

Quarterly Consolidated Financial Statements and Notes

For the Three-Month Period Ended June 30, 2021

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

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

Quarterly Consolidated Balance Sheets

Shinsei Bank, Limited, and Consolidated Subsidiaries
As of March 31, 2021 and June 30, 2021

(Millions of yen)

	March 31, 2021	June 30, 2021
ASSETS		
Cash and due from banks	¥ 1,919,075	¥ 1,915,486
Other monetary claims purchased	46,187	42,445
Trading assets	170,376	173,570
Monetary assets held in trust	393,949	397,205
Securities	929,717	957,678
Loans and bills discounted	1 5,233,605	1 5,209,504
Foreign exchanges	83,730	55,288
Lease receivables and leased investment assets	192,147	191,708
Other assets	1,2 1,154,474	1,2 1,152,408
Premises and equipment	63,878	62,441
Intangible assets	3,4 68,685	3,4 66,569
Assets for retirement benefits	19,482	19,694
Deferred tax assets	9,985	10,259
Customers' liabilities for acceptances and guarantees	567,777	571,880
Reserve for credit losses	(112,897)	(110,296)
[Total assets]	¥ 10,740,174	¥ 10,715,845
LIABILITIES AND EQUITY		
Liabilities:		
Deposits	¥ 6,056,191	¥ 6,027,860
Negotiable certificates of deposit	515,140	512,540
Call money and bills sold	30,000	46,023
Payables under repurchase agreements	47,712	35,529
Payables under securities lending transactions	395,449	409,863
Trading liabilities	148,393	150,929
Borrowed money	1,026,679	987,845
Foreign exchanges	889	960
Short-term corporate bonds	218,800	229,700
Corporate bonds	367,534	373,566
Other liabilities	374,978	379,383
Accrued employees' bonuses	8,504	2,525
Accrued directors' bonuses	41	10
Liabilities for retirement benefits	8,084	8,057
Reserve for directors' retirement benefits	19	20
Reserve for reimbursement of deposits	391	351
Reserve for reimbursement of debentures	3,355	3,341
Reserve for losses on interest repayments	39,096	36,758
Deferred tax liabilities	393	355
Acceptances and guarantees	567,777	571,880
[Total liabilities]	9,809,431	9,777,503
Equity:		
Shareholders' equity:		
Common stock	512,204	512,204
Capital surplus	72,961	72,961
Retained earnings	431,623	440,768
Treasury stock, at cost	(81,464)	(81,381)
[Total shareholders' equity]	935,324	944,553
Accumulated other comprehensive income:		
Unrealized gain (loss) on available-for-sale securities	(593)	(3,034)
Deferred gain (loss) on derivatives under hedge accounting	(16,799)	(15,235)
Foreign currency translation adjustments	(1,133)	(1,086)
Defined retirement benefit plans	5,495	5,342
[Total accumulated other comprehensive income]	(13,031)	(14,012)
Stock acquisition rights	149	132
Noncontrolling interests	8,300	7,668
[Total equity]	930,742	938,341
[Total liabilities and equity]	¥ 10,740,174	¥ 10,715,845

Quarterly Consolidated Statements of Income

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the three-month periods ended June 30, 2020 and 2021

(Millions of yen)

	June 30, 2020 (3 months)	June 30, 2021 (3 months)
ORDINARY INCOME	¥ 89,953	¥ 92,387
Interest income	35,260	34,083
Interest on loans and bills discounted	33,157	32,052
Interest and dividends on securities	1,561	1,434
Fees and commissions income	12,760	13,976
Trading income	1,456	3,596
Other business income	1 37,095	1 35,273
Other ordinary income	2 3,379	2 5,457
ORDINARY EXPENSES	82,555	77,636
Interest expenses	3,713	3,325
Interest on deposits	1,158	877
Interest on borrowings	801	579
Interest on corporate bonds	107	858
Fees and commissions expenses	6,348	6,354
Trading losses	77	—
Other business expenses	3 22,946	3 22,527
General and administrative expenses	4 36,571	4 38,826
Other ordinary expenses	5 12,899	5 6,602
ORDINARY PROFIT	7,397	14,750
Extraordinary gains	0	0
Extraordinary losses	6 160	6 129
Income before income taxes	7,237	14,621
Income taxes (benefit)	1,369	2,807
Profit	5,867	11,813
Profit (loss) attributable to noncontrolling interests	(43)	210
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 5,911	¥ 11,602

Quarterly Consolidated Statements of Comprehensive Income

Shinsei Bank, Limited, and Consolidated Subsidiaries

For the three-month periods ended June 30, 2020 and 2021

(Millions of yen)

	June 30, 2020 (3 months)	June 30, 2021 (3 months)
PROFIT	¥ 5,867	¥ 11,813
OTHER COMPREHENSIVE INCOME	(1,873)	(1,476)
Unrealized gain (loss) on available-for-sale securities	(132)	(2,958)
Deferred gain (loss) on derivatives under hedge accounting	(181)	1,563
Foreign currency translation adjustments	15	42
Defined retirement benefit plans	26	(152)
Share of other comprehensive income in affiliates	(1,601)	27
COMPREHENSIVE INCOME	¥ 3,994	¥ 10,337

