

# Quarterly Consolidated Financial Statements and Notes

For the Three-Month Period Ended June 30, 2020

\*This is an English translation of quarterly consolidated financial statements and notes of Shinsei Bank, Limited (the “Bank”) and its consolidated subsidiaries (collectively, the “Group”) prepared in Japanese under JGAAP. Please note that this translation is provided for your reference and convenience only, pursuant to Rule 12g3-2(b) under the U.S. Securities Exchange Act of 1934. In the event of any discrepancy between the translation and the Japanese original, the Japanese original shall take precedence over this translation.

**Shinsei Bank, Limited**  
(Code 8303, TSE First Section)

## Quarterly Consolidated Balance Sheets

Shinsei Bank, Limited, and Consolidated Subsidiaries  
As of March 31, 2020 and June 30, 2020

(Millions of yen)

	March 31, 2020	June 30, 2020
<b>ASSETS</b>		
Cash and due from banks	¥ 1,614,134	¥ 1,414,702
Other monetary claims purchased	63,575	59,125
Trading assets	213,707	201,738
Monetary assets held in trust	415,107	428,299
Securities	957,040	916,703
Loans and bills discounted	1 5,110,404	1 5,113,845
Foreign exchanges	73,879	58,316
Lease receivables and leased investment assets	193,445	198,643
Other assets	1,2 1,007,605	1,2 1,054,555
Premises and equipment	69,414	66,709
Intangible assets	3,4 67,073	3,4 65,239
Assets for retirement benefits	5,683	5,810
Deferred tax assets	16,977	17,230
Customers' liabilities for acceptances and guarantees	526,520	531,005
Reserve for credit losses	(107,998)	(111,225)
<b>[Total assets]</b>	<b>¥ 10,226,571</b>	<b>¥ 10,020,699</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities:</b>		
Deposits	¥ 5,849,211	¥ 5,790,684
Negotiable certificates of deposit	455,950	399,310
Call money and bills sold	165,000	90,000
Payables under repurchase agreements	38,956	41,095
Payables under securities lending transactions	350,407	364,211
Trading liabilities	183,943	172,499
Borrowed money	881,991	965,613
Foreign exchanges	687	1,007
Short-term corporate bonds	221,300	183,300
Corporate bonds	166,500	156,000
Other liabilities	404,973	353,859
Accrued employees' bonuses	8,560	2,468
Accrued directors' bonuses	47	11
Liabilities for retirement benefits	8,422	8,399
Reserve for directors' retirement benefits	50	16
Reserve for reimbursement of deposits	621	605
Reserve for reimbursement of debentures	3,513	3,460
Reserve for losses on interest repayments	49,308	46,786
Deferred tax liabilities	119	117
Acceptances and guarantees	526,520	531,005
<b>[Total liabilities]</b>	<b>9,316,086</b>	<b>9,110,452</b>
<b>Equity:</b>		
<b>Shareholders' equity:</b>		
Common stock	512,204	512,204
Capital surplus	78,506	78,538
Retained earnings	389,600	393,189
Treasury stock, at cost	(61,097)	(62,991)
<b>[Total shareholders' equity]</b>	<b>919,214</b>	<b>920,941</b>
<b>Accumulated other comprehensive income:</b>		
Unrealized gain (loss) on available-for-sale securities	4,755	2,596
Deferred gain (loss) on derivatives under hedge accounting	(15,719)	(15,901)
Foreign currency translation adjustments	(1,670)	(1,215)
Defined retirement benefit plans	(3,585)	(3,558)
<b>[Total accumulated other comprehensive income]</b>	<b>(16,219)</b>	<b>(18,079)</b>
Stock acquisition rights	125	150
Noncontrolling interests	7,364	7,235
<b>[Total equity]</b>	<b>910,485</b>	<b>910,247</b>
<b>[Total liabilities and equity]</b>	<b>¥ 10,226,571</b>	<b>¥ 10,020,699</b>

## Quarterly Consolidated Statements of Income

Shinsei Bank, Limited, and Consolidated Subsidiaries  
For the three-month periods ended June 30, 2019 and 2020

(Millions of yen)

	June 30, 2019 ( 3 months )	June 30, 2020 ( 3 months )
<b>ORDINARY INCOME</b>	¥ 91,545	¥ 89,953
Interest income	38,349	35,260
Interest on loans and bills discounted	35,039	33,157
Interest and dividends on securities	2,603	1,561
Fees and commissions income	15,076	12,760
Trading income	2,295	1,456
Other business income	1 32,425	1 37,095
Other ordinary income	2 3,398	2 3,379
<b>ORDINARY EXPENSES</b>	75,799	82,555
Interest expenses	4,960	3,713
Interest on deposits	1,290	1,158
Interest on borrowings	686	801
Interest on corporate bonds	59	107
Fees and commissions expenses	7,357	6,348
Trading losses	–	77
Other business expenses	3 19,603	3 22,946
General and administrative expenses	4 36,894	4 36,571
Other ordinary expenses	5 6,983	5 12,899
<b>ORDINARY PROFIT</b>	15,746	7,397
Extraordinary gains	0	0
Extraordinary losses	6 433	6 160
Income before income taxes	15,312	7,237
Income taxes (benefit)	3,221	1,369
Profit	12,091	5,867
Profit (loss) attributable to noncontrolling interests	(61)	(43)
<b>PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	¥ 12,153	¥ 5,911

