

Quarterly Consolidated Financial Statements and Notes

For the Three-Month Period Ended June 30, 2022

*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 Standard Market)

Quarterly Consolidated Balance Sheets

Shinsei Bank, Limited, and Consolidated Subsidiaries
As of March 31, 2022 and June 30, 2022

(Millions of yen)

	March 31, 2022	June 30, 2022
ASSETS		
Cash and due from banks	¥ 1,625,159	¥ 1,949,418
Other monetary claims purchased	31,512	28,931
Trading assets	149,014	159,428
Monetary assets held in trust	388,177	375,230
Securities	1 674,609	1 714,291
Loans and bills discounted	1 5,241,817	1 5,417,304
Foreign exchanges	1 56,510	1 56,587
Installment receivables	1 947,406	1 978,393
Lease receivables and leased investment assets	190,859	191,450
Other assets	1 387,318	1 443,302
Premises and equipment	60,989	59,730
Intangible assets	2,3 62,604	2,3 62,098
Assets for retirement benefits	19,499	19,743
Deferred tax assets	10,725	8,640
Customers' liabilities for acceptances and guarantees	1 584,708	1 597,736
Reserve for credit losses	(119,466)	(117,958)
[Total assets]	¥ 10,311,448	¥ 10,944,329
LIABILITIES AND EQUITY		
Liabilities:		
Deposits	¥ 5,771,056	¥ 6,215,280
Negotiable certificates of deposit	627,010	995,306
Call money and bills sold	3,654	1,363
Payables under repurchase agreements	9,567	—
Payables under securities lending transactions	237,530	248,351
Trading liabilities	134,068	145,197
Borrowed money	978,424	782,171
Foreign exchanges	1,905	1,111
Short-term corporate bonds	189,200	94,500
Corporate bonds	380,104	394,113
Other liabilities	416,356	481,939
Accrued employees' bonuses	9,977	2,589
Accrued directors' bonuses	39	5
Liabilities for retirement benefits	8,149	8,199
Reserve for directors' retirement benefits	23	5
Reserve for reimbursement of deposits	393	361
Reserve for reimbursement of debentures	2,853	2,730
Reserve for losses on interest repayments	31,635	35,384
Deferred tax liabilities	472	930
Acceptances and guarantees	584,708	597,736
[Total liabilities]	9,387,131	10,007,281
Equity:		
Shareholders' equity:		
Common stock	512,204	512,204
Capital surplus	72,961	72,961
Retained earnings	449,547	441,101
Treasury stock, at cost	(98,612)	(101,202)
[Total shareholders' equity]	936,101	925,064
Accumulated other comprehensive income:		
Unrealized gain (loss) on available-for-sale securities	(11,667)	(5,668)
Deferred gain (loss) on derivatives under hedge accounting	(13,940)	(4,044)
Foreign currency translation adjustments	5,587	13,567
Defined retirement benefit plans	4,182	4,058
[Total accumulated other comprehensive income]	(15,836)	7,912
Noncontrolling interests	4,052	4,070
[Total equity]	924,316	937,047
[Total liabilities and equity]	¥ 10,311,448	¥ 10,944,329

Quarterly Consolidated Statements of Income

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the three-month periods ended June 30, 2021 and 2022

(Millions of yen)

	June 30, 2021 (3 months)	June 30, 2022 (3 months)
ORDINARY INCOME	¥ 92,387	¥ 95,810
Interest income	34,083	37,194
Interest on loans and bills discounted	32,052	33,580
Interest and dividends on securities	1,434	3,007
Fees and commissions income	13,976	14,693
Trading income	3,596	3,983
Other business income	1 35,273	1 35,778
Other ordinary income	2 5,457	2 4,160
ORDINARY EXPENSES	77,636	98,537
Interest expenses	3,325	4,707
Interest on deposits	877	1,068
Interest on borrowings	579	478
Interest on corporate bonds	858	1,171
Fees and commissions expenses	6,354	6,359
Trading losses	—	43
Other business expenses	3 22,527	3 23,172
General and administrative expenses	4 38,826	4 39,111
Other ordinary expenses	5 6,602	5 25,142
ORDINARY PROFIT (LOSS)	14,750	(2,726)
Extraordinary gains	0	1
Extraordinary losses	6 129	6 868
Income (loss) before income taxes	14,621	(3,592)
Income taxes (benefit)	2,807	2,388
Profit (loss)	11,813	(5,980)
Profit attributable to noncontrolling interests	210	3
PROFIT (LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 11,602	¥ (5,983)

Quarterly Consolidated Statements of Comprehensive Income

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the three-month periods ended June 30, 2021 and 2022

(Millions of yen)

