	**¥ 15,543**	¥ 17,135
Consumer loans	**–**	–
Commercial real estate loans	**161,822**	122,566
Corporate loans	**487,120**	74,372
Others	**59,942**	86,370
Total	**¥ 724,428**	¥ 300,444

※There is no resecuritization exposure.

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

Excluding resecuritization exposure

As of March 31	2023		2022	
	Millions of yen			
Band of risk weight ratio	**Amount**	**Required capital amount**	Amount	Required capital amount
To 20%	**¥ 351,012**	**¥ 5,297**	¥ 64,038	¥ 975
Over 20% to 50%	**24,515**	**923**	58,430	2,010
Over 50% to 100%	**273,664**	**13,274**	95,855	5,351
Over 100% to 400%	**56,814**	**13,380**	31,652	5,756
Over 400% to 625%	**18,421**	**9,090**	50,468	25,173
Over 625% under 1,250%	**–**	**–**	–	–
Total	**¥ 724,428**	**¥ 41,965**	¥ 300,444	¥ 39,266

※There is no resecuritization exposure.

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

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

As of March 31	Millions of yen 2023	2022
Type of original assets	**Amount**	Amount
Residential mortgages	**¥ –**	¥ –
Consumer loans	**–**	–
Commercial real estate loans	**–**	–
Corporate loans	**–**	–
Others	**–**	–
Total	**¥ –**	¥ –

Not applicable for the following items;

・Credit risk mitigation for resecuritization exposure

6. MARKET RISK (UNDER INTERNAL MODEL APPROACH)

(1) VAR AT THE END OF MARCH 2023 AND MARCH 2022 AND THE HIGH, MEAN AND LOW VAR

As of March 31	Millions of yen 2023	2022
VaR at term end	**¥ 722**	¥ 310
VaR through this term		
High	**927**	589
Mean	**556**	334
Low	**293**	204

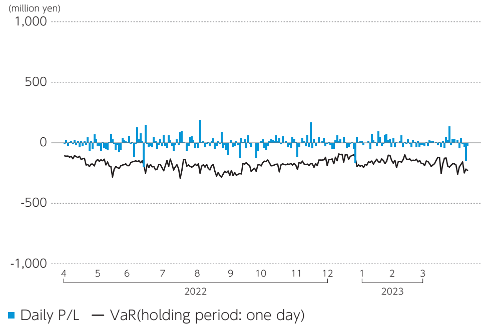
(2) STRESSED VAR AT THE END OF MARCH 2023 AND MARCH 2022 AND THE HIGH, MEAN AND LOW VAR

As of March 31	Millions of yen 2023	2022
VaR at term end	**¥ 796**	¥ 1,181
VaR through this term		
High	**2,237**	2,235
Mean	**1,107**	1,542
Low	**593**	979

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

(3) RESULT OF BACK TESTING

2022/4～2023/3



Hypothetical loss exceeded VaR twice in the last fiscal year.

The details of the excess incident :

Date : June 14, 2022

Amount in excess : JPY 10 million

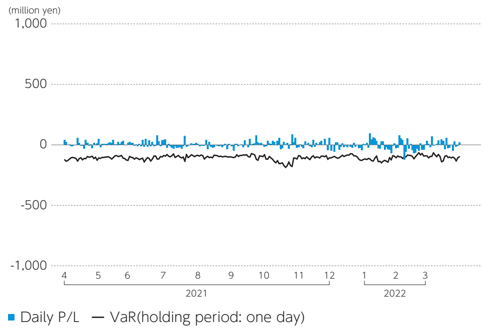
Main cause of the excess : fluctuation of interest rates

Date : December 20, 2022

Amount in excess : JPY 42 million

Main cause of the excess : fluctuation of interest rates

2021/4～2022/3



Hypothetical loss exceeded VaR once in the last fiscal year.