## Quarterly Consolidated Statements of Comprehensive Income

Shinsei Bank, Limited, and Consolidated Subsidiaries

For the three-month periods ended June 30, 2019 and 2020

(Millions of yen)

	June 30, 2019 ( 3 months )	June 30, 2020 ( 3 months )
<b>PROFIT</b>	¥ 12,091	¥ 5,867
<b>OTHER COMPREHENSIVE INCOME</b>	(619)	(1,873)
Unrealized gain (loss) on available-for-sale securities	1,061	(132)
Deferred gain (loss) on derivatives under hedge accounting	(721)	(181)
Foreign currency translation adjustments	(132)	15
Defined retirement benefit plans	30	26
Share of other comprehensive income in affiliates	(856)	(1,601)
<b>COMPREHENSIVE INCOME</b>	¥ 11,472	¥ 3,994

(Breakdown)

Attributable to:

Owners of the parent	¥ 11,594	¥ 4,060
Noncontrolling interests	(121)	(66)

## Notes to Quarterly Consolidated Financial Statements

### (Accounting method specific to quarterly consolidated financial statements)

#### (1) Income taxes

Income taxes (benefit) are calculated based on income before income taxes for the three-month period ended June 30, 2020 and the reasonably estimated effective tax rate after tax effects for the fiscal year ending March 31, 2021.

### (Supplementary information)

#### (Provisioning reserve for credit losses by the spread of the novel coronavirus (COVID-19) infection)

The Group assumes that the spread of the novel coronavirus (COVID-19) infection and the impact of weaker economic activities caused by the spread will continue for the nine-month period ended March 31, 2021. In particular, the Group assumes that the credit risk of loans and claims of the Bank and certain consolidated subsidiaries to the specific industries will be affected seriously. Based on this assumption, the Group has provisioned an additional ¥6,992 million (¥7,011 million on March 31, 2020) of reserve for credit losses in order to prepare for future losses. The reserve is recalculated by reclassifying the obligor classification of specific obligors based on their recent performance deterioration and by the expected loss rate reflecting the performance deterioration in the actual credit losses in portfolios for specific industries. Also, the Group reviewed the above specific industries which will be affected seriously. During this three-month period ended June 30, 2020, the Group has not recognized a change in the economic environment which the Group had assumed on the fiscal year ended March 31, 2020, and has not made a significant change in the above assumption. The amount of reserve for credit losses is the best estimate at this point, however, the assumption used for the estimate is highly uncertain. The reserves to be recorded in the quarterly consolidated financial statements for September 30, 2020 and the after, may therefore increase or decrease according to the COVID-19 infection and its impact on the economic environment change.

#### (Application of tax effect accounting for the transition from the consolidated tax system to the group tax sharing system)

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

#### (Acquisition of shares of UDC Finance Limited)

On June 2, 2020, the Bank concluded the share purchase agreement with ANZ Bank New Zealand Limited, the current parent company of UDC Finance Limited, in accordance with the resolution of the Board of Directors held on June 1, 2020. The Bank will purchase all of the outstanding shares of UDC Finance Limited on August 31, 2020 as the settlement date.

### 1. Outline of the business combination

#### (1) Name and business description of the acquired company

Name: UDC Finance Limited

Business description: Auto loans for individuals

Asset-backed financing for corporate clients

Inventory financing for automobile dealers

#### (2) Purpose of the acquisition

For revenue growth of the Group.

#### (3) Date on which the business combination is effective

August 31, 2020 (Planned)

#### (4) Legal form of the business combination

Acquisition of shares with cash consideration

#### (5) Company name after the business combination

A change of the company name is not planned.

#### (6) Percentage of voting rights acquired

100%

(7) Basis for determination of the acquiring company

The Bank will acquire the shares by cash.

2. Acquisition costs of the shares and their breakdown

The acquisition costs of the shares are cash consideration calculated based on the amount of net assets of UDC Finance Limited as of the settlement date plus 125 million New Zealand Dollars. The contingent consideration for the acquisition is not included in the above acquisition costs.

3. Major acquisition-related costs and their breakdown

Not determined

4. Amount, reason of the occurrence, and amortization method and period, of goodwill

Not determined

5. Amounts and breakdown of assets and liabilities on the date of the business combination

Not determined

6. Description of the contingent consideration prescribed on the share purchase agreement and the accounting treatment

Since the provision of the share purchase agreement prescribes the additional settlement for the consideration will be implemented on the amount calculated based on the actual credit losses incurred in a certain period from the claims recorded as of August 31, 2020, this may result in an adjustment to the provisional consideration.

The above consideration adjustment should result in an adjustment to the acquisition costs as of the settlement date of the shares, goodwill and amortization of goodwill.

(Acquisition of treasury shares)

On May 13, 2020, the Bank decided to acquire its own treasury shares in accordance with the provision of its Articles of Incorporation, pursuant to Article 459, paragraph 1 of the Companies Act of Japan.

