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[TRANSLATION]

The items provided through the Internet pursuant to the laws and the Company's Articles of Incorporation for the Notice of the Annual General Meeting of Shareholders for the 21st Term

- 1) Stock Acquisition Rights of the Bank
- 2) Contents of Resolutions Concerning the Organization of a System to Ensure Business Relevance and Operational Status of the Said System "Outline of resolutions concerning a system to ensure business relevance"
- 3) Notes to the consolidated financial statements
- 4) Notes to the financial statements

(from April 1, 2020 to March 31, 2021)

The above items are provided through the Bank's website (<https://www.shinseibank.com>) pursuant to the laws and Article 13 of the Company's Articles of Incorporation for the Notice of the Annual General Meeting of Shareholders for the 21st Term.

Shinsei Bank, Limited

Stock Acquisition Rights of the Bank

(1) Stock acquisition rights of the Bank owned by the Directors, Outside Directors, and Audit & Supervisory Board Members of the Bank as of the end of the fiscal year ended March 31, 2021.

	Subscription Warrants Series 1 (The Equity Remuneration Type)	Subscription Warrants Series 2 (The Equity Remuneration Type)
Date of resolution at Board of Directors meeting	May 11, 2016	May 10, 2017
Issue date	May 26, 2016	May 25, 2017
Number of stock acquisition rights issued	1,343	1,673
Holdings by Directors (excluding Outside Directors)	895/ 1person	1,115/ 1person
Holdings by Outside Directors and Outside Statutory Auditors	—	—
Holdings by Standing Statutory Auditor	—	—
Class and number of shares that can be purchased through the exercise of stock acquisition rights	Common stock/ 13,430 shares (10 shares per stock acquisition right)	Common stock/ 16,730 shares (10 shares per stock acquisition right)
Per share amount to be paid upon exercise of stock acquisition rights	1 yen	1 yen
Exercise period of stock acquisition rights	From May 27, 2016 to May 26, 2046	From May 26, 2017 to May 25, 2047
Conditions for exercising stock acquisition rights	<p>1) The Subscription Warrant Holder may only exercise the Subscription Warrants in a lump until the day on which ten (10) days have elapsed from the day following the day on which it ceases to be a director of the Bank (if the tenth (10th) day falls on a holiday, the following business day).</p> <p>2) Notwithstanding the 1) above, if a proposal for approval of a merger agreement under which the Bank is to be dissolved, a proposal for approval of a split agreement or a split plan under which the Bank shall be split, or a proposal for approval of a share exchange agreement or a share transfer plan, under which the Bank will become a wholly-owned subsidiary is approved at a general meeting of shareholders of the Bank (or resolved by the board of directors of the Bank if a resolution at a general meeting of shareholders is not required), the Subscription Warrant Holder may exercise the Subscription Warrants within 30 days from the following day of the day on which such proposal for approval is approved.</p> <p>3) If any Subscription Warrant Holder dies, the successor thereof may only exercise the Subscription Warrants in a lump.</p> <p>4) Other terms and conditions for exercise of the Subscription Warrants shall be set forth in the agreement for the allotment of Subscription Warrants between the Bank and the Subscription Warrant Holder.</p>	<p>1) The Subscription Warrant Holder may only exercise the Subscription Warrants in a lump until the day on which ten (10) days have elapsed from the day following the day on which it ceases to be a director of the Bank (if the tenth (10th) day falls on a holiday, the following business day).</p> <p>2) Notwithstanding the 1) above, if a proposal for approval of a merger agreement under which the Bank is to be dissolved, a proposal for approval of a split agreement or a split plan under which the Bank shall be split, or a proposal for approval of a share exchange agreement or a share transfer plan, under which the Bank will become a wholly-owned subsidiary is approved at a general meeting of shareholders of the Bank (or resolved by the board of directors of the Bank if a resolution at a general meeting of shareholders is not required), the Subscription Warrant Holder may exercise the Subscription Warrants within 30 days from the following day of the day on which such proposal for approval is approved.</p> <p>3) If any Subscription Warrant Holder dies, the successor thereof may only exercise the Subscription Warrants in a lump.</p> <p>4) Other terms and conditions for exercise of the Subscription Warrants shall be set forth in the agreement for the allotment of Subscription Warrants between the Bank and the Subscription Warrant Holder.</p>
Favorable terms	—	—

	Subscription Warrants Series 3 (The Equity Remuneration Type)	Subscription Warrants Series 4 (The Equity Remuneration Type)
Date of resolution at Board of Directors meeting	May 11, 2018	May 15, 2019
Issue date	May 28, 2018	May 30, 2019
Number of stock acquisition rights issued	1,322	1,817
Holdings by Directors (excluding Outside Directors)	881/ 1person	1,817/ 2persons
Holdings by Outside Directors and Outside Statutory Auditors	—	—
Holdings by Standing Statutory Auditor	—	—
Class and number of shares that can be purchased through the exercise of stock acquisition rights	Common stock/ 13,220 shares (10 shares per stock acquisition right)	Common stock/ 18,170 shares (10 shares per stock acquisition right)
Per share amount to be paid upon exercise of stock acquisition rights	1 yen	1 yen
Exercise period of stock acquisition rights	From May 29, 2018 to May 28, 2048	From May 31, 2019 to May 28, 2049
Conditions for exercising stock acquisition rights	<p>1) The Subscription Warrant Holder may only exercise the Subscription Warrants in a lump until the day on which ten (10) days have elapsed from the day following the day on which it ceases to be a director of the Bank (if the tenth (10th) day falls on a holiday, the following business day).</p> <p>2) Notwithstanding the 1) above, if a proposal for approval of a merger agreement under which the Bank is to be dissolved, a proposal for approval of a split agreement or a split plan under which the Bank shall be split, or a proposal for approval of a share exchange agreement or a share transfer plan, under which the Bank will become a wholly-owned subsidiary is approved at a general meeting of shareholders of the Bank (or resolved by the board of directors of the Bank if a resolution at a general meeting of shareholders is not required), the Subscription Warrant Holder may exercise the Subscription Warrants within 30 days from the following day of the day on which such proposal for approval is approved.</p> <p>3) If any Subscription Warrant Holder dies, the successor thereof may only exercise the Subscription Warrants in a lump.</p> <p>4) Other terms and conditions for exercise of the Subscription Warrants shall be set forth in the agreement for the allotment of Subscription Warrants between the Bank and the Subscription Warrant Holder.</p>	<p>1) The Subscription Warrant Holder may only exercise the Subscription Warrants in a lump until the day on which ten (10) days have elapsed from the day following the day on which it ceases to be a director of the Bank (if the tenth (10th) day falls on a holiday, the following business day).</p> <p>2) Notwithstanding the 1) above, if a proposal for approval of a merger agreement under which the Bank is to be dissolved, a proposal for approval of a split agreement or a split plan under which the Bank shall be split, or a proposal for approval of a share exchange agreement or a share transfer plan, under which the Bank will become a wholly-owned subsidiary is approved at a general meeting of shareholders of the Bank (or resolved by the board of directors of the Bank if a resolution at a general meeting of shareholders is not required), the Subscription Warrant Holder may exercise the Subscription Warrants within 30 days from the following day of the day on which such proposal for approval is approved.</p> <p>3) If any Subscription Warrant Holder dies, the successor thereof may only exercise the Subscription Warrants in a lump.</p> <p>4) Other terms and conditions for exercise of the Subscription Warrants shall be set forth in the agreement for the allotment of Subscription Warrants between the Bank and the Subscription Warrant Holder.</p>
Favorable terms	—	—

	Subscription Warrants Series 5 (The Equity Remuneration Type)
Date of resolution at Board of Directors meeting	May 13, 2020
Issue date	May 29, 2020
Number of stock acquisition rights issued	1,929
Holdings by Directors (excluding Outside Directors)	1,929/ 2persons
Holdings by Outside Directors and Outside Statutory Auditors	—
Holdings by Standing Statutory Auditor	—
Class and number of shares that can be purchased through the exercise of stock acquisition rights	Common stock/ Common stock/ 19,290 shares (10 shares per stock acquisition right)
Per share amount to be paid upon exercise of stock acquisition rights	1 yen
Exercise period of stock acquisition rights	From May 30, 2020 to May 29, 2050
Conditions for exercising stock acquisition rights	<p>1) The Subscription Warrant Holder may only exercise the Subscription Warrants in a lump until the day on which ten (10) days have elapsed from the day following the day on which it ceases to be a director of the Bank (if the tenth (10th) day falls on a holiday, the following business day).</p> <p>2) Notwithstanding the 1) above, if a proposal for approval of a merger agreement under which the Bank is to be dissolved, a proposal for approval of a split agreement or a split plan under which the Bank shall be split, or a proposal for approval of a share exchange agreement or a share transfer plan, under which the Bank will become a wholly-owned subsidiary is approved at a general meeting of shareholders of the Bank (or resolved by the board of directors of the Bank if a resolution at a general meeting of shareholders is not required), the Subscription Warrant Holder may exercise the Subscription Warrants within 30 days from the following day of the day on which such proposal for approval is approved.</p> <p>3) If any Subscription Warrant Holder dies, the successor thereof may only exercise the Subscription Warrants in a lump.</p> <p>4) Other terms and conditions for exercise of the Subscription Warrants shall be set forth in the agreement for the allotment of Subscription Warrants between the Bank and the Subscription Warrant Holder.</p>
Favorable terms	—

(2) Stock Acquisition Rights of the Bank issued to employees, etc. during the fiscal year ended March 31, 2021

None

Contents of Resolutions Concerning the Organization of a System to Ensure Business Relevance and Operational Status of the Said System

1. Outline of resolutions concerning a system to ensure business Relevance

To create a system for ensuring business relevance (internal control systems) as resolved by the Board of Directors pursuant to Article 362, Paragraph 4, Item 6 of the Companies Act and Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of Companies Act, we prescribe detailed rules in the “Internal Control Rules” and their related rules, and make resolutions at the Board of Directors meetings. “Executive Directors” (*gyoumu-shikkou-torishimariyaku*), Executive Officers, Chief Officers, and Senior Officers are required to establish and operate internal control systems for the business areas they are responsible for, and all “Executive Directors” (*gyoumu-shikkou-torishimariyaku*), Executive Officers, Chief Officers, Senior Officers, and employees of the Bank are required to observe such internal control systems. Furthermore, the Board of Directors periodically verifies the status of internal control systems and the Bank’s basic policy for building internal control systems. An outline of these activities is described below.

(1) Framework of the organization

Internal Control Rules stipulate that the internal control systems shall consist of ① a self-disciplined function in the business execution line in the field (hereinafter, the “First Line”), management functions that are independent from the business execution line in the field such as risk management and compliance functions (hereinafter, the “Second Line”), and an internal audit line (hereinafter, the “Third Line”) and ② in order to capture and address serious risks and problems appropriately, the Board of Directors shall receive reports from the Second and Third Lines in a timely manner and shall examine major policies and controls regularly.

(2) System for ensuring that the Bank’s directors and employees perform their duties in compliance with laws, regulations and the Articles of Incorporation (Article 362, Paragraph 4, Item 6 of the Companies Act; Article 100, Paragraph 1, Item 4 of the Ordinance for Enforcement of Companies Act)

We have established the “Shinsei Bank Group Code of Conduct” (the “Code of Conduct”) as a basis of the system to ensure that the Bank’s directors and employees perform their duties in compliance with laws, regulations, and the Articles of Incorporation. All officers and employees of the Bank are required to comply with it.

The Code of Conduct requires the Bank officers and employees to comply with the letter and spirit of all laws, regulations, and rules applicable to their duties at the Bank, and to follow internal procedures. In addition, it stipulates their obligation to report violations. The Code of Conduct also prescribes rules for respecting human rights, sincere and fair business activities, and behavior as an individual.

(3) System for retaining and managing information related to the execution of duties by directors of the Bank (Article 100, Paragraph 1, Item 1 of the Ordinance for Enforcement of Companies Act)

We endeavor to retain and manage information related to the performance of duties by the Bank’s directors with due care required for each type of storage media in order to prevent information leakage. We also provide such information to the Audit & Supervisory Board Members of the Bank from time to time upon their request. In addition, we manage information regarding the performance of duties by the Bank’s directors and employees pursuant to the Group Information Security Policy established by the Bank.

The Group Information Security Policy recognizes information as important assets and requires appropriate management and protection of information assets.

(4) Regulations and other systems concerning the management of risk of losses for the Bank (Article 100, Paragraph 1, Item 2 of the Ordinance for Enforcement of Companies Act)

We have established the Group Risk Management Policy to manage the risk of losses for the Bank and created a risk management system based on this Policy.

The Group Risk Management Policy prescribes the basic policy for comprehending and actively managing the sum of risks assumed by the Bank and the Bank Group. The Bank manages its risks by integrating the “macro approach” (distribution and evaluation of capital and resources by the management organ) and the “standardized business management framework” (a progressively decentralized transaction approval process). As the specific “business management framework”, the Policy provides for:

- 1) Risk classifications such as credit risk, market risk, liquidity risk, operational risk, and investment risk;
- 2) Composition, objectives, missions, and functions of various committee organizations corresponding to risks such as the Group Risk Policy Committee, Transaction Committee, Doubtful Debt Committee, Group ALM Committee, Market Business Management Committee, and Group New Business and Product Committee; and

- 3) Functions, roles and responsibilities of the divisions under the Chief Officer in charge of Group Risk Management and the divisions under the head of Credit Risk Management.

Moreover, we have established the Group Business Continuity Management Committee and various rules concerning the business continuity framework in order to continue important business operations and fulfill our responsibilities to customers and society as much as possible upon occurrence of large-scale disasters, accidents, or other events that disrupt our business activities.

- (5) System to ensure that the Bank's directors efficiently perform their duties and responsibilities (Article 100, Paragraph 1, Item 3 of the Ordinance for Enforcement of Companies Act)

We have adopted the Executive Officer system and placed Chief Officers and Senior Officers in the Group Headquarters in order to ensure timely and efficient execution of daily business. Specifically, "Divisions" are designated as the most basic business unit in the bank, and under the direction of the President, Executive Officers, Chief Officers and Senior Officers who are delegated authorities by the Board of Directors undertake operations for which they are responsible, centering on Executive Officers who act as head of a specified field and Chief Officers, in accordance with the "Regulations of Business Execution."