(Breakdown)

Attributable to:

Owners of the parent	¥ 4,060	¥ 10,621
Noncontrolling interests	(66)	(284)

Notes to Quarterly Consolidated Financial Statements

(Change in accounting policy)

(Application of Accounting Standard for Revenue Recognition and Its Implementation Guidance)

The Group applied the "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan ("ASBJ") Statement No. 29, March 31, 2020) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021) from the beginning of the first quarter of the current fiscal year, and the Group recognized revenue at the amount expected to be received in exchange for the promised goods or services at the time the control of those goods or services was transferred to the customer. As a result, annual membership fees income which some consolidated subsidiaries record from credit cards for the intermediation of comprehensive credit purchases were changed to recognize on a pro rata basis over a certain period because the subsidiaries fulfill their performance obligations over time. Also, in the case where the consolidated subsidiaries were involved in the transactions as agents, the revenues were recognized in net amounts less commission expenses paid by the consolidated subsidiaries to third parties other than customers. In addition, the timing of recognition of revenues from agency commissions for the intermediation of comprehensive credit purchases changed to the recognition at a point in time since the provision of services is completed and the performance obligation is satisfied when a credit card is used. In applying the Accounting Standard for Revenue Recognition and its Implementation Guidance, the Group followed the transitional treatment described in the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition, and the cumulative effect of applying of the new accounting policy retroactively prior to the beginning of the first quarter of the current fiscal year was added to or deducted from the balance of "Retained Earnings" at the beginning of the first quarter of the current fiscal year. However, in accordance with the treatment prescribed in paragraph 86(1) of the Accounting Standard for Revenue Recognition, the Group did not apply the new accounting policy to the contracts where nearly all of the revenue amounts had been recognized prior to the beginning of the first quarter of the current fiscal year in accordance with the accounting standards the Group had applied. In addition, by applying the method stipulated in paragraph 86(1) of the Accounting Standard for Revenue Recognition, if there had been changes in contracts before the beginning of the first quarter of the current fiscal year, the Group accounted based on the contract terms after reflecting all the changes in contracts, and the cumulative effect was added to or deducted from in "Retained Earnings" at the beginning of the first quarter of the current fiscal year.

As a result, "Other business income" decreased by ¥369 million, "Fees and commissions expenses" decreased by ¥335 million, and both "Ordinary profit" and "Income before income taxes" decreased by ¥33 million for the first quarter of the current fiscal year. In addition, "Retained earnings" decreased by ¥430 million, "Deferred tax assets" increased by ¥77 million, and "Other liabilities" increased by ¥508 million at the beginning of the first quarter of the current fiscal year. In accordance with the transitional treatment stipulated in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), we did not disclose disaggregated revenue earned from contracts with customers for the first quarter of the previous fiscal year, which is comparative reporting period.

(Application of the Accounting Standard for Fair Value Measurement and Its Implementation Guidance)

The Group applied "Accounting Standard for Fair Value Measurement" (ASBJ Statement No.30, July 4, 2019) and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Statement No.31, July 4, 2019) from the beginning of the first quarter of the current fiscal year.

Accordingly, In accordance with paragraph 8 of "Accounting Standard for Fair Value Measurement," the Group has revised the fair value method to reflect the own credit risks and the counterparty's credit risks in the fair value of derivative transactions by making maximum use of relevant observable inputs estimated from derivatives and others traded in the market. As for fair value of derivative transactions, in accordance with the transitional treatment set forth in paragraph 20 of "Accounting Standards for Fair Value Measurement," the cumulative effect of applying of the new accounting policy retroactively prior to the first quarter of the current fiscal year is added to or deducted from "Retained earnings" at the beginning of the current fiscal year.

As a result, both of "Ordinary profit" and "Income before income taxes" increased by ¥40 million, due to the increase of ¥108 million in "Trading income" and ¥68 million in "Other business expenses" for the first quarter of the current fiscal year. Also, at the beginning of the current fiscal year, "Retained earnings" increased by ¥560 million, "Trading assets" decreased by ¥1,220 million, "Other assets" decreased by ¥253 million, "Deferred tax assets" increased by ¥196 million, "Trading liabilities" decreased by ¥1,333 million, and "Other liabilities" decreased by ¥504 million.

A fair value method of available-for-sale securities, whose fair value cannot be reliably determined, was changed from the method equivalent to the balance sheet value of the claims or the method using the acquisition cost as the balance sheet value, to the method to use the fair value as the balance sheet value, except for nonmarketable shares and the like, as a result of the application of this accounting standard and its implementation guidance. Also in accordance with the transitional treatment set forth in paragraph 19 of "Accounting Standard for Fair Value Measurement" and paragraph 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the Group has applied the new accounting policy prescribed from the beginning of the first quarter of the current fiscal year.

(Accounting method specific to quarterly consolidated financial statements)

(1) Income taxes

Income taxes (benefit) are calculated based on income before income taxes for the three-month period ended June 30, 2021 and the reasonably estimated effective tax rate after tax effects for the fiscal year ending March 31, 2022.

