



INTERIM REPORT 2022

Six months ended September 30, 2022

CEO Message



In the first half of fiscal 2022, total revenue was 119.4 billion yen (up 8% year-on-year), the second highest level for the interim accounting period in the past 10 years after recording 121.5 billion yen in fiscal 2019. Net income attributable to owners of the parent increased by 7% year-on-year to 24.8 billion yen, which is approximately 70% progress for the full-year forecast. During the first half of the fiscal year under review, our efforts showed positive results such as proactive cultivation of customer relationships for achieving the Medium-Term Vision, increasing in loans balance and commissions due to expansion of cooperation with regional financial institutions in sustainable finance, and increasing of derivative related income by capturing hedging needs arising from the yen depreciation as contributors. In addition, the deposits, the foundation of our customer base, exceeded our financial target of 8 trillion yen, set in our Medium-Term Vision, in six months, reflecting the vitalization of our business activities.

The Bank will change the name to SBI Shinsei Bank, Limited on January 4, 2023. In terms of both the name and reality, we will work together with the SBI Group to thoroughly implement Customer-centric Principle and further strengthen our customers and earnings base. At the same time, we will implement various measures to shift from quantity to quality. In this way, we intend to achieve the targets of our Medium-Term Vision as well as sustainable growth.

December 2022

A handwritten signature in black ink that reads "Kawashima". The signature is fluid and cursive, with a large loop at the end.

Katsuya Kawashima
Representative Director,
President and Chief Executive Officer

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Editorial Policy

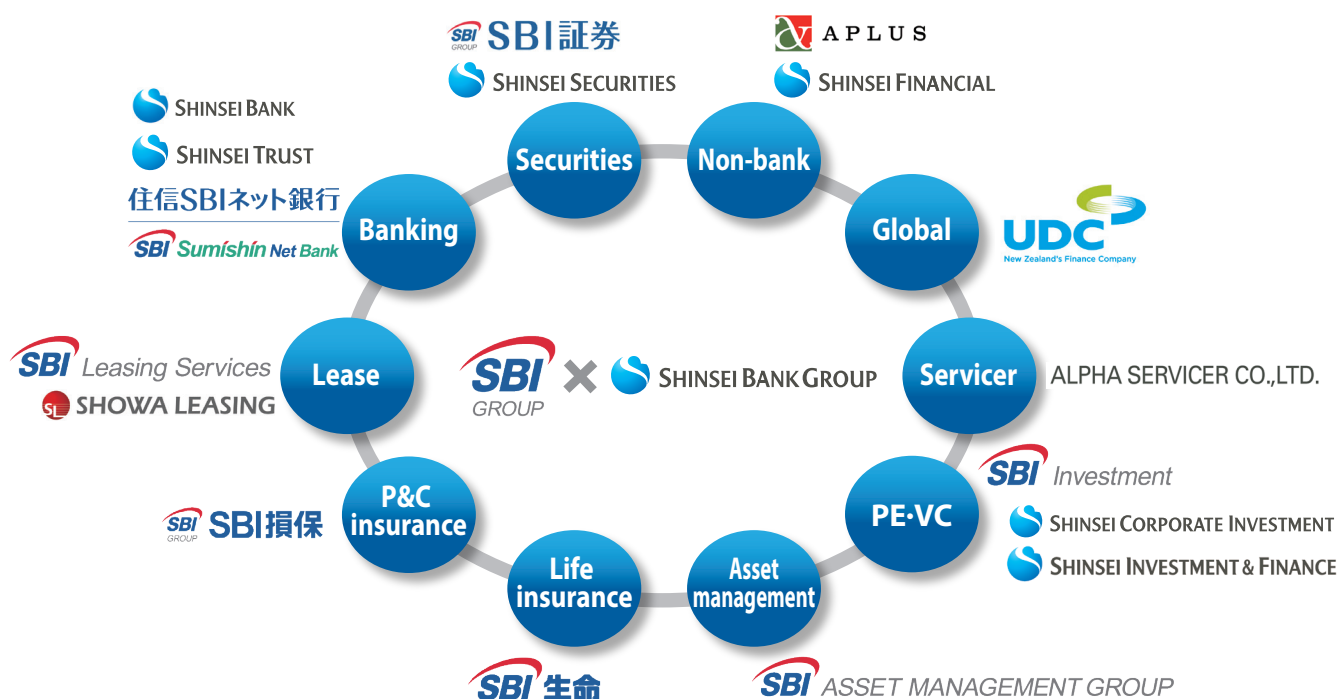
This Report fulfills the disclosure requirements (an explanation of the Shinsei Bank's operations and matters regarding its financial position) stipulated under Article 21 of Japan's Banking Act. This Report also contains statements about the Group's management policies and future operating results that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

Shinsei Bank Group's Products and Services

Unique products and services

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

We became a part of the SBI Group in December 2021, and are now in the midst of actively incorporating the financial ecosystems and financial functions of the SBI Group and seeking to provide the products, services, and functions that customers truly want.



Medium-Term Vision

The Shinsei Bank Group has developed the Medium-Term Vision of the Shinsei Bank Group (the “Medium-Term Vision”), a medium-term business plan covering from fiscal 2022 to 2024 that is to be followed for the coming three years.

Based on the SBI Group’s universally fundamental management viewpoint relating to business development, the Medium-Term Vision consists of three targets to be achieved in three years’ time and three core strategies that enable the achievement of those goals of the Shinsei Bank Group, which joined the SBI Group in December 2021.

Medium-Term Vision (Targets to be achieved in three years’ time)

1. Realize JPY 70 billion of consolidated net income and establish a foundation for further growth
2. Evolve into a leading banking group providing pioneering and advanced finance
3. Show the path toward repayment of public funds

Strategies for achieving the Medium-Term Vision

The SBI Group’s universally fundamental management viewpoint relating to business construction

1. Adherence to the “Customer-centric Principle” — Public benefits lead to private benefits —
2. Forming a “corporate ecosystem” and comprehensively pursuing Group synergies
3. Thorough devotion to innovative technology
4. Formulate and execute strategies encompassing anticipated challenges in the near future



Core Strategy 1

Pursue value co-creation inside and outside the Group



Core Strategy 2

Enhance the Group’s strengths and realize a full range of service offerings



Core Strategy 3

Achieve sustainability through business activities

Medium-Term Vision Financial Targets

KPI

		FY2021 results	FY2024 target
Customer base	Customers (Shinsei Bank's retail bank accounts)	3,050 thousand	3,800 thousand
Financial foundation	Deposits (Retail and corporate)	JPY 6.4 trillion	JPY 8.0 trillion
	Operating assets (including management of marketable securities)	JPY 8.1 trillion	JPY 10.0 trillion
Earning capacity	Net income (Attributable to owners of Shinsei Bank)	JPY 20.3 billion	JPY 70.0 billion
Financial soundness	CET1 ratio	11.6%	Aim for 10% or more

Operating Assets and Deposits

- Increase the deposit balance by improving customer convenience and aligning with the SBI Group
- Endeavor to strengthen earning capacity through the reinforcement of asset management utilizing the increased deposits

Initiatives to reinforce asset management

- Expansion of highly profitable operating assets related to small-scale finance and institutional investors business
- Enlarge the business of overseas investees, including means involving collaboration with the SBI Group
- Sophistication and diversification in management of marketable securities

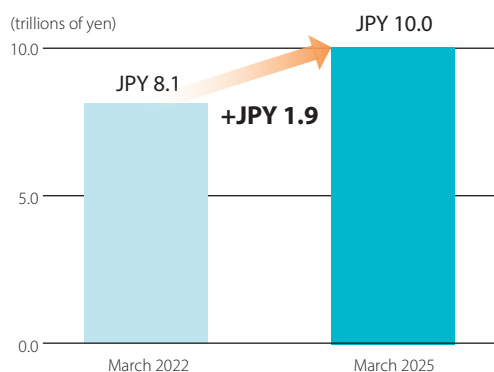
March 2025 Consolidated Balance Sheet

Operating assets JPY 10.0 trillion (+JPY 1.9 trillion)	Deposits JPY 8.0 trillion (+JPY 1.6 trillion)
Other assets	Other liabilities
	Net assets

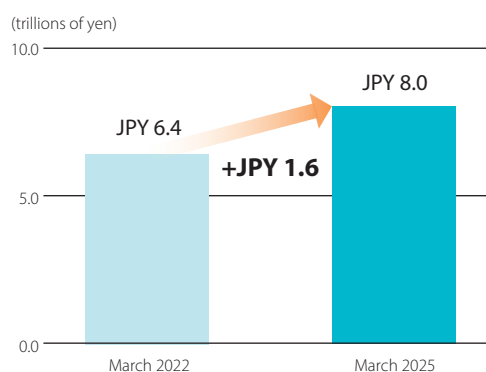
Initiatives to increase the deposit balance

- Comprehensively implement the "Customer-centric Principle" and improve customer convenience
- Increase in number of retail bank accounts through cooperation with the SBI Group
- Expand transaction base with corporate customers

Operating assets



Deposits

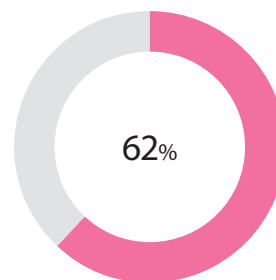


Individual Business

Major Businesses

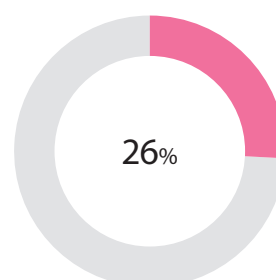
- Retail Banking**
 Yen / foreign currency deposits, structured deposits, investment trusts and bonds through intermediation of financial products, life and nonlife insurance (through partner institutions), housing loans, as well as financial transactions and services for individuals
- Shinsei Financial**
 Unsecured loans and credit guarantees
- APLUS**
 Shopping credit, credit cards and payment services
- Other Individual Business**
 Business activities related to other subsidiaries

Total Revenue



74.2 billion yen

Ordinary Business Profit after Net Credit Costs

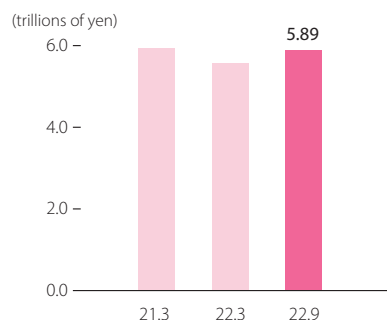


8.8 billion yen

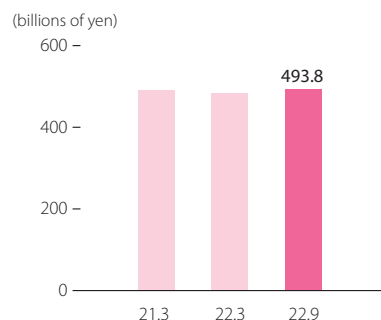
Note: The percentage figures do not add up to 100% due to the contribution of Overseas Business/Treasury/Other

Operating Assets

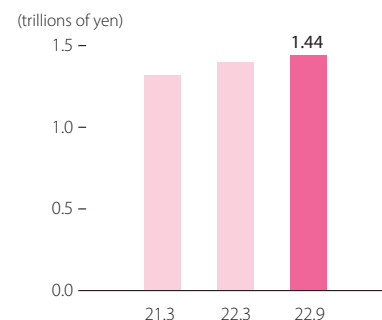
Retail Banking (Asset under Management)



Unsecured Loans

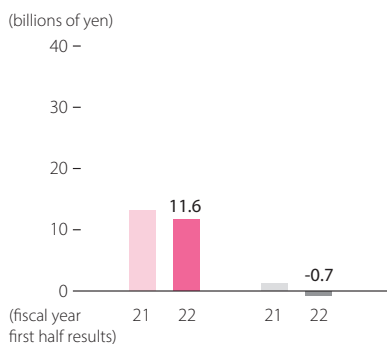


APLUS

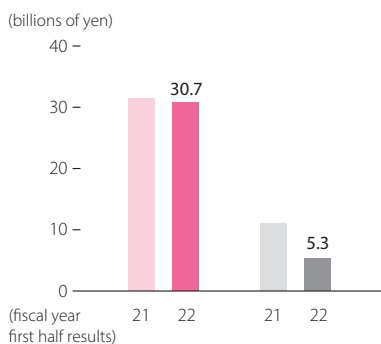


Key Financial Data

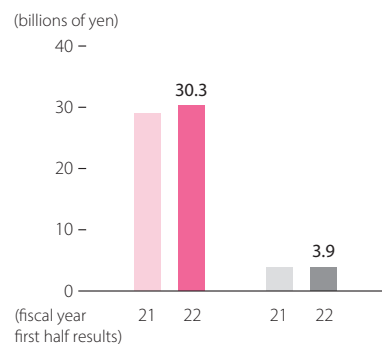
Retail Banking



Unsecured Loans



APLUS



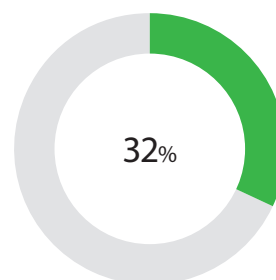
Legend: Total Revenue (pink), OBP after Net Credit Costs (grey)

Institutional Business

Major Businesses

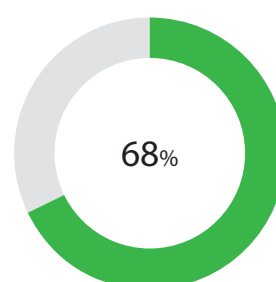
- Corporate Business**
 Financial products, services and advisory services for corporations, public-sector entities and financial institutions, as well as syndication and wealth management, etc.
- Structured Finance**
 Real estate-related nonrecourse finance, project finance, specialty finance including shipping and aircraft domain and M&A-related finance, financial products and services related to healthcare finance and trust banking services, etc.
- Principal Transactions**
 Venture business-related services, business succession, private equity and asset-backed investment, etc.
- Showa Leasing**
 Financial products and services focused on lease finance
- Markets Business**
 Foreign exchange, derivatives, equity-related and other capital markets
- Other Global Markets Business**
 Business activities attributable to Shinsei Securities, asset management, etc.

Total Revenue



38.6 billion yen

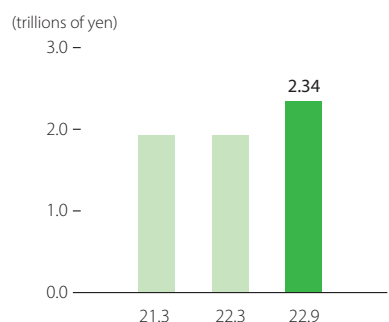
Ordinary Business Profit after Net Credit Costs



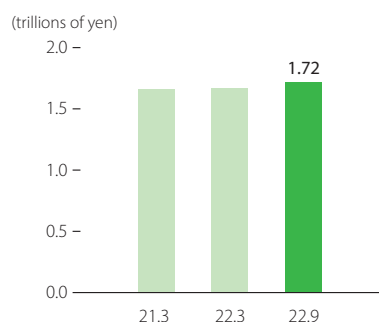
22.6 billion yen

Operating Assets

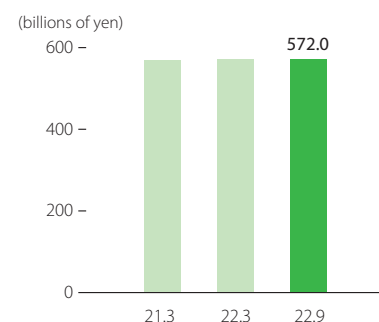
Corporate Business



Structured Finance

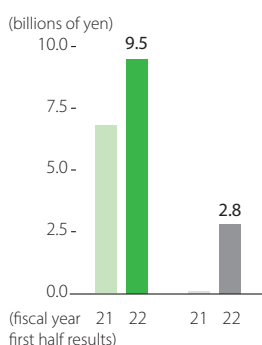


Showa Leasing

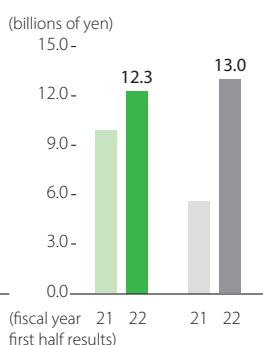


Key Financial Data

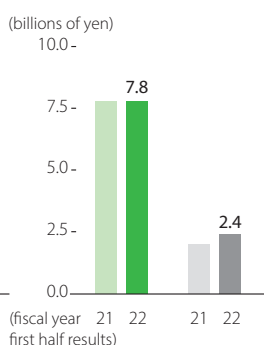
Corporate Business



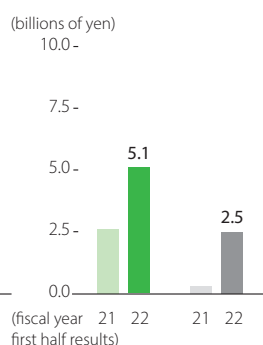
Structured Finance



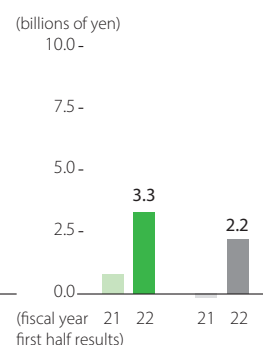
Showa Leasing



Principal Transactions



Markets Business



■ Total Revenue ■ OBP after Net Credit Costs

Initiatives for SME Management Improvement and Regional Revitalization

To improve the management of small and medium-sized enterprises (SMEs) and to contribute to regional revitalization, Shinsei Bank participates in 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 Shinsei Bank Initiatives

● Supporting Business Expansion

Service business

The company 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 (digital transformation) 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 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.

● Supporting Regional Revitalization and Business Succession

Civil engineering company in the Tohoku region

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

● Supporting Business Revitalization

Sales of environment-related equipment and environmental services

This company manufactures and sells environment-related equipment and has developed environmental services related to this equipment. On the other hand, it was necessary for the company to comply with regulations on environmental services, which made it difficult for them to raise funds and continue business operations. The company invited third-party sponsors under an SME revitalization council to help the business continue, and we were appointed by the company as a financial advisor to select a sponsor. Using our network—built on extensive experience in business revitalization M&As—we succeeded in finding candidates from Japan and overseas as sponsors. By consulting with government ministries, government agencies, and financial institutions, we contributed to the sponsor's succession of the entire business. All employees were also retained by the successor company, and the company's business has restarted, while keeping the path open for a large-scale capital investment.

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

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

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

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

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

Fiscal year 2022 refers to the consolidated accounting period ended March 31, 2023, and other accounting periods are denoted in the same manner. The term "current fiscal year" refers to fiscal year 2022 and the term "previous fiscal year" refers to fiscal year 2021. The term the "first half" refers to the period from April 1 to September 30 of each indicated fiscal year and the term the "second half" refers to the period from October 1 to March 31 of each indicated fiscal year.

OVERVIEW

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

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

FINANCIAL SUMMARY FOR THE INTERIM PERIOD ENDED SEPTEMBER 30, 2022

Net income attributable to owners of the parent for the first half of fiscal year 2022 (from April 1, 2022 to September 30, 2022) totaled ¥24.8 billion, increased by ¥1.6 billion from the first half of fiscal year 2021. This first half result equates to 71% progress toward our fiscal year 2022 net income forecast of ¥35.0 billion.

Total revenue totaled ¥119.4 billion, increased by ¥8.7 billion from the first half of fiscal year 2021. This amount included ¥67.8 billion in net interest income, increased by ¥6.2 billion from ¥61.6 billion recorded in the first half of fiscal year 2021. This was due to recording of a. dividend revenue from a major fund in the Institutional Business, b. dividend income from Latitude in the Overseas Business and c. increased revenue in Treasury following higher interest rates, while Retail Banking saw a decrease in deposit-related revenue. Noninterest income totaled ¥51.5 billion, increased by ¥2.4 billion from ¥49.0 billion recorded in the first half of fiscal year 2021. This was due to increased foreign exchange derivatives revenue in the Institutional Business and increased revenue from APLUS.

General and administrative expenses excluding amortization of goodwill and intangible assets totaled ¥77.7 billion, increased by ¥0.7 billion from the first half of fiscal year 2021. This was primarily due to an increase in personnel expenses and costs related to the promotion of sales such as advertising expenses.

OVERVIEW (CONTINUED)

Net credit costs totaled ¥8.2 billion, increased by ¥1.6 billion from ¥6.5 billion recorded in the first half of fiscal year 2022. While the Institutional Business recorded a gain primarily due to improved collection of large non-performing loans, credit costs increased in the Individual Business due to the higher loan balance centered on unsecured card loans and due to deteriorated credit standing in the card loan market.

The balance of loans and bills discounted as of September 30, 2022 totaled ¥5,765.1 billion, increased by ¥523.3 billion from the ¥5,241.8 billion recorded on March 31, 2022. This was primarily due to an increase in loan balances at the Corporate Business and Structured Finance.

Net interest margin was 2.41%, increased from 2.33% recorded in the first half of fiscal year 2021. This was due to the higher yield on interest-earning assets caused by a. the higher yield on loans centered on foreign currency-denominated loans caused by overseas interest rate hikes and b. the greater fund dividend revenue and the higher yield on marketable securities supported by expanded assets under management at the newly-established Securities Investment Division, which were higher than the rise in the yield of interest-bearing liabilities caused by the higher yield on deposits.

The Basel III domestic standard (grandfathering basis) consolidated core capital adequacy ratio as of September 30, 2022 was 11.21%, compared to 11.72% as of March 31, 2022. This was due to a significant increase in risk assets as a result of increased loans, even though core capital increased as a result of accumulation of profits. The Bank's Basel III international standard (fully loaded basis) Common Equity Tier 1 Ratio remained at an adequate level, even though the ratio decreased to 10.9% as of September 30, 2022 from 11.6% as of March 31, 2022.

The nonperforming loan balance (nonconsolidated basis) under the Financial Revitalization Law decreased to ¥22.5 billion as of September 30, 2022 from ¥36.1 billion as of March 31, 2022. The ratio of nonperforming loans to the total loan balance was 0.37% as of September 30, 2022 compared to 0.66% as of March 31, 2022, which remains at a low level.

SIGNIFICANT EVENTS

Development of the Medium-Term Management Plan

The Shinsei Bank Group published on May 13, 2022 its Medium-Term Vision (hereinafter, the "Vision") as the Group's direction for the next three years. The Vision consists of three targets to be achieved in three years' time and three core strategies that enables the achievement of those goals.

The Shinsei Bank Group, which joined the SBI Group in December 2021, aims to achieve the goals based on the SBI Group's universally fundamental management viewpoint relating to business construction. Through these strategies, we will establish the foundation for growth to achieve ¥70.0 billion consolidated net income, ¥10.0 trillion operating assets including management of marketable securities, ¥8.0 trillion deposits, 10% or higher CET1 ratio which is the benchmark for soundness and 3.8 million customers by fiscal year 2024. We will also work on showing in the next three years the path and direction for repaying public funds through coordination with the SBI Group, assuming protection of minority shareholders.

Establishment of Sustainability Targets

The Shinsei Bank Group has set "achievement of sustainability through business activities" as one of the Group's core strategies of the Vision. We are promoting initiatives using expertise and know-how in and outside the Group to contribute to the sustainable development of the environment and society as a whole. On June 15, 2022, we published Shinsei Bank Group's Sustainability Targets which clarify the material sustainability issues to be addressed in the medium to long term and establish its sustainability targets in order for the Group to steadily solve those issues in a unified manner.

Shinsei Bank Group's Sustainability Targets consist of eight areas with material sustainability issues based on "responsibility for sustainable environment and society" as our theme, in addition to the aforementioned core strategy of "achievement of sustainability through business activities". These goals aim to generate a virtuous cycle in which we conduct businesses that will solve the environmental or social issues of our customers and society, the Shinsei Bank Group achieves sustainable growth through support by our customers and the growth helps the sustainability of the environment and society.

SELECTED FINANCIAL DATA (CONSOLIDATED)

Shinsei Bank, Limited and its Consolidated Subsidiaries

As of and for the six months ended September 30, 2022 and 2021 and as of and for the fiscal year ended March 31, 2022

Billions of yen (except per share data and percentages)

	Sept. 30, 2022 (6 months)	Sept. 30, 2021 (6 months)	Mar. 31, 2022 (1 year)
Statements of income data:			
Net interest income	¥ 67.8	¥ 61.6	¥ 125.6
Net fees and commissions	18.4	15.7	34.0
Net trading income	6.1	3.9	6.6
Net other business income	26.9	29.4	51.2
Total revenue	119.4	110.6	217.5
General and administrative expenses	77.7	77.0	155.0
Amortization of goodwill and intangible assets acquired in business combinations	1.7	1.6	3.2
Total general and administrative expenses	79.5	78.6	158.3
Net credit costs (recoveries)	8.2	6.5	31.1
Net business profit after net credit costs (recoveries)	31.7	25.5	28.1
Other gains (losses), net	(1.1)	1.9	0.3
Income before income taxes	30.5	27.4	28.4
Current income taxes	3.8	4.9	8.9
Deferred income taxes (benefit)	1.7	(0.7)	(0.7)
Profit attributable to noncontrolling interests	0.0	0.0	(0.0)
Profit attributable to owners of the parent	¥ 24.8	¥ 23.2	¥ 20.3
Balance sheet data:			
Trading assets	¥ 179.7	¥ 163.4	¥ 149.0
Securities	1,634.2	945.9	674.6
Loans and bills discounted	5,765.1	5,194.1	5,241.8
Customers' liabilities for acceptances and guarantees	607.1	576.9	584.7
Reserve for credit losses	(114.0)	(110.8)	(119.4)
Total assets	12,833.2	10,654.5	10,311.4
Deposits, including negotiable certificates of deposit	9,076.5	6,490.9	6,398.0
Trading liabilities	159.8	139.0	134.0
Borrowed money	473.1	964.7	978.4
Acceptances and guarantees	607.1	576.9	584.7
Total liabilities	11,881.2	9,715.0	9,387.1
Common stock	512.2	512.2	512.2
Total equity	952.0	939.5	924.3
Total liabilities and equity	¥ 12,833.2	¥ 10,654.5	¥ 10,311.4
Per share data:			
Common equity ⁽¹⁾	¥ 4,642.62	¥ 4,468.31	¥ 4,484.01
Basic earnings per share	121.90	108.77	96.78
Diluted earnings per share	121.90	108.73	96.75
Capital adequacy data:			
Capital ratio (Basel III, Domestic Standard)	11.2%	11.8%	11.7%
Average balance data:			
Securities	¥ 953.6	¥ 927.4	¥ 947.0
Loans and bills discounted	5,478.0	5,230.8	5,298.8
Total assets	11,572.3	10,697.3	10,525.8
Interest-bearing liabilities	8,870.2	8,743.8	8,748.3
Total liabilities	10,634.1	9,762.2	9,598.2
Total equity	938.1	935.1	927.5
Other data:			
Return on assets	0.4%	0.4%	0.2%
Return on equity ⁽¹⁾	5.3%	5.0%	2.2%
Ratio of deposits, including negotiable certificates of deposit, to total liabilities	76.3%	66.8%	68.1%
Expense-to-revenue ratio ⁽²⁾	65.1%	69.6%	71.3%
Nonperforming claims, nonconsolidated	¥ 22.5	¥ 32.1	¥ 36.1
Ratio of nonperforming claims to total claims, nonconsolidated	0.4%	0.6%	0.7%

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

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

RESULTS OF OPERATIONS (CONSOLIDATED)

NET INTEREST INCOME

Net interest income totaled ¥67.8 billion, increased by ¥6.2 billion from ¥61.6 billion recorded in the first half of fiscal year 2021.

This was due to an increase in loan interest income caused by higher interest rates overseas.

NET REVENUE ON INTEREST-EARNING ASSETS

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

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

	Billions of yen (except Yield/Rates)					
	Six months ended September 30, 2022			Six months ended September 30, 2021		
	Average Balance	Interest	Yield/Rate ⁽⁴⁾	Average Balance	Interest	Yield/Rate ⁽⁴⁾
Interest-earning assets:						
Loans and bills discounted	¥ 5,478.0	¥ 71.6	2.61%	¥ 5,230.8	¥ 63.9	2.44%
Lease receivables and leased investment assets/ installment receivables	1,203.5	26.3	4.36	1,090.0	24.4	4.48
Securities	953.6	9.2	1.93	927.4	2.9	0.63
Other interest-earning assets ⁽¹⁾	275.6	1.2	n.m	209.3	1.1	n.m
Total revenue on interest-earning assets (A)	¥ 7,910.9	¥ 108.4	2.74%	¥ 7,457.6	¥ 92.5	2.48%
Interest-bearing liabilities:						
Deposits, including negotiable certificates of deposit	¥ 7,254.8	¥ 3.8	0.11%	¥ 6,523.1	¥ 1.7	0.05%
Borrowed money	742.5	0.9	0.26	1,001.6	1.0	0.22
Corporate bonds	390.4	2.6	1.37	374.1	1.7	0.91
Other interest-bearing liabilities ⁽¹⁾	482.4	6.7	n.m	844.8	1.9	n.m
Total expense on interest-bearing liabilities (B)	¥ 8,870.2	¥ 14.2	0.32%	¥ 8,743.8	¥ 6.4	0.15%
Net interest margin (A) - (B)		94.2	2.41%		86.0	2.33%
Noninterest-bearing sources of funds:						
Noninterest-bearing (assets) liabilities, net	¥ (1,894.1)	–	–	¥ (2,213.6)	–	–
Total equity excluding noncontrolling interests ⁽²⁾	934.9	–	–	927.4	–	–
Total noninterest-bearing sources of funds (C)	¥ (959.2)	–	–	¥ (1,286.1)	–	–
Total interest-bearing liabilities and noninterest-bearing sources of funds (D) = (B) + (C)	¥ 7,910.9	¥ 14.2	0.36%	¥ 7,457.6	¥ 6.4	0.17%
Net revenue on interest-earning assets/ yield on interest-earning assets (A) - (D)		94.2	2.38%		86.0	2.30%
Reconciliation of total revenue on interest-earning assets to total interest income						
Total revenue on interest-earning assets	¥ 7,910.9	¥ 108.4	2.74%	¥ 7,457.6	¥ 92.5	2.48%
Less: Income on lease transactions and installment receivables	1,203.5	26.3	4.36	1,090.0	24.4	4.48
Total interest income	¥ 6,707.4	¥ 82.1	2.44%	¥ 6,367.6	¥ 68.0	2.13%
Total interest expenses	–	14.2	–	–	6.4	–
Net interest income	–	¥ 67.8	–	–	¥ 61.6	–

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

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

(3) n.m. is not meaningful.

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

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

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

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

Net interest margin was 2.41% compared to 2.33% recorded in the first half of fiscal year 2021. While loan interest income increased due to higher interest rates overseas, the increase in interest expenses on deposits, which represent a large part of interest-bearing liabilities, was limited.

Interest income including lease and installment accounts receivables increased to ¥94.2 billion from ¥86.0 billion recorded in the first half of fiscal year 2021. While total interest expenses on interest-bearing liabilities increased to ¥14.2 billion from ¥6.4 billion recorded in the first half of fiscal year 2021, total interest income on interest-earning assets also increased to ¥108.4 billion from ¥92.5 billion recorded in the first half of fiscal year 2021.

NET FEES AND COMMISSIONS

Net fees and commissions mainly consist of fee income from the lending business such as real estate finance and project finance, fee income associated with sales of mutual funds and insurance products, credit guarantee income from the consumer finance business and fee income from the payment business. Net fees and commissions totaled ¥18.4 billion compared to ¥15.7 billion recorded in the first half of fiscal year 2021.

NET TRADING INCOME

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

TABLE 2. NET TRADING INCOME (CONSOLIDATED)

	Billions of yen		
	Six months ended September 30, 2022	Six months ended September 30, 2021	Change (Amount)
Income from trading securities	¥ 0.0	¥ 1.5	¥ (1.5)
Income (loss) from securities held to hedge trading transactions	(0.0)	0.0	(0.1)
Income from trading-related financial derivatives	6.2	2.2	3.9
Other, net	—	—	—
Net trading income	¥ 6.1	¥ 3.9	¥ 2.2

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

trading income in the interim period ended September 30, 2022 totaled ¥6.1 billion, increased from ¥3.9 billion recorded in the interim period ended September 30, 2021.