	June 30, 2021 (3 months)	June 30, 2022 (3 months)
PROFIT (LOSS)	¥ 11,813	¥ (5,980)
OTHER COMPREHENSIVE INCOME	(1,476)	23,769
Unrealized gain (loss) on available-for-sale securities	(2,958)	5,985
Deferred gain (loss) on derivatives under hedge accounting	1,563	9,896
Foreign currency translation adjustments	42	7,599
Defined retirement benefit plans	(152)	(124)
Share of other comprehensive income in affiliates	27	412
COMPREHENSIVE INCOME	¥ 10,337	¥ 17,789

(Breakdown)

Attributable to:

Owners of the parent	¥ 10,621	¥ 17,766
Noncontrolling interests	(284)	22

Notes to Quarterly Consolidated Financial Statements

(Change in accounting policy)

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

The Group has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No.31, revised on June 17, 2021) since the beginning of the first quarter of the current fiscal year. In accordance with the transitional treatment set forth in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the Group has applied the new accounting policy prospectively. Accordingly, the Group has applied the treatment in which a net asset value is deemed to be a fair value to nonmarketable investment trusts whose investment trust property is financial instruments, that have significant restrictions that cause market participants to seek compensation for bearing risks arising from cancellation of the investment trusts, 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 of investment trusts is not included in note of matters concerning fair value of financial instruments and breakdown by input level in “Financial instruments.”

(Accounting method specific to quarterly consolidated financial statements)

(1) Income taxes

Income taxes (benefit) are calculated based on income before income taxes or loss before income taxes for the three-month period ended June 30, 2022 and the reasonably estimated effective tax rate after tax effects for the fiscal year ending March 31, 2023.

(Supplementary information)

(Provisioning reserve for credit losses due to the impacts of the Novel Coronavirus)

On March 31, 2022, the impacts of the Novel Coronavirus outbreak and the resulting stagnant economic activities (hereinafter referred to as the "impact of the spread of the novel coronavirus infection, etc.") has weakened by the end of March 2021, but the impacts on the credit risk for loans to some obligors will remain for several more years.

Even after April 2021, the spread of the new coronavirus infection has caused some impact. However, at the end of June 2022, no material changes were made from this assumption at the end of March 2022.

Based on this assumption, we have assumed that there will be material impacts on the credit risk for loans to specific obligors with the varying degrees of such impacts by obligor.

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

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

The amount of reserve for credit losses provisioned as of June 30, 2022 is based on our best estimate at present, however, the assumptions for estimating reserve for credit losses, including the impact of the spread of the novel coronavirus infection, etc. are highly uncertain. Accordingly, the amount of reserve for credit losses may change during and after the second quarter consolidated accounting period if there are changes in the economic environment surrounding the obligors or in their financial conditions.

(Transition to the group tax sharing system)

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 first quarter of the current fiscal year. Therefore the Group 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.

(Quarterly consolidated balance sheets as of March 31, 2022 and June 30, 2022)

1. Claims under the Japanese Banking Act (JBA) and the Financial Revitalization Law are as follows. Claims are corporate bonds in the "Securities" in the consolidated balance sheet (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), loans and bills discounted, foreign exchange claims, accrued income and suspense payments in other assets, customers' liabilities for acceptances and guarantees, and securities lent (limited to those under a loan for use or lease contract).

(Millions of yen)

	March 31, 2022	June 30, 2022
Claims against bankrupt and quasi-bankrupt obligors	¥ 24,083	¥ 25,036
Doubtful claims	44,545	38,084
Loans past due for three months or more	1,050	3,124
Restructured loans	62,171	62,815
Total	¥ 131,852	¥ 129,060

In addition to the above, installment receivables were as follows.

(Millions of yen)

	March 31, 2022	June 30, 2022
Claims against bankrupt and quasi-bankrupt obligors	¥ 4,898	¥ 5,079
Doubtful claims	1,508	1,418
Loans past due for three months or more	529	480
Restructured loans	2,863	2,940
Total	¥ 9,799	¥ 9,918

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.

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.

Loans past due for three months or more shall mean loans on which principal and/or interest are past due three months or more, excluding claims against bankrupt and quasi-bankrupt obligors and doubtful claims.

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 claims against bankrupt and quasi-bankrupt obligors, doubtful claims, or loans past due for three months or more.

The above amount of claims is the amount before deduction of reserve for credit losses.