The "Regulations of Business Execution" provide for basic matters for ensuring efficient execution of duties and responsibilities of directors and others. These include: standards for the election and dismissal of "executive directors" (*gyoumu-shikkou-torishimariyaku*), Executive Officers, Chief Officers and Senior Officers, compliance with laws and regulations, a good manager's duty of care and duty of loyalty, duty not to compete, prohibition of actions constituting a conflict of interest, duty of reporting to the Board of Directors, actions to be taken when there is a concern that significant damage may be incurred to the Bank, retention and management of information concerning the execution of duties, establishment of the Group Executive Committee and the Executive Committee (composed of executive officers, such as executive directors, the Heads of Executive Officers and Chief Officers) established as a body to allow the President to make decisions on business execution matters), and the duties and authorities of "executive directors" (*gyoumu-shikkou-torishimariyaku*), Executive Officers, Chief Officers and Senior Officers, among other things.

- (6) System to ensure business relevance of corporate groups consisting of the Bank and its parent company and subsidiaries (Article 362, Paragraph 4, Item 6 of the Companies Act; Article 100, Paragraph 1, Item 5 of the Ordinance for Enforcement of Companies Act)

To ensure our business operations are consistent with our overall management policies, business plans, risk management and compliance frameworks, we designate the Divisions in charge of each of our subsidiaries and affiliates and create a system for mainly specialized sections to provide guidance on and manage overall management of the subsidiaries and affiliates. The Bank's subsidiaries and affiliates also receive guidance on their business management and are managed in accordance with the Subsidiaries and Affiliates Policy and Group Headquarters Organization Management Policy.

The purpose of the Subsidiaries and Affiliates Policy is to maximize our Group value by clarifying the following three responsibilities with respect to the management of our subsidiaries and affiliates:

- 1) Supporting the subsidiaries and affiliates to show their autonomy, while ensuring that their initiatives are consistent with the Bank's overall strategy and directions;
- 2) Instructing the subsidiaries and affiliates to manage risks, perform administrative operations, and achieve operational efficiency in accordance with the scale and nature of their businesses; and
- 3) Ensuring that the subsidiaries and affiliates comply with rules (including firewall rules), maintain their reputation, and establish appropriate internal controls.

To achieve this goal, the Policy stipulates issues concerning instructions to and management of subsidiaries and affiliates such as the roles and responsibilities of the Divisions in charge of them, specialized sections and other relevant divisions within the Bank, items requiring approval of the Group Executive Committee, responsibilities of the subsidiaries and affiliates, responsibilities of the Bank's officers and employees in relation to the Bank's subsidiaries and affiliates, and other responsibilities of the Bank's officers and employees.

The Group Headquarters Organization Management Policy aims to operate the Group Headquarters efficiently. The Policy stipulates basic matters related to the organizations necessary for operating the Group Headquarters and related to managing the organizations, such as basic principles for forming the Group Headquarters, organization, division of duties, relationship between the Group Headquarters and Group member companies, members, titles, duties, and authority.

- (7) Matters concerning employees who are required to assist the Audit & Supervisory Board Members of the Bank in fulfilling their duties and responsibilities and matters concerning ensuring the effectiveness of instructions given by the Audit & Supervisory Board Members of the Bank to the said employees (Article 100, Paragraph 3, Items 1 and 3 of the Ordinance for Enforcement of Companies Act)

We have established the Office of Audit & Supervisory Board Members to assist the Audit & Supervisory Board Members of the Bank in the performance of audits, and stipulate that the employees belonging to the Office of Audit & Supervisory Board Members are the employees who should assist the Audit & Supervisory Board Members in fulfilling their duties and responsibilities (the "Assistants"). The Assistants have an obligation to comply with the directions and orders the Audit & Supervisory Board Members give them and to report to the Audit & Supervisory Board Members the results of their work.

- (8) Matters concerning the independence of the employees defined in the preceding paragraph from the Bank's directors (Article 100, Paragraph 3, Item 2 of the Ordinance for Enforcement of Companies Act)

The Office of Audit & Supervisory Board Members directly reports to the Audit & Supervisory Board Members of the Bank, and is established as an organization independent from the Bank's directors and their business lines. As such, the Office of Audit & Supervisory Board seeks prior approval from the Audit & Supervisory Board concerning the appointment, dismissal, reassignment and transfer of the Assistants and other important matters concerning employment. Furthermore, the Office seeks prior approval of the Audit & Supervisory Board when revising wages and other remuneration of the Assistants.

- (9) Systems listed below and other systems concerning reporting to the Audit & Supervisory Board Members of the Bank (Article 100, Paragraph 3, Item 4 of the Ordinance for Enforcement of Companies Act)

① Directors and employees of the Bank are, when they have found any fact that could cause significant damage to the Bank, required to report without delay to the Audit & Supervisory Board Members of the Bank the matters concerning such a fact and other matters prescribed by the Bank's Board of Directors or Audit & Supervisory Board.

② Directors, Audit & Supervisory Board members, and employees of the Bank's subsidiary are, when they have found any fact that could cause significant damage to the subsidiary of the Bank, required to report without delay to the Audit & Supervisory Board Members of the Bank the matters concerning such a fact and other matters prescribed by the Bank's Board of Directors or Audit & Supervisory Board.

③ The directors and employees of the Bank and directors, Audit & Supervisory Board members, and employees of the subsidiary of the Bank who have received a report on matters prescribed in each of the preceding items are required to report such matters without delay to the Audit & Supervisory Board Members of the Bank.

④ In addition to the preceding items, the whistle-blowing system and reports made under the said system to the Audit & Supervisory Board Members of the Bank by directors and employees of the Bank, and directors, Audit & Supervisory Board members, and employees of the Bank's subsidiaries are handled appropriately pursuant to the "Compliance Hotline Procedure."

- (10) System to ensure that people who made a report under the preceding paragraph are not treated disadvantageously on the ground they made the said report (Article 100, Paragraph 3, Item 5 of the Ordinance for Enforcement of Companies Act)

We ensure that a person who makes a report that falls under the preceding paragraph is not treated disadvantageously in relation to his/her employment conditions and other matters on the ground that the said person made the said report.

- (11) Procedures for advance payment or refund of expenses incurred for the execution of duties by the Audit & Supervisory Board Members of the Bank and matters concerning the policy for handling other expenses or obligations incurred in the execution of such duties (Article 100, Paragraph 3, Item 6 of the Ordinance for Enforcement of Companies Act)

When the Audit & Supervisory Board Members of the Bank have requested advance payment and so forth of expenses incurred in relation to the execution of their duties pursuant to each item of Article 388 of the Companies Act, we ensure that the Bank shall promptly process such expenses or obligations unless it is deemed that such expenses or obligations are unnecessary for the execution of the relevant duties by the Audit & Supervisory Board Members. Furthermore, the Audit & Supervisory Board Members of the Bank may, as necessary, hire outside experts at the expense of the Bank within the scope permitted by laws.

(12) Other systems to ensure that audits by the Audit & Supervisory Board Members of the Bank are performed effectively (Article 100, Paragraph 3, Item 7 of the Ordinance for Enforcement of Companies Act)

Directors and employees of the Bank are required to cooperate with audits by the Audit & Supervisory Board Members and are not permitted to take actions that obstruct their audits.

(13) Others

We declare in the “Charter of Shinsei Bank Group Corporate Behavior” resolved by the Board of Directors that we will take a firm and resolute stand against antisocial forces which threaten the order and security of our society, and that we will consistently prevent illegal interference by such antisocial forces and completely exclude and eliminate any relationships with antisocial forces. We will also make efforts for preventing money laundering and terrorism financing taking note of the possibility of the use of the funds transacted through financial institutions for crimes and terrorist activities.

In order to verify the effectiveness of the above-mentioned internal control systems, the Group Internal Audit Division conducts internal audits in accordance with the “Internal Audit Policy” determined by the Board of Directors with the approval of the Audit & Supervisory Board and President and reports the audit results to the President and the Audit & Supervisory Board.

Notes to the consolidated financial statements

<Basis for Presentation of Consolidated Financial Statements and Significant Accounting Policies>

The definitions of subsidiaries and affiliates are based on the 8th paragraph of Article 2 of the Banking Act and Article 4-2 of the Banking Act Enforcement Order.

1. Basis for presentation of consolidated financial statements

(1) Scope of consolidation

(a) Consolidated subsidiaries: 88 companies

Major companies:

APLUS FINANCIAL Co., Ltd.

Showa Leasing Co., Ltd.

Shinsei Financial Co., Ltd.

Shinsei Trust & Banking Co., Ltd.

Shinsei Securities Co., Ltd.

Shinsei Investment & Finance Limited

UDC Finance Limited

In the current fiscal year, Shinsei TC LLP and 1 other company were newly consolidated due to their establishment, and UDC Finance Limited was newly consolidated due to its acquisition of shares, and SL CERES LTD. was newly consolidated due to its increased materiality.

Shinsei Capital Partners Limited Partnership and 3 other companies were excluded from the scope of consolidation due to liquidation, Gabbro Limited was excluded from the scope of consolidation due to the sale of shares, G.K. KZ1 was excluded from the scope of consolidation due to the loss of its controlling interest, and SL STRATUS LTD. was excluded from the scope of consolidation due to its decreased materiality.

(b) Unconsolidated subsidiaries: 73 companies

Major Company:

SL PACIFIC LTD.

World Kaihatsu Kogyo Co., Ltd. and 12 other unconsolidated subsidiaries were excluded from the scope of consolidation due to the temporary control, pursuant to Article 63, Paragraph 1, Item 1 of the Regulation on Corporate Accounting.

SL PACIFIC LTD. and 32 other unconsolidated subsidiaries are operating companies that undertake leasing businesses based on the Tokumei Kumiai system (anonymous partnerships). Tokumei Kumiai's assets, profits and losses virtually belong to each anonymous partner but not to the operating companies, and Shinsei Bank, Limited (the "Bank") and its consolidated subsidiaries (collectively, the "Group") do not have any material transactions with these subsidiaries. Therefore, these subsidiaries were excluded from the scope of consolidation pursuant to Article 63, Paragraph 1, Item 2 of the Regulation on Corporate Accounting.

Other unconsolidated subsidiaries were excluded from the scope of consolidation because they are immaterial to the financial condition and results of operations, such as assets, ordinary income, profit (the Group's interest portion), retained earnings (the Group's interest portion) and accumulated other comprehensive income (the Group's interest portion) of the Group.

(c) Companies not accounted for as subsidiaries even though the Group owns over 50% of their voting rights (the rights to execute business): 1 company

Company:

Techno craft corporation

The objective for the Group to own the voting rights is merely to seek capital gain opportunities. Companies which meet the conditions of Paragraph 16 of "Guidance on Determining a Subsidiary and an Affiliate" (ASBJ guidance No.22) were not accounted for as consolidated subsidiaries.

(2) Application of the equity method

(a) Unconsolidated subsidiaries accounted for by the equity method: not applicable

(b) Affiliates accounted for by the equity method: 39 companies

Major Companies:

Nissen Credit Service Co., Ltd.

MB Shinsei Finance Limited Liability Company

In the current fiscal year, Founder Foundry II Investment Limited Partnership was newly included in the scope of application of the equity method due to its formation.

Jih Sun Financial Holding Co., Ltd. and 2 other companies were excluded from the scope of application of the equity method due to the sale of shares and Shinsei Aoyama Partners Investment Limited Partnership V and 1 other company were excluded from the scope of application of the equity method due to liquidation.

(c) Unconsolidated subsidiaries accounted for not applying the equity method: 73 companies

Major Company:

SL PACIFIC LTD.

SL PACIFIC LTD. and 32 other unconsolidated subsidiaries are operating companies that undertake leasing businesses based on the Tokumei Kumiai system (anonymous partnership). Tokumei Kumiai's assets, profits and losses virtually belong to each anonymous partner but not to the operating companies, and the Group does not have any material transactions with these subsidiaries. Therefore, these subsidiaries were excluded from the scope of application of the equity method pursuant to Article 69, Paragraph 1, Item 2 of the Ordinance of Company Accounting.

Other unconsolidated subsidiaries were excluded from the scope of application of the equity method because they are immaterial to the financial condition and results of operations, such as profit (the Group's interest portion), retained earnings (the Group's interest portion) and accumulated other comprehensive income (the Group's interest portion) of the Group.

(d) Affiliates accounted for not applying the equity method: not applicable

(3) Fiscal year of consolidated subsidiaries

(a) Balance sheet dates of consolidated subsidiaries were as follows:

March 31:	56 companies
June 24:	1 company
September 30:	3 companies
December 16:	1 company
December 31:	26 companies
January 31:	1 company

(b) Except for 4 subsidiaries, which are consolidated using their provisional financial statements as of March 31 and 3 subsidiaries which are consolidated using their provisional financial statements as of February 28, and 1 subsidiary which is consolidated using its provisional financial statement as of December 31, those consolidated subsidiaries whose fiscal years end at dates other than March 31 are consolidated using their fiscal year-ends financial statements with appropriate adjustments made for material transactions that occurred during the period from the ending dates of their fiscal years to March 31.

All yen amounts are rounded down to millions of yen.

2. Accounting policies

(1) Recognition and measurement of trading assets/liabilities and trading income/losses

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

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

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

In estimating fair values of derivative financial instruments included in trading accounts, liquidity risks and credit risks are reflected.

(2) Measurement of securities

(a) Securities for trading purposes (except for those included in trading accounts) are carried at fair value (cost of securities sold is determined by the moving-average method). Securities being held to maturity are carried at amortized cost (using the straight-line method) determined by the moving-average method. Investments in unconsolidated subsidiaries and affiliates that are not accounted for by the equity method are carried at cost determined by the moving-average method. Available-for-sale securities are carried at fair value at the consolidated balance sheet date (cost of securities sold is determined by the moving-average method) in principle, with the exception of those whose fair value cannot be reliably determined, which are carried at cost determined by the moving-average method. Investments in partnerships and others are carried at the amount of the Group’s share of net asset value based on their most recent financial statements.