NET OTHER BUSINESS INCOME (LOSS)

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

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

	Billions of yen		
	Six months ended September 30, 2022	Six months ended September 30, 2021	Change (Amount)
Net gain on monetary assets held in trust	¥ 1.6	¥ 1.6	¥ 0.0
Net gain on foreign exchanges	(3.7)	(1.1)	(2.5)
Net gain on securities	0.1	1.6	(1.4)
Net gain on other monetary claims purchased	0.0	(0.0)	0.0
Other, net:	2.3	2.7	(0.3)
Income (loss) from derivative transactions for banking purpose, net	0.2	0.0	0.1
Equity in net income of affiliates	0.2	0.2	0.0
Gain on lease cancellation and other lease income (loss), net	1.2	1.4	(0.2)
Other, net	0.6	0.9	(0.3)
Net other business income before income on lease transactions and installment receivables, net	0.5	4.9	(4.3)
Income on lease transactions and installment receivables, net	26.3	24.4	1.8
Net other business income	¥ 26.9	¥ 29.4	¥ (2.5)

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

Net other business income totaled ¥26.9 billion compared to ¥29.4 billion recorded in the first half of fiscal year 2021. Net other business income decreased from the first half of fiscal year 2021 due to a decrease in gains on foreign exchanges and on sales of securities, while lease and installment income increased.

TOTAL REVENUE

As a result of the preceding, total revenue of ¥119.4 billion was recorded in the interim period ended September 30, 2022, compared to ¥110.6 billion recorded during the interim period ended September 30, 2021.

GENERAL AND ADMINISTRATIVE EXPENSES

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

TABLE 4. GENERAL AND ADMINISTRATIVE EXPENSES (CONSOLIDATED)

	Billions of yen		
	Six months ended September 30, 2022	Six months ended September 30, 2021	Change (Amount)
Personnel expenses	¥ 31.6	¥ 31.1	¥ 0.4
Premises expenses	8.4	9.2	(0.8)
Technology and data processing expenses	14.1	12.9	1.1
Advertising expenses	7.5	6.5	1.0
Consumption and property taxes	4.7	5.5	(0.8)
Deposit insurance premium	0.3	0.7	(0.3)
Other general and administrative expenses	10.8	10.8	0.0
General and administrative expenses	77.7	77.0	0.7
Amortization of goodwill and intangible assets acquired in business combinations	1.7	1.6	0.1
Total general and administrative expenses	¥ 79.5	¥ 78.6	¥ 0.8

General and administrative expenses excluding amortization of goodwill and intangible assets totaled ¥77.7 billion, increased from ¥77.0 billion recorded in the first half of fiscal year 2021. This was due to an increase in system investment and sales activity expenses for acquiring new customers while improving our office environment and rationalizing our outlets.

Personnel expenses totaled ¥31.6 billion, increased from ¥31.1 billion recorded in the first half of fiscal year 2021. This was due to an increase in headcount for expanding the customer base and enhancing earnings power in focus areas.

Non-personnel expenses totaled ¥46.1 billion, increased from ¥45.9 billion recorded in the first half of fiscal year 2021. Of the non-personnel expenses, premises expenses decreased to ¥8.4 billion from ¥9.2 billion recorded in the first half of fiscal year 2021 due to cost-saving through outlet rationalization.

Technology and data processing expenses increased to ¥14.1 billion from ¥12.9 billion recorded in the first half of fiscal year 2021 due to continued investment for stabilizing IT systems and enhancing system security.

Advertising expenses increased to ¥7.5 billion from ¥6.5 billion recorded in the first half of fiscal year 2021. The increase was due to an increase of sales promotion expenses for acquiring new customers and recording of one-time credit card point expenses.

Consumption and property taxes decreased to ¥4.7 billion from ¥5.5 billion recorded in the first half of fiscal year 2021 due to a decrease in taxable sales.

Deposit insurance premium totaled ¥0.3 billion, decreased from ¥0.7 billion recorded in the first half of fiscal year 2021 due to the lower deposit insurance premium rate.

Other general and administrative expenses totaled ¥10.8 billion, remaining almost flat from the first half of fiscal year 2021.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

AMORTIZATION OF GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATIONS

Amortization of goodwill and intangible assets associated with the acquisition of consumer finance and commercial finance subsidiaries totaled ¥1.7 billion, increased from ¥1.6 billion recorded in the first half of fiscal year 2021.

This was primarily due to the accrual of goodwill related to the business succession in May 2022 by Shinsei Financial Co., Ltd. which succeeded to part of the credit and loan businesses and the credit guarantee business of PayPay Card Corporation (former YJ Card Corporation) through an absorption-type corporate split.

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

	Billions of yen		
	Six months ended September 30, 2022	Six months ended September 30, 2021	Change (Amount)
Shinsei Financial	¥ 0.2	¥ 0.1	¥ 0.1
Shinsei Personal Loan	(0.1)	(0.1)	—
Showa Leasing	1.1	1.1	(0.0)
Others	0.5	0.5	0.0
Amortization of goodwill and intangible assets acquired in business combinations	¥ 1.7	¥ 1.6	¥ 0.1

NET CREDIT COSTS (RECOVERIES)

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

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

	Billions of yen		
	Six months ended September 30, 2022	Six months ended September 30, 2021	Change (Amount)
Losses on write-off or sales of loans	¥ 0.7	¥ 0.9	¥ (0.1)
Net provision of reserve for loan losses:			
Net provision of general reserve for loan losses	11.4	5.4	5.9
Net provision of specific reserve for loan losses	(0.6)	5.7	(6.3)
Subtotal	10.7	11.1	(0.3)
Other credit costs (recoveries) relating to leasing business	0.0	0.1	(0.1)
Recoveries of written-off claims	(3.3)	(5.6)	2.3
Net credit costs (recoveries)	¥ 8.2	¥ 6.5	¥ 1.6

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

Net credit costs totaled ¥8.2 billion compared to ¥6.5 billion recorded in the first half of fiscal year 2021. In the Institutional Business, net credit costs decreased from the first half of fiscal year 2021 due to reversal of reserves for loan losses mainly in Structured Finance in addition to the absence of provisioning of reserves for loan losses for large transactions. In the Individual Business, net credit costs increased from the first half of fiscal year 2021.

The increase was primarily due to a. an increase in the balance of unsecured card loans for individual customers which decreased in the first half of fiscal year 2021, b. an absence of the decrease in write-offs supported by benefits related to the COVID-19 pandemic which was seen in the first half of fiscal year 2021 and c. deteriorated credit standing in the card loan market.

Recoveries of written-off claims were ¥3.3 billion, compared to ¥5.6 billion recorded in the first half of fiscal year 2021. The key components of the recoveries of written-off claims were ¥0.1 billion at Shinsei Bank Limited on a nonconsolidated basis, ¥2.7 billion at Shinsei Financial Co., Ltd. and ¥0.3 billion at Alpha Servicer Co., Ltd. respectively. Net credit costs excluding recoveries of written-off claims totaled ¥11.5 billion, compared to ¥12.1 billion recorded in the first half of fiscal year 2021.

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

Other net losses totaled ¥1.1 billion in the interim period ended September 30, 2022, decreased compared to other net gains of ¥1.9 billion recorded in the interim period ended September 30, 2021.

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

	Billions of yen		
	Six months ended September 30, 2022	Six months ended September 30, 2021	Change (Amount)
Net gain (loss) on disposal of premises and equipment	¥ (0.0)	¥ 0.4	¥ (0.5)
Impairment losses on long-lived assets	(0.7)	(0.2)	(0.4)
Gain on sale of investments in subsidiaries	—	1.0	(1.0)
Impairment losses on Goodwill	(0.2)	—	(0.2)
Other, net	(0.1)	0.5	(0.7)
Total	¥ (1.1)	¥ 1.9	¥ (3.0)

INCOME BEFORE INCOME TAXES

As a result of the preceding factors, income before income taxes recorded in the interim period ended September 30, 2022, totaled ¥30.5 billion, compared to ¥27.4 billion recorded in the interim period ended September 30, 2021.

INCOME TAXES (BENEFIT)

Current taxes, including corporate tax, residency tax, business tax and deferred tax totaled a net expense of ¥5.6 billion in the first half of fiscal year 2022, compared to a net expense of ¥4.1 billion recorded in the first half of fiscal year 2021.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

As a result of the preceding factors, the Bank recorded a profit attributable to owners of the parent totaling ¥24.8 billion in the interim period ended September 30, 2022, increased compared to ¥23.2 billion recorded in the interim period ended September 30, 2021.

RECONCILIATION OF REPORTED-BASIS AND OPERATING-BASIS RESULTS

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

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

	Billions of yen					
	Six months ended September 30, 2022			Six months ended September 30, 2021		
	Reported-basis	Reclassifications	Operating-basis	Reported-basis	Reclassifications	Operating-basis
Revenue:						
Net interest income	¥ 67.8	¥ —	¥ 67.8	¥ 61.6	¥ —	¥ 61.6
Noninterest income	51.5	—	51.5	49.0	—	49.0
Total revenue	119.4	—	119.4	110.6	—	110.6
General and administrative expenses ⁽¹⁾	77.7	0.1	77.9	77.0	0.2	77.2
Amortization of goodwill and intangible assets	1.7	(1.7)	—	1.6	(1.6)	—
Total general and administrative expenses	79.5	(1.5)	77.9	78.6	(1.3)	77.2
Net business profit/Ordinary business profit	39.9	1.5	41.5	32.0	1.3	33.4
Net credit costs (recoveries)	8.2	—	8.2	6.5	—	6.5
Amortization of goodwill and intangible assets	—	1.7	1.7	—	1.6	1.6
Other gains (losses), net ⁽¹⁾	(1.1)	0.1	(1.0)	1.9	0.2	2.1
Income before income taxes	30.5	—	30.5	27.4	—	27.4
Income taxes and profit attributable to noncontrolling interests	5.6	—	5.6	4.1	—	4.1
Profit attributable to owners of the parent	¥ 24.8	¥ —	¥ 24.8	¥ 23.2	¥ —	¥ 23.2

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

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

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

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

	Billions of yen		
	Six months ended September 30, 2022	Six months ended September 30, 2021	Change (Amount)
Institutional Business:			
Net interest income	¥ 18.5	¥ 14.1	¥ 4.4
Noninterest income	20.1	15.2	4.8
Total revenue	38.6	29.3	9.2
General and administrative expenses	22.5	23.6	(1.1)
Ordinary business profit (loss)	16.1	5.7	10.4
Net credit costs (recoveries)	(6.4)	(2.2)	(4.1)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 22.6	¥ 8.0	¥ 14.6
Individual Business:			
Net interest income	¥ 43.6	¥ 45.8	¥ (2.1)
Noninterest income	30.5	29.3	1.2
Total revenue	74.2	75.2	(0.9)
General and administrative expenses	51.2	49.2	1.9
Ordinary business profit (loss)	23.0	25.9	(2.9)
Net credit costs (recoveries)	14.1	9.4	4.7
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 8.8	¥ 16.5	¥ (7.6)
Overseas Business/Treasury/Other⁽¹⁾:			
Net interest income	¥ 5.6	¥ 1.5	¥ 4.0
Noninterest income	0.8	4.4	(3.5)
Total revenue	6.4	6.0	0.4
General and administrative expenses	4.1	4.3	(0.1)
Ordinary business profit (loss)	2.3	1.7	0.5
Net credit costs (recoveries)	0.5	(0.6)	1.1
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 1.7	¥ 2.3	¥ (0.6)
Total:			
Net interest income	¥ 67.8	¥ 61.6	¥ 6.2
Noninterest income	51.5	49.0	2.4
Total revenue	119.4	110.6	8.7
General and administrative expenses	77.9	77.2	0.6
Ordinary business profit (loss)	41.5	33.4	8.0
Net credit costs (recoveries)	8.2	6.5	1.6
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 33.2	¥ 26.8	¥ 6.3

Notes: (1) Includes company-wide accounts which are not included in our reportable segments, allocation variance of indirect expense and elimination amount of intersegment transactions.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

INSTITUTIONAL BUSINESS

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

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

	Billions of yen		
	Six months ended September 30, 2022	Six months ended September 30, 2021	Change (Amount)
Corporate Business:			
Net interest income	¥ 6.1	¥ 5.7	¥ 0.3
Noninterest income	3.3	1.0	2.2
Total revenue	9.5	6.8	2.6
General and administrative expenses	6.6	7.3	(0.7)
Ordinary business profit (loss)	2.9	(0.4)	3.3
Net credit costs (recoveries)	0.0	(0.6)	0.7
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 2.8	¥ 0.1	¥ 2.6
Structured Finance:			
Net interest income	¥ 7.5	¥ 6.5	¥ 1.0
Noninterest income	4.8	3.4	1.3
Total revenue	12.3	9.9	2.3
General and administrative expenses	5.6	6.0	(0.3)
Ordinary business profit (loss)	6.7	3.9	2.7
Net credit costs (recoveries)	(6.3)	(1.7)	(4.6)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 13.0	¥ 5.6	¥ 7.4
Principal Transactions:			
Net interest income	¥ 4.6	¥ 1.6	¥ 3.0
Noninterest income	0.4	0.9	(0.4)
Total revenue	5.1	2.6	2.5
General and administrative expenses	2.3	2.2	0.0
Ordinary business profit (loss)	2.8	0.3	2.4
Net credit costs (recoveries)	0.3	(0.0)	0.3
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 2.5	¥ 0.3	¥ 2.1
Showa Leasing:			
Net interest income	¥ 0.1	¥ 0.0	¥ 0.0
Noninterest income	7.7	7.7	(0.0)
Total revenue	7.8	7.8	0.0
General and administrative expenses	5.8	5.7	0.1
Ordinary business profit (loss)	1.9	2.0	(0.0)
Net credit costs (recoveries)	(0.5)	0.0	(0.5)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 2.4	¥ 2.0	¥ 0.4
Markets:			
Net interest income	¥ 0.0	¥ 0.0	¥ (0.0)
Noninterest income	3.2	0.8	2.4
Total revenue	3.3	0.8	2.4
General and administrative expenses	1.0	1.0	(0.0)
Ordinary business profit (loss)	2.2	(0.2)	2.4
Net credit costs (recoveries)	—	—	—
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 2.2	¥ (0.2)	¥ 2.4
Other Global Markets:			
Net interest income	¥ 0.0	¥ 0.0	¥ (0.0)
Noninterest income	0.4	1.1	(0.7)
Total revenue	0.4	1.1	(0.7)
General and administrative expenses	0.9	1.2	(0.2)
Ordinary business profit (loss)	(0.5)	(0.0)	(0.4)
Net credit costs (recoveries)	0.0	—	0.0
Ordinary business profit (loss) after net credit costs (recoveries)	¥ (0.5)	¥ (0.0)	¥ (0.5)
Institutional Business:			
Net interest income	¥ 18.5	¥ 14.1	¥ 4.4
Noninterest income	20.1	15.2	4.8
Total revenue	38.6	29.3	9.2
General and administrative expenses	22.5	23.6	(1.1)
Ordinary business profit (loss)	16.1	5.7	10.4
Net credit costs (recoveries)	(6.4)	(2.2)	(4.1)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 22.6	¥ 8.0	¥ 14.6

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

The Institutional Business recorded an ordinary business profit after net credit costs of ¥22.6 billion, compared to ¥8.0 billion recorded in the first half of fiscal year 2021.

The Business recorded total revenue of ¥38.6 billion, compared to ¥29.3 billion recorded in the first half of fiscal year 2021. Of this amount, net interest income totaled ¥18.5 billion, compared to ¥14.1 billion recorded in the first half of fiscal year 2021 primarily due to an increase in operating assets at Structured Finance and an increase in interest and dividends on securities in Principal Transactions. Noninterest income totaled ¥20.1 billion, compared to ¥15.2 billion recorded in the first half of fiscal year 2021 primarily due to an increase in fee income from new transactions in Corporate Business and Structured Finance and an increase in derivatives revenues in Markets.

Of the Institutional Business, Corporate Business recorded total revenue of ¥9.5 billion, compared to ¥6.8 billion recorded in the first half of fiscal year 2021. This was due to an increase in fee income from new transactions and an absence of the impairment of securities owned which was recorded in the first half of fiscal year 2021.

Structured Finance recorded total revenue of ¥12.3 billion, compared to ¥9.9 billion recorded in the first half of fiscal year 2021. This was primarily due to an increase in interest income in line with the accumulation of operating assets and an increase in fee income from new transactions.

Principal Transactions recorded total revenue of ¥5.1 billion, compared to ¥2.6 billion recorded in the first half of fiscal year 2021. This was primarily due to an increase in interest and dividends on securities in private equity.

Showa Leasing recorded total revenue of ¥7.8 billion, compared to ¥7.8 billion recorded in the first half of fiscal year 2021. Gain on foreign exchanges and fee income increased, while property disposal gains included in non-interest income decreased.

Markets recorded total revenue of ¥3.3 billion, compared to ¥0.8 billion recorded in the first half of fiscal year 2021. This was primarily due to an increase in derivatives revenues.

Other Global Markets recorded total revenue of ¥0.4 billion, compared to ¥1.1 billion recorded in the first half of fiscal year 2021. This was primarily due to a decrease in revenues from securities intermediary business.

General and administrative expenses in the Institutional Business totaled ¥22.5 billion, compared to ¥23.6 billion recorded in the first half of fiscal year 2021. This was primarily due to improved efficiency and rationalization in operations in each business line and a decrease in indirect expense allocation.

Net credit recoveries in the Institutional Business totaled ¥6.4 billion, compared to ¥2.2 billion net credit recoveries recorded in the first half of fiscal year 2021. This was primarily due to recording of reversal of allowance for loan losses following collection from multiple large obligors in Structured Finance.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

INDIVIDUAL BUSINESS

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

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

	Billions of yen		
	Six months ended September 30, 2022	Six months ended September 30, 2021	Change (Amount)
Retail Banking:			
Net interest income	¥ 8.7	¥ 9.8	¥ (1.0)
Loans	4.2	4.4	(0.1)
Deposits	4.5	5.4	(0.8)
Noninterest income	2.8	3.2	(0.4)
Asset management products	4.2	4.5	(0.3)
Other fees (ATM, Fund transfer, FX etc.)	(1.3)	(1.2)	(0.0)
Total revenue	11.6	13.1	(1.4)
General and administrative expenses	12.5	11.8	0.6
Ordinary business profit (loss)	(0.8)	1.2	(2.0)
Net credit costs (recoveries)	(0.0)	0.0	(0.0)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ (0.7)	¥ 1.2	¥ (2.0)
Shinsei Financial⁽¹⁾:			
Net interest income	¥ 30.8	¥ 31.7	¥ (0.8)
Lake Business	28.8	29.4	(0.5)
Noninterest income	(0.0)	(0.1)	0.0
Total revenue	30.7	31.5	(0.8)
General and administrative expenses	18.0	16.9	1.0
Ordinary business profit (loss)	12.7	14.6	(1.8)
Net credit costs (recoveries)	7.3	3.6	3.7
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 5.3	¥ 11.0	¥ (5.6)
APLUS:			
Net interest income	¥ 3.5	¥ 3.6	¥ (0.0)
Noninterest income	26.7	25.3	1.3
Total revenue	30.3	29.0	1.3
General and administrative expenses	19.3	19.1	0.2
Ordinary business profit (loss)	10.9	9.9	1.0
Net credit costs (recoveries)	7.0	6.0	1.0
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 3.9	¥ 3.8	¥ 0.0
Other Individuals⁽²⁾:			
Net interest income	¥ 0.4	¥ 0.6	¥ (0.1)
Noninterest income	0.9	0.8	0.1
Total revenue	1.4	1.4	0.0
General and administrative expenses	1.3	1.2	0.0
Ordinary business profit (loss)	0.1	0.1	0.0
Net credit costs (recoveries)	(0.2)	(0.2)	(0.0)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 0.3	¥ 0.3	¥ 0.0
Individual Business:			
Net interest income	¥ 43.6	¥ 45.8	¥ (2.1)
Noninterest income	30.5	29.3	1.2
Total revenue	74.2	75.2	(0.9)
General and administrative expenses	51.2	49.2	1.9
Ordinary business profit (loss)	23.0	25.9	(2.9)
Net credit costs (recoveries)	14.1	9.4	4.7
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 8.8	¥ 16.5	¥ (7.6)

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

(2) Including income of Other subsidiary

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

The Individual Business recorded an ordinary business profit after net credit costs of ¥8.8 billion, compared to ¥16.5 billion recorded in the first half of fiscal year 2021.

RETAIL BANKING

Retail Banking recorded total revenue of ¥11.6 billion, compared to ¥13.1 billion recorded in the first half of fiscal year 2021. Of this amount, net interest income decreased to ¥8.7 billion from ¥9.8 billion recorded in the first half of fiscal year 2021 primarily due to a decrease in revenues from yen term deposits and foreign currency deposits. Noninterest income decreased to ¥2.8 billion from ¥3.2 billion recorded in the first half of fiscal year 2021. The decrease was primarily due to a decrease in revenues related to asset management product sales other than revenues from subsidiaries operating the insurance agent business, while revenues from subsidiaries operating the insurance agent business increased.

General and administrative expenses increased to ¥12.5 billion from ¥11.8 billion recorded in the first half of fiscal year 2021. This was primarily due to an increase in expenses at subsidiaries operating the insurance agent business, while rationalization and efficiency improvement in operations were continued.

As a result, Retail Banking recorded an ordinary business loss after net credit costs of ¥0.7 billion, compared to ¥1.2 billion ordinary business profit recorded in the first half of fiscal year 2021.

SHINSEI FINANCIAL

Shinsei Financial recorded an ordinary business profit after net credit costs and related consolidation adjustments of ¥5.3 billion compared to ¥11.0 billion recorded in the first half of fiscal year 2021. Total revenue totaled ¥30.7 billion, compared to ¥31.5 billion recorded in the first half of fiscal year 2021 primarily due to a decrease in interest on loans.

General and administrative expenses totaled ¥18.0 billion, compared to ¥16.9 billion recorded in the first half of fiscal year 2021 primarily due to an increase in advertisement expenses and system investment, while promoting rationalization and efficiency improvement in operations.

Net credit costs totaled ¥7.3 billion, compared to ¥3.6 billion recorded in the first half of fiscal year 2021 due to an increase in reserves for loan losses resulting from partial deterioration of loan quality and due to growth in the loan balance.

APLUS

APLUS recorded an ordinary business profit after net credit costs and related consolidation adjustments of ¥3.9 billion, compared to ¥3.8 billion recorded in the first half of fiscal year 2021.

Total revenue totaled ¥30.3 billion, increased from ¥29.0 billion recorded in the first half of fiscal year 2021. Net interest income totaled ¥3.5 billion, compared to ¥3.6 billion recorded in the first half of fiscal year 2021 due to decreased loan balances in the loan business. Noninterest income totaled ¥26.7 billion, compared to ¥25.3 billion recorded in the first half of fiscal year 2021 primarily due to the strong performance of main businesses including the shopping credit business.

General and administrative expenses totaled ¥19.3 billion, compared to ¥19.1 billion recorded in the first half of fiscal year 2021 primarily due to an increase in marketing promotion expenses such as advertisement expenses, while rationalization and efficiency improvement in operations were promoted.

Net credit costs totaled ¥7.0 billion, compared to ¥6.0 billion recorded in the first half of fiscal year 2021 due to an increase in operating assets.

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

INTEREST REPAYMENTS

Until March 31, 2022, APLUS Investment was part of APLUS' data as the company was included in the APLUS segment. However, APLUS Investment is presented separately since the company moved to the Other Individuals segment in April 2022.

In fiscal year 2021, Shinsei Financial and Shinsei Personal Loan reversed ¥0.6 billion and ¥0.4 billion in reserves for losses on interest repayments respectively, while APLUS provisioned ¥1.4 billion in additional reserves. In the first half of fiscal year 2022, as a result of recalculating the amount of reserves required to cover future interest repayments, Shinsei Financial reversed ¥0.2 billion, while Shinsei Personal Loan provisioned ¥0 billion additionally.

Shinsei Financial's usage of reserves for losses on interest repayments (interest repayments and related principal amortization) totaled ¥2.6 billion compared to ¥3.1 billion recorded in the first half of fiscal year 2021. In addition to provisioning ¥0.2 billion in additional reserves, the company has increased reserves by ¥5.1 billion in the first half of fiscal year 2022 due to its partial succession to PayPay Card Corporation's businesses. As a result, the balance of reserves for losses on interest repayments totaled ¥25.2 billion as of September 30, 2022, compared to ¥22.5 billion as of March 31, 2022.

Shinsei Personal Loan's usage of reserves for losses on interest repayments (interest repayments and related principal amortization) totaled ¥0.3 billion compared to ¥0.4 billion recorded in the first half of fiscal year 2021. As the company provisioned ¥0 billion in additional reserves in the first half of fiscal year 2021, the balance of reserves for losses on interest repayments totaled ¥2.4 billion as of September 30, 2022, compared to ¥2.8 billion as of March 31, 2022.

APLUS's usage of reserves for losses on interest repayments (interest repayments and related principal amortization) totaled ¥0.2 billion compared to ¥0.9 billion recorded in the first half of fiscal year 2021. As a result, the balance of reserves for losses on interest repayments totaled ¥4.0 billion as of September 30, 2022, compared to ¥4.3 billion as of March 31, 2022.

APLUS Investment's usage of reserves for losses on interest repayments (interest repayments and related principal amortization) totaled ¥0.3 billion. As a result, the balance of reserves for losses on interest repayments stood at ¥1.7 billion as of September 30, 2022, compared to ¥2.0 billion as of March 31, 2022.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

Overseas Business/Treasury/Other

Overseas Business/Treasury/Other consists of 1) Overseas Business which includes overseas subsidiaries such as UDC (New Zealand) and EasyLend (Hong Kong), 2) Treasury which engages in the ALM and fundraising operations and 3) Others which includes company-wide accounts, variances from budgeted allocations of indirect expenses and eliminated amounts of inter-segment transactions.

TABLE 12. Overseas Business/Treasury/Other ORDINARY BUSINESS PROFIT (LOSS) AFTER NET CREDIT COSTS (RECOVERIES) BY BUSINESS (CONSOLIDATED)⁽¹⁾

	Billions of yen		
	Six months ended September 30, 2022	Six months ended September 30, 2021	Change (Amount)
Overseas Business:			
Net interest income	¥ 3.6	¥ 2.5	¥ 1.1
Noninterest income	3.0	3.0	(0.0)
Total revenue	6.6	5.5	1.1
General and administrative expenses	3.2	2.7	0.4
Ordinary business profit (loss)	3.4	2.7	0.6
Net credit costs (recoveries)	0.5	(0.5)	1.1
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 2.8	¥ 3.3	¥ (0.5)
Treasury:			
Net interest income	¥ 1.9	¥ (0.9)	¥ 2.9
Noninterest income	0.9	1.4	(0.4)
Total revenue	2.9	0.4	2.4
General and administrative expenses	1.2	1.1	0.1
Ordinary business profit (loss)	1.6	(0.6)	2.3
Net credit costs (recoveries)	—	—	—
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 1.6	¥ (0.6)	¥ 2.3
Other⁽¹⁾:			
Net interest income	¥ (0.0)	¥ (0.0)	¥ 0.0
Noninterest income	(3.1)	0.0	(3.1)
Total revenue	(3.1)	0.0	(3.1)
General and administrative expenses	(0.3)	0.4	(0.7)
Ordinary business profit (loss)	(2.7)	(0.3)	(2.3)
Net credit costs (recoveries)	0.0	(0.0)	0.0
Ordinary business profit (loss) after net credit costs (recoveries)	¥ (2.7)	¥ (0.3)	¥ (2.4)
Overseas Business/Treasury/Other⁽¹⁾:			
Net interest income	¥ 5.6	¥ 1.5	¥ 4.0
Noninterest income	0.8	4.4	(3.5)
Total revenue	6.4	6.0	0.4
General and administrative expenses	4.1	4.3	(0.1)
Ordinary business profit (loss)	2.3	1.7	0.5
Net credit costs (recoveries)	0.5	(0.6)	1.1
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 1.7	¥ 2.3	¥ (0.6)

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

Total revenue of Overseas Business, Treasury and Others totaled ¥6.4 billion, compared to ¥6.0 billion recorded in the first half of fiscal year 2021. This is due to factors in the

Overseas Business such as strong revenue at UDC Finance Limited, in addition to dividend from the Latitude Group which was not received in the first half of fiscal year 2021.

SUMMARY OF NONCONSOLIDATED FINANCIAL RESULTS

We disclose nonconsolidated financial information in addition to our consolidated financial statements. As a recipient of public funds, we are required by the Financial Services Agency of Japan ("FSA") to update and report on nonconsolidated performance in relation to targets set forth in our Revitalization Plan on a quarterly basis and to publicly disclose that information semi-annually. Shinsei recorded net income of ¥30.3 billion on a nonconsolidated

basis for the six months ended September 30, 2022. Differences between the net incomes on a nonconsolidated basis and consolidated basis result mainly from the gains and losses from our consolidated subsidiaries, including Showa Leasing, Shinsei Financial, APLUS and Shinsei Personal Loan, the gains and losses on our investment in our equity method affiliate, and the dividends received from our major consolidated subsidiaries.

RESULTS OF OPERATIONS (NONCONSOLIDATED)

TABLE 13. SUPPLEMENTAL MEASURES (NONCONSOLIDATED)

	Billions of yen	
	Six months ended September 30, 2022	Six months ended September 30, 2021
Gross business profit (gyomu sorieki) :		
Net interest income	¥ 55.5	¥ 43.3
Net fees and commissions ⁽¹⁾	(0.9)	(2.7)
Net trading income	6.5	2.5
Net other business income	(1.3)	0.5
Total gross business profit	59.8	43.7
Expenses ⁽²⁾	33.8	35.6
Net business profit (jisshitsu gyomu jun-eki)	25.9	8.0
Other, net ⁽³⁾	6.8	2.9
Net operating income (keijo rieki)	32.8	10.9
Extraordinary income (loss)	(2.5)	(0.3)
Income before income taxes	30.2	10.6
Current income taxes (benefit)	1.0	2.4
Deferred income taxes (benefit)	(1.1)	3.7
Net income	¥ 30.3	¥ 4.3

Notes: (1) Includes net gain (loss) on monetary assets held in trust of ¥1.1 billion and ¥1.1 billion for the six months ended September 30, 2022 and 2021, respectively.

(2) General and administrative expenses with certain adjustment.

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

SUPPLEMENTAL NONCONSOLIDATED MEASURES

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

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

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

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

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

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

FINANCIAL CONDITION

TOTAL ASSETS

Consolidated total assets increased from ¥10,311.4 billion to ¥12,833.2 billion over the six months ended September 30, 2022.

The balance of loans and bills discounted as of September 30, 2022 totaled ¥5,765.1 billion, increased by ¥523.3 billion from the ¥5,241.8 billion recorded on March 31, 2022. The increase was primarily due to an increase in balances at the Corporate Business and Structured Finance.

TABLE 14. LOANS BY BORROWER INDUSTRY (CONSOLIDATED)

	Billions of yen (except percentages)			
	As of September 30, 2022		As of September 30, 2021	
Domestic offices (excluding Japan offshore market account):				
Manufacturing	¥ 230.5	4.4%	¥ 207.1	4.4%
Agriculture and forestry	—	—	0.0	0.0
Fishery	—	—	0.0	0.0
Mining, quarrying and gravel extraction	0.6	0.0	0.2	0.0
Construction	20.3	0.4	15.7	0.3
Electric power, gas, heat supply and water supply	451.2	8.5	391.8	8.3
Information and communications	56.0	1.1	39.1	0.8
Transportation, postal service	167.3	3.2	177.9	3.8
Wholesale and retail	98.7	1.9	95.7	2.0
Finance and insurance	582.0	11.0	484.8	10.3
Real estate	780.0	14.7	691.0	14.6
Services	453.9	8.6	390.7	8.3
Local government	49.5	0.9	57.6	1.2
Others	2,415.0	45.5	2,174.4	46.0
Total domestic (A)	¥ 5,305.7	100.0%	¥ 4,726.5	100.0%
Overseas offices (including Japan offshore market accounts):				
Governments	¥ —	—%	¥ —	—%
Financial institutions	18.1	4.0	30.7	6.6
Others	441.2	96.0	436.8	93.4
Total overseas (B)	¥ 459.3	100.0%	¥ 467.5	100.0%
Total (A+B)	¥ 5,765.1		¥ 5,194.1	

FUNDING AND LIQUIDITY

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

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

TABLE 15. DIVERSIFICATION BY DEPOSITS TYPE (CONSOLIDATED)

	Billions of yen	
	As of September 30, 2022	As of September 30, 2021
Retail deposits	¥ 5,087.6	¥ 4,788.7
Institutional deposits	3,988.8	1,702.2
Total	¥ 9,076.5	¥ 6,490.9

TOTAL EQUITY

Total equity as of September 30, 2022 was ¥952.0 billion and included noncontrolling interests of ¥4.3 billion.

FINANCIAL CONDITION (CONTINUED)

ASSET QUALITY AND DISPOSAL OF NONPERFORMING CLAIMS OF SHINSEI

At September 30, 2022, 18.3% of our consolidated nonperforming claims as disclosed in accordance with the Japanese Banking Act (JBA) and the Financial Revitalization Law were held by Shinsei and most of the rest were held by Shinsei Financial and APLUS. This discussion of our asset quality presents information of Shinsei on a nonconsolidated basis unless specified otherwise. For a discussion regarding the nonperforming claims of Shinsei Financial, APLUS and Showa Leasing see “—Asset Quality of Shinsei Financial, APLUS FINANCIAL and Showa Leasing.”.