1. Reason for acquisition

As a part of the Bank's efforts to achieve the repayment of public funds, a resolution to undertake the acquisition of treasury shares has been approved in light of factors such as the Bank's current capital position, earnings capability and per share values. Through this acquisition of treasury shares, assuming the maintenance of capital at sufficient levels, the Bank aims to increase the per share values through the implementation of an appropriate capital policy.

2. Details of acquisition

(1) Type of shares to be repurchased

Common stock

(2) Number of shares to be repurchased

(Up to) 20,500 thousand shares (8.88% of total number of common shares issued excluding treasury shares)

(3) Total repurchase amount

(Up to) ¥20,500 million

(4) Acquisition period

From May 14, 2020 to March 31, 2021

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

(1) Type of shares repurchased

Common stock

(2) Total Number of shares repurchased

4,677,700 shares

(3) Total amount of repurchase

6,141,930,000 yen

(4) Acquisition period

From May 14, 2020 to July 31, 2020

(5) Acquisition method

Open market purchase on the Tokyo Stock Exchange

**(Quarterly consolidated balance sheets as of March 31, 2020 and June 30, 2020)**

1. Risk-monitored loans included in “Loans and bills discounted” were as follows.

(Millions of yen)

	March 31, 2020	June 30, 2020
Loans to bankrupt obligors	¥ 4,555	¥ 4,578
Nonaccrual delinquent loans	35,335	47,287
Loans past due for three months or more	646	1,529
Restructured loans	46,680	51,301
Total	¥ 87,217	¥ 104,697

- Risk-monitored credits included in installment receivables in “Other assets” were as follows.

(Millions of yen)

	March 31, 2020	June 30, 2020
Credits to bankrupt obligors	¥ 3	¥ 1
Nonaccrual delinquent credits	5,643	6,137
Credits past due for three months or more	265	321
Restructured credits	1,007	2,744
Total	¥ 6,920	¥ 9,205

The above amounts represent the outstanding balance before the reduction of the reserve for credit losses.

2. Installment receivables included in “Other assets” were as follows.

(Millions of yen)

	March 31, 2020	June 30, 2020
Installment receivables	¥ 670,716	¥ 676,574

3. Goodwill and negative goodwill are offset and the net amounts are included in “Intangible assets.” The gross amounts were as follows.

(Millions of yen)

	March 31, 2020	June 30, 2020
Goodwill	¥ 13,346	¥ 12,708
Negative goodwill	2,719	2,628
Net	¥ 10,626	¥ 10,079

4. “Intangible assets” include intangible assets that have been recognized by applying the purchase method to the acquisition of certain consolidated subsidiaries.

(Millions of yen)

	March 31, 2020	June 30, 2020
Intangible assets acquired in business combinations	¥ 2,496	¥ 2,409

**(Quarterly consolidated statements of income for the three-month periods ended June 30, 2019 and 2020)**

1. In “Other business income,” the following were included.

(Millions of yen)

	June 30, 2019 (3 months)	June 30, 2020 (3 months)
Leasing revenue	¥ 17,920	¥ 20,504
Income from installment sales	8,761	8,800

2. In “Other ordinary income,” the following were included.

(Millions of yen)

	June 30, 2019 (3 months)	June 30, 2020 (3 months)
Recoveries of written-off claims	¥ 1,606	¥ 1,492
Gain on monetary assets held in trust	691	923

3. In “Other business expenses,” the following was included.

(Millions of yen)

	June 30, 2019 (3 months)	June 30, 2020 (3 months)
Leasing cost	¥ 16,182	¥ 18,638

4. In “General and administrative expenses,” the following were included.

(Millions of yen)

	June 30, 2019 (3 months)	June 30, 2020 (3 months)
Amortization of goodwill	¥ 510	¥ 555
Amortization of intangible assets acquired in business combinations <sup>(Note)</sup>	50	86

Note: Represents amortization of intangible assets that have been recognized by applying the purchase method to the acquisitions of consolidated subsidiaries.

5. In “Other ordinary expenses,” the following was included.

(Millions of yen)

	June 30, 2019 (3 months)	June 30, 2020 (3 months)
Provision of reserve for credit losses	¥ 6,575	¥ 11,816

6. In “Extraordinary losses,” the following were included.

(Millions of yen)

	June 30, 2019 (3 months)	June 30, 2020 (3 months)
Impairment losses	¥ 148	¥ 144
Loss on change in ownership interest <sup>(Note)</sup>	270	—

Note: Loss on change in ownership interest is related to disposal of affiliate's treasury stock.



**(Quarterly consolidated statements of cash flows for the three-month periods ended June 30, 2019 and 2020)**

Quarterly consolidated statements of cash flows for the three-month periods ended June 30, 2019 and 2020 have not been presented. Depreciation, including amortization of intangible assets other than those acquired in business combinations, and amortization of goodwill and intangible assets acquired in business combinations were as follows.