Unrealized gain (loss) on available-for-sale securities is directly recorded in a separate component of equity, after deducting the amount charged to profit or loss by applying fair value hedge accounting. Foreign currency-denominated available-for-sale securities (bonds) are translated into Japanese yen at the exchange rates as of the consolidated balance sheet date, and of the translation amount, the translation difference arising from changes in fair values in foreign currencies is treated as unrealized gain or loss on available-for-sale securities and the other translation difference is treated as profit or loss.

(b) The values of securities included in monetary assets held in trust are determined by the same methods as stated in (a) above.

(3) Measurement of derivatives

Derivatives (except for those included in trading accounts) are carried at fair value.

(4) Measurement of other monetary claims purchased

Other monetary claims purchased held for trading purposes (except for those included in trading accounts) are carried at fair value.

(5) Depreciation

(a) Premises and equipment (excluding leased assets as lessee)

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

Buildings: 3 - 50 years

Others: 2 - 20 years

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

(b) Intangible assets (excluding leased assets as lessee)

The identified intangible assets have been recognized by applying the purchase method to the consolidated subsidiaries. The trade names and trademarks are amortized by straight-line method, the customer relationship is amortized by either sum-of-the-years digits method or straight-line method, and the sublease contracts are amortized by straight-line method. Their amortization periods are as follows:

Trade names and trademarks 20 years

Customer relationship 8 - 20 years

Sublease contracts Subject to the remaining contract years

In addition, goodwill and negative goodwill, which were recorded prior to March 31, 2010, are amortized on a consistent basis primarily 10 - 20 years. The total amount is written off in the fiscal year during which they occurred when the amount is not material.

Intangible assets other than the identified intangible assets mentioned above are amortized using the straight-line method. Capitalized software for internal use is amortized using the straight-line method based on the Group's estimated useful lives (primarily 5 - 15 years).

(c) Leased assets (as lessee)

Depreciation of leased assets under finance lease transactions that are deemed to transfer ownership of the leased property to the lessee, which are included in "Other intangible assets," is computed using the same method which is applied to the owned properties.

Depreciation of leased assets under finance lease transactions that are not deemed to transfer ownership of the leased property to the lessee, which are included in "Other premises and equipment," is computed using the straight-line method over the leasing period. Residual values of leased assets are the guaranteed value determined in the lease contracts or zero for assets without such guaranteed value.

(6) Deferred charges

Deferred issuance expenses for corporate bonds, which are included in other assets, are amortized using the straight-line method over the term of the corporate bonds.

Corporate bonds are stated at amortized costs using the straight-line method.

(7) Reserve for credit losses

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

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

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

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

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

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

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

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

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

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

obligor category or the average rate of the probability of default over a certain period in the past. The reserve is provided by making necessary adjustments to the expected loss amount.

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

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

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

For collateralized or guaranteed claims of the Bank and certain consolidated subsidiaries to legally bankrupt obligors or virtually bankrupt obligors, the amount of claims exceeding the estimated value of collateral or guarantees, which is deemed uncollectible, has been charged off in principle and totaled ¥49,769 million.

(8) Accrued employees' bonuses

Accrued employees' bonuses are provided in the amount of the estimated bonuses that are attributable to the current fiscal year.

(9) Accrued directors' bonuses

Accrued directors' bonuses are provided in the amount of the estimated bonuses that are attributable to the current fiscal year.

(10) Reserve for directors' retirement benefits

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

(11) Reserve for reimbursement of deposits

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

(12) Reserve for reimbursement of debentures

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

(13) Reserve for losses on interest repayments

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

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

In calculating the reserve for losses on interest repayments, Shinsei Financial and Shinsei Personal Loan estimate the amount that is expected to be repaid in the future by multiplying the amount per customer expected to be reclaimed by the population (number of accounts) subject to repayment of overpaid interest on loans (Hereinafter, "loans with gray-zone interest rates" shall be referred to as "loans receivable".) by the intervention of a lawyer's office or judicial scrivener's office (intervention rate), or subject to settlement with the obligor (settlement rate) until the population (number of accounts) falls below a certain number. In addition, APLUS FINANCIAL estimates the number of refund requests during a certain period in the future from changes in the number of refund requests in the past and estimates the amount expected to be refunded in the future

by multiplying it by the estimated amount of refund requests per customer.

The group calculates reserve for losses on interest repayments based on a reasonable estimate of the amount of interest repayment in the future. The assumptions in these calculations include the analysis of the occurrence of past interest repayment amounts, an estimate of the extent to which the number of accounts will decrease due to the expiration of the statute of limitations, and an estimate of how the past intervention rate, settlement rate, number of claims for repayment, amount of claims for repayment per account or customer will change in the future.

(14) Accounting for employees' retirement benefits

The difference between retirement benefit obligations and plan assets is recognized as liabilities for retirement benefits or assets for retirement benefits.

The retirement benefit obligation is estimated using the benefit formula basis for attributing the expected benefits to the current fiscal year. The past service cost and the actuarial gain (loss) are amortized as follows:

Past service cost:	Amortized using the straight-line method over the average remaining service period (10.00 years) from the fiscal year of occurrence.
Actuarial gain (loss):	Amortized using the straight-line method over the average remaining service period (7.49-12.00 years) primarily from the fiscal year of occurrence.

Certain consolidated subsidiaries recognize voluntary retirement payments at the consolidated balance sheet date as retirement benefit obligations under the nonactuarial method.

(15) Revenue and expense recognition

(a) Revenue recognition for installment sales finance business

Revenue from installment sales finance business is recognized primarily using installment bases as follows:

(Contracts based on add-ons)

Installment credit	Sum-of-the-months digits method
Guarantees (lump-sum receipt of guarantee fee when contracted)	Sum-of-the-months digits method
Guarantees (installment of guarantee fee)	Straight-line method

(Contracts based on credit balances)

Installment credit	Credit-balance method
Guarantees (installment of guarantee fee)	Credit-balance method

(Notes)

1. In "Sum-of-the-months digits method," the commission amount regarded as revenue at the time of each installment payment is calculated by dividing the total commission amount by the sum of the months of installment payments.
2. In "Credit-balance method," the commission amount regarded as revenue at the time of each installment payment is calculated by multiplying the respective outstanding principal by a contracted commission ratio.

(b) Revenue and expense recognition for leasing business

For finance lease transactions, lease income is recognized based on lease payments for each of the leasing period, and lease cost is calculated by deducting the interest allocated for each period from lease income.

With regard to finance lease transactions entered into prior to April 1, 2008, that are not deemed to transfer ownership of the leased property to the lessee, leased investment assets are recognized at the amount of book values of those leased properties as of March 31, 2008, in accordance with the transitional treatment in the "Accounting Standard for Lease Transactions" (Accounting Standards Board of Japan ("ASBJ") Statement No. 13) that was effective from April 1, 2008. As a result, income before income taxes for the current fiscal year has increased by ¥52 million, as compared to what would have been reported if the revised accounting standard was applied retroactively to all finance lease transactions as lessor.

(c) Revenue recognition for interest on consumer lending business

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

(16) Translation of foreign currency-denominated assets and liabilities

Foreign currency-denominated assets and liabilities of the Bank are translated into Japanese yen at exchange rates as of the consolidated balance sheet date, except for investments in unconsolidated subsidiaries and affiliates not being accounted for by the equity method which are translated at the relevant historical exchange rates.

Foreign currency-denominated assets and liabilities of consolidated subsidiaries are translated at exchange rates of their respective balance sheet dates.

(17) Hedge accounting

(a) Hedge of interest rate risks

The Bank applies deferral hedge accounting for derivative transactions that meet hedge accounting criteria for mitigating interest risks of its financial assets and liabilities.

The Bank adopted portfolio hedging to determine the effectiveness of hedging instruments in accordance with "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry" (Industry Committee Practical Guidelines No. 24 October 8 2020, by the Japanese Institute of Certified Public Accountants (the "JICPA")). Under portfolio hedging to mitigate the change in fair value, a portfolio of hedged items with common maturities such as deposits or loans is designated and matched with a group of hedging instruments such as interest rate swaps, which offset the effect of fair value fluctuations of the hedged items by identified maturities. The effectiveness of the portfolio hedging is assessed by each group.

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

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

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

(b) Hedge of foreign exchange fluctuation risks

The Bank applies either deferral hedge accountings or fair value hedge accounting for derivative transactions for the purpose of hedging foreign exchange fluctuation risks of its financial assets and liabilities denominated in a foreign currency.

Under deferral hedge accounting, which is 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.), hedged items are identified by grouping the foreign currency-denominated financial assets and liabilities by currency and designating derivative transactions such as currency swap transactions, funding swap transactions and forward exchange contracts as hedging instruments. Hedge effectiveness is reviewed by comparing the total foreign currency position of the hedged items and hedging instruments by currency.

The Bank also applies deferral hedge accounting and fair value hedge accounting to translation gains (losses) from foreign currency assets of net investments in foreign unconsolidated subsidiaries, affiliates and securities available for sale (other than bonds denominated in foreign currencies) when such foreign currency exposures recorded as assets are hedged with offsetting foreign currency liabilities and the liabilities equal or exceed the acquisition cost of such foreign currency assets.

(c) Intercompany and intracompany derivative transactions

Gains (losses) on intercompany and intracompany derivative hedging transactions between the trading book and the banking book are not eliminated since offsetting transactions with third parties are appropriately entered into in conformity with the nonarbitrary and strict hedging policy in accordance with Industry Committee Practical Guidelines No. 24 and No. 25 of the JICPA. As a result, in the banking book, realized gains (losses) on such intercompany and intracompany transactions are reported in current earnings and valuation gains (losses) that meet the hedge accounting criteria are deferred.

(18) Consumption tax

The national consumption tax and the local consumption tax of the Bank and its consolidated domestic subsidiaries are excluded from transaction amounts.

(19) Consolidated corporate tax system

The consolidated corporate tax system is adopted by the Bank and certain consolidated domestic subsidiaries.

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

The Bank and certain consolidated domestic subsidiaries record the amounts of deferred tax assets and deferred tax liabilities on items relating to the transition from the consolidated tax system to the group tax sharing system introduced by "Act on Partial Revision of the Income Tax Act" (Act No.8 of 2020), and deferred tax assets and deferred tax liabilities on items revised in nonconsolidated tax system, in accordance with the provisions of the tax law before amendments relating to this transition. This accounting treatment is in accordance with the paragraph 44 of "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28, February 16, 2018) in accordance with 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).

(Significant Accounting Estimates)

1. Reserve for credit losses

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

Reserve for credit losses	¥112,897 million
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(2) Information that contributes to the understanding of the significant accounting estimates

The Bank determines obligor categories (normal, need caution, substandard, possibly bankrupt, virtually bankrupt and legally bankrupt) for each obligor based on the obligor's financial information and available external information and records reserve for loan losses based on the calculation method described in "2. Accounting policies (7) Reserve for credit losses" of "Basis of Preparation of Consolidated Financial Statements".

On March 31, 2020, the impacts of the Novel Coronavirus outbreak and the resulting stagnant economic activities were assumed to remain for approximately one year from the end of the previous consolidated fiscal year. At the interim consolidated balance sheet date, however, the assumption was revised as follows: Even though the aforementioned impacts will weaken by the end of March 2021, the impacts on the credit risk for loans to some obligors will remain for several more years. No material changes were made from this assumption at the end of March 2021. Based on this assumption, we have assumed that there will be material impacts on the credit risk for loans to specific obligors, even though the magnitude of such impacts will vary by obligor.

In order to prepare for losses expected from such impacts, we have determined obligor categories for obligors whose performance is deteriorating due to the Novel Coronavirus outbreak by assessing the possibility of deterioration or recovery in their business conditions and the possibility of their business continuity and have provisioned reserves for credit losses according to their obligor categories.

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

The amount of reserve for credit losses provisioned as of March 31, 2021 is based on our best estimate at present, however, the assumptions for estimating reserve for credit losses, including the impacts of the Novel Coronavirus outbreak, are highly uncertain. Accordingly, the amount of reserve for credit losses may change during the next fiscal year if there are changes in the economic environment surrounding the obligors or in their financial conditions.

2. Reserves for losses on interest repayments

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

As of March 31, 2021, as a result of estimate of the required amount of reserve for losses on interest repayments in order to provide for losses on future claims for interest repayments, the Group recorded reserves for losses on interest repayments of ¥39,096 million in the consolidated balance sheet. It consisted of ¥29,349 million for Shinsei Financial and ¥3,084 million for Shinsei Personal Loan and ¥6,662 million for APLUS FINANCIAL. Also, the Group recorded reversal gains on reserve for losses on interest repayments of ¥329 million in the consolidated income statement consisting of ¥1,586 million for Shinsei Financial and ¥402 million for Shinsei Personal Loan and ¥1,660 million for APLUS FINANCIAL.

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

The Group has recorded reserves for losses on interest repayments at consolidated subsidiaries Shinsei Financial, Shinsei Personal Loan, and APLUS FINANCIAL. The calculation method is stated in "2. Accounting policies (13) Reserve for losses on interest repayments" of "Basis for Presentation of Consolidated Financial Statements and Significant Accounting Policies."

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

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

(Unapplied Accounting Standards)

The Group has not applied the following revised and newly-established accounting standards published by March 31, 2021.

1. Accounting Standards for Revenue Recognition

“Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020)

“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No.30, March 26, 2021)

(1) Outline

Those accounting standards were issued to show the accounting treatment and disclosure of revenue from contracts with customers.

Those accounting standards were prepared applying basic principles of IFRS 15 "Revenue from Contracts with Customers", which was applied on or after January 1, 2018, while adding alternative accounting treatments within a range not to impair the comparability if there were some practical accounting treatments in our country to be considered.

(2) Effective date

The Group plans to apply those accounting standards from the beginning of the fiscal year beginning on April 1, 2021.

(3) The impact of the application

The impact of the application of "Accounting Standard for Revenue Recognition" is under evaluation at the time of the preparation of the consolidated financial statements.

