



Interim Report

Six-Month Period Ended September 30, 2019

2019

Financial and Corporate Data

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Corporate Data

Corporate History

April	1957	Established as The Nippon Fudosan Bank, Limited (capital: ¥1 billion) in accordance with the Long-Term Credit Bank Law
July	1964	Started foreign exchange business as an authorized foreign exchange bank
September		Listed stock on the Tokyo Stock Exchange
February	1970	Listed stock on the Osaka Securities Exchange
October	1977	Changed name to The Nippon Credit Bank, Ltd.
February	1994	Established The Nippon Credit Trust Bank, Ltd. (currently GMO Aozora Net Bank, Ltd.), the first domestic subsidiary classified as other type of business
December	1998	Started special public management in accordance with the Financial Reconstruction Law and terminated listing of stock on the Tokyo Stock Exchange and the Osaka Securities Exchange
September	1999	NCB Servicer Co., Ltd. (currently Aozora Loan Services Co., Ltd.), commenced servicer operations
September	2000	Share Purchase Agreement regarding the transfer of the Bank's shares was signed between Deposit Insurance Corporation and SOFTBANK CORP., ORIX Corporation, The Tokio Marine and Fire Insurance Co., Ltd. (currently Tokio Marine & Nichido Fire Insurance Co., Ltd.), and other financial institutions Ended special public management
November		Commenced telephone banking services
January	2001	Changed name to Aozora Bank, Ltd.
September	2003	Through a common stock tender offer conducted in accordance with the Securities Exchange Law, all common stock of the Bank held by SOFTBANK CORP. was transferred to the ownership of Cerberus NCB Acquisition, L.P., General Partner Cerberus Aozora GP L.L.C.
June	2005	Established a subsidiary, Aozora Asia Pacific Finance Limited, in Hong Kong
July		Established New York Representative Office
April	2006	Converted from 'Long-Term Credit Bank' to an 'Ordinary Bank' Established a securities subsidiary, Aozora Securities Co., Ltd.
November		Listed on the First Section of the Tokyo Stock Exchange
May	2007	Established Shanghai Representative Office
April	2008	Tender offer for common shares by Cerberus NCB Acquisition, L.P., General Partner Cerberus Aozora GP L.L.C.
April	2009	Established Internet Branch (currently BANK Branch) Commenced Internet banking services
December	2011	Completion of acquisition of Japan Wealth Management Securities, Inc., making it a wholly-owned subsidiary of the Bank (Merged with Aozora Securities Co., Ltd. in February 2012. New company name: Aozora Securities, Co., Ltd.)
August	2012	Announced the Comprehensive Recapitalization Plan
December		Established Financial Oasis Jiyugaoka (Shibuya Branch Jiyugaoka Office)
January	2013	Secondary offering of Aozora common stock by parent company, Cerberus NCB Acquisition, L.P., General Partner Cerberus Aozora GP L.L.C.
March		Launched Aozora Cash Card Plus (Visa debit)
August		Established Aozora Regional Consulting Co., Ltd. Cerberus NCB Acquisition, L.P., General Partner Cerberus Aozora GP L.L.C. sold its entire remaining stake in Aozora
February	2014	Established an investment trust subsidiary, Aozora Investment Management Co., Ltd.
May		Established Singapore Representative Office
January	2015	Established an investment advisory subsidiary, Aozora Real Estate Investment Advisors Co., Ltd.
June		Full repayment of public funds
December		Established a subsidiary, Aozora Europe Limited, in London
May	2016	Completed conversion to new Kanjo-kei core banking system
May	2017	Moved headquarters Established an M&A advisory subsidiary, ABN Advisors Co.,Ltd.
April	2018	Established a fund management subsidiary, Aozora Corporate Investment Co.,Ltd.
July		GMO Aozora Net Bank, Ltd. commences Internet banking services
August		Received approval to engage in concurrent trust operations as per Article 1 of the Act on Engagement in Trust Business Activities by Financial Institutions
October		Completed transfer of trust operations from GMO Aozora Net Bank, Ltd. and started trust business operations

Business Activities (As of January 1, 2020)

- **Deposits**

Deposits

Checking accounts, savings accounts, time deposits, deposits-at-notice, non-residents' deposits in yen and deposits in foreign currencies

Negotiable certificates of deposit

- **Lending**

Loans

Loans on deeds, loans on notes and overdraft

Discount on promissory notes

Bankers' acceptances and discounts on commercial bills

- **Securities investment business**

Public bonds, local bonds, corporate bonds, equity and other securities for cash reserves for payment of the deposit and fund management

- **Domestic exchange**

Such services as money orders between branches of the Bank and those of other banks, collection of payments, etc.

- **Foreign exchange**

Remittance to foreign countries and other foreign currency-related businesses

- **Consignment of bonds**

Consignment business for soliciting or managing public bonds and issue agent or payment agent

- **Trust operations**

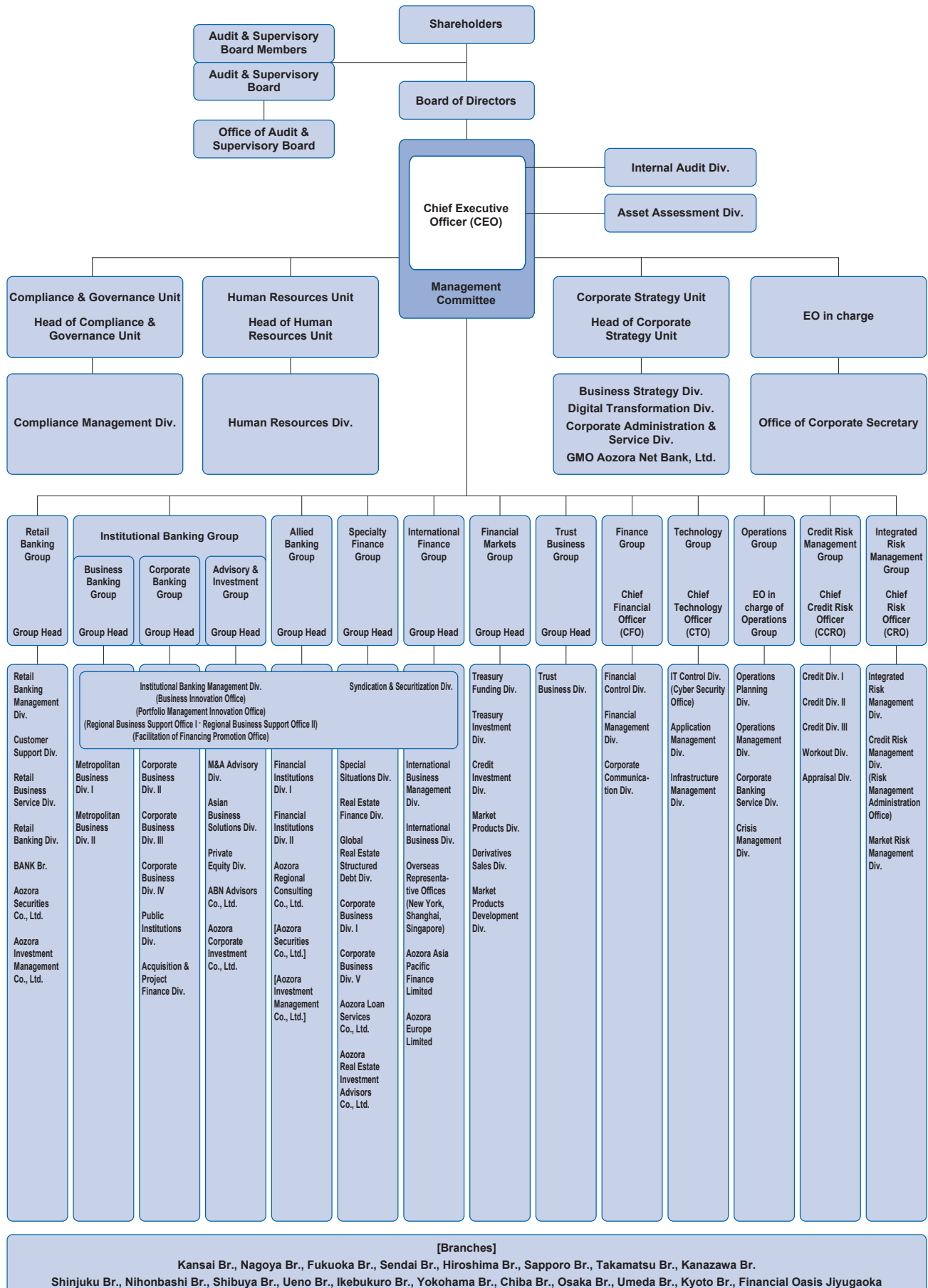
Management of various trust assets including cash, securities, monetary claims and real estate

- **Other services**

1. Guarantee of liabilities (acceptances and guarantees)
2. Lending of securities
3. Underwriting of public bonds
4. Over-the-counter sales of securities investment trusts
5. Trust business for secured corporate bonds
6. Agency business
 - ① Revenue agency for Bank of Japan
 - ② Handling of funds for regional public entities, including those in Tokyo
7. Custody services
8. Interest rate, currency and other derivative transactions
9. Over-the-counter sales of insurance products
10. Financial instruments intermediary business

Corporate Data

Organization Chart (As of January 1, 2020)



Directors, Audit & Supervisory Board Members and Executive Officers (As of January 1, 2020)

Directors and Audit & Supervisory Board Members

Director and Chairman	Makoto Fukuda*
Representative Director and President	Shinsuke Baba*
Representative Director and Deputy President	Kei Tanikawa*
Director and Senior Managing Executive Officer	Tomomi Akutagawa*
Directors	Shunsuke Takeda Hiroyuki Mizuta Ippei Murakami Tomonori Ito
Standing Audit & Supervisory Board Member	Satoshi Hashiguchi
Audit & Supervisory Board Members	Kiyoto Hagiwara Toraki Inoue

Executive Officers

Senior Managing Executive Officers	Yukio Sekizawa Koji Yamakoshi Masayoshi Ohara
Managing Executive Officers	Fumihiko Hirose Masato Mano Takayoshi Nomura Takeshi Ito Yutaka Aoyama Takashi Kato Hideto Oomi
Executive Officers	Masaki Onuma Tomoyuki Yamada Akira Sakai Jun Shinozaki Kazuhiro Yasuda Akemi Hashimoto Tetsuji Okuda Anthony Pui

*Serving as Executive Officer concurrently

Staff Profile (As of September 30, 2019)

Number of Employees	Average Age	Average Years of Service
1,939(148)	42.7	14.3

Notes: 1. The number of employees includes executive officers and locally hired staff overseas, but excludes temporary employees.
2. The figure in parentheses is the average number of temporary employees for the year.

Corporate Data

Office Directory (As of January 1, 2020)

Overseas Network

• Representative Offices

New York Representative Office

Chief Representative
Hideo Tahara

Address

1270 Avenue of the Americas, Suite
#1040, New York, NY 10020, U.S.A.
Tel: +1-212-830-1680
Fax: +1-212-314-3124

Shanghai Representative Office

Chief Representative
Shigeru Tanaka

Address

27F, Hang Seng Bank Tower,
1000 Lujiazui Ring Road,
Pudong New Area,
Shanghai 200120, China
Tel: +86-21-3899-6288
Fax: +86-21-6841-2882

Representative Office Registered in Singapore

Chief Representative
Masashi Okuoka

Address

50 Raffles Place,
#16-05A Singapore Land Tower,
Singapore 048623
Tel: +65-6221-9221
Fax: +65-6221-9421

Domestic Network

• Head Office

6-1-1, Kojimachi,
Chiyoda-ku, Tokyo 102-8660,
Japan
Tel: +81-3-6752-1111
SWIFT: NCBTJPJT

• Branch Offices

Sapporo

4-1-4, Kita Sanjo-nishi,
Chuo-ku, Sapporo 060-0003
Tel: 011-241-8171

Sendai

3-2-1, Chuo, Aoba-ku,
Sendai 980-0021
Tel: 022-225-1171

Shinjuku

3-37-11, Shinjuku,
Shinjuku-ku, Tokyo 160-0022
Tel: 03-3354-1600

Nihonbashi

3-3-11, Nihonbashi,
Chuo-ku, Tokyo 103-0027
Tel: 03-3517-7888

Shibuya

1-7-7, Shibuya, Shibuya-ku,
Tokyo 150-0002
Tel: 03-3409-6411

Ueno

2-2-20, Ueno, Taito-ku,
Tokyo 110-0005
Tel: 03-3835-7511

Ikebukuro

2-28-13, Minami-Ikebukuro,
Toshima-ku, Tokyo 171-0022
Tel: 03-3988-0911

Chiba

2-15-11, Fujimi, Chuo-ku,
Chiba 260-0015
Tel: 043-227-3111

Yokohama

1-4-1, Kitasaiwai, Nishi-ku,
Yokohama 220-0004
Tel: 045-319-1588

(The Yokohama Branch will relocate to
1-1-1, Minamisaiwai, Nishi-ku, Yokohama
as of June 29, 2020.)

Kanazawa

2-37, Kamitsutsumicho,
Kanazawa 920-0869
Tel: 076-231-4151

Nagoya

3-28-12, Meieki, Nakamura-ku,
Nagoya 450-6404
Tel: 052-566-1900

Kyoto

79, Kankobokocho,
Muromachi-Higashiiru, Shijo-dori,
Shimogyo-ku, Kyoto 600-8009
Tel: 075-211-3341

Kansai

1-12-12, Umeda, Kita-ku,
Osaka 530-0001
Tel: 06-4799-3541
(Kansai Branch deals solely with corporate clients.)

Osaka

2-2-3, Namba, Chuo-ku,
Osaka 542-0076
Tel: 06-4708-2051

Umeda

1-2-12, Umeda, Kita-ku,
Osaka 530-0001
Tel: 06-4799-3533

Hiroshima

13-13, Motomachi, Naka-ku,
Hiroshima 730-0011
Tel: 082-211-0125

Takamatsu

9-6, Konyamachi,
Takamatsu 760-0027
Tel: 087-821-5521

Fukuoka

2-8-36, Tenjin, Chuo-ku,
Fukuoka 810-0001
Tel: 092-751-4261

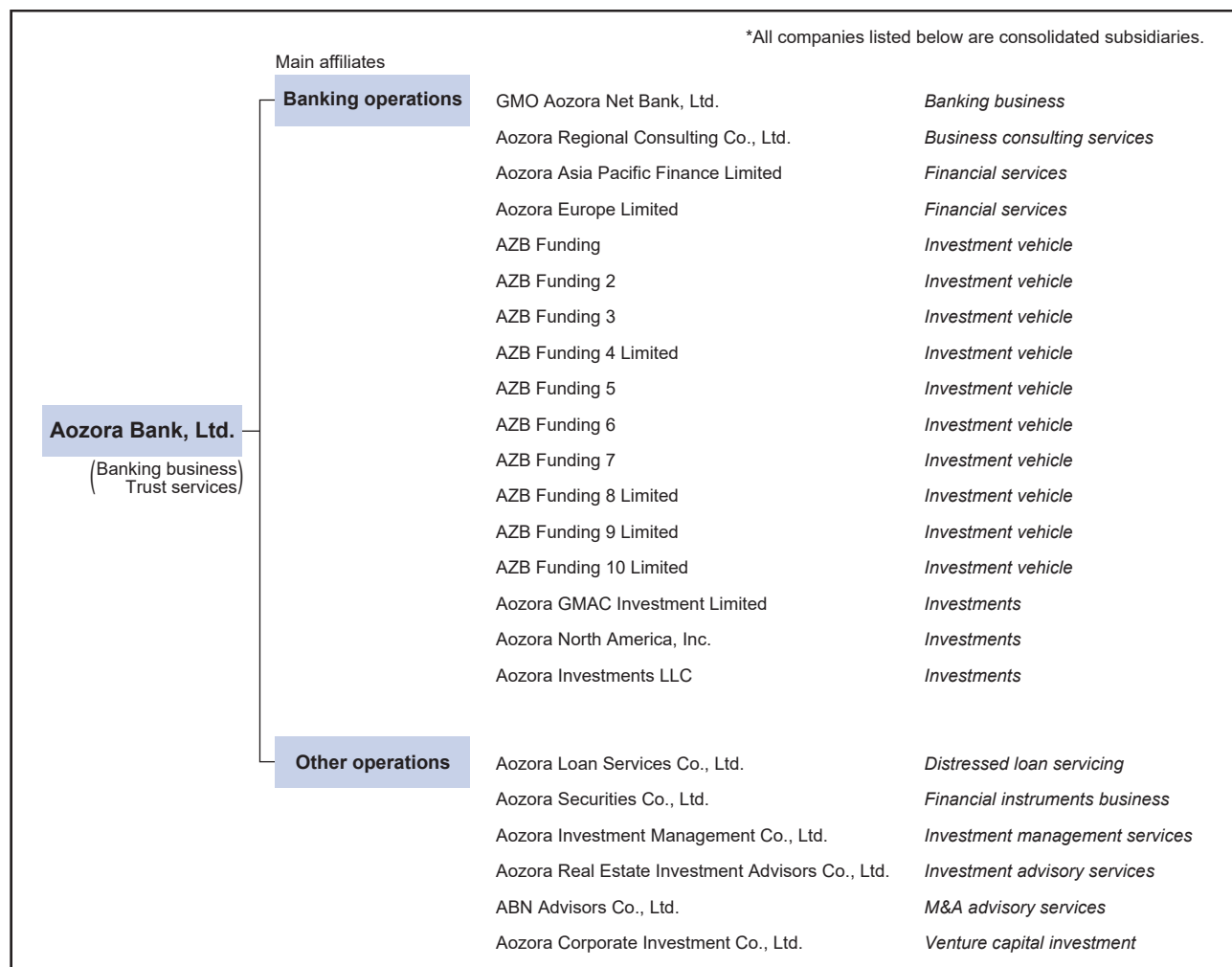
Bank Branch

6-1-1, Kojimachi,
Chiyoda-ku, Tokyo 102-8660
<https://www.aozorabank.co.jp/bank/>

Financial Oasis Jiyugaoka (Shibuya Branch Jiyugaoka Office)

5-28-1, Okusawa, Setagaya-ku,
Tokyo 158-0083
Tel: 03-5483-3223

Business Network (As of September 30, 2019)



Corporate Data

Subsidiaries (As of September 30, 2019)

(%)

Company Name	Location	Business Activities	Established	Capital	Aozora Bank Shareholding	Group Shareholding
GMO Aozora Net Bank, Ltd.	Shibuya-ku, Tokyo	Banking business	February 28, 1994	13,101 millions of JPY	85.1	—
Aozora Loan Services Co., Ltd.	Chiyoda-ku, Tokyo	Distressed loan servicing	June 18, 1996	500 millions of JPY	67.6	—
Aozora Securities Co., Ltd.	Chiyoda-ku, Tokyo	Financial instruments business	January 23, 2006	3,000 millions of JPY	100.0	—
Aozora Regional Consulting Co., Ltd.	Chiyoda-ku, Tokyo	Business consulting services	March 21, 2013	10 millions of JPY	100.0	—
Aozora Investment Management Co., Ltd.	Chiyoda-ku, Tokyo	Investment management services	February 4, 2014	450 millions of JPY	100.0	—
Aozora Real Estate Investment Advisors Co., Ltd.	Chiyoda-ku, Tokyo	Investment advisory services	January 6, 2015	150 millions of JPY	100.0	—
ABN Advisors Co., Ltd.	Chiyoda-ku, Tokyo	M&A advisory services	May 24, 2017	200 millions of JPY	100.0	—
Aozora Corporate Investment Co., Ltd.	Chiyoda-ku, Tokyo	Venture capital investment	April 24, 2018	15 millions of JPY	100.0	—
Aozora Asia Pacific Finance Limited	Hong Kong, Republic of China	Financial services	June 29, 2005	100,000 thousands of USD	100.0	—
Aozora Europe Limited	London, United Kingdom	Financial services	December 15, 2015	1,000 thousands of GBP	100.0	—
AZB Funding	Cayman Islands, British West Indies	Investment vehicle	June 1, 2012	0 thousands of USD	—	—
AZB Funding 2	Cayman Islands, British West Indies	Investment vehicle	March 19, 2013	0 thousands of USD	—	—
AZB Funding 3	Cayman Islands, British West Indies	Investment vehicle	September 18, 2013	0 thousands of USD	—	—
AZB Funding 4 Limited	Dublin, Ireland	Investment vehicle	March 18, 2014	0 thousands of EUR	—	—
AZB Funding 5	Cayman Islands, British West Indies	Investment vehicle	August 18, 2014	0 thousands of USD	—	—
AZB Funding 6	Cayman Islands, British West Indies	Investment vehicle	July 7, 2015	0 thousands of USD	—	—
AZB Funding 7	Cayman Islands, British West Indies	Investment vehicle	November 26, 2015	0 thousands of USD	—	—
AZB Funding 8 Limited	Dublin, Ireland	Investment vehicle	August 15, 2016	0 thousands of USD	—	—
AZB Funding 9 Limited	Dublin, Ireland	Investment vehicle	January 29, 2018	0 thousands of USD	—	—
AZB Funding 10 Limited	Dublin, Ireland	Investment vehicle	April 10, 2018	0 thousands of EUR	—	—
Aozora GMAC Investment Limited	London, United Kingdom	Investments	November 6, 2006	30,070 thousands of USD	100.0	—
Aozora North America, Inc.	Delaware, USA	Investments	November 21, 2006	411 thousands of USD	100.0	—
Aozora Investments LLC	Delaware, USA	Investments	November 22, 2006	500,282 thousands of USD	—	100.0

Consolidated Business Results

Consolidated Financial Highlights

For the six-month periods ended September 30, 2019, 2018 and 2017, and the years ended March 31, 2019 and 2018

(Millions of Yen)

	Sep. 30, 2019	Sep. 30, 2018	Sep. 30, 2017	Mar. 31, 2019	Mar. 31, 2018
Ordinary income	88,788	83,753	72,827	160,136	148,819
Trust fees (Note 3)	237	183	238	372	426
Ordinary profit	29,112	29,639	30,375	47,796	57,984
Net income attributable to owners of the parent	20,249	21,377	23,180	36,130	43,064
Comprehensive income	35,774	11,225	27,116	30,923	38,609
Share capital	100,000	100,000	100,000	100,000	100,000
Total equity	476,071	437,585	436,245	448,710	437,234
Total assets	5,392,516	4,996,070	4,816,158	5,255,048	4,912,792
Debentures and bonds payable	304,490	298,485	249,191	283,946	257,563
Deposits (Note 1)	3,220,555	3,085,173	2,899,616	3,230,731	2,970,938
Loans and bills discounted	2,838,456	2,654,463	2,555,766	2,779,894	2,611,278
Securities	1,284,911	1,281,615	1,163,454	1,240,838	1,139,803
Total equity per share (yen) (Note 2)	4,087.70	3,743.61	3,723.77	3,844.08	3,735.00
Basic net income per share (yen) (Note 2)	173.54	183.23	198.71	309.67	369.16
Diluted net income per share (yen) (Note 2)	173.37	183.09	198.57	309.42	368.89
Consolidated capital adequacy ratio (domestic standard) (%)	10.34	10.14	10.86	10.27	10.39
Net cash provided by (used in) operating activities	10,805	26,289	173,065	147,285	227,599
Net cash provided by (used in) investing activities	(52,115)	(43,202)	(163,641)	(55,862)	(211,578)
Net cash provided by (used in) financing activities	(8,638)	(11,049)	(11,400)	(19,710)	(21,990)
Cash and cash equivalents, end of period	489,795	440,068	472,024	539,743	468,031
Trust assets (Note 3) (Note 4)	838,653	813,970	709,441	797,320	760,074

Notes: 1. Deposits include negotiable certificates of deposit (NCDs).

2. The Bank consolidated every ten common shares into one common share on October 1, 2017. 'Total equity per share,' 'Basic net income per share' and 'Diluted net income per share' are presented as if the share consolidation was effective at the beginning of the year ended March 31, 2018.

3. Due to the transfer of the trust business operations from GMO Aozora Net Bank, Ltd., to the Bank on October 1, 2018, 'Trust fees' and 'Trust assets' are added.

4. 'Trust assets' is assets in trust pertaining to trust business under the Act on Engagement in Trust Business by a Financial Institution (the Concurrent Business Act). The company operating the trust business among the Bank and its subsidiaries is GMO Aozora Net Bank, Ltd. until September 30, 2018, and the Bank since October 1, 2018.

Consolidated Financial Review

1. Consolidated and Equity-Method Companies

The consolidated financial statements include the accounts of the Bank and its significant subsidiaries. The number of consolidated subsidiaries was 23 as of September 30, 2019 and 23 as of March 31, 2019.

There was no change in the scope of consolidation as subsidiaries from March 31, 2019.

No subsidiaries and affiliated companies were accounted for using the equity method.

Consolidated and Equity-Method Companies

(Number of Companies)

	Sep. 30, 2019	Mar. 31, 2019	Change
Consolidated subsidiaries	23	23	0
Subsidiaries and affiliated companies accounted for using the equity method	0	0	0

2. Analysis of Business Results

Aozora reported consolidated net income attributable to owners of the parent of ¥20.2 billion, a decrease of 5.3% year on year.

(1) Income

Total income was ¥88.7 billion, an increase of ¥5.0 billion year on year.

Interest income was ¥49.9 billion, an increase of ¥1.5 billion year on year as a result of the higher yield on overseas loans as well as higher average balances. Interest and dividends on securities decreased largely due to a decrease in dividends on investment trusts.

Income from fees and commissions were ¥7.4 billion, an increase of ¥2.0 billion, while loan related fees remained strong as a result of an increased focus on delivering high value-added loan proposals to our corporate customers.

Trading income was ¥8.0 billion, a decrease of ¥0.7 billion year on year. This result was mainly due to a decrease of income from securities and derivatives related to trading transactions.

Other ordinary income was ¥16.6 billion, an increase of ¥4.8 billion year on year, mainly due to gains on the sale of REITs and U.S. government bonds in response to changes in market conditions.

Other income was ¥6.7 billion, a decrease of ¥2.6 billion, mainly due to a decrease in reversal of allowance for loan losses.

(Millions of Yen)

	Sep. 30, 2019 (6 months)	Sep. 30, 2018 (6 months)	Change
Total income	¥88,788	¥83,753	¥5,034
Interest income	49,920	48,330	1,589
Interest on loans and discounts	31,818	28,191	3,627
Interest and dividends on securities	16,638	19,171	(2,533)
Interest on due from banks	512	416	95
Other interest income	951	551	400
Fees and commissions (including trust fees)	7,479	5,453	2,026
Trading income	8,004	8,799	(795)
Other ordinary income	16,625	11,802	4,822
Gains on sales of bonds and other securities	9,805	2,348	7,456
Gains on derivatives	—	522	(522)
Other	6,819	8,930	(2,110)
Other income	6,758	9,368	(2,609)
Gains on sales of stocks and other securities	4,051	5,184	(1,133)
Gains on investments in money held in trust	407	269	137
Recoveries of written-off claims	358	329	29
Reversal of allowance for loan losses	1,315	2,751	(1,436)
Reversal of provision for credit losses on off-balance-sheet instruments	164	99	64
Other	461	732	(270)

(2) Expenses

Total expenses increased ¥5.5 billion year on year to ¥59.6 billion.

Interest expenses increased ¥3.9 billion to ¥25.2 billion year on year, largely the result of an increase in foreign currency funding costs compared to the previous year.

General and administrative expenses increased ¥1.7 billion to ¥25.3 billion. The increase was mainly due to incremental expenses associated with the Bank's internet banking subsidiary.

Other expenses increased ¥1.4 billion to ¥2.4 billion, mainly due to losses on devaluation of stocks and other securities.

(Millions of Yen)

	Sep. 30, 2019 (6 months)	Sep. 30, 2018 (6 months)	Change
Total expenses	¥59,676	¥54,114	¥5,562
Interest expenses	25,214	21,246	3,967
Interest on deposits	3,687	3,578	109
Interest on debentures and bonds payable	1,260	723	537
Interest on borrowings and rediscounts	965	1,114	(149)
Other interest expenses	19,301	15,831	3,470
Fees and commissions expenses	996	777	218
Trading expenses	2,057	3,385	(1,327)
Other ordinary expenses	3,611	4,128	(517)
Amortization of debenture and bond issuance costs	116	103	12
Losses on foreign exchange transactions	2,101	3,023	(922)
Losses on sales of bonds and other securities	0	109	(109)
Losses on redemption of bonds and other securities	64	73	(9)
Losses on devaluation of bonds and other securities	0	0	0
Losses on derivatives	255	—	255
Other	1,073	817	255
General and administrative expenses	25,365	23,592	1,772
Other expenses	2,431	982	1,448
Losses on sales of stocks and other securities	0	—	0
Losses on devaluation of stocks and other securities	1,529	—	1,529
Write-off of loans	374	158	216
Other	527	824	(296)

(3) Net income

Income before income taxes decreased ¥0.5 billion to ¥29.1 billion year on year. Income taxes were ¥10.0 billion. As a result of the above factors, consolidated net income attributable to owners of the parent was ¥20.2 billion, a decrease of ¥1.1 billion. Net income per share was ¥173.54.

(Millions of Yen)

	Sep. 30, 2019 (6 months)	Sep. 30, 2018 (6 months)	Change
Income before income taxes	¥29,112	¥29,639	¥(527)
Income taxes	10,032	9,005	1,026
Current	9,767	7,852	1,915
Deferred	264	1,153	(888)
Net income	19,079	20,633	(1,553)
Net loss attributable to non-controlling interests	(1,169)	(744)	(425)
Net income attributable to owners of the parent	¥20,249	¥21,377	¥(1,128)

Consolidated Financial Review

3. Analysis of Financial Condition

(1) Loans and Bills Discounted

Loans were ¥2,838.4 billion, an increase of ¥58.5 billion, or 2.1 %, from March 31, 2019.

Domestic loans increased by ¥90.1 billion from March 31, 2019, reflecting the Bank's ongoing focus on disciplined balance sheet management.

Overseas loans decreased by ¥31.5 billion (approximately unchanged on a dollar basis) from March 31, 2019. This was the result of the Bank's disciplined risk management and continued selective approach to new originations.

Risk-monitored loans on a consolidated basis increased ¥5.1 billion, to ¥20.7 billion from March 31, 2019 and the ratio to loan balance increased to 0.7%.

Risk-Monitored Loans (Consolidated)

(Millions of Yen)

	Sep. 30, 2019	Mar. 31, 2019	Change
Loan balance (end of period)	¥2,838,456	¥2,779,894	¥58,562
Risk-monitored loans	20,713	15,610	5,103
Loans to bankrupt borrowers	3,274	—	3,274
Past due loans	16,030	14,201	1,829
Loans overdue for three months or more	—	—	—
Restructured loans	1,409	1,409	—
Ratio to loan balance	0.7%	0.6%	0.1%

Breakdown of Loans and Bills Discounted by Industry (Consolidated)

(Millions of Yen)

	Sep. 30, 2019	Mar. 31, 2019
Domestic offices (excluding Japan offshore market accounts)	¥2,167,944	¥2,086,325
Manufacturing	226,995	226,863
Agriculture, forestry and fisheries	5,047	3,677
Mining, quarry, gravel extraction	—	—
Construction	11,974	10,762
Electricity, gas, heat supply and water	35,792	32,130
Information and communications	87,650	47,853
Transport, postal service	41,756	42,483
Wholesale and retail trade	66,204	72,158
Finance and insurance	401,379	389,965
Real estate	610,723	567,699
Leasing	33,509	43,292
Various services	178,766	185,454
Local government	4,550	4,417
Others	463,594	459,566
Overseas offices (including Japan offshore market accounts)	670,511	693,568
Government	—	—
Financial institutions	—	—
Others	670,511	693,568
Total	¥2,838,456	¥2,779,894

Note: 1. 'Domestic offices' includes the Bank (except foreign branches) and consolidated subsidiaries in Japan.