(Millions of yen)

	June 30, 2019 (3 months)	June 30, 2020 (3 months)
Depreciation (other than leased assets as lessor)	¥ 3,502	¥ 3,516
Amortization of goodwill	510	555
Amortization of intangible assets acquired in business combinations	50	86

**(Shareholders equity)**

**Three-month period ended June 30, 2019**

1. Dividends paid

(Resolution)	Type of shares	Total amount	Per share amount	Record date	Effective date	Source of dividend
The Board of Directors meeting on May 15, 2019	Common stock	¥ 2,452 million	¥ 10.00	March 31, 2019	May 30, 2019	Retained earnings

2. There was no dividend of which the record date belongs to the three-month period ended June 30, 2019, and of which the effective date was after June 30, 2019.

**Three-month period ended June 30, 2020**

1. Dividends paid

(Resolution)	Type of shares	Total amount	Per share amount	Record date	Effective date	Source of dividend
The Board of Directors meeting on May 13, 2020	Common stock	¥ 2,307 million	¥ 10.00	March 31, 2020	June 30, 2020	Retained earnings

2. There was no dividend of which the record date belongs to the three-month period ended June 30, 2020, and of which the effective date was after June 30, 2020.

**(Segment information)****Three-month period ended June 30, 2019**

## 1. Revenue and profit (loss) by reportable segments

(Millions of yen)

	Institutional Business					
	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Revenue:	¥ 3,804	¥ 4,439	¥ 926	¥ 3,103	¥ 2,081	¥ 895
Net interest income (loss)	2,571	2,753	459	(47)	732	135
Noninterest income (loss)	1,232	1,686	466	3,151	1,349	760
Expenses	3,195	2,078	1,030	2,300	851	785
Net credit costs (recoveries)	216	(1,827)	(49)	(470)	(20)	12
Segment profit (loss)	¥ 392	¥ 4,188	¥ (55)	¥ 1,273	¥ 1,250	¥ 98

(Millions of yen)

	Individual Business				Corporate/Other		Total
	Retail Banking	Consumer Finance			Treasury	Other	
		Shinsei Financial	APLUS FINANCIAL	Other Individual			
Revenue:	¥ 7,059	¥ 16,901	¥ 14,188	¥ 306	¥ 3,676	¥ 134	¥ 57,518
Net interest income (loss)	6,035	17,174	2,414	235	923	0	33,388
Noninterest income (loss)	1,024	(272)	11,773	71	2,752	134	24,130
Expenses	6,587	8,356	9,486	484	400	651	36,208
Net credit costs (recoveries)	109	3,469	3,546	1	—	0	4,989
Segment profit (loss)	¥ 362	¥ 5,074	¥ 1,155	¥ (179)	¥ 3,275	¥ (517)	¥ 16,320

## (Notes)

- “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, net other business income, net gain or loss on monetary assets held in trust and equity related transactions on the management reporting basis. “Revenue” represents income and related cost attributable to core businesses. Interest on inter-segment transactions is calculated using an inter-office rate. Indirect expense is allocated, based on the predefined rule, to each reportable segment according to the budget which is set at the beginning of fiscal year.
- “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.
- “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.
- “Shinsei Financial” includes profit/loss on “Shinsei Bank Card Loan - L,” the unsecured personal card loan business, as well as profit/loss of Shinsei Personal Loan Co., Ltd. “Shinsei Bank Card Loan -Lake” was renamed as “Shinsei Bank Card Loan -L” on November 28, 2019.
- “Other” under the Corporate/Other includes company-wide accounts which are not included in our reportable segments, allocation variance of indirect expenses and elimination amount of inter-segment transactions.

2. Reconciliation between total segment profit and ordinary profit on the quarterly consolidated statement of income for the three-month period ended June 30, 2019

(Millions of yen)

Profit	Amount
Total segment profit	¥ 16,320
Amortization of goodwill	(510)
Amortization of intangible assets	(50)
Lump-sum payments	(122)
Gains on deposits derecognized from liabilities	-
Other	110
Ordinary profit on the quarterly consolidated statement of income	¥ 15,746

Three-month period ended June 30, 2020

1. Revenue and profit (loss) by reportable segments

(Millions of yen)

	Institutional Business					
	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Revenue:	¥ 3,617	¥ 4,373	¥ 1,113	¥ 3,891	¥ 564	¥ 500
Net interest income (loss)	2,959	3,125	458	82	350	108
Noninterest income (loss)	657	1,247	654	3,809	214	392
Expenses	2,951	2,251	979	2,797	798	712
Net credit costs (recoveries)	632	2,988	305	684	—	48
Segment profit (loss)	¥ 33	¥ (866)	¥ (172)	¥ 408	¥ (234)	¥ (260)

(Millions of yen)

	Individual Business				Corporate/Other		Total
	Retail Banking	Consumer Finance			Treasury	Other	
		Shinsei Financial	APLUS FINANCIAL	Other Individual			
Revenue:	¥ 6,579	¥ 17,182	¥ 14,508	¥ 505	¥ 1,909	¥ (38)	¥ 54,705
Net interest income (loss)	6,067	17,110	2,353	265	(1,335)	0	31,547
Noninterest income (loss)	511	72	12,154	239	3,244	(38)	23,158
Expenses	7,066	7,948	9,437	598	382	(43)	35,883
Net credit costs (recoveries)	210	3,011	3,278	(140)	—	(2)	11,015
Segment profit (loss)	¥ (697)	¥ 6,222	¥ 1,793	¥ 47	¥ 1,526	¥ 7	¥ 7,806

(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, net other business income, net gain or loss on monetary assets held in trust and equity related transactions on the management reporting basis. "Revenue" represents income and related cost attributable to core businesses. Interest on inter-segment transactions is calculated using an inter-office rate. Indirect expense is allocated, based on the predefined rule, to each reportable segment according to the budget which is set at the beginning of fiscal year.
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. "Shinsei Financial" includes profit/loss on "Shinsei Bank Card Loan - L," the unsecured personal card loan business, as well as profit/loss of Shinsei Personal Loan Co., Ltd.
5. "Other" under the Corporate/Other includes company-wide accounts which are not included in our reportable segments, allocation variance of indirect expenses and elimination amount of inter-segment transactions.