2. Accounting Standards for Fair Value Measurement

“Accounting Standard for Fair Value Measurement” (ASBJ Statement No.30, July 4, 2019)

“Accounting Standard for Financial Instruments.” (ASBJ Statement No.10, revised on July 4, 2019)

“Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No.31, July 4, 2019)

“Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No.19, March 31, 2020)

(1) Outline

Those accounting standards were issued to show the detailed guideline on fair value measurement. Those accounting standards were prepared applying basic principles of IFRS 13 "Fair Value Measurement" which was applied on or after January 1, 2013, while adding alternative accounting treatments within a range not to impair the comparability if there were some practical accounting treatments in our country to be considered.

(2) Effective date

The Group plans to apply those accounting standards from the beginning of the fiscal year beginning on April 1, 2021.

(3) The impact of the application

The impact of the application of "Accounting Standards for Fair Value Measurement" is under evaluation at the time of the preparation of the consolidated financial statements.

(Change in presentation)

Application of “Accounting Standard for Disclosure of Accounting Estimates”

The Group has applied “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No.31, March 31, 2020) from the beginning of the current fiscal year, and discloses the notes on the significant accounting estimates.

Notes

(Consolidated Balance Sheet)

1. Investments in unconsolidated subsidiaries and affiliates were as follows.

(Millions of yen)	
	Carrying amount
Equity securities	¥7,484
Other	10,940

(Note) Investment in a jointly controlled entity of ¥4,234 million was included in equity securities.

2. For securities held in connection with securities borrowing transactions with or without cash collateral, securities purchased under resale agreements and securities accepted as collateral for derivative transactions, where the Group has the right to sell or pledge such securities without restrictions, ¥3,377 million of those securities was held by the Group at the consolidated balance sheet date.

3. Loans and bills discounted include loans to bankrupt obligors and nonaccrual delinquent loans of ¥3,308 million and ¥52,384 million, respectively.

Loans to bankrupt obligors are loans, after write-off, to legally bankrupt obligors as defined in Article 96, Paragraph 1, Items 3 and 4 of the Order for Enforcement of the Corporation Tax Act (Cabinet Order No. 97 of 1965) and on which accrued interest income is not recognized as the principal or interest is expected to be uncollected because they are past due for a considerable period of time or for other reasons.

Nonaccrual delinquent loans are loans on which accrued interest income is not recognized, excluding loans to bankrupt obligors and loans for which interest payments are deferred in order to facilitate the rehabilitation of obligors or to assist in the financial recovery of obligors.

Installment receivables in "Other assets" included claims to bankrupt obligors and nonaccrual delinquent claims, totaling ¥91 million and ¥6,745 million, respectively, at the consolidated balance sheet date.

4. Loans and bills discounted include loans past due for three months or more of ¥977 million.

Loans past due for three months or more are loans other than loans to bankrupt obligors and nonaccrual delinquent loans for which the principal and/or interest payments are past due for three months or more.

Installment receivables in "Other assets" included claims past due for three months or more totaling ¥209 million at the consolidated balance sheet date.

5. Loans and bills discounted include restructured loans of ¥60,066 million.

Restructured loans are loans other than loans to bankrupt obligors, nonaccrual delinquent loans or loans past due for three months or more, on which concessions such as reduction of the stated interest rate, a deferral of interest payment, an extension of the maturity date, debt forgiveness, or other agreements which give advantages to obligors in financial difficulties have been granted to obligors to facilitate their rehabilitation.

Restructured installment receivables of ¥2,353 million were included in "Other assets."

6. The total amount of loans to bankrupt obligors, nonaccrual delinquent loans, loans past due for three months or more, and restructured loans was ¥116,737 million.

The total installment receivables in "Other assets" of claims to bankrupt obligors, nonaccrual delinquent claims, claims past due for three months or more, and restructured claims were ¥9,400 million.

The amounts of claims mentioned in Notes 3 through 6 above represent the amounts before deduction of the reserve for credit losses.

7. Bills discounted, such as bank acceptances bought, commercial bills discounted, documentary bills and foreign exchange contracts bought, are accounted for as financing transactions in accordance with Industry Committee Practical Guidelines No. 24, in October 8, 2020 by the JICPA, although the Group has the right to sell or pledge them without restrictions. The face value of such bills discounted held was ¥957 million.

8. The total principal amount of loans accounted for as a sale through loan participations was ¥5,759 million as of March 31, 2021. This “off-balance sheet” treatment is in accordance with Report No. 3 issued by the Framework Committee of the JICPA on November 28 2014. And the total principal amount of such loans in which the Bank participated was ¥14,363 million as of March 31, 2021.

9. Assets pledged as collateral were as follows:

Cash and due from banks	¥	10 million
Trading assets		5,042
Monetary assets held in trust		294
Securities		484,222
Loans and bills discounted		913,544
Lease receivables and leased investment assets		8,394
Other assets		152,803
Tangible leased assets as lessor		3,021

Liabilities collateralized were as follows:

Deposits	¥	1,233 million
Payables under repurchase agreements		47,712
Payables under securities lending transactions		395,449
Borrowed money		555,692
Corporate bonds		147,534
Other liabilities		12
Acceptances and guarantees		232

In addition, ¥2,978 million of margin deposits for futures transactions outstanding, ¥13,699 million of security deposits, ¥69,718 million of cash collateral paid for financial instruments and ¥50,000 million of cash collateral for Zengin-net were included in “Other assets.”

10. The Bank and certain of its consolidated subsidiaries set credit lines of overdrafts and issue commitments to extend credit to meet the financing needs of their customers.

The unfulfilled amounts of these commitments were ¥2,333,130 million, out of which the amounts with the commitments of the agreement expiring within one year or being able to be cancelled at any time with no condition were ¥2,027,279 million.

Since a large majority of these commitments expires without being drawn upon, the unfulfilled amounts do not necessarily represent future cash requirements. Many such agreements include conditions granting the Bank and consolidated subsidiaries the right to reject the drawdown or to reduce the amount on the basis of changes in the financial circumstances of the borrower or other reasonable grounds.

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

11. Installment receivables of ¥839,530 million were included in “Other assets.”
12. Accumulated depreciation on “Premises and equipment” was ¥69,359 million.
13. Deferred gains on “Premises and equipment” deducted for tax purposes were ¥29 million.
14. “Tangible leased assets as lessor” and “Intangible leased assets as lessor” are leased assets for the operating leases transactions as lessor.
15. Software in progress of ¥6,539 million were included in “Software.”
16. Goodwill and Negative goodwill are offset and presented as “Goodwill” in intangible assets by the net amount. The gross amounts were as follows:

Goodwill	¥15,817 million
Negative goodwill	2,356
	<hr/>

Net ¥13,460 million

17. The amount of guarantee obligations for privately placed bonds (Paragraph 3 of Article 2 of the Financial Instruments and Exchange Act), out of corporate bonds included in the “Securities” stands at ¥3,380 million.
18. Total obligations to the Directors and Audit & Supervisory Board Members of the Bank stand at ¥28 million.
19. Contingent liability arising from the agreement on the purchase of the personal property of a certain consolidated subsidiary is ¥482 million.

(Consolidated Statement of Income)

1. “Other business income” included leasing revenue of ¥80,693 million and income from installment sales of 38,345 million.
2. “Other” presented in “Other ordinary income” included equity in net income of affiliates of ¥6,720million, gain on monetary assets held in trust of ¥3,622 million, gain on sale of equity securities and others of ¥1,973 million, and gain on reversal of reserve for losses on interest repayments of ¥329 million.
3. “Other business expenses” included leasing cost of ¥73,030 million.
4. “Other general and administrative expenses” included personnel expenses of ¥58,619 million.
5. “Other extraordinary gains” was gain on sale of affiliate's (Jih Sun Financial Holding Co., Ltd.) stocks of ¥11,872 million.
6. “Impairment losses” includes the impairment losses in the Bank related to the following asset groups.

Location	Usage	Asset type	Amount (Millions of yen)
Hyogo, Tokyo etc.	Branches	Buildings, Other premises and equipment	¥150
Tokyo, Fukuoka etc.	IT-related property	Other premises and equipment, Software	570
Total			¥720

The Group determines the asset group based on management segmentation.

As a result of consideration of the business environment, the Bank made a decision to close down some of the branches for the Individual Business and to cease use and development of some software assets and segregated them as idle assets. Impairment losses for these assets were recognized assuming their recoverable amount to be zero.

In the above impairment loss amount, ¥130 million was for “Buildings,” ¥131 million was for “Other premises and equipment,” and ¥457 million was for “Software.”

(Consolidated Statement of Changes in Equity)

1. Type and number of issued shares and treasury stock were as follows;

(Unit: thousand shares)

	Number of shares as of April 1, 2020	Number of shares increased	Number of shares decreased	Number of shares as of March 31, 2021	Note
Issued shares					
Common stock	259,034	-	-	259,034	
Total	259,034	-	-	259,034	
Treasury stock					
Common stock	28,290	15,514	62	43,743	(Note 1,2)
Total	28,290	15,514	62	43,743	

Note 1: The increase of 15,514 thousand shares in treasury stock is associated with the repurchase from market.

2: The decrease of 62 thousand shares in treasury stock is associated with the disposal as a restricted stock compensation.

2. Information on stock acquisition rights

All stock acquisition rights are the stock option of the Bank and a certain consolidated subsidiary. The amount at the consolidated balance sheet date was ¥101 million for the Bank and ¥48 million for a consolidated subsidiary.

3. Information on dividends

(a) Dividend paid in the current fiscal year

Resolution	Type of shares	Total amount of dividend	Dividend per share	Record date	Effective date
The board of directors' meeting on May 13, 2020	Common stock	¥2,307 million	¥10.00	March 31, 2020	June 30, 2020

(b) Dividend to be paid in the next fiscal year attributable to the current fiscal year

Resolution	Type of shares	Total amount of dividend	Source of dividend	Dividend per share	Record date	Effective date
The board of directors' meeting on May 13, 2021	Common stock	¥2,583 million	Retained earnings	¥12.00	March 31, 2021	June 30, 2021

(Financial instruments)

1. Status of financial instruments

(1) Group policy for financial instruments

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

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

(2) Nature and extent of risks arising from financial instruments

(a) Financial assets

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

[Loans and bills discounted]

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

As of March 31, 2021, loans to the financial and insurance industry were approximately 10% of the total loans and bills discounted, and those to the real estate industry were approximately 15%, approximately 30% of which are nonrecourse loans for real estate.

[Securities]

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

[Other monetary claims purchased, Monetary assets held in trust]

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

[Lease receivables and leased investment assets, Installment receivables]

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

(b) Financial liabilities

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

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

(c) Derivative transactions

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

- | | |
|---------------------------|---|
| (i) Interest rate related | Interest rate swap, Future contract, Interest rate option, and Interest rate swaption |
| (ii) Currency related | Currency swap, Forward foreign exchange contract, and Currency option |
| (iii) Equity related | Equity index future, Equity index option, Equity option, and other |
| (iv) Bond related | Bond futures, and Bond future option |
| (v) Credit derivative | Credit default option, and other |

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

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

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

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

(3) Risk management for financial instruments

(a) Credit risk management

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

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

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

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

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

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

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

(b) Market risk management

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

The Group manages market risk by segregating the overall balance sheet, including off-balance-sheet transactions, into a trading business and a banking business. At the Market Business Management Committee, the senior review and decision-making for the management of the trading business are performed. At the Group ALM Committee, the senior review and decision-making for the management mainly related to asset/liability management of the banking business are performed.

To control total market risk amounts properly, the trading business include the banking account transactions in “Securities” and “Derivative instruments”, which are desirable to manage the total risk amount in combination with the trading business in light of the purpose and format of the transaction, in addition to in the trading account transactions.

The actual risk limits for asset/liability management of the trading business, such as the value-at-risk (VaR) method, are approved by

the Group Risk Policy Committee based on “Trading Business Risk Management Policy”. The Market Business Management Committee meets monthly to review reports from the Group Integrated Risk Management Division and front office.

The interest rate risk of the net asset and/or liability in the banking business, which has interest rate sensitivity, is managed by the Group ALM Committee based on “Group ALM Policy”.

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

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

Quantitative information on market risk is as follows:

(i) Amount of market risk associated with trading business

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

The VaR in the Group's trading business as of March 31, 2021 was ¥1,854 million in the aggregate.

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

(ii) Amount of market risk associated with banking business

The Group's main financial instruments which are affected by interest rate risk, one of the major risk variables, includes “Call loans and bills bought”, “Receivables under resale agreements”, “Receivables under securities borrowing transactions”, “Other monetary claims purchased”, “Monetary assets held in trust”, bonds other than trading business in “Securities”, “Loans and bills discounted”, “Lease receivables and leased investment assets”, “Installment receivables”, “Deposits”, “Negotiable certificates of deposit”, “Call money and bills sold”, “Payables under repurchase agreements”, “Payables under securities lending transactions”, “Borrowed money”, “Short-term corporate bonds”, “Corporate bonds” and interest rate swaps other than trading business in “Derivative instruments”.

The Group uses a quantitative analysis of interest rate risk of these financial assets and liabilities to analyze the amount of change in economic values (Δ EVE) based on the interest rate shock scenario defined by the interest rate risk of bank accounts under the Basel regulation (IRRBB). As for Δ EVE for each interest rate shock scenario as of March 31, 2021, the Δ EVE of the upward parallel shift in the interest rate curve decreases by ¥60,061 million, the Δ EVE of the downward parallel shift decreases by ¥5,494 million and Δ EVE of the steepening scenario decreases by ¥39,328 million.

(c) Liquidity risk management

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

To manage the market liquidity risk for marketable instruments, the Group has trading limits and monitors the amounts of marketable instruments in view of the attributes of marketable instruments.

Moreover, liquidity reserves for trading account are calculated monthly and are reflected valuation of derivative transactions.

(4) Supplement to the fair value information for financial instruments

Fair value of financial instruments includes the value calculated rationally in cases where no market price is available, besides the value based on market price. Certain assumptions have been adopted for the calculation, so that the value calculated may not be the same when assumptions that differ from the Group’s calculation are adopted.

2. Fair value information for financial instruments

The following are the carrying amounts on the consolidated balance sheet, fair values and the differences between them for respective financial instruments as of March 31, 2021. Securities for which fair values cannot be reliably determined, such as equity securities without readily available market prices are not included in the following table (refer (Note 2)). Items that are immaterial are not included in the following table.