The details of the excess incident :

Date : February 8, 2022

Amount in excess : JPY 23 million

Main cause of the excess : fluctuation of interest rates

Backtesting on the VaR Model Applied to the Trading Account

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

Assumptions of Shinsei's VaR Model

Method : Historical simulation method

Confidence level : 99%

Holding period : 10days

Observation days : 250days

Coverage : Trading account

Not applicable for the following items;

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

7. EQUITY EXPOSURE IN BOOK

(1) BOOK VALUE AND FAIR VALUE

	Millions of yen	
As of March 31	**2023**	2022
Market-based approach		
Listed equity exposure	¥ **908**	¥ 184
Unlisted equity exposure	**37,025**	52,927
PD/LGD method		
Listed equity exposure	**4,176**	31,106
Unlisted equity exposure	**379,726**	391,225

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

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

	Millions of yen	
	FY2022	FY2021
Gain (loss) on sale	**¥ 1,269**	¥ 3,844
Loss of impairment	**93**	1,001

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

	Millions of yen	
As of March 31	**2023**	2022
Unrealized gain (loss)	**¥ 4,681**	¥ (6,140)

(4) AMOUNT FOR EACH PORTFOLIO CLASSIFICATION OF EQUITY EXPOSURE

	Millions of yen	
As of March 31	**2023**	2022
Market-based approach	**¥ 37,933**	¥ 53,112
PD/LGD Method	**383,902**	422,332
RW100% Applied	**51**	51
RW250% Applied	**38,933**	5,744

Not applicable for the following items;

· UNREALIZED GAIN OR LOSS WHICH IS NOT RECOGNIZED BOTH ON BALANCE SHEET AND ON STATEMENT OF INCOME

8. EXPOSURE RELATING TO INVESTMENT FUNDS

	Millions of yen	
As of March 31	**2023**	2022
Look-through approach	**¥ 55,029**	¥ 47,037
Look-through approach (Third party RW decision)	**188,596**	–
Mandate-based approach	**939**	1,782
Probability-based approach (250%)	**–**	–
Probability-based approach (400%)	**1,817**	2,794
Fall-back approach	**0**	0
Total	**¥ 246,382**	¥ 51,615

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. "Look-through approach (Third party RW decision)" is a method that applies risk weights determined by a third party who has a detailed understanding of the fund's asset composition.
3. "Mandate-based approach" is a method of conservatively estimating the asset structure based on the fund management method.
4. "Probability-based approach (250%)" can be selected when each asset of fund will be highly probable that the risk weight is not more than 250%.
5. "Probability-based approach (400%)" can be selected when each asset of fund will be highly probable that the risk weight is more than 250% and not more than 400%.
6. "Fall-back approach" is required to apply if above approaches are not feasible.

9. INTEREST RATE RISK

Decrease in economic values from interest-rate shock

As of March 31

Millions of yen

IRRBB1：Interest rate risk					
No		A	B	C	D
		⊿EVE		⊿NII	
		2023	2022	2023	2022
1	Parallel shock up	42,323	25,212	10,052	4,100
2	Parallel shock down	998	14,772	19,119	9,418
3	Steepener shock	41,554	36,568		
4	Flattener shock	–	–		
5	Short rate up shock	–	–		
6	Short rate down shock	–	–		
7	Max	42,323	36,568	19,119	9,418
		E		F	
		2023		2022	
8	Core capital	890,150		855,963	

DISCLOSURE ITEMS CONCERNING REMUNERATION, ETC.

1. ORGANIZATIONAL STRUCTURE REGARDING REMUNERATION, ETC. FOR APPLICABLE OFFICERS AND EMPLOYEES OF SBI SHINSEI BANK (GROUP)

(1) Scope of “Applicable Officers and Employees”
The scope of “Applicable Officers” and “Applicable Employees, etc.” (collectively, “Applicable Officers and Employees”) prescribed in the announcement on remuneration subject to disclosure is as shown below.

1) “Applicable Officers”
Applicable Officers refer to the Directors and Audit & Supervisory Board Members of SBI Shinsei Bank (hereinafter, “the Bank”), excluding outside Directors and outside Audit & Supervisory Board Members.

2) “Applicable Employees, etc.”
At the Bank, “Applicable Employees, etc.” who are subject to disclosure refer to the “persons who receive a high level of remuneration, etc.” and who have a material impact on business operations or the situation of assets of the Bank and its major consolidated subsidiaries, etc. among the officers and employees of the Bank and officers and employees of its major consolidated subsidiaries, etc., excluding Applicable Officers.

(a) Scope of “major consolidated subsidiaries, etc.”
Major consolidated subsidiaries etc. refer to the subsidiaries that are independently mentioned in the business report and consolidated financial statements and which are important for the operations of the Bank Group, taking into account the significance of their impact on the financial conditions and business results of the Bank Group. More specifically, they refer to the following seven companies. While there are three consolidated subsidiaries, etc. with total assets accounting for 2% or more of consolidated total asset, all of those three companies are included in the following seven companies.