2. Reconciliation between total segment profit and ordinary profit on the quarterly consolidated statement of income for the three-month period ended June 30, 2020

(Millions of yen)

Profit	Amount
Total segment profit	¥ 7,806
Amortization of goodwill	(555)
Amortization of intangible assets	(86)
Lump-sum payments	(37)
Gains on deposits derecognized from liabilities	80
Other	189
Ordinary profit on the quarterly consolidated statement of income	¥ 7,397

**(Financial instruments)**

Fair values of financial instruments as of March 31, 2020

(Millions of yen)

	Carrying amount	Fair value	Unrealized gain (loss)
(1) Other monetary claims purchased <sup>1</sup>	¥ 63,450	¥ 63,691	¥ 240
(2) Trading assets Securities held for trading purposes	5,533	5,533	–
(3) Monetary assets held in trust <sup>1</sup>	413,160	417,817	4,657
(4) Securities <sup>2</sup>	899,132	883,421	(15,710)
(5) Loans and bills discounted <sup>3</sup> Reserve for credit losses	5,110,404 (71,925)		
Net	5,038,478	5,231,042	192,564
(6) Lease receivables and leased investment assets Estimated residual value <sup>4</sup> Reserve for credit losses	193,445 (6,128) (1,384)		
Net	185,932	193,897	7,965
(7) Other assets Installment receivables Deferred gains on installment receivables Reserve for credit losses	670,716 (11,443) (10,763)		
Net	648,510	709,012	60,502
(8) Deposits	5,849,211	5,847,831	1,379
(9) Negotiable certificates of deposit	455,950	456,012	(62)
(10) Borrowed money	881,991	882,211	(220)
(11) Short-term corporate bonds	221,300	221,300	–
(12) Corporate bonds	166,500	165,928	571
(13) Derivative instruments <sup>5</sup> : Hedge accounting is not applied Hedge accounting is applied	11,859 (1,165)	11,859 (1,165)	– –
Derivative instruments total	10,693	10,693	–

(Millions of yen)

	Contract amount	Fair value
Other: Guarantee contracts <sup>6</sup>	¥ 526,520	¥ 12,759

- Carrying amounts of Other monetary claims purchased and Monetary assets held in trust are presented as the amount net of reserve for credit losses because they are immaterial.
- Equity securities without readily available market price and some of investments in partnerships are out of the scope of fair value disclosure because their fair values cannot be reliably determined.
- For consumer loans held by consolidated subsidiaries included in Loans and bills discounted, reserve for losses on interest repayments of ¥49,308 million was recognized for estimated losses on reimbursements of excess interest payments, which included the reserve for losses on interest repayments that have a possibility of being appropriated for loan principal in the future.
- Estimated residual value of leased investment assets arising from finance lease transactions, where the ownership of the property is not deemed to transfer to the lessee, is deducted from leased investment assets.
- Derivative instruments include derivative transactions both in trading assets and liabilities, and in other assets and liabilities. Derivative instruments are presented as net of assets and liabilities and presented with ( ) when a liability stands on net basis.
- Contract amount for guarantee contracts presents the amount of “Acceptances and guarantees” on the quarterly consolidated balance sheets.

## Fair values of financial instruments as of June 30, 2020

(Millions of yen)

	Carrying amount	Fair value	Unrealized gain (loss)
(1) Other monetary claims purchased <sup>1</sup>	¥ 59,006	¥ 59,251	¥ 244
(2) Trading assets			
Securities held for trading purposes	5,130	5,130	–
(3) Monetary assets held in trust <sup>1</sup>	425,318	431,084	5,765
(4) Securities <sup>2</sup>	859,332	849,160	(10,171)
(5) Loans and bills discounted <sup>3</sup>	5,113,845		
Reserve for credit losses	(69,338)		
Net	5,044,506	5,222,776	178,270
(6) Lease receivables and leased investment assets	198,643		
Estimated residual value <sup>4</sup>	(6,046)		
Reserve for credit losses	(1,537)		
Net	191,058	198,526	7,468
(7) Other assets			
Installment receivables	676,574		
Deferred gains on installment receivables	(11,651)		
Reserve for credit losses	(11,012)		
Net	653,910	716,161	62,250
(8) Deposits	5,790,684	5,789,120	1,563
(9) Negotiable certificates of deposit	399,310	399,372	(62)
(10) Borrowed money	965,613	966,451	(838)
(11) Short-term corporate bonds	183,300	183,300	–
(12) Corporate bonds	156,000	155,542	457
(13) Derivative instruments <sup>5</sup> :			
Hedge accounting is not applied	22,614	22,614	–
Hedge accounting is applied	(392)	(392)	–
Derivative instruments total	22,222	22,222	–