(Millions of yen)

	Carrying amount	Fair value	Unrealized gain (loss)
(1) Cash and due from banks	¥1,919,075	¥1,919,075	¥-
(2) Other monetary claims purchased			
Trading purposes	1,417	1,417	-
Other (*1)	44,659	44,927	267
(3) Trading assets			
Securities held for trading purposes	5,783	5,783	-
(4) Monetary assets held in trust (*1)	391,347	394,637	3,289
(5) Securities			
Trading securities	0	0	-
Securities being held to maturity	185,528	186,181	653
Securities available for sale	690,076	690,076	-
Equity securities of affiliates	-	-	-
(6) Loans and bills discounted (*2)	5,233,605		
Reserve for credit losses	(72,693)		
Net	5,160,911	5,327,892	166,980
(7) Lease receivables and leased investment assets	192,147		
Estimated residual value(*3)	(6,420)		
Reserve for credit losses	(1,289)		
Net	184,437	190,769	6,332
(8) Other assets			
Installment receivables	839,530		
Deferred gains on installment receivables	(13,302)		
Reserve for credit losses	(12,306)		
Net	813,920	876,853	62,932
Total assets	¥9,397,157	¥9,637,614	¥240,456
(1) Deposits	¥6,056,191	¥6,053,897	¥2,293
(2) Negotiable certificates of deposit	515,140	515,484	(344)
(3) Call money and bills sold	30,000	30,000	-
(4) Payables under repurchase agreements	47,712	47,712	-
(5) Payables under securities lending transactions	395,449	395,449	-
(6) Borrowed money	1,026,679	1,026,825	(146)
(7) Short-term corporate bonds	218,800	218,800	-
(8) Corporate bonds	367,534	367,713	(179)
Total liabilities	¥8,657,507	¥8,655,883	¥1,623
Derivative instruments (*4)			
Hedge accounting is not applied	¥6,761	¥6,761	¥-
Hedge accounting is applied	(15,592)	(15,592)	-
Total	¥(8,830)	¥(8,830)	¥-

(Millions of yen)

	Contract amount	Fair value
Other Guarantee contracts (*5)	¥567,777	¥ 17,866

(*1) Carrying amount 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) For consumer loans held by consolidated subsidiaries included in Loans and bills discounted, reserve for losses on interest repayments of ¥39,096 million was recognized for estimated losses on reimbursements of excess interest payments, which included the reserve for losses on interest repayments that has a possibility of being appropriated for loan principal in the future.

(*3) 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.

(*4) 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 a net basis.

(*5) Contract amount for guarantee contracts presents the amount of "Acceptance and guarantees" on the consolidated balance sheet.

(Note 1) Valuation methodologies for financial instruments

Assets

(1) Cash and due from banks

The fair values are measured at carrying amounts because the fair values of due from banks with no maturity approximate carrying amounts. Likewise, for due from banks with maturity, the fair values are measured at carrying amounts because most of them are with short maturity of six months or less, therefore the fair values approximate carrying amounts.

(2) Other monetary claims purchased

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

(3) Trading assets

The fair values of securities held for trading purposes are measured at market prices or quoted prices from third parties.

(4) 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 by holding purposes are included in notes for "Monetary assets held in trust".

(5) 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 by holding purposes are included in notes for "Securities".

(6) 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 spread etc. corresponding to the 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 spreads 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 "legally bankrupt", "virtually bankrupt" and "possibly bankrupt", a reserve is provided based on the discounted cash flow method, or based on amounts expected to be collected through the disposal of collateral or execution of guarantees, so that the carrying amount net of the reserve is a reasonable estimate of the fair values of those loans.

(7) Lease receivables and leased investment assets

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

(8) 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.

Liabilities

(1) Deposits and (2) 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 maturities 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.

(3) Call money and bills sold, (4) Payables under repurchase agreements and (5) Payables under securities lending transactions

The fair values are approximate to carrying amounts for call money and bills sold, payables under repurchase agreements, and payables under securities lending transactions with short maturities of three months or less.

(6) 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.

(7) Short-term corporate bonds

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

(8) Corporate bonds

The fair values of marketable corporate bonds are measured at market prices. The fair values of nonmarketable corporate bonds with floating interest rates are determined by discounting expected cash flows on forward rates, at the funding rates.

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.

(Note 2)

Financial instruments whose fair values cannot be reliably determined were as follows, and these are not included in the above (5) Securities.

(Millions of yen)	
Category	Carrying amount
Equity securities without readily available market price (*1) (*2)	¥24,247
Investment in partnerships and others (*1) (*2)	29,865
Total	¥54,112

(*1) Equity securities without readily available market prices are out of the scope of fair values disclosure because their fair values cannot be reliably determined. Investments in partnerships and others, the assets of which comprise equity securities without readily available market prices, are out of the scope of fair value disclosure because fair values of those investments cannot be reliably determined.

(*2) For the fiscal year ended March 31, 2021, impairment losses on equity securities without readily available market price of ¥1,994 million, and on investment in partnerships and others of ¥1,309 million were recognized.

(Note 3) Redemption schedule of monetary claims and securities with contractual maturities

(Millions of yen)

	1 year or less	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
Due from banks	¥1,913,644	¥-	¥-	¥-
Other monetary claims purchased				
Other than trading purposes	14,340	327	2,646	27,220
Securities				
Held-to-maturity	110,000	5,000	-	70,000
Japanese national government bonds	110,000	5,000	-	70,000
Available-for-sale	66,073	105,344	141,867	356,064
Japanese national government bonds	10,000	10,000	90,000	53,000
Japanese local government bonds	-	-	-	-
Japanese corporate bonds	9,641	57,230	42,344	65,351
Other	46,432	38,114	9,523	237,712
Loans and bills discounted	1,175,787	1,299,940	1,094,704	1,609,436
Lease receivables and leased investment assets	57,142	75,177	37,496	22,300
Installment receivables	213,333	276,288	126,055	213,848
Total	¥3,550,321	¥1,762,078	¥1,402,771	¥2,298,869

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

(Note 4) Redemption schedule of corporate bonds, borrowed money and other interest-bearing debts

(Millions of yen)

	1 year or less	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
Deposits (*)	¥5,284,740	¥443,113	¥206,200	¥122,137
Negotiable certificates of deposit	444,140	71,000	-	-
Call money and bills sold	30,000	-	-	-
Payables under repurchase agreements	47,712	-	-	-
Payables under securities lending transactions	395,449	-	-	-
Borrowed money	663,289	198,429	69,726	95,233
Short-term corporate bonds	218,800	-	-	-
Corporate bonds	10,000	110,000	100,000	147,534
Total	¥7,094,132	¥822,542	¥375,926	¥364,905

(*) The cash flow of demand deposits is included in “1 year or less”.

(Securities)

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

1. Trading securities (as of March 31, 2021)

(Millions of yen)

	Unrealized gain (loss)
Trading securities	¥ (11)
Other monetary claims purchased for trading purposes	(49)

2. Securities being held to maturity (as of March 31, 2021)

(Millions of yen)

	Type	Carrying amount	Fair value	Unrealized gain (loss)
Fair value exceeds carrying amount	Japanese national government bonds	¥185,528	¥186,181	¥653
	Subtotal	185,528	186,181	653
Fair value does not exceed carrying amount	Japanese national government bonds	-	-	-
	Subtotal	-	-	-
Total		¥185,528	¥186,181	¥653

3. Securities available for sale (as of March 31, 2021)

(Millions of yen)

	Type	Carrying amount (Fair value)	Amortized/ Acquisition cost	Unrealized gain (loss)
Carrying amount exceeds amortized/acquisition cost	Equity securities	¥11,870	¥5,350	¥6,519
	Domestic bonds:	21,901	21,418	482
	Japanese national government bonds	10,045	10,041	3
	Japanese local government bonds	-	-	-
	Japanese corporate bonds	11,856	11,376	479
	Other:	97,701	95,994	1,707
	Foreign securities	77,763	76,307	1,455
	Other	19,938	19,686	251
	Subtotal	131,473	122,763	8,709
Carrying amount does not exceed amortized/acquisition cost	Equity securities	1,216	1,458	(241)
	Domestic bonds:	314,384	317,505	(3,121)
	Japanese national government bonds	154,363	155,305	(942)
	Japanese local government bonds	-	-	-
	Japanese corporate bonds	160,021	162,199	(2,178)
	Other:	262,800	267,250	(4,450)
	Foreign securities	262,800	267,250	(4,450)
	Other	-	-	-
	Subtotal	578,400	586,213	(7,813)
Total		¥709,874	¥708,977	¥896

Note: “Unrealized gain (loss) on available-for-sale securities” on the consolidated balance sheet consists of the following:

(Millions of yen)	
Unrealized gain (loss) before deferred tax on:	
Available-for-sale securities	¥ 896
The Group’s interests in available-for-sale securities held by partnerships recorded as securities whose fair value cannot be reliably determined and other adjustments	516
Other monetary assets held in trust	(2,742)
Less: Deferred tax liabilities	478
Unrealized gain (loss) on available-for-sale securities before interest adjustments	(1,807)
Less: Noncontrolling interests	764
The Group’s interests in unrealized gain (loss) on available-for-sale securities held by affiliates to which the equity method is applied	1,978
Unrealized gain (loss) on available-for-sale securities	¥ (593)

4. Available-for-sale securities sold during the current fiscal year (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Proceeds from sales	Gains on sales	Losses on sales
Equity securities	¥3,031	¥1,973	¥0
Domestic bonds:	545,017	902	498
Japanese national government bonds	492,380	766	486
Japanese local government bonds	17,442	6	10
Japanese corporate bonds	35,194	129	2
Other:	662,904	3,609	991
Foreign securities	662,904	3,609	991
Other	-	-	-
Total	¥1,210,953	¥6,484	¥1,490

5. Securities for which impairment losses are recognized

In the event individual securities (except for those whose fair value cannot be reliably determined), other than trading securities, experience a decline in fair value which is significant as compared to the acquisition cost of such securities, the securities are written down as the decline in fair value is deemed to be other than temporary, and the difference is recorded as an impairment loss.

Impairment loss on such securities for the fiscal year ended March 31, 2021, was ¥151 million, which was related to Japanese corporate bonds.

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

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

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

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

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

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

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

(Monetary assets held in trust)

1. Monetary assets held in trust for trading purposes (as of March 31, 2021)

(Millions of yen)

	Carrying amount (Fair value)	Unrealized gain (loss)
Monetary assets held in trust for trading purposes	¥6,810	¥ 40

2. There are no monetary assets held in trust held to maturity (as of March 31, 2021)

3. Monetary assets held in trust other than for trading purposes and held to maturity (as of March 31, 2021)

(Millions of yen)

	Carrying amount	Acquisition cost	Unrealized gain (loss)	Gross unrealized gain	Gross unrealized loss
Other monetary assets held in trust	¥387,138	¥389,880	¥ (2,742)	¥271	¥ (3,014)

Note: "Gross unrealized gain" and "Gross unrealized loss" are components of "Unrealized gain (loss)."

(Business Combinations)

1. 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 former parent company of UDC Finance Limited. The Bank purchased the whole shares of UDC Finance Limited on September 1, 2020. As a result, the Bank obtained control of UDC Finance Limited.

(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

September 1, 2020

④ Legal form of the business combination

Acquisition of shares with cash consideration

⑤ Company name after the business combination

The company name is not changed.

⑥ Percentage of voting rights acquired

100%

⑦ Basis for determination of the acquiring company

The Bank acquired the shares by cash

(2) Period of the acquired company's financial result included in the consolidated financial statements of the Group

From October 1, 2020 to December 31, 2020

(3) Acquisition costs of the shares and their breakdown

Consideration	cash	¥ 46,961 million (N.Z.\$658 million)
Acquisition cost		¥ 46,961 million (N.Z.\$658 million)

(4) Major acquisition-related costs and their breakdown

Advisory fees, etc.	¥ 505 million
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(5) Amount, reason of the occurrence and amortization method and period of goodwill

① Amount of goodwill recognized

¥ 4,963 million

② Reason for recognition

Due to the excess earning power expected from future business development.

③ Amortization method and period

Using the straight-line method over 10 years

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

① Assets

Total assets:	¥ 252,452 million
Loans and bills discounted:	¥ 123,593 million
Other assets (Installment receivables) :	¥ 104,310 million

② Liabilities

Total liabilities:	¥ 211,419 million
Borrowed money:	¥ 62,625 million
Corporate bonds:	¥ 138,169 million

(7) Description of contingent consideration on the share purchase agreement and the accounting treatment

Under the share purchase agreement, the consideration for the acquisition is subject to a condition for subsequent settlement within a certain range of the difference between the reserve for credit losses against existing receivables at the time of acquisition and the corresponding actual credit losses incurred within a certain period.

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

2. Business combinations under common control

Demand for Cash-out

At the board of directors' meeting dated October 30, 2020, the Bank resolved to demand that noncontrolling shareholders of APLUS FINANCIAL Co., Ltd. (hereinafter, "the Target Company") sell all of their common shares to the Bank (hereinafter referred to as the "Demand for Cash-Out") and notified the Target Company of that on the same date. Following this notice, the Target Company resolved to approve the Demand for Cash-out at the board of directors' meeting of the Target Company, which was held on the same date, and the Target Company became a wholly owned subsidiary of the Group on December 1, 2020.

On December 11, 2020, the Bank acquired shares of common stock of the Target Company from Shinsei Financial Co., Ltd., a consolidated subsidiary, by way of dividend in kind. As a result, the Bank became a wholly owning parent company, directly holding all shares of the Target Company excluding treasury shares.

(1) Outline of the transaction

① Name and business description of the acquired company:

Name of acquired company APLUS FINANCIAL Co., Ltd.

Description of business Operating Holding company, which is not only controlling its subsidiaries but also is operating finance business by itself

② Date of the business combination:

December 1, 2020

③ Legal form of the business combination:

Acquisition of shares from noncontrolling shareholders with cash consideration

④ Name of the companies after the business combination

There are no changes.