2. 'Overseas offices' includes foreign branches of the Bank and consolidated subsidiaries based overseas.

(2) Securities

Securities were ¥1,284.9 billion, an increase of ¥44.0 billion, or 3.6%, compared to March 31, 2019. This was mainly due to an increase in foreign bonds.

Compared with March 31, 2019, total unrealized gains increased by ¥12.7 billion to ¥50.7 billion as of September 30, 2019.

Outstanding Balance of Securities Held (Consolidated)

(Millions of Yen)

	Sep. 30, 2019	Mar. 31, 2019	Change
Japanese debt securities	¥94,611	¥87,273	¥7,337
Japanese national government bonds	—	5,003	(5,003)
Japanese local government bonds	34,503	31,811	2,691
Japanese corporate bonds	60,108	50,459	9,649
Japanese stocks	46,672	66,528	(19,856)
Other securities	1,143,627	1,087,036	56,591
Foreign securities	1,002,679	951,830	50,849
Others	140,948	135,205	5,742
Total	¥1,284,911	¥1,240,838	¥44,073

(3) Deposits, debentures and bonds payable

The Bank continued to flexibly manage its funding position in light of its asset requirements. Total core funding (deposits, negotiable certificates of deposit, debentures and bonds) was

¥3,525.0 billion, an increase of ¥10.3 billion, or 0.3%, from March 31, 2019. The percentage of retail funding to total core funding was 54%.

Deposits, Debentures and Bonds Payable (Consolidated)

(Millions of Yen)

	Sep. 30, 2019	Mar. 31, 2019	Change
Deposits	¥3,220,555	¥3,230,731	¥(10,175)
Time deposits	2,558,757	2,614,567	(55,809)
Liquid deposits	564,759	520,358	44,400
Other	97,039	95,804	1,234
Debentures	¥51,360	¥51,360	¥—
Bonds payable	¥253,130	¥232,586	¥20,544

Note: Total of deposits and time deposits include negotiable certificates of deposit (NCDs).

(4) Equity

Equity was ¥476.0 billion, representing an increase of ¥27.3 billion, or 6.1%, from March 31, 2019. Net assets per common share were ¥4,087.70.

Consolidated Semiannual Financial Statements

Consolidated Semiannual Balance Sheet (Unaudited)

Aozora Bank, Ltd. and Consolidated Subsidiaries
September 30, 2019

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	Sep. 30, 2019	Sep. 30, 2018	Mar. 31, 2019	Sep. 30, 2019
Assets				
Cash and cash equivalents (Notes 3 and 24)	¥ 489,795	¥ 440,068	¥ 539,743	\$ 4,536,827
Due from banks (Note 24)	98,025	79,323	78,972	907,981
Receivables under securities borrowing transactions (Note 24)	—	479	—	—
Monetary claims bought (Note 24)	82,098	42,515	51,121	760,449
Trading assets (Notes 4, 12, 24 and 25)	251,168	152,556	199,928	2,326,500
Money held in trust (Notes 6 and 24)	45,799	26,906	35,098	424,223
Securities (Notes 5, 12 and 24)	1,284,911	1,281,615	1,240,838	11,901,737
Loans and bills discounted (Notes 7, 12 and 24)	2,838,456	2,654,463	2,779,894	26,291,743
Foreign exchange (Notes 8 and 12)	50,710	47,794	49,480	469,713
Other assets (Notes 12, 15 and 24)	207,484	225,476	232,697	1,921,868
Tangible fixed assets (Note 9)	24,038	24,174	23,641	222,658
Intangible fixed assets (Note 9)	19,271	18,534	18,572	178,509
Retirement benefit asset	3,925	2,980	3,671	36,361
Deferred tax assets	19,214	18,563	23,368	177,974
Customers' liabilities for acceptances and guarantees (Note 10)	19,704	22,006	23,825	182,516
Allowance for loan losses (Note 11)	(41,789)	(40,639)	(45,004)	(387,084)
Allowance for investment losses	(298)	(748)	(800)	(2,763)
Total	¥ 5,392,516	¥ 4,996,070	¥ 5,255,048	\$ 49,949,212

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	Sep. 30, 2019	Sep. 30, 2018	Mar. 31, 2019	Sep. 30, 2019
Liabilities and Equity				
Liabilities:				
Deposits (Notes 13 and 24)	¥ 3,220,555	¥ 3,085,173	¥ 3,230,731	\$ 29,831,011
Debentures (Notes 14 and 24)	51,360	51,360	51,360	475,732
Call money and bills sold (Note 24)	39,238	52,529	51,723	363,454
Payables under repurchase agreements (Notes 12 and 24)	80,275	52,750	49,658	743,562
Payables under securities lending transactions (Notes 12 and 24)	489,442	409,582	450,860	4,533,553
Trading liabilities (Notes 4, 24 and 25)	212,970	151,655	177,764	1,972,682
Borrowed money (Notes 12 and 24)	320,778	300,301	320,559	2,971,268
Bonds payable (Notes 14 and 24)	253,130	247,125	232,586	2,344,672
Other liabilities (Notes 15 and 24)	217,889	175,262	206,223	2,018,245
Retirement benefit liability	10,038	9,429	9,784	92,979
Provision for retirement benefits for directors (and other officers)	3	2	2	28
Provision for credit losses on off-balance-sheet instruments	694	895	860	6,437
Provision for contingent loss	355	389	387	3,290
Reserves under special laws	8	8	8	76
Deferred tax liabilities	0	9	1	6
Acceptances and guarantees (Note 10)	19,704	22,006	23,825	182,516
Total liabilities	4,916,445	4,558,484	4,806,337	45,539,511
Equity:				
Shareholders' equity:				
Share capital (Note 16)	100,000	100,000	100,000	926,269
Capital surplus (Note 16)	87,387	87,377	87,377	809,446
Retained earnings (Notes 16 and 28)	270,753	253,602	259,021	2,507,906
Treasury stock—at cost (Note 16)	(3,300)	(3,311)	(3,312)	(30,574)
Total	454,840	437,668	443,087	4,213,047
Accumulated other comprehensive income (loss):				
Valuation difference on available-for-sale securities	35,013	34,939	23,501	324,316
Deferred gains or losses on hedges	(11,317)	(35,739)	(17,111)	(104,829)
Foreign currency translation adjustment	(985)	133	(291)	(9,124)
Remeasurements of defined benefit plans	(584)	(206)	(667)	(5,417)
Total	22,125	(872)	5,431	204,946
Share acquisition rights (Notes 16 and 17)	447	357	357	4,149
Non-controlling interests	(1,343)	431	(166)	(12,441)
Total equity	476,071	437,585	448,710	4,409,701
Total	¥ 5,392,516	¥ 4,996,070	¥ 5,255,048	\$ 49,949,212

See the accompanying notes to consolidated semiannual financial statements.

Consolidated Semiannual Statement of Income (Unaudited)

Aozora Bank, Ltd. and Consolidated Subsidiaries
For the six-month period ended September 30, 2019

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	Sep. 30, 2019 (6 months)	Sep. 30, 2018 (6 months)	Mar. 31, 2019 (1 year)	Sep. 30, 2019 (6 months)
Income:				
Interest income:				
Interest on loans and discounts	¥31,818	¥28,191	¥59,188	\$ 294,728
Interest and dividends on securities	16,638	19,171	36,152	154,118
Interest on due from banks	512	416	926	4,743
Other interest income	951	551	1,158	8,813
Trust fees	237	183	372	2,203
Fees and commissions income	7,242	5,269	14,230	67,081
Trading income	8,004	8,799	8,340	74,139
Other ordinary income (Note 18)	16,625	11,802	22,995	153,993
Other income (Note 19)	6,758	9,368	16,770	62,606
Total income	88,788	83,753	160,136	822,424
Expenses:				
Interest expenses:				
Interest on deposits	3,687	3,578	7,399	34,153
Interest on debentures and bonds payable	1,260	723	1,992	11,675
Interest on borrowings and rediscounts	965	1,114	2,125	8,940
Other interest expenses	19,301	15,831	35,624	178,787
Fees and commissions expenses	996	777	1,653	9,226
Trading expenses	2,057	3,385	—	19,060
Other ordinary expenses (Note 20)	3,611	4,128	10,729	33,450
General and administrative expenses (Note 21)	25,365	23,592	49,332	234,954
Other expenses (Note 22)	2,431	982	3,484	22,521
Total expenses	59,676	54,114	112,341	552,766
Income before income taxes	29,112	29,639	47,794	269,658
Income taxes:				
Current	9,767	7,852	13,478	90,474
Deferred	264	1,153	288	2,452
Total income taxes	10,032	9,005	13,767	92,926
Net income	19,079	20,633	34,027	176,732
Net loss attributable to non-controlling interests	(1,169)	(744)	(2,103)	(10,831)
Net income attributable to owners of the parent	¥20,249	¥21,377	¥36,130	\$ 187,563

	Yen			U.S. Dollars (Note 1)
	Sep. 30, 2019 (6 months)	Sep. 30, 2018 (6 months)	Mar. 31, 2019 (1 year)	Sep. 30, 2019 (6 months)
Per share information:				
Basic net income per share of common stock (Note 26)	¥173.54	¥188.23	¥309.67	\$ 1.61
Diluted net income per share of common stock (Note 26)	173.37	183.09	309.42	1.61
Cash dividends applicable to the period:				
Common stock	78.00	80.00	154.00	0.72

See the accompanying notes to consolidated semiannual financial statements.

Consolidated Semiannual Statement of Comprehensive Income (Unaudited)

Aozora Bank, Ltd. and Consolidated Subsidiaries
For the six-month period ended September 30, 2019

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	Sep. 30, 2019 (6 months)	Sep. 30, 2018 (6 months)	Mar. 31, 2019 (1 year)	Sep. 30, 2019 (6 months)
Net income	¥19,079	¥20,633	¥34,027	\$ 176,732
Other comprehensive income (loss):				
Valuation difference on available-for-sale securities	11,511	(404)	(11,843)	106,628
Deferred gains or losses on hedges	5,793	(10,157)	8,469	53,668
Foreign currency translation adjustment	(693)	1,204	779	(6,425)
Remeasurements of defined benefit plans	82	(49)	(510)	762
Total other comprehensive income (loss)	16,694	(9,407)	(3,104)	154,633
Comprehensive income	¥35,774	¥11,225	¥30,923	\$ 331,365
Comprehensive income attributable to:				
Owners of the parent	¥36,943	¥11,970	¥33,027	\$ 342,198
Non-controlling interests	(1,169)	(744)	(2,104)	(10,833)

See the accompanying notes to consolidated semiannual financial statements.

Consolidated Semiannual Financial Statements

Consolidated Semiannual Statement of Changes in Equity (Unaudited)

Aozora Bank, Ltd. and Consolidated Subsidiaries
For the six-month period ended September 30, 2019

	Millions of Yen												
	Shareholders' equity					Accumulated other comprehensive income (loss)					Share acquisition rights	Non-controlling interests	Total equity
	Share capital	Capital surplus	Retained earnings	Treasury stock—at cost	Total	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total			
Balance, April 1, 2018	¥100,000	¥87,345	¥243,190	¥(3,351)	¥427,184	¥35,343	¥(25,581)	¥(1,070)	¥(156)	¥8,535	¥331	¥1,183	¥437,234
Net income attributable to owners of the parent			36,130		36,130								36,130
Cash dividends paid			(20,300)		(20,300)								(20,300)
Disposal of treasury stock (Note 16)		32		39	71								71
Net changes in items during the year						(11,842)	8,469	779	(510)	(3,103)	25	(1,349)	(4,426)
Balance, March 31, 2019	¥100,000	¥87,377	¥259,021	¥(3,312)	¥443,087	¥23,501	¥(17,111)	¥(291)	¥(667)	¥5,431	¥357	¥(166)	¥448,710
Net income attributable to owners of the parent			20,249		20,249								20,249
Cash dividends paid			(8,517)		(8,517)								(8,517)
Disposal of treasury stock (Note 16)		9		11	21								21
Net changes in items during the period						11,511	5,793	(693)	82	16,694	90	(1,176)	15,607
Balance, September 30, 2019	¥100,000	¥87,387	¥270,753	¥(3,300)	¥454,840	¥35,013	¥(11,317)	¥(985)	¥(584)	¥22,125	¥447	¥(1,343)	¥476,071

	Thousands of U.S. Dollars (Note 1)												
	Shareholders' equity					Accumulated other comprehensive income (loss)					Share acquisition rights	Non-controlling interests	Total equity
	Share capital	Capital surplus	Retained earnings	Treasury stock—at cost	Total	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total			
Balance, March 31, 2019	\$926,269	\$809,354	\$2,399,238	\$(30,679)	\$4,104,182	\$217,686	\$(158,497)	\$(2,699)	\$(6,180)	\$50,310	\$3,313	\$(1,539)	\$4,156,266
Net income attributable to owners of the parent			187,563		187,563								187,563
Cash dividends paid			(78,895)		(78,895)								(78,895)
Disposal of treasury stock (Note 16)		92		105	197								197
Net changes in items during the period						106,630	53,668	(6,425)	763	154,636	836	(10,902)	144,570
Balance, September 30, 2019	\$926,269	\$809,446	\$2,507,906	\$(30,574)	\$4,213,047	\$324,316	\$(104,829)	\$(9,124)	\$(5,417)	\$204,946	\$4,149	\$(12,441)	\$4,409,701

See the accompanying notes to consolidated semiannual financial statements.

Consolidated Semiannual Statement of Cash Flows (Unaudited)

Aozora Bank, Ltd. and Consolidated Subsidiaries
For the six-month period ended September 30, 2019

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	Sep. 30, 2019 (6 months)	Sep. 30, 2018 (6 months)	Mar. 31, 2019 (1 year)	Sep. 30, 2019 (6 months)
Cash flows from operating activities:				
Income before income taxes	¥29,112	¥29,639	¥47,794	\$ 269,658
Adjustments for:				
Depreciation and amortization	2,609	2,165	4,784	24,175
Increase (decrease) in allowance for loan losses	(3,195)	(2,882)	1,496	(29,599)
Increase (decrease) in allowance for investment losses	(502)	446	498	(4,655)
Increase (decrease) in retirement benefit asset	(200)	(386)	(1,701)	(1,859)
Increase (decrease) in retirement benefit liability	318	(48)	266	2,947
Increase (decrease) in provision for retirement benefits for directors (and other officers)	0	0	0	3
Increase (decrease) in provision for credit losses on off-balance-sheet instruments	(164)	(99)	(135)	(1,525)
Interest income (accrual basis)	(49,920)	(48,330)	(97,426)	(462,402)
Interest expenses (accrual basis)	25,214	21,246	47,141	233,555
Loss (gain) on securities	(12,262)	(7,349)	(18,201)	(113,585)
Loss (gain) on money held in trust	(407)	(269)	(473)	(3,772)
Foreign exchange losses (gains)	48,492	(86,195)	(45,100)	449,168
Loss (gain) on disposal of fixed assets	(0)	—	1	(0)
Net decrease (increase) in trading assets	(51,240)	27,114	(20,256)	(474,626)
Net increase (decrease) in trading liabilities	35,206	21,453	47,562	326,107
Net decrease (increase) in loans and bills discounted	(79,481)	(5,756)	(148,610)	(736,209)
Net increase (decrease) in deposits	(10,175)	114,235	259,792	(94,249)
Net increase (decrease) in debentures	—	(13,350)	(13,350)	—
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	218	(14,948)	5,309	2,026
Net decrease (increase) in due from banks (excluding due from the Bank of Japan)	(19,804)	(2,882)	(3,326)	(183,441)
Net decrease (increase) in call loans and bills bought and others	(30,977)	29,786	21,180	(286,931)
Net decrease (increase) in receivables under securities borrowing transactions	—	(479)	—	—
Net increase (decrease) in call money and bills sold and others	18,131	4,457	560	167,942
Net increase (decrease) in payables under securities lending transactions	38,581	(21,726)	19,550	357,373
Net decrease (increase) in foreign exchange—assets	(1,354)	(5,218)	(6,903)	(12,547)
Increase (decrease) in straight bonds—issuance and redemption	20,544	54,272	39,732	190,299
Interest and dividends received (cash basis)	51,047	44,727	92,768	472,841
Interest paid (cash basis)	(26,538)	(21,048)	(47,935)	(245,813)
Other, net	33,246	(81,647)	(20,792)	307,952
Subtotal	16,499	36,922	164,226	152,833
Income taxes paid	(5,693)	(10,633)	(16,940)	(52,740)
Net cash provided by operating activities	10,805	26,289	147,285	100,093
Cash flows from investing activities:				
Purchase of securities	(531,985)	(300,833)	(609,935)	(4,927,620)
Proceeds from sales of securities	444,464	223,980	486,042	4,116,938
Proceeds from redemption of securities	48,215	32,836	77,637	446,606
Increase in money held in trust	(65,525)	(44,636)	(96,600)	(606,945)
Decrease in money held in trust	55,324	48,817	92,787	512,455
Purchase of tangible fixed assets	(136)	(398)	(933)	(1,260)
Purchase of intangible fixed assets	(2,473)	(2,968)	(4,860)	(22,911)
Proceeds from sales of tangible fixed assets	0	—	0	6
Net cash used in investing activities	(52,115)	(43,202)	(55,862)	(482,731)
Cash flows from financing activities:				
Repayments of lease obligations	(113)	(76)	(165)	(1,050)
Proceeds from stock issuance to non-controlling interests	—	—	761	—
Cash dividends paid	(8,517)	(10,965)	(20,300)	(78,895)
Cash dividends paid to non-controlling interests	(7)	(7)	(7)	(69)
Proceeds from sales of treasury stock	0	0	0	0
Net cash used in financing activities	(8,638)	(11,049)	(19,710)	(80,014)
Net increase (decrease) in cash and cash equivalents	(49,947)	(27,962)	71,712	(462,652)
Cash and cash equivalents, beginning of period	539,743	468,031	468,031	4,999,479
Cash and cash equivalents, end of period (Note 3)	¥489,795	¥440,068	¥539,743	\$ 4,536,827

See the accompanying notes to consolidated semiannual financial statements.

Consolidated Semiannual Financial Statements

Notes to Consolidated Semiannual Financial Statements (Unaudited)

Aozora Bank, Ltd. and Consolidated Subsidiaries
Interim period ended September 30, 2019

1. Basis of Presentation of Consolidated Semiannual Financial Statements

The accompanying consolidated semiannual financial statements of Aozora Bank, Ltd. (the 'Bank') and consolidated subsidiaries (together, the 'Group') have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act, the Banking Act of Japan and other related accounting regulations, and in accordance with accounting principles generally accepted in Japan ('Japanese GAAP'), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated semiannual financial statements, certain reclassifications and rearrangements have been made to the consolidated semiannual financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

2. Summary of Significant Accounting Policies

(1) Use of Estimates

The preparation of consolidated semiannual financial statements in accordance with Japanese GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the consolidated semiannual financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term include, but are not limited to, those that are related to the determination of the allowance for loan losses, deferred tax assets, and the valuation of financial instruments.

(2) Consolidation

The consolidated semiannual financial statements include the accounts of the Bank and its significant subsidiaries. The number of consolidated subsidiaries was 23 as of September 30, 2019.

Under the control and influence concepts, those entities in which the Bank, directly or indirectly, is able to exercise control over finance and operations are fully consolidated, and those entities over which the Group has the ability to exercise significant influence should be accounted for by the equity method.

The consolidated semiannual financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. Japanese yen figures of less than one million yen are truncated, except for per share data. As a result, the totals do not necessarily equal the sum of the individual amounts. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥107.96 to \$1.00, the rate of exchange at September 30, 2019. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Practical Issues Task Force ('PITF') No. 20, 'Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations,' issued by the Accounting Standards Board of Japan ('ASBJ'), provides additional guidance on how the control and influence concepts should be practically applied to investment vehicles, such as limited partnerships, *Tokumei Kumiai* arrangements (a silent partnership under the Commercial Code of Japan), and other entities with similar characteristics in order to prevent these investment vehicles from being inappropriately excluded from consolidation.

The consolidated semiannual financial statements do not include the accounts of certain subsidiaries such as Aozora Chiiki Saisei Co., Ltd., because the combined total assets, total income, net income (loss) and retained earnings, etc. of such subsidiaries would not have a material effect on the accompanying consolidated semiannual financial statements.

Investments in unconsolidated subsidiaries and affiliated companies, such as Vietnam International Leasing Company Limited, AJ Capital Co., Ltd., Aozora Daiwa Finance Co., Ltd., and AZ-Star Co., Ltd., are generally stated at cost. These companies are not accounted for using the equity method of accounting because the effect on the accompanying consolidated semiannual financial statements would not be material even if the equity method of accounting had been applied to the investments in these companies.

The difference between the cost of an acquisition and the fair value of the net assets of the acquired subsidiaries at the date of acquisition is charged to operations when incurred due to its immateriality. A bargain purchase gain is charged to operations on the acquisition date after reassessing the procedures to allocate the acquisition price and ensure that an acquirer has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.

All significant intercompany balances and transactions are eliminated in consolidation. All material unrealized profits resulting from transactions within the Group are also eliminated.

The ASBJ issued ASBJ Implementation Guidance No. 22, 'Implementation Guidance on Determining a Subsidiary and an Affiliate for Consolidated Financial Statements,' on May 13, 2008, which clarifies the conditions where a company does not regard an entity as a subsidiary even if the controlling interest of the entity is held by the company. This accounting regulation was implemented from the fiscal year commencing on and after October 1, 2008, and was applied by the Group from the year ended March 31, 2010.

In accordance with PITF No. 18, 'Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements,' foreign subsidiaries' financial statements prepared in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States are used for the consolidation process with certain limitations.

(3) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and due from the Bank of Japan.

(4) Trading Assets/Liabilities

Transactions for trading purposes (for the purpose of seeking to capture gains arising from short-term changes in interest rates, currency exchange rates or market prices of securities and other market-related indices or arbitrage opportunities) are included in 'Trading assets' or 'Trading liabilities,' as appropriate, on a trade-date basis. Trading assets and liabilities are stated at fair value.

Profits and losses on transactions for trading purposes are shown as 'Trading income' and 'Trading expenses,' as appropriate, on a trade-date basis.

(5) Securities

All securities are classified and accounted for, depending on management's intent, as follows:

- 1) Trading securities which are held for the purpose of earning capital gains in the near term (other than securities booked in trading accounts) are reported at fair value, and the related unrealized gains and losses are recognized in the consolidated semiannual statement of income.

- 2) Held-to-maturity debt securities which are expected to be held to maturity with the positive intent and ability to hold them to maturity are reported at amortized cost.

- 3) Available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported within accumulated other comprehensive income as a separate component of equity. The cost of sale of these securities is determined mainly by the moving-average method.

The measurement at cost or amortized cost of available-for-sale securities is prohibited, unless the fair value cannot be reliably determined under 'Accounting Standard for Financial Instruments' (ASBJ Statement No.10).

Non-marketable equity securities are generally regarded as securities whose fair value cannot be reliably determined and are measured at cost. However, certain non-marketable debt securities, such as privately placed corporate bonds and certain asset-backed securities, are measured at fair value. The cost of non-marketable available-for-sale securities stated at cost is determined by the moving-average method. For other-than-temporary declines in fair value, the cost of securities is reduced to fair value and the impairment losses are recognized by a charge to operations.

The Group records its interests in investment limited partnerships, associations under the Civil Code of Japan, and *Tokumei Kumiai* arrangements, based on its proportionate share of the net assets in such entities, and recognizes its share of profits or losses in a manner similar to the equity method of accounting. The Group records such interests in 'Securities.'

Securities included in money held in trust on behalf of the Group are accounted for in the same manner as the securities mentioned above.

(6) Derivatives and Hedging Activities

Derivative financial instruments (other than derivatives booked in trading accounts) are classified and accounted for as follows:

- 1) All derivatives other than those used for hedging purposes are recognized as either assets or liabilities and measured at fair value, with gains or losses recognized currently in the consolidated semiannual statement of income.
- 2) Derivatives used for hedging purposes, if they meet certain hedging criteria, including high correlation of fair value movement and effectiveness between the hedging instruments and the hedged items and the assessment of its effectiveness, are recognized as either assets or liabilities and measured at fair value. Valuation gains or losses on derivatives used for hedging purposes are primarily deferred over the terms of the hedged items within accumulated other comprehensive income as a component of equity and are charged to operations when the gains and losses on the hedged items are recognized.

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(a) Hedges of Interest Rate Risk

The Bank applies deferral hedge accounting to hedges of interest rate risk associated with financial assets and liabilities, principally by portfolio hedging, in accordance with 'Accounting and Auditing Treatments on the Application of Accounting Standards for Financial Instruments in the Banking Industry' (the Japanese Institute of Certified Public Accountants ('JICPA') Industry Audit Committee Report No. 24, February 13, 2002), or partly by individual hedging.

Under the JICPA Industry Audit Committee Report No.24, portfolio hedges to offset changes in fair value of fixed-rate instruments (such as loans or deposits) ('fair value hedges') are applied by grouping hedging instruments and hedged items by their maturities. The assessment of hedge effectiveness is generally based on the consideration of interest rate indices affecting the respective fair values of the group of hedging instruments and hedged items.

With regard to an individual hedge to offset changes in fair value of fixed-rate instruments, since principal conditions underlying in bonds payable as hedged items and interest rate swaps as hedging instruments are substantially on the same terms, the hedge is deemed highly effective.

(b) Hedges of Foreign Currency Risk

The Bank applies deferral hedge accounting to hedges of foreign currency risk associated with foreign currency-denominated financial assets and liabilities in accordance with 'Accounting and Auditing Treatments for Foreign Currency Transactions in the Banking Industry' (the JICPA Industry Audit Committee Report No. 25, July 29, 2002).

In accordance with the JICPA Industry Audit Committee Report No. 25, the Bank designates certain currency swaps and foreign exchange swaps for the purpose of funding foreign currencies as hedges for the exposure to changes in foreign exchange rates associated with foreign currency-denominated assets or liabilities when the foreign currency positions on the hedged assets or liabilities are expected to exceed the corresponding foreign currency positions on the hedging instruments. Hedge effectiveness is reviewed by comparing the total currency position of the hedged items with that of the hedging instruments by currency.

For hedging the foreign currency exposure of foreign currency-denominated available-for-sale securities (other than debt securities), which were designated in advance, fair value hedge accounting is adopted on a portfolio basis when the cost of the hedged securities is covered with offsetting liabilities denominated in the same foreign currency as the hedged securities.

(c) Hedges of Stock Price Risk

The Bank designates available-for-sale securities (stock, etc.) as hedged items and total return swaps, etc., as hedging instruments and applies individual deferral hedge accounting.

The assessment of hedge effectiveness is generally based on the comparison of changes in value of the hedged item and hedging instruments.

(d) Intercompany and Intracompany Derivative Transactions

For intercompany and intracompany derivative transactions for hedging purposes ('internal derivatives'), including currency and interest rate swaps, the Bank currently charges gains and losses on internal derivatives to operations or defers them within accumulated other comprehensive income as a component of equity without elimination in accordance with the JICPA Industry Audit Committee Reports No. 24 and No. 25. These reports permit a bank to retain the gains and losses on internal derivatives in its consolidated semiannual financial statements without elimination if the bank establishes and follows strict hedging criteria by entering into mirror-image offsetting transactions with external third parties within three business days after the designation of internal derivatives as hedging instruments.

(7) Tangible Fixed Assets and Intangible Fixed Assets

Tangible fixed assets and intangible fixed assets are stated at cost.

Depreciation of tangible fixed assets of the Group is computed primarily by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings, including structures and equipment attached to buildings, of the Bank. The ranges of useful lives are principally from 15 years to 50 years for buildings and from 5 years to 15 years for other tangible fixed assets.

Amortization of intangible fixed assets of the Group is computed by the straight-line method over the estimated useful lives of the assets. Costs of software developed or obtained for internal use are amortized over the estimated useful lives of the software (principally from 5 years to 11 years).

Lease assets under finance lease transactions, in which substantial ownership is not deemed to be transferred, are depreciated by the straight-line method over the lease term. The salvage value is zero or the guaranteed amounts if specified in the lease contracts.

(8) Long-Lived Assets

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

(9) Deferred Charges

Corporate bond issuance expenses are deferred and amortized by the straight-line method over the terms of the corporate bonds.

(10) Write-Off of Loans and Allowance for Loan Losses

Loans to borrowers who are assessed as 'Bankrupt' (in the process of legal proceedings for bankruptcy, special liquidation, etc.) or 'De facto bankrupt' (in serious financial difficulties and are not deemed to be capable of restructuring) under the Bank's self-assessment guidelines are written off to the amounts expected to be collected through the disposal of collateral or execution of guarantees, etc. The amounts deemed to be uncollectible and written off were ¥19,019 million (\$176,172 thousand) and ¥18,999 million at September 30 and March 31, 2019, respectively.

For loans to borrowers who are assessed as 'In danger of bankruptcy' (not yet bankrupt but are in financial difficulty and are highly likely to go bankrupt in the foreseeable future), a specific allowance is provided for the loan losses at an amount considered to be necessary based on an overall solvency assessment of the borrowers and expected collectible amounts through the disposal of collateral or execution of guarantees, etc. For loans whose future cash flows of principal and interest are reasonably estimated, the difference between the discounted cash flows and the carrying amount is accounted for as an allowance for loan losses (the 'DCF method').

For other loans, the Bank provides a general allowance by applying the estimated loan loss ratio, determined based on the historical loan loss data over a defined period in the past. However, for borrowers with a large credit exposure, categorized as 'Need attention,' under the internal credit rating system, the loan loss amount estimated by the DCF method is reflected as an addition to the allowance for loan losses calculated based on the estimated loan loss ratio, if necessary.

An allowance for loans to restructuring countries is provided for the amount of expected losses based on an assessment of political and economic conditions in their respective countries.

All loans are monitored in line with an internal self-assessment standard, on an ongoing basis. Operating divisions or branches review internal credit ratings of borrowers ('Borrower Ratings') which are defined in line with borrower categories and those ratings are then approved by the divisions in charge of credit. The division in charge of asset assessment, which is independent of operating divisions or branches and the divisions in charge of credit, reviews the appropriateness of internal credit ratings on a sample basis.

Based upon the borrower categories determined by the aforementioned process as of the balance sheet date, operating divisions and branches initially compute the amounts of write-offs and allowance, and the division in charge of asset assessment verifies the amounts and determines the final amounts.

With regard to the allowance for loan losses of consolidated subsidiaries, a general allowance is calculated for the amount of estimated loan losses using historical loan loss data over a defined period in the past. For loans to 'In danger of bankruptcy' borrowers and 'De facto bankrupt' and 'Bankrupt' borrowers, a specific allowance is provided or the uncollectible amount is written off based on an assessment of collectability of individual loans.

The independent internal audit divisions periodically audit the appropriateness of the write-offs and allowances based on the self-assessment.

(11) Allowance for Investment Losses

Allowance for investment losses is provided for estimated losses on certain investments based on an assessment of the issuers' financial condition and uncertainty about future recoverability of the decline in realizable values of the investments.

(12) Asset Retirement Obligations

Asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such a tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

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(13) Provision for Retirement Benefits for Directors (and Other Officers)

Provision for retirement benefits for directors (and other officers) is provided at the amount that would be required if directors and Audit & Supervisory Board members of some consolidated subsidiaries retired at the balance sheet date.

(14) Provision for Credit Losses on Off-Balance-Sheet Instruments

Provision for credit losses on off-balance-sheet instruments is provided for credit losses on commitments to extend loans and other off-balance-sheet financial instruments based on an estimated loss ratio or individually estimated loss amount determined by the same methodology used in determining the amount of allowance for loan losses.