2. 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, 2022	June 30, 2022
Goodwill	¥ 13,001	¥ 13,812
Negative goodwill	1,993	1,903
Net	¥ 11,007	¥ 11,909

3. "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, 2022	June 30, 2022
Intangible assets acquired in business combinations	¥ 3,852	¥ 3,899

(Quarterly consolidated statements of income for the three-month periods ended June 30, 2021 and 2022)

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

(Millions of yen)

	June 30, 2021 (3 months)	June 30, 2022 (3 months)
Leasing revenue	¥ 19,606	¥ 19,338
Income from installment sales	10,808	11,775

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

(Millions of yen)

	June 30, 2021 (3 months)	June 30, 2022 (3 months)
Recoveries of written-off claims	¥ 2,442	¥ 1,620
Equity in net income of affiliates	486	928
Gain on monetary assets held in trust	824	835

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

(Millions of yen)

	June 30, 2021 (3 months)	June 30, 2022 (3 months)
Leasing cost	¥ 17,648	¥ 17,383

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

(Millions of yen)

	June 30, 2021 (3 months)	June 30, 2022 (3 months)
Amortization of goodwill	¥ 689	¥ 753
Amortization of intangible assets acquired in business combinations ^(Note)	114	107

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, 2021 (3 months)	June 30, 2022 (3 months)
Losses on write-off of equity securities	¥ 875	¥ 16,685
Provision of reserve for credit losses	4,953	8,051

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

(Millions of yen)

	June 30, 2021 (3 months)	June 30, 2022 (3 months)
Impairment losses	¥ 108	¥ 608
Impairment losses of goodwill	-	236

(Quarterly consolidated statements of cash flows for the three-month periods ended June 30, 2021 and 2022)

Quarterly consolidated statements of cash flows for the three-month periods ended June 30, 2021 and 2022 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, 2021 (3 months)	June 30, 2022 (3 months)
Depreciation (other than leased assets as lessor)	¥ 3,454	¥ 3,309
Amortization of goodwill	689	753
Amortization of intangible assets acquired in business combinations	114	107

(Shareholders equity)**Three-month period ended June 30, 2021**

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, 2021	Common stock	¥ 2,583 million	¥ 12.00	March 31, 2021	June 30, 2021	Retained earnings

2. There was no dividend of which the record date belongs to the three-month period ended June 30, 2021, and of which the effective date was after June 30, 2021.

Three-month period ended June 30, 2022

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, 2022	Common stock	¥ 2,462 million	¥ 12.00	March 31, 2022	June 29, 2022	Retained earnings

2. There was no dividend of which the record date belongs to the three-month period ended June 30, 2022, and of which the effective date was after June 30, 2022.

(Segment information)**Three-month period ended June 30, 2021**

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:	¥ 3,156	¥ 4,952	¥ 1,763	¥ 3,528	¥ 1,417	¥ 606
Net interest income (loss)	2,976	3,185	742	68	17	2
Noninterest income (loss)	180	1,766	1,021	3,459	1,400	603
Expenses	3,484	2,983	1,101	2,893	544	593
Net credit costs (recoveries)	(171)	(590)	7	(187)	—	—
Segment profit (loss)	¥ (155)	¥ 2,559	¥ 655	¥ 822	¥ 872	¥ 13

(Millions of yen)

	Individual Business				Overseas Business/Treasury/Other			Total
	Retail Banking	Consumer Finance			Overseas Business	Treasury	Other	
		Shinsei Financial	APLUS	Other Individual				
Revenue:	¥ 6,361	¥ 15,816	¥ 14,623	¥ 557	¥ 2,864	¥ 292	¥ 138	¥ 56,081
Net interest income (loss)	4,918	15,886	1,914	200	1,273	(429)	(0)	30,757
Noninterest income (loss)	1,443	(69)	12,709	356	1,590	722	138	25,323
Expenses	5,809	8,453	9,930	599	1,275	557	(84)	38,141
Net credit costs (recoveries)	4	1,281	3,062	(28)	(258)	—	(4)	3,114
Segment profit (loss)	¥ 547	¥ 6,081	¥ 1,631	¥ (13)	¥ 1,847	¥ (264)	¥ 227	¥ 14,825

(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 Overseas Business/Treasury/Other includes the 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, 2021

(Millions of yen)	
Profit	Amount
Total segment profit	¥ 14,825
Amortization of goodwill	(689)
Amortization of intangible assets	(114)
Lump-sum payments	122
Gains on deposits derecognized from liabilities	392
Other	214
Ordinary profit on the quarterly consolidated statement of income	¥ 14,750

Three-month period ended June 30, 2022

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:	¥ 4,573	¥ 5,772	¥ 885	¥ 3,890	¥ 2,556	¥ 220
Net interest income (loss)	2,793	3,845	876	81	11	1
Noninterest income (loss)	1,779	1,927	8	3,808	2,544	219
Expenses	3,262	2,825	1,140	2,888	516	493
Net credit costs (recoveries)	167	(95)	7	(209)	—	23
Segment profit (loss)	¥ 1,144	¥ 3,041	¥ (261)	¥ 1,211	¥ 2,040	¥ (296)

(Millions of yen)