⑤ Other matters concerning outline of the business combination

The ration of the voting rights of the shares of the Target Company to be additionally acquired by the Bank through the Demand for Cash-Out is 5.1%, and the Target Company became a wholly owned subsidiary of the Bank on December 1, 2020, effective date of the Demand for Cash-Out. As a result, shares of common stock of the Target Company were delisted from the First Section of the Tokyo Stock Exchange on November 27, 2020.

The objective of this acquisition is to realize group-wide resource optimization and overall decision-making optimization for further promotion of the medium-term management strategy, as well as to realize higher level group governance through the

Group headquarters established in our bank in 2017.

(2) Outline of the accounting treatment

Our Group treated the business combination as a transaction with noncontrolling interest in accordance with “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No.10, January 16, 2019).

(3) Matters concerning the additional purchase of the subsidiary's shares

The acquisition cost and the breakdown by type of consideration

<u>Consideration for acquisition</u>	Cash	6,624 million
Acquisition cost		6,624 million

(4) A change in the ownership interests related to transaction with noncontrolling shareholders

① Major factors affecting capital surplus

Additional acquisition of subsidiary stock

② A decrease in capital surplus by transaction with noncontrolling shareholders

¥ 5,577 million

(Per share information)

Common shareholders' equity per share was ¥4,283.92.

Profit attributable to owners of parent per common share was ¥202.16.

Diluted profit attributable to owners of parent per common share was ¥202.10.

(Stock option)

1. Expenses related to stock options and others in the current fiscal year

Other general and administrative expenses ¥117 million

2. Outline, number and movement of stock options

(1) The Bank

(a) Outline of stock options

	The 1st stock acquisition rights (Share compensation-type)	The 2nd stock acquisition rights (Share compensation-type)
Number of grantees	Directors: 2	Directors: 2
Number of stock options granted (Note)	Common stock: 13,430 shares	Common stock: 16,730 shares
Grant date	May 26, 2016	May 25, 2017
Condition for vesting	Condition for vesting is nil	Condition for vesting is nil
Required service period	Required service period is nil	Required service period is nil
Exercise period	From May 27, 2016 to May 26, 2046	From May 26, 2017 to May 25, 2047

	The 3rd stock acquisition rights (Share compensation-type)	The 4th stock acquisition rights (Share compensation-type)
Number of grantees	Directors: 2	Directors: 2
Number of stock options granted (Note)	Common stock: 13,220 shares	Common stock: 18,170 shares
Grant date	May 28, 2018	May 30, 2019
Condition for vesting	Condition for vesting is nil	Condition for vesting is nil
Required service period	Required service period is nil	Required service period is nil
Exercise period	From May 29, 2018 to May 28, 2048	From May 31, 2019 to May 30, 2049

	The 5th stock acquisition rights (Share compensation-type)
Number of grantees	Directors: 2
Number of stock options granted (Note)	Common stock: 19,290 shares
Grant date	May 29, 2020
Condition for vesting	Condition for vesting is nil
Required service period	Required service period is nil
Exercise period	From May 30, 2020 to May 29, 2050

Note: Stated in terms of the number of shares after considering that the Bank executed a one-for-ten reverse stock split of common shares on October 1, 2017.

(b) Number of stock options and movement therein

Stock options that existed during the current fiscal year are covered. Number of stock options is stated in terms of the number of shares.

(i) Number of stock options

	1st (Share compensation-type)	2nd (Share compensation-type)	3rd (Share compensation-type)	4th (Share compensation-type)
Nonvested (share)				
Outstanding at the beginning of the fiscal year	-	-	-	-
Granted during the fiscal year	-	-	-	-
Forfeited during the fiscal year	-	-	-	-
Vested during the fiscal year	-	-	-	-
Outstanding at the end of the fiscal year	-	-	-	-
Vested (Share)				
Outstanding at the beginning of the fiscal year	8,950	11,150	8,810	18,170
Vested during the fiscal year	-	-	-	-
Exercised during the fiscal year	-	-	-	-
Forfeited during the fiscal year	-	-	-	-
Exercisable at the end of the fiscal year	8,950	11,150	8,810	18,170

	5th (Share compensation-type)
Nonvested (share)	
Outstanding at the beginning of the fiscal year	-
Granted during the fiscal year	19,290
Forfeited during the fiscal year	-
Vested during the fiscal year	19,290
Outstanding at the end of the fiscal year	-
Vested (Share)	
Outstanding at the beginning of the fiscal year	-
Vested during the fiscal year	19,290
Exercised during the fiscal year	-
Forfeited during the fiscal year	-
Exercisable at the end of the fiscal year	19,290

Note: Stated in terms of the number of shares after considering that the Bank executed a one-for-ten reverse stock split of common shares on October 1, 2017.

(ii) Price information

	1st (Share compensation-type)	2nd (Share compensation-type)
Exercise period	From May 27, 2016 to May 26, 2046	From May 26, 2017 to May 25, 2047
Exercise price	1 Yen	1 Yen
Weighted-average stock price at the date of exercise	-	-
Fair value at grant date	1,620 Yen	1,780 Yen

	3rd (Share compensation-type)	4th (Share compensation-type)
Exercise period	From May 29, 2018 to May 28, 2048	From May 31, 2019 to May 30, 2049
Exercise price	1 Yen	1 Yen
Weighted-average stock price at the date of exercise	-	-
Fair value at grant date	1,724 Yen	1,489 Yen

	5th (Share compensation-type)
Exercise period	From May 30, 2020 to May 29, 2050
Exercise price	1 Yen
Weighted-average stock price at the date of exercise	-
Fair value at grant date	1,310 Yen

Note: Stated in terms of prices after considering that the Bank executed a one-for-ten reverse stock split of common shares on October 1, 2017.

(2) OJBC Co. Ltd

(a) Outline of stock options

	The 1st stock acquisition rights	The 2nd stock acquisition rights
Number of grantees	Nippon Wealth Limited Directors: 3 Employees: 5	Nippon Wealth Limited Employee: 1
Number of stock options granted (Note 1)	Class B Preferred shares: 2,114,680 shares	Class B Preferred shares: 72,920 shares
Grant date	April 28, 2015	May 25, 2016
Condition for vesting	(Note 2)	(Note 2)
Required service period	From April 28, 2015 to April 28, 2017	From May 25, 2016 to May 25, 2018
Exercise period	From April 28, 2017 to April 28, 2025	From May 25, 2018 to May 25, 2026

	The 3rd stock acquisition rights
Number of grantees	Nippon Wealth Limited Director: 1 Employee: 1
Number of stock options granted (Note 1)	Class B Preferred shares: 109,380 shares
Grant date	April 30, 2018
Condition for vesting	(Note 2)
Required service period	From April 30, 2018 to April 30, 2020
Exercise period	From April 30, 2020 to April 30, 2028

Note:

1. Stated in terms of the number of shares.
2. In principle, grantees must continue to serve through the required service period and until the date of exercising. However, the right may be vested or forfeited if certain conditions specified in the "Shareholders' Agreement" take place.

(b) Number of stock options and movement therein

Stock options that existed during the current fiscal year are covered. Number of stock options is stated in terms of the number of shares.

(i) Number of stock options

	1st	2nd	3rd
Nonvested (share)			
Outstanding at the beginning of the year	-	-	72,920
Granted during the year	-	-	-
Forfeited during the year	-	-	-
Vested during the year	-	-	72,920
Outstanding at the end of the year	-	-	-
Vested (Share)			
Outstanding at the beginning of the year	1,713,620	72,920	-
Vested during the year	-	-	72,920
Exercised during the year	-	-	-
Forfeited during the year	-	72,920	72,920
Exercisable at the end of the year	1,713,620	-	-

(ii) Price information

	1st	2nd	3rd
Exercise period	From April 28, 2017 to April 28, 2025	From May 25, 2018 to May 25, 2026	From April 30, 2020 to April 30, 2028
Exercise price	1.10 USD	1.10 USD	1.10 USD
Weighted-average stock price at the date of exercise	-	-	-
Fair value at grant date	0.26 USD	0.15 USD	0.22 USD

3. Measurement of the fair values of stock options

The following is the method to measure a fair value of stock options granted in this consolidated fiscal year.

The Bank

(a) Used method: Black-Scholes option pricing model

(b) Major inputs and variables to the model used

	5th (Share compensation-type)
Exercise period	From May 30, 2020 to May 29, 2050
Expected volatility (Note 1)	35.866%
Expected life (Note 2)	6.6Years
Expected dividends (Note 3)	10.0Yen/Share
Risk-free interest rate (Note 4)	-0.125%

Note:

1. Measured based on the historical stock price corresponding to expected life (from October 23, 2013 to May 29, 2020).
2. Estimated based on the retirement data of the director and statutory executive officers of the Bank.
3. Based on the actual dividend for the fiscal year ended in March 2020 (10.0Yen/Share).
4. Used the average compound yield of Long term JGB with the maturity that is approximate to expected life.

4. Method of determining the vested number of stock options

The actual forfeited options are used for calculating the vested number of stock options because the future forfeitures cannot be reliably estimated.

5. Outline, number and movement of restricted stock compensation

(1) Outline of restricted stocks

	Granted on July 19, 2018
Categories and numbers of recipients	Directors of the Bank (Directors excluding outside directors): 2 persons
Number of shares granted	11,675 shares of common stock of the Bank
Grant date	July 19, 2018
Required service period	From June 20, 2018 to the date of the ordinary general meeting of shareholders in 2019
Transfer restriction period	From July 19, 2018 to July 18, 2021
Cancellation conditions	<p>On the condition that the recipient has maintained his/her position of executive director, etc. of the Bank or its subsidiary continuously during the transfer restriction period, the transfer restriction shall be cancelled at the expiration of the transfer restriction period.</p> <p>If the recipient loses the position of executive director, etc. of the Bank or its subsidiary prior to the expiration of the transfer restriction period, the transfer restrictions will be immediately removed. The number of shares subject to removal of transfer restrictions are obtained by multiplying the number of allotted stocks held by the recipient at the time of his/her resignation or retirement by the value obtained as a result of dividing the period of service of the recipient or during the transfer restriction period (on a monthly basis) by 12. The Bank shall automatically acquire, without consideration, the allotted stocks for which transfer restrictions have not been removed at the time of expiration of the transfer restriction period or at the time of removal of the transfer restrictions.</p>
Fair value at grant date	1,713 Yen

	Granted on October 31, 2018
Categories and numbers of recipients	Executive Officers of the Bank as well as Chief Officers and Senior Officers of the Group Headquarters: 33 persons
Number of shares granted	32,447 shares of common stock of the Bank
Grant date	October 31, 2018
Required service period	From April 1, 2018 to March 31, 2019
Transfer restriction period	From October 31, 2018 to July 18, 2021
Cancellation conditions	<p>On the condition that the recipient has maintained his/her position of executive director, etc. of the Bank or its subsidiary continuously during the transfer restriction period, the transfer restriction shall be cancelled at the expiration of the transfer restriction period.</p> <p>If the recipient loses the position of executive director, etc. of the Bank or its subsidiary prior to the expiration of the transfer restriction period, the transfer restrictions will be immediately removed. The number of shares subject to removal of transfer restrictions are obtained by multiplying the number of allotted stocks held by the recipient at the time of his/her resignation or retirement by the value obtained as a result of dividing the period of service of the recipient or during the transfer restriction period (on a monthly basis) by 12. The Bank shall automatically acquire, without consideration, the allotted stocks for which transfer restrictions have not been removed at the time of expiration of the transfer restriction period or at the time of removal of the transfer restrictions.</p>
Fair value at grant date	1,725 Yen

	Granted on April 19, 2019
Categories and numbers of recipients	Executive Officers of the Bank as well as Chief Officers and Senior Officers of the Group Headquarters: 35 persons
Number of shares granted	36,886 shares of common stock of the Bank
Grant date	April 19, 2019
Required service period	From April 1, 2019 to March 31, 2020
Transfer restriction period	From April 19, 2019 to April 18, 2022
Cancellation conditions	<p>On the condition that the recipient has maintained his/her position of executive director, etc. of the Bank or its subsidiary continuously during the transfer restriction period, the transfer restriction shall be cancelled at the expiration of the transfer restriction period.</p> <p>If the recipient loses the position of executive director, etc. of the Bank or its subsidiary prior to the expiration of the transfer restriction period, the transfer restrictions will be immediately removed. The number of shares subject to removal of transfer restrictions are obtained by multiplying the number of allotted stocks held by the recipient at the time of his/her resignation or retirement by the value obtained as a result of dividing the period of service of the recipient or during the transfer restriction period (on a monthly basis) by 12. The Bank shall automatically acquire, without consideration, the allotted stocks for which transfer restrictions have not been removed at the time of expiration of the transfer restriction period or at the time of removal of the transfer restrictions.</p>
Fair value at grant date	1,599 Yen

	Granted on July 18, 2019
Categories and numbers of recipients	Directors of the Bank (Directors excluding outside directors): 2 persons
Number of shares granted	12,232 shares of common stock of the Bank
Grant date	July 18, 2019
Required service period	From June 19, 2019 to the date of the ordinary general meeting of shareholders in 2020
Transfer restriction period	From July 18, 2019 to July 17, 2022
Cancellation conditions	<p>On the condition that the recipient has maintained his/her position of executive director, etc. of the Bank or its subsidiary continuously during the transfer restriction period, the transfer restriction shall be cancelled at the expiration of the transfer restriction period.</p> <p>If the recipient loses the position of executive director, etc. of the Bank or its subsidiary prior to the expiration of the transfer restriction period, the transfer restrictions will be immediately removed. The number of shares subject to removal of transfer restrictions are obtained by multiplying the number of allotted stocks held by the recipient at the time of his/her resignation or retirement by the value obtained as a result of dividing the period of service of the recipient or during the transfer restriction period (on a monthly basis) by 12. The Bank shall automatically acquire, without consideration, the allotted stocks for which transfer restrictions have not been removed at the time of expiration of the transfer restriction period or at the time of removal of the transfer restrictions.</p>
Fair value at grant date	1,635 Yen