(Supplementary information)

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

On March 31, 2021, the Group assumed that the impacts of the Novel Coronavirus outbreak and the resulting stagnant economic activities would weaken by the end of March 2021, the impacts on the credit risk for loans to some obligors would remain for several more years. No material changes were made in this assumption at the end of June 2021. Based on this assumption, we have assumed that there will be material impacts on the credit risk for loans to certain 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 probability 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 June 30, 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 and after the second quarter consolidated accounting period if there are changes in the economic environment surrounding the obligors or in their financial conditions.

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

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

(Acquisition of treasury shares)

On May 13, 2021, the Bank decided to acquire its own treasury shares in accordance with the provision of its Articles of Incorporation, pursuant to Article 459, paragraph 1 of the Companies Act of Japan.

1. Reason for acquisition

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

2. Details of acquisition

(1) Type of shares to be repurchased

Common stock

(2) Number of shares to be repurchased

(Up to) 20 million shares (9.29% of total number of common shares issued excluding treasury shares)

(3) Total repurchase amount

(Up to) ¥20.0 billion

(4) Acquisition period

From May 14, 2021 to March 31, 2022

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

(1) Type of shares repurchased

Common stock

(2) Total Number of shares repurchased

1,963,700 shares

(3) Total amount of repurchase

2,840,627,000 yen

(4) Acquisition period

From May 14, 2021 to July 31, 2021

(5) Acquisition method

Open market purchase on the Tokyo Stock Exchange

(Quarterly consolidated balance sheets as of March 31, 2021 and June 30, 2021)

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

(Millions of yen)

	March 31, 2021	June 30, 2021
Loans to bankrupt obligors	¥ 3,308	¥ 3,616
Nonaccrual delinquent loans	52,384	48,862
Loans past due for three months or more	977	2,074
Restructured loans	60,066	62,373
Total	¥ 116,737	¥ 116,926

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

(Millions of yen)

	March 31, 2021	June 30, 2021
Credits to bankrupt obligors	¥ 91	¥ 76
Nonaccrual delinquent credits	6,745	6,768
Credits past due for three months or more	209	394
Restructured credits	2,353	2,514
Total	¥ 9,400	¥ 9,753

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

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

(Millions of yen)

	March 31, 2021	June 30, 2021
Installment receivables	¥ 839,530	¥ 859,592

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

(Millions of yen)

	March 31, 2021	June 30, 2021
Goodwill	¥ 15,817	¥ 15,240
Negative goodwill	2,356	2,266
Net	¥ 13,460	¥ 12,974

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

(Millions of yen)

	March 31, 2021	June 30, 2021
Intangible assets acquired in business combinations	¥ 4,191	¥ 4,160

(Quarterly consolidated statements of income for the three-month periods ended June 30, 2020 and 2021)

1. In "Other business income," the following were included.

(Millions of yen)

	June 30, 2020 (3 months)	June 30, 2021 (3 months)
Leasing revenue	¥ 20,504	¥ 19,606
Income from installment sales	8,800	10,808

2. In "Other ordinary income," the following were included.

(Millions of yen)

	June 30, 2020 (3 months)	June 30, 2021 (3 months)
Recoveries of written-off claims	¥ 1,492	¥ 2,442
Gain on monetary assets held in trust	923	824

3. In "Other business expenses," the following was included.

(Millions of yen)

	June 30, 2020 (3 months)	June 30, 2021 (3 months)
Leasing cost	¥ 18,638	¥ 17,648

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

(Millions of yen)

	June 30, 2020 (3 months)	June 30, 2021 (3 months)
Amortization of goodwill	¥ 555	¥ 689
Amortization of intangible assets acquired in business combinations ^(Note)	86	114

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

5. In "Other ordinary expenses," the following was included.

(Millions of yen)

	June 30, 2020 (3 months)	June 30, 2021 (3 months)
Provision of reserve for credit losses	¥ 11,816	¥ 4,953

6. In "Extraordinary losses," the following were included.

(Millions of yen)

	June 30, 2020 (3 months)	June 30, 2021 (3 months)
Impairment losses	¥ 144	¥ 108

(Quarterly consolidated statements of cash flows for the three-month periods ended June 30, 2020 and 2021)

Quarterly consolidated statements of cash flows for the three-month periods ended June 30, 2020 and 2021 have not been presented. Depreciation, including amortization of intangible assets other than those acquired in business combinations, and amortization of goodwill and intangible assets acquired in business combinations were as follows.