(15) Provision for Contingent Loss

Provision for contingent loss is maintained for possible losses from contingencies, which are not covered by other reserves.

(16) Reserves under Special Laws

Reserves under special laws are reserves for financial products' transaction liabilities which are provided for compensation for losses from securities brokering in consolidated domestic subsidiaries in accordance with the Financial Instruments and Exchange Act, Article 46-5 and the Cabinet Office Ordinance on Financial Instruments Business, Article 175.

(17) Retirement and Pension Plans

The Group accounts for retirement benefit liabilities (assets) based on the defined retirement benefit obligations and plan assets at the balance sheet date. The defined retirement benefit obligations are calculated based on the benefit formula attribution of the expected benefit over the service period of employees. Prior-service cost is amortized using the straight-line method over a period (nine years) within the employees' average remaining service period at incurrence. Net actuarial gain and loss are amortized using the straight-line method over a period (five years) within the employees' average remaining service period commencing from the next fiscal year after incurrence.

Some consolidated subsidiaries adopt a simplified method based on the defined retirement benefit obligations for each retirement plan that would be required if all employees retired voluntarily at the consolidated balance sheet date.

(18) Lease Transactions

All finance lease transactions are capitalized to recognize lease assets and lease obligations on the balance sheet.

All other leases are accounted for as operating leases.

(19) Income Taxes

Deferred income taxes are recorded to reflect expected future consequences of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax rates to the temporary differences. The Bank assesses the realizability of deferred tax assets based on consideration of the available evidence, including future taxable income, future reversals of existing temporary differences, and tax-planning strategies. The Bank reduces the carrying amount of a deferred tax asset to the extent that it is not probable that sufficient taxable income will be available to allow the benefit of part or all of that deferred tax asset to be realized. Such reduction may be reversed to the extent that it becomes probable that sufficient taxable income will be available and warrant the realization of tax benefits.

(20) Foreign Currency Items

Assets and liabilities denominated in foreign currencies held by the Bank are translated into Japanese yen at the exchange rates prevailing at the balance sheet date except for investments in equity securities of unconsolidated subsidiaries or affiliated companies, which are translated at historical rates.

Assets and liabilities denominated in foreign currencies which are held by consolidated subsidiaries are translated into Japanese yen at the exchange rates as of the consolidated balance sheet date, while equity accounts are translated at historical rates. Differences arising from such translations are shown as 'Foreign currency translation adjustment' within accumulated other comprehensive income as a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate. Differences arising from such translation are included in 'Non-controlling interests' or 'Foreign currency translation adjustment' as a separate component of equity in the balance sheets.

(21) Per Share Information

Basic net income (loss) per share is computed by dividing net income (loss) attributable to common stockholders by the weighted-average number of shares of common stock outstanding for the period, retroactively adjusted for stock splits or reverse stock splits.

Diluted net income per share reflects the potential dilution that would occur if dilutive options and warrants were exercised or the securities were converted into common stock, also retroactively adjusted for stock splits or reverse stock splits. Diluted net income per share of common stock assumes full conversion of the preferred stock at the beginning of the year (or at the time of issuance) with an applicable adjustment for related dividends to preferred stock, unless the preferred stock has an antidilutive effect.

Net assets per share of common stock are computed by dividing net assets attributable to common stockholders by the number of shares of common stock outstanding at the end of the period.

Cash dividends per share presented in the accompanying consolidated semiannual statement of income are dividends applicable to the respective years including dividends to be paid after the end of the period.

(22) Accounting Changes and Error Corrections

In December 2009, the ASBJ issued ASBJ Statement No. 24, 'Accounting Standard for Accounting Changes and Error Corrections' and ASBJ Guidance No. 24, 'Guidance on Accounting Standard for Accounting Changes and Error Corrections.' Accounting treatments under this standard and guidance are as follows:

1) Changes in accounting policies

When a new accounting policy is applied due to a revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific provisions. When the revised accounting standards include specific provisions, a company shall comply with the specific provisions.

2) Changes in presentation

When the presentation of consolidated financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.

3) Changes in accounting estimates

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only and is accounted for prospectively if the change affects both the period of the change and future periods.

4) Corrections of prior-period errors

When an error in prior-period consolidated financial statements is discovered, those consolidated financial statements are restated.

(23) Changes in presentation

(Consolidated statement of income)

On October 1, 2018, the Bank assumed direct responsibility for the trust business operations from GMO Aozora Net Bank, Ltd.

As the Bank began to conduct a trust business in accordance with the Act on Engagement in Trust Business by a Financial Institution (the Concurrent Business Act), trust fee, which was included in 'Fees and Commissions' of GMO Aozora Net Bank, Ltd. for the six-month period ended September 30, 2018, is recorded as 'Trust fees' for the six-month period ended September 30, 2019.

Consequently, ¥5,453 million presented under 'Fees and Commissions' in the 2018 consolidated semiannual statement of income has been reclassified as 'Trust Fees' of ¥183 million and 'Fees and Commissions' of ¥5,269 million.

3. Cash and Cash Equivalents

Cash and cash equivalents as of September 30, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	Sep. 30, 2019	Sep. 30, 2018	Sep. 30, 2019
Cash on hand	¥12,304	¥15,899	\$113,970
Due from the Bank of Japan	477,491	424,169	4,422,857
Total	¥489,795	¥440,068	\$4,536,827

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4. Trading Assets and Liabilities

Trading assets and liabilities as of September 30 and March 31, 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	Sep. 30, 2019	Mar. 31, 2019	Sep. 30, 2019
Trading assets:			
Trading account securities	¥25	¥30	\$241
Derivatives of trading account securities	4,453	6,641	41,250
Derivatives of securities related to trading transactions	4,940	5,036	45,763
Trading-related financial derivatives	241,748	188,220	2,239,246
Total	¥251,168	¥199,928	\$2,326,500
Trading liabilities:			
Derivatives of securities related to trading transactions	¥11,063	¥12,867	\$102,478
Trading-related financial derivatives	201,907	164,897	1,870,204
Total	¥212,970	¥177,764	\$1,972,682

5. Securities

Certain amounts shown in the following tables include securities related to trading transactions classified as 'Trading assets' and certain beneficiary interests in trust classified as 'Monetary claims bought' in addition to 'Securities' stated in the consolidated (semiannual) balance sheet.

'Securities' stated in the consolidated (semiannual) balance sheets as of September 30 and March 31, 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	Sep. 30, 2019	Mar. 31, 2019	Sep. 30, 2019
Japanese national government bonds	¥—	¥5,003	\$—
Japanese local government bonds	34,503	31,811	319,593
Japanese corporate bonds	60,108	50,459	556,765
Japanese stocks	46,672	66,528	432,311
Foreign bonds	617,826	568,418	5,722,735
Other	525,801	518,617	4,870,333
Total	¥1,284,911	¥1,240,838	\$11,901,737

As of September 30 and March 31, 2019, securities included equity investments in unconsolidated subsidiaries and affiliated companies that amounted to ¥20,453 million (\$189,453 thousand) and ¥21,750 million, respectively.

No held-to-maturity bonds were held as of September 30 and March 31, 2019.

The costs and carrying amounts of available-for-sale securities with fair value as of September 30 and March 31, 2019, were as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	Carrying amount	Cost	Difference	Carrying amount	Cost	Difference
September 30, 2019						
Carrying amount exceeding cost:						
Japanese stocks	¥42,955	¥6,014	¥36,941	\$397,885	\$55,711	\$342,174
Japanese national government bonds	—	—	—	—	—	—
Japanese local government bonds	25,136	24,912	224	232,833	230,757	2,076
Japanese corporate bonds	57,719	56,771	947	534,639	525,860	8,779
Foreign bonds	295,841	289,104	6,736	2,740,285	2,677,883	62,402
Other	208,486	189,973	18,512	1,931,145	1,759,667	171,478
Subtotal	630,139	566,776	63,362	5,836,787	5,249,878	586,909
Carrying amount not exceeding cost:						
Japanese stocks	128	149	(21)	1,186	1,388	(202)
Japanese national government bonds	—	—	—	—	—	—
Japanese local government bonds	9,366	9,370	(3)	86,759	86,791	(32)
Japanese corporate bonds	2,388	2,431	(42)	22,127	22,524	(397)
Foreign bonds	321,985	324,780	(2,795)	2,982,450	3,008,344	(25,894)
Other	294,136	303,902	(9,766)	2,724,491	2,814,956	(90,465)
Subtotal	628,004	640,634	(12,630)	5,817,013	5,934,003	(116,990)
Total	¥1,258,144	¥1,207,411	¥50,732	\$11,653,800	\$11,183,881	\$469,919
March 31, 2019						
Carrying amount exceeding cost:						
Japanese stocks	¥61,368	¥12,822	¥48,545			
Japanese national government bonds	5,003	5,002	0			
Japanese local government bonds	23,529	23,300	229			
Japanese corporate bonds	47,394	46,998	396			
Foreign bonds	221,549	218,551	2,998			
Other	114,445	101,566	12,878			
Subtotal	473,291	408,242	65,049			
Carrying amount not exceeding cost:						
Japanese stocks	119	149	(30)			
Japanese national government bonds	—	—	—			
Japanese local government bonds	8,281	8,287	(5)			
Japanese corporate bonds	3,064	3,156	(91)			
Foreign bonds	346,868	358,427	(11,558)			
Other	346,465	361,850	(15,384)			
Subtotal	704,800	731,870	(27,069)			
Total	¥1,178,092	¥1,140,112	¥37,979			

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The Group has adopted its impairment criteria based on the severity of decline of securities by borrower category of the issuer of securities in the determination of significant declines. A significant decline is regarded as an other-than-temporary decline unless the significant decline is reasonably recoverable. Impairment losses are recognized for other-than-temporary declines.

For the six-month period ended September 30 and the year ended March 31, 2019, the Group wrote off marketable available-for-sale securities in the amounts of ¥0 million (\$0 thousand) and none, respectively. The breakdown of write-offs for the six-month period ended September 30 2019, was ¥0 million (\$0 thousand) for foreign bonds.

If the fair value declines more than 50% from the acquisition cost or amortized cost, the Group generally deems the decline to be significant and other-than-temporary. However, based on the borrower category of the issuer of securities, the following impairment criteria determine whether or not the fair value decline is significant under the internal standards for write-offs and reserves.

'In danger of bankruptcy,' 'De facto bankrupt' and 'Bankrupt' ... if the fair value declines from cost.

'Need attention' ... if the fair value declines more than 30% from cost.

'Normal' ... if the fair value declines more than 50% from cost.

For debt securities categorized as 'Normal,' the fair value decline is deemed significant if the fair value declines more than 30% from cost.

For securities, other than debt securities, whose fair value remains below a certain level, the fair value decline is deemed significant even if it does not meet the above criteria.

'Bankrupt' borrower means an issuer of securities under legal proceedings, such as bankruptcy or liquidation. 'De facto bankrupt' borrower means an issuer of securities in a similar condition as 'Bankrupt' borrower. 'In danger of bankruptcy' borrower means an issuer of securities that is not currently bankrupt but is highly likely to become bankrupt. 'Need attention' borrower means an issuer of securities that needs to be monitored carefully. 'Normal' borrower means an issuer of securities categorized as other than 'Bankrupt,' 'De facto bankrupt,' 'In danger of bankruptcy' or 'Need attention.'

Of securities received under unsecured lending agreements, lending agreements with cash collateral or resale agreements, etc., and securities received as collateral for derivative transactions, which permit borrowers to sell or repledge such securities received, ¥623 million (\$5,773 thousand) and ¥664 million were repledged under such agreements, none were re-loaned under such agreements, and none remained undisposed as of September 30 and March 31, 2019, respectively.

6. Money Held in Trust

The carrying amounts and related valuation gains recognized in earnings for money held in trust classified as for investment purposes as of September 30 and March 31, 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Sep. 30, 2019	Mar. 31, 2019	Sep. 30, 2019
Carrying amounts	¥45,799	¥35,098	\$424,223
Unrealized gains recognized in earnings	—	—	—

None of the money held in trust was categorized as held-to-maturity or available-for-sale as of September 30 and March 31, 2019.

7. Loans and Bills Discounted

Loans and bills discounted as of September 30 and March 31, 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	Sep. 30, 2019	Mar. 31, 2019	Sep. 30, 2019
Loans on notes	¥13,388	¥13,846	\$124,012
Loans on deeds	2,650,055	2,619,421	24,546,638
Overdrafts	174,309	145,883	1,614,572
Other	704	742	6,521
Total	¥2,838,456	¥2,779,894	\$26,291,743

The following risk-monitored loans were included in loans and bills discounted as of September 30 and March 31, 2019:

	Millions of Yen		Thousands of U.S. Dollars
	Sep. 30, 2019	Mar. 31, 2019	Sep. 30, 2019
Loans to bankrupt borrowers	¥3,274	¥—	\$30,327
Past due loans	16,030	14,201	148,486
Loans overdue for three months or more	—	—	—
Restructured loans	1,409	1,409	13,051
Total	¥20,713	¥15,610	\$191,864

The above amounts are stated after write-offs of uncollectible amounts but before deduction of the allowance for loan losses.

'Loans to bankrupt borrowers' are loans to borrowers who are legally bankrupt and are placed on nonaccrual status.

'Past due loans' are loans on which accrued interest income is not recognized, excluding loans to bankrupt borrowers and loans on which interest payments are deferred in order to support the borrowers' recovery from financial difficulties. 'Past due loans' include loans to borrowers who are assessed as 'In danger of bankruptcy' and 'De facto bankrupt' under the self-assessment guidelines.

'Loans overdue for three months or more' are accruing loans for which principal or interest remains unpaid for at least three months, excluding loans to bankrupt borrowers and past due loans.

'Restructured loans' are loans in which lending conditions have been relaxed, such as by reducing the interest rate or by forbearing interest payments or principal repayments to support the borrowers' recovery, excluding loans to bankrupt borrowers, past due loans and loans overdue for three months or more.

Overdraft contracts and contracts for loan commitments are those by which the Group is bound to extend loans up to a prearranged amount, upon the request of customers, unless the customer is in breach of contract conditions. The unutilized balance of these contracts amounted to ¥588,351 million (\$5,449,714 thousand) and ¥618,626 million as of September 30 and March 31, 2019, respectively. ¥383,978 million (\$3,556,670 thousand) and ¥427,567 million of these amounts relate to contracts with residual contractual terms of one year or less as of September 30 and March 31, 2019, respectively.

Bills discounted are accounted for as financing transactions in accordance with 'Accounting and Auditing Treatments on the Application of Accounting Standards for Financial Instruments in the Banking Industry' (the JICPA Industry Audit Committee Report No. 24, February 13, 2002), although the Bank has the right to sell or repledge them without restriction. The face values of such bills discounted held as of September 30 and March 31, 2019 were none, respectively.

8. Foreign Exchange

Foreign exchange as of September 30 and March 31, 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	Sep. 30, 2019	Mar. 31, 2019	Sep. 30, 2019
Assets:			
Due from foreign banks	¥50,710	¥49,480	\$469,713
Total	¥50,710	¥49,480	\$469,713

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9. Tangible Fixed Assets and Intangible Fixed Assets

Tangible fixed assets as of September 30 and March 31, 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	Sep. 30, 2019	Mar. 31, 2019	Sep. 30, 2019
Buildings	¥11,742	¥12,060	\$108,765
Land	9,235	9,235	85,546
Lease assets	1,059	58	9,809
Construction in progress	43	32	401
Other	1,958	2,254	18,137
Total	¥24,038	¥23,641	\$222,658
Accumulated depreciation	¥23,870	¥23,949	\$221,109

Intangible fixed assets as of September 30 and March 31, 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	Sep. 30, 2019	Mar. 31, 2019	Sep. 30, 2019
Software	¥19,204	¥18,504	\$177,884
Other	67	67	625
Total	¥19,271	¥18,572	\$178,509

10. Customers' Liabilities for Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are included in acceptances and guarantees. As a contra account, customers' liabilities for acceptances and guarantees are shown as assets representing the Group's right of indemnity from customers.

11. Allowance for Loan Losses

Allowance for loan losses as of September 30 and March 31, 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	Sep. 30, 2019	Mar. 31, 2019	Sep. 30, 2019
General allowance	¥32,902	¥37,576	\$304,770
Specific allowance	8,886	7,428	82,314
Total	¥41,789	¥45,004	\$387,084

12. Pledged Assets and Collateralized Debts

The carrying amounts of assets pledged as collateral and collateralized debts as of September 30 and March 31, 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Sep. 30, 2019	Mar. 31, 2019	Sep. 30, 2019
Assets pledged as collateral:			
Securities	¥590,357	¥520,786	\$5,468,297
Loans and bills discounted	51,209	57,988	474,336
Total	¥641,566	¥578,775	\$5,942,633
Collateralized debts:			
Payables under repurchase agreements	¥80,275	¥49,658	\$743,563
Payables under securities lending transactions	489,442	450,860	4,533,553
Borrowed money	5,074	5,217	47,000
Total	¥574,791	¥505,736	\$5,324,116

In addition, the following assets were pledged or deposited as margin money for future trading and collateral for transactions, including exchange settlements and derivatives as of September 30 and March 31, 2019:

	Millions of Yen		Thousands of U.S. Dollars
	Sep. 30, 2019	Mar. 31, 2019	Sep. 30, 2019
Securities	¥10,286	¥11,268	\$95,279
Foreign exchange	10,796	11,100	100,000
Other assets:			
Cash collateral paid for financial instruments	90,492	85,657	838,204
Guarantee deposits	15,419	15,784	142,826
Total	¥126,994	¥123,810	\$1,176,309

13. Deposits

Deposits as of September 30 and March 31, 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	Sep. 30, 2019	Mar. 31, 2019	Sep. 30, 2019
Current deposits	¥26,557	¥22,758	\$245,995
Ordinary deposits	536,631	496,424	4,970,647
Saving deposits	415	—	3,848
Deposits at notice	1,155	1,175	10,703
Time deposits	2,470,804	2,486,640	22,886,294
Negotiable certificates of deposit	87,953	127,927	814,681
Other	97,039	95,804	898,843
Total	¥3,220,555	¥3,230,731	\$29,831,011

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14. Debentures and Bonds Payable

The Bank converted its long-term credit bank charter to an ordinary commercial bank charter on April 1, 2006. The Financial Services Agency of Japan, however, allows the Bank to retain the ability to issue debentures without registration, which was one of the benefits the Bank enjoyed as a long-term credit bank, for a period of 10 years following the conversion to an ordinary commercial bank.

Debentures as of September 30 and March 31, 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	Sep. 30, 2019	Mar. 31, 2019	Sep. 30, 2019
Five-year coupon debentures	¥51,360	¥51,360	\$475,732
Total	¥51,360	¥51,360	\$475,732

Bonds payable as of September 30 and March 31, 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	Sep. 30, 2019	Mar. 31, 2019	Sep. 30, 2019
Three-year unsecured straight bond issued by the Bank	¥131,000	¥141,000	\$1,213,413
Five-year unsecured straight bond issued by the Bank	25,000	25,000	231,567
Three-year unsecured straight bond issued by the Bank in U.S. dollars	97,130	66,586	899,692
Total	¥253,130	¥232,586	\$2,344,672

15. Other Assets and Liabilities

Other assets and liabilities as of September 30 and March 31, 2019, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	Sep. 30, 2019	Mar. 31, 2019	Sep. 30, 2019
Other assets:			
Accrued income	¥9,005	¥9,938	\$83,411
Accounts receivable	12,360	52,407	114,493
Derivatives other than for trading assets	62,631	62,715	580,137
Cash collateral paid for financial instruments	90,492	85,667	838,204
Guarantee deposits	15,419	15,784	142,826
Other	17,575	6,183	162,797
Total	¥207,484	¥232,697	\$1,921,868
Other liabilities:			
Income taxes payable	¥9,057	¥4,818	\$83,897
Accrued expenses	6,053	7,499	56,067
Accounts payable	4,187	38,596	38,787
Derivatives other than for trading liabilities	63,128	68,254	584,739
Cash collateral received for financial instruments	90,400	65,642	837,356
Asset retirement obligations	2,039	2,019	18,895
Other	43,022	19,392	398,504
Total	¥217,889	¥206,223	\$2,018,245

16. Equity

(1) Capital Stock and Capital Surplus

Authorized number of common stock was 289,828 thousand as of September 30 and March 31, 2019, respectively.

Changes in the number of issued shares of common stock and treasury stock of the six-month periods ended September 30, 2019 and 2018, consisted of the following:

	Thousands			
	Number of shares			
	As of April 1, 2019	Increase	Decrease	As of September 30, 2019
Issued stock				
Common stock	118,289	-	-	118,289
Treasury stock				
Common stock (Note)	1,611	-	5	1,606

	Thousands			
	Number of shares			
	As of April 1, 2018	Increase	Decrease	As of September 30, 2018
Issued stock				
Common stock	118,289	—	—	118,289
Treasury stock				
Common stock (Note)	1,631	—	19	1,611

Note: The decrease is due to a transfer of shares upon exercise of share acquisition rights.

(2) Share acquisition rights

Share acquisition rights as of September 30, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	Sep. 30, 2019	Sep. 30, 2018	Sep. 30, 2019
Share acquisition rights as stock options	¥447	¥357	\$4,150

(3) Cash dividends

Cash dividends paid during the six-month period ended September 30, 2019 and 2018, were as follows:

	Millions of Yen	Yen	Thousands of U.S. Dollars	U.S. Dollars
	Total amounts	Per share	Total amounts	Per share
September 30, 2019				
(Record date: June 30, 2019) (Note 1)				
Common stock	¥4,550	¥39	\$42,149	\$0.36
(Record date: March 31, 2019) (Note 2)				
Common stock	¥3,967	¥34	\$36,745	\$0.31
September 30, 2018				
(Record date: June 30, 2018) (Note 3)				
Common stock	¥4,666	¥40.00		
(Record date: March 31, 2018) (Note 4)				
Common stock	¥6,299	¥54.00		

Notes: 1. Cash dividends applicable to the three-month period ended June 30, 2019 were approved at the Board of Directors' meeting held on August 1, 2019.
2. Year-end cash dividends applicable to the fiscal year ended March 31, 2019 were approved at the Board of Directors' meeting held on May 16, 2019.
3. Cash dividends applicable to the three-month period ended June 30, 2018 were approved at the Board of Directors' meeting held on July 30, 2018.
4. Year-end cash dividends applicable to the fiscal year ended March 31, 2018 were approved at the Board of Directors' meeting held on May 14, 2018.

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17. Stock Options

(1) Expenses for stock options

Expenses for stock options as of September 30, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Sep. 30, 2019	Sep. 30, 2018	Sep. 30, 2019
General and administrative expenses	¥111	¥97	\$1,033

(2) Outline of stock options

The outline of stock options for FY2019 and FY2018 was as follows:

	Stock options for FY2019	Stock options for FY2018
Title and number of eligible persons	4 directors of the Bank 18 executive officers of the Bank	4 directors of the Bank 17 executive officers of the Bank
Number of stock options by share class	47,420 shares of common stock	25,540 shares of common stock
Grant date	July 11, 2019	July 13, 2018
Condition for vesting	None	None
Requisite service period	None	None
Exercise period	From July 12, 2019 to July 11, 2049	From July 14, 2018 to July 13, 2048
Exercise price ^(Note)	¥1 (\$0.01)	¥1 (\$0.01)
Fair value on grant date ^(Note)	¥2,352 (\$21.79)	¥3,832 (\$33.74)

Note: Shown in per share

18. Other Ordinary Income

Other ordinary income for the six-month periods ended September 30, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	Sep. 30, 2019	Sep. 30, 2018	Sep. 30, 2019
Gains on sales of bonds and other securities	¥9,805	¥2,348	\$90,823
Gains on derivatives	—	522	—
Other	6,819	8,930	63,170
Total	¥16,625	¥11,802	\$153,993

Note: The 'Other' category primarily includes gains from investments in partnerships.

19. Other Income

Other income for the six-month periods ended September 30, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	Sep. 30, 2019	Sep. 30, 2018	Sep. 30, 2019
Gains on sales of stocks and other securities	¥4,051	¥5,184	\$37,528
Gains on investments in money held in trust	407	269	3,773
Recoveries of written-off claims	358	329	3,321
Reversal of allowance for loan losses	1,315	2,751	12,184
Reversal of provision for credit losses on off-balance-sheet instruments	164	99	1,522
Other	461	732	4,278
Total	¥6,758	¥9,368	\$62,606

20. Other Ordinary Expenses

Other ordinary expenses for the six-month periods ended September 30, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	Sep. 30, 2019	Sep. 30, 2018	Sep. 30, 2019
Amortization of debenture and bond issuance costs	¥116	¥103	\$1,081
Losses on foreign exchange transactions	2,101	3,023	19,464
Losses on sales of bonds and other securities	0	109	1
Losses on redemption of bonds and other securities	64	73	600
Losses on devaluation of bonds and other securities	0	0	0
Losses on derivatives	255	—	2,365
Other	1,073	817	9,939
Total	¥3,611	¥4,128	\$33,450

Note: The 'Other' category primarily includes losses from investments in partnerships.

21. General and Administrative Expenses

General and administrative expenses for the six-month periods ended September 30, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	Sep. 30, 2019	Sep. 30, 2018	Sep. 30, 2019
Salaries and related expenses	¥9,635	¥9,502	\$89,250
Other	15,730	14,090	145,704
Total	¥25,365	¥23,592	\$234,954

22. Other Expenses

Other expenses for the six-month periods ended September 30, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	Sep. 30, 2019	Sep. 30, 2018	Sep. 30, 2019
Losses on sales of stocks and other securities	¥0	¥—	\$0
Losses on devaluation of stocks and other securities	1,529	—	14,164
Write-off of loans	374	158	3,467
Other	527	824	4,890
Total	¥2,431	¥982	\$22,521

23. Lease Transactions

(1) Finance lease transactions

The Group leases certain fixed assets, such as system-related equipment.

(2) Operating lease transactions

The minimum rental commitments under non-cancelable operating leases as of September 30 and March 31, 2019, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Sep. 30, 2019	Mar. 31, 2019	Sep. 30, 2019
Due within one year	¥1,894	¥1,974	\$17,544
Due after one year	1,619	2,518	15,001
Total	¥3,513	¥4,492	\$32,545

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24. Financial Instruments and Related Disclosures

Carrying amounts, fair values and their differences of financial instruments as of September 30 and March 31, 2019, are shown below. Immaterial accounts on the consolidated (semiannual) balance sheets are not included in the table below. Some instruments, such as unlisted stocks, whose fair value cannot be reliably determined, are not included in the table below (see 'Financial instruments whose fair value cannot be reliably determined').

	Millions of Yen			Thousands of U.S. Dollars		
	Sep. 30, 2019			Sep. 30, 2019		
	Carrying Amount	Fair Value	Difference	Carrying Amount	Fair Value	Difference
Cash and due from banks	¥587,821	¥587,821	¥—	\$5,444,808	\$5,444,808	\$—
Call loans and bills bought	—	—	—	—	—	—
Receivables under securities borrowing transactions	—	—	—	—	—	—
Monetary claims bought (Note 1)	81,967	88,854	6,887	759,238	823,034	63,796
Trading assets						
Trading securities	25	25	—	241	241	—
Money held in trust	45,799	48,398	2,599	424,223	448,302	24,079
Securities						
Available-for-sale securities (Note 2)	1,208,999	1,208,999	—	11,198,587	11,198,587	—
Loans and bills discounted	2,838,456			26,291,743		
Less allowance for loan losses (Note 1)	(41,209)			(381,709)		
Net loans and bills discounted	2,797,247	2,879,245	81,998	25,910,034	26,669,561	759,527
Assets total	¥4,721,860	¥4,813,346	¥91,485	\$43,737,131	\$44,584,533	\$847,402
Deposits (excluding negotiable certificates of deposit)	¥3,132,602	¥3,144,769	¥12,166	\$29,016,330	\$29,129,024	\$112,694
Negotiable certificates of deposit	87,953	87,953	—	814,681	814,681	—
Debentures	51,360	51,469	109	475,732	476,745	1,013
Call money and bills sold	39,238	39,238	—	363,454	363,454	—
Payables under repurchase agreements	80,275	80,275	—	743,562	743,562	—
Payables under securities lending transactions	489,442	489,442	—	4,533,553	4,533,553	—
Borrowed money	320,778	325,181	4,403	2,971,268	3,012,057	40,789
Bonds payable	253,130	253,872	741	2,344,672	2,351,542	6,870
Liabilities total	¥4,454,780	¥4,472,201	¥17,421	\$41,263,252	\$41,424,618	\$161,366
Derivatives (Note 3)						
For which hedge accounting is not applied	¥30,429	¥30,429	¥—	\$281,862	\$281,862	\$—
For which hedge accounting is applied	7,231	7,231	—	66,979	66,979	—
Derivatives total	¥37,660	¥37,660	¥—	\$348,841	\$348,841	\$—

	Millions of Yen		
	Mar. 31, 2019		
	Carrying Amount	Fair Value	Difference
Cash and due from banks	¥618,716	¥618,716	¥—
Call loans and bills bought	—	—	—
Receivables under securities borrowing transactions	—	—	—
Monetary claims bought (Note 1)	50,950	57,833	6,882
Trading assets			
Trading securities	30	30	—
Money held in trust	35,098	37,685	2,586
Securities			
Available-for-sale securities (Note 2)	1,162,681	1,162,681	—
Loans and bills discounted	2,779,894		
Less allowance for loan losses (Note 1)	(44,321)		
Net loans and bills discounted	2,735,572	2,808,844	73,271
Assets total	¥4,603,050	¥4,685,790	¥82,740
Deposits (excluding negotiable certificates of deposit)	¥3,102,804	¥3,109,590	¥6,786
Negotiable certificates of deposit	127,927	127,927	—
Debentures	51,360	51,498	138
Call money and bills sold	51,723	51,723	—
Payables under repurchase agreements	49,658	49,658	—
Payables under securities lending transactions	450,860	450,860	—
Borrowed money	320,559	323,461	2,901
Bonds payable	232,586	232,989	403
Liabilities total	¥4,387,479	¥4,397,709	¥10,229
Derivatives (Note 3)			
For which hedge accounting is not applied	¥26,777	¥26,777	¥—
For which hedge accounting is applied	(10,184)	(10,184)	—
Derivatives total	¥16,592	¥16,592	¥—

Notes: 1. General allowance for loan losses and specific allowance for loan losses provided to 'Loans and bills discounted' are separately presented in the above table. Allowance for loan losses provided to 'Monetary claims bought' is directly deducted from the carrying amounts due to immateriality.

2. Carrying amounts, fair values and their differences of available-for-sale securities do not include those of certain investments in partnerships of which composing assets consist of monetary claims, etc., whose fair value is determinable. As for such investments in partnerships, the carrying amounts were ¥11,293 million (\$104,612 thousand) and ¥11,001 million, and the fair value was ¥15,619 million (\$144,676 thousand) and ¥14,933 million, which was our share of the fair value of composing assets, such as monetary claims determined by the present value of estimated future cash flows or estimated collectable amount by collaterals or guarantees as of September 30 and March 31, 2019, respectively. The difference between the fair value and the carrying amounts was ¥4,325 million (\$40,064 thousand) and ¥3,932 million as of September 30 and March 31, 2019, respectively.

3. Derivatives recorded in 'Trading assets,' 'Trading liabilities,' 'Other assets' and 'Other liabilities' are aggregated and shown herein in total. Assets and liabilities attributable to the derivative contracts are totally offset and the net liability position as a consequence of offsetting would be represented with brackets, if any.

Valuation method of financial instruments

Assets

(1) Cash and due from banks, call loans and bills bought, and receivables under securities borrowing transactions

Since these instruments are paid on demand, or cancellable by short notice, or with short maturities, the fair value of these instruments is approximately equal to the book value. Therefore, the book value of these instruments is deemed as the fair value.