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

CLAIMS CLASSIFIED UNDER THE JBA AND THE FINANCIAL REVITALIZATION LAW

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

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

Our current management team has consistently emphasized the monitoring of nonperforming claims. Shinsei's total amount of nonperforming claims as disclosed pursuant to the JBA and the Financial Revitalization Law decreased 37.5%, to ¥22.5 billion, between March 31, 2022 and September 30, 2022. During the six months ended September 30, 2022, claims against bankrupt and quasi-bankrupt obligors remained from ¥1.6 billion to ¥1.6 billion, and doubtful claims decreased from ¥30.2 billion to ¥13.2 billion, and substandard claims increased from ¥4.3 billion to ¥7.7 billion, as a result of our self assessment. The ratio of nonperforming claims disclosed under the JBA and the Financial Revitalization Law to total nonconsolidated claims as of September 30, 2022 is 0.4%, decreased from 0.7% as of March 31, 2022.

Shinsei's claims against other need caution obligors, excluding substandard claims, totaled ¥116.0 billion as of September 30, 2022, a 18.7% increase from ¥97.7 billion as of March 31, 2022, which included private placement bonds guaranteed by Shinsei classified as claims against other need caution obligors.

These claims represented 1.9% of total nonconsolidated claims as of September 30, 2022, increased from 1.8% as of March 31, 2022.

FINANCIAL CONDITION (CONTINUED)

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

(Billions of yen)

Obligor Classifications		Internal Ratings	Reserve Ratios for Borrowers Type	Claims Classified under JBA and the Financial Revitalization Law ⁽¹⁾⁽²⁾	
				Total loans and bills discounted:	Other
				5,948.3	128.0
Legally bankrupt		9E	100.0% for unsecured portion	1.6 (1.6*, 100.0%)	
Virtually bankrupt		9D	100.0% for unsecured portion		
Possibly bankrupt		9C	58.0% for unsecured portion	13.2 (10.0*, 75.8%)	
Need caution	Substandard	9B	44.3% for unsecured portion	7.7 (4.7*, 60.9%)	
	Other need caution	9A	3.2% for total claims		
Normal		0A-6C	0.3% for total claims		6,053.8
Total nonperforming claims and ratio to total claims (Total amount of coverage, coverage ratio)				22.5, 0.4% (16.3*, 72.4%)	
*Total amount of reserve for loan losses is 7.1, collateral and guarantees is 9.2					

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

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

FINANCIAL CONDITION (CONTINUED)

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

	Billions of yen (except percentages)		
	As of September 30, 2022	As of September 30, 2021	As of March 31, 2022
Claims against bankrupt and quasi-bankrupt obligors (A)	¥ 1.6	¥ 2.8	¥ 1.6
Doubtful claims (B)	13.2	22.8	30.2
Substandard claims (C)=(D)+(E)	7.7	6.6	4.3
Loans past due for three months or more (D)	4.9	0.8	0.7
Restructured loans (E)	2.8	5.7	3.6
Total claims disclosed under the JBA and the Financial Revitalization Law ¹ (A)+(B)+(C)	22.5	32.1	36.1
Normal claims and claims against other need caution obligors, excluding substandard claims	6,053.8	5,233.1	5,351.8
Total claims	¥ 6,076.3	¥ 5,265.3	¥ 5,387.8
Ratio of total claims disclosed under the JBA and the Financial Revitalization Law to total claims	0.4%	0.6%	0.7%

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

COVERAGE RATIOS

As of September 30, 2022, nonconsolidated coverage ratios for claims classified under the JBA and the Financial Revitalization Law, which for each category of claims is the total of collateral pledged against claims, guarantees for claims and reserve for loan losses, measured against total claims, were 100.0% for claims against bankrupt and quasi-

bankrupt obligors, 75.8% for doubtful claims and 60.9% for substandard claims. For all claims classified under the JBA and the Financial Revitalization Law, the coverage ratio was 72.4%.

Shinsei directly writes off, rather than reserves, the portion of claims against bankrupt and quasi-bankrupt obligors that are estimated to be uncollectible. As of September 30, 2022, ¥8.6 billion of such claims were written off on a nonconsolidated basis.

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

	Billions of yen (except percentages)				
	Amount of claims	Amounts of coverage			Coverage ratio
		Reserve for loan losses	Collateral and guarantees	Total	
As of September 30, 2022:					
Claims against bankrupt and quasi-bankrupt obligors	¥ 1.6	¥ 0.5	¥ 1.0	¥ 1.6	100.0%
Doubtful claims	13.2	4.4	5.6	10.0	75.8
Substandard claims	7.7	2.2	2.5	4.7	60.9
Total	¥ 22.5	¥ 7.1	¥ 9.2	¥ 16.3	72.4%
As of September 30, 2021:					
Claims against bankrupt and quasi-bankrupt obligors	¥ 2.8	¥ 0.7	¥ 2.1	¥ 2.8	100.0%
Doubtful claims	22.8	11.4	11.0	22.4	98.2
Substandard claims	6.6	1.1	3.7	4.8	73.1
Total	¥ 32.1	¥ 13.2	¥ 16.8	¥ 30.0	93.2%
As of March 31, 2022:					
Claims against bankrupt and quasi-bankrupt obligors	¥ 1.6	¥ 0.6	¥ 1.0	¥ 1.6	100.0%
Doubtful claims	30.2	13.8	13.0	26.8	88.9
Substandard claims	4.3	0.4	2.8	3.2	75.3
Total	¥ 36.1	¥ 14.8	¥ 16.8	¥ 31.7	87.8%

FINANCIAL CONDITION (CONTINUED)**RESERVE FOR CREDIT LOSSES**

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

TABLE 18. RESERVE FOR CREDIT LOSSES (NONCONSOLIDATED)

	Billions of yen (except percentages)	
	As of September 30, 2022	As of September 30, 2021
General reserve for loan losses	¥ 21.9	¥ 19.6
Specific reserve for loan losses	6.3	13.7
Reserve for loans to restructuring countries	—	—
Total reserve for credit losses	¥ 28.2	¥ 33.4
Total claims ⁽¹⁾	¥ 6,076.2	¥ 5,265.2
Ratio of total reserve for credit losses to total claims	0.5%	0.6%

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

As of September 30, 2022 and 2021, Shinsei's total reserve for credit losses on a nonconsolidated basis was ¥28.2 billion and ¥33.4 billion, respectively, constituting 0.5% and 0.6%, respectively, of total claims.

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

	Percentages	
	As of September 30, 2022	As of September 30, 2021
Legally and virtually bankrupt (unsecured portion)	100.0%	100.0%
Possibly bankrupt (unsecured portion)	58.0%	110.3%
Substandard (unsecured portion)	44.3%	42.4%
Other need (total claims)	3.2%	3.7%
(unsecured portion)	16.9%	9.7%
Normal (total claims)	0.3%	0.3%

CLAIMS CLASSIFIED UNDER THE JBA AND THE FINANCIAL REVITALIZATION LAW

Consolidated claims classified under the JBA and the Financial Revitalization Law decreased by ¥4.0 billion during the twelve months ended September 30, 2022 to ¥123.0 billion.

The following tables set forth information concerning our consolidated and nonconsolidated claims classified under the JBA and the Financial Revitalization Law as of the dates indicated:

TABLE 20. CLAIMS CLASSIFIED UNDER THE JBA AND THE FINANCIAL REVITALIZATION LAW (CONSOLIDATED)

	Billions of yen (except percentages)	
	As of September 30, 2022	As of September 30, 2021
Total claims	¥ 6,505.7	¥ 5,898.1
Claims against bankrupt and quasi-bankrupt obligors (A)	25.0	26.4
Doubtful claims (B)	28.8	36.7
Substandard claims (C)=(D)+(E)	¥ 69.2	¥ 64.0
Loans past due for three months or more (D)	¥ 5.2	¥ 1.4
Restructured loans (E)	64.1	62.6
Claims Classified under the JBA and the Financial Revitalization Law (A) + (B) + (C)	¥ 123.0	¥ 127.0
Ratio to total claims	1.9%	2.2%
Reserve for credit losses	¥ 114.0	¥ 110.9

FINANCIAL CONDITION (CONTINUED)

TABLE 22. LOANS OUT OF CLAIMS CLASSIFIED UNDER THE JBA AND THE FINANCIAL REVITALIZATION LAW BY BORROWER INDUSTRY (NONCONSOLIDATED)

	Billions of yen	
	As of September 30, 2022	As of September 30, 2021
Domestic offices (excluding Japan offshore market account):		
Manufacturing	¥ 5.6	¥ 0.1
Agriculture and forestry	—	—
Fishery	—	—
Mining, quarrying and gravel extraction	—	—
Construction	0.1	0.1
Electric power, gas, heat supply and water supply	—	9.4
Information and communications	0.1	0.1
Transportation and postal service	—	—
Wholesale and retail	4.6	0.9
Finance and insurance	—	—
Real estate	0.0	10.8
Services	1.8	4.1
Local government	—	—
Individual	4.5	5.2
Overseas yen loan and overseas loans booked domestically	—	0.9
Total domestic (A)	¥ 17.0	¥ 32.0
Overseas offices (including Japan offshore market accounts):		
Governments	¥ —	¥ —
Financial institutions	—	—
Others	5.4	—
Total overseas (B)	¥ 5.4	¥ —
Total (A+B)	¥ 22.4	¥ 32.0

ASSET QUALITY OF SHINSEI FINANCIAL, APLUS AND SHOWA LEASING

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

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

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

FINANCIAL CONDITION (CONTINUED)

TABLE 23. CLAIMS CLASSIFIED UNDER THE JBA AND THE FINANCIAL REVITALIZATION LAW BREAKDOWN FOR LARGE ENTITIES (CONSOLIDATED)

	Billions of yen				
	Shinsei	Shinsei Financial	APLUS	Other subsidiaries	Total
As of September 30, 2022:					
Claims against bankrupt and quasi-bankrupt obligors	¥ 1.6	¥ 10.5	¥ 11.6	¥ 1.4	¥ 25.0
Doubtful claims	13.2	8.9	2.1	4.6	28.8
Loans past due for three months or more	4.9	0.0	0.2	0.0	5.2
Restructured loans	2.8	43.7	11.0	6.5	64.1
Total	¥ 22.5	¥ 63.1	¥ 24.9	¥ 12.5	¥123.0
As of September 30, 2021:					
Claims against bankrupt and quasi-bankrupt obligors	¥ 2.8	¥ 9.7	¥ 11.0	¥ 2.8	¥ 26.4
Doubtful claims	22.8	6.5	2.0	5.4	36.7
Loans past due for three months or more	0.8	—	0.4	0.1	1.4
Restructured loans	5.7	37.9	10.9	8.1	62.6
Total	¥ 32.1	¥ 54.2	¥ 24.4	¥ 16.3	¥127.0
As of March 31, 2022:					
Claims against bankrupt and quasi-bankrupt obligors	¥ 1.6	¥ 9.9	¥ 11.3	¥ 1.3	¥ 24.1
Doubtful claims	30.2	7.4	1.8	5.2	44.5
Loans past due for three months or more	0.7	0.0	0.3	—	1.1
Restructured loans	3.6	39.6	11.3	7.7	62.2
Total	¥ 36.1	¥ 56.9	¥ 24.7	¥ 14.1	¥131.9

TABLE 24. CLAIMS CLASSIFIED UNDER THE JBA AND THE FINANCIAL REVITALIZATION LAW INSTALLMENT RECEIVABLES INCLUDED IN OTHER ASSETS BREAKDOWN FOR LARGE ENTITIES (CONSOLIDATED)⁽¹⁾

	Billions of yen				
	Shinsei Financial	APLUS	Showa Leasing	Other subsidiaries	Total
As of September 30, 2022:					
Claims against bankrupt and quasi-bankrupt obligors	¥ —	¥ 4.3	¥ 0.0	¥ 0.8	¥ 5.1
Doubtful claims	—	0.5	1.0	—	1.5
Credits past due for three months or more	—	0.5	0.1	—	0.6
Restructured credits	—	2.1	0.1	0.8	3.0
Total	¥ —	¥ 7.4	¥ 1.2	¥ 1.6	¥ 10.1
As of September 30, 2021:					
Claims against bankrupt and quasi-bankrupt obligors	¥ —	¥ 3.8	¥ 0.0	¥ 0.8	¥ 4.7
Doubtful claims	—	0.2	1.6	—	1.9
Credits past due for three months or more	—	0.4	0.1	—	0.5
Restructured credits	—	1.8	0.1	0.7	2.6
Total	¥ —	¥ 6.2	¥ 1.9	¥ 1.6	¥ 9.7
As of March 31, 2022:					
Claims against bankrupt and quasi-bankrupt obligors	¥ —	¥ 3.9	¥ 0.3	¥ 0.6	¥ 4.9
Doubtful claims	—	0.3	1.3	—	1.5
Credits past due for three months or more	—	0.5	0.0	—	0.5
Restructured credits	—	1.9	0.1	0.9	2.9
Total	¥ —	¥ 6.6	¥ 1.7	¥ 1.5	¥ 9.8

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

CAPITAL RATIOS

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

Our total capital adequacy ratio (Basel III) as of September 30, 2022 was 11.21%, compared with 11.72% as of March 31, 2022.

See “COMPOSITION OF CAPITAL DISCLOSURE (CONSOLIDATED)” on Page 86.

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries
As of September 30, 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Sept. 30, 2022	Mar. 31, 2022	Sept. 30, 2022
ASSETS			
Cash and due from banks (Notes 3 and 21)	¥ 2,519,716	¥ 1,625,159	\$ 17,427,833
Other monetary claims purchased (Notes 4 and 33)	29,134	31,512	201,512
Trading assets (Notes 5 and 33)	179,715	149,014	1,243,014
Monetary assets held in trust (Notes 6, 21 and 33)	348,142	388,177	2,407,959
Securities (Notes 7, 21 and 33)	1,634,245	674,609	11,303,400
Loans and bills discounted (Notes 8, 21 and 33)	5,765,119	5,241,817	39,874,945
Foreign exchanges (Note 9)	67,362	56,510	465,919
Installment receivables (Notes 10, 21 and 33)	997,746	947,406	6,900,999
Lease receivables and leased investment assets (Notes 21, 29 and 33)	187,543	190,859	1,297,162
Other assets (Notes 11, 21 and 34)	465,978	387,318	3,222,983
Premises and equipment (Notes 12, 21 and 27)	57,965	60,989	400,924
Intangible assets (Notes 13 and 29)	61,076	62,604	422,444
Assets for retirement benefits	19,980	19,499	138,198
Deferred tax assets	6,405	10,725	44,305
Customers' liabilities for acceptances and guarantees	607,181	584,708	4,199,620
Reserve for credit losses (Note 14)	(114,028)	(119,466)	(788,685)
Total assets	¥ 12,833,287	¥ 10,311,448	\$ 88,762,535
LIABILITIES AND EQUITY			
Liabilities:			
Deposits, including negotiable certificates of deposit (Notes 15, 21 and 33)	¥ 9,076,520	¥ 6,398,066	\$ 62,778,536
Call money (Note 33)	10,482	3,654	72,500
Payables under repurchase agreements (Notes 21 and 33)	35,396	9,567	244,821
Payables under securities lending transactions (Notes 21 and 33)	354,567	237,530	2,452,395
Trading liabilities (Notes 16 and 33)	159,853	134,068	1,105,639
Borrowed money (Notes 17, 21 and 33)	473,127	978,424	3,272,427
Foreign exchanges (Note 9)	1,470	1,905	10,170
Short-term corporate bonds (Note 33)	138,500	189,200	957,947
Corporate bonds (Notes 18, 21 and 33)	394,710	380,104	2,730,050
Other liabilities (Notes 19, 21 and 34)	579,006	416,356	4,004,749
Accrued employees' bonuses	5,086	9,977	35,183
Accrued directors' bonuses	5	39	38
Liabilities for retirement benefits	8,168	8,149	56,498
Reserve for directors' retirement benefits	6	23	44
Reserve for reimbursement of deposits	348	393	2,413
Reserve for reimbursement of debentures	2,550	2,853	17,644
Reserve for losses on interest repayments	33,440	31,635	231,294
Deferred tax liabilities	843	472	5,837
Acceptances and guarantees (Notes 20, 21 and 33)	607,181	584,708	4,199,620
Total liabilities	11,881,267	9,387,131	82,177,805
Equity:			
Common stock (Note 22)	512,204	512,204	3,542,707
Capital surplus	72,963	72,961	504,658
Retained earnings	471,907	449,547	3,263,992
Treasury stock, at cost (Note 22)	(101,170)	(98,612)	(699,753)
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities (Note 7)	(28,500)	(11,667)	(197,127)
Deferred gain (loss) on derivatives under hedge accounting	(1,401)	(13,940)	(9,692)
Foreign currency translation adjustments	17,707	5,587	122,474
Defined retirement benefit plans	3,938	4,182	27,239
Total	947,649	920,264	6,554,498
Noncontrolling interests	4,370	4,052	30,232
Total equity	952,020	924,316	6,584,729
Total liabilities and equity	¥ 12,833,287	¥ 10,311,448	\$ 88,762,535

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

INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the six months ended September 30, 2022

	Millions of yen		Thousands of
	Sept. 30, 2022 (6 months)	Sept. 30, 2021 (6 months)	U.S. dollars (Note 1) Sept. 30, 2022 (6 months)
Interest income:			
Interest on loans and bills discounted	¥ 71,626	¥ 63,950	\$ 495,409
Interest and dividends on securities	9,237	2,938	63,894
Interest on deposits with banks	784	734	5,423
Other interest income	511	452	3,539
Total interest income	82,159	68,076	568,265
Interest expenses:			
Interest on deposits, including negotiable certificates of deposit	3,886	1,763	26,882
Interest on other borrowings	1,007	1,077	6,969
Interest on corporate bonds	2,688	1,715	18,596
Other interest expenses	6,685	1,915	46,243
Total interest expenses	14,268	6,471	98,690
Net interest income	67,891	61,604	469,575
Fees and commissions income (Note 30)	31,280	28,578	216,355
Fees and commissions expenses	12,847	12,846	88,860
Net fees and commissions	18,433	15,732	127,495
Net trading income (loss) (Note 24)	6,199	3,907	42,878
Other business income (loss), net: (Note 30)			
Income on lease transactions and installment receivables, net	26,337	24,492	182,168
Net gain (loss) on monetary assets held in trust	1,673	1,689	11,572
Net gain (loss) on foreign exchanges	(3,716)	(1,164)	(25,709)
Net gain (loss) on securities	192	1,691	1,332
Net gain (loss) on other monetary claims purchased	54	(17)	377
Other, net	2,386	2,743	16,507
Net other business income (loss)	26,927	29,433	186,246
Total revenue	119,451	110,678	826,195
General and administrative expenses:			
Personnel expenses	31,651	31,157	218,919
Premises expenses	8,443	9,260	58,402
Technology and data processing expenses	14,137	12,972	97,786
Advertising expenses	7,566	6,522	52,331
Consumption and property taxes	4,705	5,506	32,543
Deposit insurance premium	373	758	2,583
Other general and administrative expenses	10,894	10,826	75,351
General and administrative expenses	77,771	77,003	537,916
Amortization of goodwill and intangible assets acquired in business combinations	1,728	1,608	11,958
Total general and administrative expenses	79,500	78,612	549,874
Net business profit (loss)	39,950	32,066	276,321
Net credit costs (recoveries) (Note 26)	8,243	6,546	57,019
Other gains (losses), net (Note 27)	(1,161)	1,910	(8,035)
Income (loss) before income taxes	30,544	27,429	211,267
Income taxes (benefit):			
Current	3,854	4,937	26,661
Deferred	1,774	(787)	12,271
Profit	24,916	23,280	172,335
Profit (loss) attributable to noncontrolling interests	20	48	143
Profit (loss) attributable to owners of the parent	¥ 24,895	¥ 23,232	\$ 172,192
Basic earnings per share (Note 28)			
	¥ 121.90	¥ 108.77	\$ 0.84
Diluted earnings per share (Note 28)			
	¥ 121.90	¥ 108.73	\$ 0.84

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

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the six months ended September 30, 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Sept. 30, 2022 (6 months)	Sept. 30, 2021 (6 months)	Sept. 30, 2022 (6 months)
Profit	¥ 24,916	¥ 23,280	\$ 172,335
Other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities	(17,091)	(4,369)	(118,213)
Deferred gain (loss) on derivatives under hedge accounting	12,539	2,681	86,729
Foreign currency translation adjustments	11,613	719	80,326
Defined retirement benefit plans	(244)	(303)	(1,693)
Share of other comprehensive income (loss) in affiliates	793	(158)	5,491
Total other comprehensive income (loss)	7,610	(1,431)	52,640
Comprehensive income	¥ 32,526	¥ 21,849	\$ 224,976
Total comprehensive income attributable to:			
Owners of the parent	¥ 32,476	¥ 22,314	\$ 224,624
Noncontrolling interests	50	(465)	352

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the six months ended September 30, 2022

	Millions of yen											
	Accumulated other comprehensive income										Noncontrolling interests	Total equity
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock, at cost	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total		
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				24,895						24,895		24,895
Purchase of treasury stock					(2,590)					(2,590)		(2,590)
Disposal of treasury stock		2			32					34		34
Transfer to capital surplus from retained earnings		-		-						-		-
Increase by forfeit of stock acquisition rights of consolidated subsidiaries				-						-		-
Changes by exclusion of consolidated subsidiaries				(72)						(72)		(72)
Net change during the period				-		(16,833)	12,539	12,119	(244)	7,580	318	7,899
BALANCE, September 30, 2022	¥ 512,204	¥ 72,963	¥ -	¥ 471,907	¥ (101,170)	¥ (28,500)	¥ (1,401)	¥ 17,707	¥ 3,938	¥ 947,649	¥ 4,370	¥ 952,020

	Millions of yen											
	Accumulated other comprehensive income										Noncontrolling interests	Total equity
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock, at cost	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total		
BALANCE, March 31, 2021 (April 1, 2021, as previously reported)	¥ 512,204	¥ 72,961	¥ 149	¥ 431,623	¥ (81,464)	¥ (593)	¥ (16,799)	¥ (1,133)	¥ 5,495	¥ 922,442	¥ 8,300	¥ 930,742
Cumulative effect of accounting change				129						129		129
BALANCE, April 1, 2021 (as restated)	512,204	72,961	149	431,753	(81,464)	(593)	(16,799)	(1,133)	5,495	922,572	8,300	930,872
Dividends				(2,583)						(2,583)		(2,583)
Profit attributable to owners of the parent				23,232						23,232		23,232
Purchase of treasury stock					(10,000)					(10,000)		(10,000)
Disposal of treasury stock		(11)			126					115		115
Transfer to capital surplus from retained earnings		11		(11)						-		-
Increase by forfeit of stock acquisition rights of consolidated subsidiaries				4						4		4
Changes by exclusion of consolidated subsidiaries				(0)						(0)		(0)
Net change during the period				(10)		(4,014)	2,681	718	(303)	(928)	(1,147)	(2,075)
BALANCE, September 30, 2021	¥ 512,204	¥ 72,961	¥ 139	¥ 452,395	¥ (91,338)	¥ (4,608)	¥ (14,117)	¥ (415)	¥ 5,191	¥ 932,413	¥ 7,153	¥ 939,566

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)	\$3,542,707	\$ 504,643	\$ -	\$ 3,109,337	\$ (682,062)	\$ (80,697)	\$ (96,421)	\$ 38,649	\$ 28,932	\$ 6,365,087	\$ 28,028	\$ 6,393,115
Cumulative effect of accounting change				-						-		-
BALANCE, April 1, 2022 (as restated)	3,542,707	504,643	-	3,109,337	(682,062)	(80,697)	(96,421)	38,649	28,932	6,365,087	28,028	6,393,115
Dividends				(17,034)						(17,034)		(17,034)
Profit attributable to owners of the parent				172,192						172,192		172,192
Purchase of treasury stock					(17,918)					(17,918)		(17,918)
Disposal of treasury stock		15			227					242		242
Transfer to capital surplus from retained earnings		-		-						-		-
Increase by forfeit of stock acquisition rights of consolidated subsidiaries				-						-		-
Changes by exclusion of consolidated subsidiaries				(503)						(503)		(503)
Net change during the period				-		(116,430)	86,729	83,825	(1,693)	52,431	2,204	54,635
BALANCE, September 30, 2022	\$3,542,707	\$ 504,658	\$ -	\$ 3,263,992	\$ (699,753)	\$ (197,127)	\$ (9,692)	\$ 122,474	\$ 27,239	\$ 6,554,498	\$ 30,232	\$ 6,584,729

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the six months ended September 30, 2022

	Millions of yen		Thousands of
	Sept. 30, 2022 (6 months)	Sept. 30, 2021 (6 months)	U.S. dollars (Note 1) Sept. 30, 2022 (6 months)
Cash flows from operating activities:			
Income (loss) before income taxes	¥ 30,544	¥ 27,429	\$ 211,267
Adjustments for:			
Income taxes paid	(753)	(1,277)	(5,210)
Depreciation (other than leased assets as lessor)	6,659	6,932	46,063
Amortization of goodwill and intangible assets acquired in business combinations	1,728	1,608	11,958
Impairment losses on long-lived assets and goodwill	965	229	6,677
Net change in reserve for credit losses	(5,674)	(2,073)	(39,250)
Net change in reserve for losses on interest repayments	(3,294)	(4,529)	(22,789)
Net change in other reserves	(5,289)	(3,572)	(36,583)
Interest income	(82,159)	(68,076)	(568,265)
Interest expenses	14,268	6,471	98,690
Investment (gains) losses	(2,337)	(3,750)	(16,167)
Net exchange (gain) loss	(56,205)	(4,583)	(388,748)
Net change in trading assets	(30,700)	5,715	(212,346)
Net change in trading liabilities	25,785	(8,001)	178,344
Net change in loans and bills discounted	(506,298)	44,932	(3,501,860)
Net change in deposits, including negotiable certificates of deposit	2,678,453	(80,416)	18,525,756
Net change in borrowed money (other than subordinated debt)	(505,602)	(62,083)	(3,497,042)
Net change in corporate bonds (other than subordinated corporate bonds)	1,406	3,172	9,727
Net change in interest-bearing deposits with banks (other than due from the Bank of Japan)	(12,271)	48,324	(84,877)
Net change in other monetary claims purchased	2,378	8,913	16,450
Net change in call money, payables under repurchase agreements, payables under securities lending transactions, and short-term corporate bonds (liabilities)	98,993	56,088	684,695
Net change in foreign exchange assets and liabilities	(11,287)	25,372	(78,068)
Interest received	75,248	69,293	520,463
Interest paid	(11,506)	(6,212)	(79,588)
Net change in monetary assets held in trust for trading purposes	1,037	1,054	7,178
Net change in installment receivables	(36,579)	(35,014)	(253,004)
Net change in lease receivables and leased investment assets	3,618	2,435	25,027
Other, net	48,031	31,816	332,214
Total adjustments	1,688,614	31,653	11,679,445
Net cash provided by (used in) operating activities	1,719,159	59,083	11,890,712
Cash flows from investing activities:			
Purchase of investments	(1,171,441)	(864,113)	(8,102,378)
Proceeds from sales of investments	275,818	674,422	1,907,726
Proceeds from maturity of investments	57,106	175,060	394,979
Purchase of premises and equipment (other than leased assets as lessor)	(943)	(659)	(6,526)
Purchase of intangible assets (other than leased assets as lessor)	(4,746)	(2,881)	(32,832)
Payment for acquisition of business	(4,596)	–	(31,789)
Other, net	(23)	1,388	(159)
Net cash provided by (used in) investing activities	(848,826)	(16,783)	(5,870,979)
Cash flows from financing activities:			
Proceeds from noncontrolling shareholders	222	183	1,541
Dividends paid	(2,462)	(2,583)	(17,034)
Dividends paid to noncontrolling shareholders of subsidiaries	(9)	(524)	(63)
Payment for purchase of treasury stock	(2,590)	(10,000)	(17,918)
Proceeds from sales of investments in subsidiaries not resulting in change in scope of consolidation	53	–	373
Net cash provided by (used in) financing activities	(4,785)	(12,924)	(33,100)
Foreign currency translation adjustments on cash and cash equivalents	39	10	270
Net change in cash and cash equivalents	865,586	29,385	5,986,903
Cash and cash equivalents at beginning of the period	1,567,129	1,806,556	10,839,186
Decrease in cash and cash equivalents due to deconsolidation of subsidiaries	(227)	(1)	(1,572)
Cash and cash equivalents at end of the period (Note 3)	¥ 2,432,488	¥ 1,835,941	\$ 16,824,518

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the six months ended September 30, 2022

1. BASIS OF PRESENTATION OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED

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

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

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

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

The interim consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥144.58 to U.S. \$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2022. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATED

(A) PRINCIPLES OF CONSOLIDATION

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

The numbers of subsidiaries and affiliates as of September 30, 2022 and March 31, 2022 were as follows:

	September 30, 2022	March 31, 2022
Consolidated subsidiaries	82	81
Unconsolidated subsidiaries	57	54
Affiliates accounted for by the equity method	43	43
Affiliates accounted for not applying the equity method	—	—

SCI Buyout No.2, Ltd. and 3 other companies were newly consolidated due to their formation.

Additionally, Citron Limited was excluded from the scope of consolidation due to liquidation, SL SIERRA CO., LTD. and SL PERM CO., LTD. were excluded from the scope of consolidation as the balance became immaterial in the six months ended September 30, 2022.

Shinsei Aoyama Partners Investment Limited Partnership IX and 1 other company were newly included in the scope of application of the equity method due to their formation.

Additionally, SR Capital Co., Ltd. and Rembrandt Partners Inc. were excluded from the scope of application of the equity method due to liquidation in the six months ended September 30, 2022.

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

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

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

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

Techno craft corporation and 4 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 September 30, 2022 are listed below:

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

All significant inter-company transactions, related account balances and unrealized gains have been eliminated upon consolidation. As of September 30, 2022, the six months period ending dates were September 30 for 53 subsidiaries, December 24 for 1 subsidiary, March 31 for 2 subsidiaries, June 16 for 1 subsidiary, June 30 for 24 subsidiaries and July 31 for 1 subsidiary. Of the consolidated subsidiaries whose interim period ends on a day other than September 30, 4 companies are consolidated using the financial statements based on the provisional settlement of accounts as of September 30, 3 companies are consolidated using the financial statements based on the provisional settlement of accounts as of August 31, and other consolidated subsidiaries are consolidated using the six month period-end interim financial statements as of the respective interim period end. Appropriate adjustments have been made for significant transactions that occurred during the period from the ending dates of their interim period to September 30, 2022.

Major affiliates accounted for by the equity method as of September 30, 2022 are listed below:

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

(B) GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATIONS

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

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

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

The excess of the purchase price over the fair value of the net assets acquired, including identified intangible assets, was recorded as goodwill and is being amortized using the straight-line method over 10 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 (CONTINUED)

CONSOLIDATED

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

(D) TRANSLATION OF FOREIGN CURRENCY FINANCIAL STATEMENTS AND TRANSACTIONS

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

(E) CASH AND CASH EQUIVALENTS

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

(F) OTHER MONETARY CLAIMS PURCHASED

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

(G) VALUATION OF TRADING ACCOUNT ACTIVITIES

Trading account positions including derivatives embedded in compound financial instruments, which are managed and accounted for separately from the 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 period.

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

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

(H) MONETARY ASSETS HELD IN TRUST

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

Instruments held in trust classified as available-for-sale whose consolidated balance sheet amounts are not measured at fair value are carried at cost.

(I) SECURITIES

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

- (a) Trading securities are securities held in anticipation of gains arising from short-term changes in market value and/or held for resale to customers. Trading securities are carried at fair value with corresponding unrealized gains and losses recorded in “Other business income (loss), net.”
- (b) Securities being held to maturity are debt securities which management has both a positive intent and ability to hold until maturity. Securities being held to maturity are carried at amortized cost determined by the moving average method.
- (c) Available-for-sale securities are securities other than (a) trading securities and (b) securities being held to maturity. Available-for-sale securities are carried at fair value with the corresponding unrealized gains and losses, net of applicable taxes, recorded in other comprehensive income, after deducting the amount charged to profit or loss by applying fair value hedge accounting. The cost of these securities upon sale is determined by the moving average method. Nonmarketable available-for-sale equity securities are carried at cost determined by the moving average method.