(Millions of yen)

	June 30, 2020 (3 months)	June 30, 2021 (3 months)
Depreciation (other than leased assets as lessor)	¥ 3,516	¥ 3,454
Amortization of goodwill	555	689
Amortization of intangible assets acquired in business combinations	86	114

(Shareholders equity)

Three-month period ended June 30, 2020

1. Dividends paid

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

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

Three-month period ended June 30, 2021

1. Dividends paid

(Resolution)	Type of shares	Total amount	Per share amount	Record date	Effective date	Source of dividend
The Board of Directors meeting on May 13, 2021	Common stock	¥ 2,583 million	¥ 12.00	March 31, 2021	June 30, 2021	Retained earnings

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

(Segment information)**Three-month period ended June 30, 2020**

1. Revenue and profit (loss) by reportable segments

(Millions of yen)

	Institutional Business					
	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Revenue:	¥ 3,617	¥ 4,373	¥ 462	¥ 3,891	¥ 564	¥ 500
Net interest income (loss)	2,959	3,125	560	82	350	108
Noninterest income (loss)	657	1,247	(98)	3,809	214	392
Expenses	3,232	2,603	1,021	2,879	823	737
Net credit costs (recoveries)	632	2,988	305	684	—	48
Segment profit (loss)	¥ (247)	¥ (1,218)	¥ (864)	¥ 327	¥ (259)	¥ (285)

(Millions of yen)

	Individual Business				Corporate/Other			Total
	Retail Banking	Consumer Finance			Overseas Business	Treasury	Other	
		Shinsei Financial	APLUS FINANCIAL	Other Individual				
Revenue:	¥ 6,579	¥ 17,182	¥ 14,508	¥ 489	¥ 595	¥ 1,909	¥ 31	¥ 54,705
Net interest income (loss)	6,067	17,110	2,353	155	8	(1,335)	0	31,547
Noninterest income (loss)	511	72	12,154	334	587	3,244	31	23,158
Expenses	5,977	8,124	9,531	506	107	382	(44)	35,883
Net credit costs (recoveries)	210	3,011	3,278	(158)	17	—	(2)	11,015
Segment profit (loss)	¥ 391	¥ 6,046	¥ 1,699	¥ 141	¥ 471	¥ 1,526	¥ 78	¥ 7,806

(Notes)

- “Revenue,” which represents gross operating profit under our management reporting, is presented as a substitute for sales in other industries. “Revenue” is defined as the total of net interest income, net fees and commissions, net trading income, net other business income, net gain or loss on monetary assets held in trust and equity related transactions on the management reporting basis. “Revenue” represents income and related cost attributable to core businesses. Interest on inter-segment transactions is calculated using an inter-office rate. Indirect expense is allocated, based on the predefined rule, to each reportable segment according to the budget which is set at the beginning of fiscal year.
- “Expenses” are general and administrative expenses deducting amortization of goodwill and intangible assets, amortization of actuarial gains or losses of retirement benefit cost and lump-sum payments.
- “Net credit costs (recoveries)” consists of provision/reversal of reserve for credit losses, losses on write-off/sales of loans and recoveries of written-off claims.
- “Shinsei Financial” includes profit/loss on “Shinsei Bank Card Loan - L,” the unsecured personal card loan business, as well as profit/loss of Shinsei Personal Loan Co., Ltd.
- “Other” under the Corporate/Other includes the accounts which are not included in our reportable segments, allocation variance of indirect expenses and elimination amount of inter-segment transactions.

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

(Millions of yen)

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

Three-month period ended June 30, 2021

1. Revenue and profit (loss) by reportable segments

(Millions of yen)

	Institutional Business					
	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Revenue:	¥ 3,006	¥ 4,992	¥ 1,763	¥ 3,528	¥ 1,618	¥ 716
Net interest income (loss)	2,662	3,402	742	68	184	100
Noninterest income (loss)	344	1,589	1,021	3,459	1,433	616
Expenses	3,313	2,882	1,101	2,893	750	721
Net credit costs (recoveries)	(215)	(552)	7	(187)	—	5
Segment profit (loss)	¥ (90)	¥ 2,661	¥ 655	¥ 822	¥ 867	¥ (9)

(Millions of yen)

	Individual Business				Corporate/Other			Total
	Retail Banking	Consumer Finance			Overseas Business	Treasury	Other	
		Shinsei Financial	APLUS FINANCIAL	Other Individual				
Revenue:	¥ 6,361	¥ 15,816	¥ 14,799	¥ 381	¥ 2,864	¥ 92	¥ 138	¥ 56,081
Net interest income (loss)	4,918	15,886	1,985	129	1,273	(596)	(0)	30,757
Noninterest income (loss)	1,443	(69)	12,813	252	1,590	688	138	25,323
Expenses	5,809	8,453	10,015	515	1,275	351	58	38,141
Net credit costs (recoveries)	4	1,281	3,209	(176)	(258)	—	(4)	3,114
Segment profit (loss)	¥ 547	¥ 6,081	¥ 1,574	¥ 43	¥ 1,847	¥ (258)	¥ 84	¥ 14,825

(Notes)

1. "Revenue," which represents gross operating profit under our management reporting, is presented as a substitute for sales in other industries. "Revenue" is defined as the total of net interest income, net fees and commissions, net trading income, net other business income, net gain or loss on monetary assets held in trust and equity related transactions on the management reporting basis. "Revenue" represents income and related cost attributable to core businesses. Interest on inter-segment transactions is calculated using an inter-office rate. Indirect expense is allocated, based on the predefined rule, to each reportable segment according to the budget which is set at the beginning of fiscal year.
2. "Expenses" are general and administrative expenses deducting amortization of goodwill and intangible assets, amortization of actuarial gains or losses of retirement benefit cost and lump-sum payments.
3. "Net credit costs (recoveries)" consists of provision/reversal of reserve for credit losses, losses on write-off/sales of loans and recoveries of written-off claims.
4. "Shinsei Financial" includes profit/loss on "Shinsei Bank Card Loan - L," the unsecured personal card loan business, as well as profit/loss of Shinsei Personal Loan Co., Ltd.
5. "Other" under the Corporate/Other includes the accounts which are not included in our reportable segments, allocation variance of indirect expenses and elimination amount of inter-segment transactions.