	Granted on May 8, 2020
Categories and numbers of recipients	Executive Officers of the Bank as well as Chief Officers and Senior Officers of the Group Headquarters: 34 persons
Number of shares granted	37,392 shares of common stock of the Bank
Grant date	May 8, 2020
Required service period	From April 1, 2020 to March 31, 2021
Transfer restriction period	From May 8, 2020 to May 7, 2023
Cancellation conditions	<p>On the condition that the recipient has maintained his/her position of executive director, etc. of the Bank or its subsidiary continuously during the transfer restriction period, the transfer restriction shall be cancelled at the expiration of the transfer restriction period.</p> <p>If the recipient loses the position of executive director, etc. of the Bank or its subsidiary prior to the expiration of the transfer restriction period, the transfer restrictions will be immediately removed. The number of shares subject to removal of transfer restrictions are obtained by multiplying the number of allotted stocks held by the recipient at the time of his/her resignation or retirement by the value obtained as a result of dividing the period of service of the recipient or during the transfer restriction period (on a monthly basis) by 12. The Bank shall automatically acquire, without consideration, the allotted stocks for which transfer restrictions have not been removed at the time of expiration of the transfer restriction period or at the time of removal of the transfer restrictions.</p>
Fair value at grant date	1,524 Yen

	Granted on July 16, 2020
Categories and numbers of recipients	Directors of the Bank (Directors including outside directors): 7 persons
Number of shares granted	24,629 shares of common stock of the Bank
Grant date	July 16, 2020
Required service period	From June 17, 2020 to the date of the ordinary general meeting of shareholders in 2021
Transfer restriction period	From July 16, 2020 to July 15, 2023
Cancellation conditions	<p>On the condition that the recipient has maintained his/her position of executive director, etc. of the Bank or its subsidiary continuously during the transfer restriction period, the transfer restriction shall be cancelled at the expiration of the transfer restriction period.</p> <p>If the recipient loses the position of executive director, etc. of the Bank or its subsidiary prior to the expiration of the transfer restriction period, the transfer restrictions will be immediately removed. The number of shares subject to removal of transfer restrictions are obtained by multiplying the number of allotted stocks held by the recipient at the time of his/her resignation or retirement by the value obtained as a result of dividing the period of service of the recipient or during the transfer restriction period (on a monthly basis) by 12. The Bank shall automatically acquire, without consideration, the allotted stocks for which transfer restrictions have not been removed at the time of expiration of the transfer restriction period or at the time of removal of the transfer restrictions.</p>
Fair value at grant date	1,421 Yen

(2) Number of restricted stocks and movement therein

	Granted on July 19, 2018	Granted on October 31, 2018	Granted on April 19, 2019	Granted on July 18, 2019
Number of shares before the cancellation of transfer restrictions				
Outstanding at the end of the last fiscal year	11,675	32,447	36,886	12,232
Granted during the fiscal year	-	-	-	-
Acquisition without consideration by the Bank	-	-	-	-
Cancellation of the transfer restrictions	-	-	-	-
Outstanding at the end of the fiscal year	11,675	32,447	36,886	12,232

	Granted on May 8, 2020	Granted on July 16, 2020
Number of shares before the cancellation of transfer restrictions		
Outstanding at the end of the last fiscal year	-	-
Granted during the fiscal year	37,392	24,629
Acquisition without consideration by the Bank	-	-
Cancellation of the transfer restrictions	-	-
Outstanding at the end of the fiscal year	37,392	24,629

Notes to the nonconsolidated financial statements

All yen amounts are rounded down to millions of yen.

Significant accounting policies

1. Recognition and measurement of trading assets / liabilities and trading income / losses

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

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

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

In estimating fair values of derivative financial instruments included in trading accounts, liquidity risks and credit risks are reflected.

2. Measurement of securities

(a) Securities for trading purposes (except for those included in trading accounts) are carried at fair value (cost of securities sold is determined by the moving-average method). Securities being held to maturity are carried at amortized cost (using the straight-line method) determined by the moving-average method. Investments in subsidiaries and affiliates are carried at cost determined by the moving-average method. Available-for-sale securities are carried at fair value at the balance sheet date (cost of securities sold is determined by the moving-average method) in principle, with the exception of those whose fair value cannot be reliably determined, which are carried at cost determined by the moving-average method. Investments in partnerships and others are carried at the amount of the Bank’s share of net asset value based on their most recent financial statements.

Unrealized gain (loss) on available-for-sale securities is directly recorded in a separate component of equity, after deducting the amount charged to profit or loss by applying fair value hedge accounting. Foreign currency-denominated available-for-sale securities (bonds) are translated into Japanese yen at the exchange rates as of the balance sheet date, and of the translation amount, the translation difference arising from changes in fair values in foreign currencies is treated as unrealized gain or loss on available-for-sale securities and the other translation difference is treated as profit or loss.

(b) The values of securities included in monetary assets held in trust are determined by the same methods as stated in (a) above.

3. Measurement of derivatives

Derivatives (except for those included in trading accounts) are carried at fair value.

4. Measurement of other monetary claims purchased

Other monetary claims purchased held for trading purposes (except for those included in trading accounts) are carried at fair value.

5. Depreciation

(a) Premises and equipment (excluding leased assets)

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

Buildings: 8 – 20 years

Others: 2 – 20 years

(b) Intangible assets (excluding leased assets)

Amortization of intangible assets is computed using the straight-line method. The amortization period of respective intangible assets is as follows:

Capitalized software for internal use 5–10 years (the estimated useful lives)

Goodwill 10 years

(c) Leased assets

Depreciation of leased assets under finance lease transactions that were deemed to transfer ownership of the leased property to the lessee, which are included in "Premises and equipment" and "Intangible assets," is computed using the same method which is applied to the own properties.

6. Deferred charges

Deferred issuance expenses for corporate bonds, which are included in other assets, are amortized using the straight-line method over the term of the corporate bonds.

Corporate bonds are stated at amortized cost calculated by the straight-line method.

7. Reserves and allowances

(a) Reserve for credit losses

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

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

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

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

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

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

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

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

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

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

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

All claims are assessed by sales promotion divisions and credit analysis divisions based on the predetermined internal rules for the self-assessment of asset quality. The risk management divisions, which are independent of sales promotion divisions and

credit analysis divisions, conduct verifications of these assessments, and additional reserves may be provided based on the verification results.

For collateralized or guaranteed claims to legally bankrupt obligors or virtually bankrupt obligors, the amount of claims exceeding the estimated value of collateral or guarantees, which is deemed uncollectible, has been charged off in principle and totaled ¥ 4,738 million.

(b) Accrued employees' bonuses

Accrued employees' bonuses are provided in the amount of the estimated bonuses that are attributable to the current fiscal year.

(c) Reserve for employees' retirement benefits

The reserve for employees' retirement benefits is provided for the payment of employees' retirement benefits based on the estimated amounts of the projected benefit obligation and the estimated value of pension plan assets as of the balance sheet date. The projected benefit obligation is estimated using the benefit formula basis for attributing the expected benefits to the current fiscal year.

The unrecognized actuarial gain (loss) are treated in the following manner:

Unrecognized actuarial gain (loss): Amortized using the straight-line method over the average remaining service period (7.49-11.54 years) from the fiscal year of occurrence.

(d) Reserve for reimbursement of deposits

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

(e) Reserve for reimbursement of debentures

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

8. Translation of foreign currency-denominated assets and liabilities

Foreign currency-denominated assets and liabilities are translated into Japanese yen at the exchange rates as of the balance sheet date, except for investments in subsidiaries and affiliates which are translated at the relevant historical exchange rates.

9. Hedge accounting

(a) Hedge of interest rate risks

The Bank applies deferral hedge accounting for derivative transactions that meet hedge accounting criteria for mitigating interest risks of its financial assets and liabilities.

The Bank adopted portfolio hedging to determine the effectiveness of hedging instruments in accordance with "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry" (Industry Committee Practical Guidelines No. 24, October 8 2020, by the Japanese Institute of Certified Public Accountants (the "JICPA")). Under portfolio hedging to mitigate the change in fair value, a portfolio of hedged items with common maturities such as deposits or loans is designated and matched with a group of hedging instruments such as interest rate swaps, which offset the effect of fair value fluctuations of the hedged items by identified maturities. The effectiveness of the portfolio hedging is assessed by each group.

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

(b) Hedge of foreign exchange fluctuation risks

The Bank applies either deferral hedge accounting or fair value hedge accounting for derivative transactions for the purpose of hedging foreign exchange fluctuation risks of the Bank's financial assets and liabilities denominated in a foreign currency.

Under deferral hedge accounting, which is in accordance with "Accounting and Auditing Treatment of Accounting Standards for Foreign Exchange Transactions in the Banking Industry" (Industry Committee Practical Guidelines No. 25, October 8 2020 by the JICPA), hedged items are identified by grouping the foreign currency-denominated financial assets and liabilities by currency and designating derivative transactions such as currency swap transactions, funding swap transactions and forward exchange contracts as hedging instruments. Hedge effectiveness is reviewed by comparing the total foreign currency position of the hedged items and hedging instruments by currency.

The Bank also applies deferral hedge accounting and fair value hedge accounting to translation gains or losses from foreign currency-denominated investments in foreign subsidiaries and affiliates and available-for-sale securities (other than bonds denominated in foreign currencies) when such foreign currency exposures recorded as assets are hedged with offsetting foreign currency liabilities and the liabilities equal or exceed the acquisition cost of such foreign currency assets.

(c) Intracompany derivative transactions

Gains (losses) on intracompany derivative hedging transactions between the trading book and the banking book are not eliminated since offsetting transactions with third parties are appropriately entered into in conformity with the nonarbitrary and strict hedging policy in accordance with Industry Committee Practical Guidelines No. 24 and No. 25 of the JICPA. As a result, in the banking book, realized gains (losses) on such intracompany transactions are reported in current earnings and valuation gains (losses) which meet the hedge accounting criteria are deferred.

10. Reserve for employees' retirement benefits

The method of recognition of the unrecognized actuarial gain (loss) is different from the method in the consolidated financial statements.

11. Consumption tax

The national consumption tax and the local consumption tax are excluded from transaction amounts.

12. Consolidated corporate tax system

The consolidated corporate tax system is adopted by the Bank.

13. Application of tax effect accounting for the transition from the consolidated tax system to the group tax sharing system

The Bank records the amounts of deferred tax assets and deferred tax liabilities on items relating to the transition from the consolidated tax system to the group tax sharing system introduced by "Act on Partial Revision of the Income Tax Act" (Act No.8 of 2020), and deferred tax assets and deferred tax liabilities on items revised in nonconsolidated tax system, in accordance with the provisions of the tax law before amendments relating to this transition. This accounting treatment is in accordance with the paragraph 44 of "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28, February 16, 2018) in accordance with 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).

(Significant Accounting Estimates)

Reserve for credit losses

1. Amount recorded in the nonconsolidated financial statements for the current fiscal year

Reserve for credit losses ¥36,358 million

2. Information that contributes to the understanding of the significant accounting estimates

The Bank determines obligor categories (normal, need caution, substandard, possibly bankrupt, virtually bankrupt and legally bankrupt) for each obligor based on the obligor's financial information and available external information and records reserve for loan losses based on the calculation method described in "Significant accounting policies 7. Reserves and allowances (a) Reserve for credit losses".

On March 31, 2020, the impacts of the Novel Coronavirus outbreak and the resulting stagnant economic activities were assumed to remain for approximately one year from the end of the previous fiscal year. At the interim nonconsolidated balance sheet date, however, the assumption was revised as follows: Even though the aforementioned impacts will weaken by the end of March 2021, the impacts on the credit risk for loans to some obligors will remain for several more years. No material changes were made from this assumption at the end of March 2021. Based on this assumption, we have assumed that there will be material impacts on the credit risk for loans to specific obligors, even though the magnitude of such impacts will vary by obligor.

In order to prepare for losses expected from such impacts, we have determined obligor categories for obligors whose performance is deteriorating due to the Novel Coronavirus outbreak by assessing the possibility of deterioration or recovery in their business conditions and the possibility of their business continuity and have provisioned reserves for credit losses according to their obligor categories.

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

The amount of reserve for credit losses provisioned as of March 31, 2021 is based on our best estimate at present, however, the assumptions for estimating reserve for credit losses, including the impacts of the Novel Coronavirus outbreak, are highly uncertain. Accordingly, the amount of reserve for credit losses may change during the next fiscal year if there are changes in the economic environment surrounding the obligors or in their financial conditions.

(Change in presentation)

Application of "Accounting Standard for Disclosure of Accounting Estimates"

The Bank has applied "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No.31, March 31, 2020) from the beginning of the current fiscal year, and discloses the notes on the significant accounting estimates.

Notes

(Balance Sheet)

1. Investments in subsidiaries and affiliates were as follows.

(Millions of yen)

	Carrying amount
Equity securities	¥434,268
Other	18,594

2. For securities held in connection with securities borrowing transactions with or without cash collateral, securities purchased under resale agreements and securities accepted as collateral for derivative transactions, where the Bank has the right to sell or pledge such securities without restrictions ¥3,377 million of those securities was held by the Bank at the balance sheet date.

3. Loans and bills discounted include loans to bankrupt obligors and nonaccrual delinquent loans of ¥337 million and ¥27,785 million, respectively .

Loans to bankrupt obligors are loans, after write-off, to legally bankrupt obligors as defined in Article 96, Paragraph 1, Items 3 and 4 of the Order for Enforcement of the Corporation Tax Act (Cabinet Order No. 97 of 1965) and on which accrued interest income is not recognized as the principal or interest is expected to be uncollected because they are past due for a considerable period of time or for other reasons.

Nonaccrual delinquent loans are loans on which accrued interest income is not recognized, excluding loans to bankrupt obligors and loans for which interest payments are deferred in order to facilitate the rehabilitation of the obligor or to assist in the financial recovery of the obligors.

4. Loans and bills discounted include loans past due for three months or more of ¥562 million .

Loans past due for three months or more are loans other than loans to bankrupt obligors and nonaccrual delinquent loans, for which the principal and/or interest payments are past due for three months or more.

5. Loans and bills discounted include restructured loans of ¥5,614 million.

Restructured loans are loans other than loans to bankrupt obligors, nonaccrual delinquent loans or loans past due for three months or more, on which concessions such as reduction of the stated interest rate, a deferral of interest payment, an extension of the maturity date, debt forgiveness, or other agreements which give advantages to obligors in financial difficulties have been granted to obligors to facilitate their rehabilitation.