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

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

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

(J) PREMISES AND EQUIPMENT

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

Depreciation of the Group's buildings and the Bank's computer equipment (including ATMs) other than personal computers is computed principally using the straight-line method, and depreciation of other equipment is computed principally using the declining-balance method. Estimated useful lives of buildings and equipment as of September 30, 2022 are principally as follows:

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

(K) SOFTWARE

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

(L) IMPAIRMENT OF LONG-LIVED ASSETS

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

(M) DEFERRED CHARGES

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

(N) RESERVE FOR CREDIT LOSSES

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

Legally bankrupt obligors:

Obligors who have legally or formally declared bankruptcy, special liquidation

Virtually bankrupt obligors:

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

Possibly bankrupt obligors:

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

Substandard obligors:

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

Need caution obligors:

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

Normal obligors:

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

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

All claims are assessed by sales promotion divisions and credit analysis divisions based on the predetermined internal rules for self-assessment of asset quality. The risk management 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 ¥52,582 million (U.S. \$363,692 thousand) and ¥53,356 million as of September 30, 2022 and March 31, 2022, respectively.

(Additional information)

The Group assumes that the impacts of the novel coronavirus outbreak and the resulting stagnant economic activities (hereinafter referred to as the "Novel Coronavirus impact") has alleviated, but the impacts on the credit risk for loans to some obligors will remain for several more years.

However, at the end of this interim period, no material changes were made from this assumption at the end of the previous fiscal year. Based on this assumption, we have assumed that there will be material impacts on the credit risk for loans to specific obligors with the varying degrees of such impacts by obligor.

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

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

The amount of reserve for credit losses provisioned as of September 30, 2022 is based on our best estimate at present, however, the assumptions for estimating reserve for credit losses, including the Novel Coronavirus impact, are highly uncertain. Accordingly, the amount of reserve for credit losses may change during or after the third quarter of the current fiscal year if there are changes in the economic environment surrounding the obligors or in their financial conditions.

(O) ACCRUED BONUSES FOR EMPLOYEES AND DIRECTORS

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

(P) EMPLOYEES' RETIREMENT BENEFITS AND PENSION PLAN ASSETS

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

The Group accounts for liabilities or assets for retirement benefits based on the projected benefit obligations and plan assets at the consolidated balance sheet date. The projected benefit obligations are allocated over the periods on a benefit formula basis. Actuarial gains and losses 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 interim balance sheet date.

(R) RESERVE FOR REIMBURSEMENT OF DEPOSITS

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

(S) RESERVE FOR REIMBURSEMENT OF DEBENTURES

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**CONSOLIDATED****(T) RESERVE FOR LOSSES ON INTEREST REPAYMENTS**

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

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

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

In addition, 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. The assumptions in these calculations include the analysis of the occurrence of past interest repayment amounts, an estimate of the extent to which the number of accounts will decrease due to the expiration of the statute of limitations, and an estimate of how the past intervention rate, settlement rate, number of claims for repayment, amount of claims for repayment per account or customer will change in the future.

(U) ASSET RETIREMENT OBLIGATIONS

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

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

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

(V) STOCK OPTIONS

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

(W) LEASE TRANSACTIONS

(As lessee)

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

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

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

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 ¥12 million (U.S.\$85 thousand) and ¥18 million for the six months ended September 30, 2022 and 2021, respectively, as compared to what would have been reported if the revised accounting standard was applied retroactively to all finance lease transactions as lessor.

(X) INSTALLMENT SALES FINANCE AND CREDIT GUARANTEES

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

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

(Y) REVENUE RECOGNITION FOR INTEREST ON CONSUMER LENDING BUSINESS

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

(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 estimates of material variable considerations or significant financing components.

(AA) INCOME TAXES

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

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 from the beginning of the current interim period. Therefore the Bank applied "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ Practical Issues Task Force (PITF) No. 42, August 12, 2021) to the handling of corporate tax, local corporate tax, and tax effect accounting treatment and disclosure. The Group assumed no impact on 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.

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

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

(b) Hedge of foreign exchange fluctuation risks

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

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

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

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

(c) Inter-company and intra-company derivative transactions

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

transactions are substantially offset with covering contracts entered into with third parties.

(d) Hedging relationships which apply "Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR"

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.

(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 this interim period. 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 risks of them, 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 33 "FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES."

3. CASH AND CASH EQUIVALENTS

CONSOLIDATED

The reconciliation of cash and cash equivalents and cash and due from banks in the consolidated balance sheets as of September 30, 2022 and 2021 was as follows:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Cash and due from banks	¥ 2,519,716	¥ 1,901,389	\$ 17,427,833
Interest-bearing deposits included in due from banks (other than due from the Bank of Japan)	(87,227)	(65,448)	(603,315)
Cash and cash equivalents	¥ 2,432,488	¥ 1,835,941	\$ 16,824,518

4. OTHER MONETARY CLAIMS PURCHASED

CONSOLIDATED

(a) Other monetary claims purchased as of September 30, 2022 and March 31, 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2022	Mar. 31, 2022	Sept. 30, 2022
Trading purposes	¥ 390	¥ 424	\$ 2,704
Other	28,743	31,088	198,808
Total	¥ 29,134	¥ 31,512	\$ 201,512

(b) The fair value and the unrealized loss which is included in net gain (loss) on other monetary claims purchased for trading purposes as of September 30, 2022 and March 31, 2022 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	Sept. 30, 2022		Mar. 31, 2022		Sept. 30, 2022	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Trading purposes	¥ 390	¥ 23	¥ 424	¥ 6	\$ 2,704	\$ 159

5. TRADING ASSETS

CONSOLIDATED

Trading assets as of September 30, 2022 and March 31, 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2022	Mar. 31, 2022	Sept. 30, 2022
Trading securities	¥ 160	¥ 265	\$ 1,112
Derivatives for securities held to hedge trading transactions	6	52	46
Trading-related financial derivatives	179,547	148,696	1,241,857
Total	¥ 179,715	¥ 149,014	\$ 1,243,014

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

(a) Monetary assets held in trust as of September 30, 2022 and March 31, 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2022	Mar. 31, 2022	Sept. 30, 2022
Trading purposes	¥ 3,805	¥ 4,843	\$ 26,320
Other	344,337	383,334	2,381,640
Total	¥ 348,142	¥ 388,177	\$ 2,407,959

(b) The fair value and the unrealized gain or loss which is included in net gain (loss) on monetary assets held in trust for trading purposes as of September 30, 2022 and March 31, 2022 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	Sept. 30, 2022		Mar. 31, 2022		Sept. 30, 2022	
	Fair value	Unrealized gain	Fair value	Unrealized gain	Fair value	Unrealized gain
Trading purposes	¥ 3,805	¥ 56	¥ 4,843	¥ 78	\$ 26,320	\$ 394

(c) The acquisition cost and the carrying amount of monetary assets held in trust for other than trading purposes as of September 30, 2022 and March 31, 2022 were as follows:

	Millions of yen							
	Sept. 30, 2022				Mar. 31, 2022			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Carrying amount	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Carrying amount
Other	¥ 346,437	¥ 186	¥ 2,285	¥ 344,337	¥ 385,876	¥ 207	¥ 2,749	¥ 383,334

	Thousands of U.S. dollars			
	Sept. 30, 2022			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Carrying amount
Other	\$ 2,396,163	\$ 1,287	\$ 15,810	\$ 2,381,640

7. SECURITIES**CONSOLIDATED**

(a) Securities as of September 30, 2022 and March 31, 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2022	Mar. 31, 2022	Sept. 30, 2022
Trading securities	¥ 0	¥ 0	\$ 0
Securities being held to maturity	207,633	109,988	1,436,117
Securities available for sale:			
Securities carried at fair value	1,356,575	511,995	9,382,871
Securities carried at cost	52,793	37,510	365,152
Investments in unconsolidated subsidiaries and affiliates	17,242	15,113	119,259
Total	¥ 1,634,245	¥ 674,609	\$ 11,303,400

The above balances do not include securities held in connection with securities borrowing transactions with or without cash collateral, securities purchased under resale agreements or securities accepted as collateral for derivative transactions, where the Group has the right to sell or pledge such securities without restrictions. The balances of those securities as of September 30, 2021 and March 31, 2021 were ¥1,556 million (U.S.\$10,767 thousand) and ¥3,377 million, respectively.

The amount of guarantee obligations for privately-placed bonds (Paragraph 3 of Article 2 of the Financial Instruments and Exchange Act) included in securities as of September 30, 2022 and March 31, 2022 were ¥3,030 million (U.S.\$20,957 thousand) and ¥3,080 million, respectively.

7. SECURITIES (CONTINUED)

CONSOLIDATED

(b) The amortized/acquisition cost and the fair values of securities (other than trading securities) as of September 30, 2022 and March 31, 2022 were as follows:

	Millions of yen							
	Sept. 30, 2022				Mar. 31, 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	¥ 104,982	¥ 21	¥ 895	¥ 104,108	¥ 109,988	¥ 90	¥ 471	¥ 109,608
Foreign securities	102,651	2	1,443	101,209	—	—	—	—
Total	¥ 207,633	¥ 23	¥ 2,339	¥ 205,318	¥ 109,988	¥ 90	¥ 471	¥ 109,608
Securities available for sale:								
Equity securities	¥ 5,566	¥ 4,904	¥ 94	¥ 10,376	¥ 5,308	¥ 3,785	¥ 93	¥ 9,000
Japanese national government bonds	749,257	23	522	748,758	103,639	1	177	103,463
Japanese local government bonds	2,200	—	5	2,194	2,200	1	3	2,197
Japanese corporate bonds	149,259	14	2,664	146,609	147,560	18	2,516	145,062
Foreign securities	426,749	488	27,746	399,491	262,293	838	11,430	251,701
Other ¹	58,967	121	1,546	57,542	9,544	154	3	9,696
Total	¥1,391,999	¥ 5,552	¥ 32,580	¥1,364,971	¥ 530,545	¥ 4,800	¥ 14,224	¥ 521,121

Thousands of U.S. dollars

	Sept. 30, 2022			
	Amortized/ Acquisition cost	Gross unrealized gain	Gross unrealized loss	Fair value
Securities being held to maturity:				
Japanese national government bonds	\$ 726,117	\$ 149	\$ 6,191	\$ 720,075
Foreign securities	710,000	14	9,987	700,028
Total	\$1,436,117	\$ 163	\$ 16,178	\$1,420,103
Securities available for sale:				
Equity securities	\$ 38,501	\$ 33,922	\$ 650	\$ 71,772
Japanese national government bonds	5,182,301	165	3,617	5,178,849
Japanese local government bonds	15,216	—	39	15,177
Japanese corporate bonds	1,032,368	99	18,429	1,014,037
Foreign securities	2,951,646	3,380	191,912	2,763,115
Other ¹	407,852	842	10,699	397,995
Total	\$9,627,884	\$ 38,407	\$ 225,346	\$9,440,945

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

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

Impairment loss on such securities for the six months ended September 30, 2022, was ¥1 million (U.S.\$10 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 Japanese corporate bonds.

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

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

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

7. SECURITIES (CONTINUED)**CONSOLIDATED**

(c) Unrealized gain (loss) on available-for-sale securities as of September 30, 2022 and March 31, 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2022	Mar. 31, 2022	Sept. 30, 2022
Unrealized gain (loss) before deferred tax on:			
Available-for-sale securities	¥ (27,027)	¥ (9,424)	\$(186,939)
The Group's interests in available-for-sale securities held by partnerships and other adjustments	1,034	441	7,158
Other monetary assets held in trust	(2,099)	(2,541)	(14,523)
Deferred tax liabilities	(344)	(397)	(2,380)
Unrealized gain (loss) on available-for-sale securities before interest adjustments	(28,436)	(11,921)	(196,683)
Noncontrolling interests	(48)	(18)	(334)
The Group's interests in unrealized gain (loss) on available-for-sale securities held by affiliates to which the equity method is applied	(15)	272	(110)
Unrealized gain (loss) on available-for-sale securities	¥ (28,500)	¥ (11,667)	\$(197,127)

8. LOANS AND BILLS DISCOUNTED**CONSOLIDATED**

Loans and bills discounted as of September 30, 2022 and March 31, 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2022	Mar. 31, 2022	Sept. 30, 2022
Loans on deeds	¥ 4,999,679	¥ 4,543,225	\$ 34,580,712
Loans on bills	9,992	9,662	69,112
Bills discounted	1,052	935	7,281
Overdrafts	754,395	687,993	5,217,841
Total	¥ 5,765,119	¥ 5,241,817	\$ 39,874,945

8. LOANS AND BILLS DISCOUNTED (CONTINUED)

CONSOLIDATED

(a) Risk-monitored loans Loans and bills discounted

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 quasibankrupt obligors were ¥25,013 million (U.S. \$173,009 thousand) and ¥24,083 million as of September 30, 2022 and March 31, 2022, respectively, as well as the balances of the Doubtful claims were ¥28,816 million (U.S. \$199,312 thousand) and ¥44,545 million as of September 30, 2022 and March 31, 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 September 30, 2022 and March 31, 2022 were ¥5,153 million (U.S.\$35,646 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 September 30, 2022 and March 31, 2022 were ¥64,054 million (U.S.\$443,042 thousand) and ¥62,171 million, respectively.

(b) Loan participations

The total amounts accounted for as the transfer of loans by loan participations as of September 30, 2022 and March 31 2022 were ¥4,150 million (U.S.\$28,710 thousand) and ¥6,653 million, respectively. This "off-balance sheet" treatment is in accordance with guidelines issued by the JICPA. The total amounts of such loans in which the Bank participated were ¥13,266 million (U.S.\$91,756 thousand) and ¥12,761 million as of September 30, 2022 and March 31, 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 amounts of such bills discounted held as of September 30, 2022 and March 31, 2022, were ¥1,052 million (U.S.\$7,281 thousand) and ¥935 million, respectively.

(d) Loan commitments

The Bank and certain consolidated subsidiaries set credit lines of overdrafts and issue commitments to extend credit to meet the financing needs of customers. The unfulfilled amounts of these commitments were ¥3,177,371 million (U.S.\$21,976,560 thousand) and ¥2,286,425 million as of September 30, 2022 and March 31, 2022, 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 ¥2,713,837 million (U.S.\$ 18,770,490 thousand) and ¥1,907,728 million as of September 30, 2022 and March 31, 2022, respectively. Since a large majority of these commitments expire without being drawn upon, the unfulfilled amounts do not necessarily represent future cash requirements. Many such agreements include conditions granting the Bank and its consolidated subsidiaries the right to reject the drawdown or to reduce the amount on the basis of changes in the financial circumstances of the borrower or other reasonable grounds.

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

9. FOREIGN EXCHANGES**CONSOLIDATED**

Foreign exchange assets and liabilities as of September 30, 2022 and March 31, 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2022	Mar. 31, 2022	Sept. 30, 2022
Foreign exchange assets:			
Due from foreign banks	¥ 67,362	¥ 56,510	\$ 465,919
Total	¥ 67,362	¥ 56,510	\$ 465,919
Foreign exchange liabilities:			
Foreign bills sold	¥ 0	¥ –	\$ 5
Foreign bills payable	1,469	1,905	10,165
Total	¥ 1,470	¥ 1,905	\$ 10,170

10. INSTALLMENT RECEIVABLES**CONSOLIDATED**

The Risk-monitored claims included in installment receivables as of September 30, 2022 and March 31, 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2022	Mar. 31, 2022	Sept. 30, 2022
Claims against bankrupt and quasi-bankrupt obligors	¥ 5,109	¥ 4,898	\$ 35,341
Doubtful claims	1,468	1,508	10,160
Loans past due for three months or more	609	529	4,213
Restructured loans	2,950	2,863	20,408
Total	¥ 10,138	¥ 9,799	\$ 70,124

11. OTHER ASSETS**CONSOLIDATED**

Other assets as of September 30, 2022 and March 31, 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2022	Mar. 31, 2022	Sept. 30, 2022
Accrued income	¥ 17,685	¥ 14,269	\$ 122,323
Prepaid expenses	8,717	7,659	60,298
Fair value of derivatives	103,066	65,068	712,865
Accounts receivable	27,942	35,151	193,268
Security deposits	8,750	13,336	60,527
Suspense payments	17,389	15,739	120,273
Margin deposits for futures transactions	5,301	4,039	36,671
Cash collateral paid for financial instruments	168,432	132,255	1,164,978
Other	108,692	99,800	751,779
Total	¥ 465,978	¥ 387,318	\$ 3,222,983

12. PREMISES AND EQUIPMENT**CONSOLIDATED**

Premises and equipment as of September 30, 2022 and March 31, 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2022	Mar. 31, 2022	Sept. 30, 2022
Buildings	¥ 27,508	¥ 27,450	\$ 190,267
Land	1,798	1,798	12,437
Tangible leased assets as lessor	76,631	81,027	530,026
Other	22,612	22,286	156,399
Subtotal	128,550	132,562	889,129
Accumulated depreciation	(70,584)	(71,573)	(488,205)
Net book value	¥ 57,965	¥ 60,989	\$ 400,924

13. INTANGIBLE ASSETS

CONSOLIDATED

Intangible assets as of September 30, 2022 and March 31, 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2022	Mar. 31, 2022	Sept. 30, 2022
Software:	¥ 44,869	¥ 41,885	\$ 310,346
Goodwill, net:			
Goodwill	12,808	13,001	88,592
Negative goodwill	(1,812)	(1,993)	(12,535)
Intangible assets acquired in business combinations	3,793	3,852	26,235
Intangible leased assets as lessor	139	106	967
Other	1,277	1,372	8,838
Total	¥ 61,076	¥ 62,604	\$ 422,444

14. RESERVE FOR CREDIT LOSSES

CONSOLIDATED

Reserve for credit losses as of September 30, 2022 and March 31, 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2022	Mar. 31, 2022	Sept. 30, 2022
Reserve for loan losses:			
General reserve for loan losses	¥ 83,413	¥ 80,331	\$ 576,937
Specific reserve for loan losses	30,614	39,134	211,748
Total	¥ 114,028	¥ 119,466	\$ 788,685

15. DEPOSITS, INCLUDING NEGOTIABLE CERTIFICATES OF DEPOSIT

CONSOLIDATED

Deposits, including negotiable certificates of deposit, as of September 30, 2022 and March 31, 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2022	Mar. 31, 2022	Sept. 30, 2022
Current deposits	¥ 181,132	¥ 45,723	\$ 1,252,818
Ordinary deposits	2,996,922	2,775,824	20,728,471
Notice deposits	2,706	2,705	18,719
Time deposits	3,287,620	2,450,965	22,739,111
Negotiable certificates of deposit	1,961,991	627,010	13,570,285
Other	646,147	495,837	4,469,132
Total	¥ 9,076,520	¥ 6,398,066	\$ 62,778,536

16. TRADING LIABILITIES

CONSOLIDATED

Trading liabilities as of September 30, 2022 and March 31, 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2022	Mar. 31, 2022	Sept. 30, 2022
Derivatives for securities held to hedge trading transactions	¥ 22	¥ 51	\$ 153
Trading-related financial derivatives	159,831	134,016	1,105,487
Total	¥ 159,853	¥ 134,068	\$ 1,105,639

17. BORROWED MONEY**CONSOLIDATED**

(a) Borrowed money as of September 30, 2022 and March 31, 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2022	Mar. 31, 2022	Sept. 30, 2022
Total amount of borrowed money ¹	¥ 473,127	¥ 978,424	\$3,272,427

¹ Borrowed money does not include subordinated debt as of September 30, 2022 and March 31, 2022.

(b) Annual maturities of borrowed money as of September 30, 2022 were as follows:

Year ending September 30,	Millions of yen	Thousands of U.S. dollars
2023	¥ 164,180	\$ 1,135,569
2024	105,585	730,291
2025	66,755	461,721
2026	43,339	299,761
2027 and thereafter	93,266	645,085
Total	¥ 473,127	\$ 3,272,427

18. CORPORATE BONDS**CONSOLIDATED**

(a) Corporate bonds as of September 30, 2022 and March 31, 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2022	Mar. 31, 2022	Sept. 30, 2022
Total amount of corporate bonds ¹	¥ 394,710	¥ 380,104	\$2,730,050

¹ Corporate bonds do not include subordinated corporate bonds as of September 30, 2022 and March 31, 2022.

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

Year ending September 30,	Millions of yen	Thousands of U.S. dollars
2023	¥ 80,000	\$ 553,327
2024	30,000	207,498
2025	264,748	1,831,153
2026	–	–
2027 and thereafter	19,962	138,073
Total	¥ 394,710	\$ 2,730,050

19. OTHER LIABILITIES**CONSOLIDATED**

Other liabilities as of September 30, 2022 and March 31, 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2022	Mar. 31, 2022	Sept. 30, 2022
Accrued expenses	¥ 11,882	¥ 9,957	\$ 82,189
Unearned income	25,471	25,097	176,178
Income taxes payable	3,656	4,413	25,293
Fair value of derivatives	222,638	120,988	1,539,900
Accounts payable	95,648	58,292	661,560
Deferred gains on installment receivables and credit guarantees	35,031	34,575	242,296
Asset retirement obligations	9,818	9,636	67,907
Deposits payable	136,654	133,472	945,183
Cash collateral received for financial instruments	32,386	12,029	224,006
Other	5,817	7,893	40,235
Total	¥ 579,006	¥ 416,356	\$ 4,004,749

20. ACCEPTANCES AND GUARANTEES

CONSOLIDATED

Acceptances and guarantees as of September 30, 2022 and March 31, 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2022	Mar. 31, 2022	Sept. 30, 2022
Guarantees	¥ 607,181	¥ 584,708	\$4,199,620

21. ASSETS PLEDGED AS COLLATERAL

CONSOLIDATED

Assets pledged as collateral and liabilities collateralized as of September 30, 2022 and March 31, 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2022	Mar. 31, 2022	Sept. 30, 2022
Assets pledged as collateral:			
Cash and due from banks	¥ 10	¥ 10	\$ 70
Monetary assets held in trust	2,333	2,267	16,140
Securities	440,978	279,175	3,050,064
Loans and bills discounted	701,038	851,019	4,848,796
Installment Receivables	187,095	171,581	1,294,060
Lease receivables and leased investment assets	8,582	8,061	59,363
Other assets	–	500	–
Premises and equipment	1,157	2,449	8,009
Liabilities collateralized:			
Deposits, including negotiable certificates of deposit	¥ 1,017	¥ 1,218	\$ 7,040
Payables under repurchase agreements	35,396	9,567	244,821
Payables under securities lending transactions	354,567	237,530	2,452,395
Borrowed money	87,730	572,587	606,796
Corporate bonds	184,710	170,104	1,277,567
Other liabilities	10	12	75
Acceptances and guarantees	150	169	1,044

In addition, ¥924 million (U.S.\$6,398 thousand) of securities as of September 30, 2022, were pledged as collateral for transactions, including exchange settlements, swap transactions or as substitute for margin deposits for futures transactions and other.

Also, ¥5,301 million (U.S.\$36,671 thousand) and ¥4,039 million of margin deposits for futures transactions outstanding, ¥8,750 million (U.S.\$60,527 thousand) and ¥13,336 million of security deposits, ¥168,432 million

(U.S.\$1,164,978 thousand) and ¥132,255 million of cash collateral paid for financial instruments, ¥545 million (U.S.\$3,770 thousand) and ¥1,219 million of guarantee deposits under resale agreements and repurchase agreements and ¥40,000 million (U.S.\$276,663 thousand) and ¥40,000 million of cash collateral for Zengin-net were included in "Other assets" as of September 30, 2022 and March 31, 2022, respectively.

22. EQUITY

CONSOLIDATED

The authorized number of shares of common stock as of September 30, 2022 was 400,000 thousand shares. The following table shows changes in the number of shares of common stock.

	Thousands	
	Issued number of shares	Number of treasury stock
Six months ended September 30, 2022:		
Beginning of period	259,034	53,802
Increase ¹	–	1,130
Decrease ²	–	17
End of period	259,034	54,915
Six months ended September 30, 2021:		
Beginning of period	259,034	43,743
Increase ³	–	6,718
Decrease ⁴	–	68
End of period	259,034	50,393

1 The increase of 1,130 thousand treasury stocks is associated with the repurchase of 0 thousand shares less than one unit, and the disposal of 0 thousand shares as a restricted stock compensation, and the repurchase of 1,130 thousand shares from market.

2 The decrease of 17 thousand treasury stocks is associated with the disposal as a restricted stock compensation.

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

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

23. STOCK ACQUISITION RIGHTS

CONSOLIDATED

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

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

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

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

The following tables show the details of restricted stocks granted during the six months ended September 30, 2022.

(a) Stock-based compensation expenses for the six months ended September 30, 2022 and 2021 were as follows.

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2022	Sept. 30, 2021	Sept. 30, 2022
General and administrative expenses	¥ 33	¥ 114	\$ 232

(b) Details of restricted stock compensation

The following table shows the details of restricted stocks granted during the six months ended September 30, 2022.

	Number of shares granted	Total number of recipients	Transfer restriction period	Fair value at the grant date
Granted on July 22, 2022	17,786	9	July 22, 2022 - July 21, 2025	¥ 1,967

These restricted stocks have the following cancellation conditions;

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

24. NET TRADING INCOME (LOSS)

CONSOLIDATED

Net trading income (loss) for the six months ended September 30, 2022 and 2021 consisted of the following:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Income (loss) from trading securities	¥ 8	¥ 1,555	\$ 57
Income (loss) from securities held to hedge trading transactions	(52)	97	(363)
Income (loss) from trading-related financial derivatives	6,243	2,254	43,185
Total	¥ 6,199	¥ 3,907	\$ 42,878

25. OTHER BUSINESS INCOME (LOSS), NET

CONSOLIDATED

"Other, net" in other business income (loss), net, for the six months ended September 30, 2022 and 2021 consisted of the following:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Income (loss) from derivatives entered into for banking purposes, net	¥ 251	¥ 99	\$ 1,742
Equity in net income (loss) of affiliates	255	236	1,767
Gain on lease cancellation and other lease income (loss), net	1,212	1,420	8,387
Other, net	666	987	4,610
Total	¥ 2,386	¥ 2,743	\$ 16,507

26. NET CREDIT COSTS (RECOVERIES)

CONSOLIDATED

Net credit costs (recoveries) for the six months ended September 30, 2022 and 2021 consisted of the following:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Losses on write-off or sales of loans	¥ 744	¥ 916	\$ 5,151
Net provision (reversal) of reserve for loan losses:			
Net provision (reversal) of general reserve for loan losses	11,407	5,429	78,904
Net provision (reversal) of specific reserve for loan losses	(628)	5,702	(4,347)
Subtotal	10,779	11,131	74,557
Other credit costs (recoveries) relating to leasing business	33	160	232
Recoveries of written-off claims	(3,314)	(5,661)	(22,922)
Total	¥ 8,243	¥ 6,546	\$ 57,019

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

Other gains (losses), net for the six months ended September 30, 2022 and 2021 consisted of the following:

Six months ended September 30,	Millions of yen		Thousands of
	2022	2021	U.S. dollars
Net gain (loss) on disposal of premises and equipment	¥ (59)	¥ 494	\$ (412)
Impairment losses on long-lived assets	(715)	(229)	(4,946)
Impairment losses on Goodwill	(250)	–	(1,731)
Gain on sale of investments in subsidiaries	–	1,048	–
Other, net	(136)	597	(946)
Total	¥ (1,161)	¥ 1,910	\$ (8,035)

- Impairment losses on long-lived assets

For the six months ended September 30, 2022 and 2021, respectively, “Impairment losses on long-lived assets” of ¥715 million (U.S. \$4,946 thousand) and ¥229 million were recognized mainly on the properties of the Bank’s branches and a certain consolidated subsidiary for the Individual Business which were decided to be closed and on the unused IT-related properties.

28. EARNINGS PER SHARE**CONSOLIDATED**

A reconciliation of the difference between basic and diluted EARNINGS PER SHARE (“EPS”) for the six months ended September 30, 2022 and 2021 was as follows:

	Earnings (Millions of yen)	Weighted average shares (Thousands)	EPS (Yen)	EPS (U.S. dollars)
For the six months ended September 30, 2022:				
Basic EPS				
Profit (loss) attributable to owners of the parent available to common shareholders	¥ 24,895	204,228	¥ 121.90	\$ 0.84
Effect of dilutive securities				
Stock acquisition rights	–	–		
Diluted EPS				
Profit (loss) attributable to owners of the parent for computation	¥ 24,895	204,228	¥ –	\$ 0.84
For the six months ended September 30, 2021:				
Basic EPS				
Profit (loss) attributable to owners of the parent available to common shareholders	¥ 23,232	213,587	¥ 108.77	
Effect of dilutive securities				
Stock acquisition rights	–	65		
Diluted EPS				
Profit (loss) attributable to owners of the parent for computation	¥ 23,232	213,652	¥ 108.73	

29. LEASE TRANSACTIONS

CONSOLIDATED

(A) FINANCE LEASE TRANSACTIONS**AS LESSEE**

- (a) For finance lease transactions, where the ownership of the property is deemed to transfer to the lessee, lease assets are software included in “Intangible assets.”
- (b) Depreciation method is described in “(W) LEASE TRANSACTIONS” in Note 2 “SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.”

AS LESSOR

- (a) Breakdown of “Lease receivables and leased investment assets” as of September 30, 2022 and March 31, 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2022	Mar. 31, 2022	Sept. 30, 2022
Lease receivables	¥ 49,668	¥ 50,748	\$ 343,538
Leased investment assets:			
Lease payment receivables	154,921	156,548	1,071,528
Estimated residual value	4,566	4,880	31,585
Interest equivalent	(22,331)	(22,072)	(154,455)
Other	718	755	4,967
Subtotal	137,875	140,111	953,624
Total	¥ 187,543	¥ 190,859	\$ 1,297,162

- (b) Lease payment receivables for “Lease receivables and leased investment assets” as of September 30, 2022 and March 31, 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
	Sept. 30, 2022	Mar. 31, 2022	Sept. 30, 2022	Sept. 30, 2022	Mar. 31, 2022	Sept. 30, 2022
Due within one year	¥ 15,267	¥ 15,593	\$ 105,598	¥ 41,330	¥ 42,498	\$ 285,865
Due after one year within two years	11,547	11,834	79,866	33,522	33,888	231,861
Due after two years within three years	9,551	9,028	66,063	25,665	26,023	177,518
Due after three years within four years	7,075	7,962	48,939	18,901	18,498	130,734
Due after four years within five years	3,272	3,414	22,637	12,076	12,218	83,529
Due after five years	4,669	4,872	32,297	23,424	23,422	162,020
Total	¥ 51,383	¥ 52,705	\$ 355,401	¥ 154,921	¥ 156,548	\$ 1,071,528

(B) OPERATING LEASE TRANSACTIONS

Noncancelable operating lease obligations as lessee and lease payment receivables as lessor as of September 30, 2022 and March 31, 2022 were as follows:

AS LESSEE

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2022	Mar. 31, 2022	Sept. 30, 2022
Lease obligations:			
Due within one year	¥ 3,714	¥ 4,032	\$ 25,689
Due after one year	5,349	5,579	37,002
Total	¥ 9,063	¥ 9,611	\$ 62,690

AS LESSOR

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2022	Mar. 31, 2022	Sept. 30, 2022
Lease payment receivables:			
Due within one year	¥ 7,771	¥ 8,293	\$ 53,753
Due after one year	25,571	25,261	176,866
Total	¥ 33,342	¥ 33,555	\$ 230,620

30. REVENUE RECOGNITION

CONSOLIDATED

INFORMATION ON DISAGGREGATED REVENUE FROM CONTRACTS WITH CUSTOMERS

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

The reportable segment for the first half of the previous fiscal year has been prepared based on the classification of reportable segments for the first half of the current fiscal year.