	Individual Business				Overseas Business/Treasury/Other			Total
	Retail Banking	Consumer Finance			Overseas Business	Treasury	Other	
		Shinsei Financial	APLUS	Other Individual				
Revenue:	¥ 5,990	¥ 15,312	¥ 15,181	¥ 572	¥ (12,118)	¥ 1,368	¥ (1,507)	¥ 42,699
Net interest income (loss)	4,588	15,353	1,772	228	2,137	795	(0)	32,486
Noninterest income (loss)	1,402	(41)	13,409	343	(14,256)	573	(1,507)	10,212
Expenses	6,034	9,033	9,614	682	1,574	621	(351)	38,338
Net credit costs (recoveries)	(48)	3,529	3,101	(176)	411	—	(3)	6,706
Segment profit (loss)	¥ 4	¥ 2,749	¥ 2,465	¥ 66	¥ (14,105)	¥ 747	¥ (1,152)	¥ (2,345)

(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 Overseas Business/Treasury/Other includes the 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, 2022

(Millions of yen)	
Profit	Amount
Total segment profit	¥ (2,345)
Amortization of goodwill	(753)
Amortization of intangible assets	(107)
Lump-sum payments	104
Gains on deposits derecognized from liabilities	194
Other	182
Ordinary loss on the quarterly consolidated statement of income	¥ (2,726)

3. Changes in reportable segments

(1) Changes in 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 method of reportable segments

On April 1, 2022, the Group Business Strategy Division, which has been primarily engaged in the planning, drafting and promotion of new business development, and in business alliances that contribute to the expansion of the business foundation, has been changed to the attribution of the "Corporate Business" in the "Institutional Business" from the attribution of the "Others" in the "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 functions of the Investment Business Division, which had been attributed to "Markets" in the Institutional Business, and the Group Treasury Division, which had been attributed to "Treasury" in the "Overseas Business/Treasury/Others." The division is now attributed to "Treasury" in 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 changed the segments attributed to certain businesses within the "Institutional Business."

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 functions of the Investment Business Division, which had been attributed to "Markets" in the Institutional Business, and the Group Treasury Division, which had been attributed to "Treasury" in the "Overseas Business/Treasury/Others." The division is now attributed to "Treasury" in 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 changed the segments attributed to certain businesses within the "Institutional Business."

As a result, the classification method of reportable segments has been changed as follows in the first quarter of the current fiscal year.

The "Corporate Business" segment in the "Institutional Business" includes the operations of the Group Business Strategy Division (currently Business Co-Creation Division), which was formerly included in the "Others" segment, the operations of the Real Estate Business Division, which was formerly included in the "Structured Finance" segment, and the operations of the Wealth Management Division, which was formerly included in the "Other Global Markets" segment.

The "Structured Finance" segment in the "Institutional Business" includes the business of the Healthcare Finance Division and Shinsei Trust & Banking, which were formerly included in the "Corporate Business" segment.

The "Treasury" segment in the "Overseas Business/Treasury/Others" includes the operations of the Investment Business Division (currently Securities Investment Division), which was formerly included in the "Markets" segment.

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

4. 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, a part of the loan business, and the warrant business were inherited from PayPay Card Corporation (formerly YJ Card Corporation) by the method of absorption-type demerger.

As a result, goodwill of 1,498 million yen was incurred in the Shinsei Financial segment.

The amount of goodwill was provisionally calculated because the allocation of the acquisition cost had not been completed at the end of the first quarter of the current fiscal year.

(Financial instruments)

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

Carrying amounts on the quarterly consolidated balance sheet as of June 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 price (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 quarterly consolidated balance sheet

March 31, 2022

(Millions of yen)

Categorization	Carrying amount			
	Level 1	Level 2	Level 3	Total
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 ¹	37,879	139,752	73,023	250,656
Others 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

1. The amount of investment trusts for which transitional treatments are applied in accordance with Paragraph 26 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31, July 4, 2019) is not included in the table above. The amount of such investment trusts on the consolidated balance sheet is ¥ 1,292 million.

2. The amounts collectively represent the derivative transactions which are recorded in "Trading assets," "Trading liabilities," "Other assets," and "Other liabilities." Assets and liabilities arising from derivative transactions are presented on a net basis, with a net liability presented in round brackets.

3. As for derivative transactions for which hedge accounting is applied, the balances recorded on the consolidated balance sheet amount to a net liability of ¥42,267 million. Of the hedging relationships, the exceptional treatment prescribed in the Practical Solution No.40 "the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (the Practical Solution No.40, March 17, 2022) is applied to all hedging relationships included in the scope of application of the Practical Solution.