APLUS Co., Ltd.
Showa Leasing Co., Ltd.
Shinsei Financial Co., Ltd.
Shinsei Trust & Banking Co., Ltd.
Shinsei Securities Co., Ltd.
Shinsei Investment & Finance Limited
UDC Finance Limited

(b) Scope of the “persons who receive a high level of remuneration, etc.”
A “Person who receive a high level of remuneration, etc.” refers to a person who receives remuneration that exceeds the base amount from the Bank or its major consolidated subsidiaries, etc. The base amount at the Bank has been set at ¥36 million. Such base amount has been set based on the average amounts of the compensation of Applicable Officers for the last three fiscal years (excluding persons who resigned or retired during each of such fiscal years), taking into account the changes in the remuneration level in the previous year, as there is a possibility that the total remuneration of the Applicable Officers will be significantly affected by the retirement of the target officers during FY2021, if the Bank continues to keep the base amount based on the amount obtained by dividing the total remuneration of the Applicable Officers by the number of Applicable Officers.

(c) Scope of the “persons who have a material impact on business operation or the situation of assets of the Bank Group”
The “persons who have a material impact on business operation or the situation of assets of the Bank Group” refer to the persons who, in their normal duties, execute transactions and manage matters which have a significant degree of impact on the business operations of the Bank, the Bank Group, and its major consolidated subsidiaries, etc. or who have a material impact on the situation of assets through losses incurred in transactions, etc. More specifically, these include the Executive Officers and persons in similar positions at the Bank, and Directors, Executive Officers, etc. of its major consolidated subsidiaries.

(2) Names, compositions, and duties of the Committee and other major bodies, etc. supervising the determination of remuneration, etc. for Applicable Officers and Employees, the payment of remuneration, etc., and other business execution related to remuneration, etc.

DISCLOSURE ITEMS CONCERNING REMUNERATION, ETC. (CONTINUED)

1) The Bank established the Nomination and Compensation Committee, an optional body, in March 2019 to discuss and respond to the Board concerning agenda items for the general meeting of shareholders related to the election/dismissal of Directors, matters related to the election/dismissal of the President and CEO, and matters related to remuneration of Directors of the Bank, based on a request from the Board of Directors. The Nomination and Compensation Committee is composed of all outside directors and Audit & Supervisory Board Members may attend the Committee. The allocation to each individual of the remuneration of Directors approved at the General Meeting of Shareholders is determined by the Board of Directors. The allocation to each individual of the remuneration for Audit & Supervisory Board Members is determined by the consultations among Audit & Supervisory Board Members within the total amount of remuneration approved at the General Meeting of Shareholders in accordance with Paragraph 2, Article 387 of the Companies Act.

2) Decisions on compensation of "Applicable employees, etc."
The remuneration for employees of the Bank and its major consolidated subsidiaries, etc. is determined and paid in accordance with the policies adopted by the Group Management Development Committee of the Bank and established by the prescribed voting organs of major consolidated subsidiaries, etc.
This policy is designed by the Group Human Resources Division of the Bank, which is independent from the Business Promotion Division.

3) Determination of Remuneration for Overseas Officers and Employees
Remuneration for officers and employees overseas is determined and paid by each local subsidiary under the compensation system in accordance with local laws and regulations and employment practices.
The Board of Directors of the Overseas Subsidiaries, which consists of a majority of employees dispatched from the Bank, decides on the establishment and change of overseas compensation systems.

4) Total amount of remuneration, etc. paid to the members of the Compensation Committee, etc. and the number of the meetings of the Compensation Committee, etc. held

	Number of meetings held (April 2022 to March 2023)	Total amount of remuneration, etc.
Nomination and Compensation Committee	7	–

(Notes) The total amount of remuneration, etc. is not indicated because the portion equivalent to consideration for business execution by the Compensation Committee, etc. cannot be calculated separately.

2. EVALUATION OF THE APPROPRIATENESS OF THE DESIGN AND APPLICATION OF THE SYSTEM RELATED TO REMUNERATION, ETC. FOR APPLICABLE OFFICERS AND EMPLOYEES OF SBI SHINSEI BANK (GROUP)

(1) Policy on remuneration, etc. for Applicable Officers and Applicable Employees, etc.