(2) Monetary claims bought

Fair value of trust beneficiary rights, recorded as monetary

claims bought, which meet the criteria of securities for the purpose of accounting treatment, is measured using the same method as described in (5) Securities, below.

The fair value of monetary claims bought other than the above is calculated using the same method as described in (6) Loans and bills discounted, below.

(3) Trading assets

Fair value of trading securities, mainly bonds, is determined using the market price quoted at exchange or market price announced by certain industry associations or provided by information vendors.

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(4) Money held in trust

Securities held in trust on behalf of the Group are valued using the same method as described in (5) Securities, below. Monetary claims held in trust on behalf of the Group are calculated using the same method as described in (6) Loans and bills discounted, below.

(5) Securities

Stocks are valued at market prices quoted at exchanges. Bonds that have a market price announced by certain industry associations or provided by information vendors are valued at those prices, in principle. Bonds that do not have a market price announced by certain industry associations or provided by information vendors are calculated using the same method as described in (6) Loans and bills discounted, below, or valued at prices provided by brokers or dealers. Investment trust funds are valued at prices provided by the management company of each fund. Investment in partnerships are valued in accordance with the above method or using the same method as described in (6) Loans and bills discounted, below, depending on the type of assets which are held by a partnership.

(6) Loans and bills discounted

Fair value of loans and bills discounted is determined as the present value of estimated future cash flows, discounted by the market interest rates, less accrued interest. The estimated future cash flows are calculated by adjusting contractual payment of principal and interest with credit and other considerable risks, which are reflected mainly through PD and LGD. PD is based on the internal credit ratings and LGD is based on the situations of underlying assets and collateral. Some loans and bills discounted are valued at prices provided by vendor financial institutions. Concerning compound financial instruments to which bifurcation accounting is applied, the contractual payments of principal and interest for the calculations are those of the host contracts where embedded derivatives are bifurcated under bifurcation accounting.

As for loans to 'Bankrupt' borrowers, 'De facto bankrupt' borrowers and 'In danger of bankruptcy' borrowers, the collectable amount through the disposal of collateral or the execution of guarantees, or the present value of estimated future cash flows, etc., is deemed as the fair value.

As for loans with no maturity due to a feature that the amount of loans are limited within the collateral amount, and immaterial loans without concerns about collectability, the book value is deemed as fair value.

Liabilities

(1) Deposits (excluding negotiable certificates of deposit)

Fair value of deposits on demand is deemed as the payment amount if demanded on the consolidated balance sheet date, i.e., 'book value.' Fair value of time deposits is principally determined as the present value of contractual payments of principal and interest less accrued interest. The discount rate is the market interest rate, adjusted with

average funding spreads of the Bank observed within a specified period preceding the consolidated balance sheet date. Concerning compound financial instruments to which bifurcation accounting is applied, contractual payments of principal and interest for the calculations are those of the host contracts where embedded derivatives are bifurcated under bifurcation accounting.

(2) Negotiable certificates of deposit

Since the contract period is short, the fair value is approximately equal to the book value. Therefore, the book value is deemed as the fair value.

(3) Debentures

Debentures that have a market price announced by certain industry associations or provided by information vendors are valued at those prices. As for debentures that do not have a market price announced by certain industry associations or published by information vendors, the fair value of those with short maturities is approximately equal to the book value. Therefore, the book value is deemed as the fair value. On the other hand, the fair value of debentures other than the above is calculated using the same method as for time deposits described in (1) Deposits above.

(4) Call money and bills sold, payables under repurchase agreements and payables under securities lending transactions

Since the contract period is short, the fair value is approximately equal to the book value. Therefore, the book value is deemed as the fair value.

(5) Borrowed money

Fair value of borrowed money is calculated using the same method as for time deposits described in (1) Deposits above. Concerning the compound financial instruments to which bifurcation accounting is applied, the contractual payments of principal and interest for the calculations are those of the host contracts where embedded derivatives are bifurcated under bifurcation accounting.

(6) Bonds payable

Fair value is calculated using the market price announced by certain industry associations or provided by information vendors.

Derivatives

The valuation method of derivatives is described in the footnotes to the respective tables in 25. Derivatives.

Financial instruments whose fair value cannot be reliably determined

The following instruments are not included in 'Securities' in Assets in the above table showing fair value of financial instruments.

	Carrying amount Sep. 30, 2019	
	Millions of Yen	Thousands of U.S. Dollars
(1) Unlisted stocks, etc. (Notes 1 and 3)	¥8,067	\$74,724
(2) Investments in partnerships (Note 2)	56,550	523,814
Total	¥64,618	\$598,538

	Carrying amount Mar. 31, 2019
	Millions of Yen
(1) Unlisted stocks, etc. (Notes 1 and 3)	¥9,234
(2) Investments in partnerships (Note 2)	57,920
Total	¥67,155

Notes: 1. Fair value of unlisted stocks, etc., is not disclosed because they do not have a market price and their fair value cannot be reliably determined.
2. Fair value of investments in partnerships, composed of assets whose fair value cannot be reliably determined, such as unlisted stocks, is not disclosed.
3. The Group wrote off unlisted stocks, etc., by ¥1,529 million (\$14,164 thousand) and ¥0 million for the six-month period ended September 30, 2019 and for the year ended March 31, 2019, respectively.

25. Derivatives

(1) Derivative transactions for which hedge accounting is not applied

The Group had the following derivative contracts, which were listed on exchanges, outstanding as of September 30 and March 31, 2019:

	Millions of Yen				Thousands of U.S. Dollars			
	Contract or Notional Amount	Due after 1 Year	Fair Value	Valuation Gain/(Loss)	Contract or Notional Amount	Due after 1 Year	Fair Value	Valuation Gain/(Loss)
September 30, 2019								
Interest rate contracts:								
Futures sold	¥5,227	¥—	¥(64)	¥(64)	\$48,423	\$—	\$(598)	\$(598)
Futures bought	27,648	—	1	1	256,097	—	16	16
Options written	388,656	—	(35)	31	3,600,000	—	(326)	293
Options purchased	183,532	—	42	(28)	1,700,000	—	390	(262)
Bond contracts:								
Futures sold	4,818	—	21	21	44,634	—	196	196
Futures bought	18,551	—	(44)	(44)	171,838	—	(412)	(412)
Futures options written	—	—	—	—	—	—	—	—
Futures options purchased	58,298	—	80	(112)	540,000	—	745	(1,045)
Equity contracts:								
Index futures sold	2,478	—	(8)	(8)	22,962	—	(79)	(79)
Index futures bought	45,643	—	561	561	422,782	—	5,203	5,203
Index options written	207,353	137,378	(10,989)	4,366	1,920,650	1,272,490	(101,792)	40,447
Index options purchased	104,680	41,950	4,323	(1,282)	969,622	388,570	40,049	(11,878)
March 31, 2019								
Interest rate contracts:								
Futures sold	¥21,646	¥10,871	¥(36)	¥(36)				
Futures bought	2,714	2,714	(1)	(1)				
Options written	111,000	—	(17)	2				
Options purchased	305,250	—	65	(4)				
Bond contracts:								
Futures sold	4,573	—	(67)	(67)				
Futures bought	10,951	—	140	140				
Futures options written	14,000	—	(54)	(21)				
Futures options purchased	57,720	—	35	(67)				
Equity contracts:								
Index futures sold	1,167	—	0	0				
Index futures bought	41,646	—	347	347				
Index options written	149,392	120,243	(12,702)	2,159				
Index options purchased	74,725	38,950	4,626	(1,055)				

Notes: 1. The contracts or notional amounts of derivatives which are shown in the above table do not necessarily represent the amounts exchanged by the parties and do not measure the exposure of the Group to credit or market risk.
2. Derivative transactions shown above are stated at fair value in the accompanying consolidated (semiannual) financial statements.
3. Fair values of the above derivatives are based on quoted market prices, such as those from the Tokyo Financial Exchange, Inc. or the Osaka Exchange, Inc.

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The Group had the following derivative contracts, which were not listed on exchanges, outstanding as of September 30 and March 31, 2019:

	Millions of Yen				Thousands of U.S. Dollars			
	Contract or Notional Amount	Due after 1 Year	Fair Value	Valuation Gain/(Loss)	Contract or Notional Amount	Due after 1 Year	Fair Value	Valuation Gain/(Loss)
September 30, 2019								
Interest rate contracts:								
Interest rate swaps:								
Receive fixed and pay floating	¥7,173,815	¥6,001,908	¥192,866	¥192,866	\$66,448,826	\$55,593,815	\$1,786,462	\$1,786,462
Receive floating and pay fixed	7,028,087	5,783,452	(148,172)	(148,172)	65,098,997	53,570,324	(1,372,471)	(1,372,471)
Receive floating and pay floating	534,787	385,287	396	396	4,953,569	3,568,797	3,669	3,669
Other contracts sold	2,675,798	1,896,037	(16,296)	(16,296)	24,785,090	17,562,406	(150,951)	(150,951)
Other contracts bought	1,436,175	936,248	(1,711)	(1,711)	13,302,850	8,672,181	(15,853)	(15,853)
Foreign exchange contracts:								
Currency swaps	635,671	142,791	(1,290)	(1,290)	5,888,032	1,322,630	(11,950)	(11,950)
Forward exchange contracts sold	772,051	197,438	(5,405)	(5,405)	7,151,271	1,828,811	(50,073)	(50,073)
Forward exchange contracts bought	483,177	258,596	7,415	7,415	4,475,527	2,395,302	68,691	68,691
Options written	1,428,050	750,750	(42,561)	35,979	13,227,586	6,953,966	(394,232)	333,263
Options purchased	1,444,219	795,514	42,847	(26,744)	13,377,356	7,368,607	396,881	(247,728)
Commodity derivatives:								
Commodity swaps:								
Receive fixed and pay floating	24,608	15,541	1,383	1,383	227,944	143,954	12,813	12,813
Receive floating and pay fixed	24,405	15,418	(1,181)	(1,181)	226,061	142,816	(10,948)	(10,948)
Options written	11,976	5,053	(700)	(700)	110,937	46,805	(6,485)	(6,485)
Options purchased	11,976	5,053	700	700	110,937	46,805	6,485	6,485
Credit derivatives:								
CDS sold	153,750	123,000	2,882	2,882	1,424,139	1,139,311	26,704	26,704
CDS bought	142,725	112,225	(1,239)	(1,239)	1,322,017	1,039,505	(11,479)	(11,479)
Equity index swaps:								
Receive equity index and pay interest rate	55,637	55,637	4,453	4,453	515,348	515,348	41,250	41,250
Internal transactions:								
Interest rate swaps:								
Receive floating and pay fixed	43,388	—	42	42	401,890	—	395	395
Currency swaps	604,086	104,850	2,075	2,075	5,595,461	971,198	19,229	19,229
Forward exchange contracts sold	12	—	(0)	(0)	112	—	(0)	(0)
Forward exchange contracts bought	12	—	0	0	112	—	0	0
March 31, 2019								
Interest rate contracts:								
Interest rate swaps:								
Receive fixed and pay floating	¥7,260,629	¥5,549,644	¥150,554	¥150,554				
Receive floating and pay fixed	6,949,393	5,340,677	(112,067)	(112,067)				
Receive floating and pay floating	608,629	471,590	112	112				
Other contracts sold	2,602,184	1,978,514	(8,919)	(8,919)				
Other contracts bought	1,272,789	870,766	(2,388)	(2,388)				
Foreign exchange contracts:								
Currency swaps	616,152	248,885	(2,493)	(2,493)				
Forward exchange contracts sold	796,560	188,759	(8,701)	(8,701)				
Forward exchange contracts bought	475,434	255,355	8,311	8,311				
Options written	1,132,718	759,094	(47,050)	28,464				
Options purchased	1,157,159	773,806	46,022	(18,978)				
Commodity derivatives:								
Commodity swaps:								
Receive fixed and pay floating	28,476	15,982	(1,611)	(1,611)				
Receive floating and pay fixed	28,255	15,835	1,830	1,830				
Options written	11,681	6,745	(786)	(786)				
Options purchased	11,681	6,745	786	786				
Credit derivatives:								
CDS sold	147,750	116,500	2,543	2,543				
CDS bought	142,225	110,975	(1,536)	(1,536)				
Equity index swap:								
Receive equity index and pay interest rate	50,479	50,479	6,641	6,641				
Internal transactions:								
Interest rate swaps:								
Receive floating and pay fixed	130,300	—	258	258				
Currency swaps	595,628	229,651	2,682	2,682				
Forward exchange contracts sold	9	—	(0)	(0)				
Forward exchange contracts bought	9	—	0	0				

- Notes: 1. The contracts or notional amounts of derivatives which are shown in the above table do not necessarily represent the amounts exchanged by the parties and do not measure the exposure of the Group to credit or market risk.
2. Derivative transactions shown above are stated at fair value in the accompanying consolidated (semiannual) financial statements.
3. The calculation or quotation of the fair value of the above derivatives are based on the discounted present value method or option pricing models, etc.
4. 'Sold' credit derivatives represent credit risk taking. 'Bought' credit derivatives represent credit risk transfer.
5. Foreign exchange profit/loss generated from currency exposure with the final principal settlement of currency swaps, amounting to a gain of ¥36 million (\$334 thousand) and a gain of ¥252 million as of September 30 and March 31, 2019, respectively, are excluded from 'Fair Value' and 'Valuation Gain/(Loss)' shown above.
6. Other contracts sold and bought of 'Interest rate contracts' were mainly swaptions.
7. CDS is the abbreviation for credit default swaps.
8. Commodity derivatives are mainly related to oil and non-ferrous metal.

(2) Derivative transactions for which hedge accounting is applied

The Group had the following derivative contracts for which hedge accounting is applied as of September 30 and March 31, 2019:

	Millions of Yen			Thousands of U.S. Dollars		
	Contract or Notional Amount	Due after 1 Year	Fair Value	Contract or Notional Amount	Due after 1 Year	Fair Value
September 30, 2019						
Equity contracts:						
Total return swaps	¥28,262	¥17,050	¥233	\$261,790	\$157,932	\$2,163
Interest rate contracts:						
Interest rate swaps:						
Receive fixed and pay floating	43,388	—	(42)	401,890	—	(395)
Foreign exchange contracts:						
Currency swaps	591,896	103,064	(2,075)	5,482,549	954,650	(19,229)
Forward exchange contracts	392,672	—	(3,108)	3,637,199	—	(28,792)
March 31, 2019						
Equity contracts:						
Total return swaps	¥39,865	¥29,094	¥(1,756)			
Interest rate contracts:						
Interest rate swaps:						
Receive fixed and pay floating	130,300	—	(258)			
Foreign exchange contracts:						
Currency swaps	598,592	233,100	(2,682)			
Forward exchange contracts	355,200	—	(2,522)			

Notes: 1. The contracts or notional amounts of derivatives which are shown in the above table do not necessarily represent the amounts exchanged by the parties and do not measure the exposure of the Group to credit or market risk.

2. The calculation or quotation of the fair value of the above derivatives are based on the discounted present value method, etc.

3. For the interest rate swaps shown above, deferred hedge accounting is applied in accordance with the JICPA Industry Audit Committee Report No. 24.

4. For the currency swaps and forward exchange contracts shown above, deferred hedge accounting is applied in accordance with the JICPA Industry Audit Committee Report No. 25.

5. The main hedged items for total return swaps are stock-price-bearing financial assets, such as available-for-sale securities.

6. The main hedged items for interest rate swaps are interest-bearing financial liabilities, such as deposits, debentures and bonds payable.

7. The main hedged items for currency swaps and forward exchange contracts are foreign-currency-denominated financial assets or liabilities, such as loans and securities.

8. Foreign exchange profit/loss generated from currency exposure with the final principal settlement of currency swaps, amounting to a gain of ¥12,224 million (\$113,232 thousand) and a loss of ¥2,964 million as of September 30 and March 31, 2019, respectively, are excluded from 'Fair Value' shown above.

9. The contracts shown above are mainly internal transactions.

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26. Per Share Information

The reconciliation of the differences between basic and diluted net income per share (EPS) for the six-month periods ended September 30, 2019 and 2018, was as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of Parent	Weighted-Average Number of Shares	EPS	
Six-month period ended September 30, 2019				
Basic EPS—Net income available to common stockholders (Net income attributable to owners of the parent)	¥20,249	116,680	¥173.54	\$1.61
Effect of dilutive securities—Share acquisition rights to shares	—	116		
Diluted EPS—Net income for computation	¥20,249	116,796	¥173.37	\$1.61
Six-month period ended September 30, 2018				
Basic EPS—Net income available to common stockholders (Net income attributable to owners of the parent)	¥21,377	116,667	¥183.23	
Effect of dilutive securities—Share acquisition rights to shares	—	92		
Diluted EPS—Net income for computation	¥21,377	116,759	¥183.09	

Net assets per share of common stock as of September 30 and March 31, 2019, were as follows:

	Yen		U.S. Dollars
	Sep. 30, 2019	Mar. 31, 2019	Sep. 30, 2019
Net assets per share of common stock	¥4,087.70	¥3,844.08	\$37.86

Net assets per share of common stock as of September 30 and March 31, 2019, were calculated based on the following:

	Millions of Yen		Thousands of U.S. Dollars
	Sep. 30, 2019	Mar. 31, 2019	Sep. 30, 2019
Total equity	¥476,071	¥448,710	\$4,409,701
Deductions from total equity:			
Non-controlling interests	(1,343)	(166)	(12,441)
Share acquisition rights	447	357	4,150
Net assets attributable to common stock at the end of the period	¥476,966	¥448,519	\$4,417,992
Number of shares of common stock at the end of the period used for the calculation of net assets per share of common stock (shares in thousands)	116,683	116,677	

27. Segment Information

(1) Segment information

Segment information for the six-month periods ended September 30, 2019 and 2018 was as follows:

1) Description of reportable segments

(a) Identification of operating segments

The Bank has classified its Group's business operations into business groups based upon the nature of the customers served and products offered: Retail Banking Group ('RBG'), Institutional Banking Group ('IBG'), Allied Banking Group ('ABG'), Specialty Finance Group ('SFG'), International Finance Group ('IFG'), and Financial Markets Group ('FMG'). The Bank has designated these business groups as operating segments and reportable segments for the purpose of the disclosures contained herein.

Financial information for these groups is regularly reported to the Management Committee, which comprises members from amongst the Executive Officers who are approved and appointed by the Board of Directors, and is utilized for management decisions on the allocation of resources, an evaluation of the performance of each business group, etc.

(b) Services provided by each reportable segment

RBG offers financial services to retail customers. RBG's major services are the sale of investment products, including deposits, investment trusts and insurance, and other financial services.

IBG offers financial services to corporate customers and public sector customers. Major services offered by IBG are loans and deposits, sale of financial products, financing through securitization, privately placed bonds, M&A advisory, private equity operations, acquisition finance, and other financial services.

ABG offers financial services to financial institutions. Major services offered by ABG are loans and deposits, sale of financial products, and other financial services.

SFG offers financial services that require specialized expertise such as corporate restructuring finance and real estate finance.

IFG offers financial services that require specialized expertise such as overseas loans and investments.

FMG offers derivatives and foreign exchange products to customers, trading derivatives and foreign exchange products, as well as ALM operations.

2) Methods of measurement for the amounts of revenues, profit (loss), assets and liabilities by reportable segments

Revenues, profit (loss), assets and liabilities of reportable segments are recognized and measured in accordance with accounting policies applied to consolidated financial statements.

The Bank calculates its net interest income from funding and investing across reportable segments based on i) the internal transfer rates determined by the average rate of funding by the currency and by contractual term, and ii) the allocation ratio determined by the Bank based on the value of compensation for funding activities.

Fixed assets are not allocated to reportable segments, while the associated expenses are allocated to specific reportable segments and included in the segments' expenses.

3) Revenues, profit (loss), assets and liabilities by reportable segment

Six-month period ended September 30, 2019

	Millions of Yen						
	RBG	IBG	ABG	SFG	IFG	FMG	Total
Consolidated net revenue	¥4,742	¥11,487	¥3,544	¥9,822	¥7,144	¥13,357	¥50,099
General and administrative expenses	4,613	5,610	1,708	4,674	3,295	2,633	22,535
Segment profit	128	5,877	1,835	5,147	3,849	10,723	27,563
Segment assets	35,853	1,160,793	88,936	1,116,040	803,174	1,881,978	5,086,774
Segment liabilities	1,866,020	547,326	1,074,564	45,160	231	1,143,259	4,676,560

	Thousands of U.S. Dollars						
	RBG	IBG	ABG	SFG	IFG	FMG	Total
Consolidated net revenue	\$43,927	\$106,406	\$32,834	\$90,983	\$66,181	\$123,722	\$464,053
General and administrative expenses	42,734	51,965	15,828	43,300	30,526	24,389	208,742
Segment profit	1,193	54,441	17,006	47,683	35,655	99,333	255,311
Segment assets	332,095	10,752,065	823,787	10,337,532	7,439,552	17,432,179	47,117,210
Segment liabilities	17,284,365	5,069,711	9,953,353	418,303	2,140	10,589,653	43,317,525

Notes: 1. Due to the nature of the banking business, the Bank uses 'Consolidated net revenue' as a substitute for 'Sales' as would be used by non-financial service companies. Consolidated net revenue represents the total of net interest income, trust fees, net fees and commissions, net trading income and net other ordinary income. The Bank oversees its revenue by reportable segment using consolidated net revenue. The Bank offsets interest income and interest expense for the management purposes, therefore, revenue in transactions between reportable segments is not disclosed.

2. Depreciation expenses are included in the general and administrative expenses of each reportable segment, but are not disclosed as a separate item, because in the calculation process of the segment profit (loss), a part of depreciation expenses is allocated to each reportable segment, aggregated with other general and administrative expenses. Therefore, depreciation expenses by reportable segment are not managed separately. The amount of depreciation expense for this period is ¥2,609 million (\$24,175 thousand).

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Six-month period ended September 30, 2018

	Millions of Yen						
	RBG	IBG	ABG	SFG	IFG	FMG	Total
Consolidated net revenue	¥4,981	¥8,497	¥3,797	¥8,808	¥5,765	¥10,481	¥42,332
General and administrative expenses	4,359	5,483	1,981	4,561	3,190	2,557	22,134
Segment profit	621	3,013	1,816	4,246	2,575	7,924	20,198
Segment assets	13,588	1,057,849	145,850	1,014,890	796,304	1,723,854	4,752,335
Segment liabilities	1,796,883	584,065	1,024,173	47,386	283	1,010,901	4,463,691

Notes: 1. Due to the nature of the banking business, the Bank uses 'Consolidated net revenue' as a substitute for 'Sales' as would be used by non-financial service companies. Consolidated net revenue represents the total of net interest income, trust fees, net fees and commissions, net trading income and net other ordinary income. The Bank oversees its revenue by reportable segment using consolidated net revenue. The Bank offsets interest income and interest expense for the management purposes, therefore, revenue in transactions between reportable segments is not disclosed.

2. Depreciation expenses are included in the general and administrative expenses of each reportable segment, but are not disclosed as a separate item, because in the calculation process of the segment profit (loss), a part of depreciation expenses is allocated to each reportable segment, aggregated with other general and administrative expenses. Therefore, depreciation expenses by reportable segment are not managed separately. The amount of depreciation expense for this period is ¥2,165 million.

4) Reconciliation between total segment amounts and the consolidated semiannual financial statements

(a) Reconciliation between total consolidated net revenue of reportable segments and the consolidated net revenue in the consolidated semiannual statement of income for the six-month periods ended September 30, 2019 and 2018, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Sep. 30, 2019	Sep. 30, 2018	Sep. 30, 2019
Total consolidated net revenue of reportable segments	¥50,099	¥42,332	\$464,053
Variances resulting from differences in the basis of revenue and expense recognition and measurement	51	2,514	473
Net revenue derived from the consolidated semiannual statement of income	¥50,150	¥44,846	\$464,526

(b) Reconciliation between total segment profits and income before income taxes in the consolidated semiannual statement of income for the six-month periods ended September 30, 2019 and 2018, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Sep. 30, 2019	Sep. 30, 2018	Sep. 30, 2019
Total segment profits	¥27,563	¥20,198	\$255,311
Variances resulting from differences in the basis of revenue and expense recognition and measurement	(2,615)	1,025	(24,226)
Amortization of actuarial differences on retirement benefit plans, etc.	(163)	29	(1,512)
Credit-related expenses, etc.	1,459	3,019	13,519
Gains (losses) on stock transactions	2,522	5,184	23,363
Others, including net extraordinary income (losses)	345	180	3,203
Income before income taxes in the consolidated semiannual statement of income	¥29,112	¥29,639	\$269,658

Note: Credit-related expenses, etc., represent the total of write-offs of loans, provision of allowance for loan losses and losses on disposition of non-performing loans.

(c) Reconciliation between total segment assets and total assets in the consolidated semiannual balance sheet as of September 30, 2019 and 2018, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Sep. 30, 2019	Sep. 30, 2018	Sep. 30, 2019
Total segment assets	¥5,086,774	¥4,752,335	\$47,117,210
Allowance for loan losses	(32,902)	(40,639)	(304,770)
Assets not allocated to reportable segments	338,645	284,374	3,136,772
Total assets in the consolidated semiannual balance sheet	¥5,392,516	¥4,996,070	\$49,949,212

Note: As of September 30, 2019, assets not allocated to reportable segments include foreign exchange of ¥50,710 million (\$469,713 thousand), other assets of ¥144,853 million (\$1,341,731 thousand), fixed assets of ¥43,310 million (\$401,167 thousand) and deferred tax assets of ¥19,214 million (\$177,974 thousand). As of September 30, 2018, assets not allocated to reportable segments include foreign exchange of ¥47,794 million, other assets of ¥156,906 million, fixed assets of ¥42,708 million and deferred tax assets of ¥18,563 million.

(d) Reconciliation between total segment liabilities and total liabilities in the consolidated semiannual balance sheet as of September 30, 2019 and 2018, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Sep. 30, 2019	Sep. 30, 2018	Sep. 30, 2019
Total segment liabilities	¥4,676,560	¥4,463,691	\$43,317,525
Liabilities not allocated to reportable segments	239,885	94,793	2,221,986
Total liabilities in the consolidated semiannual balance sheet	¥4,916,445	¥4,558,484	\$45,539,511

Note: As of September 30, 2019, liabilities not allocated to reportable segments include other liabilities of ¥152,746 million (\$1,414,846 thousand) and retirement benefit liability of ¥10,038 million (\$92,979 thousand). As of September 30, 2018, liabilities not allocated to reportable segments include other liabilities of ¥81,233 million and retirement benefit liability of ¥9,429 million.

(2) Related information

1) Segment information by service

For the six-month period ended September 30, 2019

	Millions of Yen				
	Lending	Securities investment	Derivatives, etc.	Others	Total
Ordinary income from external customers	¥38,204	¥35,194	¥8,004	¥7,385	¥88,788

	Thousands of U.S. Dollars				
	Lending	Securities investment	Derivatives, etc.	Others	Total
Ordinary income from external customers	\$353,878	\$325,998	\$74,139	\$68,409	\$822,424

For the six-month period ended September 30, 2018

	Millions of Yen				
	Lending	Securities investment	Derivatives, etc.	Others	Total
Ordinary income from external customers	¥33,973	¥31,239	¥9,322	¥9,218	¥83,753

Note: Ordinary income is presented instead of 'Sales' as would be used by non-financial service companies.

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2) Segment information by geographic region

(a) Ordinary income

The information by geographic region has been omitted as the transaction data on each customer regarding interest income, gains on sales of securities and income related to derivative transactions, etc., were not available to be segmented by customers' domicile.

(b) Tangible fixed assets

The information by geographic region has been omitted as the amounts of tangible fixed assets located in Japan exceeded 90% of the total amount of tangible fixed assets in the consolidated semiannual balance sheet as of September 30, 2019 and 2018.

3) Segment information by major customer

The information by major customer has been omitted as ordinary income from any particular customer was less than 10% of ordinary income in the consolidated semiannual statement of income.

(3) Segment information on impairment losses on fixed assets by reportable segment

Not applicable.

(4) Segment information on amortization and unamortized portion of goodwill by reportable segment

Not applicable.

(5) Segment information on profit on negative goodwill by reportable segment

Not applicable.

28. Subsequent Events

(1) Appropriation of retained earnings

The following distribution of retained earnings to the stockholders of record as of September 30, 2019 was approved at the Board of Directors' meeting held on November 14, 2019:

	Millions of Yen	Thousands of U.S. Dollars
Dividends for the three-month period ended September 30, 2019:		
Common stock, ¥39.00 (\$0.36) per share	¥4,550	\$42,151

Income Analysis (Consolidated)

Interest-Earning Assets and Interest-Bearing Liabilities

For the six-month periods ended September 30, 2019 and 2018, and the year ended March 31, 2019

(Millions of Yen, %)

	Average balance			Interest income/expenses			Return/rates		
	Sep. 2019	Sep. 2018	Mar. 2019	Sep. 2019	Sep. 2018	Mar. 2019	Sep. 2019	Sep. 2018	Mar. 2019
Interest-earning assets	4,338,816	4,054,861	4,115,945	49,920	48,330	97,426	2.29	2.37	2.36
Due from banks	69,764	67,349	66,903	512	416	926	1.46	1.23	1.38
Call loans and bills bought	14,732	643	322	(2)	5	5	(0.03)	1.71	1.71
Receivables under resale agreements	—	5	—	—	(0)	—	—	(0.07)	—
Receivables under securities borrowing transactions	—	55	283	—	0	0	—	0.00	0.00
Securities	1,223,375	1,160,563	1,194,640	16,638	19,171	36,152	2.71	3.29	3.02
Loans and bills discounted	2,818,242	2,641,620	2,670,187	31,821	28,185	59,183	2.25	2.12	2.21
Interest-bearing liabilities	4,473,098	4,171,788	4,239,196	25,201	21,235	47,117	1.12	1.01	1.11
Deposits	3,145,449	2,930,656	2,967,104	3,683	3,573	7,391	0.23	0.24	0.24
Negotiable certificates of deposit	90,363	123,427	110,659	4	4	8	0.00	0.00	0.00
Debentures	51,360	56,320	53,847	70	75	146	0.27	0.26	0.27
Call money and bills sold	56,816	84,542	76,880	409	521	975	1.43	1.22	1.26
Payables under repurchase agreements	60,629	30,056	40,448	775	319	962	2.54	2.11	2.37
Payables under securities lending transactions	467,013	405,028	427,505	5,315	3,707	8,804	2.27	1.82	2.05
Borrowed money	327,038	303,652	305,907	555	593	1,149	0.33	0.38	0.37
Bonds payable	233,956	206,359	224,206	1,189	647	1,846	1.01	0.62	0.82

Note: Interest expenses are shown after deduction of amounts of assumed cost of funding money held in trust.