2. Reconciliation between total segment profit and ordinary profit on the quarterly consolidated statement of income for the three-month period ended June 30, 2021

(Millions of yen)

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

3. Changes in reportable segments

(1) Changes in classification of reportable segment

In July 2020, Shinsei Bank Limited("the Bank") established Group Overseas Business Division("GOBD") for the purpose of planning, controlling, and managing the strategic operations of the Shinsei Bank Group's("the Group") overseas businesses as a whole, and planning, promoting, and managing the business strategies of the Group's overseas operating companies.

In the past, the Group's overseas businesses were engaged in business promotion and management in both Institutional business and Individual business independently. By concentrating management resources in GOBD, the Group have been strengthening our system for accumulating know-how and governance in overseas businesses and building a sustainable business structure.

Since the establishment of this business structure was completed in the first quarter of the current fiscal year, from the results of June 2021, the "Overseas Business", which combines GOBD and overseas subsidiaries and overseas affiliates managed by GOBD, has been determined as a unit for evaluating performance at the Group Executive Committee.

Accordingly, from the first quarter of the current fiscal year, "Overseas Business" has been newly established as a reportable segment under "Corporate/Other". Majority of overseas subsidiaries and overseas affiliates that had previously belonged to each reportable segment, etc. (e.g., UDC Finance Limited, in which the Bank acquired 100% of the outstanding shares in September 2020) have been consolidated into "Overseas Business".

Revenue and income (loss) by reportable segment for the first quarter of the previous fiscal year were prepared based on the reportable segment classification for the first quarter of the fiscal year.

(2) Change in measurement method of income (loss) of reportable segments

In the first quarter of the fiscal year under review, the Group decided to revise the method of allocating profits and losses related to the Group's financing operations. As a result, from the first quarter of the current fiscal year, the method of measuring the amount of profits and losses of reportable segments has been changed.

Previously, profits and losses related to Retail Banking's financing operations were allocated as indirect expenses in accordance with the ratio of operating assets of each reportable segment, with the intention of being borne by each reportable segment as the beneficiary.

In light of market changes resulting from Novel Coronavirus, from the first quarter of the current fiscal year, the Group has changed some of the methods of (1)calculating the amount of profit and loss related to the Group's financing operations and (2)the percentage of allocation to each reportable segment in order to reflect changes in the business structure while maintaining the framework of the previous allocation method.

Revenue and income (loss) by reportable segment for the first quarter of the previous fiscal year has been prepared based on the measurement method for the first quarter of the current fiscal year.

(Financial instruments)

Fair values of financial instruments as of March 31, 2021

(Millions of yen)

	Carrying amount	Fair value	Unrealized gain (loss)
(1) Other monetary claims purchased ²	¥ 46,077	¥ 46,344	¥ 267
(2) Trading assets			
Securities held for trading purposes	5,783	5,783	–
(3) Monetary assets held in trust ²	391,347	394,637	3,289
(4) Securities	875,604	876,257	653
(5) Loans and bills discounted ³	5,233,605		
Reserve for credit losses	(72,693)		
Net	5,160,911	5,327,892	166,980
(6) Lease receivables and leased investment assets	192,147		
Estimated residual value ⁴	(6,420)		
Reserve for credit losses	(1,289)		
Net	184,437	190,769	6,332
(7) 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
(8) Deposits	6,056,191	6,053,897	2,293
(9) Negotiable certificates of deposit	515,140	515,484	(344)
(10) Borrowed money	1,026,679	1,026,825	(146)
(11) Corporate bonds	367,534	367,713	(179)
(12) Derivative instruments ⁵ :			
Hedge accounting is not applied	6,761	6,761	–
Hedge accounting is applied	(15,592)	(15,592)	–
Derivative instruments total	(8,830)	(8,830)	–

(Millions of yen)

	Contract amount	Fair value
Other: Guarantee contracts ⁶	¥ 567,777	¥ 17,866

- Notes are omitted because most of Cash and due from banks, Receivables under securities borrowing transactions, Call money and bills sold, Payables under repurchase agreements, Payables under securities lending transactions and Short-term corporate bonds are with short maturity of one year or less, therefore the fair values approximate carrying amounts.
- Carrying amounts of Other monetary claims purchased and Monetary assets held in trust are presented as the amount net of reserve for credit losses because they are immaterial.
- 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 have a possibility of being appropriated for loan principal in the future.
- Estimated residual value of leased investment assets arising from finance lease transactions, where the ownership of the property is not deemed to transfer to the lessee, is deducted from leased investment assets.
- Derivative instruments include derivative transactions both in trading assets and liabilities, and in other assets and liabilities. Derivative instruments are presented as net of assets and liabilities and presented with () when a liability stands on net basis.
- Contract amount for guarantee contracts presents the amount of “Acceptances and guarantees” on the consolidated balance sheets.