June 30, 2022

(Millions of yen)

Categorization	Carrying amount			
	Level 1	Level 2	Level 3	Total
Other monetary claims purchased	¥ —	¥ —	¥ 7,113	¥ 7,113
Trading assets	—	262	—	262
Monetary assets held in trust	—	6,314	151,102	157,417
Securities	148,399	178,974	192,940	520,314
Trading securities	—	—	0	0
Other securities	148,399	178,974	192,940	520,314
Equity securities	8,053	2,044	—	10,098
Japanese national government bonds	93,906	—	—	93,906
Japanese local government bonds	—	2,197	—	2,197
Japanese corporate bonds	—	34,739	107,426	142,166
Foreign securities ¹	46,439	139,851	85,040	271,331
Others ¹	—	141	472	614
Total	¥ 148,399	¥ 185,551	¥ 351,156	¥ 685,107
Derivative instruments ^{2,3}	¥ (93)	¥ (70,552)	¥ (13,593)	¥ (84,239)
Interest rate-related	—	11,279	(4,740)	6,538
Currency-related	—	(82,412)	(8,852)	(91,265)
Equity-related	1	—	—	1
Bond-related	(95)	—	—	(95)
Credit derivatives	—	580	—	580

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 quarterly consolidated balance sheet is ¥1,027 million.
2. The amounts collectively represent the derivative transactions which are recorded in "Trading assets," "Trading liabilities," "Other assets," and "Other liabilities." Assets and liabilities arising from derivative transactions are presented on a net basis, with a net liability presented in round brackets.
3. As for derivative transactions for which hedge accounting is applied, the balances recorded on the quarterly consolidated balance sheet amount to a net liability of ¥86,114 million. Of the hedging relationships, the exceptional treatment prescribed in the Practical Solution No.40 "the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (the Practical Solution No.40, March 17, 2022) is applied to all hedging relationships included in the scope of application of the Practical Solution.

(2) Financial instruments other than those measured at fair value on the quarterly 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.

March 31, 2022

(Millions of yen)

Categorization	Fair value				Carrying amount	Net unrealized gains (losses)
	Level 1	Level 2	Level 3	Total		
Other monetary claims purchased	¥ —	¥ —	¥ 22,050	¥ 22,050	¥ 21,902	¥ 147
Monetary assets held in trust ¹	—	16,576	205,625	222,202	219,664	2,537
Securities	109,608	—	—	109,608	109,988	(380)
Securities being held to maturity	109,608	—	—	109,608	109,988	(380)
Japanese national government bonds	109,608	—	—	109,608	109,988	(380)
Loans and bills discounted ²	—	2,229,191	3,069,365	5,298,557	5,165,998	132,558
Lease receivables and leased investment assets ³	—	3,258	191,293	194,551	184,258	10,293
Installment receivables ⁴	—	115,953	849,881	965,835	917,174	48,661
Total	¥ 109,608	¥ 2,364,980	¥ 4,338,217	¥ 6,812,806	¥ 6,618,988	¥ 193,817
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

(Millions of yen)

Categorization	Fair value				Contract amount
	Level 1	Level 2	Level 3	Total	
Other					
Guarantee contracts ⁵	¥ —	¥ (291)	¥ 44,808	¥ 44,517	¥ 584,708

1. ¥2,221 million of reserve for credit losses corresponding to “Monetary assets held in trust” are deducted.
2. ¥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,” reserve for losses on interest repayments of ¥31,635 million is recognized to prepare for estimated losses arising from reimbursement of excess interest payments. A portion of this reserve is for losses on interest repayments that have a possibility of being appropriated for loan principal in the future.
3. ¥1,309 million of reserves for credit losses corresponding to “Lease receivables and leased investment assets” are deducted. ¥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, is deducted from leased investment assets.
4. ¥15,014 million of deferred gains on installment receivables and ¥15,218 million of reserve for credit losses corresponding to “Installment receivables” are deducted.
5. The “Contract amount” for “Guarantee contracts” presents the amount of “Acceptances and guarantees” on the consolidated balance sheet.

June 30, 2022

(Millions of yen)

Categorization	Fair value				Carrying amount	Net unrealized gains (losses)
	Level 1	Level 2	Level 3	Total		
Other monetary claims purchased	¥ —	¥ —	¥ 21,868	¥ 21,868	¥ 21,784	¥ 83
Monetary assets held in trust ¹	—	15,627	203,109	218,736	215,869	2,866
Securities	104,240	—	20,407	124,648	125,434	(786)
Securities being held to maturity	104,240	—	20,407	124,648	125,434	(786)
Japanese national government bonds	104,240	—	—	104,240	104,981	(741)
Foreign securities	—	—	20,407	20,407	20,452	(44)
Loans and bills discounted ²	—	2,290,113	3,157,857	5,447,971	5,343,425	104,545
Lease receivables and leased investment assets ³	—	3,472	193,192	196,665	185,056	11,608
Installment receivables ⁴	—	122,153	867,861	990,015	947,117	42,897
Total	¥ 104,240	¥ 2,431,366	¥ 4,464,297	¥ 6,999,904	¥ 6,838,687	¥ 161,216
Deposits	—	5,624,957	587,329	6,212,287	6,215,280	2,993
Negotiable certificates of deposit	—	—	995,465	995,465	995,306	(159)
Borrowed money	—	2,116	779,291	781,407	782,171	763
Corporate bonds	—	393,735	—	393,735	394,113	378
Total	¥ —	¥ 6,020,809	¥ 2,362,086	¥ 8,382,895	¥ 8,386,872	¥ 3,976