6. The total amount of loans to bankrupt obligors, nonaccrual delinquent loans, loans past due for three months or more, and restructured loans was ¥34,299 million.

The amounts of loans mentioned in Notes 3 through 6 above represent the amounts before deduction of the reserve for credit losses.

7. The total principal amount of loans accounted for as a sale through loan participations was ¥5,759 million as of March 31, 2021. This “off-balance sheet” treatment is in accordance with Report No. 3 issued by the Framework Committee of the JICPA on November 28, 2014. The total principal amount of such loans in which the Bank participated was ¥14,363 million as of March 31, 2021.

8. Assets pledged as collateral were as follows:

Cash and due from banks	¥	10 million
Monetary assets held in trust		13
Securities		483,208
Loans and bills discounted		795,277

Liabilities collateralized were as follows:

Deposits	¥	1,233 million
Payables under repurchase agreements		47,712
Payables under securities lending transactions		390,404
Borrowed money		471,410
Other presented in other liabilities		12
Acceptances and guarantees		232

In addition, ¥8,307 million of security deposits and ¥50,000 million of cash collateral paid for Zengin-net were included in “Other” presented in “Other assets”.

9. The Bank sets credit lines of overdrafts and issues commitments to extend credit to meet the financing needs of its customers. The unfulfilled amounts of these commitments were ¥2,390,101 million, out of which the amounts with the commitments of the agreement expiring within one year or being able to be cancelled at any time with no condition were ¥2,079,228 million.

Since a large majority of these commitments expires without being drawn upon, the unfulfilled amounts do not necessarily represent future cash requirements. Many such agreements include conditions granting the Bank the right to reject the drawdown or to reduce the amount on the basis of changes in the financial circumstances of the borrower or other reasonable grounds.

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

10. Accumulated depreciation on premises and equipment was ¥22,194 million.

11. Deferred gains on premises and equipment deducted for tax purposes were ¥29 million.

12. Software in progress of ¥3,153 million were included in Software.

13. The amount of guarantee obligations for privately-placed bonds (Paragraph 3 of Article 2 of the Financial Instruments and Exchange Act), out of “Japanese corporate bonds” included in the “Securities” stands at ¥3,380 million.

14. Total obligations to the Directors and Audit & Supervisory Board Members stand at ¥28 million.

15. Total monetary claims to subsidiaries and affiliates stand at ¥663,198 million.

16. Total monetary liabilities against subsidiaries and affiliates stand at ¥187,717 million.

17. According to Article 18 of the Banking Act, there is a limitation on dividends from surplus.

When dividends from surplus are paid out, notwithstanding the provision of Article 445, Item 4 of the Corporation Act (Amounts of Capital and Amount of Reserves), the amount multiplied by 1/5 of surplus to be decreased by such dividends from surplus is accrued as additional paid-in capital or legal reserve.

The amount of legal reserve to be accrued in connection with such dividends from surplus in the current fiscal year was ¥461 million.

18. Projected benefit obligations, etc., at the end of the current fiscal year were as follows:

Projected benefit obligation	¥	(66,871) million
Fair value of plan assets		79,974
<hr/>		
Unfunded retirement benefit obligations		13,103
Unrecognized net actuarial losses		(5,042)
<hr/>		
Net amount recognized on the balance sheet		8,060
Prepaid pension cost		8,060

(Statement of Income)

1. Earnings from transactions with subsidiaries and affiliates

Total interest income: ¥30,995 million

Total fees and commissions income: ¥3,246 million

Total earnings from other businesses and other ordinary transactions: ¥203 million

Expenses from transactions with subsidiaries and affiliates

Total interest expenses: ¥4 million

Total fees and commissions expenses: ¥17,082 million

Total expenses from other businesses and other ordinary transactions: ¥538 million

Total expenses from other transactions: ¥4,320 million

2. Losses on investment in partnerships and others of ¥2,365 million was included in “Other” of “Other business expenses”.

3. “Impairment losses” are impairment losses as for the following asset groups.

Location	Usage	Asset type	Amount (Millions of yen)
Hyogo, Tokyo, etc.	Branches	Buildings, Other premises and equipment	¥150
Tokyo, Fukuoka, etc.	IT-related property	Other premises and equipment, Software	¥570
Total			¥720

The Bank determines the asset group based on management segmentation.

As a result of consideration of the business environment, the Bank made a decision to close down some of the branches for Individual Business and to cease use and development of some software assets, and segregated them as idle assets. Impairment losses for these assets were recognized assuming their recoverable amount to be zero.

In the above impairment loss amount, ¥130 million was for “Buildings,” ¥131 million was for “Other premises and equipment” and ¥457 million was for “Software.”

4. “Other extraordinary losses” was impairment loss on investments in subsidiaries and affiliates of ¥1,877 million.

5. Significant related-party transactions to be disclosed were as follows:

(1) Parent company and major corporate shareholders

Not applicable.

(2) Subsidiaries and affiliates

(Millions of yen)

Category	Name of corporation or organization	Ratio of voting rights held by the Bank	Relationship	Details of transaction	Transaction amount	B/S account	Balance at fiscal year end
Subsidiaries	APLUS Co., Ltd.	Indirect holding 100%	Deposit Lending Guarantee	Overdraft loan transaction (Note 1)	¥201,178	Loans and bills discounted	¥230,000
				Receipt of loan interests (Note 1)	530	Accrued income	1
	Shinsei Financial Co., Ltd.	Direct holding 100%	Deposit Lending Guarantee	Guarantee to Bank's loan assets (Note 2)	206,611	-	-
				Payment of guarantee fees (Note 2)	16,390	Accrued expenses	1,866
				Subrogation receipt (Note 2)	15,610	-	-
				Receipt of dividend	19,999	-	-

Note:

- The lending is for the purpose of business operation. The interest rate was determined at a reasonable level according to market conditions. Transaction amount of overdraft loan is the average balance during this current fiscal year.
- Shinsei Financial Co., Ltd. guarantees the unsecured loans to individuals. The guarantee fees were determined at a reasonable level according to market conditions.

(3) Fellow subsidiaries

Not applicable.

(4) Directors and major individual shareholders

(Millions of yen)

Category	Name of corporation or organization	Ratio of voting rights held by the counterparty	Relationship	Details of transaction	Transaction amount	B/S account	Balance at fiscal year end
Director	Hideyuki Kudo	Owned directly 0.0%	Representative director, president and chief executive officer	In-kind contributions of monetary compensation claims (Note)	¥12	-	-

Note:

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

(Statement of Changes in Equity)

Type and number of treasury stock were as follows:

(Unit: thousand shares)

	Number of shares as of April 1, 2020	Number of shares increased	Number of shares decreased	Number of shares as of March 31, 2021	Note
Treasury stock:					
Common stock	28,290	15,514	62	43,743	(Note)1,2
Total	28,290	15,514	62	43,743	

Note1: The increase of 15,514 thousand shares in treasury stock is associated with the repurchase from market.

2: The decrease of 62 thousand shares in treasury stock is associated with the disposal as a restricted stock compensation.

(Securities)

In addition to “Securities” on the balance sheet, 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. Trading securities (as of March 31, 2021)

(Millions of yen)

	Unrealized gain (loss)
Trading securities	¥-

2. Securities being held to maturity (as of March 31, 2021)

(Millions of yen)

	Type	Carrying amount	Fair value	Unrealized gain (loss)
Fair value exceeds carrying amount	Japanese national government bonds	¥185,528	¥186,181	¥653
	Subtotal	185,528	186,181	653
Fair value does not exceed carrying amount	Japanese national government bonds	-	-	-
	Subtotal	-	-	-
Total		¥185,528	¥186,181	¥653

3. Equity securities of subsidiaries and affiliates (as of March 31, 2021)

There were no marketable equity securities of subsidiaries and affiliates.

Equity securities of subsidiaries and affiliates whose fair value cannot be reliably determined consist of the following:

(Millions of yen)

	Carrying amount
Equity securities of subsidiaries	¥433,555
Equity securities of affiliates	713
Total	¥434,268

4. Securities available for sale (as of March 31, 2021)

(Millions of yen)

	Type	Carrying amount (Fair value)	Amortized/ Acquisition cost	Unrealized gain (loss)
Carrying amount exceeds amortized/acquisition cost	Equity securities	¥8,188	¥4,290	¥3,898
	Domestic bonds:	20,887	20,408	479
	Japanese national government bonds	9,031	9,031	0
	Japanese local government bonds	-	-	-
	Japanese corporate bonds	11,856	11,376	479
	Other:	97,701	95,994	1,707
	Foreign securities	77,763	76,307	1,455
	Other	19,938	19,686	251
	Subtotal	126,777	120,692	6,084
Carrying amount does not exceed amortized/acquisition cost	Equity securities	741	976	(234)
	Domestic bonds:	314,384	317,505	(3,121)
	Japanese national government bonds	154,363	155,305	(942)
	Japanese local government bonds	-	-	-
	Japanese corporate bonds	160,021	162,199	(2,178)
	Other:	262,800	267,250	(4,450)
	Foreign securities	262,800	267,250	(4,450)
	Other	-	-	-
	Subtotal	577,926	585,732	(7,806)
Total	¥704,703	¥706,424	¥(1,721)	

(Note 1) Available-for-sale securities whose fair value cannot be reliably determined:

(Millions of yen)

	Carrying amount
Equity securities	¥3,603
Domestic bonds:	250
Japanese corporate bonds	250
Other:	43,966
Foreign securities	12,401
Other	31,564
Total	¥47,819

These are not included in the table shown above, since the fair value cannot be reliably determined.

(Note 2) "Unrealized gain (loss) on available-for-sale securities" on the balance sheet consists of the following:

(Millions of yen)

Unrealized gain (loss) before deferred tax on:	
Available-for-sale securities	¥(1,721)
Interests in available-for-sale securities held by partnerships recorded as securities whose fair value cannot be reliably determined	2,758
Other monetary assets held in trust	(2,754)
Less: Deferred tax liabilities	-
Unrealized gain (loss) on available-for-sale securities	¥(1,717)

5. Available-for-sale securities sold during the current fiscal year (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Proceeds from sales	Gains on sales	Losses on sales
Equity securities	¥1,095	¥936	¥-
Domestic bonds:	545,017	902	498
Japanese national government bonds	492,380	766	486
Japanese local government bonds	17,442	6	10
Japanese corporate bonds	35,194	129	2
Other:	662,898	3,609	991
Foreign securities	662,898	3,609	991
Other	-	-	-
Total	¥1,209,011	¥5,448	¥1,490

6. Securities for which impairment losses are recognized

In the event individual securities (except for those whose fair value cannot be reliably determined), other than trading securities, experience a decline in fair value which is significant as compared to the acquisition cost of such securities, the securities are written down as the decline in fair value is deemed to be other than temporary, and the difference is recorded as an impairment loss.

Impairment loss on such securities for the fiscal year ended March 31, 2021, was ¥151 million, which was related to Japanese corporate bonds.

The Bank'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 Bank'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. Monetary assets held in trust for trading purposes (as of March 31, 2021)

(Millions of yen)

	Carrying amount (Fair value)	Unrealized gain (loss)
Monetary assets held in trust for trading purposes	¥9,268	¥(1,583)

2. There were no monetary assets held in trust held to maturity (as of March 31, 2021)

3. Monetary assets held in trust other than for trading purposes and held to maturity (as of March 31, 2021)

(Millions of yen)

	Carrying amount	Acquisition cost	Unrealized gain (loss)	Gross unrealized gain	Gross unrealized loss
Other monetary assets held in trust	¥277,158	¥279,913	¥(2,754)	¥259	¥(3,014)

Note: "Gross unrealized gain" and "Gross unrealized loss" are components of "Unrealized gain (loss)".

(Deferred Tax)

Breakdowns of deferred tax assets and deferred tax liabilities by reason of their occurrence are as follows.

	(Millions of yen)
Deferred tax assets	
Tax loss carryforwards (Note 2)	¥31,318
Securities	18,372
Reserve for credit losses	12,612
Deferred loss on derivatives under hedge accounting	7,221
Asset retirement obligations	2,217
Accrued expenses	826
Unrealize loss on available-for-sale securities	675
Monetary assets held in trust	13
Other	8,017
Subtotal	¥81,274
Valuation allowance for tax loss carryforwards (Note 2)	(24,754)
Valuation allowance for deductible temporary differences	(46,924)
Total valuation allowance (Note 1)	¥(71,678)
Total deferred tax assets	¥9,595
Deferred tax liabilities	
Retirement benefit costs	2,468
Deferred gain on derivatives under hedge accounting	900
Asset retirement costs included in premises and equipment	760
Other	196
Total Deferred tax liabilities	¥4,325
Net deferred tax assets	¥5,269

(Note 1) Valuation allowance has decreased by ¥3,679 million from the previous year. This is mainly caused by the decrease in the valuation allowance for tax loss carryforwards due to the use of tax loss carryforwards.

(Note 2) Expiration schedule of tax loss carryforwards

Fiscal period ended March 31, 2021

	(Millions of yen)						
	Within 1 year	1 year through 2 year	2 year through 3 year	3 year through 4 year	4 year through 5 year	Over 5 year	Total
Tax loss carryforwards (*1)	7,181	5,734	10,682	3,617	1,554	2,548	31,318
Valuation allowance	(630)	(5,734)	(10,682)	(3,617)	(1,554)	(2,534)	(24,754)
Deferred tax assets	6,550	-	-	-	-	14	(*2) 6,564

(*1) The amounts of tax loss carryforwards are obtained as a result of multiplying the statutory effective tax rate.

(*2) The tax loss carryforwards resulted from the disposal of the non-performing loans in the prior fiscal years. Certain tax loss carryforwards are determined to be collectible as it is probable that consolidated taxable income would be generated based on the expected profitability of the entities which are included in determining the consolidated taxable income of the Bank as consolidated taxpayer. The collectability of the deferred tax assets is considered by corporate tax, inhabitant tax and enterprise tax, respectively.

(Per share information)

Common shareholders' equity per share was ¥3,984.10.

Net income per common share was ¥154.64.

Diluted net income per common share was ¥154.60.