Fair values of financial instruments as of June 30, 2021

(Millions of yen)

	Carrying amount	Fair value	Unrealized gain (loss)
(1) Other monetary claims purchased ²	¥ 42,338	¥ 42,556	¥ 218
(2) Trading assets			
Securities held for trading purposes	5,783	5,783	–
(3) Monetary assets held in trust ²	395,006	398,070	3,063
(4) Securities	901,919	902,730	810
(5) Loans and bills discounted ³	5,209,504		
Reserve for credit losses	(70,246)		
Net	5,139,258	5,295,811	156,553
(6) Lease receivables and leased investment assets	191,708		
Estimated residual value ⁴	(6,374)		
Reserve for credit losses	(1,243)		
Net	184,091	189,803	5,712
(7) Other assets			
Installment receivables	859,592		
Deferred gains on installment receivables	(13,823)		
Reserve for credit losses	(12,817)		
Net	832,951	884,331	51,380
(8) Deposits	6,027,860	6,028,519	(659)
(9) Negotiable certificates of deposit	512,540	512,889	(349)
(10) Borrowed money	987,845	987,567	278
(11) Corporate bonds	373,566	373,728	(161)
(12) Derivative instruments ⁵ :			
Hedge accounting is not applied	12,962	12,962	–
Hedge accounting is applied	(15,655)	(15,655)	–
Derivative instruments total	(2,692)	(2,692)	–

(Millions of yen)

	Contract amount	Fair value
Other: Guarantee contracts ⁶	¥ 571,880	¥ 46,708

- Notes are omitted because most of Cash and due from banks, Receivables under securities borrowing transactions, Call money and bills sold, Payables under repurchase agreements, Payables under securities lending transactions and Short-term corporate bonds are with short maturity of one year or less, therefore the fair values approximate carrying amounts.
- Carrying amounts of Other monetary claims purchased and Monetary assets held in trust are presented as the amount net of reserve for credit losses because they are immaterial.
- For consumer loans held by consolidated subsidiaries included in Loans and bills discounted, reserve for losses on interest repayments of ¥36,758 million was recognized for estimated losses on reimbursements of excess interest payments, which included the reserve for losses on interest repayments that have a possibility of being appropriated for loan principal in the future.
- Estimated residual value of leased investment assets arising from finance lease transactions, where the ownership of the property is not deemed to transfer to the lessee, is deducted from leased investment assets.
- Derivative instruments include derivative transactions both in trading assets and liabilities, and in other assets and liabilities. Derivative instruments are presented as net of assets and liabilities and presented with () when a liability stands on net basis.
- Contract amount for guarantee contracts presents the amount of “Acceptances and guarantees” on the quarterly consolidated balance sheets.

(Note)

Carrying amount of Nonmarketable equity securities and others and Investment in partnerships and others were as follows, and these are not included in the above (4) Securities.

(Millions of yen)

Category	March 31, 2021	June 30, 2021
Nonmarketable equity securities and others ^{1,3}	¥ 24,247	¥ 24,881
Investment in partnerships and others ^{2,3}	29,865	30,876
Total	¥ 54,112	¥ 55,758

1. Nonmarketable equity securities and others including them without readily available market prices are out of the scope of fair values disclosure according to Guidance on Disclosures about Fair Value of Financial Instruments Paragraph 5 (ASBJ Guidance No.19, March 31, 2020).
2. Investment in partnerships and others are out of the scope of fair values disclosure according to Guidance on Accounting Standard for Fair Value Measurement Paragraph 27 (ASBJ Guidance No.31, July 4, 2019).
3. For the fiscal years ended June 30, 2021 and March 31, 2021, impairment losses on nonmarketable equity securities and others of ¥117 million and ¥1,994 million, and on investment in partnerships and others of ¥75 million and ¥1,309 million were recognized, respectively.

(Securities)

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

1. Securities being held to maturity:

As of March 31, 2021

(Millions of yen)

	Carrying amount	Fair value	Unrealized gain (loss)
Japanese national government bonds	¥ 185,528	¥ 186,181	¥ 653
Total	¥ 185,528	¥ 186,181	¥ 653

As of June 30, 2021

(Millions of yen)

	Carrying amount	Fair value	Unrealized gain (loss)
Japanese national government bonds	¥ 155,293	¥ 156,104	¥ 810
Total	¥ 155,293	¥ 156,104	¥ 810

2. Securities available for sale:

As of March 31, 2021

(Millions of yen)