1) Policy on remuneration, etc. for "Applicable Officers"
The General Meeting of Shareholders determines the total maximum amount of remuneration paid to its officers (for Directors: up to 230 million yen a year (of this amount, 60 million yen is for outside directors and the amount the restricted stock remuneration is up to 25 million yen); for Audit & Supervisory Board Members: up to 60 million yen a year) and separately from this maximum remuneration the total maximum amount of the Subscription Warrants to be allotted as Equity Remuneration Type Stock Options (for Full-Time Directors: up to 75 million yen a year). Remuneration for Applicable Officers of the Bank is deliberated at the Nomination and Compensation Committee and determined at the Board of Directors attended by five outside Directors, Audit & Supervisory Board Members (Full-Time), and two outside Audit & Supervisory Board Members, based on an appropriate evaluation of the responsibilities, and contributions to the Bank's performance, of each officer in his/her duties and sufficient discussions taking into account the Bank's business results, market standards, etc., following the policy on the ratios and the amount of each type of remuneration, which is determined by the Board of Directors taking into consideration the recommendation of the Nomination and Compensation Committee.
The remuneration of the full-time directors consists of Base Remuneration, Equity Remuneration Type Stock Options and restricted stock compensation.
The base remuneration shall be the fixed remuneration corresponding to their full-time or part-time status, positions and responsibilities, to be determined after deliberation by the Nomination and Compensation Committee on the appropriate level of remuneration as a public fund injection bank with reference to the level of other companies in the same industry.
The amount of the Equity Remuneration Type Stock Options for full-time directors shall be determined at a Board of Directors meeting, after deliberation by the Nomination and Compensation Committee, by calculation using a formula that takes into account the Bank's stock price fluctuation rate, the performance of the Bank's stock price in comparison with the stock price of the banking industry and the Bank's net asset fluctuation rate during the previous fiscal year, and it is provided that upon the occurrence of a certain event to a director, all stock options granted to such director shall be waived.
A restricted stock compensation plan has been introduced with the objective of providing them with incentives to continuously improve our corporate value and further promoting value sharing with shareholders and, after deliberation by the Nomination and Compensation Committee, the amount to be granted to each director is determined corresponding to his/her positions and job responsibilities and common shares are granted to each director at a certain percentage of the total amount of remuneration for such director that is authorized by the General Meeting of Shareholders. It is provided that upon the occurrence of a certain event to a director, all shares granted to such director shall be acquired by the bank without consideration. The ratio of the base remuneration to the total remuneration for full-time directors shall be determined specifically at a Board of Directors meeting, after deliberation by the Nomination and Compensation Committee, generally on the basis that the base remuneration shall be 60% of the total remuneration, the restricted stock compensation shall be 15-20% of the total remuneration and the Equity Remuneration Type Stock Options shall be 20-25% of the total remuneration with regard to full-time directors.

DISCLOSURE ITEMS CONCERNING REMUNERATION, ETC. (CONTINUED)

The Bank is considering a new remuneration system, as SBI Regional Bank Holdings Co., Ltd., its controlling shareholder for the common shares of the Bank, commenced tender offer for the common shares of the Bank on May 12, 2023, and after the TOB and subsequent series of procedures, the shares might be anticipated to be delisted.

2) Policy on remuneration, etc. for “Applicable Employers, etc”
The remuneration system for applicable employees is based on the concept of job function/job grade (position/role), etc., and is not excessively linked to performance.
Salaries are determined according to qualifications, positions, and roles. Bonuses are also determined by reflecting the results of performance evaluation in the standard amount based on salary levels.
The Bank's executive officers are entitled to restricted stock awards based on their position.
Overseas, salaries are determined according to duties and responsibilities, and bonuses are based on a basic policy of paying salaries in consideration of performance. However, a system is in place to ensure that the prominent performance of individuals does not have an excessive impact on the total value of the fund.

(2) Explanation on the categories of persons included in Applicable Officers and Employees and the number of persons by category
The definitions of “Applicable Officers” and “Applicable Employees, etc.” are as indicated in 1. (1). There are five “Applicable Officers” and there are three persons who fall under the definition of “Applicable Employees, etc.”

3. CONSISTENCY BETWEEN THE SYSTEM FOR REMUNERATION, ETC. OF APPLICABLE OFFICERS AND EMPLOYEES OF SBI SHINSEI BANK (GROUP) AND RISK MANAGEMENT AND THE LINKAGE BETWEEN REMUNERATION, ETC. OF APPLICABLE OFFICERS AND EMPLOYEES OF SBI SHINSEI BANK (GROUP) AND BUSINESS RESULTS

When determining remuneration, etc. of Applicable Officers, the total amounts of remuneration payable to Directors and Audit & Supervisory Board Members are each determined at the General Meeting of Shareholders, while the amount of remuneration, etc. payable to each Director and Audit & Supervisory Board Member is determined at the Board of Directors or through consultations among Audit & Supervisory Board Members, respectively.