Fees and Commissions

For the six-month periods ended September 30, 2019 and 2018, and the year ended March 31, 2019

(Millions of Yen)

	Sep. 2019	Sep. 2018	Mar. 2019
Net fees and commissions	6,483	4,675	12,949
Fees and commissions income (including trust fees)	7,479	5,453	14,603
Deposits, debentures and loan operations	4,395	2,665	8,424
Foreign exchange operations	143	89	194
Securities-related operations	1,179	1,226	2,428
Agency services	503	755	1,634
Guarantee operations	64	43	91
Fees and commissions expenses	996	777	1,653
Foreign exchange operations	97	59	136

Trading Income

For the six-month periods ended September 30, 2019 and 2018, and the year ended March 31, 2019

(Millions of Yen)

	Sep. 2019	Sep. 2018	Mar. 2019
Net trading income	5,946	5,413	8,340
Trading income	8,004	8,799	8,340
Gains on trading account securities transactions	—	—	115
Income from securities and derivatives related to trading transactions	4,449	5,518	2,172
Income from trading-related financial derivatives transactions	3,554	3,281	6,052
Other trading income	—	—	—
Trading expenses	2,057	3,385	—
Expenses on trading securities and derivatives	2,057	3,385	—
Expenses on securities and derivatives related to trading transactions	—	—	—
Expenses on trading-related financial derivatives transactions	—	—	—
Other trading expenses	—	—	—

Income Analysis (Consolidated)

Other Ordinary Income

For the six-month periods ended September 30, 2019 and 2018, and the year ended March 31, 2019

(Millions of Yen)

	Sep. 2019	Sep. 2018	Mar. 2019
Net other ordinary income	13,013	7,673	12,265
Other ordinary income	16,625	11,802	22,995
Gains on foreign exchange transactions	—	—	—
Gains on sales of bonds and other securities	9,805	2,348	7,661
Gains on redemption of bonds and other securities	—	—	—
Gains on derivatives	—	522	—
Other	6,819	8,930	15,334
Other ordinary expenses	3,611	4,128	10,729
Losses on foreign exchange transactions	2,101	3,023	5,651
Losses on sales of bonds and other securities	0	109	2,174
Losses on redemption of bonds and other securities	64	73	579
Losses on devaluation of bonds and other securities	0	0	0
Amortization of debenture and bond issuance costs	116	103	245
Losses on derivatives	255	—	322
Other	1,073	817	1,755

Non-Consolidated Business Results

Non-Consolidated Financial Highlights

For the six-month periods ended September 30, 2019, 2018 and 2017, and the years ended March 31, 2019 and 2018

(Millions of Yen)

	Sep. 30, 2019	Sep. 30, 2018	Sep. 30, 2017	Mar. 31, 2019	Mar. 31, 2018
Ordinary income	86,034	83,256	70,323	156,829	143,932
Trust fees (Note 5)	237	—	—	189	—
Ordinary profit	29,935	30,535	30,247	51,335	56,948
Net income	20,081	21,958	23,047	38,043	42,015
Share capital	100,000	100,000	100,000	100,000	100,000
Number of issued shares (in thousands)					
Common stock	118,289	118,289	1,182,894	118,289	118,289
Total equity	472,603	429,650	427,875	443,611	429,092
Total assets	5,317,602	4,962,067	4,809,188	5,205,876	4,907,226
Debentures and Bonds payable	304,490	298,485	249,191	283,946	257,563
Deposits (Note 1)	3,179,082	3,066,993	2,909,739	3,196,659	2,980,351
Loans and bills discounted	2,854,444	2,665,432	2,574,389	2,782,131	2,624,742
Securities	1,359,937	1,340,259	1,232,636	1,314,968	1,209,919
Total equity per share (yen) (Note 2)	4,046.47	3,679.29	3,664.88	3,798.95	3,675.35
Common stock					
Dividends per share (yen) (Note 3)	78.00	80.00	8.00	154.00	184.00
1st quarter end	(39.00)	(40.00)	(4.00)	(40.00)	(4.00)
2nd quarter end	(39.00)	(40.00)	(4.00)	(40.00)	(4.00)
3rd quarter end	(—)	(—)	(—)	(40.00)	(50.00)
Year end	(—)	(—)	(—)	(34.00)	(54.00)
Basic net income per share (yen) (Note 2)	172.10	188.21	197.57	326.06	360.17
Diluted net income per share (yen) (Note 2)	171.93	188.06	197.43	325.80	359.90
Dividend payout ratio (%)	45.32	42.50	40.49	47.23	51.08
Capital adequacy ratio (domestic standard) (%)	10.29	10.02	10.68	10.19	10.25
Number of employees (Note 4)	1,939	1,843	1,785	1,878	1,787
Trust assets (Note 5)	838,653	—	—	797,320	—
Loans and bills discounted (Trust account) (Note 5)	43,776	—	—	40,981	—
Securities (Trust account) (Note 5)	182,927	—	—	175,292	—

Notes: 1. Deposits include negotiable certificates of deposit (NCDs).

- The Bank consolidated every ten common shares into one common share on October 1, 2017. 'Total equity per share,' 'Basic net income per share' and 'Diluted net income per share' are presented as if the share consolidation was effective at the beginning of the year ended March 31, 2018.
- The Bank consolidated every ten common shares into one common share on October 1, 2017. 'Dividends per share' of the year ended March 31, 2018 (184 yen) is presented as if the share consolidation was effective at the beginning of the year ended March 31, 2018. The dividend payments for the 1st quarter end and the 2nd quarter end of FY2017 are actual amounts before the share consolidation, and those for the 3rd quarter end and year-end are actual amounts after the share consolidation.
- Number of employees includes executive officers and locally hired overseas staff, but excludes the Bank's employees seconded to other firms.
- Due to the transfer of the trust business operations from GMO Aozora Net Bank, Ltd., to the Bank on October 1, 2018, 'Trust fees', 'Trust assets', 'Loans and bills discounted (Trust account)' and 'Securities (Trust account)' are added from the fiscal year ended March 31, 2019, going forward. 'Trust assets' is assets in trust pertaining to trust business under the Act on Engagement in Trust Business by a Financial Institution (the Concurrent Business Act).

Non-Consolidated Semiannual Financial Statements

Non-Consolidated Semiannual Balance Sheet (Unaudited)

Aozora Bank, Ltd.
September 30, 2019

Assets	Millions of Yen			Thousands of U.S. Dollars
	Sep. 30, 2019	Sep. 30, 2018	Mar. 31, 2019	Sep. 30, 2019
Cash and cash equivalents	¥447,673	¥414,220	¥491,678	\$4,146,658
Due from banks	37,016	46,131	47,422	342,874
Receivables under securities borrowing transactions	—	479	—	—
Monetary claims bought	58,940	18,065	26,512	545,948
Trading assets	251,143	152,529	199,898	2,326,260
Money held in trust	16,978	13,022	18,107	157,263
Securities	1,359,937	1,340,259	1,314,968	12,596,675
Loans and bills discounted	2,854,444	2,665,432	2,782,131	26,439,836
Foreign exchange	50,710	47,794	49,480	469,713
Other assets	202,509	224,818	233,563	1,875,782
Tangible fixed assets	23,398	23,376	22,912	216,731
Intangible fixed assets	12,365	12,656	12,182	114,539
Prepaid pension cost	4,473	2,957	4,272	41,437
Deferred tax assets	19,496	19,224	23,724	180,590
Customers' liabilities for acceptances and guarantees	20,006	21,949	24,103	185,316
Allowance for loan losses	(41,192)	(40,101)	(44,279)	(381,558)
Allowance for investment losses	(298)	(748)	(800)	(2,763)
Total	¥5,317,602	¥4,962,067	¥5,205,876	\$49,255,301

Liabilities and Equity	Millions of Yen			Thousands of U.S. Dollars
	Sep. 30, 2019	Sep. 30, 2018	Mar. 31, 2019	Sep. 30, 2019
Liabilities:				
Deposits	¥3,179,082	¥3,066,993	¥3,196,659	\$29,446,852
Debentures	51,360	51,360	51,360	475,732
Call money	39,238	52,529	51,723	363,454
Payables under repurchase agreements	80,275	52,750	49,658	743,562
Payables under securities lending transactions	489,442	409,582	450,860	4,533,553
Trading liabilities	212,970	151,655	177,764	1,972,682
Borrowed money	320,074	298,438	319,817	2,964,748
Bonds payable	253,130	247,125	232,586	2,344,672
Other liabilities	189,218	170,184	197,650	1,752,674
Provision for retirement benefits	9,521	8,965	9,245	88,192
Provision for credit losses on off-balance-sheet instruments	678	883	837	6,280
Acceptances and guarantees	20,006	21,949	24,103	185,316
Total liabilities	4,844,998	4,532,417	4,762,265	44,877,717
Equity:				
Share capital	100,000	100,000	100,000	926,269
Capital surplus:				
Legal capital surplus	87,313	87,313	87,313	808,757
Other capital surplus	74	64	64	689
Retained earnings:				
Legal retained earnings	12,686	12,686	12,686	117,514
Other retained earnings	251,715	233,400	240,150	2,331,560
Treasury stock-at cost	(3,300)	(3,311)	(3,312)	(30,574)
Valuation difference on available-for-sale securities	34,984	34,878	23,461	324,049
Deferred gains or losses on hedges	(11,317)	(35,739)	(17,111)	(104,829)
Share acquisition rights	447	357	357	4,149
Total equity	472,603	429,650	443,611	4,377,584
Total	¥5,317,602	¥4,962,067	¥5,205,876	\$49,255,301

Note: The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥107.96 to \$1.00, the approximate rate of exchange at September 30, 2019.

Non-Consolidated Semiannual Statement of Income (Unaudited)

Aozora Bank, Ltd.

For the six-month period ended September 30, 2019

	Millions of Yen			Thousands of U.S. Dollars
	Sep. 30, 2019 (6 months)	Sep. 30, 2018 (6 months)	Mar. 31, 2019 (1 year)	Sep. 30, 2019 (6 months)
Income:				
Interest income:				
Interest on loans and discounts	¥30,188	¥27,655	¥56,821	\$279,630
Interest and dividends on securities	16,629	19,160	36,117	154,036
Interest on due from banks	432	355	798	4,009
Other interest income	969	553	1,181	8,984
Trust fees	237	—	189	2,203
Fees and commissions income	7,370	5,979	15,026	68,268
Trading income	8,004	8,799	8,224	74,139
Other ordinary income	16,419	11,659	22,663	152,093
Other income	5,781	9,091	15,806	53,548
Total income	86,034	83,256	156,829	796,910
Expenses:				
Interest expenses:				
Interest on deposits	3,662	3,576	7,379	33,923
Interest on debentures and bonds payable	1,260	723	1,992	11,675
Interest on borrowings and rediscounts	960	1,101	2,103	8,899
Other interest expenses	19,301	15,831	35,624	178,786
Fees and commissions expenses	1,246	1,948	2,644	11,548
Trading expenses	3,550	4,333	2,031	32,891
Other ordinary expenses	3,579	4,496	10,900	33,154
General and administrative expenses	20,833	19,948	40,771	192,973
Other expenses	1,703	759	2,046	15,777
Total expenses	56,098	52,720	105,495	519,626
Income before income taxes	29,935	30,535	51,334	277,284
Income taxes:				
Current	9,424	7,588	13,058	87,300
Deferred	429	989	233	3,974
Total income taxes	9,853	8,577	13,291	91,274
Net income	¥20,081	¥21,958	¥38,043	\$186,010

Note: The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥107.96 to \$1.00, the approximate rate of exchange at September 30, 2019.

Non-Consolidated Semiannual Financial Statements

Non-Consolidated Semiannual Statement of Changes in Equity (Unaudited)

Aozora Bank, Ltd.

For the six-month period ended September 30, 2019

	Millions of Yen									
	Share capital	Capital surplus		Retained earnings		Treasury stock-at cost	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Share acquisition rights	Total equity
		Legal capital surplus	Other capital surplus	Legal retained earnings	Other retained earnings					
Balance, April 1, 2018	¥100,000	¥87,313	¥32	¥12,686	¥222,407	¥(3,351)	¥35,253	¥(25,581)	¥331	¥429,092
Net income					38,043					38,043
Cash dividends paid					(20,300)					(20,300)
Purchase of treasury stock										
Disposal of treasury stock			32			39				71
Net changes in items during the year							(11,792)	8,469	25	(3,296)
Balance, March 31, 2019	¥100,000	¥87,313	¥64	¥12,686	¥240,150	¥(3,312)	¥23,461	¥(17,111)	¥357	¥443,611
Net income					20,081					20,081
Cash dividends paid					(8,517)					(8,517)
Disposal of treasury stock			9			11				21
Net changes in items during the period							11,523	5,793	90	17,407
Balance, September 30, 2019	¥100,000	¥87,313	¥74	¥12,686	¥251,715	¥(3,300)	¥34,984	¥(11,317)	¥447	¥472,603

	Thousands of U.S. Dollars (Note)									
	Share capital	Capital surplus		Retained earnings		Treasury stock-at cost	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Share acquisition rights	Total equity
		Legal capital surplus	Other capital surplus	Legal retained earnings	Other retained earnings					
Balance, March 31, 2019	\$926,269	\$808,757	\$597	\$117,514	\$2,224,445	\$(30,679)	\$217,312	\$(158,497)	\$3,313	\$4,109,031
Net income					186,010					186,010
Cash dividends paid					(78,895)					(78,895)
Disposal of treasury stock			92			105				197
Net changes in items during the period							106,767	53,668	836	161,241
Balance, September 30, 2019	\$926,269	\$808,757	\$689	\$117,514	\$2,331,560	\$(30,574)	\$324,049	\$(104,829)	\$4,149	\$4,377,584

Note: The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥107.96 to \$1.00, the approximate rate of exchange at September 30, 2019.

Income Analysis (Non-Consolidated)

Net Revenue, Business Profit

(Millions of Yen)

	Sep. 2019			Sep. 2018			Mar. 2019		
	Total	Domestic operations	International operations	Total	Domestic operations	International operations	Total	Domestic operations	International operations
Net interest income	23,049	9,856	13,193	26,503	9,141	17,362	47,842	17,793	30,049
Interest income	48,221	13,030	36,629	47,725	12,414	36,788	94,919	24,204	73,618
Interest expenses	25,171	3,174	23,436	21,221	3,273	19,426	47,076	6,411	43,568
		[1,439]	[1,439]		[1,477]	[1,477]		[2,903]	[2,903]
Trust fees	237	237	—	—	—	—	189	189	—
Net fees and commissions	6,123	5,535	588	4,031	3,651	379	12,381	11,085	1,295
Fees and commissions (income)	7,370	6,431	938	5,979	5,087	892	15,026	12,872	2,153
Fees and commissions (expenses)	1,246	896	350	1,948	1,435	512	2,644	1,786	858
Net trading income	4,453	665	3,788	4,466	530	3,935	6,193	5,367	825
Trading income	8,004	4,216	3,787	8,799	4,863	3,935	8,224	7,399	825
Trading expenses	3,550	3,551	(0)	4,333	4,333	(0)	2,031	2,031	0
Net other ordinary income	12,840	7,468	5,371	7,163	8,223	(1,060)	11,763	13,909	(2,146)
Other ordinary income	16,419	8,093	8,326	11,659	8,797	2,862	22,663	15,359	7,304
Other ordinary expenses	3,579	624	2,954	4,496	573	3,922	10,900	1,449	9,451
Net revenue	46,704	23,763	22,940	42,163	21,546	20,617	78,369	48,345	30,024
Net revenue ratio (%)	2.13	1.29	2.01	2.05	1.23	1.91	1.89	1.38	1.35
Business profit	26,034	—	—	22,185	—	—	40,505	—	—
Core net business profit	26,034	—	—	22,185	—	—	37,496	—	—
Core net business profit excluding gains (losses) on bonds	16,293	—	—	20,020	—	—	32,590	—	—
Core net business profit excluding gains (losses) on bonds and cancellation on investment trusts	15,802	—	—	16,474	—	—	28,473	—	—

- Notes: 1. Domestic operations include yen-denominated transactions by domestic offices, while international operations include foreign currency-denominated transactions by domestic offices and transactions by overseas offices. Yen-denominated nonresident transactions and Japan offshore banking accounts are included under international operations.
2. Interest expenses are shown after deduction of amounts equivalent to interest expenses on money held in trust (¥13 million for the six-month period ended September 30, 2019, ¥11 million for the six-month period ended September 30, 2018 and ¥23 million for the year ended March 31, 2019).
3. Figures in brackets [] indicate interest received/paid as a result of interdepartmental lending and borrowing activities between domestic and international operations.
4. Net revenue ratio is calculated as follows:
- $$\text{Net revenue ratio} = \frac{\text{net revenue}^*}{\text{average balance of interest-bearing assets}} \times 100$$
- *As for the six-month periods ended on September 30, the numerator is annualized.
5. Business profit is calculated by deducting the net provision to general allowance for loan losses and general and administrative expenses from net revenue.
6. Core net business profit is calculated by deducting the general and administrative expenses from net revenue.
7. Due to the transfer of the trust business operations from GMO Aozora Net Bank, Ltd., to the Bank on October 1, 2018, 'Trust fees' is added from the fiscal year ended March 31, 2019, going forward.

Income Analysis (Non-Consolidated)

Ratios

(%)

	Sep. 2019	Sep. 2018	Mar. 2019
Ordinary profit to total assets	1.19	1.29	1.08
Ordinary profit to equity	13.03	14.18	11.76
Net income to total assets	0.80	0.93	0.80
Net income to equity	8.74	10.20	8.71

Notes: 1. Return on assets, as calculated using ordinary profit or net income = $\frac{\text{ordinary profit or net income}^*}{(\text{average balance of total assets} - \text{customers' liabilities for acceptances and guarantees})} \times 100$

2. Return on equity, as calculated using ordinary profit or net income = $\frac{\text{ordinary profit or net income}^*}{(\text{equity, beginning of period} + \text{equity, end of period}) \div 2} \times 100$

* As for the six-month periods ended on September 30, the numerator is annualized.

Yield on Interest-Earning Assets, Interest Rate on Interest-Bearing Liabilities, Net Yield/Interest Rate

(%)

	Sep. 2019			Sep. 2018			Mar. 2019		
	Total	Domestic operations	International operations	Total	Domestic operations	International operations	Total	Domestic operations	International operations
Yield on interest-earning assets	2.20	0.70	3.22	2.33	0.71	3.42	2.29	0.69	3.33
Interest rate on interest-bearing liabilities	2.06	1.16	2.22	1.96	1.18	1.99	2.08	1.21	2.15
Net yield/interest rate	0.14	(0.46)	1.00	0.37	(0.47)	1.43	0.21	(0.52)	1.18

Average Balance of Interest-Earning Assets and Interest-Bearing Liabilities

(Millions of Yen)

		Sep. 2019			Sep. 2018			Mar. 2019		
		Total	Domestic operations	International operations	Total	Domestic operations	International operations	Total	Domestic operations	International operations
Balance of interest-earning assets	Average balance	4,353,616	3,665,032	2,267,684	4,082,411	3,482,000	2,143,815	4,144,391	3,495,928	2,209,039
	Interest income/expense	48,221	13,030	36,629	47,725	12,414	36,788	94,919	24,204	73,618
	Return/rates (%)	2.20	0.70	3.22	2.33	0.71	3.42	2.29	0.69	3.33
Due from banks	Average balance	39,308	574	38,734	41,900	4,313	37,587	42,933	4,774	38,159
	Interest income/expense	432	0	432	355	0	355	798	0	798
	Return/rates (%)	2.19	0.02	2.22	1.69	0.00	1.88	1.86	0.00	2.09
Call loans	Average balance	5	—	5	643	109	533	322	55	267
	Interest income/expense	0	0	0	5	0	5	5	0	5
	Return/rates (%)	3.36	—	2.25	1.71	0.06	2.04	1.71	0.12	2.04
Receivables under resale agreements	Average balance	—	—	—	5	5	—	2	2	—
	Interest income/expense	—	—	—	(0)	(0)	—	(0)	(0)	—
	Return/rates (%)	—	—	—	(0.07)	(0.07)	—	(0.07)	(0.07)	—
Receivables under securities borrowing transactions	Average balance	—	—	—	55	55	—	283	283	—
	Interest income/expense	—	—	—	0	0	—	0	0	—
	Return/rates (%)	—	—	—	0.00	0.00	—	0.00	0.00	—
Securities	Average balance	1,296,819	299,957	996,861	1,225,266	309,490	915,776	1,259,832	304,013	955,819
	Interest income/expense	16,629	2,266	14,363	19,160	3,246	15,914	36,117	5,628	30,489
	Return/rates (%)	2.55	1.50	2.87	3.11	2.09	3.46	2.86	1.85	3.18
Loans and bills discounted	Average balance	2,828,535	1,685,472	1,143,063	2,655,313	1,568,092	1,087,221	2,682,336	1,571,792	1,110,543
	Interest income/expense	30,188	8,534	21,654	27,650	7,261	20,389	56,816	14,799	42,016
	Return/rates (%)	2.12	1.00	3.77	2.07	0.92	3.74	2.11	0.94	3.78
Balance of interest-bearing liabilities	Average balance	4,431,656	3,721,995	2,288,761	4,171,923	3,577,042	2,138,284	4,221,336	3,579,749	2,202,164
	Interest income/expense	25,171	3,174	23,436	21,221	3,273	19,426	47,076	6,411	43,568
	Return/rates (%)	1.13	0.17	2.04	1.01	0.18	1.81	1.11	0.17	1.97
Deposits	Average balance	3,104,691	2,996,765	107,926	2,932,563	2,832,037	100,525	2,950,817	2,843,296	107,520
	Interest income/expense	3,658	2,413	1,245	3,572	2,475	1,097	7,371	4,804	2,567
	Return/rates (%)	0.23	0.16	2.30	0.24	0.17	2.17	0.24	0.16	2.38
Negotiable certificates of deposit	Average balance	90,363	90,363	—	123,427	123,427	—	110,659	110,659	—
	Interest income/expense	4	4	—	4	4	—	8	8	—
	Return/rates (%)	0.00	0.00	—	0.00	0.00	—	0.00	0.00	—
Debentures	Average balance	51,360	51,360	—	56,320	56,320	—	53,847	53,847	—
	Interest income/expense	70	70	—	75	75	—	146	146	—
	Return/rates (%)	0.27	0.27	—	0.26	0.26	—	0.27	0.27	—
Call money	Average balance	56,816	27,672	29,143	84,542	43,437	41,105	76,880	40,367	36,513
	Interest income/expense	409	(1)	411	521	(6)	527	975	(10)	986
	Return/rates (%)	1.43	(0.01)	2.81	1.22	(0.02)	2.55	1.26	(0.02)	2.70
Payables under repurchase agreements	Average balance	60,629	—	60,629	30,056	—	30,056	40,448	2	40,445
	Interest income/expense	775	—	775	319	—	319	962	(0)	962
	Return/rates (%)	2.54	—	2.54	2.11	—	2.11	2.37	(0.02)	2.37
Payables under securities lending transactions	Average balance	467,013	37,846	429,167	405,028	57,437	347,590	427,505	53,268	374,236
	Interest income/expense	5,315	0	5,315	3,707	0	3,707	8,804	0	8,804
	Return/rates (%)	2.27	0.00	2.47	1.82	0.00	2.12	2.05	0.00	2.35
Borrowed money	Average balance	326,354	321,223	5,131	301,880	289,717	12,163	304,334	295,613	8,720
	Interest income/expense	550	483	66	580	462	117	1,127	937	190
	Return/rates (%)	0.33	0.30	2.60	0.38	0.31	1.93	0.37	0.31	2.17
Bonds payable	Average balance	233,956	164,797	69,159	206,359	169,715	36,643	224,206	172,364	51,842
	Interest income/expense	1,189	90	1,099	647	98	549	1,846	190	1,655
	Return/rates (%)	1.01	0.10	3.16	0.62	0.11	2.98	0.82	0.11	3.19

Notes: 1. Interest-earning assets are shown after deduction of the average balance of non-interest-earning deposits. Interest-bearing liabilities are shown after deduction of amounts equivalent to the average balance of money held in trust and corresponding interest.

2. Figures in brackets [] indicate the average balances of interdepartmental lending and borrowing activities between domestic and international operations and corresponding interest income/expenses.

Income Analysis (Non-Consolidated)

Analysis of Interest Income and Interest Expenses

(Millions of Yen)

		Sep. 2019			Sep. 2018			Mar. 2019		
		Total	Domestic operations	International operations	Total	Domestic operations	International operations	Total	Domestic operations	International operations
Interest income	Volume-related increase (decrease)	6,323	1,301	4,239	5,508	1,890	6,436	4,811	1,456	5,930
	Rate-related increase (decrease)	(5,827)	(685)	(4,398)	4,339	(2,608)	4,232	12,979	(1,260)	11,774
	Net increase (decrease)	496	616	(158)	9,848	(717)	10,669	17,790	195	17,705
Due from banks	Volume-related increase (decrease)	(43)	(0)	21	(0)	5	(46)	24	2	(31)
	Rate-related increase (decrease)	121	0	56	123	(5)	169	266	(2)	323
	Net increase (decrease)	77	(0)	77	122	0	122	291	0	291
Call loans	Volume-related increase (decrease)	(10)	(0)	(10)	2	0	2	(0)	0	(0)
	Rate-related increase (decrease)	5	0	5	1	(0)	1	1	(0)	1
	Net increase (decrease)	(5)	(0)	(5)	3	(0)	3	1	(0)	1
Receivables under resale agreements	Volume-related increase (decrease)	0	0	—	(0)	(0)	—	(0)	(0)	—
	Rate-related increase (decrease)	(0)	(0)	—	—	—	—	—	—	—
	Net increase (decrease)	0	0	—	(0)	(0)	—	(0)	(0)	—
Receivables under securities borrowing transactions	Volume-related increase (decrease)	(0)	(0)	—	0	0	—	0	0	—
	Rate-related increase (decrease)	0	0	—	—	—	—	—	—	—
	Net increase (decrease)	(0)	(0)	—	0	0	—	0	0	—
Securities	Volume-related increase (decrease)	2,231	(199)	2,810	3,640	246	3,436	3,118	106	3,244
	Rate-related increase (decrease)	(4,762)	(780)	(4,361)	828	(873)	1,659	3,842	(177)	3,787
	Net increase (decrease)	(2,530)	(979)	(1,550)	4,469	(626)	5,095	6,961	(70)	7,031
Loans and bills discounted	Volume-related increase (decrease)	3,597	1,084	2,088	1,816	198	2,485	1,565	144	2,215
	Rate-related increase (decrease)	(1,059)	188	(823)	3,702	(79)	2,915	9,069	249	8,026
	Net increase (decrease)	2,538	1,272	1,265	5,519	119	5,400	10,635	394	10,241
Interest expenses	Volume-related increase (decrease)	2,635	264	2,726	1,687	318	3,363	1,467	258	3,014
	Rate-related increase (decrease)	1,314	(363)	1,283	5,722	(247)	4,078	15,530	(202)	14,037
	Net increase (decrease)	3,949	(98)	4,010	7,409	70	7,441	16,998	55	17,052
Deposits	Volume-related increase (decrease)	418	287	161	362	219	878	317	191	678
	Rate-related increase (decrease)	(332)	(349)	(13)	368	(253)	(113)	976	(345)	769
	Net increase (decrease)	85	(61)	147	730	(33)	764	1,294	(153)	1,448
Negotiable certificates of deposit	Volume-related increase (decrease)	(2)	(2)	—	(0)	(0)	—	(0)	(0)	—
	Rate-related increase (decrease)	2	2	—	(0)	(0)	—	0	0	—
	Net increase (decrease)	(0)	(0)	—	(0)	(0)	—	(0)	(0)	—
Debentures	Volume-related increase (decrease)	(13)	(13)	—	(130)	(130)	—	(101)	(101)	—
	Rate-related increase (decrease)	8	8	—	73	73	—	15	15	—
	Net increase (decrease)	(4)	(4)	—	(57)	(57)	—	(86)	(86)	—
Call money	Volume-related increase (decrease)	(340)	4	(305)	(260)	(1)	(524)	(348)	(0)	(630)
	Rate-related increase (decrease)	229	0	190	187	(2)	454	51	(5)	340
	Net increase (decrease)	(111)	4	(115)	(73)	(3)	(69)	(296)	(6)	(290)
Payables under repurchase agreements	Volume-related increase (decrease)	647	—	647	403	—	403	603	(0)	603
	Rate-related increase (decrease)	(191)	—	(191)	(85)	—	(85)	321	—	321
	Net increase (decrease)	455	—	455	317	—	317	925	(0)	925
Payables under securities lending transactions	Volume-related increase (decrease)	1,131	(0)	1,735	338	(1)	247	141	(0)	152
	Rate-related increase (decrease)	476	0	(126)	1,330	5	1,417	3,719	7	3,699
	Net increase (decrease)	1,608	(0)	1,608	1,668	3	1,665	3,860	7	3,852
Borrowed money	Volume-related increase (decrease)	93	100	(135)	70	104	(207)	44	91	(263)
	Rate-related increase (decrease)	(123)	(79)	84	(103)	(67)	137	(161)	(10)	64
	Net increase (decrease)	(30)	20	(50)	(32)	36	(69)	(117)	81	(199)
Bonds payable	Volume-related increase (decrease)	172	(5)	972	499	72	90	469	58	500
	Rate-related increase (decrease)	369	(2)	(422)	(364)	(33)	6	339	(5)	255
	Net increase (decrease)	541	(7)	549	135	39	96	809	53	756

Note: Changes due to a combination of volume- and rate-related increases (decreases) have been included in rate-related increase (decrease).