	Amortized/ Acquisition cost	Carrying amount (Fair value)	Unrealized gain (loss)
Equity securities	¥ 6,808	¥ 13,086	¥ 6,277
Domestic bonds:	338,924	336,286	(2,638)
Japanese national government bonds	165,347	164,408	(938)
Japanese local government bonds	–	–	–
Japanese corporate bonds	173,576	171,877	(1,699)
Other:	363,244	360,501	(2,743)
Foreign securities	343,558	340,563	(2,994)
Other	19,686	19,938	251
Total	¥ 708,977	¥ 709,874	¥ 896

As of June 30, 2021

(Millions of yen)

	Amortized/ Acquisition cost	Carrying amount (Fair value)	Unrealized gain (loss)
Equity securities	¥ 6,226	¥ 12,215	¥ 5,988
Domestic bonds:	368,689	366,671	(2,018)
Japanese national government bonds	218,122	217,575	(547)
Japanese local government bonds	–	–	–
Japanese corporate bonds	150,566	149,095	(1,471)
Other:	390,779	384,755	(6,023)
Foreign securities	373,770	367,282	(6,488)
Other	17,009	17,473	464
Total	¥ 765,695	¥ 763,642	¥ (2,053)

(Note)

In the event individual securities experience a decline in fair value which is significant as compared to the acquisition cost of such securities, the securities are written down as the decline in fair value is deemed to be other than temporary, and the difference is recorded as an impairment loss.

Impairment loss on available-for-sale securities carried at fair value for the fiscal year ended March 31, 2021, was ¥151 million, which was related to Japanese corporate bonds.

Impairment loss on available-for-sale securities carried at fair value for the three-month period ended June 30, 2021, was ¥759 million, which consisted of ¥361 million for equity securities and ¥397 million for other securities.

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

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

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

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

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

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

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

(Monetary assets held in trust)

1. There were no monetary assets held in trust held to maturity as of March 31, 2021 and June 30, 2021.

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

As of March 31, 2021

(Millions of yen)

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

As of June 30, 2021

(Millions of yen)

	Acquisition cost	Carrying amount	Unrealized gain (loss)
Other monetary assets held in trust	¥ 393,599	¥ 390,898	¥ (2,700)

(Derivative transactions)

At the end of previous consolidated fiscal year, fair values of derivatives are adjusted for credit risk and liquidity risk by directly reducing reasonably estimated reserves from relevant trading assets. The fair values of derivatives on the consolidated balance sheets as of March 31, 2021 are adjusted for credit risk by a reduction of ¥1,649 million and adjusted for liquidity risk by a reduction of ¥1,771 million. Regardless of this accounting treatment, the reduction of those risks is not reflected in the fair values shown in the following tables. At the end of the first quarter of the current consolidated fiscal year, as described in (Change in accounting policy), in accordance with paragraph 8 of "Accounting Standard for Fair Value Measurement," the Group has revised the fair value method to reflect the own credit risks and the counterparty's credit risks in the fair value of derivative transactions by making maximum use of relevant observable inputs estimated from derivatives and others traded in the market. As a result, the credit risk and liquidity risk are taken into consideration when calculating the fair value of relevant trading assets, etc., and the values shown in the following tables reflect those risk.

(1) Interest rate-related transactions:

As of March 31, 2021

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Future contracts	¥ 3,875	¥ 1	¥ 1
	Interest rate options	—	—	—
Over the counter	Forward contracts	—	—	—
	Interest rate swaps	10,268,619	12,913	12,913
	Interest rate swaptions	1,014,434	5,601	5,829
	Interest rate options	39,393	50	179
	Other	—	—	—
Total		—	¥ 18,567	¥ 18,923

(Note) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income. Derivatives for which hedge accounting is adopted in accordance with "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry" (Industry Committee Practical Guidelines No. 24, October 8, 2020, by the Japanese Institute of Certified Public Accountants (the "JICPA")) are excluded from the table above.

As of June 30, 2021

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Future contracts	¥ 1,250	¥ (0)	¥ (0)
	Interest rate options	—	—	—
Over the counter	Forward contracts	—	—	—
	Interest rate swaps	10,233,589	13,065	13,065
	Interest rate swaptions	996,430	2,758	3,063
	Interest rate options	39,011	24	153
	Other	—	—	—
Total		—	¥ 15,847	¥ 16,281

(Note) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income. Derivatives for which hedge accounting is adopted in accordance with "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry" (Industry Committee Practical Guidelines No. 24, October 8, 2020, by JICPA) are excluded from the table above.

(2) Currency-related transactions:

As of March 31, 2021

(Millions of yen)

	Contract type	Contract/ Notional principal	Fair value	Unrealized gain (loss)
Listed	Future foreign exchange contracts	—	—	—
	Currency options	—	—	—
Over the counter	Currency swaps	¥ 592,556	¥ (489)	¥ (489)
	Forward foreign exchange contracts	1,661,919	(1,938)	(1,938)
	Currency options	1,420,471	(6,702)	3,970
	Other	—	—	—
Total		—	¥ (9,129)	¥ 1,542

(Note) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income. Fund swap transactions and currency swap transactions for which hedge accounting is adopted in accordance with "Accounting and Auditing Treatment of Accounting Standards for Foreign Exchange Transactions in the Banking Industry" (Industry Committee Practical Guidelines No. 25, October 8, 2020, by JICPA) are excluded from the table above.