Moreover, the performance-linked remuneration accounts for a very small percentage of the amount of remuneration, etc. for Applicable Officers, and we have not adopted a remuneration system which may have a negative impact on risk management. The compensation of full-time Directors is comprised of the following three elements: fixed compensation, Equity Remuneration Type Stock Options and restricted stock.

<Types of remuneration, etc. placing emphasis on creating corporate value from a longer perspective in accordance with the duties and operations of Applicable Officers and Employees, and remuneration, etc. payment method taking into account the period until risk is materialized>

The Bank Group has adopted Equity Remuneration Type Stock Options in order to share the risk and advantage of share price fluctuations with shareholders and enhance motivation to contribute to medium- and long-term performance and share price increases. The stock option contract stipulates that exercise shall be deferred to the resignation of the Bank's Director even during the exercise period. There is no unexercised Equity Remuneration Type Stock Options at the end of the fiscal year 2021.

DISCLOSURE ITEMS CONCERNING REMUNERATION, ETC. (CONTINUED)

4. TYPES, TOTAL AMOUNT PAYABLE, AND PAYMENT METHOD OF REMUNERATION, ETC. FOR APPLICABLE OFFICERS AND EMPLOYEES OF SBI SHINSEI BANK (GROUP)

(Persons, Millions of Yen)

Remuneration, etc. allocated to the fiscal year			A	B
Item No.			Applicable Officers	Applicable Employees, etc.
1	Fixed remuneration	Number of Applicable Officers and Applicable Employees, etc.	5	3
2		Total amount of fixed remuneration (3+5+7)	158	127
3		Of which, amount of cash remuneration	133	127
4		Of Item 3, deferred amount	–	–
5		Of which, amount of equity remuneration or share-linked remuneration	24	–
6		Of Item 5, deferred amount	24	–
7		Of which, amount of other remuneration	–	–
8		Of Item 7, deferred amount	–	–
9	Variable remuneration	Number of Applicable Officers and Applicable Employees, etc.	–	2
10		Total amount of variable remuneration (11+13+15)	–	22
11		Of which, amount of cash remuneration	–	22
12		Of Item 11, deferred amount	–	–
13		Of which, amount of equity remuneration or share-linked remuneration	–	–
14		Of Item 13, deferred amount	–	–
15		Of which, amount of other remuneration	–	–
16		Of Item 15, deferred amount	–	–
17	Retirement allowance	Number of Applicable Officers and Applicable Employees, etc.	–	–
18		Total amount of retirement allowance	–	–
19		Of which, deferred amount	–	–
20	Other remuneration	Number of Applicable Officers and Applicable Employees, etc.	–	–
21		Total amount of other remuneration	–	–
22		Of which, deferred amount	–	–
23	Total amount of remuneration, etc. (2+10+18+21)		158	149

Note : Item 5 includes 24 million yen of restricted stock compensation.

5. OTHER MATTERS THAT SHOULD BE REFERRED TO CONCERNING THE SYSTEM OF REMUNERATION, ETC. FOR APPLICABLE OFFICERS AND EMPLOYEES OF SBI SHINSEI BANK (GROUP)

(Millions of Yen)

Deferred remuneration, etc.		A	B	C	D	E
		Balance of deferred remuneration, etc.	Of Item A, balance of deferred remuneration, etc. subject to adjustments or fluctuations	Amount of changes to allocated remunerations, etc. subject to adjustments for the fiscal year not linked to fluctuations in indicators, etc.	Amount of changes to allocated remunerations, etc. subject to adjustments for the fiscal year linked to fluctuations in indicators, etc.	Amount of deferred remuneration, etc. paid in the fiscal year
Applicable Officers	Amount of cash remuneration	–	–	–	–	–
	Amount of equity remuneration or share-linked remuneration	24	24	–	–	24
	Total amount of other remuneration	–	–	–	–	–
Applicable Employees, etc.	Amount of cash remuneration	–	–	–	–	–
	Amount of equity remuneration or share-linked remuneration	–	–	–	–	–
	Total amount of other remuneration	–	–	–	–	–
Total amount		24	24	–	–	24

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