(Millions of yen)

Six months ended September 30, 2022	Institutional Business					
	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Fees and commissions income ^{1,5}	¥ 285	¥ 911	¥ 544	¥ 462	¥ 19	¥ 1,005
Other business income ^{2,5}	251	10	108	2,977	19	—
Total revenue from contracts with customers	536	921	653	3,440	39	1,005
Revenue other than the above ^{3,5}	16,706	51,026	5,759	49,724	35,464	39
Total revenue from external customers	¥ 17,243	¥ 51,948	¥ 6,412	¥ 53,164	¥ 35,503	¥ 1,045

(Millions of yen)

Six months ended September 30, 2022	Individual Business				Overseas Business/Treasury/Other			Total
	Retail Banking	Consumer Finance			Overseas Business	Treasury	Other ⁴	
		Shinsei Financial	APLUS	Other Individual				
Fees and commissions income ^{1,5}	¥ 4,600	¥ 947	¥ 7,589	¥ 296	¥ 10	¥ 11	¥ (568)	¥ 16,116
Other business income ^{2,5}	—	—	7,186	38	—	1,560	(1,788)	10,365
Total revenue from contracts with customers	4,600	947	14,775	335	10	1,572	(2,357)	26,481
Revenue other than the above ^{3,5}	10,112	36,178	26,476	1,951	12,155	7,379	(77,796)	175,178
Total revenue from external customers	¥ 14,712	¥ 37,126	¥ 41,252	¥ 2,286	¥ 12,166	¥ 8,951	¥ (80,154)	¥ 201,660

(Thousands of U.S. dollars)

Six months ended September 30, 2022	Institutional Business					
	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Fees and commissions income ^{1,5}	\$ 1,972	\$ 6,306	\$ 3,764	\$ 3,200	\$ 134	\$ 6,957
Other business income ^{2,5}	1,740	70	752	20,594	138	—
Total revenue from contracts with customers	3,712	6,376	4,517	23,794	272	6,957
Revenue other than the above ^{3,5}	115,554	352,932	39,839	343,926	245,292	271
Total revenue from external customers	\$ 119,266	\$ 359,308	\$ 44,356	\$ 367,720	\$ 245,564	\$ 7,228

(Thousands of U.S. dollars)

Six months ended September 30, 2022	Individual Business				Overseas Business/Treasury/Other			Total
	Retail Banking	Consumer Finance			Overseas Business	Treasury	Other ⁴	
		Shinsei Financial	APLUS	Other Individual				
Fees and commissions income ^{1,5}	\$ 31,817	\$ 6,555	\$ 52,494	\$ 2,052	\$ 74	\$ 80	\$ (3,935)	\$ 111,472
Other business income ^{2,5}	—	—	49,704	267	—	10,797	(12,371)	71,691
Total revenue from contracts with customers	31,817	6,555	102,198	2,320	74	10,877	(16,306)	183,163
Revenue other than the above ^{3,5}	69,943	250,234	183,128	13,496	84,076	51,039	(538,089)	1,211,639
Total revenue from external customers	\$ 101,760	\$ 256,789	\$ 285,326	\$ 15,815	\$ 84,150	\$ 61,916	\$ (554,395)	\$ 1,394,803

- "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."
- "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."
- "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).
- "Other" under the Overseas Business/Treasury/Other includes revenues which are not included in our reportable segments and elimination amounts of inter-segment transactions.
- Revenues relating to each reportable segment are allocated based on our rational standard.

30. REVENUE RECOGNITION (CONTINUED)

CONSOLIDATED

(Millions of yen)

Six months ended September 30, 2021	Institutional Business					
	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Fees and commissions income ^{1,5}	¥ 126	¥ 953	¥ 384	¥ 380	¥ 16	¥ 909
Other business income ^{2,5}	397	9	77	2,305	21	–
Total revenue from contracts with customers	524	962	461	2,685	38	909
Revenue other than the above ^{3,5}	14,719	39,617	4,109	47,657	5,718	1,566
Total revenue from external customers	¥ 15,243	¥ 40,580	¥ 4,571	¥ 50,342	¥ 5,757	¥ 2,475

(Millions of yen)

Six months ended September 30, 2021	Individual Business				Overseas Business/Treasury/Other			Total
	Retail Banking	Consumer Finance			Overseas Business	Treasury	Other ⁴	
		Shinsei Financial	APLUS	Other Individual				
Fees and commissions income ^{1,5}	¥ 5,165	¥ 867	¥ 7,239	¥ 321	¥ 0	¥ 12	¥ (1,387)	¥ 14,989
Other business income ^{2,5}	–	–	6,216	35	–	434	(341)	9,156
Total revenue from contracts with customers	5,165	867	13,455	356	0	447	(1,729)	24,145
Revenue other than the above ^{3,5}	11,523	36,959	26,172	2,214	9,306	(262)	(40,885)	158,417
Total revenue from external customers	¥ 16,689	¥ 37,826	¥ 39,628	¥ 2,571	¥ 9,306	¥ 185	¥ (42,615)	¥ 182,563

(Thousands of U.S. dollars)

Six months ended September 30, 2021	Institutional Business					
	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Fees and commissions income ^{1,5}	\$ 1,134	\$ 8,513	\$ 3,432	\$ 3,398	\$ 146	\$ 8,119
Other business income ^{2,5}	3,553	87	689	20,589	197	–
Total revenue from contracts with customers	4,687	8,600	4,121	23,987	342	8,119
Revenue other than the above ^{3,5}	131,467	353,855	36,706	425,664	51,080	13,988
Total revenue from external customers	\$ 136,154	\$ 362,455	\$ 40,827	\$ 449,650	\$ 51,422	\$ 22,107

(Thousands of U.S. dollars)

Six months ended September 30, 2021	Individual Business				Overseas Business/Treasury/Other			Total
	Retail Banking	Consumer Finance			Overseas Business	Treasury	Other ⁴	
		Shinsei Financial	APLUS	Other Individual				
Fees and commissions income ^{1,5}	\$ 46,140	\$ 7,744	\$ 64,662	\$ 2,872	\$ 4	\$ 114	\$ (12,396)	\$ 133,882
Other business income ^{2,5}	–	–	55,523	315	–	3,881	(3,052)	81,782
Total revenue from contracts with customers	46,140	7,744	120,184	3,187	4	3,996	(15,448)	215,663
Revenue other than the above ^{3,5}	102,929	330,112	233,770	19,781	83,124	(2,343)	(365,183)	1,414,950
Total revenue from external customers	\$ 149,069	\$ 337,857	\$ 353,954	\$ 22,968	\$ 83,127	\$ 1,652	\$ (380,631)	\$ 1,630,613

- "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."
- "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."
- "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).
- "Other" under the Overseas Business/Treasury/Other includes revenues which are not included in our reportable segments and elimination amounts of inter-segment transactions.
- Revenues relating to each reportable segment are allocated based on our rational standard.

31. 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 which 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 consists of securities business provided by Shinsei Securities Co., Ltd., and asset management businesses.

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

In the 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 "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.

31. 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, we 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 first quarter of 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”. Information on the amount of revenue and profit(loss) by reportable segment for the first half of the previous fiscal year has been prepared based on the classification of reportable segments for the first half of the current fiscal year.

(d) Impairment loss on long-lived assets or unamortized balance of goodwill by reportable segments.

(Significant change in unamortized balance of goodwill)

In the first quarter of the current fiscal year, a part of the credit business and the loan business and the warrant business were inherited from PayPay Card Corporation (formerly YJ Card Corporation) in accordance with the absorption-type company split. As a result, goodwill of 1.34 billion yen was incurred in the “Shinsei Financial” segment.

31. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

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

Six months ended September 30, 2022	Millions of yen					
	Institutional Business					
	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Revenue ¹ :	¥ 9,526	¥ 12,373	¥ 5,191	¥ 7,827	¥ 3,306	¥ 453
Net Interest Income	6,162	7,556	4,692	125	30	4
Noninterest Income	3,363	4,817	499	7,701	3,276	449
Expenses ²	6,618	5,663	2,352	5,863	1,030	978
Net Credit Costs (Recoveries) ³	89	(6,388)	325	(534)	–	31
Segment Profit (Loss) ⁶	¥ 2,819	¥ 13,098	¥ 2,513	¥ 2,497	¥ 2,276	¥ (556)
Segment Assets ⁴	¥ 2,341,844	¥ 1,728,670	¥ 142,837	¥ 549,124	¥ 178,631	¥ 2,116
Segment Liabilities ⁵	¥ 3,802,270	¥ 194,600	¥ 13,223	¥ 413	¥ 159,295	¥ 558
Includes:						
i . Equity in net income (loss) of affiliates	¥ –	¥ –	¥ 53	¥ (119)	¥ –	¥ –
ii . Investment in affiliates	–	–	7,046	461	–	–
Other:						
Goodwill (Negative Goodwill):						
Amortization	¥ –	¥ –	¥ (0)	¥ 1,091	¥ –	¥ –
Unamortized balance	–	–	(0)	5,372	–	–
Intangible assets acquired in business combinations:						
Amortization	¥ –	¥ –	¥ –	¥ 46	¥ –	¥ –
Unamortized balance	–	–	–	133	–	–
Impairment losses on long-lived assets	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 0

Six months ended September 30, 2022	Millions of yen							
	Individual Business				Overseas Business/Treasury/Other			
	Retail Banking	Consumer Finance			Overseas Business	Treasury	Other	Total
	Shinsei Financial	APLUS	Other Individual					
Revenue ¹ :	¥ 11,669	¥ 30,773	¥ 30,389	¥ 1,440	¥ 6,680	¥ 2,930	¥ (3,111)	¥ 119,451
Net Interest Income	8,785	30,855	3,596	448	3,660	1,974	(0)	67,891
Noninterest Income	2,883	(81)	26,793	991	3,020	956	(3,111)	51,560
Expenses ²	12,501	18,000	19,399	1,318	3,274	1,237	(314)	77,922
Net Credit Costs (Recoveries) ³	(35)	7,385	7,066	(256)	559	–	0	8,243
Segment Profit (Loss) ⁶	¥ (796)	¥ 5,387	¥ 3,923	¥ 378	¥ 2,846	¥ 1,692	¥ (2,797)	¥ 33,284
Segment Assets ⁴	¥ 1,109,132	¥ 489,938	¥ 1,442,727	¥ 37,675	¥ 370,582	¥ 1,395,985	¥ 214	¥ 9,789,483
Segment Liabilities ⁵	¥ 5,087,660	¥ 43,818	¥ 538,001	¥ 3,712	¥ –	¥ –	¥ –	¥ 9,843,555
Includes:								
i . Equity in net income (loss) of affiliates	¥ –	¥ –	¥ (37)	¥ 324	¥ 34	¥ –	¥ –	¥ 255
ii . Investment in affiliates	–	–	455	5,033	3,891	–	–	16,888
Other:								
Goodwill (Negative Goodwill):								
Amortization	¥ 47	¥ 41	¥ 29	¥ –	¥ 302	¥ –	¥ –	¥ 1,513
Unamortized balance	645	(305)	417	–	4,866	–	–	10,996
Intangible assets acquired in business combinations:								
Amortization	¥ –	¥ –	¥ 86	¥ –	¥ 82	¥ –	¥ –	¥ 215
Unamortized balance	–	–	1,576	–	2,082	–	–	3,793
Impairment losses on long-lived assets	¥ –	¥ 13	¥ –	¥ –	¥ 644	¥ –	¥ 56	¥ 715

31. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

Six months ended September 30, 2021	Millions of yen					
	Institutional Business					
	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Revenue ¹ :	¥ 6,881	¥ 9,982	¥ 2,654	¥ 7,822	¥ 881	¥ 1,177
Net Interest Income	5,785	6,554	1,680	89	53	4
Noninterest Income	1,095	3,428	973	7,732	827	1,172
Expenses ²	7,344	6,001	2,290	5,759	1,088	1,202
Net Credit Costs (Recoveries) ³	(619)	(1,703)	(10)	45	—	—
Segment Profit (Loss) ⁶	¥ 157	¥ 5,685	¥ 373	¥ 2,017	¥ (207)	¥ (25)
Segment Assets ⁴	¥ 1,933,776	¥ 1,611,876	¥ 125,406	¥ 561,792	¥ 157,025	¥ 14,327
Segment Liabilities ⁵	¥ 1,542,552	¥ 160,015	¥ 11,235	¥ 619	¥ 138,765	¥ 301
Includes:						
i . Equity in net income (loss) of affiliates	¥ —	¥ —	¥ (143)	¥ (125)	¥ —	¥ —
ii . Investment in affiliates	—	—	9,437	793	—	—
Other:						
Goodwill (Negative Goodwill):						
Amortization	¥ —	¥ —	¥ (0)	¥ 1,091	¥ —	¥ —
Unamortized balance	—	—	(0)	7,556	—	—
Intangible assets acquired in business combinations:						
Amortization	¥ —	¥ —	¥ —	¥ 66	¥ —	¥ —
Unamortized balance	—	—	—	246	—	—
Impairment losses on long-lived assets	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —

Six months ended September 30, 2021	Millions of yen							
	Individual Business				Overseas Business/Treasury/Other			
	Retail Banking	Consumer Finance			Overseas Business	Treasury	Other	Total
		Shinsei Financial	APLUS	Other Individual				
Revenue ¹ :	¥ 13,134	¥ 31,599	¥ 29,087	¥ 1,401	¥ 5,556	¥ 492	¥ 6	¥ 110,678
Net Interest Income	9,845	31,702	3,689	601	2,527	(930)	(0)	61,604
Noninterest Income	3,289	(103)	25,398	800	3,028	1,422	6	49,073
Expenses ²	11,867	16,940	19,142	1,284	2,794	1,112	405	77,235
Net Credit Costs (Recoveries) ³	3	3,635	6,051	(253)	(596)	—	(4)	6,546
Segment Profit (Loss) ⁶	¥ 1,264	¥ 11,022	¥ 3,894	¥ 369	¥ 3,358	¥ (620)	¥ (394)	¥ 26,896
Segment Assets ⁴	¥ 1,132,063	¥ 480,879	¥ 1,351,732	¥ 42,055	¥ 308,367	¥ 694,300	¥ 55	¥ 8,413,659
Segment Liabilities ⁵	¥ 4,788,785	¥ 40,039	¥ 519,265	¥ 5,400	¥ —	¥ —	¥ —	¥ 7,206,980
Includes:								
i . Equity in net income (loss) of affiliates	¥ —	¥ —	¥ (26)	¥ 393	¥ 138	¥ —	¥ —	¥ 236
ii . Investment in affiliates	—	—	520	4,628	3,552	—	—	18,933
Other:								
Goodwill (Negative Goodwill):								
Amortization	¥ 47	¥ (70)	¥ 29	¥ —	¥ 280	¥ —	¥ —	¥ 1,379
Unamortized balance	740	(1,674)	477	—	5,197	—	—	12,297
Intangible assets acquired in business combinations:								
Amortization	¥ —	¥ —	¥ 86	¥ —	¥ 75	¥ —	¥ —	¥ 228
Unamortized balance	—	—	1,749	—	2,054	—	—	4,050
Impairment losses on long-lived assets	¥ 114	¥ 53	¥ —	¥ —	¥ —	¥ —	¥ 61	¥ 229

31. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

Six months ended September 30, 2022	Thousands of U.S. dollars					
	Institutional Business					
	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Revenue ¹ :	\$ 65,890	\$ 85,585	\$ 35,910	\$ 54,137	\$ 22,873	\$ 3,139
Net Interest Income	42,626	52,262	32,456	867	208	31
Noninterest Income	23,264	33,323	3,454	53,270	22,665	3,108
Expenses ²	45,774	39,175	16,269	40,558	7,129	6,766
Net Credit Costs (Recoveries) ³	617	(44,189)	2,254	(3,696)	—	219
Segment Profit (Loss) ⁶	\$ 19,499	\$ 90,600	\$ 17,387	\$ 17,276	\$ 15,744	\$ (3,846)
Segment Assets ⁴	\$ 16,197,568	\$ 11,956,499	\$ 987,951	\$ 3,798,066	\$ 1,235,520	\$ 14,642
Segment Liabilities ⁵	\$ 26,298,733	\$ 1,345,974	\$ 91,464	\$ 2,859	\$ 1,101,779	\$ 3,860
Includes:						
i . Equity in net income (loss) of affiliates	\$ —	\$ —	\$ 371	\$ (824)	\$ —	\$ —
ii . Investment in affiliates	—	—	48,738	3,191	—	—
Other:						
Goodwill (Negative Goodwill):						
Amortization	\$ —	\$ —	\$ (2)	\$ 7,553	\$ —	\$ —
Unamortized balance	—	—	(2)	37,158	—	—
Intangible assets acquired in business combinations:						
Amortization	\$ —	\$ —	\$ —	\$ 321	\$ —	\$ —
Unamortized balance	—	—	—	926	—	—
Impairment losses on long-lived assets	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3

Six months ended September 30, 2022	Thousands of U.S. dollars							Total
	Retail Banking	Individual Business			Overseas Business/Treasury/Other			
		Shinsei Financial	APLUS	Other Individual	Overseas Business	Treasury	Other	
Revenue ¹ :	\$ 80,711	\$ 212,845	\$ 210,192	\$ 9,961	\$ 46,204	\$ 20,269	\$ (21,523)	\$ 826,195
Net Interest Income	60,768	213,412	24,873	3,104	25,315	13,655	(0)	469,575
Noninterest Income	19,943	(566)	185,320	6,857	20,889	6,615	(21,523)	356,620
Expenses ²	86,465	124,499	134,177	9,117	22,647	8,560	(2,175)	538,960
Net Credit Costs (Recoveries) ³	(245)	51,085	48,875	(1,773)	3,868	—	3	57,019
Segment Profit (Loss) ⁶	\$ (5,509)	\$ 37,261	\$ 27,140	\$ 2,618	\$ 19,689	\$ 11,709	\$ (19,351)	\$ 230,217
Segment Assets ⁴	\$ 7,671,413	\$ 3,388,703	\$ 9,978,747	\$ 260,587	\$ 2,563,166	\$ 9,655,456	\$ 1,482	\$ 67,709,801
Segment Liabilities ⁵	\$ 35,189,242	\$ 303,078	\$ 3,721,131	\$ 25,675	\$ —	\$ —	\$ —	\$ 68,083,795
Includes:								
i . Equity in net income (loss) of affiliates	\$ —	\$ —	\$ (260)	\$ 2,244	\$ 236	\$ —	\$ —	\$ 1,767
ii . Investment in affiliates	—	—	3,149	34,817	26,914	—	—	116,809
Other:								
Goodwill (Negative Goodwill):								
Amortization	\$ 331	\$ 288	\$ 206	\$ —	\$ 2,089	\$ —	\$ —	\$ 10,465
Unamortized balance	4,463	(2,112)	2,890	—	33,660	—	—	76,057
Intangible assets acquired in business combinations:								
Amortization	\$ —	\$ —	\$ 600	\$ —	\$ 571	\$ —	\$ —	\$ 1,492
Unamortized balance	—	—	10,904	—	14,406	—	—	26,235
Impairment losses on long-lived assets	\$ —	\$ 95	\$ —	\$ —	\$ 4,458	\$ —	\$ 390	\$ 4,946

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

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

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

4 "Segment Assets" consists of other monetary claims purchased, trading assets, monetary assets held in trust, securities, loans and bills discounted, 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, trading liabilities and acceptances and guarantees.

6 Regarding assets and liabilities not allocated to each business segment, there are related revenue and expense items which are allocated to each business segment based on a rational allocation method. For example, interest on other borrowings is considered a part of "Revenue" and included in "Segment profit (loss)," although borrowed money is not allocated to each "Segment liabilities." In addition, depreciation is considered a part of "Expenses" and included in "Segment profit (loss)," although premises and equipment excluding tangible leased assets and intangible assets excluding intangible leased assets are not allocated to each "Segment assets."

31. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

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

(i) A reconciliation between total segment profit and income (loss) before income taxes on the consolidated statements of income for the six months ended September 30, 2022 and 2021 was as follows:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Total segment profit	¥ 33,284	¥ 26,896	\$ 230,217
Amortization of goodwill	(1,513)	(1,379)	(10,465)
Amortization of intangible assets acquired in business combinations	(215)	(228)	(1,492)
Lump-sum payments	150	231	1,043
Other gains (losses), net	(1,161)	1,910	(8,035)
Income (loss) before income taxes	¥ 30,544	¥ 27,429	\$ 211,267

(ii) A reconciliation between total segment assets and total assets on the consolidated balance sheets as of September 30, 2022 and 2021 was as follows:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Total segment assets	¥ 9,789,483	¥ 8,413,659	\$ 67,709,801
Cash and due from banks	2,519,716	1,901,389	17,427,833
Foreign exchanges	67,362	58,163	465,919
Other assets	465,978	278,949	3,222,983
Premises and equipment excluding tangible leased assets	17,451	18,555	120,702
Intangible assets excluding intangible leased assets	60,937	64,612	421,477
Assets for retirement benefits	19,980	19,892	138,198
Deferred tax assets	6,405	10,211	44,305
Reserve for credit losses	(114,028)	(110,866)	(788,685)
Total assets	¥ 12,833,287	¥ 10,654,566	\$ 88,762,535

(iii) A reconciliation between total segment liabilities and total liabilities on the consolidated balance sheets as of September 30, 2022 and 2021 was as follows:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Total segment liabilities	¥ 9,843,555	¥ 7,206,980	\$ 68,083,795
Call money	10,482	24,071	72,500
Payables under repurchase agreements	35,396	77,083	244,821
Payables under securities lending transactions	354,567	424,595	2,452,395
Borrowed money	473,127	964,755	3,272,427
Foreign exchanges	1,470	695	10,170
Short-term corporate bonds	138,500	222,300	957,947
Corporate bonds	394,710	376,987	2,730,050
Other liabilities	579,006	365,873	4,004,749
Accrued employees' bonuses	5,086	5,022	35,183
Accrued directors' bonuses	5	20	38
Liabilities for retirement benefits	8,168	8,137	56,498
Reserve for directors' retirement benefits	6	21	44
Reserve for reimbursement of deposits	348	438	2,413
Reserve for reimbursement of debentures	2,550	3,236	17,644
Reserve for losses on interest repayments	33,440	34,566	231,294
Deferred tax liabilities	843	214	5,837
Total liabilities	¥ 11,881,267	¥ 9,715,000	\$ 82,177,805

31. SEGMENT INFORMATION (CONTINUED)**CONSOLIDATED****(B) RELATED INFORMATION****(a) INFORMATION BY SERVICES**

Income regarding major services for the six months ended September 30, 2022 and 2021 was as follows:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Loan Businesses	¥ 74,940	¥ 69,612	\$ 518,331
Lease Businesses	4,242	4,315	29,344
Securities Investment Businesses	9,124	4,629	63,109
Installment Sales and Guarantee Businesses	31,072	29,514	214,916

(b) GEOGRAPHICAL INFORMATION*(i) REVENUE*

Revenue based on geographical for the six months ended September 30, 2022 and 2021 was as follows:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Japan	¥ 96,024	¥ 98,170	\$ 664,163
Oceania	10,295	6,956	71,209
Europe, Middle East	5,943	2,196	41,112
Asia	2,283	1,454	15,797
North America	2,809	956	19,430
Others	2,094	944	14,485

Note: 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 total balance of premises and equipment on the consolidated balance sheets as of September 30, 2022 and 2021, and therefore, geographical premises and equipment information is not presented.

(c) MAJOR CUSTOMER INFORMATION

Revenue to a specific customer did not reach 10% of total revenue on the consolidated statements of income for the six months ended September 30, 2022 and 2021, and therefore, major customer information is not presented.

32. BUSINESS COMBINATIONS

CONSOLIDATED

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

(a) Outline of the business combination

(1) 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

(2) Main purpose of the business combination

Expansion of revenues through the absorption-type corporate split

(3) Date on which the business combination is effective

May 1, 2022

(4) 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)

(5) Name after the business combination

Shinsei Financial Co., Ltd.

(b) The consolidated financial statements include the operating results of the acquired company from May 1, 2022 to September 30, 2022

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

Consideration of the acquisition Cash 4,596 million
Acquisition price 4,596 million

(d) Primary acquisition-related costs and their breakdown
10 million yen

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

(1) Amount of the goodwill

1,340 million yen

(2) Reason of the occurrence

Mainly excess earnings power expected from future business development

(3) Amortization method and period

Straight-line amortization over five years

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

(1) Assets

Total assets 9,674 million

Loan 4,637 million

Installment sales receivables 4,461 million

(2) Liabilities

Total liabilities 6,418 million

Provision for loss on interest repayment 5,099 million

(g) Estimated amount of the impact on the interim consolidated statements of operation during the interim consolidated accounting period and the calculation method of the impact on the assumption that the business combination was completed at the beginning of the interim consolidated accounting period:

Omitted since the estimated amount of the impact is immaterial.

33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

CONSOLIDATED

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

Carrying amounts on the interim consolidated balance sheet as of September 30, 2022, the fair value of financial instruments as well as the difference between them, and fair values by input level are as follows.

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

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

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

Level 3: Fair value determined based on significant unobservable inputs

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

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

Fair values of financial instruments as of September 30, 2022 and March 31, 2022 were as follows:

Millions of yen

September 30, 2022	Carrying amount			
	Level 1	Level 2	Level 3	Total
Assets:				
Other monetary claims purchased	¥ -	¥ -	¥ 8,787	¥ 8,787
Trading assets	-	160	-	160
Monetary assets held in trust	-	6,181	130,957	137,139
Securities	924,506	248,835	182,129	1,355,471
Trading securities	-	-	0	0
Other securities	924,506	248,835	182,129	1,355,471
Equity securities	8,285	2,090	-	10,376
Japanese national government bonds	748,758	-	-	748,758
Japanese local government bonds	-	2,194	-	2,194
Japanese corporate bonds	-	49,222	97,387	146,609
Foreign securities	167,462	146,718	84,206	398,387
Other ¹	-	48,609	536	49,145
Total	¥ 924,506	¥ 255,177	¥ 321,875	¥ 1,501,559
Derivative instruments ^{2,3}	¥ (22)	¥ (70,767)	¥ (29,082)	¥ (99,871)
Interest rate-related	-	28,425	(18,071)	10,354
Currency-related	-	(99,756)	(11,011)	(110,767)
Equity-related	(6)	-	-	(6)
Bond-related	(15)	-	-	(15)
Credit derivatives	-	563	-	563

33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

March 31, 2022	Millions of yen			
	Carrying amount			
	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

September 30, 2022	Thousands of U.S. dollars			
	Carrying amount			
	Level 1	Level 2	Level 3	Total
Assets:				
Other monetary claims purchased	\$ –	\$ –	\$ 60,778	\$ 60,778
Trading assets	–	1,112	–	1,112
Monetary assets held in trust	–	42,758	905,781	948,539
Securities	6,394,431	1,721,090	1,259,717	9,375,238
Trading securities	–	–	–	–
Other securities	6,394,431	1,721,090	1,259,717	9,375,238
Equity securities	57,310	14,462	–	71,772
Japanese national government bonds	5,178,849	–	–	5,178,849
Japanese local government bonds	–	15,177	–	15,177
Japanese corporate bonds	–	340,451	673,586	1,014,037
Foreign securities	1,158,272	1,014,790	582,420	2,755,482
Other ¹	–	336,210	3,710	339,920
Total	\$ 6,394,431	\$ 1,764,960	\$ 2,226,276	\$ 10,385,668
Derivative instruments ^{2,3}	\$ (152)	\$ (489,468)	\$ (201,151)	\$ (690,772)
Interest rate-related	–	196,609	(124,990)	71,619
Currency-related	–	(689,974)	(76,161)	(766,135)
Equity-related	(46)	–	–	(46)
Bond-related	(107)	–	–	(107)
Credit derivatives	–	3,896	–	3,896

1. The amount of investment trusts for which transitional treatments are applied in accordance with Paragraph 24-3 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 interim consolidated balance sheet is ¥1,103 million (U.S. \$7,632 thousand) and ¥1,292 million as of September 30, 2022 and March 31, 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 interim consolidated balance sheet amount to a net liability of ¥112,060 million (U.S.\$775,075 thousand) and ¥42,267 million as of September 30, 2022 and March 31, 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.

33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

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

Notes are omitted for “Cash and due from banks,” “Call money and bills sold,” “Payable under repurchase agreements,” “Payable under securities lending transactions,” “Short-term bonds payable” since they are mostly with short maturity of one year or less and their carrying amounts approximate their fair values.

September 30, 2022	Fair value				Carrying amount	Net unrealized gains (losses)
	Millions of yen					
	Level 1	Level 2	Level 3	Total		
Assets:						
Other monetary claims purchased	¥ -	¥ -	¥ 20,422	¥ 20,422	¥ 20,315	¥ 106
Monetary assets held in trust ¹	-	19,035	192,645	211,681	209,100	2,581
Securities	104,108	-	101,209	205,318	207,633	(2,315)
Securities being held to maturity	104,108	-	101,209	205,318	207,633	(2,315)
Japanese national government bonds	104,108	-	-	104,108	104,982	(873)
Foreign securities	-	-	101,209	101,209	102,651	(1,441)
Loans and bills discounted ²	-	2,536,444	3,248,019	5,784,464	5,696,526	87,938
Installment receivables ³	-	119,108	886,606	1,005,714	965,521	40,193
Lease receivables and leased investment assets ⁴	-	3,497	188,260	191,758	181,348	10,409
Total	¥ 104,108	¥ 2,678,086	¥ 4,637,165	¥ 7,419,360	¥ 7,280,446	¥ 138,913
Liabilities:						
Deposits	¥ -	¥ 6,122,003	¥ 988,602	¥ 7,110,606	¥ 7,114,528	¥ 3,922
Negotiable certificates of deposit	-	-	1,962,274	1,962,274	1,961,991	(282)
Borrowed money	-	0	472,436	472,436	473,127	690
Corporate bonds	-	394,302	-	394,302	394,710	408
Total	¥ -	¥ 6,516,306	¥ 3,423,313	¥ 9,939,619	¥ 9,944,358	¥ 4,738
Other:						
Guarantee contracts ⁵	¥ -	¥ (388)	¥ 44,312	¥ 43,923	¥ 607,181	

March 31, 2022	Fair value				Carrying amount	Net unrealized gains (losses)
	Millions of yen					
	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
Other:						
Guarantee contracts ⁵	¥ -	¥ (291)	¥ 44,808	¥ 44,517	¥ 584,708	

33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

September 30, 2022	Fair value				Carrying amount	Net unrealized gains (losses)
	Thousands of U.S. dollars					
	Level 1	Level 2	Level 3	Total		
Assets:						
Other monetary claims purchased	\$ -	\$ -	\$ 141,252	\$ 141,252	\$ 140,514	\$ 738
Monetary assets held in trust ¹	-	131,661	1,332,451	1,464,112	1,446,260	17,852
Securities	720,075	-	700,028	1,420,103	1,436,117	(16,015)
Securities being held to maturity	720,075	-	700,028	1,420,103	1,436,117	(16,015)
Japanese national government bonds	720,075	-	-	720,075	726,117	(6,042)
Foreign securities	-	-	700,028	700,028	710,000	(9,973)
Loans and bills discounted ²	-	17,543,537	22,465,209	40,008,747	39,400,515	608,232
Installment receivables ³	-	823,823	6,132,291	6,956,114	6,678,111	278,003
Lease receivables and leased investment assets ⁴	-	24,191	1,302,123	1,326,314	1,254,315	72,000
Total	\$ 720,075	\$ 18,523,213	\$ 32,073,353	\$ 51,316,641	\$ 50,355,831	\$ 960,810
Liabilities:						
Deposits	\$ -	\$ 42,343,367	\$ 6,837,755	\$ 49,181,122	\$ 49,208,250	\$ 27,129
Negotiable certificates of deposit	-	-	13,572,240	13,572,240	13,570,285	(1,954)
Borrowed money	-	-	3,267,648	3,267,648	3,272,427	4,779
Corporate bonds	-	2,727,226	-	2,727,226	2,730,050	2,824
Total	\$ -	\$ 45,070,593	\$ 23,677,642	\$ 68,748,235	\$ 68,781,012	\$ 32,777
Other:						
Guarantee contracts ⁵	\$ -	\$ (2,688)	\$ 306,492	\$ 303,804	\$ 4,199,620	

1. ¥1,902 million (U.S.\$ 13,161 thousand) and ¥2,221 million of reserve for credit losses corresponding to "Monetary assets held in trust" are deducted as of September 30, 2022 and March 31, 2022.
2. At the end of September 30, 2022 and March 31, 2022, ¥68,593 million (U.S.\$ 474,430 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," ¥33,440 million (U.S.\$ 231,294 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. ¥15,442 million (U.S.\$ 106,809 thousand) and ¥15,014 million of deferred gains on installment receivables and ¥16,782 million (U.S.\$ 116,079 thousand) and ¥15,218 million of reserve for credit losses corresponding to "Installment receivables" are deducted as of September 30, 2022 and March 31, 2022, respectively.
4. At the end of September 30, 2022 and March 31, 2022, ¥1,204 million (U.S.\$ 8,332 thousand) and ¥1,309 million of reserves for credit losses corresponding to "Lease receivables and leased investment assets" are deducted, ¥4,990 million (U.S.\$ 34,516 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 interim consolidated balance sheet.

33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)**CONSOLIDATED**

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

AssetsOther 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 6 “MONETARY ASSETS HELD IN TRUST” for monetary assets held in trust being held to maturity and others.

Securities

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

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

The fair values of 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 7 “SECURITIES.”