As of June 30, 2021

(Millions of yen)

	Contract type	Contract/ Notional principal	Fair value	Unrealized gain (loss)
Listed	Future foreign exchange contracts	—	—	—
	Currency options	—	—	—
Over the counter	Currency swaps	¥ 585,412	¥ 315	¥ 315
	Forward foreign exchange contracts	1,415,327	3,513	3,513
	Currency options	1,385,553	(7,402)	1,463
	Other	—	—	—
Total		—	¥ (3,573)	¥ 5,292

(Note) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income. Fund swap transactions and currency swap transactions for which hedge accounting is adopted in accordance with "Accounting and Auditing Treatment of Accounting Standards for Foreign Exchange Transactions in the Banking Industry" (Industry Committee Practical Guidelines No. 25, October 8, 2020, by JICPA) are excluded from the table above.

(3) Equity-related transactions:

As of March 31, 2021

(Millions of yen)

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

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

As of June 30, 2021

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Equity index futures	¥ 699	¥ (6)	¥ (6)
	Equity index options	—	—	—
	Equity options	—	—	—
Over the counter	Equity options	—	—	—
	Equity index swaps	—	—	—
	Other	—	—	—
Total		—	¥ (6)	¥ (6)

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

(4) Bond-related transactions:

As of March 31, 2021

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Bond futures	¥ 37,171	¥ 13	¥ 13
	Bond futures options	—	—	—
Over the counter	Bond options	—	—	—
	Other	—	—	—
Total		—	¥ 13	¥ 13

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

As of June 30, 2021

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Listed	Bond futures	¥ 33,410	¥ 7	¥ 7
	Bond futures options	—	—	—
Over the counter	Bond options	—	—	—
	Other	—	—	—
Total		—	¥ 7	¥ 7

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

(5) There were no commodity derivatives transactions as of March 31, 2021 and June 30, 2021.

(6) Credit derivatives transactions:

As of March 31, 2021

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Over the counter	Credit default options	¥ 70,000	¥ 732	¥ 732
	Other	—	—	—
Total		—	¥ 732	¥ 732

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

As of June 30, 2021

(Millions of yen)

	Contract type	Contract/Notional principal	Fair value	Unrealized gain (loss)
Over the counter	Credit default options	¥ 67,000	¥ 688	¥ 688
	Other	—	—	—
Total		—	¥ 688	¥ 688

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

(Revenue Recognition)

Information on disaggregated revenue from contracts with customers

Information on disaggregated revenue from contracts with customers, which were allocated to each reportable segment, for three-month period ended June 30, 2021 were as follows.

(Millions of yen)

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

(Millions of yen)

	Individual Business				Corporate/Other			Total
	Retail Banking	Consumer Finance			Overseas Business	Treasury	Other ⁴	
		Shinsei Financial	APLUS FINANCIAL	Other Individual				
Fees and commissions income ^{1,5}	¥ 2,129	¥ 410	¥ 3,587	¥ 162	¥ 0	¥ 6	¥ (226)	¥ 7,279
Other business income ^{2,5}	—	—	3,071	0	—	228	(177)	4,575
Ordinary income from contracts with customers	2,129	410	6,659	163	0	235	(404)	11,854
Ordinary income other than the above ^{3,5}	6,266	18,487	13,614	988	4,666	(5,104)	(19,733)	80,532
Ordinary income from external customers	¥ 8,395	¥ 18,898	¥ 20,274	¥ 1,152	¥ 4,666	¥ (4,868)	¥ (20,137)	¥ 92,387

(Notes)

- “Fees and commissions income” are mainly from sales of mutual funds and insurances in “Retail Banking” and from collection agent service in the payment business in “APLUS FINANCIAL.”
- “Other business income” are mainly from sales of used construction machines, etc. in “Showa Leasing” and merchant fees and annual membership fees in the credit card business in “APLUS FINANCIAL.”
- “Ordinary income other than the above” includes revenue from transactions defined in “Accounting Standard for Financial Instruments” (ASBJ Statement No.10, revised on July 4, 2019) and “Accounting Standard for Lease Transactions” (ASBJ Statement No.13, revised on March 30, 2007).

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

(Per share information)

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

		June 30, 2020 (3 months)	June 30, 2021 (3 months)
(1) Basic EPS	(Yen)	¥ 25.64	¥ 53.88
(Calculation basis)			
Profit attributable to owners of the parent	(Millions of yen)	¥ 5,911	¥ 11,602
The amount which is not attributable to common shareholders	(Millions of yen)	–	–
Profit attributable to owners of the parent available to common shareholders	(Millions of yen)	¥ 5,911	¥ 11,602
Weighted average number of common shares	(Thousands)	230,528	215,316
(2) Diluted EPS	(Yen)	¥ 25.63	¥ 53.86
(Calculation basis)			
Adjustment amount of profit attributable to owners of the parent	(Millions of yen)	–	–
Increase of the number of common shares	(Thousands)	54	66