(Millions of yen)

Categorization	Fair value				Contract amount
	Level 1	Level 2	Level 3	Total	
Other					
Guarantee contracts ⁵	¥ —	¥ (350)	¥ 45,593	¥ 45,243	¥ 597,736

1. ¥1,943 million of reserve for credit losses corresponding to "Monetary assets held in trust" are deducted.
2. ¥73,879 million of reserve for credit losses corresponding to "Loans and bills discounted" are deducted. For consumer loans held by quarterly consolidated subsidiaries included in "Loans and bills discounted," reserve for losses on interest repayments of ¥35,384 million is recognized to prepare for estimated losses arising from reimbursement of excess interest payments. A portion of this reserve is for losses on interest repayments that have a possibility of being appropriated for loan principal in the future.
3. ¥1,263 million of reserves for credit losses corresponding to "Lease receivables and leased investment assets" are deducted. ¥5,130 million of estimated residual value of "Lease receivables and leased investment assets" arising from finance lease transactions, where the ownership of the property is not deemed to transfer to the lessee, is deducted from leased investment assets.
4. ¥15,344 million of deferred gains on installment receivables and ¥15,931 million of reserve for credit losses corresponding to "Installment receivables" are deducted.
5. The "Contract amount" for "Guarantee contracts" presents the amount of "Acceptances and guarantees" on the quarterly consolidated balance sheet.

(Note) 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)

Categorization	March 31, 2022	June 30, 2022
Nonmarketable equity securities and others ^{1,3}	¥ 21,607	¥ 33,049
Investments in partnerships and others ^{2,3}	31,016	34,466
Total	¥ 52,624	¥ 67,515

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 June 30, 2022 and March 31, 2022, impairment losses on “Nonmarketable equity securities and others” of ¥0 million and ¥1,144 million, and on “Investment in partnerships and others” of ¥96 million and ¥573 million were recognized, respectively.

(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, 2022

(Millions of yen)

	Carrying amount	Fair value	Unrealized gain (loss)
Japanese national government bonds	¥ 109,988	¥ 109,608	¥ (380)
Foreign securities	-	-	-
Total	¥ 109,988	¥ 109,608	¥ (380)

As of June 30, 2022

(Millions of yen)

	Carrying amount	Fair value	Unrealized gain (loss)
Japanese national government bonds	¥ 104,981	¥ 104,240	¥ (741)
Foreign securities	20,452	20,407	(44)
Total	¥ 125,434	¥ 124,648	¥ (786)

2. Securities available for sale:

As of March 31, 2022

(Millions of yen)

	Amortized/ Acquisition cost	Carrying amount (Fair value)	Unrealized gain (loss)
Equity securities	¥ 5,308	¥ 9,000	¥ 3,692
Domestic bonds:	253,399	250,723	(2,676)
Japanese national government bonds	103,639	103,463	(175)
Japanese local government bonds	2,200	2,197	(2)
Japanese corporate bonds	147,560	145,062	(2,497)
Other:	271,838	261,397	(10,440)
Foreign securities	262,293	251,701	(10,592)
Other	9,544	9,696	151
Total	¥ 530,545	¥ 521,121	¥ (9,424)

As of June 30, 2022

(Millions of yen)

	Amortized/ Acquisition cost	Carrying amount (Fair value)	Unrealized gain (loss)
Equity securities	¥ 5,354	¥ 10,098	¥ 4,743
Domestic bonds:	240,944	238,270	(2,674)
Japanese national government bonds	93,927	93,906	(20)
Japanese local government bonds	2,200	2,197	(2)
Japanese corporate bonds	144,817	142,166	(2,650)
Other:	285,645	279,687	(5,958)
Foreign securities	278,447	272,359	(6,088)
Other	7,198	7,328	129
Total	¥ 531,945	¥ 528,055	¥ (3,889)

(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, 2022, was ¥773 million, which consisted of ¥375 million for equity securities and ¥397 million for other securities.

Impairment loss on available-for-sale securities carried at fair value for the three-month period ended June 30, 2022, was ¥16,685 million, which consisted of ¥154 million for equity securities and ¥16,530 million for foreign securities.

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

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, 2022 and June 30, 2022.