Loans and bills discounted

The fair values of loans and bills discounted with a fixed interest rate are determined by discounting contractual cash flows, and the fair values of loans and bills discounted with a floating interest rate are determined by discounting expected cash flows based on the forward rates as of the interim consolidated balance sheet date (for loans and bills discounted hedged by interest rate swaps which meet specific matching criteria, summing up the cash flows from the interest rate swaps), using the risk-free rate adjusted to account for credit risk (after consideration of collateral) with Credit Default Swap (CDS) spread etc. corresponding to the internal credit rating of each borrower. They are categorized as Level 3 if the impact of unobservable inputs to measure the fair values is significant; otherwise, they are categorized as Level 2. The fair values of housing loans are determined by discounting expected cash flows at the rates that consist of the risk-free rate and spread that would be applied for the new housing loans with the same terms at the interim consolidated balance sheet date. The fair values of consumer loans are determined by discounting expected cash flows that reflect expected loss at the rates that consist of the risk-free rate and certain costs, by a group of similar product types and customer segments. Regarding loans to obligors 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 to the carrying amounts net of reserves for loan losses as of the interim 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.

33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

Installment receivables

The fair values are primarily determined by discounting expected cash flows that reflect the probability of prepayment at the rates that consist of the risk-free rate, credit-risk and certain costs, by major product category groups. They are categorized as Level 3 if the impact of unobservable inputs to measure the fair values is significant; otherwise, they are categorized as Level 2.

Lease receivables and leased investment assets

The fair values are primarily determined by discounting contractual cash flows at the rates that would be applied for the new contracts by major product category groups. They are categorized as Level 3 if the impact of unobservable inputs to measure the fair values is significant; otherwise, they are categorized as Level 2.

LiabilitiesDeposits, including negotiable certificates of deposit

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

Corporate bonds

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

Derivative instruments

The fair values of listed derivatives are based on their closing prices. The fair values of over-the-counter derivative transactions are mainly based on the DCF method, option pricing models, etc., using inputs such as interest rate, foreign exchange rate, volatility, etc.

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

Listed derivative transactions are mainly categorized as Level 1. Over-the-counter derivative transactions are categorized as Level 2 if observable inputs are available or the impact of unobservable inputs to measure the fair value is not significant. If the impact of unobservable inputs to measure the fair values is significant, they are categorized as Level 3.

OtherGuarantee contracts

The fair values are determined by discounting the amount of difference between the future cash flows based on the original contracts and the future cash flows expected from guarantee contracts that would have been newly entered into on similar terms as of the end of the interim period. They are categorized as Level 3.

33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

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

(1) Quantitative information on significant unobservable inputs as of September 30, 2022 and March 31, 2022

September 30, 2022			Valuation technique	Significant unobservable inputs	Range	Weighted average
Other monetary claims purchased	Discounted cash flow	Prepayment rate			1.0%–13.6%	7.6%
				Probability of default	0.6%–0.7%	0.7%
				Recovery rate	0.0%–30.0%	15.7%
				Discount rate	0.8%–16.9%	1.4%
Monetary assets held in trust	Discounted cash flow	Prepayment rate			0.0%–32.5%	9.9%
				Probability of default	0.0%–2.0%	1.3%
				Recovery rate	30.0%–100.0%	85.7%
				Discount rate	0.3%–19.3%	1.3%
Securities						
Other securities	Discounted cash flow	Prepayment rate			0.0%–23.8%	18.9%
				Probability of default	0.0%–2.1%	1.7%
				Recovery rate	0.0%–100.0%	63.8%
				Discount rate	1.1%–2.6%	1.6%
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%	–	

33. 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 September 30, 2022 and March 31, 2022

September 30, 2022

Millions of yen

Categorization	Other monetary claims purchased	Trading assets	Monetary assets held in trust	Securities	Total	Derivative instruments	Interest rate- related	Currency- related
Beginning balance	¥ 9,550	¥ -	¥ 159,948	¥ 186,136	¥ 355,635	¥ 4,527	¥ 10,508	¥ (5,980)
Earnings of the period ¹	(3)	-	626	11,432	12,056	(31,833)	(26,463)	(5,370)
Other comprehensive income ²	(48)	-	476	(799)	(371)	-	-	-
Net amount of purchase, sale, issuance and settlement	(711)	-	(30,092)	(14,640)	(45,444)	(1,776)	(2,116)	339
Transfer into Level 3	-	-	-	-	-	-	-	-
Transfer out of Level 3	-	-	-	-	-	-	-	-
Ending balance	8,787	-	130,957	182,129	321,875	(29,082)	(18,071)	(11,011)
Net unrealized gains (losses) on financial assets and liabilities held at the interim consolidated balance sheet date among the amount recognized in the earnings of the period ¹	(16)	-	17	-	0	(34,085)	(28,422)	(5,662)

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

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

March 31, 2022

Millions of yen

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

33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

September 30, 2022

Thousands of U.S. dollars

Categorization	Other monetary claims purchased	Trading assets	Monetary assets held in trust	Securities	Total	Derivative instruments	Interest rate- related	Currency- related
Beginning balance	\$ 66,057	\$ -	\$ 1,106,294	\$ 1,287,432	\$ 2,459,783	\$ 31,316	\$ 72,681	\$ (41,365)
Earnings of the period ¹	(22)	-	4,332	79,077	83,387	(220,180)	(183,035)	(37,145)
Other comprehensive income ²	(333)	-	3,294	(5,532)	(2,572)	-	-	-
Net amount of purchase, sale, issuance and settlement	(4,924)	-	(208,139)	(101,259)	(314,322)	(12,287)	(14,636)	2,349
Transfer into Level 3	-	-	-	-	-	-	-	-
Transfer out of Level 3	-	-	-	-	-	-	-	-
Ending balance	60,778	-	905,781	1,259,717	2,226,276	(201,151)	(124,990)	(76,161)
Net unrealized gains (losses) on financial assets and liabilities held at the interim consolidated balance sheet date among the amount recognized in the earnings of the period ¹	(117)	-	123	-	7	(235,754)	(196,590)	(39,164)

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

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

33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

(3) Description of the fair value valuation process

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

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

Prepayment rate

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

Probability of default

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

Recovery rate

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

Discount rate

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

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

Correlation

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

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

	Millions of yen		Thousands of U.S. dollars
	September 30, 2022	March 31, 2022	September 30, 2022
Nonmarketable equity securities and others ^{1,3}	¥ 34,093	¥ 21,607	\$ 235,812
Investments in partnerships and others ^{2,3}	35,942	31,016	248,600
Total	¥ 70,036	¥ 52,624	\$ 484,411

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 September 30, 2022 and March 31, 2022, impairment losses on “Nonmarketable equity securities and others” of ¥15 million (U.S.\$ 110 thousand), and ¥1,144 million, and on “Investment in partnerships and others” of ¥242 million (U.S.\$ 1,678 thousand) and ¥573 million were recognized, respectively.

34. 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 September 30, 2022 and March 31, 2022 were as follows:

	Millions of yen							
	Sept. 30, 2022				Mar. 31, 2022			
	Contract/Notional principal		Fair value	Unrealized gain (loss)	Contract/Notional principal		Fair value	Unrealized gain (loss)
Total	Maturity over 1 year	Total			Maturity over 1 year			
Futures contracts (listed):								
Sold	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -	-
Bought	1,249	-	(0)	(0)	-	-	-	-
Interest rate options (listed):								
Sold	-	-	-	-	-	-	-	-
Bought	-	-	-	-	-	-	-	-
Interest rate swaps (over-the-counter):								
Receive fixed and pay floating	4,103,602	3,544,315	(28,339)	(28,339)	4,278,978	3,592,840	49,883	49,883
Receive floating and pay fixed	3,773,036	3,256,802	29,720	29,720	4,058,271	3,272,288	(42,166)	(42,166)
Receive floating and pay floating	2,263,323	2,081,740	(2,514)	(2,514)	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	372,000	281,000	(3,358)	(3,309)	435,800	290,700	(443)	(394)
Bought	314,349	287,349	16,451	16,323	299,691	279,591	7,989	7,861
Interest rate options (over-the-counter):								
Sold	17,905	17,905	(268)	(202)	16,049	16,049	(118)	(52)
Bought	26,475	26,475	286	286	22,958	22,958	176	176
Total			¥ 11,978	¥ 11,965			¥ 12,759	¥ 12,746

	Thousands of U.S. dollars			
	Sept. 30, 2022			
	Contract/Notional principal		Fair value	Unrealized gain (loss)
Total	Maturity over 1 year			
Futures contracts (listed):				
Sold	\$ -	\$ -	\$ -	\$ -
Bought	8,645	-	(2)	(2)
Interest rate options (listed):				
Sold	-	-	-	-
Bought	-	-	-	-
Interest rate swaps (over-the-counter):				
Receive fixed and pay floating	28,382,920	24,514,562	(196,009)	(196,009)
Receive floating and pay fixed	26,096,534	22,525,956	205,561	205,561
Receive floating and pay floating	15,654,475	14,398,535	(17,391)	(17,391)
Receive fixed and pay fixed	6,917	6,917	12	12
Interest rate swaptions (over-the-counter):				
Sold	2,572,970	1,943,561	(23,231)	(22,892)
Bought	2,174,224	1,987,476	113,789	112,904
Interest rate options (over-the-counter):				
Sold	123,845	123,845	(1,858)	(1,403)
Bought	183,120	183,120	1,983	1,983
Total			\$ 82,853	\$ 82,761

Notes:

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

34. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(b) CURRENCY-RELATED TRANSACTIONS

Currency-related transactions as of September 30, 2022 and March 31, 2022 were as follows:

	Millions of yen							
	Sept. 30, 2022				Mar. 31, 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)	¥ 714,548	¥ 689,901	¥ 7,174	¥ 7,174	¥ 626,629	¥ 594,299	¥ 1,325	¥ 1,325
Forward foreign exchange contracts (over-the-counter):								
Sold	1,362,982	180,206	(25,806)	(25,806)	1,169,078	159,593	(41,154)	(41,154)
Bought	753,689	145,161	41,263	41,263	651,049	112,291	37,575	37,575
Currency options (over-the-counter):								
Sold	644,738	337,001	(39,679)	(18,173)	574,984	311,326	(19,236)	1,822
Bought	613,531	333,613	16,716	2,438	514,465	291,249	9,162	(5,267)
Total			¥ (331)	¥ 6,896			¥ (12,327)	¥ (5,698)

Thousands of U.S. dollars

	Sept. 30, 2022			
	Contract/Notional principal			
	Total	Maturity over 1 year	Fair value	Unrealized gain (loss)
Currency swaps (over-the-counter)	\$ 4,942,237	\$ 4,771,765	\$ 49,621	\$ 49,621
Forward foreign exchange contracts (over-the-counter):				
Sold	9,427,182	1,246,412	(178,491)	(178,491)
Bought	5,212,957	1,004,020	285,405	285,405
Currency options (over-the-counter):				
Sold	4,459,391	2,330,898	(274,449)	(125,699)
Bought	4,243,543	2,307,469	115,621	16,867
Total			\$ (2,293)	\$ 47,702

Notes:

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

34. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(c) EQUITY DERIVATIVES TRANSACTIONS

Equity derivatives transactions as of September 30, 2022 and March 31, 2022 were as follows:

Millions of yen

	Sept. 30, 2022				Mar. 31, 2022			
	Contract/Notional principal		Fair value	Unrealized gain (loss)	Contract/Notional principal		Fair value	Unrealized gain (loss)
	Total	Maturity over 1 year			Total	Maturity over 1 year		
Equity index futures (listed):								
Sold	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -
Bought	-	-	-	-	-	-	-	-
Equity index options (listed):								
Sold	1,391	-	(6)	(6)	-	-	-	-
Bought	-	-	-	-	-	-	-	-
Equity options (over-the-counter):								
Sold	-	-	-	-	-	-	-	-
Bought	-	-	-	-	-	-	-	-
Other (over-the-counter):								
Sold	-	-	-	-	-	-	-	-
Bought	-	-	-	-	-	-	-	-
Total			¥ (6)	¥ (6)			¥ -	¥ -

Thousands of U.S. dollars

	Sept. 30, 2022			
	Contract/Notional principal		Fair value	Unrealized gain (loss)
	Total	Maturity over 1 year		
Equity index futures (listed):				
Sold	\$ -	\$ -	\$ -	\$ -
Bought	-	-	-	-
Equity index options (listed):				
Sold	9,625	-	(46)	(45)
Bought	-	-	-	-
Equity options (over-the-counter):				
Sold	-	-	-	-
Bought	-	-	-	-
Other (over-the-counter):				
Sold	-	-	-	-
Bought	-	-	-	-
Total			\$ (46)	\$ (45)

Notes:

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

34. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(d) BOND-RELATED TRANSACTIONS

Bond-related transactions as of September 30, 2022 and March 31, 2022 were as follows:

	Millions of yen							
	Sept. 30, 2022				Mar. 31, 2022			
	Contract/Notional principal		Fair value	Unrealized gain (loss)	Contract/Notional principal		Fair value	Unrealized gain (loss)
Total	Maturity over 1 year	Total			Maturity over 1 year			
Bond futures (listed):								
Sold	¥ 4,919	¥ -	¥ 2	¥ 2	¥ 5,514	¥ -	¥ 50	¥ 50
Bought	17,072	-	(18)	(18)	8,232	-	(50)	(50)
Bond options (listed):								
Sold	-	-	-	-	-	-	-	-
Bought	-	-	-	-	-	-	-	-
Total			¥ (15)	¥ (15)			¥ 0	¥ 0

Thousands of U.S. dollars

	Sept. 30, 2022			
	Contract/Notional principal		Fair value	Unrealized gain (loss)
	Total	Maturity over 1 year		
Bond futures (listed):				
Sold	\$ 34,028	\$ -	\$ 20	\$ 20
Bought	118,085	-	(126)	(126)
Bond options (listed):				
Sold	-	-	-	-
Bought	-	-	-	-
Total			\$ (107)	\$ (107)

Notes:

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

(e) CREDIT DERIVATIVES TRANSACTIONS

Credit derivatives transactions as of September 30, 2022 and March 31, 2022 were as follows:

	Millions of yen							
	Sept. 30, 2022				Mar. 31, 2022			
	Contract/Notional principal		Fair value	Unrealized gain (loss)	Contract/Notional principal		Fair value	Unrealized gain (loss)
Total	Maturity over 1 year	Total			Maturity over 1 year			
Credit default option (over-the-counter):								
Sold	¥ 24,000	¥ 18,500	¥ (120)	¥ (120)	¥ 32,500	¥ 19,000	¥ 381	¥ 381
Bought	24,000	18,500	683	683	32,500	19,000	213	213
Total			¥ 563	¥ 563			¥ 595	¥ 595

Thousands of U.S. dollars

	Sept. 30, 2022			
	Contract/Notional principal		Fair value	Unrealized gain (loss)
	Total	Maturity over 1 year		
Credit default option (over-the-counter):				
Sold	\$ 165,998	\$ 127,957	\$ (831)	\$ (831)
Bought	165,998	127,957	4,727	4,727
Total			\$ 3,896	\$ 3,896

Notes:

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

34. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(B) DERIVATIVE TRANSACTIONS TO WHICH HEDGE ACCOUNTING WAS APPLIED

(a) INTEREST RATE-RELATED TRANSACTIONS

Interest rate-related transactions, which are accounted for using the deferral method, as of September 30, 2022 and March 31, 2022 were as follows:

	Millions of yen					
	Sept. 30, 2022			Mar. 31, 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	¥ (2,181)	¥ 93,000	¥ 93,000	¥ (471)
Receive floating and pay fixed	267,850	267,850	(3,830)	141,788	141,788	(9,187)
Total			¥ (6,012)			¥ (9,658)

	Thousands of U.S. dollars		
	Sept. 30, 2022		
	Contract/Notional principal		
	Total	Maturity over 1 year	Fair value
Interest rate swaps:			
Receive fixed and pay floating	\$ 643,242	\$ 643,242	\$ (15,090)
Receive floating and pay fixed	1,852,608	1,852,608	(26,497)
Total			\$ (41,587)

Notes:

- (1) Most of the hedged items are interest-bearing assets and liabilities such as loans and bills discounted, available-for-sale securities (bonds) and deposits, including negotiable certificate of deposit.
- (2) Interest rate swaps are primarily accounted for using the deferral method in accordance with Industry Committee Practical Guidelines No. 24 by the JICPA.

Interest rate swaps, which meet specific matching criteria, as of September 30, 2022 and March 31, 2022 were as follows:

	Millions of yen					
	Sept. 30, 2022			Mar. 31, 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	¥ 13,893	¥ 1,853	¥ -	¥ 14,803	¥ 1,803	

	Thousands of U.S. dollars		
	Sept. 30, 2022		
	Contract/Notional principal		
	Total	Maturity over 1 year	Fair value
Interest rate swaps:			
Receive fixed and pay floating	\$ -	\$ -	\$ -
Receive floating and pay fixed	\$ 96,092	\$ 12,820	\$ -

Notes:

- (1) The hedged items are loans and bills discounted and borrowed money.
- (2) Interest rate swaps which meet specific matching criteria are accounted for as component of hedged loans and bills discounted and borrowed money. Therefore, the fair value of those interest rate swaps is included in the fair value of loans and bills discounted in fair value information shown in Note 32 "FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES."

34. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

Interest rate-related transactions, which are accounted for using the cash flow hedge method, as of September 30, 2022 and March 31, 2022 were as follows:

	Millions of yen					
	Sept. 30, 2022			Mar. 31, 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	¥ 23,295	¥ 14,400	¥ (811)	¥ 25,941	¥ 17,687	¥ (297)
Receive floating and pay fixed	160,351	106,137	5,200	147,472	101,092	2,647
Total			¥ 4,388			¥ 2,350

	Thousands of U.S. dollars		
	Sept. 30, 2022		
	Contract/Notional principal		
	Total	Maturity over 1 year	Fair value
Interest rate swaps:			
Receive fixed and pay floating	\$ 161,124	\$ 99,604	\$ (5,614)
Receive floating and pay fixed	1,109,087	734,108	35,967
Total			\$ 30,353

Notes:

- (1) The hedged item is corporate bonds.
- (2) Interest rate swaps are accounted for using the cash flow hedge method in transactions at certain foreign subsidiaries, which are adopting IFRS.

(b) CURRENCY-RELATED TRANSACTIONS

Currency-related transactions, which are accounted for using the deferral method, as of September 30, 2022 and March 31, 2022 were as follows:

	Millions of yen					
	Sept. 30, 2022			Mar. 31, 2022		
	Contract/Notional principal			Contract/Notional principal		
	Total	Maturity over 1 year	Fair value	Total	Maturity over 1 year	Fair value
Currency swaps	¥ 579,896	¥ 447,389	¥ (110,436)	¥ 441,314	¥ 356,418	¥ (34,958)

	Thousands of U.S. dollars		
	Sept. 30, 2022		
	Contract/Notional principal		
	Total	Maturity over 1 year	Fair value
Currency swaps	\$ 4,010,901	\$ 3,094,405	\$ (763,842)

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.

INTERIM NONCONSOLIDATED BALANCE SHEET (UNAUDITED)

Shinsei Bank, Limited
As of September 30, 2022

	Millions of yen		Thousands of U.S. dollars (Note)
	Sept. 30, 2022	Mar. 31, 2022	Sept. 30, 2022
ASSETS			
Cash and due from banks	¥ 2,390,673	¥ 1,514,510	\$ 16,535,300
Other monetary claims purchased	14,287	15,225	98,824
Trading assets	178,935	148,385	1,237,626
Monetary assets held in trust	263,499	299,893	1,822,514
Securities	2,059,124	1,104,839	14,242,112
Loans and bills discounted	5,948,313	5,279,626	41,142,020
Foreign exchanges	67,362	56,510	465,919
Other assets	351,354	281,119	2,430,171
Premises and equipment	9,206	10,149	63,676
Intangible assets	22,414	23,040	155,035
Prepaid pension cost	9,782	9,195	67,661
Deferred tax assets	402	546	2,784
Customers' liabilities for acceptances and guarantees	30,276	22,003	209,411
Reserve for credit losses	(28,298)	(38,149)	(195,731)
Total assets	¥ 11,317,335	¥ 8,726,897	\$ 78,277,322
LIABILITIES AND EQUITY			
Liabilities:			
Deposits, including negotiable certificates of deposit	¥ 9,291,089	¥ 6,582,048	\$ 64,262,621
Call money	10,482	3,654	72,500
Payables under repurchase agreements	35,396	9,567	244,821
Payables under securities lending transactions	354,567	237,530	2,452,395
Trading liabilities	157,158	128,032	1,086,998
Borrowed money	65,653	546,635	454,101
Foreign exchanges	1,470	1,905	10,170
Corporate bonds	170,000	170,000	1,175,820
Other liabilities	332,872	164,006	2,302,340
Accrued employees' bonuses	2,607	4,909	18,038
Reserve for reimbursement of deposits	348	393	2,413
Reserve for reimbursement of debentures	2,550	2,853	17,644
Acceptances and guarantees	30,276	22,003	209,411
Total liabilities	10,454,474	7,873,541	72,309,270
Equity:			
Common stock	512,204	512,204	3,542,707
Capital surplus	79,468	79,465	549,648
Retained earnings:			
Legal reserve	17,205	16,712	119,001
Unappropriated retained earnings	409,598	382,229	2,833,023
Unrealized gain (loss) on available-for-sale securities	(29,483)	(12,667)	(203,927)
Deferred gain (loss) on derivatives under hedge accounting	(24,961)	(25,976)	(172,647)
Treasury stock, at cost	(101,170)	(98,612)	(699,753)
Total equity	862,860	853,356	5,968,052
Total liabilities and equity	¥ 11,317,335	¥ 8,726,897	\$ 78,277,322

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥144.58=U.S.\$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2022.

INTERIM NONCONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Shinsei Bank, Limited
For the six months ended September 30, 2022

	Millions of yen		Thousands of U.S. dollars (Note)
	Sept. 30, 2022 (6 months)	Sept. 30, 2021 (6 months)	Sept. 30, 2022 (6 months)
Interest income:			
Interest on loans and bills discounted	¥ 46,514	¥ 39,513	\$ 321,725
Interest and dividends on securities	19,646	6,880	135,887
Interest on deposits with banks	724	722	5,008
Other interest income	214	193	1,486
Total interest income	67,100	47,310	464,105
Interest expenses:			
Interest on deposits, including negotiable certificates of deposit	3,890	1,765	26,907
Interest on other borrowings	126	6	877
Interest on corporate bonds	216	223	1,497
Other interest expenses	7,459	2,091	51,595
Total interest expenses	11,693	4,087	80,877
Net interest income	55,407	43,222	383,229
Fees and commissions income	8,047	7,548	55,662
Fees and commissions expenses	10,085	11,419	69,758
Net fees and commissions (loss)	(2,038)	(3,870)	(14,097)
Net trading income	6,572	2,558	45,463
Other business income (loss), net:			
Net gain (loss) on monetary assets held in trust	1,135	1,163	7,854
Net gain (loss) on foreign exchanges	(268)	(574)	(1,858)
Net gain (loss) on securities	(396)	700	(2,742)
Net gain (loss) on other monetary claims purchased	(0)	–	(0)
Other, net	235	426	1,631
Net other business income (loss)	706	1,715	4,885
Total revenue	60,648	43,625	419,480
General and administrative expenses:			
Personnel expenses	13,641	13,734	94,354
Premises expenses	4,419	5,013	30,569
Technology and data processing expenses	6,626	6,692	45,830
Advertising expenses	655	471	4,534
Consumption and property taxes	2,443	2,867	16,900
Deposit insurance premium	373	758	2,583
Other general and administrative expenses	5,487	5,909	37,954
Total general and administrative expenses	33,647	35,447	232,724
Net business profit	27,001	8,178	186,756
Net credit costs (recoveries)	(6,092)	(2,437)	(42,137)
Other gains (losses), net	(2,809)	32	(19,430)
Income (loss) before income taxes	30,284	10,648	209,463
Income taxes (benefit):			
Current	1,067	2,485	7,381
Deferred	(1,107)	3,794	(7,660)
Net income (loss)	¥ 30,324	¥ 4,368	\$ 209,743

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥144.58=U.S.\$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2022.

INTERIM NONCONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Shinsei Bank, Limited
For the six months ended September 30, 2022

	Millions of yen										
	Capital surplus				Retained earnings						Total equity
	Common stock	Additional paid-in capital	Other capital surplus	Stock acquisition rights	Legal reserve	Unappropriated retained earnings	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Treasury stock, at cost		
BALANCE, March 31, 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)						30,324				30,324	
Purchase of treasury stock									(2,590)	(2,590)	
Disposal of treasury stock			2						32	34	
Transfer to capital surplus from retained earnings			-			-				-	
Net change during the period							(16,816)	1,014		(15,801)	
BALANCE, September 30, 2022	¥ 512,204	¥ 79,465	¥ 2	¥ -	¥ 17,205	¥ 409,598	¥ (29,483)	¥ (24,961)	¥ (101,170)	¥ 862,860	

	Millions of yen										
	Capital surplus				Retained earnings						Total equity
	Common stock	Additional paid-in capital	Other capital surplus	Stock acquisition rights	Legal reserve	Unappropriated retained earnings	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Treasury stock, at cost		
BALANCE, March 31, 2021 (April 1, 2021, as previously reported)	¥ 512,204	¥ 79,465	¥ -	¥ 101	¥ 16,195	¥ 354,492	¥ (1,717)	¥ (21,432)	¥ (81,464)	¥ 857,845	
Cumulative effect of accounting change						478				478	
BALANCE, April 1, 2021 (as restated)	512,204	79,465	-	101	16,195	354,970	(1,717)	(21,432)	(81,464)	858,323	
Dividends					516	(3,100)				(2,583)	
Net income (loss)						4,368				4,368	
Purchase of treasury stock									(10,000)	(10,000)	
Disposal of treasury stock			(11)						126	115	
Transfer to capital surplus from retained earnings			11			(11)				-	
Net change during the period				(0)			(4,057)	(114)		(4,172)	
BALANCE, September 30, 2021	¥ 512,204	¥ 79,465	¥ -	¥ 101	¥ 16,712	¥ 356,228	¥ (5,775)	¥ (21,546)	¥ (91,338)	¥ 846,051	

	Thousands of U.S. dollars (Note)										
	Capital surplus				Retained earnings						Total equity
	Common stock	Additional paid-in capital	Other capital surplus	Stock acquisition rights	Legal reserve	Unappropriated retained earnings	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Treasury stock, at cost		
BALANCE, March 31, 2022 (April 1, 2022, as previously reported)	\$ 3,542,707	\$ 549,633	\$ -	\$ -	\$ 115,594	\$ 2,643,721	\$ (87,614)	\$ (179,667)	\$ (682,062)	\$ 5,902,312	
Cumulative effect of accounting change						-				-	
BALANCE, April 1, 2022 (as restated)	3,542,707	549,633	-	-	115,594	2,643,721	(87,614)	(179,667)	(682,062)	5,902,312	
Dividends					3,407	(20,441)				(17,034)	
Net income (loss)						209,743				209,743	
Purchase of treasury stock									(17,918)	(17,918)	
Disposal of treasury stock			15						227	242	
Transfer to capital surplus from retained earnings			-			-				-	
Net change during the period							(116,314)	7,020		(109,293)	
BALANCE, September 30, 2022	\$ 3,542,707	\$ 549,633	\$ 15	\$ -	\$ 119,001	\$ 2,833,023	\$ (203,927)	\$ (172,647)	\$ (699,753)	\$ 5,968,052	

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥144.58=U.S.\$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2022.

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

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

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

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

COMPOSITION OF CAPITAL DISCLOSURE (CONSOLIDATED)

Shinsei Bank and subsidiaries

Millions of yen (except percentages)

Items	September 30, 2022	September 30, 2021
	Basel III (Domestic Standard)	Basel III (Domestic Standard)
Core capital: instruments and reserves (1)		
Directly issued qualifying common share capital or preferred share capital with a compulsory conversion clause plus related capital surplus and retained earnings	¥ 955,905	¥ 946,223
of which: capital and capital surplus	585,168	585,165
of which: retained earnings	471,907	452,395
of which: treasury stock (-)	101,170	91,338
of which: earning to be distributed (-)	-	-
of which: other than above	-	-
Accumulated other comprehensive income (amount allowed to be included in Core capital)	21,645	4,776
of which: foreign currency translation adjustment	17,707	(415)
of which: amount related defined benefit	3,938	5,191
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	-	101
Adjusted noncontrolling interests (amount allowed to be included in Core capital)	-	11
Total of reserves included in Core capital: instruments and reserves	3,993	2,089
of which: general reserve for loan losses included in Core capital	3,993	2,089
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)	874	2,237
Core capital: instruments and reserves (A)	¥ 982,419	¥ 955,438
Core capital: regulatory adjustments (2)		
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 47,815	¥ 50,636
of which: goodwill (including those equivalent)	13,069	14,279
of which: other intangibles other than goodwill and mortgage servicing rights	34,745	36,356
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	3,375	4,750
Shortfall of eligible provisions to expected losses	34,501	35,199
Gain on sale of securitization	-	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Net defined benefit asset	13,862	13,801
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)	¥ 99,554	¥ 104,387
Capital (consolidated)		
Capital (consolidated)((A)-(B))(C)	¥ 882,864	¥ 851,050
Risk-weighted assets, etc.		
Total amount of credit risk-weighted assets	¥7,377,437	¥6,739,637
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)	103,827	85,237
Operational risk (derived by multiplying the capital requirement by 12.5)	388,788	383,824
Credit risk-weighted assets adjustments	-	-
Operational risk adjustments	-	-
Total amount of Risk-weighted assets (D)	¥7,870,054	¥7,208,699
Capital ratio (consolidated)		
Capital ratio (consolidated)((C)/(D))	11.21%	11.80%

COMPOSITION OF CAPITAL DISCLOSURE (CONSOLIDATED) (continued)

Shinsei Bank and subsidiaries	Millions of yen (except percentages)
Items	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	¥ 933,638
of which: capital and capital surplus	585,165
of which: retained earnings	449,547
of which: treasury stock (-)	(98,612)
of which: earning to be distributed (-)	(2,462)
of which: other than above	-
Accumulated other comprehensive income (amount allowed to be included in Core capital)	9,770
of which: foreign currency translation adjustment	5,587
of which: amount related defined benefit	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	3,076
of which: general reserve for loan losses included in Core capital	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)	810
Core capital: instruments and reserves (A)	¥ 947,296
Core capital: regulatory adjustments (2)	
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 48,778
of which: goodwill (including those equivalent)	12,980
of which: other intangibles other than goodwill and mortgage servicing rights	35,798
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	4,297
Shortfall of eligible provisions to expected losses	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	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)	¥ 95,977
Capital (consolidated)	
Capital (consolidated)((A)-(B))(C)	¥ 851,318
Risk-weighted assets, etc.	
Total amount of credit risk-weighted assets	¥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)	88,657
Operational risk (derived by multiplying the capital requirement by 12.5)	384,967
Credit risk-weighted assets adjustments	-
Operational risk adjustments	-
Total amount of Risk-weighted assets (D)	¥7,262,600
Capital ratio (consolidated)	
Capital ratio (consolidated)((C)/(D))	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	
	As of September 30, 2022	As of September 30, 2021
	Required capital amount	Required capital amount
Shinsei Bank	¥ 281	¥ 301
Subsidiaries	40,204	35,371
UDC Finance Limited	25,797	21,033

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

Portfolios under the Internal Ratings-Based Approach (IRB)

	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
	Required capital amount	Required capital amount
Corporate (Excluding Specialized Lending) ¹	¥ 157,665	¥ 147,153
Specialized Lending ²	122,021	116,122
Sovereign	5,499	6,602
Bank	14,162	12,246
Residential mortgages	8,166	10,014
Qualified revolving retails	120,999	115,398
Other retails	194,693	184,332
Equity	20,519	13,236
Fund	26,056	13,037
Securitization	35,921	35,813
Purchase receivables	12,008	11,122
Other assets	3,326	3,602
CVA risk	9,585	12,817
CCP risk	123	104
Total	¥ 730,749	¥ 681,604

Note: 1. "Corporate" includes "Small and Medium-sized Entities."

2. "Specialized Lending" refers to a claim whose source of recovery is solely dependent on the cash flow generated from a transaction such as a real estate nonrecourse loan.