(Millions of yen)

	Contract amount	Fair value
Other: Guarantee contracts <sup>6</sup>	¥ 531,005	¥ 14,230

1. Carrying amounts of Other monetary claims purchased and Monetary assets held in trust are presented as the amount net of reserve for credit losses because they are immaterial.
2. Equity securities without readily available market price and some of investments in partnerships are out of the scope of fair value disclosure because their fair values cannot be reliably determined.
3. For consumer loans held by consolidated subsidiaries included in Loans and bills discounted, reserve for losses on interest repayments of ¥46,786 million was recognized for estimated losses on reimbursements of excess interest payments, which included the reserve for losses on interest repayments that have a possibility of being appropriated for loan principal in the future.
4. Estimated residual value of leased investment assets arising from finance lease transactions, where the ownership of the property is not deemed to transfer to the lessee, is deducted from leased investment assets.
5. Derivative instruments include derivative transactions both in trading assets and liabilities, and in other assets and liabilities. Derivative instruments are presented as net of assets and liabilities and presented with ( ) when a liability stands on net basis.
6. Contract amount for guarantee contracts presents the amount of “Acceptances and guarantees” on the quarterly consolidated balance sheets.

(Note) Valuation methodologies for financial instruments

(1) Other monetary claims purchased

The fair values are measured at quoted prices from third parties or determined using the discounted cash flow method.

(2) Trading assets

The fair values are measured at market prices or quoted prices from third parties, or determined using the discounted cash flow method.

(3) Monetary assets held in trust

The fair values are determined using the discounted cash flow method based on the characteristics of the components of the entrusted assets.

Notes on monetary assets held in trust for other than trading purposes are included in notes for "Monetary assets held in trust."

(4) Securities

The fair values of marketable equity securities are measured at closing prices on exchanges. The fair values of bonds and mutual funds are measured at market prices or quoted prices from third parties or determined using the discounted cash flow method.

Notes on securities being held to maturity and available for sale are included in notes for "Securities."

(5) Loans and bills discounted

The fair values of loans and bills discounted with a fixed interest rate are determined by discounting contractual cash flows, and the fair values of loans and bills discounted with a floating interest rate are determined by discounting expected cash flows based on the forward rates (for loans and bills discounted hedged by interest rate swaps which meet specific matching criteria, summing up the cash flows from the interest rate swaps), using the risk-free rate adjusted to account for credit risk (after consideration of collateral) with CDS spreads etc. corresponding to internal credit rating of each borrower. The fair values of housing loans are determined by discounting expected cash flows at the rates that consist of the risk free rate and spread that would be applied for the new housing loans with the same terms at the consolidated balance sheet date. The fair values of consumer loans are determined by discounting expected cash flows that reflect expected loss at the rates that consist of the risk-free rate and certain costs, by a group of similar product types and customer segments.

Regarding loans to obligors classified as "legally bankrupt," "virtually bankrupt" or "possibly bankrupt," fair values are measured at carrying amounts net of reserves for loan losses because the fair values of those loans are approximate to the carrying amounts net of reserves for loan losses, which are calculated based on the discounted cash flow method or based on amounts which are expected to be collected through the disposal of collateral or execution of guarantees.

(6) Lease receivables and leased investment assets

The fair values are primarily determined by discounting contractual cash flows at the rates that would be applied for the new contracts by a group of major product categories.

(7) 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.

(8) Deposits and (9) Negotiable certificates of deposit

The fair values of demand deposits, such as current deposits and ordinary deposits are recognized as the payment amount at the consolidated balance sheet date. The fair values of the deposits with maturity of six months or less are approximate to carrying amounts because of their short term maturity.

The fair values of time deposits and negotiable certificates of deposit are determined by discounting expected cash flows at the rates that consist of the risk free rate and spread that would be applied for the new contracts with the same terms at the consolidated balance sheet date.



(10) Borrowed money

The fair values of borrowed money with fixed interest rates are primarily determined by discounting contractual cash flows (for borrowed money hedged by interest rate swaps which meet specific matching criteria, the contractual cash flows include the cash flows of the interest rate swaps), and the fair values of borrowed money with floating interest rates are determined by discounting expected cash flows on forward rates, at the funding rates that reflect the credit risk of the borrower.

(11) Short-term corporate bonds

The fair values are approximate to the carrying amounts because most of them are with short maturities of one year or less.

(12) Corporate bonds

The fair values of marketable corporate bonds are measured at market prices.

The fair values of nonmarketable corporate bonds under the Medium Term Note program are determined by discounting expected cash flows at the actual average funding rates of corporate time deposits etc. funded within the past three months of the consolidated balance sheet date.

(13) Derivative instruments

The fair values are primarily measured at closing prices on exchanges or determined using the discounted cash flow method or option-pricing models.