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

As of March 31, 2022

(Millions of yen)

	Acquisition cost	Carrying amount	Unrealized gain (loss)
Other monetary assets held in trust	¥ 385,876	¥ 383,334	¥ (2,541)

As of June 30, 2022

(Millions of yen)

	Acquisition cost	Carrying amount	Unrealized gain (loss)
Other monetary assets held in trust	¥ 373,180	¥ 371,011	¥ (2,168)

(Derivative transactions)

The following table shows the contract amount or the amount equivalent to the principal amount stipulated in the contract, the fair value and unrealized gains or losses on derivative transactions for which hedge accounting is not applied, by type of transaction at the end of the previous consolidated fiscal year and at the end of first quarter of the current consolidated fiscal year. The contract amounts, etc., do not in themselves represent the market risk associated with derivative transactions.

(1) Interest rate-related transactions:

As of March 31, 2022

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Future contracts	¥ —	¥ —	¥ —
	Interest rate options	—	—	—
Over the counter	Forward contracts	—	—	—
	Interest rate swaps	13,277,787	5,154	5,154
	Interest rate swaptions	735,491	7,545	7,466
	Interest rate options	39,007	58	124
	Other	—	—	—
Total		—	¥ 12,759	¥ 12,746

(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 "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 (the "JICPA")) are excluded from the table above.

As of June 30, 2022

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Future contracts	¥ 1,249	¥ (0)	¥ (0)
	Interest rate options	—	—	—
Over the counter	Forward contracts	—	—	—
	Interest rate swaps	10,469,478	(586)	(586)
	Interest rate swaptions	707,502	11,498	11,419
	Interest rate options	42,534	22	88
	Other	—	—	—
Total		—	¥ 10,934	¥ 10,921

(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 "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry" (Industry Committee Practical Guidelines No. 24, March 17, 2022, by JICPA) are excluded from the table above.

(2) Currency-related transactions:

As of March 31, 2022

(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	626,629	1,325	1,325
	Forward foreign exchange contracts	1,820,128	(3,578)	(3,578)
	Currency options	1,089,450	(10,073)	(3,444)
	Other	—	—	—
Total		—	¥ (12,327)	¥ (5,698)

(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 "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 JICPA) are excluded from the table above.

As of June 30, 2022

(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	682,599	2,449	2,449
	Forward foreign exchange contracts	2,124,145	5,400	5,400
	Currency options	1,101,940	(17,396)	(10,322)
	Other	—	—	—
Total		—	¥ (9,546)	¥ (2,472)

(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 "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 JICPA) are excluded from the table above.

(3) Equity-related transactions:

As of March 31, 2022

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Equity index futures	¥ —	¥ —	¥ —
	Equity index options	—	—	—
	Equity options	—	—	—
Over the counter	Equity options	—	—	—
	Equity index swaps	—	—	—
	Other	—	—	—
Total		—	¥ —	¥ —

(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, 2022

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Equity index futures	¥ —	¥ —	¥ —
	Equity index options	2,058	1	1
	Equity options	—	—	—
Over the counter	Equity options	—	—	—
	Equity index swaps	—	—	—
	Other	—	—	—
Total		—	¥ 1	¥ 1

(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, 2022

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Bond futures	¥ 13,747	¥ 0	¥ 0
	Bond futures options	—	—	—
Over the counter	Bond options	—	—	—
	Other	—	—	—
Total		—	¥ 0	¥ 0

(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, 2022

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Bond futures	¥ 18,134	¥ (36)	¥ (36)
	Bond futures options	6,394	(59)	37
Over the counter	Bond options	—	—	—
	Other	—	—	—
Total		—	¥ (95)	¥ 1

(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, 2021 and June 30, 2021.

(6) Credit derivatives transactions:

As of March 31, 2022

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Over the counter	Credit default options	¥ 65,000	¥ 595	¥ 595
	Other	—	—	—
Total		—	¥ 595	¥ 595

(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, 2022

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Over the counter	Credit default options	¥ 50,000	¥ 580	¥ 580
	Other	—	—	—
Total		—	¥ 580	¥ 580

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

(Business Combinations)

Succession of business by absorption-type company split

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

1. Outline of the business combination

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

Name:	PayPay Card Corporation (previous YJ Card Corporation)
Business description:	Part of credit business Part of loan business Credit guarantee business

(2) Purpose of the succession

For revenue growth of the Group.

(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 (previous YJ Card Corporation)

(5) Name of the company after the business combination

Shinsei Financial Co., Ltd.

2. Period of the acquired business's financial result included in the quarterly consolidated financial statements of the Group

From May 1, 2022 to June 30, 2022

3. Acquisition costs of the shares and their breakdown

Consideration	cash	¥ 2,816 million
Acquisition cost		¥ 2,816 million

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

(1) Amount of goodwill recognized

¥ 1,498 million

Because the purchase price allocation has not yet been completed as of June 30, 2022, the amount has been provisionally calculated based on information available at the time.

(2) Reason for recognition

Due to expected excess earning power as a result of business expansion in the future.