(2) AMOUNT OF REQUIRED CAPITAL FOR EQUITY EXPOSURE UNDER IRB

	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
	Required capital amount	Required capital amount
Market-Based Approach Simplified Method	¥ 10,230	¥ 5,319
PD/LGD Method	1,614	6,424
RW100% Applied	4	4
RW250% Applied	8,670	1,488
Total	¥ 20,519	¥ 13,236

(3) EXPOSURE RELATING TO INVESTMENT FUNDS

	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
	Required capital amount	Required capital amount
Look-through approach	¥ 21,797	¥ 11,436
Mandate-based approach	586	598
Probability-based approach[250%]	—	—
Probability-based approach[400%]	3,672	826
Fall-back approach[1,250%]	0	176
Total	¥ 26,056	¥ 13,037

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

	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
	Required capital amount	Required capital amount
The Standardized Approach	¥ 2,100	¥ 1,079
Interest rate risk	11	20
Equity position risk	—	—
FX risk	2,087	1,058
Securitization risk	0	1
The Internal Models Approach (IMA) (General Market Risk)	¥ 6,206	¥ 5,739

(5) AMOUNT OF REQUIRED CAPITAL FOR OPERATIONAL RISK

	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
	Required capital amount	Required capital amount
The Standardized Approach	¥ 31,103	¥ 30,705

(6) TOTAL REQUIRED CAPITAL (DOMESTIC STANDARD)

	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
Total Required Capital (Risk-weighted Assets x 4%)	¥ 314,802	¥ 288,347

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

Geographic, Industries or Maturity

	Millions of yen							
	As of September 30, 2022				As of September 30, 2021			
	Amount of Credit Risk Exposure				Amount of Credit Risk Exposure			
	Total	Loans, etc. ¹	Securities ²	Derivatives ³	Total	Loans, etc. ¹	Securities ²	Derivatives ³
Manufacturing	¥ 315,588	¥ 300,490	¥ —	¥ 15,098	¥ 305,684	¥ 284,207	¥ —	¥ 21,476
Agriculture	2,018	2,018	—	—	1,891	1,891	—	—
Mining	1,659	1,659	—	0	1,270	1,269	—	0
Construction	74,912	74,912	—	—	73,808	73,608	200	—
Electric power, gas, water supply	553,556	530,448	—	23,108	492,016	461,794	—	30,222
Information and communication	69,668	69,668	—	—	36,399	36,399	—	—
Transportation	167,748	167,674	—	74	158,935	158,837	—	97
Wholesale and retail	191,144	182,108	100	8,936	196,083	183,955	100	12,028
Finance and insurance	3,330,553	3,086,613	220,887	23,053	2,631,248	2,384,473	225,465	21,309
Real estate	926,675	837,856	88,203	614	805,496	705,056	99,276	1,163
Services	658,120	657,088	450	582	600,075	599,035	550	490
Government	913,389	56,949	856,439	—	425,831	70,281	355,549	—
Individuals	3,398,680	3,398,680	—	—	3,318,629	3,318,629	—	—
Others	85,215	85,215	—	—	72,928	72,928	—	—
Domestic Total	10,688,931	9,451,383	1,166,079	71,468	9,120,297	8,352,365	681,141	86,789
Foreign	1,782,267	1,444,541	257,793	79,932	1,375,184	1,070,864	240,946	63,373
Total	¥ 12,471,198	¥ 10,895,924	¥ 1,423,873	¥ 151,400	¥ 10,495,482	¥ 9,423,230	¥ 922,088	¥ 150,162
To 1 year	2,405,607	1,624,995	759,728	20,883	1,535,400	1,443,011	76,502	15,886
1 to 3 years	1,870,165	1,631,592	195,757	42,815	1,639,425	1,454,065	157,232	28,127
3 to 5 years	1,555,814	1,400,875	133,954	20,984	1,530,726	1,250,884	258,558	21,283
Over 5 years	3,700,940	3,299,790	334,432	66,717	3,513,597	2,998,937	429,794	84,865
Undated	2,938,670	2,938,670	—	—	2,276,332	2,276,332	—	—
Total	¥ 12,471,198	¥ 10,895,924	¥ 1,423,873	¥ 151,400	¥ 10,495,482	¥ 9,423,230	¥ 922,088	¥ 150,162

Note:1 Excluding purchased receivables.

2 Excluding equity exposures.

3 Credit equivalent amount basis.

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

Geographic, Industries

	Millions of yen			
	As of September 30, 2022		As of September 30, 2021	
	Default Exposure		Default Exposure	
Manufacturing	¥	550	¥	678
Agriculture		38		30
Mining		—		—
Construction		1,040		1,491
Electric power, gas, water supply		5,902		9,666
Information and communication		111		130
Transportation		936		3,665
Wholesale and retail		8,005		7,555
Finance and insurance		0		0
Real estate		2,627		14,058
Services		5,943		7,218
Government		—		—
Individuals		136,412		124,007
Others		412		437
Domestic Total		161,982		168,941
Foreign		7,912		5,171
Total		¥ 169,955		¥ 174,113

Note: Excluding purchased receivables.

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

	Millions of yen					
	As of September 30, 2022			As of September 30, 2021		
	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount
General	¥ 80,751	¥ 2,854	¥ 83,605	¥ 76,547	¥ (1,534)	¥ 75,013
Specific	90,739	(9,732)	81,006	85,535	(3,063)	82,471
Country	—	—	—	—	—	—
Total	¥ 171,490	¥ (6,878)	¥ 164,612	¥ 162,083	¥ (4,598)	¥ 157,485

Geographic

	Millions of yen							
	As of September 30, 2022				As of September 30, 2021			
	Reserve Amount				Reserve Amount			
	Total	General	Specific	Country	Total	General	Specific	Country
Domestic	¥ 154,049	¥ 73,774	¥ 80,274	¥ —	¥ 149,606	¥ 68,371	¥ 81,235	¥ —
Foreign	10,562	9,830	731	—	7,878	6,641	1,236	—
Total	¥ 164,612	¥ 83,605	¥ 81,006	¥ —	¥ 157,485	¥ 75,013	¥ 82,471	¥ —

Industries

	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
	Reserve Amount	Reserve Amount
Manufacturing	¥ 4,024	¥ 1,860
Agriculture	8	11
Mining	9	5
Construction	485	615
Electric power, gas, water supply	8,186	10,350
Information and communication	329	387
Transportation	960	1,128
Wholesale and retail	5,307	6,246
Finance and insurance	1,017	1,147
Real estate	5,134	6,730
Services	5,826	6,698
Government	11	20
Individuals	121,322	113,116
Others	379	307
Foreign	10,562	7,878
Non-classified	1,045	980
Total	¥ 164,612	¥ 157,485

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

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

Industries

	Millions of yen	
	Six months ended September 30, 2022	Six months ended September 30, 2021
	Amount of write-off	Amount of write-off
Manufacturing	¥ 4,086	¥ 2
Agriculture	12	—
Mining	—	—
Construction	139	80
Electric power, gas, water supply	—	—
Information and communication	—	—
Transportation	7	5
Wholesale and retail	542	74
Finance and insurance	—	—
Real estate	—	—
Services	978	116
Government	—	—
Individuals	13,596	12,036
Others	—	—
Foreign	136	345
Non-classified	—	—
Total	¥19,501	¥12,661

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

	Millions of yen			
	As of September 30, 2022		As of September 30, 2021	
	Rated	Unrated	Rated	Unrated
0%	¥ 115	¥ 10,316	¥ 191	¥ 9,868
10%	—	—	—	—
20%	50,149	20	31,726	29
35%	—	2,291	—	2,426
50%	10,052	985	2,322	957
75%	—	156,631	—	164,501
100%	1,849	367,482	1,904	309,861
150%	—	1,946	—	1,286
350%	—	—	—	—
1,250%	—	—	—	—
Total	¥ 62,167	¥ 539,676	¥ 36,146	¥ 488,931

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

Specialized lending excluding high-volatility commercial real estate

	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
	Amount of Exposure	Amount of Exposure
Risk weight ratio		
50%	¥ 192,897	¥ 156,771
70%	566,963	569,658
90%	155,809	159,765
115%	85,485	65,216
250%	100,022	81,049
0% (Default)	11,322	10,604
Total	¥ 1,112,500	¥ 1,043,065

Specialized lending for high-volatility commercial real estate

	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
	Amount of Exposure	Amount of Exposure
Risk weight ratio		
70%	¥ 14,366	¥ 13,173
95%	53,155	32,497
120%	34,039	47,079
140%	40,236	28,408
250%	13,397	14,485
0% (Default)	725	11,592
Total	¥ 155,922	¥ 147,237

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

Equity exposure under Market-Based Simplified Method

	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
Risk weight ratio	Amount of Exposure	Amount of Exposure
300%	¥ 4,198	¥ 978
400%	27,010	14,949
Total	¥ 31,209	¥15,927

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

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

Corporate

Credit Rating	As of September 30, 2022					As of September 30, 2021				
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0-4	0.12%	44.96%	36.20%	¥ 1,968,322	¥ 181,408	0.12%	45.15%	36.51%	¥ 1,608,231	¥ 162,700
5-6	1.40%	44.13%	88.60%	732,949	108,101	1.58%	45.00%	96.62%	625,227	75,860
9A	9.28%	43.84%	188.84%	67,159	3,302	9.50%	45.00%	191.29%	81,764	7,233
Default	100.00%	45.00%	-	17,572	80	100.00%	45.00%	-	23,143	387

Note: LGD is shown after credit risk mitigation

Sovereign

Credit Rating	As of September 30, 2022					As of September 30, 2021				
	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%	1.76%	¥ 3,603,779	¥ 16,410	0.00%	45.00%	3.14%	¥ 2,450,749	¥ 2,661
5-6	-	-	-	-	-	-	-	-	-	-
9A	-	-	-	-	-	-	-	-	-	-
Default	100.00%	45.00%	-	10	-	100.00%	45.00%	-	10	-

Note: LGD is shown after credit risk mitigation

Bank

Credit Rating	As of September 30, 2022					As of September 30, 2021				
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0-4	0.07%	45.34%	35.04%	¥ 304,911	¥ 91,101	0.06%	45.00%	33.03%	¥ 230,826	¥ 75,670
5-6	0.54%	45.00%	77.51%	22,861	2,086	1.00%	45.00%	89.87%	35,732	344
9A	9.28%	45.00%	196.92%	2,687	-	9.50%	45.00%	200.55%	3,072	-
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

Credit Rating	As of September 30, 2022				As of September 30, 2021			
	PD	LGD	Risk Weight	Amount	PD	LGD	Risk Weight	Amount
0-4	0.11%	90.00%	235.52%	¥ 5,994	0.12%	90.00%	205.66%	¥ 29,110
5-6	1.20%	90.00%	279.30%	1,095	0.81%	90.00%	300.41%	893
9A	9.28%	90.00%	636.83%	292	9.50%	90.00%	713.08%	1,851
Default	100.00%	90.00%	1125.00%	0	100.00%	90.00%	1,125.00%	0

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

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

Residential mortgage exposure

Millions of yen (except percentages)

Pool	As of September 30, 2022							As of September 30, 2021						
	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	0.20%	14.88%	6.28%	¥ 1,093,324	¥ 1,093	¥ -	-	0.24%	15.80%	7.67%	¥ 1,115,065	¥ 1,508	¥ -	-
Need caution	59.97%	17.84%	75.74%	1,934	28	-	-	60.61%	19.53%	81.54%	1,905	44	-	-
Default	100.00%	25.57%	61.50%	5,221	15	-	-	100.00%	26.04%	64.21%	5,992	11	-	-

Note: LGD is shown after credit risk mitigation

Qualified revolving retail exposure

Millions of yen (except percentages)

Pool	As of September 30, 2022							As of September 30, 2021						
	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	6.25%	71.79%	84.96%	¥ 479,513	¥ 129,317	¥ 3,387,793	3.81%	5.80%	72.75%	84.35%	¥ 480,716	¥ 129,472	¥ 3,482,087	3.71%
Need caution	81.33%	75.45%	112.50%	3,986	49	4,205	1.18%	81.59%	76.92%	112.65%	3,276	48	3,148	1.53%
Default	100.00%	64.43%	3.74%	70,303	-	-	-	100.00%	65.58%	3.98%	63,938	-	-	-

Note: LGD is shown after credit risk mitigation

Other retail exposure

Millions of yen (except percentages)

Pool	As of September 30, 2022							As of September 30, 2021						
	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	2.69%	67.16%	86.22%	¥ 849,494	¥ 800,860	¥ 138,417	2.53%	2.86%	66.64%	86.63%	¥ 812,220	¥ 746,883	¥ 125,187	2.36%
Need caution	66.59%	58.77%	115.71%	4,730	2,704	431	3.30%	66.59%	59.66%	118.34%	4,548	2,252	400	3.53%
Default	100.00%	60.99%	0.49%	64,802	419	-	-	100.00%	59.96%	0.57%	59,311	354	-	-

Note: LGD is shown after credit risk mitigation

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

Corporate

	Millions of yen		
	12 months ended September 30, 2022	12 months ended September 30, 2021	12 months ended September 30, 2020
Results of actual losses (a)	¥ 9,769	¥ 824	¥ 4,106
Expected losses (b)	8,807	9,547	8,392
Differences ((b) - (a))	(962)	8,722	4,286

Sovereign

	Millions of yen		
	12 months ended September 30, 2022	12 months ended September 30, 2021	12 months ended September 30, 2020
Results of actual losses (a)	¥ -	¥ -	¥ -
Expected losses (b)	12	15	15
Differences ((b) - (a))	12	15	15

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

Bank

	Millions of yen					
	12 months ended September 30, 2022		12 months ended September 30, 2021		12 months ended September 30, 2020	
Results of actual losses (a)	¥	—	¥	—	¥	—
Expected losses (b)		128		117		146
Differences ((b) - (a))		128		117		146

Residential mortgage exposure

	Millions of yen					
	12 months ended September 30, 2022		12 months ended September 30, 2021		12 months ended September 30, 2020	
Results of actual losses (a)	¥	183	¥	318	¥	449
Expected losses (b)		718		816		751
Differences ((b) - (a))		534		498		302

Qualified revolving retail exposure

	Millions of yen					
	12 months ended September 30, 2022		12 months ended September 30, 2021		12 months ended September 30, 2020	
Results of actual losses (a)	¥	17,626	¥	15,981	¥	20,363
Expected losses (b)		27,003		28,553		34,999
Differences ((b) - (a))		9,376		12,571		14,635

Other retail exposure

	Millions of yen					
	12 months ended September 30, 2022		12 months ended September 30, 2021		12 months ended September 30, 2020	
Results of actual losses (a)	¥	6,975	¥	6,595	¥	7,936
Expected losses (b)		28,617		27,726		27,520
Differences ((b) - (a))		21,642		21,131		19,583

[Analysis]

The result of actual losses for the term ended September 30, 2022 was increased 10.8 billion compared with in the previous year. This was occurred due to large losses in Corporate exposures.

The above matrix shows the results of default (downgrade below substandard) losses (increase of reserve, write-offs and loss on sale) for the twelve-month period ended September 30, 2020, 2021 and 2022 for the Bank Group's non-default exposures at the start of the twelve-month period, with expected losses.

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

4. CREDIT RISK MITIGATION (CRM)

(1) COVERED AMOUNT OF CRM BY COLLATERAL

FIRB

	Millions of yen			
	As of September 30, 2022		As of September 30, 2021	
	Eligible financial collateral	Other eligible FIRB collateral	Eligible financial collateral	Other eligible FIRB collateral
Corporate	¥ 4,811	¥ 222,255	¥ 1,449	¥ 206,057
Sovereign	—	—	—	—
Bank	—	—	—	235
Total	¥ 4,811	¥ 222,255	¥ 1,449	¥ 206,292

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

IRB

	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
	Corporate	¥ 3,348
Sovereign	283	409
Bank	—	—
Residential mortgages	—	—
Qualified revolving retail	—	—
Other retail	—	—
Total	¥ 3,631	¥ 3,096

5. COUNTERPARTY CREDIT RISK OF DERIVATIVES

	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
	Total amount of gross positive fair value	¥ 204,311
Amount of gross add-on	153,027	126,339
EAD before CRM	357,339	310,095
FX-related	238,892	155,570
Interest-related	114,987	150,100
Equity-related	—	—
Commodity-related	—	—
Credit derivatives	3,453	4,415
Others	6	8
Amount of net	205,939	159,932
EAD after net	151,400	150,162
Amount covered collateral	—	—
EAD after CRM	151,400	150,162

Note: Current Exposure Method

• Notional amount of credit derivatives which have counterparty risk

	Millions of yen			
	As of September 30, 2022		As of September 30, 2021	
	Protection-buy	Protection-sell	Protection-buy	Protection-sell
Notional amount				
Single name	¥ 20,000	¥ 20,000	¥ 23,500	¥ 23,500
Multi name	4,000	4,000	10,000	10,000

Not applicable for the following items:

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

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)
6. SECURITIZATION
SECURITIZATION EXPOSURE ORIGINATED BY THE BANK GROUP (CREDIT RISK)

Not applicable

SECURITIZATION EXPOSURE IN WHICH THE BANK GROUP INVESTS

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

Excluding resecuritization exposure

Type of original assets	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ 18,471	¥ 17,059
Consumer loans	—	—
Commercial real estate loans	116,655	115,845
Corporate loans	185,737	73,088
Others	42,531	43,177
Total	¥ 363,395	¥ 249,170

※There is no resecuritization exposure.

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

Excluding resecuritization exposure

Band of risk weight ratio	Millions of yen			
	As of September 30, 2022		As of September 30, 2021	
	Amount	Required capital amount	Amount	Required capital amount
To 20%	¥ 56,728	¥ 862	¥ 66,520	¥ 1,013
Over 20% to 50%	18,356	603	16,925	571
Over 50% to 100%	210,676	10,496	74,935	4,130
Over 100% to 400%	54,046	12,261	49,903	9,895
Over 400% to 625%	23,588	11,697	40,886	20,201
Over 625% to 1,250%	—	—	—	—
Total	¥ 363,395	¥ 35,921	¥ 249,170	¥ 35,813

※There is no resecuritization exposure.

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

Type of original assets	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
	Amount	Amount
Residential mortgages	¥ —	¥ —
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
Total	¥ —	¥ —

Not applicable for the following items;

- Credit risk mitigation for resecuritization exposure

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

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

Type of original assets	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ 60	¥ 69
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
Total	¥ 60	¥ 69

※There is no resecuritization exposure.

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

Band of risk weight ratio	Millions of yen			
	As of September 30, 2022		As of September 30, 2021	
	Amount	Required capital amount	Amount	Required capital amount
To 1.6%	¥ 60	¥ 0	¥ 69	¥ 1
Over 1.6% to 4%	—	—	—	—
Over 4% to 8%	—	—	—	—
Over 8% to 32%	—	—	—	—
Over 32% to 50%	—	—	—	—
Over 50% under 100%	—	—	—	—
Total	¥ 60	¥ 0	¥ 69	¥ 1

※There is no resecuritization exposure.

Not applicable for the following items;

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

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

7. MARKET RISK (UNDER INTERNAL MODEL APPROACH)

(1) VAR AT THE END OF SEPTEMBER 2022 AND SEPTEMBER 2021 AND THE HIGH, MEAN AND LOW VAR

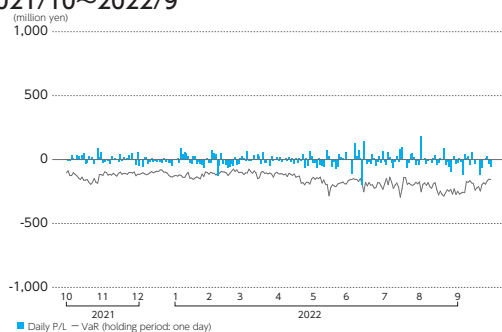
	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
VaR at term end	¥ 494	¥ 314
VaR through this term		
High	931	2,068
Mean	486	1,004
Low	235	246

(2) STRESSED VAR AT THE END OF SEPTEMBER 2022 AND SEPTEMBER 2021 AND THE HIGH, MEAN AND LOW VAR

	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
VaR at term end	¥ 1,641	¥ 1,366
VaR through this term		
High	2,304	3,715
Mean	1,506	2,302
Low	1,005	1,366

(3) RESULT OF BACK TESTING

2021/10~2022/9



Hypothetical loss exceeded VaR twice for the term ended September 30, 2022

The details of the excess incident:

Date : February 8, 2022

Amount in excess : JPY 19 million

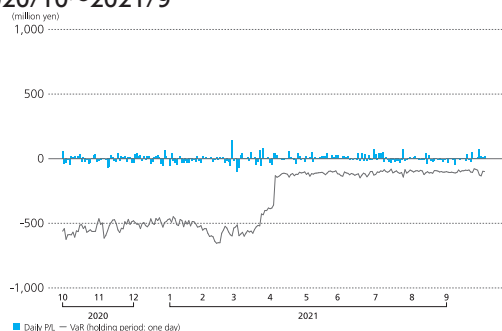
Main cause of the excess : fluctuation of interest rates

Date : June 14, 2022

Amount in excess : JPY 10 million

Main cause of the excess : fluctuation of interest rates and implied volatilities of interest rates options

2020/10~2021/9



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

Not applicable for the following items;

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

Backtesting on the VaR Model Applied to the Trading Account

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

Assumptions of Shinsei's VaR Model

Method : Historical simulation method

Confidence level : 99%

Holding period : 10days

Observation days : 250days

Coverage : Trading account

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

8. EQUITY EXPOSURE IN BOOK

(1) BOOK VALUE AND FAIR VALUE

	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
Market-based approach		
Listed equity exposure	¥ 4,198	¥ 978
Unlisted equity exposure	27,010	14,949
PD/LGD method		
Listed equity exposure	4,733	28,092
Unlisted equity exposure	2,648	3,763

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

	Millions of yen	
	Six months ended September 30, 2022	Six months ended September 30, 2021
Gain (loss) on sale	¥ 537	¥ 1,485
Loss of depreciation	15	887

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

	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
Unrealized gain (loss)	¥ 4,581	¥ 2,082

(4) AMOUNT FOR EACH PORTFOLIO CLASSIFICATION OF EQUITY EXPOSURE

	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
Market-based approach	¥ 31,209	¥ 15,927
PD/LGD Method	7,382	31,855
RW100% Applied	51	51
RW250% Applied	40,899	7,019

Not applicable for the following items;

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

9. EXPOSURE RELATING TO INVESTMENT FUNDS

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

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

	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
Look-through approach	¥ 90,900	¥ 39,875
Mandate-based approach	1,744	1,282
Probability-based approach (250%)	—	—
Probability-based approach (400%)	10,833	2,436
Fall-back approach	0	166
Total	¥ 103,478	¥ 43,760

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

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

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

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

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

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

Decrease in economic values from interest-rate shock

Millions of yen

IRRBB1 : Interest rate risk					
No		A	B	C	D
		△EVE		△NII	
		As of September 30, 2022	As of September 30, 2021	As of September 30, 2022	As of September 30, 2021
1	Parallel shock up	73,804	74,209	20,975	16,434
2	Parallel shock down	2,099	1,004	16,406	5,185
3	Steeper shock	50,420	47,882		
4	Flattener shock	–	–		
5	Short rate up shock	–	–		
6	Short rate down shock	–	–		
7	Max	73,804	74,209	20,975	16,434
		E		F	
		As of September 30, 2022		As of September 30, 2021	
8	Core capital	882,864		851,050	

COMPOSITION OF CAPITAL DISCLOSURE (NONCONSOLIDATED)

Shinsei Bank

Millions of yen (except percentages)

September 30, 2022
Basel III
(Domestic Standard)September 30, 2021
Basel III
(Domestic Standard)

Items	September 30, 2022 Basel III (Domestic Standard)	September 30, 2021 Basel III (Domestic Standard)
Core capital: instruments and reserves (1)		
Directly issued qualifying common share capital or preferred share capital with a compulsory conversion clause plus related capital surplus and retained earnings	¥ 917,305	¥ 873,272
of which: capital and capital surplus	591,672	591,670
of which: retained earnings	426,803	372,940
of which: treasury stock (-)	101,170	91,338
of which: earning to be distributed (-)	-	-
of which: other than above	-	-
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	-	101
Total of reserves included in Core capital: instruments and reserves	10	11
of which: general reserve for loan losses included in Core capital	10	11
of which: eligible provision included in Core capital	-	-
Eligible noncumulative perpetual preferred shares subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	-	-
Eligible capital instruments subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	-	-
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)	¥ 917,316	¥ 873,385
Core capital: regulatory adjustments (2)		
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 15,619	¥ 16,121
of which: goodwill (including those equivalent)	223	289
of which: other intangibles other than goodwill and mortgage servicing rights	15,396	15,832
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,546	1,913
Shortfall of eligible provisions to expected losses	14,093	15,771
Gain on sale of securitization	-	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Prepaid pension cost	6,787	6,030
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)	¥ 38,047	¥ 39,837
Capital (nonconsolidated)		
Capital (nonconsolidated)((A)-(B))(C)	¥ 879,269	¥ 833,547
Risk-weighted assets, etc.		
Total amount of credit risk-weighted assets	¥6,444,602	¥5,904,428
of which: total amount included in risk-weighted assets by transitional arrangements	-	-
of which: significant investments in the common stock of Other Financial Institutions (net of eligible short positions)	-	-
of which: other than above	-	-
Market risk (derived by multiplying the capital requirement by 12.5)	85,568	72,491
Operational risk (derived by multiplying the capital requirement by 12.5)	208,092	186,307
Credit risk-weighted assets adjustments	-	-
Operational risk adjustments	-	-
Total amount of Risk-weighted assets (D)	¥6,738,263	¥6,163,227
Capital ratio (nonconsolidated)		
Capital ratio (nonconsolidated)((C)/(D))	13.04%	13.52%

COMPOSITION OF CAPITAL DISCLOSURE (NONCONSOLIDATED) (continued)

Shinsei Bank	Millions of yen (except percentages)
Items	March 31, 2022 Basel III (Domestic Standard)
Core capital: instruments and reserves (1)	
Directly issued qualifying common share capital with a compulsory conversion clause plus related capital surplus and retained earnings	¥ 889,536
of which: capital and capital surplus	591,670
of which: retained earnings	398,941
of which: treasury stock (-)	(98,612)
of which: earning to be distributed (-)	(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	8
of which: general reserve for loan losses included in Core capital	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)	¥ 889,545
Core capital: regulatory adjustments (2)	
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 16,063
of which: goodwill (including those equivalent)	256
of which: other intangibles other than goodwill and mortgage servicing rights	15,807
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,195
Shortfall of eligible provisions to expected losses	9,943
Gain on sale of securitization	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-
Prepaid pension cost	6,379
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)	¥ 33,582
Capital (nonconsolidated)	
Capital (nonconsolidated)((A)-(B))(C)	¥ 855,963
Risk-weighted assets, etc.	
Total amount of credit risk-weighted assets	¥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)	72,865
Operational risk (derived by multiplying the capital requirement by 12.5)	203,272
Credit risk-weighted assets adjustments	-
Operational risk adjustments	-
Total amount of Risk-weighted assets (D)	¥6,204,633
Capital ratio (nonconsolidated)	
Capital ratio (nonconsolidated)((C)/(D))	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	
	As of September 30, 2022	As of September 30, 2021
	Required capital amount	Required capital amount
Shinsei Bank	¥ 281	¥ 301

Portfolios under the Internal Ratings-Based Approach (IRB)

	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
	Required capital amount	Required capital amount
Corporate (Excluding Specialized Lending) ¹	¥ 162,053	¥ 143,845
Specialized Lending ²	118,864	111,735
Sovereign	5,481	6,583
Bank	12,433	10,773
Residential mortgages	8,032	9,838
Qualified revolving retails	26,326	29,164
Other retails	292	319
Equity	130,103	124,722
Fund	28,470	14,258
Securitization	37,150	37,125
Purchase receivables	15,794	15,134
Other assets	1,036	1,129
CVA risk	9,225	13,063
CCP risk	123	104
Total	¥ 555,390	¥ 517,797

Note:1."Corporate" includes "Small and Medium-sized Entities."

2."Specialized Lending" refers to a claim whose source of recovery is solely dependent on the cash flow generated from a transaction such as a real estate nonrecourse loan.

(2) AMOUNT OF REQUIRED CAPITAL FOR EQUITY EXPOSURE UNDER IRB

	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
	Required capital amount	Required capital amount
Market-Based Approach Simplified Method	¥ 21,746	¥ 18,642
PD/LGD Method	100,080	104,857
RW100% Applied	4	4
RW250% Applied	8,271	1,217
Total	¥ 130,103	¥ 124,722

(3) EXPOSURE RELATING TO INVESTMENT FUNDS

	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
	Required capital amount	Required capital amount
Look-through approach	¥ 23,879	¥ 11,815
Mandated-based approach	524	564
Probability-based approach[250%]	—	—
Probability-based approach[400%]	4,066	1,878
Fall-back approach[1,250%]	0	0
Total	¥ 28,470	¥ 14,258

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

	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
	Required capital amount	Required capital amount
The Standardized Approach	¥ 694	¥ 341
Interest rate risk	—	—
Equity position risk	—	—
FX risk	694	341
Securitization risk	—	—
The Internal Models Approach (IMA) (General Market Risk)	¥ 6,151	¥ 5,458

(5) AMOUNT OF REQUIRED CAPITAL FOR OPERATIONAL RISK

	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
	Required capital amount	Required capital amount
The Standardized Approach	¥ 16,647	¥ 14,904

(6) TOTAL REQUIRED CAPITAL (DOMESTIC STANDARD)

	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
Total Required Capital (Risk-weighted Assets x 4%)	¥ 269,530	¥ 246,529

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

Geographic, Industries or Maturity

	Millions of yen							
	As of September 30, 2022				As of September 30, 2021			
	Amount of Credit Risk Exposure				Amount of Credit Risk Exposure			
	Total	Loans, etc. ¹	Securities ²	Derivatives ³	Total	Loans, etc. ¹	Securities ²	Derivatives ³
Manufacturing	¥ 265,887	¥ 250,788	¥ —	¥ 15,098	¥ 251,195	¥ 229,718	¥ —	¥ 21,476
Agriculture	—	—	—	—	19	19	—	—
Mining	703	703	—	0	378	377	—	0
Construction	41,537	41,537	—	—	34,538	34,338	200	—
Electric power, gas, water supply	540,227	517,119	—	23,108	480,018	449,796	—	30,222
Information and communication	54,844	54,844	—	—	26,348	26,348	—	—
Transportation	144,623	144,549	—	74	133,287	133,189	—	97
Wholesale and retail	105,039	96,003	100	8,936	105,698	93,569	100	12,028
Finance and insurance	3,934,875	3,691,812	220,887	22,175	3,028,252	2,782,162	225,466	20,623
Real estate	905,079	816,260	88,203	614	788,411	687,971	99,276	1,163
Services	562,938	561,906	450	582	471,744	470,704	550	490
Government	904,511	49,073	855,437	—	411,831	57,289	354,541	—
Individuals	1,311,051	1,311,051	—	—	1,349,421	1,349,421	—	—
Others	4,720	4,720	—	—	5,361	5,361	—	—
Domestic Total	8,776,041	7,540,372	1,165,078	70,590	7,086,507	6,320,269	680,134	86,103
Foreign	1,496,625	1,164,726	257,793	74,105	1,151,346	848,262	240,946	62,137
Total	¥ 10,272,667	¥ 8,705,099	¥ 1,422,872	¥ 144,695	¥ 8,237,853	¥ 7,168,531	¥ 921,080	¥ 148,241
To 1 year	2,858,115	2,079,272	758,727	20,114	1,748,019	1,655,725	76,502	15,792
1 to 3 years	1,366,868	1,131,679	195,757	39,431	1,139,926	956,796	156,224	26,905
3 to 5 years	1,068,588	915,389	133,954	19,244	1,102,037	822,484	258,558	20,994
Over 5 years	2,492,968	2,092,630	334,433	65,904	2,380,792	1,866,448	429,794	84,549
Undated	2,486,126	2,486,126	—	—	1,867,077	1,867,077	—	—
Total	¥ 10,272,667	¥ 8,705,099	¥ 1,422,872	¥ 144,695	¥ 8,237,853	¥ 7,168,531	¥ 921,080	¥ 148,241

Note:1 Excluding purchased receivables.

2 Excluding equity exposures.

3 Credit equivalent amount basis.

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

Geographic, Industries

	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
	Default Exposure	Default Exposure
Manufacturing	¥ 16	¥ 117
Agriculture	–	–
Mining	–	–
Construction	158	170
Electric power, gas, water supply	5,902	9,666
Information and communication	101	109
Transportation	–	33
Wholesale and retail	4,991	3,380
Finance and insurance	–	–
Real estate	2,556	13,872
Services	2,770	5,420
Government	–	–
Individuals	5,224	6,033
Others	–	0
Domestic Total	21,723	38,803
Foreign	5,957	471
Total	¥ 27,680	¥ 39,274

Note: Excluding purchased receivables.