Fees and Commissions

(Millions of Yen)

	Sep. 2019			Sep. 2018			Mar. 2019		
	Total	Domestic operations	International operations	Total	Domestic operations	International operations	Total	Domestic operations	International operations
Net fees and commissions	6,123	5,535	588	4,031	3,651	379	12,381	11,085	1,295
Fees and commissions income	7,370	6,431	938	5,979	5,087	892	15,026	12,872	2,153
Deposits, debentures and loan operations	4,267	3,959	308	2,555	2,256	298	7,873	7,128	744
Foreign exchange operations	87	75	12	88	70	18	177	141	35
Securities-related operations	856	856	—	1,202	1,202	—	2,358	2,358	—
Agency services	1,875	1,272	603	1,793	1,233	560	3,453	2,310	1,142
Guarantee operations	65	50	14	43	37	6	91	79	11
Fees and commissions expenses	1,246	896	350	1,948	1,435	512	2,644	1,786	858
Foreign exchange operations	73	50	22	57	42	15	122	88	34

Trading Income

(Millions of Yen)

	Sep. 2019			Sep. 2018			Mar. 2019		
	Total	Domestic operations	International operations	Total	Domestic operations	International operations	Total	Domestic operations	International operations
Net trading income	4,453	665	3,788	4,466	530	3,935	6,193	5,367	825
Trading income	8,004	4,216	3,787	8,799	4,863	3,935	8,224	7,399	825
Gains on trading account securities transactions	—	—	—	—	—	—	—	—	—
Income from securities and derivatives related to trading transactions	4,449	1,845	2,604	5,518	3,757	1,760	2,172	1,155	1,017
Income from trading-related financial derivatives transactions	3,554	2,370	1,183	3,281	1,106	2,174	6,052	6,243	(191)
Other trading income	—	—	—	—	—	—	—	—	—
Trading expenses	3,550	3,551	(0)	4,333	4,333	(0)	2,031	2,031	0
Expenses on trading securities and derivatives	3,550	3,551	(0)	4,333	4,333	(0)	2,031	2,031	0
Expenses on securities and derivatives related to trading transactions	—	—	—	—	—	—	—	—	—
Expenses on trading-related financial derivatives transactions	—	—	—	—	—	—	—	—	—
Other trading expenses	—	—	—	—	—	—	—	—	—

Income Analysis (Non-Consolidated)

Other Ordinary Income

(Millions of Yen)

	Sep. 2019			Sep. 2018			Mar. 2019		
	Total	Domestic operations	International operations	Total	Domestic operations	International operations	Total	Domestic operations	International operations
Net other ordinary income	12,840	7,468	5,371	7,163	8,223	(1,060)	11,763	13,909	(2,146)
Other ordinary income	16,419	8,093	8,326	11,659	8,797	2,862	22,663	15,359	7,304
Gains on foreign exchange transactions	—	—	—	—	—	—	—	—	—
Gains on sales of bonds and other securities	9,805	2,259	7,545	2,348	839	1,509	7,659	2,377	5,282
Gains on redemption of bonds and other securities	—	—	—	—	—	—	—	—	—
Gains on derivatives	—	—	—	522	—	522	—	—	—
Other	6,614	5,833	780	8,788	7,958	830	15,003	12,982	2,021
Other ordinary expenses	3,579	624	2,954	4,496	573	3,922	10,900	1,449	9,451
Losses on foreign exchange transactions	2,110	—	2,110	3,327	—	3,327	5,732	—	5,732
Losses on sales of bonds and other securities	0	0	0	109	5	104	2,174	15	2,159
Losses on redemption of bonds and other securities	64	64	—	73	73	—	579	221	357
Losses on devaluation of bonds and other securities	0	—	0	0	—	0	0	—	0
Amortization of debenture and bond issuance costs	143	98	44	132	109	23	303	241	61
Losses on derivatives	255	—	255	—	—	—	322	—	322
Other	1,005	461	543	852	385	466	1,788	970	817

General and Administrative Expenses

(Millions of Yen)

	Sep. 2019	Sep. 2018	Mar. 2019
General and administrative expenses	20,833	19,948	40,771
Salaries and allowances	7,998	7,952	16,381
Retirement benefit expenses	616	411	766
Welfare expenses	287	268	505
Depreciation	2,074	1,888	3,988
Rent and lease expenses	1,518	1,553	3,107
Building and maintenance expenses	79	56	185
Supplies expenses	128	96	227
Utilities expenses	170	169	339
Traveling expenses	158	154	283
Communication expenses	239	221	464
Advertising expenses	289	128	443
Taxes and dues	1,479	1,391	2,462
Other	5,791	5,656	11,615

Deposit Operations (Non-Consolidated)

Balance of Deposits

(Millions of Yen, %)

		Sep. 2019			Sep. 2018			Mar. 2019		
		Total	Domestic operations	International operations	Total	Domestic operations	International operations	Total	Domestic operations	International operations
Deposits										
Liquid deposits	Average balance	523,441	523,441	—	472,001	472,001	—	466,403	466,403	—
	(%)	(16.86)	(17.47)	—	(16.10)	(16.67)	—	(15.81)	(16.40)	—
	Term-end balance	534,054	534,054	—	458,402	458,402	—	497,170	497,170	—
	(%)	(17.28)	(17.89)	—	(15.51)	(16.06)	—	(16.20)	(16.77)	—
Interest-bearing deposits	Average balance	495,708	495,708	—	442,949	442,949	—	438,583	438,583	—
	(%)	(15.97)	(16.54)	—	(15.10)	(15.64)	—	(14.86)	(15.43)	—
	Term-end balance	497,772	497,772	—	431,814	431,814	—	471,740	471,740	—
	(%)	(16.10)	(16.67)	—	(14.61)	(15.13)	—	(15.37)	(15.92)	—
Time deposits (in general)	Average balance	2,472,656	2,472,656	—	2,359,139	2,359,139	—	2,376,032	2,376,032	—
	(%)	(79.64)	(82.51)	—	(80.45)	(83.30)	—	(80.52)	(83.57)	—
	Term-end balance	2,450,560	2,450,560	—	2,394,709	2,394,709	—	2,465,322	2,465,322	—
	(%)	(79.28)	(82.07)	—	(81.03)	(83.90)	—	(80.34)	(83.18)	—
Deregulated interest rate time deposits (fixed)	Average balance	1,829,009	1,829,009	—	1,793,172	1,793,172	—	1,792,329	1,792,329	—
	(%)	(58.91)	(61.03)	—	(61.15)	(63.32)	—	(60.74)	(63.04)	—
	Term-end balance	1,812,108	1,812,108	—	1,805,551	1,805,551	—	1,839,176	1,839,176	—
	(%)	(58.62)	(60.69)	—	(61.09)	(63.26)	—	(59.93)	(62.06)	—
Deregulated interest rate time deposits (floating)	Average balance	643,646	643,646	—	565,966	565,966	—	583,703	583,703	—
	(%)	(20.73)	(21.48)	—	(19.30)	(19.98)	—	(19.78)	(20.53)	—
	Term-end balance	638,452	638,452	—	589,158	589,158	—	626,145	626,145	—
	(%)	(20.65)	(21.38)	—	(19.93)	(20.64)	—	(20.40)	(21.13)	—
Others	Average balance	108,593	667	107,926	101,422	897	100,525	108,381	861	107,520
	(%)	(3.50)	(0.02)	(100.00)	(3.45)	(0.03)	(100.00)	(3.67)	(0.03)	(100.00)
	Term-end balance	106,513	1,169	105,344	102,340	1,185	101,155	106,239	1,269	104,970
	(%)	(3.44)	(0.04)	(100.00)	(3.46)	(0.04)	(100.00)	(3.46)	(0.05)	(100.00)
Subtotal	Average balance	3,104,691	2,996,765	107,926	2,932,563	2,832,037	100,525	2,950,817	2,843,296	107,520
	(%)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)
	Term-end balance	3,091,129	2,985,784	105,344	2,955,453	2,854,298	101,155	3,068,732	2,963,761	104,970
	(%)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)
Negotiable certificates of deposit	Average balance	90,363	90,363	—	123,427	123,427	—	110,659	110,659	—
	Term-end balance	87,953	87,953	—	111,540	111,540	—	127,927	127,927	—
Total	Average balance	3,195,054	3,087,128	107,926	3,055,990	2,955,465	100,525	3,061,477	2,953,956	107,520
	Term-end balance	3,179,082	3,073,737	105,344	3,066,993	2,965,838	101,155	3,196,659	3,091,688	104,970

Notes: 1. Liquid deposits = Current deposits + ordinary deposits + saving deposits + deposits at notice

2. Time deposits (in general) = Time deposits

Deregulated interest rate time deposits (fixed) = Deregulated interest rate time deposits for which the interest up to the due date is determined when the deposits are made.

Deregulated interest rate time deposits (floating) = Deregulated interest rate time deposits for which the interest varies according to changes in market interest rates during the period of deposit.

Balance of Time Deposits by Residual Period

(Millions of Yen)

	Sep. 2019			Sep. 2018			Mar. 2019		
	Total	Deregulated interest rate (fixed)	Deregulated interest rate (floating)	Total	Deregulated interest rate (fixed)	Deregulated interest rate (floating)	Total	Deregulated interest rate (fixed)	Deregulated interest rate (floating)
Less than 3 months	429,402	413,175	16,227	472,932	451,318	21,613	531,279	510,511	20,768
3–6 months	366,723	365,530	1,192	406,029	391,691	14,338	378,453	368,884	9,568
6 months–1 year	649,234	646,613	2,621	636,574	633,537	3,037	577,102	575,533	1,569
1–2 years	178,340	175,294	3,046	208,915	205,224	3,690	229,174	222,323	6,851
2–3 years	88,199	82,724	5,475	103,949	96,707	7,242	99,715	96,703	3,012
More than 3 years	738,660	128,769	609,890	566,307	27,071	539,236	649,597	65,221	584,376
Total	2,450,560	1,812,108	638,452	2,394,709	1,805,551	589,158	2,465,322	1,839,176	626,145

Deposit Operations (Non-Consolidated)

Balance of Deposits by Depositor

(Millions of Yen, %)

	Sep. 2019		Sep. 2018		Mar. 2019	
	Balance	Share	Balance	Share	Balance	Share
Corporate	590,261	19.10	553,901	18.74	610,825	19.91
Retail	1,788,891	57.87	1,732,551	58.62	1,752,898	57.12
Public sector	76,593	2.48	104,126	3.53	94,967	3.09
Financial institutions	635,382	20.55	564,873	19.11	610,040	19.88
Total	3,091,129	100.00	2,955,453	100.00	3,068,732	100.00

Note: The above balance does not include negotiable certificates of deposit in offshore market accounts.

Deposits per Office

(Number of Offices, Millions of Yen)

	Sep. 2019			Sep. 2018			Mar. 2019		
	Total	Domestic offices	Overseas offices	Total	Domestic offices	Overseas offices	Total	Domestic offices	Overseas offices
Number of offices	20	20	—	20	20	—	20	20	—
Deposits per office	158,954	158,954	—	153,349	153,349	—	159,832	159,832	—

Notes: 1. Deposits include negotiable certificates of deposit.

2. Number of offices does not include domestic sub-branches and overseas representative offices.

Deposits per Employee

(Number of Employees, Millions of Yen)

	Sep. 2019			Sep. 2018			Mar. 2019		
	Total	Domestic offices	Overseas offices	Total	Domestic offices	Overseas offices	Total	Domestic offices	Overseas offices
Number of employees	1,937	1,937	—	1,841	1,841	—	1,859	1,859	—
Deposits per employee	1,641	1,641	—	1,665	1,665	—	1,719	1,719	—

Notes: 1. Deposits include negotiable certificates of deposit.

2. Number of employees represents the average number of employees in each period (year). The number of employees in domestic offices includes head office staff.

Loan Operations (Non-Consolidated)

Balance of Loans

For the six-month periods ended September 30, 2019 and 2018, and the year ended March 31, 2019

(Millions of Yen)

		Sep. 2019			Sep. 2018			Mar. 2019		
		Total	Domestic operations	International operations	Total	Domestic operations	International operations	Total	Domestic operations	International operations
Loans on deeds	Average balance	2,639,827	1,496,764	1,143,063	2,464,972	1,377,813	1,087,158	2,500,437	1,389,925	1,110,512
	Term-end balance	2,657,247	1,530,265	1,126,981	2,507,309	1,373,822	1,133,487	2,622,401	1,494,816	1,127,584
Loans on bills	Average balance	13,807	13,807	—	17,079	17,016	62	15,981	15,950	31
	Term-end balance	13,388	13,388	—	14,195	14,195	—	13,846	13,846	—
Overdrafts	Average balance	174,874	174,874	—	173,183	173,183	—	165,867	165,867	—
	Term-end balance	183,809	183,809	—	143,927	143,927	—	145,883	145,883	—
Bills discounted	Average balance	26	26	—	79	79	—	50	50	—
	Term-end balance	—	—	—	—	—	—	—	—	—
Total	Average balance	2,828,535	1,685,472	1,143,063	2,655,313	1,568,092	1,087,221	2,682,336	1,571,792	1,110,543
	Term-end balance	2,854,444	1,727,462	1,126,981	2,665,432	1,531,945	1,133,487	2,782,131	1,654,546	1,127,584

Note: The Bank carries out partial and direct write-off of loans. This also applies to the table shown below.

Balance of Loans by Residual Period

(Millions of Yen)

	Sep. 2019			Sep. 2018			Mar. 2019		
	Total	Fixed interest	Floating interest	Total	Fixed interest	Floating interest	Total	Fixed interest	Floating interest
Less than 1 year	1,213,097	—	—	1,145,346	—	—	1,251,508	—	—
1–3 years	595,984	204,658	391,325	610,463	171,060	439,403	566,003	200,378	365,624
3–5 years	555,940	173,398	382,541	426,753	132,926	293,827	489,851	125,683	364,167
5–7 years	310,415	52,196	258,218	254,693	46,151	208,541	284,248	58,412	225,836
Over 7 years	179,005	55,339	123,666	228,175	54,239	173,935	190,519	39,954	150,564
Indefinite period	—	—	—	—	—	—	—	—	—
Total	2,854,444	—	—	2,665,432	—	—	2,782,131	—	—

Notes: 1. Maturity is based on scheduled final maturity dates.

2. No distinction has been made between fixed interest and floating interest for loans with a residual period of less than 1 year.

Ratio of Loans and Bills Discounted to Debentures/Deposits

(Millions of Yen, %)

	Sep. 2019			Sep. 2018			Mar. 2019		
	Total	Domestic operations	International operations	Total	Domestic operations	International operations	Total	Domestic operations	International operations
Loans and bills discounted (A)	2,854,444	1,727,462	1,126,981	2,665,432	1,531,945	1,133,487	2,782,131	1,654,546	1,127,584
Debentures and deposits (B)	3,230,442	3,125,097	105,344	3,118,353	3,017,198	101,155	3,248,019	3,143,048	104,970
Ratio (A)/(B)	88.36	55.27	1,069.80	85.47	50.77	1,120.54	85.65	52.64	1,074.18
Average during the year	87.12	53.70	1,059.11	85.31	52.06	1,081.53	86.10	52.25	1,032.86

Note: Deposits include negotiable certificates of deposit.

Loans per Office

(Number of Offices, Millions of Yen)

	Sep. 2019			Sep. 2018			Mar. 2019		
	Total	Domestic offices	Overseas offices	Total	Domestic offices	Overseas offices	Total	Domestic offices	Overseas offices
Number of offices	20	20	—	20	20	—	20	20	—
Loans per office	142,722	142,722	—	133,271	133,271	—	139,106	139,106	—

Note: Number of offices does not include domestic sub-branches and overseas representative offices.

Loans per Employee

(Number of Employees, Millions of Yen)

	Sep. 2019			Sep. 2018			Mar. 2019		
	Total	Domestic offices	Overseas offices	Total	Domestic offices	Overseas offices	Total	Domestic offices	Overseas offices
Number of employees	1,937	1,937	—	1,841	1,841	—	1,859	1,859	—
Loans per employee	1,473	1,473	—	1,447	1,447	—	1,496	1,496	—

Note: Number of employees represents the average number of employees in each period (year). The number of employees in domestic offices includes head office staff.

Loan Operations (Non-Consolidated)

Loans to Small and Medium-Sized Enterprises (SMEs)

(Number of Borrowers, Millions of Yen, %)

	Sep. 2019		Sep. 2018		Mar. 2019	
	Number of borrowers	Value	Number of borrowers	Value	Number of borrowers	Value
Total loans and bills discounted (A)	1,155	2,854,444	1,244	2,665,432	1,211	2,782,131
Loans to small and medium-sized enterprises (SMEs) (B)	905	2,250,168	935	2,041,168	927	2,156,102
(B)/(A)	78.35	78.83	75.16	76.57	76.54	77.49

Notes: 1. In this table, the balance of loans and bills discounted does not include offshore banking accounts.

2. SMEs are defined as companies having capital of not more than ¥300 million (¥100 million in wholesale, and ¥50 million in retail, food service and leasing business categories), or companies with not more than 300 full-time employees (100 in wholesale and leasing, 50 in retail and food service business categories), etc.

Consumer Loans Outstanding

(Millions of Yen)

	Sep. 2019	Sep. 2018	Mar. 2019
Consumer loans	1,727	2,003	1,904
Housing loans	1,292	1,554	1,462
Others	435	449	442

Note: Consumer loans outstanding includes personal housing loans, as well as personal loans for general spending purposes and tax payments, and does not include business loans to sole proprietorships or their owners.

Breakdown of Loans and Bills Discounted by Industry

(Millions of Yen, %)

	Sep. 2019		Sep. 2018		Mar. 2019	
	Balance of loans	Share	Balance of loans	Share	Balance of loans	Share
Domestic offices (excluding Japan offshore market accounts)	2,854,444	100.00	2,665,432	100.00	2,782,131	100.00
Manufacturing	226,995	7.95	182,140	6.83	226,863	8.15
Agriculture, forestry and fisheries	5,047	0.18	3,551	0.13	3,677	0.13
Mining, quarry and gravel extraction	—	—	—	—	—	—
Construction	11,974	0.42	12,423	0.47	10,762	0.39
Electricity, gas, heat supply and water	35,792	1.25	28,397	1.07	32,130	1.15
Information and communications	87,650	3.07	47,627	1.79	47,853	1.72
Transport and postal service	41,756	1.46	47,268	1.77	42,483	1.53
Wholesale and retail trade	66,204	2.32	95,608	3.59	72,158	2.59
Finance and insurance	410,879	14.39	385,021	14.45	389,965	14.02
Real estate	610,723	21.40	503,360	18.88	567,699	20.41
Leasing	33,509	1.17	45,286	1.70	43,292	1.56
Other services	178,272	6.25	188,226	7.06	184,983	6.65
Local government	4,550	0.16	4,466	0.17	4,417	0.16
Others	1,141,088	39.98	1,122,054	42.09	1,155,842	41.54
Overseas offices (including Japan offshore market accounts)	—	—	—	—	—	—
Government	—	—	—	—	—	—
Financial institutions	—	—	—	—	—	—
Others	—	—	—	—	—	—
Total	2,854,444		2,665,432		2,782,131	

Note: Domestic offices refer to the Bank's head office and branch offices; overseas offices refer to the Bank's overseas branch offices.

Risk-Monitored Loans by Industry

(Millions of Yen)

	Sep. 2019	Sep. 2018	Mar. 2019
Domestic offices	20,633	9,059	15,610
(excluding Japan offshore market accounts)			
Manufacturing	2,505	1,451	4,378
Agriculture, forestry and fisheries	5,023	—	—
Mining, quarry and gravel extraction	—	—	—
Construction	—	—	—
Electricity, gas, heat supply and water	—	—	—
Information and communications	—	748	748
Transport and postal service	2,159	—	—
Wholesale and retail trade	2,166	2,171	2,168
Finance and insurance	—	—	—
Real estate	—	1,050	1,030
Leasing	—	—	—
Other services	1,248	1,175	1,250
Local government	—	—	—
Others	7,529	2,460	6,033
Overseas offices	—	—	—
(including Japan offshore market accounts)			
Government	—	—	—
Financial institutions	—	—	—
Others	—	—	—
Total	20,633	9,059	15,610

Balance of Loans and Bills Discounted, Classified by Purpose

(Millions of Yen, %)

	Sep. 2019		Sep. 2018		Mar. 2019	
	Balance of loans	Share	Balance of loans	Share	Balance of loans	Share
Funds for capital investment	342,825	12.01	272,258	10.21	301,320	10.83
Funds for working capital	2,511,618	87.99	2,393,173	89.79	2,480,810	89.17
Total	2,854,444	100.00	2,665,432	100.00	2,782,131	100.00

Breakdown of Balance of Acceptances and Guarantees

(Millions of Yen)

	Sep. 2019	Sep. 2018	Mar. 2019
Acceptances of bills	—	—	—
Letters of credit	2,992	761	1,051
Guarantees	17,014	21,188	23,051
Total	20,006	21,949	24,103

Breakdown of Loans and Bills Discounted by Collateral

(Millions of Yen)

	Sep. 2019	Sep. 2018	Mar. 2019
Securities	6,066	8,556	7,021
Claims	32,121	22,901	24,832
Merchandise	—	—	—
Real estate	180,761	167,769	178,234
Others	14,659	2,862	17,726
Subtotal	233,609	202,089	227,816
Guaranteed	62,944	72,926	66,216
Unsecured	2,557,890	2,390,415	2,488,098
Total	2,854,444	2,665,432	2,782,131

Loan Operations (Non-Consolidated)

Breakdown of Collateral for Customers' Liabilities for Acceptances and Guarantees

(Millions of Yen)

	Sep. 2019	Sep. 2018	Mar. 2019
Securities	—	—	—
Claims	—	—	—
Real estate	—	—	—
Others	—	635	632
Subtotal	—	635	632
Guaranteed	351	178	365
Unsecured	19,655	21,136	23,104
Total	20,006	21,949	24,103

Write-Off of Loans

(Millions of Yen)

	Sep. 2019	Sep. 2018	Mar. 2019
Write-off of loans	—	152	149

Allowance for Loan Losses

(Millions of Yen)

	Sep. 2019				Sep. 2018				Mar. 2019								
	Balance at beginning of period	Provision	Reduction during period		Balance at end of period	Balance at beginning of period	Provision	Reduction during period		Balance at end of period	Balance at beginning of year	Provision	Reduction during year		Balance at end of year		
			Used for specific purpose	Other				Used for specific purpose	Other				Used for specific purpose	Other			
General allowance	36,851	32,320	—	36,851	32,320	39,860	36,384	—	39,860	36,384	39,860	36,851	—	39,860	36,851		
Specific allowance	(119)	7,309	8,872	1,760	5,548	8,872	3,376	3,717	129	3,246	3,717	3,364	7,428	130	3,233	7,428	
Related to non-residents	(33)	1,081	1,115	581	499	1,115	—	336	—	—	336	(12)	-12	1,114	—	-12	1,114
Allowance for loans to restructuring countries	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	

Note: Figures in parentheses for balance at beginning of period (year) indicate translation difference due to foreign exchange fluctuations.

Country Risk Reserve

None.

Disclosed Claims under the Financial Reconstruction Law

For the six-month periods ended September 30, 2019 and 2018, and the year ended March 31, 2019

(Billions of Yen)

	Sep. 2019	Sep. 2018	Mar. 2019
Disclosed claims under the Financial Reconstruction Law			
Bankrupt and similar credit	3.2	—	—
Doubtful credit	16.0	6.9	14.2
Special attention credit	1.4	2.1	1.4
Subtotal (A)	20.6	9.0	15.6
Normal credit	2,873.3	2,690.0	2,805.0
Total credit (B)	2,893.9	2,699.0	2,820.6
(A/B)	0.71%	0.33%	0.55%

Risk-Monitored Loans

For the six-month periods ended September 30, 2019 and 2018, and the year ended March 31, 2019

Non-Consolidated

(Billions of Yen)

	Sep. 2019	Sep. 2018	Mar. 2019
Risk-monitored loans:			
Loans to bankrupt borrowers	3.2	—	—
Past due loans	16.0	6.9	14.2
Loans overdue for three months or more	—	—	—
Restructured loans	1.4	2.1	1.4
Total (A)	20.6	9.0	15.6
Year-end balance of total loans (B)	2,854.4	2,665.4	2,782.1
(A/B)	0.72%	0.33%	0.56%

Consolidated

(Billions of Yen)

	Sep. 2019	Sep. 2018	Mar. 2019
Risk-monitored loans:			
Loans to bankrupt borrowers	3.2	—	—
Past due loans	16.0	6.9	14.2
Loans overdue for three months or more	—	—	—
Restructured loans	1.4	2.1	1.4
Total (A)	20.7	9.0	15.6
Year-end balance of total loans (B)	2,838.4	2,654.4	2,779.8
(A/B)	0.72%	0.34%	0.56%

Reserve Ratios for Each Category of Borrower, Based on Asset-Assessments

For the six-month periods ended September 30, 2019 and 2018, and the year ended March 31, 2019

Non-Consolidated

(%)

Definition of Borrower Categories	Sep. 2019	Sep. 2018	Mar. 2019
Normal	0.7	1.0	0.9
Need attention:			
Other need attention borrowers	4.3	4.5	4.1
Special attention borrowers (Ratio of reserve to unsecured)	100.0	68.6	100.0
In danger of bankruptcy (Ratio of reserve to unsecured)	84.7	93.1	88.1
De facto bankrupt and bankrupt (Ratio of reserve to unsecured)	100.0	100.0	100.0

Loan Operations (Non-Consolidated)

Asset-Assessment, Disclosed Claims, Write-Offs, Reserves and Risk-Monitored Loans

(After Partial and Direct Write-Offs, Non-Consolidated Basis) as of September 30, 2019

(Billions of Yen)

Borrower categories for self-assessment	Disclosed credit under the FRL		Reserve and coverage for claims under the FRL		Reserve to unsecured credit ratio	Reserve and coverage ratio for claims under the FRL	Risk-monitored loans
	Loans	Other					
Bankrupt borrowers	Bankrupt and similar credit 3.2		Collateral/Guarantee coverage	3.2	100.0%	100.0%	Loans to bankrupt borrowers
De facto bankrupt borrowers			Reserve	—			3.2
In danger of bankruptcy borrowers	Doubtful credit 16.0		Collateral/Guarantee coverage	5.5	84.7%	90.0%	Past due loans
			Reserve	8.8			16.0
Need attention borrowers	Special attention credit		Estimated collections	1.6	100.0%	100.0%	Loans overdue for three months or more
	1.4		Collateral/Guarantee coverage	—			—
Normal borrowers	Normal credit 2,873.3		Reserve	1.4	100.0%	100.0%	Restructured loans
			Estimated collections	—			—
		Disclosed claims under the FRL	Collateral/Guarantee coverage		Reserve ratio for disclosed claims under the FRL	Reserve and coverage ratio for disclosed claims under the FRL	Risk-monitored loans
		20.6	8.7				
			Reserve		86.5%	92.2%	20.6
			10.2				
			Estimated collections		Total credit	Total reserve	
			1.6				
			Total credit		2,893.9	41.1	
			Total reserve				

FRL: Financial Reconstruction Law

Reserve to unsecured credit ratio = Reserve ÷ (Claims – Collateral, guarantees, etc.)

Reserve and coverage ratio = (Collateral, guarantees, etc. + Reserve) ÷ Claims

<Definitions of Borrower Categories>

Normal	Business performance is strong and no special financial problems exist.
Need attention	Borrowers that need to be monitored carefully because of weak business fundamentals, financial problems or problematic lending conditions.
In danger of bankruptcy	Borrowers that are not currently bankrupt but are highly likely to become bankrupt.
De facto bankrupt	Borrowers that are substantially bankrupt but are not legally or practically bankrupt yet.
Bankrupt	Borrowers that are legally or practically bankrupt.

<Definitions of Asset Classifications>

Category I	Assets that present no particular risk of collectability or impairment of value.
Category II	Assets, including credits, which bear above-average risk of collectability.
Category III	Assets that bear substantial risk of final collectability or impairment of value, and are likely to incur losses.
Category IV	Assets deemed to be uncollectable or valueless.

<Write-Off and Reserve Provision Rules>

Normal and Need attention borrowers	A general allowance is provided by applying the estimated loan-loss ratio determined based on the historical loan-loss data over a defined period in the past. However, for borrowers with large credit exposure, the loan-loss amount estimated by the DCF method is reflected as an addition to the allowance for loan losses calculated based on the estimated loan-loss ratio, if necessary.
In danger of bankruptcy borrowers	A specific allowance is provided for the loan losses at an amount considered to be necessary based on an overall solvency assessment of the borrowers and expected collectible amounts through the disposal of collateral or execution of guarantees, etc. For loans whose future cash flows of principal and interest are reasonably estimated, the difference between the discounted cash flows and the carrying value is accounted for as an allowance for loan losses.
De facto bankrupt and Bankrupt borrowers	In principle, the full amounts of credits that bear substantial risk of final collectability or impairment of value, and credits deemed to be uncollectable or valueless are written off directly.

<Definitions of Disclosed Claims under the Financial Reconstruction Law>

Bankrupt and similar credit	Bankrupt and similar credit refers to the credit of borrowers who have filed for bankruptcy, corporate reorganization, composition, etc., as well as those borrowers who are in an equivalent situation.
Doubtful credit	Doubtful refers to credit with serious doubt concerning the recovery of principal and receiving of interest as contract provisions, because the borrower's financial condition and business results have worsened, although they have not reached the point of management collapse.
Special attention credit	Special attention refers to loans in arrears for more than three months or with mitigated conditions.

Normal credit

Normal credit refers to credit to borrowers whose financial condition and business results have no particular problem and which are not categorized in any of the above categories.

<Risk-Monitored Loans>

Loans to bankrupt borrowers	Loans to bankrupt borrowers are loans for which interest in arrears has not been accrued because recovery or settlement of principal or interest is unlikely due to the prolonged delay in payment of principal or interest (which hereafter shall be called 'non-accrual loans') and whose borrowers are legally bankrupt (defined below), excluding the amount of write-offs.
Past due loans	1. Borrowers that have applied for commencement of company or financial institution reorganization procedures under the provisions of the Corporate Reorganization Law. 2. Borrowers that have applied for reorganization under the provisions of the Civil Reorganization Law. 3. Borrowers that have applied for bankruptcy under the provisions of the Bankruptcy Law. 4. Borrowers that have applied to commence special liquidation under the provisions of the Company Law. 5. Borrowers with reasons equivalent to 1. to 4. above as defined by Ministry of Finance ordinances. 6. Borrowers who have applied for commencement of legal liquidation procedures under overseas laws, corresponding to those listed above.
Loans overdue for three months or more	Past due loans refer to non-accrual loans except those for which concessions on payment of interest were made in order to assist the reorganization of bankrupt borrowers and loans to them.
Restructured loans	Loans overdue for three months or more refer to those loans, excluding loans to bankrupt borrowers and past due loans for which principal or interest remains unpaid for at least three months.
	Restructured loans refer to those loans, excluding loans to bankrupt borrowers, past due loans and loans overdue for three months or more for which agreement was made to provide reduction or a moratorium on interest payments, or concessions in the borrower's favor on interest or principal payments or to waive claims for the purpose of assisting the reconstruction of insolvent borrowers.

<Differences Between Disclosed Claims under the Financial Reconstruction Law and Risk-Monitored Loans>

• Disclosed Claims	Disclosure: Loans and other claims equivalent thereof (foreign exchange, acceptances and guarantees, suspense payments, as well as loaned securities that require notation [limited to only those subject to a usage and lending or lending agreement], etc.).
	Disclosed: By borrower (by loan for special attention credit)
• Risk-Monitored Loans	Disclosure: Loans only
	Disclosed: By loan

Securities (Non-Consolidated)

Balance of Securities Held

(Millions of Yen, %)

		Sep. 2019			Sep. 2018			Mar. 2019		
		Total	Domestic operations	International operations	Total	Domestic operations	International operations	Total	Domestic operations	International operations
Total	Average balance (%)	1,296,819 (100.00)	299,957 (100.00)	996,861 (100.00)	1,225,266 (100.00)	309,490 (100.00)	915,776 (100.00)	1,259,832 (100.00)	304,013 (100.00)	955,819 (100.00)
	Term-end balance (%)	1,359,937 (100.00)	340,379 (100.00)	1,019,557 (100.00)	1,340,259 (100.00)	405,441 (100.00)	934,817 (100.00)	1,314,968 (100.00)	346,271 (100.00)	968,697 (100.00)
Japanese national government bonds	Average balance (%)	—	—	—	8,011 (0.65)	8,011 (2.59)	—	7,744 (0.61)	7,744 (2.55)	—
	Term-end balance (%)	—	—	—	8,020 (0.60)	8,020 (1.98)	—	—	—	—
Japanese local government bonds	Average balance (%)	33,453 (2.58)	33,453 (11.15)	—	33,444 (2.73)	33,444 (10.81)	—	32,804 (2.60)	32,804 (10.79)	—
	Term-end balance (%)	34,503 (2.54)	34,503 (10.14)	—	34,117 (2.55)	34,117 (8.41)	—	31,811 (2.42)	31,811 (9.19)	—
Japanese short-term corporate bonds	Average balance (%)	—	—	—	—	—	—	—	—	—
	Term-end balance (%)	—	—	—	—	—	—	—	—	—
Japanese corporate bonds	Average balance (%)	53,207 (4.10)	53,207 (17.74)	—	35,087 (2.86)	35,087 (11.34)	—	39,123 (3.11)	39,123 (12.87)	—
	Term-end balance (%)	59,807 (4.40)	59,807 (17.57)	—	36,171 (2.70)	36,171 (8.92)	—	50,157 (3.81)	50,157 (14.49)	—
Japanese stocks	Average balance (%)	41,116 (3.17)	41,116 (13.71)	—	41,093 (3.35)	41,093 (13.28)	—	41,028 (3.26)	41,028 (13.50)	—
	Term-end balance (%)	72,998 (5.37)	72,998 (21.45)	—	116,934 (8.72)	116,934 (28.84)	—	92,879 (7.06)	92,879 (26.82)	—
Others	Average balance (%)	1,169,042 (90.15)	172,180 (57.40)	996,861 (100.00)	1,107,629 (90.41)	191,853 (61.98)	915,776 (100.00)	1,139,131 (90.42)	183,312 (60.29)	955,819 (100.00)
	Term-end balance (%)	1,192,627 (87.69)	173,069 (50.84)	1,019,557 (100.00)	1,145,015 (85.43)	210,197 (51.85)	934,817 (100.00)	1,140,119 (86.71)	171,421 (49.50)	968,697 (100.00)

Note: Total for 'Others' is the sum of domestic operations and international operations.