(3) Amortization method and period

The Bank will estimate the period during which the goodwill will have an effect, and the Bank will amortize the goodwill using the straight-line method.

(Revenue Recognition)

Information on disaggregated revenue from contracts with customers

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

Three-month period ended June 30, 2021

(Millions of yen)

	Institutional Business					
	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Fees and commissions income ^{1,5}	¥ 298	¥ 277	¥ 133	¥ 101	¥ 7	¥ 392
Other business income ^{2,5}	142	9	32	1,248	18	—
Ordinary income from contracts with customers	440	287	165	1,349	25	392
Ordinary income other than the above ^{3,5}	7,066	19,970	2,204	23,328	8,255	520
Ordinary income from external customers	¥ 7,507	¥ 20,257	¥ 2,369	¥ 24,678	¥ 8,281	¥ 912

(Millions of yen)

	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}	¥ 2,129	¥ 410	¥ 3,587	¥ 162	¥ 0	¥ 6	¥ (226)	¥ 7,279
Other business income ^{2,5}	—	—	2,945	126	—	228	(177)	4,575
Ordinary income from contracts with customers	2,129	410	6,533	289	0	235	(404)	11,854
Ordinary income other than the above ^{3,5}	6,266	18,487	13,614	988	4,666	(5,104)	(19,733)	80,532
Ordinary income from external customers	¥ 8,395	¥ 18,898	¥ 20,147	¥ 1,278	¥ 4,666	¥ (4,868)	¥ (20,137)	¥ 92,387

(Notes)

1. "Fees and commissions income" are mainly from sales of mutual funds and insurances in "Retail Banking" and from collection agent service in the payment business in "APLUS."
2. "Other business income" are mainly from sales of used construction machines, etc. in "Showa Leasing" and merchant fees and annual membership fees in the credit card business in "APLUS."
3. "Ordinary income other than the above" includes revenue from transactions defined in "Accounting Standard for Financial Instruments" (ASBJ Statement No.10, revised on July 4, 2019) and "Accounting Standard for Lease

Transactions” (ASBJ Statement No.13, revised on March 30, 2007).

4. “Other” under the Overseas Business/Treasury/Other includes revenues which are not included in our reportable segments and elimination amounts of inter-segment transactions.
5. Revenues relating to each reportable segment are allocated based on our rational standard.
6. Each revenue for the first quarter of the previous fiscal year has been prepared in accordance with the reporting segment classification for the first quarter of the current fiscal year.

Three-month period ended June 30, 2022

(Millions of yen)

	Institutional Business					
	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Fees and commissions income ^{1,5}	¥ 37	¥ 394	¥ 249	¥ 174	¥ 8	¥ 491
Other business income ^{2,5}	168	5	36	878	(1)	—
Ordinary income from contracts with customers	206	399	285	1,053	6	491
Ordinary income other than the above ^{3,5}	8,271	24,594	1,606	24,239	17,005	17
Ordinary income from external customers	¥ 8,478	¥ 24,994	¥ 1,892	¥ 25,292	¥ 17,012	¥ 508

(Millions of yen)

	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}	¥ 2,194	¥ 503	¥ 3,713	¥ 165	¥ 5	¥ 5	¥ (315)	¥ 7,629
Other business income ^{2,5}	—	—	3,571	19	—	986	(1,145)	4,519
Ordinary income from contracts with customers	2,194	503	7,285	185	5	992	(1,461)	12,149
Ordinary income other than the above ^{3,5}	5,313	18,024	13,128	957	6,719	(473)	(35,742)	83,661
Ordinary income from external customers	¥ 7,508	¥ 18,527	¥ 20,413	¥ 1,143	¥ 6,724	¥ 518	¥ (37,203)	¥ 95,810

(Notes)

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

(Per share information)

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

		June 30, 2021 (3 months)	June 30, 2022 (3 months)
(1) Basic EPS	(Yen)	¥ 53.88	¥ (29.28)
(Calculation basis)			
Profit attributable to owners of the parent or Loss attributable to owners of the parent	(Millions of yen)	¥ 11,602	¥ (5,983)
The amount which is not attributable to common shareholders	(Millions of yen)	—	—
Profit attributable to owners of the parent available to common shareholders or Loss attributable to owners of the parent available to common shareholders	(Millions of yen)	¥ 11,602	¥ (5,983)
Weighted average number of common shares	(Thousands)	215,316	204,343
(2) Diluted EPS	(Yen)	¥ 53.86	¥ —
(Calculation basis)			
Adjustment amount of profit attributable to owners of the parent	(Millions of yen)	—	—
Increase of the number of common shares	(Thousands)	66	—

(Note) Diluted EPS for the first quarter of the current fiscal year is not calculated because Basic EPS is loss and there are no dilutive shares.