Other:

Guarantee contracts

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

**(Securities)**

In addition to “Securities” on the quarterly consolidated balance sheets, the figures in the following tables include beneficiary interests included in “Other monetary claims purchased” that are accounted for in the same way as securities.

## 1. Securities being held to maturity:

As of March 31, 2020

(Millions of yen)

	Carrying amount	Fair value	Unrealized gain (loss)
Japanese national government bonds	¥ 277,173	¥ 278,770	¥ 1,596
Total	¥ 277,173	¥ 278,770	¥ 1,596

As of June 30, 2020

(Millions of yen)

	Carrying amount	Fair value	Unrealized gain (loss)
Japanese national government bonds	¥ 246,663	¥ 247,971	¥ 1,307
Total	¥ 246,663	¥ 247,971	¥ 1,307

## 2. Securities available for sale:

As of March 31, 2020

(Millions of yen)

	Amortized/ Acquisition cost	Carrying amount (Fair value)	Unrealized gain (loss)
Equity securities	¥ 6,749	¥ 10,653	¥ 3,904
Domestic bonds:	253,214	252,118	(1,096)
Japanese national government bonds	83,783	83,418	(364)
Japanese local government bonds	–	–	–
Japanese corporate bonds	169,430	168,699	(731)
Other:	335,404	334,018	(1,385)
Foreign securities	303,156	301,236	(1,920)
Other	32,247	32,782	535
Total	¥ 595,367	¥ 596,790	¥ 1,422

As of June 30, 2020

(Millions of yen)

	Amortized/ Acquisition cost	Carrying amount (Fair value)	Unrealized gain (loss)
Equity securities	¥ 6,744	¥ 10,994	¥ 4,250
Domestic bonds:	263,646	262,311	(1,335)
Japanese national government bonds	92,937	92,292	(644)
Japanese local government bonds	–	–	–
Japanese corporate bonds	170,709	170,018	(690)
Other:	310,811	310,832	20
Foreign securities	281,785	281,349	(436)
Other	29,025	29,482	457
Total	¥ 581,201	¥ 584,137	¥ 2,936

(Note)

In the event individual 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 available-for-sale securities carried at fair value for the fiscal year ended March 31, 2020, was ¥1,083 million, which consisted of ¥660 million for equity securities and ¥422 million for Japanese corporate bonds.

Impairment loss on available-for-sale securities carried at fair value for the three-month period ended June 30, 2020, was ¥96 million, which was related to Japanese corporate bonds.

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

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

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

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

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

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

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

#### (Monetary assets held in trust)

1. There were no monetary assets held in trust held to maturity as of March 31, 2020 and June 30, 2020.

2. Monetary assets held in trust other than for trading purposes and held to maturity:

As of March 31, 2020

(Millions of yen)

	Acquisition cost	Carrying amount	Unrealized gain (loss)
Other monetary assets held in trust	¥ 406,663	¥ 405,811	¥ (851)

As of June 30, 2020

(Millions of yen)

	Acquisition cost	Carrying amount	Unrealized gain (loss)
Other monetary assets held in trust	¥ 420,785	¥ 419,629	¥ (1,155)

**(Derivative transactions)**

Fair values of derivatives are adjusted for credit risk and liquidity risk by directly reducing reasonably estimated reserves from relevant trading assets. The fair values of derivatives on the consolidated balance sheets as of March 31, 2020 and June 30, 2020 are adjusted for credit risk by a reduction of ¥1,843 million and ¥1,471 million, respectively, and also adjusted for liquidity risk by a reduction of ¥1,918 million and ¥1,786 million, respectively. Regardless of this accounting treatment, the reduction of those risks is not reflected in the fair values shown in the following tables.

**(1) Interest rate-related transactions:**

As of March 31, 2020

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Future contracts	¥ 48,240	¥ 75	¥ 75
	Interest rate options	—	—	—
Over the counter	Forward contracts	—	—	—
	Interest rate swaps	10,294,302	20,152	20,152
	Interest rate swaptions	1,389,714	(591)	(750)
	Interest rate options	31,360	(28)	148
	Other	—	—	—
Total		—	¥ 19,608	¥ 19,626

(Note) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income. Derivatives for which hedge accounting is adopted in accordance with Industry Audit Committee Report No. 24, February 13, 2002 of the Japanese Institute of Certified Public Accountant (the "JICPA") are excluded from the table above.

As of June 30, 2020

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Future contracts	¥ 37,964	¥ 71	¥ 71
	Interest rate options	—	—	—
Over the counter	Forward contracts	—	—	—
	Interest rate swaps	10,258,902	16,558	16,558
	Interest rate swaptions	1,292,798	1,648	1,703
	Interest rate options	33,988	(26)	102
	Other	—	—	—
Total		—	¥ 18,251	¥ 18,436

(Note) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income. Derivatives for which hedge accounting is adopted in accordance with Industry Audit Committee Report No. 24, February 13, 2002 of the JICPA are excluded from the table above.