Securities (Non-Consolidated)

Balance of Securities by Residual Period

(Millions of Yen)

	Sep. 2019						
	Japanese national government bonds	Japanese local government bonds	Japanese short-term corporate bonds	Japanese corporate bonds	Japanese stocks	Others	
Less than 1 year	—	2,398	—	3,031	/	3,251	
1–3 years	—	6,943	—	4,435		42,800	
3–5 years	—	8,223	—	7,268		122,784	
5–7 years	—	6,905	—	6,729		118,521	
7–10 years	—	10,028	—	4,148		76,132	
Over 10 years	—	4	—	34,194		251,309	
Indefinite period	—	—	—	—		72,998	577,827
Total	—	34,503	—	59,807		72,998	1,192,627

(Millions of Yen)

	Sep. 2018						
	Japanese national government bonds	Japanese local government bonds	Japanese short-term corporate bonds	Japanese corporate bonds	Japanese stocks	Others	
Less than 1 year	8,020	1,461	—	2,728	/	1,706	
1–3 years	—	5,914	—	7,335		42,157	
3–5 years	—	7,710	—	3,220		95,754	
5–7 years	—	2,644	—	6,687		36,699	
7–10 years	—	16,374	—	7,345		132,099	
Over 10 years	—	12	—	8,855		234,657	
Indefinite period	—	—	—	—		116,934	601,940
Total	8,020	34,117	—	36,171		116,934	1,145,015

(Millions of Yen)

	Mar. 2019						
	Japanese national government bonds	Japanese local government bonds	Japanese short-term corporate bonds	Japanese corporate bonds	Japanese stocks	Others	
Less than 1 year	—	1,876	—	4,184	/	5,018	
1–3 years	—	6,318	—	4,514		48,831	
3–5 years	—	8,234	—	3,547		95,603	
5–7 years	—	3,478	—	7,064		121,328	
7–10 years	—	11,894	—	5,281		65,175	
Over 10 years	—	8	—	25,565		229,423	
Indefinite period	—	—	—	—		92,879	574,737
Total	—	31,811	—	50,157		92,879	1,140,119

Ratio of Securities to Debentures and Deposits

(Millions of Yen, %)

	Sep. 2019			Sep. 2018			Mar. 2019		
	Total	Domestic operations	International operations	Total	Domestic operations	International operations	Total	Domestic operations	International operations
Securities (A)	1,359,937	340,379	1,019,557	1,340,259	405,441	934,817	1,314,968	346,271	968,697
Debentures and deposits (B)	3,230,442	3,125,097	105,344	3,118,353	3,017,198	101,155	3,248,019	3,143,048	104,970
Ratio (A)/(B)	42.09	10.89	967.83	42.97	13.43	924.14	40.48	11.01	922.82
Average during the year	39.94	9.55	923.65	39.36	10.27	910.98	40.43	10.10	888.96

Notes: Deposits include negotiable certificates of deposit.

Securities Business (Non-Consolidated)

Underwriting of Public Bonds

(Millions of Yen)

	Sep. 2019	Sep. 2018
Japanese national government bonds	—	—
Japanese local government bonds and government-guaranteed bonds	—	—
Total	—	—

Over-the-Counter Sales of Public Bonds and Securities Investment Trusts

(Millions of Yen)

	Sep. 2019	Sep. 2018
Japanese national government bonds	—	—
Japanese local government bonds and government-guaranteed bonds	—	—
Total	—	—
Securities investment trusts	15,042	16,973

International Operations (Non-Consolidated)

Foreign Exchange Transactions

For the six-month periods ended September 30, 2019 and 2018, and the year ended March 31, 2019

(Millions of U.S. Dollars)

		Sep. 2019	Sep. 2018	Mar. 2019
Outward exchange:	Foreign bills sold	3,639	3,582	7,117
	Foreign bills bought	—	—	—
Incoming exchange:	Foreign bills payable	1,327	870	2,332
	Foreign bills receivable	—	—	—
Total		4,967	4,453	9,450

Balance of Assets in International Operations

(Millions of Yen)

	Sep. 2019			Sep. 2018			Mar. 2019		
	Total	Domestic offices	Overseas offices	Total	Domestic offices	Overseas offices	Total	Domestic offices	Overseas offices
Balance of assets in international operations	2,385,848	2,385,848	—	2,321,389	2,321,389	—	2,358,813	2,358,813	—

Trust Business Operations (Non-Consolidated)

※On October 1, 2018, the Bank assumed direct responsibility for the trust business operations from GMO Aozora Net Bank, Ltd.

Statement of Trust Assets and Liabilities

(Millions of Yen)

Account	Sep. 2019	Mar. 2019
(Assets)		
Loans	43,776	40,981
Loans on deeds	43,773	40,970
Loans on bills	3	11
Securities	182,927	175,292
Government bonds	4,105	5,101
Local government bonds	8,064	—
Corporate bonds	30,331	29,437
Foreign securities	140,424	140,753
Beneficiary rights	6,873	6,989
Securities held in custody accounts	264,437	271,092
Money claims	141,839	111,627
Money claims on home mortgage	2,275	2,515
Other money claims	139,564	109,112
Tangible fixed assets	106,817	103,117
Real estate	106,817	103,117
Other claims	7,509	6,729
Cash and due from banks	84,472	81,489
Due from banks	84,472	81,489
Assets Total	838,653	797,320
(Liabilities)		
Specified money trusts	192,448	186,066
Money entrusted, other than money trusts	137,296	137,132
Securities trusts	264,612	271,244
Monetary claims trusts	27,636	2,951
Composite trusts	216,660	199,925
Liabilities Total	838,653	797,320

Notes: 1. "Beneficiary rights", which the Bank acquired from a trust where the Bank acts as entrustor and trustee, is deducted from the total amount of beneficiary rights in the trust account, in order to avoid duplication.

The principal balance of the corresponding trust account is deducted from liabilities by the same amount.

2. There are no balances for guaranteed trusts.

Balance of Money Trusts under Management

(Millions of Yen)

Type	Sep. 2019	Mar. 2019
Money trusts	192,448	186,066
Total	192,448	186,066

Note: There are no balances for pension trusts, asset formation benefit trusts or loan trusts.

Trust Business Operations (Non-Consolidated)

Balance of Securities Related to Money Trusts

(Millions of Yen, %)

Type	Sep. 2019		Mar. 2019	
	Balance	Percentage	Balance	Percentage
Government bonds	3,102	1.71	4,098	2.36
Local government bonds	8,064	4.46	—	—
Short-term corporate bonds	—	—	—	—
Corporate bonds	29,328	16.21	28,433	16.41
Stocks	—	—	—	—
Other securities	140,424	77.62	140,753	81.23
Total	180,920	100.00	173,286	100.00

Note: There are no balances for pension trusts, asset formation benefit trusts or loan trusts.

Balance of Principal of Money Trusts by Trust Period

(Millions of Yen)

Type	Sep. 2019	Mar. 2019
Money trusts		
Less than 1 year	10,021	5
1-2 years	593	10,001
2-5 years	294	913
Over 5 years	1,468	1,478
Others	—	—
Total	12,377	12,398

Note: There are no balances for loan trusts.

Balance of Loans and Securities Held in Money Trust by Type

(Millions of Yen)

Type	Sep. 2019	Mar. 2019
Money trusts		
Loans	—	—
Securities	180,920	173,286
Money trusts Total	180,920	173,286
Total Loans	—	—
Total Securities	180,920	173,286
Total Loans and Securities	180,920	173,286

Note: There are no balances for pension trusts, asset formation benefit trusts or loan trusts.

The followings are not applicable.

- Balance of guaranteed trust (including trust assets entrusted to other banks for asset management) by type.
- Balance of loans held in money trusts by type.
- Balance of loans related to money trusts by category (loans on deeds, loans on bills and bills discounted).
- Balance of loans related to money trusts by contract term.
- Balance of loans related to money trusts by type of collateral (securities, claims, commodities, real estate, guarantees and unsecured).
- Balance of loans related to money trusts by purpose of use (capital spending and working capital).
- Balance of loans related to money trusts by industry and ratios to total loans.
- Balance of loans to Small and Medium-Sized Enterprises (SMEs) related to money trusts and ratios to total loans.
SMEs are defined as companies having capital of not more than ¥300 million (¥100 million in wholesale, and ¥50 million in retail, food service and leasing business categories), or companies with not more than 300 full-time employees (100 in wholesale and leasing, 50 in retail and food service business categories), etc.
- Balance of Risk-Monitored Loans related to guaranteed trust (including trust assets entrusted to other trust banks for asset management).
Risk-Monitored Loans are "Loans to bankrupt borrowers", "Past due loans", "Loans overdue for three months or more" and "Restructured loans."

Capitalization (Non-Consolidated)

History of Capitalization

(Millions of Yen)

Month/Year	Capital increases	Capital thereafter	Remarks
Sep. 2000	66,666	419,781	Compensatory private placement (common stock, 333,334 thousand shares); Issue price ¥300; Transfer to capital ¥200
Oct. 2000	(260,000)	159,781	Non-compensatory reduction of capital • Capital reduction of ¥105,287 million by redemption of the 2nd preferred stock, 102,000 thousand shares; the 3rd preferred stock, 386,398 thousand shares; and the 4th preferred stock, 71,856 thousand shares • Capital reduction of ¥154,712 million exceeding face amount of common stock and transferred to capital
Oct. 2000	260,000	419,781	Compensatory private placement (the 5th preferred stock, 866,667 thousand shares); Issue price ¥300; Transfer to capital ¥300
Nov. 2012	(319,781)	100,000	Capital reduction (Change in capital composition) Capital stock was reduced by ¥319,781 million. Of which, ¥53,980 million was transferred to legal capital surplus, and the remaining ¥265,801 million was transferred to other capital surplus.

Major Shareholders

(As of September 30, 2019)

	Number of shares held	Percentage of total outstanding shares
The Master Trust Bank of Japan, Ltd. (Trust Account)	9,550 Thousands	8.07%
Japan Trustee Services Bank, Ltd. (Trust Account)	6,442	5.45
Japan Trustee Services Bank, Ltd. (Trust Account 9)	3,720	3.14
Japan Trustee Services Bank, Ltd. (Trust Account 5)	2,304	1.95
JPMorgan Securities Japan Co., Ltd.	2,066	1.75
JP MORGAN CHASE BANK 385151	1,897	1.60
STATE STREET BANK WEST CLIENT-TREATY 505234	1,661	1.40
Aozora Bank, Ltd.	1,606	1.36
Japan Trustee Services Bank, Ltd. (Trust Account 1)	1,490	1.26
STATE STREET BANK AND TRUST COMPANY 505103	1,427	1.21
Japan Trustee Services Bank, Ltd. (Trust Account 7)	1,380	1.17
Others	84,740	71.64
Total	118,289	100.00

Notes: The above table was compiled based on the Bank's Shareholder Registry as of September 30, 2019.

Ownership and Distribution of Shares

(As of September 30, 2019)

Classification	Stock Status (1 <i>tangen</i> unit = 100 shares)								Fractional shares of common stock
	National and municipal governments	Financial institutions	Financial instruments firms	Other domestic companies	Foreign Investors		Individuals and others	Total	
					Other than individuals	Individuals			
Number of shareholders	—	73	45	750	553	99	77,637	79,157	—
Number of shares held (<i>tangen</i>)	—	337,037	39,116	30,882	299,160	972	475,278	1,182,445	44,918
Percentage of total number of shares	—	28.50	3.31	2.61	25.30	0.08	40.19	100.00	—

Notes: 1. Treasury stock of 1,606,157 shares comprises 16,061 *tangen* units under Individuals and others and 57 shares under Fractional shares of common stock.

2. In the Other domestic companies column, shares in the name of Japan Securities Depository Center Incorporated represent one *tangen* unit.

Disclosure Based on Basel III Capital Accord Pillar III—Market Discipline

This section describes the information consistent with FSA Notice Number 7, Basel III Pillar III—Market Discipline, based on Article 19-2.1.5.d and 19-3.1.3.c of the Ordinance for the Enforcement of the Banking Act (Ministry of Finance Ordinance Number 10, 1982), issued in 2014.

'Notice' in this section refers to FSA Notice Number 19, Basel III Pillar I—Minimum Capital Requirements and Buffers, issued in 2006.

Composition of Capital Disclosure

Composition of Capital Disclosure (Consolidated)

(Basel III)

(Millions of Yen)

Items	Sep. 30, 2019	Amounts excluded under transitional arrangements	Sep. 30, 2018	Amounts excluded under transitional arrangements
Core capital: instruments and reserves (1)				
Directly issued qualifying common share capital and preferred share capital with mandatory conversion clause plus related stock surplus and retained earnings	450,488		433,197	
of which: capital and capital surplus	187,387		187,377	
of which: retained earnings	270,951		253,798	
of which: treasury stock (-)	3,300		3,311	
of which: national specific regulatory adjustments (earnings to be distributed) (-)	4,550		4,667	
of which: other than above	-		-	
Accumulated other comprehensive income included in Core capital	(1,569)		(31)	
of which: foreign currency translation adjustment	(985)		133	
of which: remeasurements of defined benefit plans	(584)		(165)	
Subscription rights to common shares and preferred shares with mandatory conversion clause	447		357	
Adjusted non-controlling interests (amount allowed in group Core capital)	-		-	
Total general allowance for loan losses and eligible provisions included in Core capital	33,597		37,817	
of which: general allowance for loan losses	33,597		37,817	
of which: eligible provisions	-		-	
Eligible non-cumulative perpetual preferred shares subject to transitional arrangements included in Core capital	-		-	
Eligible capital instruments, other than non-cumulative perpetual preferred shares, subject to transitional arrangements included in Core capital	-		-	
Capital instruments issued using public capital injection programs included in Core capital	-		-	
Amounts equivalent to 45% of land revaluation excess subject to transitional arrangements included in Core capital	-		-	
Non-controlling interests subject to transitional arrangements included in Core capital	451		522	
Core capital: instruments and reserves (A)	483,415		471,863	
Core capital: regulatory adjustments (2)				
Total intangible assets (net of related tax liability, excluding those relating to mortgage servicing rights)	13,370		10,287	2,571
of which: goodwill (including those equivalent)	-		-	-
of which: other intangibles other than goodwill and mortgage servicing rights	13,370		10,287	2,571
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	209		565	141
Shortfall of eligible provisions to expected losses	-		-	-
Securitization gain on sale	-		-	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-		-	-
Defined-benefit pension fund net assets (prepaid pension costs)	2,723		1,654	413
Investments in own shares (excluding those reported in the Net assets section)	33		36	9
Reciprocal cross-holdings in capital instruments	-		-	-
Investments in the common stock and preferred stock with mandatory conversion clause of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-		-	-

(Millions of Yen)

Items	Sep. 30, 2019	Amounts excluded under transitional arrangements	Sep. 30, 2018	Amounts excluded under transitional arrangements
Amount exceeding the 10% threshold on specified items	—		—	—
of which: significant investments in the common stock and preferred stock with mandatory conversion clause of financials	—		—	—
of which: mortgage servicing rights	—		—	—
of which: deferred tax assets arising from temporary differences (net of related tax liability)	—		—	—
Amount exceeding the 15% threshold on specified items	—		—	—
of which: significant investments in the common stock and preferred stock with mandatory conversion clause of financials	—		—	—
of which: mortgage servicing rights	—		—	—
of which: deferred tax assets arising from temporary differences (net of related tax liability)	—		—	—
Core capital: regulatory adjustments (B)	16,337		12,543	
Regulatory capital				
Regulatory capital ((A)-(B)) (C)	467,077		459,320	
Risk-weighted assets (3)				
Credit risk assets	4,003,649		3,934,393	
Total of items subject to transitional arrangements included in risk-weighted assets	(22,500)		(30,572)	
of which: intangibles other than goodwill and mortgage servicing rights	—		2,571	
of which: deferred tax assets	—		141	
of which: defined-benefit pension fund net assets (prepaid pension costs)	—		413	
of which: investments in capital instruments of financials	(22,500)		(33,708)	
of which: other than above	—		9	
Risk assets derived from market risk equivalents	357,428		437,042	
Risk assets derived from operational risk equivalents	152,489		157,867	
Adjustments to credit risk assets	—		—	
Adjustments to operational risk equivalents	—		—	
Total risk-weighted assets (D)	4,513,566		4,529,302	
Consolidated capital adequacy ratio				
Consolidated capital adequacy ratio ((C)/(D))	10.34%		10.14%	

Note: Consolidated capital adequacy ratio is calculated based on the Notice.

The Bank uses the domestic standard applicable to Japanese banks without overseas branches or banking subsidiaries.

Methods used to calculate risk-weighted assets and amounts of required capital for each risk are as follows:

(Millions of Yen)

	Methods	Sep. 30, 2019	Sep. 30, 2018
Total required capital		180,542	181,172
Credit risk	Standardized approach	160,145	157,375
Market risk equivalents	Internal models approach and Standardized approach	14,297	17,481
Operational risk equivalents	Standardized approach	6,099	6,314

Disclosure Based on Basel III Capital Accord Pillar III—Market Discipline

Composition of Capital Disclosure (Non-Consolidated)

(Basel III)

(Millions of Yen)

Items	Sep. 30, 2019	Amounts excluded under transitional arrangements	Sep. 30, 2018	Amounts excluded under transitional arrangements
Core capital: instruments and reserves (1)				
Directly issued qualifying common share capital and preferred share capital with mandatory conversion clause plus related stock surplus and retained earnings	443,938		425,486	
of which: capital and capital surplus	187,387		187,377	
of which: retained earnings	264,401		246,087	
of which: treasury stock (-)	3,300		3,311	
of which: national specific regulatory adjustments (earnings to be distributed) (-)	4,550		4,667	
of which: other than above	-		-	
Subscription rights to common shares and preferred shares with mandatory conversion clause	447		357	
Total of general allowance for loan losses and eligible provisions included in Core capital	32,998		37,267	
of which: general allowance for loan losses	32,998		37,267	
of which: eligible provisions	-		-	
Eligible non-cumulative perpetual preferred shares subject to transitional arrangements included in Core capital	-		-	
Eligible capital instruments, other than non-cumulative perpetual preferred shares, subject to transitional arrangements included in Core capital	-		-	
Capital instruments issued using public capital injection programs included in Core capital	-		-	
Amounts equivalent to 45% of land revaluation excess subject to transitional arrangements included in Core capital	-		-	
Core capital: instruments and reserves (A)	477,384		463,110	
Core capital: regulatory adjustments (2)				
Total intangible assets (net of related tax liability, excluding those relating to mortgage servicing rights)	8,579		7,024	1,756
of which: goodwill (including those equivalent)	-		-	-
of which: other intangibles other than goodwill and mortgage servicing rights	8,579		7,024	1,756
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-		-	-
Shortfall of eligible provisions to expected losses	-		-	-
Securitization gain on sale	-		-	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-		-	-
Defined-benefit pension fund net assets (prepaid pension costs)	3,103		1,641	410
Investments in own shares (excluding those reported in the Net assets section)	33		36	9
Reciprocal cross-holdings in capital instruments	-		-	-
Investments in the common stock and preferred stock with mandatory conversion clause of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-		-	-
Amount exceeding the 10% threshold on specified items	-		-	-
of which: significant investments in the common stock and preferred stock with mandatory conversion clause of financials	-		-	-
of which: mortgage servicing rights	-		-	-
of which: deferred tax assets arising from temporary differences (net of related tax liability)	-		-	-
Amount exceeding the 15% threshold on specified items	-		-	-
of which: significant investments in the common stock and preferred stock with mandatory conversion clause of financials	-		-	-
of which: mortgage servicing rights	-		-	-
of which: deferred tax assets arising from temporary differences (net of related tax liability)	-		-	-
Core capital: regulatory adjustments (B)	11,716		8,702	
Regulatory capital				
Regulatory capital ((A)-(B)) (C)	465,667		454,408	

(Millions of Yen)

Items	Sep. 30, 2019	Amounts excluded under transitional arrangements	Sep. 30, 2018	Amounts excluded under transitional arrangements
Risk-weighted assets (3)				
Credit risk assets	4,024,950		3,947,402	
Total of items subject to transitional arrangements included in risk-weighted assets	(22,500)		(31,532)	
of which: intangibles other than goodwill and mortgage servicing rights	—		1,756	
of which: deferred tax assets	—		—	
of which: defined-benefit pension fund net assets (prepaid pension costs)	—		410	
of which: investments in capital instruments of financials	(22,500)		(33,708)	
of which: other than above	—		9	
Risk assets derived from market risk equivalents	356,928		436,662	
Risk assets derived from operational risk equivalents	139,482		146,710	
Adjustments to credit risk assets	—		—	
Adjustments to operational risk equivalents	—		—	
Total risk-weighted assets (D)	4,521,361		4,530,774	
Non-consolidated capital adequacy ratio				
Non-consolidated capital adequacy ratio ((C)/(D))	10.29%		10.02%	

Note: Non-consolidated capital adequacy ratio is calculated based on the Notice.

The Bank uses the domestic standard applicable to Japanese banks without overseas branches or banking subsidiaries.

Methods used to calculate risk-weighted assets and amounts of required capital for each risk are as follows:

(Millions of Yen)

	Methods	Sep. 30, 2019	Sep. 30, 2018
Total required capital		180,854	181,230
Credit risk	Standardized approach	160,998	157,896
Market risk equivalents	Internal models approach and Standardized approach	14,277	17,466
Operational risk equivalents	Standardized approach	5,579	5,868

Disclosure Based on Basel III Capital Accord Pillar III—Market Discipline

Quantitative Disclosure

1. Names of subsidiaries classified as other financial institutions under the Notice whose capital is short of the regulatory amount required, and total shortfall amount of such subsidiaries

(As of September 30, 2019 and 2018)

Not applicable

2. Items pertaining to capital adequacy

(1) Breakdown by Portfolio (Non-Consolidated)

(100 Million Yen)

Category	Sep. 2019			Sep. 2018		
	Amount of exposure	Amount of credit risk assets	Amount of capital requirements	Amount of exposure	Amount of credit risk assets	Amount of capital requirements
Cash	123	—	—	158	—	—
Claims on Japanese government/bank	5,411	—	—	5,156	—	—
Claims on foreign central government/bank	3,890	52	2	3,998	33	1
Claims on Bank for International Settlements (BIS)	—	—	—	—	—	—
Claims on Japanese local public bodies	391	0	0	387	1	0
Claims on non-central government public sector entities (PSEs) of foreign countries	1,404	280	11	841	176	7
Claims on multilateral development banks (MDBs)	—	—	—	—	—	—
Claims on Japan Finance Organization for Municipalities (JFM)	26	0	0	25	0	0
Claims on organs affiliated with the Japanese government	157	11	0	172	12	0
Claims on three major local public corporations	35	0	0	76	0	0
Claims on financial institutions and Type I financial instruments business operators	2,953	608	24	4,574	868	34
Claims on corporates	21,285	18,998	759	20,017	17,743	709
Claims on SMEs and individuals	—	—	—	—	—	—
Mortgage-backed housing loans	7	2	0	8	2	0
Claims on projects including acquisition of real estate properties	1,944	1,944	77	2,005	2,005	80
Loans overdue for three months or more	1,033	1,504	60	1,303	1,914	76
Cash items in process of collection	—	—	—	—	—	—
Loans guaranteed by Credit Guarantee Association, etc	0	0	0	0	0	0
Loans guaranteed by Regional Economy Vitalization Corporation of Japan (REVIC), etc	—	—	—	—	—	—
Equity, etc	1,164	1,164	46	1,330	1,330	53
Securitization exposure	1,854	677	27	1,280	602	24
Rating-based approach	1,754	610	24	1,108	405	16
Standardised approach	100	66	2	172	196	7
Risk weight = 1,250%	—	—	—	0	0	0
Specialised lending	5,904	5,756	230	5,007	4,900	196
Fund (look-through approach)				4,833	5,742	229
Risk weight 0% to 20%				5	0	0
Risk weight > 20% ≤ 50%				103	29	1
Risk weight > 50% ≤ 100%				1,850	1,588	63
Risk weight > 100% ≤ 150%				2,408	3,044	121
Risk weight > 150% < 1,250%				465	1,080	43
Risk weight = 1,250%				0	0	0
Exposures relating to funds	4,885	5,489	219			
Look-through approach	4,838	5,442	217			
Mandate-based approach	46	46	1			
250%	—	—	—			
400%	—	—	—			
Fall-back approach = 1,250%	—	—	—			
Amount calculated by dividing equivalent CVA risk amount by 8%	—	732	29	—	926	37
Central counterparty-related	5,876	241	9	1,808	74	2
Total of items included in risk-weighted assets subject to phase-out arrangements	150	150	6	291	360	14
Other	1,240	2,631	105	1,314	2,777	111
Total	59,740	40,249	1,609	54,593	39,474	1,578

Notes: 1. Amount of exposure

• After deducting the amount equivalent to partial direct write-offs. Specific allowance for loan losses and allowance for loans to restructuring countries are not subject to the deduction.

• The amount is equivalent to credit extension set forth in the Notice (after the effect of deducting the amount equivalent to credit extension under netting agreement).

• After credit risk mitigation.

• As the Bank is subject to domestic standards, the amount is calculated as 'credit risk assets ×4%'.

• There were no securitization transactions originated or sponsored by the Aozora Group.

• The amount is rounded down to the whole number. The same applies to the following charts.

2. Amount of credit risk assets
3. Amount of capital requirements
4. Securitization exposure
5. Indication method after the decimal point
6. Capital Adequacy Ratio Notice was revised as of March, 2019. Accordingly, the Bank changed the way of disclosure with regards to some exposures and below charts.

Breakdown by Portfolio (Consolidated)

(100 Million Yen)

Category	Sep. 2019			Sep. 2018		
	Amount of exposure	Amount of credit risk assets	Amount of capital requirements	Amount of exposure	Amount of credit risk assets	Amount of capital requirements
Cash	123	—	—	158	—	—
Claims on Japanese government/bank	6,024	—	—	5,206	—	—
Claims on foreign central government/bank	3,890	52	2	3,998	33	1
Claims on Bank for International Settlements (BIS)	—	—	—	—	—	—
Claims on Japanese local public bodies	391	0	0	387	1	0
Claims on non-central government public sector entities (PSEs) of foreign countries	1,404	280	11	841	176	7
Claims on multilateral development banks (MDBs)	—	—	—	—	—	—
Claims on Japan Finance Organization for Municipalities (JFM)	26	0	0	25	0	0
Claims on organs affiliated with the Japanese government	157	11	0	172	12	0
Claims on three major local public corporations	35	0	0	76	0	0
Claims on financial institutions and Type I financial instruments business operators	3,096	637	25	4,703	893	35
Claims on corporates	21,509	19,251	770	20,221	17,979	719
Claims on SMEs and individuals	—	—	—	—	—	—
Mortgage-backed housing loans	7	2	0	8	2	0
Claims on projects including acquisition of real estate properties	1,944	1,944	77	2,005	2,005	80
Loans overdue for three months or more	1,323	1,939	77	1,618	2,387	95
Cash items in process of collection	1	0	0	—	—	—
Loans guaranteed by Credit Guarantee Association, etc	0	0	0	0	0	0
Loans guaranteed by Regional Economy Vitalization Corporation of Japan (REVIC), etc	—	—	—	—	—	—
Equity, etc	699	699	27	1,000	1,000	40
Securitization exposure	1,854	677	27	1,280	602	24
Rating-based approach	1,754	610	24	1,108	405	16
Standardised approach	100	66	2	172	196	7
Risk weight = 1,250%	—	—	—	0	0	0
Specialised lending	5,904	5,756	230	5,007	4,900	196
Fund (look-through approach)				4,371	5,139	205
Risk weight 0% to 20%				5	0	0
Risk weight > 20% ≤ 50%				96	26	1
Risk weight > 50% ≤ 100%				1,801	1,541	61
Risk weight > 100% ≤ 150%				2,003	2,490	99
Risk weight > 150% < 1,250%				465	1,080	43
Risk weight = 1,250%				0	0	0
Exposures relating to funds	4,460	4,922	196			
Look-through approach	4,413	4,876	195			
Mandate-based approach	46	46	1			
250%	—	—	—			
400%	—	—	—			
Fall-back approach = 1,250%	—	—	—			
Amount calculated by dividing equivalent CVA risk amount by 8%	—	732	29	—	926	37
Central counterparty-related	5,876	241	9	1,808	74	2
Total of items included in risk-weighted assets subject to phase-out arrangements	150	150	6	301	369	14
Other	1,546	2,732	109	1,673	2,836	113
Total	60,428	40,036	1,601	54,870	39,343	1,573

Notes: 1. Amount of exposure

• After deducting the amount equivalent to partial direct write-offs.

Specific allowance for loan losses and allowance for loans to restructuring countries are not subject to the deduction.

• The amount is equivalent to credit extension set forth in the Notice (after the effect of deducting the amount equivalent to credit extension under netting agreement).

• After credit risk mitigation.

2. Amount of credit risk assets

3. Amount of capital requirements

4. Securitization exposure

• As the Bank is subject to domestic standards, the amount is calculated as 'credit risk assets ×4%.'

• There were no securitization transactions originated or sponsored by the Aozora Group.

Disclosure Based on Basel III

Capital Accord Pillar III—Market Discipline

(2) Amount of capital required to cover credit risk related to exposures held in funds:

This item is described in 'Exposures relating to funds' of 'Quantitative Disclosure 2.(1).'

(3) Amount of capital required to cover market risk and amounts presented by each method used:

(Millions of Yen)

	Sep. 2019		Sep. 2018	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Internal models approach	12,847	12,847	16,185	161,825
Standardized approach	1,449	1,429	1,296	1,281
Interest rate risk	386	385	193	193
Equity risk	114	112	177	176
Foreign exchange risk	18	0	13	0
Commodities risk	930	930	911	911
Options transactions	—	—	—	—
Total	14,297	14,277	17,481	17,466

Notes: The calculation methods are as follows:

- Internal models approach
General market risk for the interest rates, foreign exchange (major currencies), equity and CDS trading
- Standardized approach
General market risk not applicable to the internal model and specific risk for CDS trading, etc.

(4) Amount of capital required to cover operational risk and amounts presented by each method:

This information is described in 'Composition of Capital Disclosure.'

(5) Total capital requirements:

This information is described in 'Composition of Capital Disclosure.'

3. Items pertaining to credit risk

(1) Breakdown of term-end credit risk exposure balance by area, industry and residual period, as well as category:

Breakdown of Exposure by Area (Non-Consolidated)

(100 Million Yen)

Area	Sep. 2019				Sep. 2018			
	Loans, etc.	Securities	Derivatives	Total	Loans, etc.	Securities	Derivatives	Total
Japan	27,773	2,912	6,154	36,839	25,810	3,038	2,783	31,632
Overseas	12,399	9,825	676	22,900	12,665	9,262	1,032	22,960
Total	40,172	12,737	6,830	59,740	38,476	12,301	3,815	54,593

- Notes: 1. Loans, etc. include on-balance and off-balance-sheet exposures such as loans and commitment lines, other than securities and derivatives above.
2. Disclosure of the average balance is not made because there is no significant difference between the average risk position of the exposure for the term and the balance at the term-end.

Breakdown of Exposure by Area (Consolidated)

(100 Million Yen)

Area	Sep. 2019				Sep. 2018			
	Loans, etc.	Securities	Derivatives	Total	Loans, etc.	Securities	Derivatives	Total
Japan	29,203	2,214	6,154	37,572	26,660	2,446	2,783	31,889
Overseas	12,523	9,656	676	22,856	12,798	9,149	1,032	22,980
Total	41,727	11,871	6,830	60,428	39,459	11,595	3,815	54,870

- Notes: 1. Loans, etc. include on-balance and off-balance-sheet exposures such as loans and commitment lines, other than securities and derivatives above.
2. Disclosure of the average balance is not made because there is no significant difference between the average risk position of the exposure for the term and the balance at the term-end.