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

	Millions of yen					
	As of September 30, 2022			As of September 30, 2021		
	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount
General	¥ 22,310	¥ (355)	¥ 21,954	¥ 21,284	¥ (1,605)	¥ 19,679
Specific	25,713	(10,815)	14,897	19,812	(900)	18,911
Country	–	–	–	–	–	–
Total	¥ 48,023	¥ (11,171)	¥ 36,852	¥ 41,096	¥ (2,505)	¥ 38,590

Geographic

	Millions of yen							
	As of September 30, 2022				As of September 30, 2021			
	Total	General	Specific	Country	Total	General	Specific	Country
Domestic	¥ 29,630	¥ 15,168	¥ 14,461	¥ –	¥ 32,769	¥ 14,326	¥ 18,443	¥ –
Foreign	7,221	6,785	436	–	5,821	5,352	468	–
Total	¥ 36,852	¥ 21,954	¥ 14,897	¥ –	¥ 38,590	¥ 19,679	¥ 18,911	¥ –

Industries

	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
	Reserve Amount	Reserve Amount
Manufacturing	¥ 3,594	¥ 1,328
Agriculture	–	0
Mining	5	2
Construction	182	185
Electric power, gas, water supply	8,132	10,311
Information and communication	292	340
Transportation	824	848
Wholesale and retail	2,704	3,100
Finance and insurance	2,035	2,027
Real estate	5,047	6,612
Services	4,332	5,235
Government	–	–
Individuals	2,478	2,775
Others	0	0
Foreign	7,221	5,821
Non-classified	–	–
Total	¥ 36,852	¥ 38,590

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

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

Industries

	Millions of yen	
	Six months ended September 30, 2022	Six months ended September 30, 2021
	Amount of write-off	Amount of write-off
Manufacturing	¥ 4,065	¥ –
Agriculture	–	–
Mining	–	–
Construction	–	–
Electric power, gas, water supply	–	–
Information and communication	–	–
Transportation	–	–
Wholesale and retail	365	–
Finance and insurance	–	–
Real estate	–	–
Services	817	–
Government	–	–
Individuals	112	50
Others	–	–
Foreign	–	–
Non-classified	–	–
Total	¥ 5,360	¥ 50

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

	Millions of yen			
	As of September 30, 2022		As of September 30, 2021	
	Rated	Unrated	Rated	Unrated
0%	¥ –	¥ –	¥ –	¥ –
10%	–	–	–	–
20%	–	–	–	–
35%	–	2,291	–	2,426
50%	–	–	–	–
75%	–	3,528	–	3,828
100%	–	70	–	49
150%	–	–	–	–
350%	–	–	–	–
1,250%	–	–	–	–
Total	¥ –	¥ 5,891	¥ –	¥ 6,304

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

Specialized lending excluding high-volatility commercial real estate

	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
	Amount of Exposure	Amount of Exposure
Risk weight ratio		
50%	¥ 192,897	¥ 156,771
70%	566,963	569,658
90%	155,809	159,765
115%	85,485	65,216
250%	89,212	68,068
0% (Default)	11,322	9,410
Total	¥ 1,101,690	¥ 1,028,890

Specialized lending for high-volatility commercial real estate

	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
	Amount of Exposure	Amount of Exposure
Risk weight ratio		
70%	¥ 14,366	¥ 13,173
95%	53,155	32,497
120%	34,039	47,079
140%	40,236	28,408
250%	13,397	14,485
0% (Default)	725	11,592
Total	¥ 155,922	¥ 147,237

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

Equity exposure under Market-Based Simplified Method

	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
Risk weight ratio	Amount of Exposure	Amount of Exposure
300%	¥ 4,019	¥ 225
400%	61,097	54,791
Total	¥ 65,117	¥ 55,017

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

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

Credit Rating	As of September 30, 2022					As of September 30, 2021				
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0-4	0.12%	44.97%	34.95%	¥ 2,690,643	¥ 242,462	0.13%	45.11%	36.12%	¥ 2,095,655	¥ 225,414
5-6	1.30%	44.06%	87.61%	667,360	108,629	1.49%	45.00%	95.51%	570,425	76,628
9A	9.28%	42.68%	177.63%	31,858	3,302	9.50%	45.00%	187.62%	37,690	7,216
Default	100.00%	45.00%	-	10,329	73	100.00%	45.00%	-	11,861	377

Note: LGD is shown after credit risk mitigation

Sovereign

Credit Rating	As of September 30, 2022					As of September 30, 2021				
	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%	1.76%	¥ 3,591,284	¥ 16,410	0.00%	45.00%	3.15%	¥ 2,433,466	¥ 2,661
5-6	-	-	-	-	-	-	-	-	-	-
9A	-	-	-	-	-	-	-	-	-	-
Default	100.00%	45.00%	-	10	-	100.00%	45.00%	-	10	-

Note: LGD is shown after credit risk mitigation

Bank

Credit Rating	As of September 30, 2022					As of September 30, 2021				
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0-4	0.07%	45.41%	38.63%	¥ 224,345	¥ 97,965	0.07%	45.00%	38.71%	¥ 134,849	¥ 82,764
5-6	0.55%	45.00%	77.55%	23,111	2,086	1.00%	45.00%	89.65%	36,583	344
9A	9.28%	45.00%	170.35%	225	-	9.50%	45.00%	204.12%	719	-
Default	100.00%	-	-	-	-	100.00%	45.00%	-	951	-

Note: LGD is shown after credit risk mitigation

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

Credit Rating	As of September 30, 2022				As of September 30, 2021			
	PD	LGD	Risk Weight	Amount	PD	LGD	Risk Weight	Amount
0-4	0.13%	90.00%	299.11%	¥ 383,804	0.14%	90.00%	293.36%	¥ 406,934
5-6	0.73%	90.00%	297.87%	9,782	1.11%	90.00%	322.47%	11,009
9A	9.28%	90.00%	605.46%	503	9.50%	90.00%	686.68%	960
Default	100.00%	90.00%	1125.00%	0	100.00%	90.00%	1,125.00%	56

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

Residential mortgage exposure

Pool	As of September 30, 2022							As of September 30, 2021						
	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	0.20%	14.85%	6.21%	¥ 1,093,323	¥ -	¥ -	-	0.24%	15.76%	7.57%	¥ 1,115,064	¥ -	¥ -	-
Need caution	59.73%	17.44%	75.00%	1,933	-	-	-	60.23%	18.94%	80.63%	1,903	-	-	-
Default	100.00%	25.29%	62.44%	5,157	-	-	-	100.00%	25.79%	65.10%	5,923	-	-	-

Note: LGD is shown after credit risk mitigation

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

Qualified revolving retail exposure

Millions of yen (except percentages)

Pool	As of September 30, 2022								As of September 30, 2021					
	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	6.85%	74.00%	97.81%	¥ 178,025	¥ 15,861	¥ 370,527	4.28%	6.82%	75.60%	99.57%	¥ 194,301	¥ 17,019	¥ 394,480	4.31%
Need caution	82.01%	74.00%	112.07%	506	18	541	3.33%	83.69%	75.60%	105.69%	483	16	516	3.23%
Default	100.00%	74.00%	-	61	-	-	-	100.00%	75.60%	-	69	-	-	-

Note: LGD is shown after credit risk mitigation

Other retail exposure

Millions of yen (except percentages)

Pool	As of September 30, 2022								As of September 30, 2021					
	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	2.43%	76.00%	59.43%	¥ 4,057	¥ 118	¥ 4,432	2.68%	4.16%	77.48%	78.74%	¥ 2,905	¥ 83	¥ 2,931	2.84%
Need caution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Default	100.00%	105.70%	-	0	-	-	-	100.00%	74.00%	-	30	-	-	-

Note: LGD is shown after credit risk mitigation

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

Corporate

Millions of yen

	12 months ended September 30, 2022	12 months ended September 30, 2021	12 months ended September 30, 2020
Results of actual losses (a)	¥ 9,487	¥ 781	¥ 3,583
Expected losses (b)	7,135	7,574	6,158
Differences ((b) - (a))	(2,351)	6,793	2,575

Sovereign

Millions of yen

	12 months ended September 30, 2022	12 months ended September 30, 2021	12 months ended September 30, 2020
Results of actual losses (a)	¥ -	¥ -	¥ -
Expected losses (b)	11	14	14
Differences ((b) - (a))	11	14	14

Bank

Millions of yen

	12 months ended September 30, 2022	12 months ended September 30, 2021	12 months ended September 30, 2020
Results of actual losses (a)	¥ -	¥ -	¥ -
Expected losses (b)	159	171	146
Differences ((b) - (a))	159	171	146

Residential mortgage exposure

Millions of yen

	12 months ended September 30, 2022	12 months ended September 30, 2021	12 months ended September 30, 2020
Results of actual losses (a)	¥ 183	¥ 312	¥ 432
Expected losses (b)	692	780	696
Differences ((b) - (a))	508	467	264

Qualified revolving retail exposure

Millions of yen

	12 months ended September 30, 2022	12 months ended September 30, 2021	12 months ended September 30, 2020
Results of actual losses (a)	¥ 6,085	¥ 7,068	¥ 9,670
Expected losses (b)	10,532	12,593	16,039
Differences ((b) - (a))	4,446	5,525	6,369

[Analysis]

The result of actual losses for the term ended September 30, 2022 was increased 7.5 billion compared with in the previous year. This was occurred due to large losses in Corporate exposures.

The above matrix shows the results of default (downgrade below substandard) losses (increase of reserve, write-offs and loss on sale) for the twelve-month period ended September 30, 2020, 2021 and 2022 for the Bank's non-default exposures at the start of the twelve-month period, with expected losses.

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

FIRB

	Millions of yen			
	As of September 30, 2022		As of September 30, 2021	
	Eligible financial collateral	Other eligible FIRB collateral	Eligible financial collateral	Other eligible FIRB collateral
Corporate	¥ 4,811	¥ 222,920	¥ 1,449	¥ 207,194
Sovereign	—	—	—	—
Bank	—	—	—	235
Total	¥ 4,811	¥ 222,920	¥ 1,449	¥ 207,429

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

IRB

	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
	Corporate	¥ 3,348
Sovereign	283	409
Bank	—	—
Residential mortgages	—	—
Qualified revolving retail	—	—
Other retail	—	—
Total	¥ 3,631	¥ 3,096

4. COUNTERPARTY CREDIT RISK OF DERIVATIVES

	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
Total amount of gross positive fair value	¥ 198,650	¥ 182,520
Amount of gross add-on	152,541	126,145
EAD before CRM	351,192	308,665
FX-related	238,894	155,571
Interest-related	109,258	148,941
Equity-related	—	—
Commodity-related	—	—
Credit derivatives	3,032	4,143
Others	6	8
Amount of net	206,496	160,424
EAD after net	144,695	148,241
Amount covered collateral	—	—
EAD after CRM	144,695	148,241

Note: Current Exposure Method

• Notional amount of credit derivatives which have counterparty risk

	Millions of yen			
	As of September 30, 2022		As of September 30, 2021	
	Protection-buy	Protection-sell	Protection-buy	Protection-sell
Notional amount				
Single name	¥ 20,000	¥ 20,000	¥ 23,500	¥ 23,500
Multi name	4,000	4,000	10,000	10,000

Not applicable for the following items;

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

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

5. SECURITIZATION

SECURITIZATION EXPOSURE ORIGINATED BY THE BANK (CREDIT RISK)

Not applicable

SECURITIZATION EXPOSURE IN WHICH THE BANK INVESTS

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

Excluding resecuritization exposure

Type of original assets	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ 18,471	¥ 17,059
Consumer loans	—	—
Commercial real estate loans	116,655	115,845
Corporate loans	185,737	73,088
Others	74,462	80,339
Total	¥ 395,327	¥ 286,332

※ There is no resecuritization exposure.

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

Excluding resecuritization exposure

Band of risk weight ratio	Millions of yen			
	As of September 30, 2022		As of September 30, 2021	
	Amount	Required capital amount	Amount	Required capital amount
To 20%	¥ 58,659	¥ 891	¥ 73,681	¥ 1,125
Over 20% to 50%	48,356	1,803	46,925	1,771
Over 50% to 100%	210,676	10,496	74,935	4,130
Over 100% to 400%	54,046	12,261	49,903	9,895
Over 400% to 625%	23,588	11,697	40,886	20,201
Over 625% under 1,250%	—	—	—	—
Total	¥ 395,327	¥ 37,150	¥ 286,332	¥ 37,125

※ There is no resecuritization exposure.

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

Type of original assets	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
	Amount	Amount
Residential mortgages	¥ —	¥ —
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
Total	¥ —	¥ —

Not applicable for the following items;

- Credit risk mitigation for resecuritization exposure

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

6. MARKET RISK (UNDER INTERNAL MODEL APPROACH)

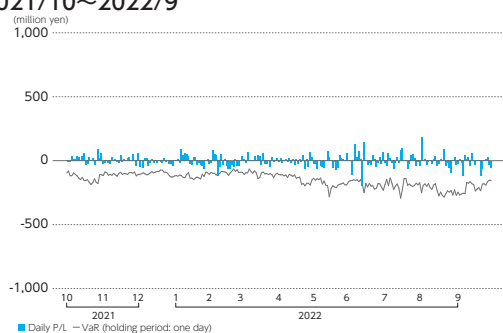
(1) VAR AT THE END OF SEPTEMBER 2022 AND SEPTEMBER 2021 AND THE HIGH, MEAN AND LOW VAR

	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
VaR at term end	¥ 490	¥ 295
VaR through this term		
High	927	2,031
Mean	472	974
Low	204	228

(2) STRESSED VAR AT THE END OF SEPTEMBER 2022 AND SEPTEMBER 2021 AND THE HIGH, MEAN AND LOW VAR

	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
VaR at term end	¥ 1,634	¥ 1,297
VaR through this term		
High	2,237	3,634
Mean	1,469	2,224
Low	979	1,297

(3) RESULT OF BACK TESTING 2021/10~2022/9



Hypothetical loss exceeded VaR twice for the term ended September 30, 2022

The details of the excess incident:

Date : February 8, 2022

Amount in excess : JPY 23 million

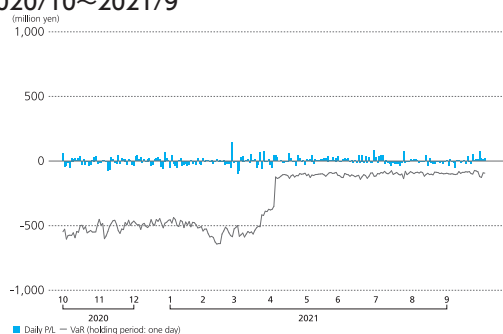
Main cause of the excess : fluctuation of interest rates

Date : June 14, 2022

Amount in excess : JPY 10 million

Main cause of the excess : fluctuation of interest rates and implied volatilities of interest rates options

2020/10~2021/9



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

Not applicable for the following items;

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

Backtesting on the VaR Model Applied to the Trading Account

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

Assumptions of Shinsei's VaR Model

Method : Historical simulation method

Confidence level : 99%

Holding period : 10days

Observation days : 250days

Coverage : Trading account

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

	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
Market-based approach		
Listed equity exposure	¥ 4,019	¥ 225
Unlisted equity exposure	61,097	54,791
PD/LGD method		
Listed equity exposure	4,178	27,549
Unlisted equity exposure	389,911	391,410

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

	Millions of yen	
	Six months ended September 30, 2022	Six months ended September 30, 2021
Gain (loss) on sale	¥ 519	¥ 746
Loss of depreciation	11	735

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

	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
Unrealized gain (loss)	¥ 3,174	¥ 177

(4) AMOUNT FOR EACH PORTFOLIO CLASSIFICATION OF EQUITY EXPOSURE

	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
Market-based approach	¥ 65,117	¥ 55,017
PD/LGD Method	394,090	418,959
RW100% Applied	51	51
RW250% Applied	39,018	5,744

Not applicable for the following items:

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

8. EXPOSURE RELATING TO INVESTMENT FUNDS

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

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

	Millions of yen	
	As of September 30, 2022	As of September 30, 2021
Look-through approach	¥ 97,672	¥ 41,529
Mandate-based approach	1,560	1,184
Probability-based approach (250%)	—	—
Probability-based approach (400%)	11,997	5,536
Fall-back approach	0	0
Total	¥ 111,229	¥ 48,250

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

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

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

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

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

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

Decrease in economic values from interest-rate shock

Millions of yen

IRRBB1 : Interest rate risk					
No		A	B	C	D
		ΔEVE		ΔNII	
		As of September 30, 2022	As of September 30, 2021	As of September 30, 2022	As of September 30, 2021
1	Parallel shock up	42,112	42,321	14,605	10,821
2	Parallel shock down	842	28,227	18,086	7,473
3	Steeper shock	42,291	37,915		
4	Flattener shock	–	–		
5	Short rate up shock	–	–		
6	Short rate down shock	–	–		
7	Max	42,291	42,321	18,086	10,821
		E		F	
		As of September 30, 2022		As of September 30, 2021	
8	Core capital	879,269		833,547	

Corporate Information

As of September 30, 2022, the Shinsei Bank Group consisted of Shinsei Bank, Limited, 139 subsidiaries (comprising 82 consolidated companies including APLUS Co., Ltd., Showa Leasing Co., Ltd., Shinsei Financial Co., Ltd, Shinsei Trust & Banking Co., Ltd. and UDC Finance Limited and 57 unconsolidated subsidiaries) and 43 affiliated companies (43 affiliated companies accounted for using the equity method, such as MB Shinsei Finance Limited Liability Company). The Shinsei Bank Group provides a wide variety of financial products and services to institutional and individual customers through Institutional Business, Individual Business and Overseas Business.



Major Subsidiaries and Affiliates

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

¹ Institutional Business

² Individual Business

³ Overseas Business/Treasury/Other

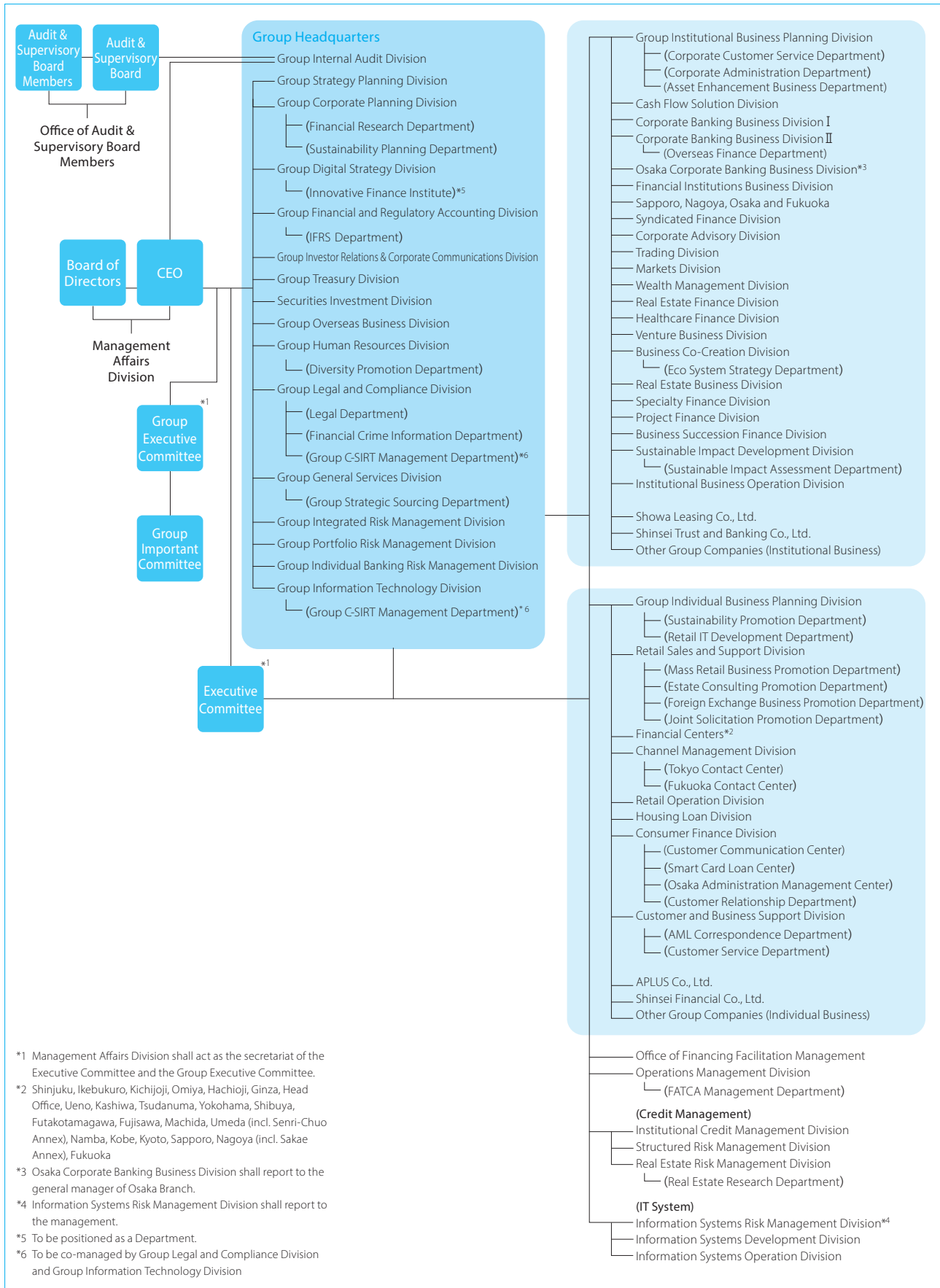
Employees

		March 31, 2021	March 31, 2022	September 30, 2022
Consolidated	Number of Employees	5,605	5,608	5,648
Nonconsolidated	Number of Employees	2,186	2,223	2,217
	Male	1,237	1,258	1,246
	Female	949	965	971
Average Age		42 years 4 months	42 years 7 months	42 years 8 months
Average Years of Service		13 years 6 months	13 years 10 months	13 years 11 months
Average Monthly Salary		¥491 thousand	¥489 thousand	¥491 thousand
Number of Business-Limited Employees		138	137	137
Number of Contract Employees and Retired rehired Employees		205	229	119
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 accounting for personnel seconded in or out of the Bank is 2,269 as of September 30, 2022.

(As of September 30, 2022)

Capital (in millions)	Established	Acquired	Equity stake held by Shinsei Bank and consolidated subsidiaries (%)			
				Equity stake held by Shinsei Bank	Equity stake held by consolidated subsidiaries of Shinsei Bank	
¥29,360	1969. 4	2005. 3	100.0%	100.0%	—	
3,243	1987. 7	2019. 7	80.0%	—	80.0%	
5,000	1996.11	—	100.0%	100.0%	—	
8,750	1997. 8	—	100.0%	100.0%	—	
495	2001.12	—	100.0%	100.0%	—	
100	2006. 4	2012.12	100.0%	100.0%	—	
50	2012.11	—	100.0%	100.0%	—	
100	2009. 4	—	100.0%	100.0%	—	
100	1991. 6	2008. 9	100.0%	100.0%	—	
100	1954.12	2007.12	100.0%	—	100.0%	
54	1985. 2	—	60.0%	60.0%	—	
500	2005.12	—	100.0%	100.0%	—	
30	2013. 2	2019. 5	100.0%	100.0%	—	
£3	2004. 9	—	100.0%	100.0%	—	
HK\$130	2012. 9	2020. 2	100.0%	100.0%	—	
NZ\$52	1938. 4	2020. 9	100.0%	100.0%	—	
¥100	1997.12	2016.12	50.0%	50.0%	—	
VND1,600,000	2016. 3	2017.10	49.0%	49.0%	—	



^{*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

Board of Directors (9)

Hirofumi Gomi
Chairman of the Board

Katsuya Kawashima
Representative Director, President

Katsumi Hatao
Director

Eisuke Terasawa
Director

Yasuhiro Hayasaki *1
Director
President, Ricoh Institute of Sustainability and Business, Ricoh Company, Ltd.
Former Director General of Personnel and Corporate Affairs Department, the Bank of Japan

Ayumi Michi *1
Director
Attorney at Law

Masahiro Terada *1
Director
Attorney at Law

Kei Fujisaki *1
Director

Yurina Takiguchi *1
Director
Business and Economics Anchor

Shinya Nagata
Audit & Supervisory Board Member

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

Miyuki Nakagawa *2
Audit & Supervisory Board Member
Attorney at Law

*1 Outside Directors

*2 Outside Audit & Supervisory Board Members

Executive Officers (38)

Hirofumi Gomi
Chairman

Katsuya Kawashima
Representative Director
President and Chief Executive Officer

(Senior Managing Executive Officer)

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

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

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

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

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

(Managing Executive Officer)

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

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

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

Hirofumi Kusakabe
Managing Executive Officer, Head of
Group Structured Solution

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

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

Kouichi Sawaji
Managing Executive Officer, Group General
Service

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

(Executive Officer)

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

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

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

Koichi Hazama
Executive Officer, General Manager of
Shinjuku Financial Center

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

Michihide Ito
Executive Officer, In charge of Institutional
Business

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

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

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

Yuichiro Kawabe
Executive Officer, General Manager of Project
Finance Division

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

Shuichi Kubo
Head of Group Internal Audit,
General Manager of Group Internal Audit
Division

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

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

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

Tomoko Ogawara
Executive Officer, In charge of Individual
Business

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

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

Kojiro Taima
Executive Officer, Group Legal and
Compliance

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

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

Usei Yano
Executive Officer, Group Human Resources

Takahiro Yoshida
Executive Officer, In charge of Group Treasury

Note: Executive Officers are listed in alphabetical order.

Network

(As of November 30, 2022)

Domestic Outlets

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

Hokkaido

Sapporo Branch

Kanto (Excluding Tokyo)

Omiya Branch

Kashiwa Branch

Tsudanuma Branch

Yokohama Branch

Fujisawa Branch

Tokyo

Head Office

Ginza Branch

Ikebukuro Branch (Shinsei Bank SBI MONEY PLAZA 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 (Shinsei Bank SBI MONEY PLAZA Umeda)

Umeda Branch—Senri Chuo Annex

Namba Branch

Kobe Branch

Kyushu

Fukuoka Branch

Lake Unstaffed Branches:

Lake unstaffed branches

664 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

Stock Information

(As of September 30, 2022)

Shares Outstanding and Capital

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

¹ Figures include number of preferred shares outstanding.

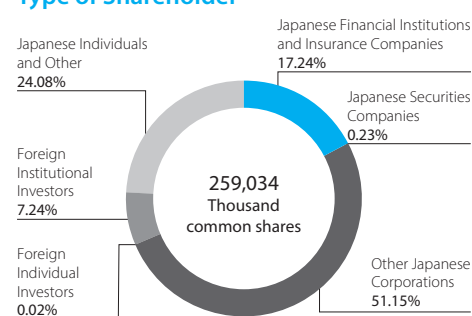
Largest Shareholders

Rank	Shareholders	Thousands of Common Shares	Shareholding Ratio
1	SBI Regional Bank Holdings, Co., Ltd.	99,659	38.47%
2	SHINSEI BANK, LIMITED	54,915	21.20%
3	Deposit Insurance Corporation of Japan	26,912	10.38%
4	THE RESOLUTION AND COLLECTION CORPORATION	20,000	7.72%
5	THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT)	17,929	6.92%
6	CITY INDEX ELEVENTH CO.,Ltd	5,471	2.11%
7	Custody Bank of Japan, Ltd. (TRUST ACCOUNT)	4,186	1.61%
8	JPLLC-CL JPY	2,288	0.88%
9	JP JPMSE LUX RE MERRILL LYNCH INTERNATI EQ CO	1,800	0.69%
10	STATE STREET BANK AND TRUST COMPANY 505103	1,491	0.57%
11	BNYMSANV AS AGENT/CLIENTS LUX UCITS NON TREATY 1	1,280	0.49%
Total		259,034	100.00%

Note: 1. As of September 30, 2022, SBI Regional Bank Holdings holds common shares or 48.82% of Shinsei Bank's outstanding common shares, excluding treasury shares.

2. As of September 30, 2022 in total, the Deposit Insurance Corporation of Japan and the Resolution and Collection Corporation hold 46,912,888 common shares or 22.98% of Shinsei Bank's outstanding common shares, excluding treasury shares.

Beneficial Ownership / Type of Shareholder



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

Ratings Information

(As of November 30, 2022)

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

Network of Shinsei Bank Group

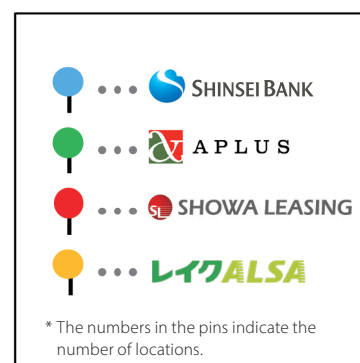
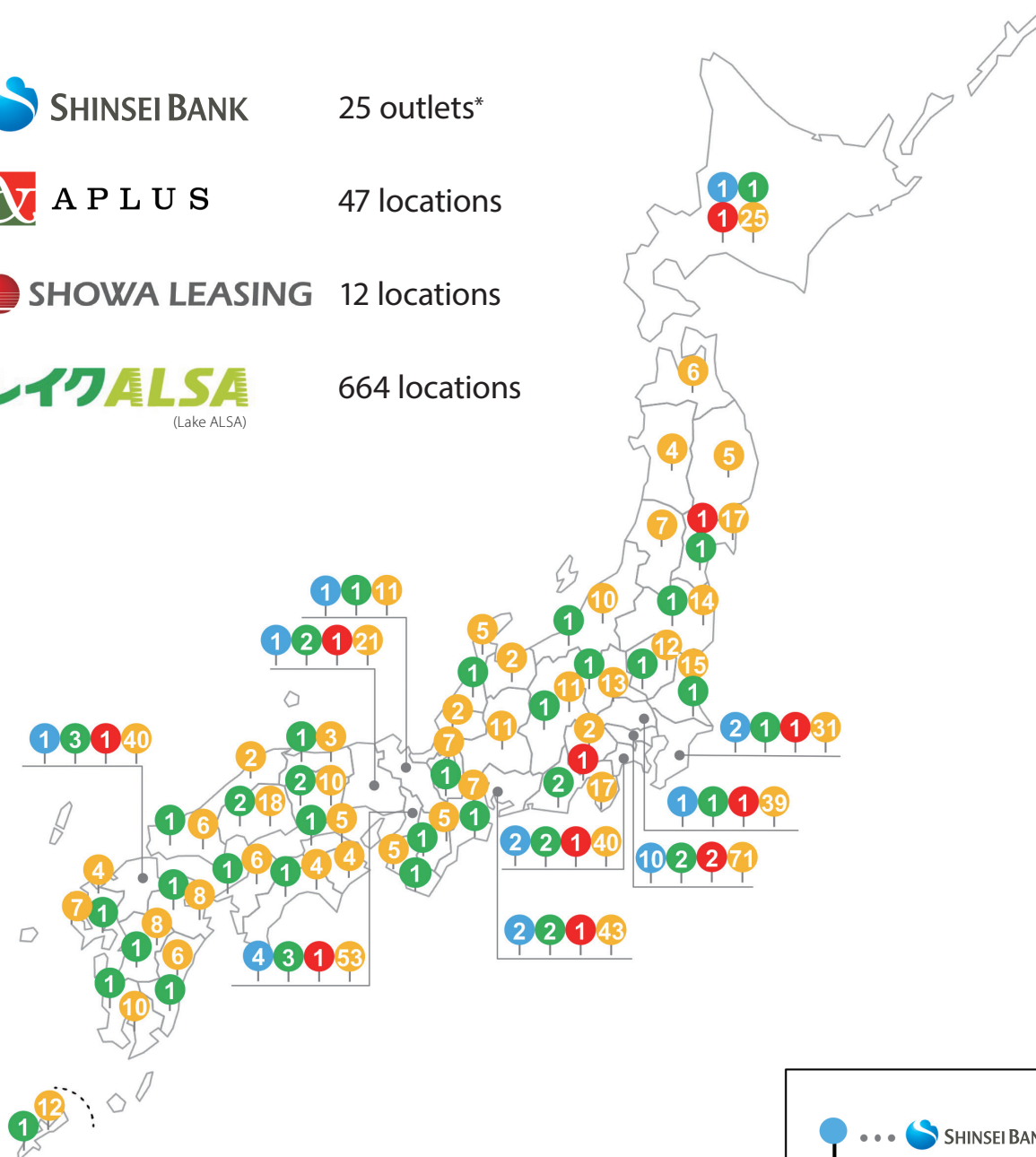
[Shinsei Bank, APLUS, Showa Leasing, Lake ALSA]

 SHINSEI BANK 25 outlets*

 A P L U S 47 locations

 SHOWA LEASING 12 locations

 **レイクALSA**
(Lake ALSA) 664 locations



* Shinsei Bank SBI MONEY PLAZA located in Ikebukuro and Umeda are attached to the Ikebukuro and the Umeda Branches.

(As of November 30, 2022)

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

SHINSEI BANK, LIMITED

4-3, Nihonbashi-muromachi 2-chome, Chuo-ku, Tokyo 103-8303, Japan

URL: <https://www.shinseibank.com/english/> (After January 2023, <https://www.sbishinseibank.co.jp/english>)

E-mail: Shinsei_IR@shinseibank.com (After January 2023, SBShinsei_IR@sbishinseibank.co.jp)