## (2) Currency-related transactions:

As of March 31, 2020

(Millions of yen)

	Contract type	Contract/ Notional principal	Fair value	Unrealized gain (loss)
Listed	Future foreign exchange contracts	—	—	—
	Currency options	—	—	—
Over the counter	Currency swaps	¥ 523,007	¥ 6,516	¥ 6,516
	Forward foreign exchange contracts	2,080,579	(6,119)	(6,119)
	Currency options	1,544,952	(5,507)	6,373
	Other	—	—	—
Total		—	¥ (5,110)	¥ 6,770

(Note) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income. Fund swap transactions and currency swap transactions for which hedge accounting is adopted in accordance with Industry Audit Committee Report No. 25, July 29, 2002 of the JICPA are excluded from the table above.

As of June 30, 2020

(Millions of yen)

	Contract type	Contract/ Notional principal	Fair value	Unrealized gain (loss)
Listed	Future foreign exchange contracts	—	—	—
	Currency options	—	—	—
Over the counter	Currency swaps	¥ 513,255	¥ 7,251	¥ 7,251
	Forward foreign exchange contracts	1,910,881	4,590	4,590
	Currency options	1,588,381	(5,506)	5,649
	Other	—	—	—
Total		—	¥ 6,335	¥ 17,491

(Note) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income. Fund swap transactions and currency swap transactions for which hedge accounting is adopted in accordance with Industry Audit Committee Report No. 25, July 29, 2002 of the JICPA are excluded from the table above.

## (3) Equity-related transactions:

As of March 31, 2020

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Equity index futures	¥ 1,599	¥ (190)	¥ (190)
	Equity index options	19,297	(72)	(310)
	Equity options	—	—	—
Over the counter	Equity options	5,972	634	738
	Equity index swaps	—	—	—
	Other	—	—	—
Total		—	¥ 371	¥ 237

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

As of June 30, 2020

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Equity index futures	¥ 2,526	¥ (5)	¥ (5)
	Equity index options	18,837	(476)	(736)
	Equity options	—	—	—
Over the counter	Equity options	5,972	956	1,060
	Equity index swaps	—	—	—
	Other	—	—	—
Total		—	¥ 475	¥ 318

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

(4) Bond-related transactions:

As of March 31, 2020

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Bond futures	¥ 25,271	¥ (96)	¥ (96)
	Bond futures options	—	—	—
Over the counter	Bond options	—	—	—
	Other	—	—	—
Total		—	¥ (96)	¥ (96)

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

As of June 30, 2020

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Bond futures	¥ 51,428	¥ (25)	¥ (25)
	Bond futures options	—	—	—
Over the counter	Bond options	—	—	—
	Other	—	—	—
Total		—	¥ (25)	¥ (25)

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

(5) There were no commodity derivatives transactions as of March 31, 2020 and June 30, 2020.

(6) Credit derivatives transactions:

As of March 31, 2020

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Over the counter	Credit default options	¥ 78,000	¥ 847	¥ 847
	Other	—	—	—
Total		—	¥ 847	¥ 847

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

As of June 30, 2020

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Over the counter	Credit default options	¥ 72,000	¥ 834	¥ 834
	Other	—	—	—
Total		—	¥ 834	¥ 834

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

**(Per share information)**

Basic and diluted earnings per share ("EPS") and their calculation basis were as follows.

		June 30, 2019 (3 months)	June 30, 2020 (3 months)
(1) Basic EPS	(Yen)	¥ 49.65	¥ 25.64
(Calculation basis)			
Profit attributable to owners of the parent	(Millions of yen)	¥ 12,153	¥ 5,911
The amount which is not attributable to common shareholders	(Millions of yen)	–	–
Profit attributable to owners of the parent available to common shareholders	(Millions of yen)	¥ 12,153	¥ 5,911
Weighted average number of common shares	(Thousands)	244,773	230,528
(2) Diluted EPS	(Yen)	¥ 49.64	¥ 25.63
(Calculation basis)			
Adjustment amount of profit attributable to owners of the parent	(Millions of yen)	–	–
Increase of the number of common shares	(Thousands)	35	54



**(Subsequent events)**

(Losses on an investment in a limited partnership held by our consolidated subsidiary)

Shinsei NIB (Cayman) Limited is a wholly-owned and consolidated subsidiary of the Group, and the balance sheet date in the Group's consolidated financial statements is March 31, 2020. Shinsei NIB (Cayman) invests as a limited partner in New NIB Partners LP (General Partner : New NIB GP LP) and New NIB GP LP invests in NIBC HOLDING N.V. ("NIBC"). On July 10, 2020, NIBC HOLDING N.V. ("NIBC") concluded the contract with Flora Acquisition B.V. concerning the amendment of the offer price to be paid to holders of NIBC shares on the public offer for all issued and outstanding shares in the capital of NIBC by Flora Acquisition B.V., which is owned by Blackstone Group Inc. Pursuant to the sales agreement of NIBC shares which was concluded with Flora Acquisition B.V. in accordance with the above contract to amend the offer price, New NIB Partners LP will sell all NIBC shares to Flora Acquisition B.V. by the end of December 2020. When this share transfer is effective and settled, New NIB Partners LP will record losses on sale of NIBC shares, and the Group will record around ¥2,700 millions of losses, which are calculated in proportion to the Shinsei NIB (Cayman) Limited's interest in a limited partnership investment in New NIB Partners LP and are translated to at the rate of exchange prevailing on the Tokyo foreign exchange market on June 30, 2020.