Breakdown of Exposure by Industry Sector (Non-Consolidated)

(100 Million Yen)

Industry sector	Sep. 2019				Sep. 2018			
	Loans, etc.	Securities	Derivatives	Total	Loans, etc.	Securities	Derivatives	Total
Sovereign	5,597	5,705	15	11,318	5,355	5,320	2	10,679
Financial institution	2,108	248	893	3,249	2,856	174	1,761	4,792
Manufacturing	4,795	281	90	5,167	4,390	256	48	4,695
Agriculture/forestry/fisheries	50	—	3	54	36	—	1	37
Mining	82	—	—	82	98	—	—	98
Construction	213	11	1	225	214	13	8	236
Utilities (electric power/gas/ heat supply/water service)	1,090	333	70	1,493	1,114	321	30	1,466
Information & telecommunications	1,906	190	0	2,097	1,682	260	0	1,943
Transport	629	43	99	771	639	47	29	716
Wholesale/retail	1,289	73	101	1,464	1,545	44	104	1,694
Other financial business (moneylending, leasing)	7,086	4,578	5,488	17,154	5,805	4,565	1,776	12,146
Real estate	9,358	1,251	38	10,649	8,177	1,281	17	9,476
Various services (excluding leasing)	3,425	5	26	3,456	3,494	5	12	3,511
Others	2,539	14	1	2,555	3,065	10	22	3,097
Total	40,172	12,737	6,830	59,740	38,476	12,301	3,815	54,593

Note: Loans, etc. include on-balance and off-balance-sheet exposures such as loans and commitment lines, other than securities and derivatives above.

Breakdown of Exposure by Industry Sector (Consolidated)

(100 Million Yen)

Industry sector	Sep. 2019				Sep. 2018			
	Loans, etc.	Securities	Derivatives	Total	Loans, etc.	Securities	Derivatives	Total
Sovereign	5,597	5,705	15	11,318	5,356	5,370	2	10,729
Financial institution	2,248	3	893	3,144	2,980	11	1,761	4,753
Manufacturing	4,818	281	90	5,190	4,419	256	48	4,724
Agriculture/forestry/fisheries	75	—	3	79	47	—	1	48
Mining	89	—	—	89	117	—	—	117
Construction	235	11	1	247	214	13	8	236
Utilities (electric power/gas/ heat supply/water service)	1,161	333	70	1,564	1,114	321	30	1,466
Information & telecommunications	1,954	190	0	2,145	1,721	260	0	1,982
Transport	629	43	99	771	639	47	29	716
Wholesale/retail	1,304	73	101	1,479	1,545	44	104	1,694
Other financial business (moneylending, leasing)	7,059	3,961	5,488	16,510	5,856	3,976	1,776	11,609
Real estate	9,358	1,251	38	10,649	8,177	1,281	17	9,476
Various services (excluding leasing)	3,440	1	26	3,468	3,513	1	12	3,527
Others	3,754	14	1	3,769	3,753	10	22	3,786
Total	41,727	11,871	6,830	60,428	39,459	11,595	3,815	54,870

Note: Loans, etc. include on-balance and off-balance-sheet exposures such as loans and commitment lines, other than securities and derivatives above.

Disclosure Based on Basel III Capital Accord Pillar III—Market Discipline

Breakdown of Exposure by Residual Period (Non-Consolidated)

(100 Million Yen)

Residual period	Sep. 2019				Sep. 2018			
	Loans, etc.	Securities	Derivatives	Total	Loans, etc.	Securities	Derivatives	Total
< 1 year	5,813	85	270	6,169	4,981	139	101	5,221
≥ 1 year < 5 years	11,332	1,679	1,928	14,940	10,521	1,218	667	12,406
≥ 5 years	23,026	10,971	4,631	38,629	22,974	10,944	3,046	36,965
Total	40,172	12,737	6,830	59,740	38,476	12,301	3,815	54,593

Notes: 1. Loans, etc. include on-balance and off-balance-sheet exposures such as loans and commitment lines, other than securities and derivatives above.
2. Exposures with a residual period of ≥ 5 years also include the transactions for which no maturity period is stipulated.

Breakdown of Exposure by Residual Period (Consolidated)

(100 Million Yen)

Residual period	Sep. 2019				Sep. 2018			
	Loans, etc.	Securities	Derivatives	Total	Loans, etc.	Securities	Derivatives	Total
< 1 year	5,384	85	270	5,740	4,790	139	101	5,031
≥ 1 year < 5 years	11,332	1,679	1,928	14,940	10,491	1,218	667	12,376
≥ 5 years	25,010	10,105	4,631	39,747	24,177	10,238	3,046	37,462
Total	41,727	11,871	6,830	60,428	39,459	11,595	3,815	54,870

Notes: 1. Loans, etc. include on-balance and off-balance-sheet exposures such as loans and commitment lines, other than securities and derivatives above.
2. Exposures with a residual period of ≥ 5 years also include the transactions for which no maturity period is stipulated.

(2) Balance of year-end exposures overdue three months or more and breakdown by area and industry:

Breakdown of Exposure Overdue for Three Months or More by Area (Non-Consolidated)

(100 Million Yen)

Area	Sep. 2019				Sep. 2018			
	Loans, etc.	Securities	Derivatives	Total	Loans, etc.	Securities	Derivatives	Total
Japan	45	—	—	45	316	—	0	317
Overseas	988	—	—	988	986	—	—	986
Total	1,033	—	—	1,033	1,302	—	0	1,303

Notes: 1. Loans, etc. include on-balance and off-balance-sheet exposures such as loans and commitment lines, other than securities and derivatives above.
2. 'Exposures Overdue for Three Months or More' shows assets which have 150% of risk weight that is before write-off/reserve by Provision 71 of the Notice.

Breakdown of Exposure Overdue for Three Months or More by Area (Consolidated)

(100 Million Yen)

Area	Sep. 2019				Sep. 2018			
	Loans, etc.	Securities	Derivatives	Total	Loans, etc.	Securities	Derivatives	Total
Japan	335	—	—	335	632	—	0	632
Overseas	988	—	—	988	986	—	—	986
Total	1,323	—	—	1,323	1,618	—	0	1,618

Notes: 1. Loans, etc. include on-balance and off-balance-sheet exposures such as loans and commitment lines, other than securities and derivatives above.
2. 'Exposures Overdue for Three Months or More' shows assets which have 150% of risk weight that is before write-off/reserve by Provision 71 of the Notice.

Breakdown of Exposure Overdue for Three Months or More by Industry Sector (Non-Consolidated)

(100 Million Yen)

Industry sector	Sep. 2019				Sep. 2018			
	Loans, etc.	Securities	Derivatives	Total	Loans, etc.	Securities	Derivatives	Total
Sovereign	—	—	—	—	—	—	—	—
Financial institution	—	—	—	—	—	—	—	—
Manufacturing	321	—	—	321	386	—	—	386
Agriculture/forestry/fisheries	—	—	—	—	—	—	—	—
Mining	21	—	—	21	—	—	—	—
Construction	—	—	—	—	26	—	—	26
Utilities (electric power/gas/ heat supply/water service)	101	—	—	101	34	—	—	34
Information & telecommunications	167	—	—	167	70	—	—	70
Transport	0	—	—	0	0	—	—	0
Wholesale/retail	175	—	—	175	192	—	—	192
Other financial business (moneylending, leasing)	—	—	—	—	247	—	0	248
Real estate	108	—	—	108	140	—	—	140
Various services (excluding leasing)	137	—	—	137	203	—	—	203
Others	0	—	—	0	0	—	—	0
Total	1,033	—	—	1,033	1,302	—	0	1,303

Notes: 1. Loans, etc. include on-balance and off-balance-sheet exposures such as loans and commitment lines, other than securities and derivatives above.
2. 'Exposures Overdue for Three Months or More' shows assets which have 150% of risk weight that is before write-off/reserve by Provision 71 of the Notice.

Breakdown of Exposure Overdue for Three Months or More by Industry Sector (Consolidated)

(100 Million Yen)

Industry sector	Sep. 2019				Sep. 2018			
	Loans, etc.	Securities	Derivatives	Total	Loans, etc.	Securities	Derivatives	Total
Sovereign	—	—	—	—	—	—	—	—
Financial institution	—	—	—	—	—	—	—	—
Manufacturing	321	—	—	321	386	—	—	386
Agriculture/forestry/fisheries	—	—	—	—	—	—	—	—
Mining	21	—	—	21	—	—	—	—
Construction	—	—	—	—	26	—	—	26
Utilities (electric power/gas/ heat supply/water service)	101	—	—	101	34	—	—	34
Information & telecommunications	167	—	—	167	70	—	—	70
Transport	0	—	—	0	0	—	—	0
Wholesale/retail	175	—	—	175	192	—	—	192
Other financial business (moneylending, leasing)	—	—	—	—	247	—	0	248
Real estate	108	—	—	108	140	—	—	140
Various services (excluding leasing)	137	—	—	137	203	—	—	203
Others	289	—	—	289	315	—	—	315
Total	1,323	—	—	1,323	1,618	—	0	1,618

Notes: 1. Loans, etc. include on-balance and off-balance-sheet exposures such as loans and commitment lines, other than securities and derivatives above.
2. 'Exposures Overdue for Three Months or More' shows assets which have 150% of risk weight that is before write-off/reserve by Provision 71 of the Notice.

Disclosure Based on Basel III Capital Accord Pillar III—Market Discipline

(3) Year-end balances and year-on-year changes for general allowance for loan losses, specific allowance for loan losses and country risk allowance:

Breakdown of Allowance by Area (Non-Consolidated)

(100 Million Yen)

Area	Sep. 2019	Sep. 2018	Mar. 2019	Mar. 2018
General allowance	323	363	368	398
Specific allowance	88	37	74	33
Japan	77	33	47	33
Overseas	11	3	26	—
Allowance for loans to restructuring countries	—	—	—	—
Total	411	401	442	432

(100 Million Yen)

Area	Sep. 2019 – Mar. 2019	Sep. 2018 – Mar. 2018
General allowance	(45)	(34)
Specific allowance	14	3
Japan	29	0
Overseas	(15)	3
Allowance for loans to restructuring countries	—	—
Total	(30)	(31)

Breakdown of Allowance by Area (Consolidated)

(100 Million Yen)

Area	Sep. 2019	Sep. 2018	Mar. 2019	Mar. 2018
General allowance	329	369	375	401
Specific allowance	88	37	74	33
Japan	77	33	47	33
Overseas	11	3	26	—
Allowance for loans to restructuring countries	—	—	—	—
Total	417	406	450	434

(100 Million Yen)

Area	Sep. 2019 – Mar. 2019	Sep. 2018 – Mar. 2018
General allowance	(46)	(31)
Specific allowance	14	3
Japan	29	0
Overseas	(15)	3
Allowance for loans to restructuring countries	—	—
Total	(32)	(28)

Breakdown of Allowance by Industry Sector (Non-Consolidated)

(100 Million Yen)

Industry sector	Sep. 2019	Sep. 2018	Mar. 2019	Mar. 2018
General allowance	323	363	368	398
Specific allowance	88	37	74	33
Sovereign	—	—	—	—
Financial institution	—	—	—	—
Manufacturing	9	3	23	0
Agriculture/forestry/fisheries	36	—	—	—
Mining	—	—	—	—
Construction	—	—	—	—
Utilities (electric power/gas/heat supply/water service)	—	—	—	—
Information & telecommunications	1	—	17	—
Transport	—	—	—	—
Wholesale/retail	28	19	18	18
Other financial business (moneylending, leasing)	—	0	—	0
Real estate	—	2	1	2
Various services (excluding leasing)	12	11	12	12
Others	0	0	0	0
Allowance for loans to restructuring countries	—	—	—	—
Total	411	401	442	432

(100 Million Yen)

Industry sector	Sep. 2019 – Mar. 2019	Sep. 2018 – Mar. 2018
General allowance	(45)	(34)
Specific allowance	14	3
Sovereign	—	—
Financial institution	—	—
Manufacturing	(14)	3
Agriculture/forestry/fisheries	36	—
Mining	—	—
Construction	—	—
Utilities (electric power/gas/heat supply/water service)	—	—
Information & telecommunications	(15)	—
Transport	—	—
Wholesale/retail	9	0
Other financial business (moneylending, leasing)	—	(0)
Real estate	(1)	(0)
Various services (excluding leasing)	(0)	(0)
Others	(0)	0
Allowance for loans to restructuring countries	—	—
Total	(30)	(31)

Disclosure Based on Basel III Capital Accord Pillar III—Market Discipline

Breakdown of Allowance by Industry Sector (Consolidated)

(100 Million Yen)

Industry sector	Sep. 2019	Sep. 2018	Mar. 2019	Mar. 2018
General allowance	329	369	375	401
Specific allowance	88	37	74	33
Sovereign	—	—	—	—
Financial institution	—	—	—	—
Manufacturing	9	3	23	0
Agriculture/forestry/fisheries	36	—	—	—
Mining	—	—	—	—
Construction	—	—	—	—
Utilities (electric power/gas/heat supply/water service)	—	—	—	—
Information & telecommunications	1	—	17	—
Transport	—	—	—	—
Wholesale/retail	28	19	18	18
Other financial business (moneylending, leasing)	—	0	—	0
Real estate	—	2	1	2
Various services (excluding leasing)	12	11	12	12
Others	0	0	0	0
Allowance for loans to restructuring countries	—	—	—	—
Total	417	406	450	434

(100 Million Yen)

Industry sector	Sep. 2019 – Mar. 2019	Sep. 2018 – Mar. 2018
General allowance	(46)	(31)
Specific allowance	14	3
Sovereign	—	—
Financial institution	—	—
Manufacturing	(14)	3
Agriculture/forestry/fisheries	36	—
Mining	—	—
Construction	—	—
Utilities (electric power/gas/heat supply/water service)	—	—
Information & telecommunications	(15)	—
Transport	—	—
Wholesale/retail	9	0
Other financial business (moneylending, leasing)	—	(0)
Real estate	(1)	(0)
Various services (excluding leasing)	(0)	(0)
Others	(0)	0
Allowance for loans to restructuring countries	—	—
Total	(32)	(28)

(4) Write-offs by industry sector:

Breakdown of Write-Offs by Industry Sector (Non-Consolidated)

(100 Million Yen)

Industry sector	Sep. 2019	Sep. 2018	Mar. 2019
Sovereign	—	—	—
Financial institution	—	—	—
Manufacturing	—	0	—
Agriculture/forestry/fisheries	—	—	—
Mining	—	1	1
Construction	—	—	—
Utilities (electric power/gas/heat supply/water service)	—	—	—
Information & telecommunications	—	—	—
Transport	—	—	—
Wholesale/retail	—	—	—
Other financial business (moneylending, leasing)	—	—	—
Real estate	—	—	—
Various services (excluding leasing)	—	—	—
Others	—	—	—
Total	—	1	1

Note: The table shows the breakdown of the write-off of loans in the Statement of Operations.

Breakdown of Write-Offs by Industry Sector (Consolidated)

(100 Million Yen)

Industry sector	Sep. 2019	Sep. 2018	Mar. 2019
Sovereign	—	—	—
Financial institution	—	—	—
Manufacturing	3	—	—
Agriculture/forestry/fisheries	—	—	—
Mining	—	1	1
Construction	—	—	—
Utilities (electric power/gas/heat supply/water service)	—	—	—
Information & telecommunications	—	—	—
Transport	—	—	—
Wholesale/retail	—	—	—
Other financial business (moneylending, leasing)	—	—	0
Real estate	—	—	—
Various services (excluding leasing)	—	—	—
Others	0	0	0
Total	3	1	2

Notes: 1. The table shows the breakdown of the write-off of loans in the Statement of Operations.

2. The 'Write-offs' include write-offs made by Aozora Loan Services Co., Ltd., which are shown on the 'Others' line.

(5) Outstanding exposure after credit risk mitigation by risk weight:

(Non-Consolidated)

(100 Million Yen)

Risk weight	Sep. 2019		Sep. 2018	
	Amount of exposure		Amount of exposure	
		Application of external rating		Application of external rating
0%	10,590	3,702	10,875	3,905
> 0% ≤ 10%	5,999	19	1,946	15
> 10% ≤ 20%	6,226	6,165	5,959	5,950
> 20% ≤ 50%	2,357	2,293	2,397	2,282
> 50% ≤ 75%	1,515	313	83	67
> 75% ≤ 100%	27,794	8,065	27,432	7,798
> 100% ≤ 150%	3,781	1,182	3,844	1,352
> 150% < 1,250%	1,343	33	1,551	14
1,250%	3	—	0	0
Total	59,611	21,775	54,091	21,385

Note: In the 'Application of external rating' section, the exposures to which an external rating is applied in the calculation of risk weight are included.

(Consolidated)

(100 Million Yen)

Risk weight	Sep. 2019		Sep. 2018	
	Amount of exposure		Amount of exposure	
		Application of external rating		Application of external rating
0%	11,261	3,702	11,184	3,905
> 0% ≤ 10%	5,999	19	1,946	15
> 10% ≤ 20%	6,582	6,308	6,155	6,080
> 20% ≤ 50%	2,381	2,323	2,420	2,312
> 50% ≤ 75%	1,514	313	79	67
> 75% ≤ 100%	27,405	8,205	27,151	7,830
> 100% ≤ 150%	3,793	1,182	3,872	1,352
> 150% < 1,250%	1,358	33	1,558	14
1,250%	3	—	0	0
Total	60,300	22,089	54,367	21,578

Note: In the 'Application of external rating' section, the exposures to which an external rating is applied in the calculation of risk weight are included.

Disclosure Based on Basel III Capital Accord Pillar III—Market Discipline

4. Items pertaining to credit risk mitigation techniques

Breakdown of Exposure for Which Credit Risk Mitigations Are Applied (Non-Consolidated)

(100 Million Yen)

Credit risk mitigation	Sep. 2019	Sep. 2018
Eligible financial collateral	1,043	376
Cash and deposits at Aozora	1,032	361
Debt securities	—	—
Equities	11	15
Others	—	—
Guarantees and credit derivatives	730	608
Guarantees	730	608
Credit derivatives	—	—
Total	1,774	984

Note: The exposure above does not include the amount for which a credit risk mitigation is recognized through netting between loans and deposits at the Bank under the netting agreement (Provision 117 of the Notice) and the repo transactions etc.

Breakdown of Exposure for Which Credit Risk Mitigations Are Applied (Consolidated)

(100 Million Yen)

Credit risk mitigation	Sep. 2019	Sep. 2018
Eligible financial collateral	1,043	376
Cash and deposits at Aozora	1,032	361
Debt securities	—	—
Equities	11	15
Others	—	—
Guarantees and credit derivatives	730	608
Guarantees	730	608
Credit derivatives	—	—
Total	1,774	984

Note: The exposure above does not include the amount for which a credit risk mitigation is recognized through netting between loans and deposits at the Bank under the netting agreement (Provision 117 of the Notice) and the repo transactions etc.

5. Items pertaining to counterparty risk on derivative transactions and long-settlement transactions

Breakdown of Derivative Transactions and Long-Settlement Transactions (Non-Consolidated) As of end-September 2018 Current exposure method

(100 Million Yen)

Type of transaction	Sep. 2018		
	Gross replacement cost	Gross add-on	Credit-equivalent amount
Gross credit-equivalent amount (before credit risk mitigation)	2,175	2,684	4,860
Derivative transactions	2,175	2,684	4,860
Forex and gold-related	682	941	1,623
Interest rate-related	1,309	1,318	2,627
Equity-related	74	247	322
Precious metal-related (excluding gold-related)	—	—	—
Other commodity-related	82	58	141
Credit derivatives (counterparty risk)	26	117	144
Long-settlement transactions	—	—	—
Credit-equivalent amount reduction effect through close-out netting agreement	(762)	(281)	(1,044)
Net credit-equivalent amount (before credit risk mitigation)			3,815
Eligible financial collateral associated			335
Cash and deposits at Aozora			335
Net credit-equivalent amount (after credit risk mitigation)			3,480

As of end-September 2019 SA-CCR

(100 Million Yen)

Replacement cost (RC)	Potential future exposures (PFE)	Collateral used in this transaction		Credit-equivalent amount (RC + PFE) × 1.4	Amount of credit risk assets
		Received collateral	Posted collateral		
1,946	2,932	991	434	6,830	852

Notes: 1. Credit-equivalent amounts are figures after credit risk mitigation.

2. Received collateral and posted collateral are cash and deposits at Aozora. Received collateral is after taking into account credit risk mitigation.

Disclosure Based on Basel III Capital Accord Pillar III—Market Discipline

Breakdown of Derivative Transactions and Long-Settlement Transactions (Consolidated) As of end-September 2018 Current exposure method

(100 Million Yen)

Type of transaction	Sep. 2018		
	Gross replacement cost	Gross add-on	Credit-equivalent amount
Gross credit-equivalent amount (before credit risk mitigation)	2,175	2,684	4,860
Derivative transactions	2,175	2,684	4,860
Forex and gold-related	682	941	1,623
Interest rate-related	1,309	1,318	2,627
Equity-related	74	247	322
Precious metal-related (excluding gold-related)	—	—	—
Other commodity-related	82	58	141
Credit derivatives (counterparty risk)	26	117	144
Long-settlement transactions	—	—	—
Credit-equivalent amount reduction effect through close-out netting agreement	(762)	(281)	(1,044)
Net credit-equivalent amount (before credit risk mitigation)			3,815
Eligible financial collateral associated			335
Cash and deposits at Aozora			335
Net credit-equivalent amount (after credit risk mitigation)			3,480

As of end-September 2019 SA-CCR

(100 Million Yen)

Replacement cost (RC)	Potential future exposures (PFE)	Collateral used in this transaction		Credit-equivalent amount (RC + PFE) × 1.4	Amount of credit risk assets
		Received collateral	Posted collateral		
1,946	2,932	991	434	6,830	852

Notes: 1. Credit-equivalent amounts are figures after credit risk mitigation.

2. Received collateral and posted collateral are cash and deposits at Aozora. Received collateral is after taking into account credit risk mitigation.

Breakdown of Credit Derivative Transactions (Non-Consolidated)

(100 Million Yen)

Type of transaction	Purchase or supply of guarantee	Sep. 2019	Sep. 2018
		Notional principal	Notional principal
Transactions subject to the calculation of credit-equivalent amount		2,964	2,749
Credit derivatives (credit reference asset of single organization)	Purchase	1,427	1,316
	Supply	1,537	1,432
First-to-default type	Purchase	—	—
	Supply	—	—
Second-to-default type	Purchase	—	—
	Supply	—	—
Transactions not subject to the calculation of credit-equivalent amount	Purchase	—	—

Note: The transactions not subject to the calculation of credit-equivalent amount are figures used for credit risk mitigations.

Breakdown of Credit Derivative Transactions (Consolidated)

(100 Million Yen)

Type of transaction	Purchase or supply of guarantee	Sep. 2019	Sep. 2018
		Notional principal	Notional principal
Transactions subject to the calculation of credit-equivalent amount		2,964	2,749
Credit derivatives (credit reference asset of single organization)	Purchase	1,427	1,316
	Supply	1,537	1,432
First-to-default type	Purchase	—	—
	Supply	—	—
Second-to-default type	Purchase	—	—
	Supply	—	—
Transactions not subject to the calculation of credit-equivalent amount	Purchase	—	—

Note: The transactions not subject to the calculation of credit-equivalent amount are figures used for credit risk mitigations.

Disclosure Based on Basel III Capital Accord Pillar III—Market Discipline

6. Items pertaining to securitization transactions

(1) Securitization transactions originated by the Aozora Group

As of September 30, 2018 and 2019, there were no securitization transactions originated by the Aozora Group.

(2) Securitization transactions in which the Aozora Group invests

Securitization Exposure Held by the Group (Non-Consolidated)

(100 Million Yen)

Category of underlying assets	Sep. 2019					
	Securitization exposure		Resecuritization exposure		Total	
	On-Balance	Off-Balance	On-Balance	Off-Balance	On-Balance	Off-Balance
Corporate exposures	757	48	—	—	757	48
Retail exposures	951	71	—	—	951	71
Residential loan receivables	—	—	—	—	—	—
Lease receivables	—	—	—	—	—	—
Others	25	—	—	—	25	—
Total	1,734	120	—	—	1,734	120

(100 Million Yen)

Category of underlying assets	Sep. 2018					
	Securitization exposure		Resecuritization exposure		Total	
	On-Balance	Off-Balance	On-Balance	Off-Balance	On-Balance	Off-Balance
Corporate exposures	546	41	0	—	546	41
Retail exposures	651	—	—	—	651	—
Residential loan receivables	—	—	—	—	—	—
Lease receivables	—	—	—	—	—	—
Others	41	—	0	—	41	—
Total	1,239	41	0	—	1,239	41

Securitization Exposure Held by the Group (Consolidated)

(100 Million Yen)

Category of underlying assets	Sep. 2019					
	Securitization exposure		Resecuritization exposure		Total	
	On-Balance	Off-Balance	On-Balance	Off-Balance	On-Balance	Off-Balance
Corporate exposures	757	48	—	—	757	48
Retail exposures	951	71	—	—	951	71
Residential loan receivables	—	—	—	—	—	—
Lease receivables	—	—	—	—	—	—
Others	25	—	—	—	25	—
Total	1,734	120	—	—	1,734	120

(100 Million Yen)

Category of underlying assets	Sep. 2018					
	Securitization exposure		Resecuritization exposure		Total	
	On-Balance	Off-Balance	On-Balance	Off-Balance	On-Balance	Off-Balance
Corporate exposures	546	41	0	—	546	41
Retail exposures	651	—	—	—	651	—
Residential loan receivables	—	—	—	—	—	—
Lease receivables	—	—	—	—	—	—
Others	41	—	0	—	41	—
Total	1,239	41	0	—	1,239	41

Outstanding Securitization Exposure by Risk Weight and Capital Requirement Thereof (Non-Consolidated)

(100 Million Yen)

Risk weight	Sep. 2019							
	Securitization exposure				Resecuritization exposure			
	On-Balance		Off-Balance		On-Balance		Off-Balance	
	Outstanding	Capital requirement	Outstanding	Capital requirement	Outstanding	Capital requirement	Outstanding	Capital requirement
0%	—	—	—	—	—	—	—	—
> 0% ≤ 20%	1,265	10	50	0	—	—	—	—
> 20% ≤ 50%	55	1	70	1	—	—	—	—
> 50% ≤ 100%	287	7	—	—	—	—	—	—
> 100% < 1,250%	125	6	—	—	—	—	—	—
1,250%	—	—	—	—	—	—	—	—
Total	1,734	25	120	1	—	—	—	—

Disclosure Based on Basel III Capital Accord Pillar III—Market Discipline

(100 Million Yen)

Risk weight	Sep. 2018							
	Securitization exposure				Resecuritization exposure			
	On-Balance		Off-Balance		On-Balance		Off-Balance	
	Outstanding	Capital requirement	Outstanding	Capital requirement	Outstanding	Capital requirement	Outstanding	Capital requirement
0%	—	—	—	—	—	—	—	—
> 0% ≤ 20%	495	3	—	—	—	—	—	—
> 20% ≤ 50%	613	12	—	—	—	—	—	—
> 50% ≤ 100%	48	1	41	1	—	—	—	—
> 100% < 1,250%	82	4	—	—	—	—	—	—
1,250%	—	—	—	—	0	0	—	—
Total	1,239	22	41	1	0	0	—	—

Outstanding Securitization Exposure by Risk Weight and Capital Requirement Thereof (Consolidated)

(100 Million Yen)

Risk weight	Sep. 2019							
	Securitization exposure				Resecuritization exposure			
	On-Balance		Off-Balance		On-Balance		Off-Balance	
	Outstanding	Capital requirement	Outstanding	Capital requirement	Outstanding	Capital requirement	Outstanding	Capital requirement
0%	—	—	—	—	—	—	—	—
> 0% ≤ 20%	1,265	10	50	0	—	—	—	—
> 20% ≤ 50%	55	1	70	1	—	—	—	—
> 50% ≤ 100%	287	7	—	—	—	—	—	—
> 100% < 1,250%	125	6	—	—	—	—	—	—
1,250%	—	—	—	—	—	—	—	—
Total	1,734	25	120	1	—	—	—	—

(100 Million Yen)

Risk weight	Sep. 2018							
	Securitization exposure				Resecuritization exposure			
	On-Balance		Off-Balance		On-Balance		Off-Balance	
	Outstanding	Capital requirement	Outstanding	Capital requirement	Outstanding	Capital requirement	Outstanding	Capital requirement
0%	—	—	—	—	—	—	—	—
> 0% ≤ 20%	495	3	—	—	—	—	—	—
> 20% ≤ 50%	613	12	—	—	—	—	—	—
> 50% ≤ 100%	48	1	41	1	—	—	—	—
> 100% < 1,250%	82	4	—	—	—	—	—	—
1,250%	—	—	—	—	0	0	—	—
Total	1,239	22	41	1	0	0	—	—

Securitization Exposure Calculated By Risk Weight of 1,250% (Non-Consolidated)

(100 Million Yen)

Category of underlying assets	Sep. 2019	Sep. 2018
	Amount of exposure	Amount of exposure
Corporate exposures	—	0
Retail exposures	—	—
Residential loan receivables	—	—
Lease receivables	—	—
Others	—	0
Total	—	0

Securitization Exposure Calculated By Risk Weight of 1,250% (Consolidated)

(100 Million Yen)

Category of underlying assets	Sep. 2019	Sep. 2018
	Amount of exposure	Amount of exposure
Corporate exposures	—	0
Retail exposures	—	—
Residential loan receivables	—	—
Lease receivables	—	—
Others	—	0
Total	—	0

Presence/Absence of Method Applied to Reduce Credit Risk to Resecuritization Exposures in Which the Aozora Group Invests and Breakdown of Risk-Weight Categories Applied to Guarantors

As of September 30, 2018 and 2019, there were no resecuritization exposures to which methods to reduce credit risk have been applied.

(3) Securitization exposure in which the Aozora Group invests that is subject to the calculation of the market risk amount

There was no securitization exposure in which the Aozora Group invests that was subject to the calculation of the market risk amount as of September 30, 2019 and 2018.

(4) Securitization exposure originated by the Aozora Group that is subject to the calculation of the market risk amount

There was no securitization exposure originated by the Aozora Group that was subject to the calculation of the market risk amount as of September 30, 2019 and 2018.

Disclosure Based on Basel III Capital Accord Pillar III—Market Discipline

7. Items pertaining to market risk

(1) The Value at Risk (VaR) number at term-end as well as the highest, lowest and average VaR numbers during the disclosure period

Market risk for the entire bank

1) The Value at Risk (VaR) number at term-end

(100 Million Yen)

	Sep. 2019				
	Interest rate	Equity	Forex	Others	Total
Trading	1	1	0	0	5
Banking	40	29	0	27	51
Total	42	30	1	27	57

(100 Million Yen)

	Sep. 2018				
	Interest rate	Equity	Forex	Others	Total
Trading	1	5	0	0	7
Banking	39	19	0	18	49
Total	41	25	1	18	57

Notes: 1. 'Others' includes hedge funds and credit derivatives, etc.

2. The above figures are based on a 1-day holding period and a 99% confidence level.

3. The figures for total VaR do not represent the sum of individual components, due to correlations.

2) The highest, lowest and average VaR number during the disclosure period

(100 Million Yen)

	Sep. 2019			
	Average	Maximum	Minimum	As of Sep. 2019
Trading	5	8	4	5
Banking	48	53	45	51

(100 Million Yen)

	Sep. 2018			
	Average	Maximum	Minimum	As of Sep. 2018
Trading	7	10	5	7
Banking	51	61	45	49

(2) The stressed Value at Risk (stressed VaR) number at term-end and the highest, lowest and average stressed VaR number during the disclosure period

(100 Million Yen)

Sep. 2019			
Average	Maximum	Minimum	As of Sep. 2019
21	33	14	23

(100 Million Yen)

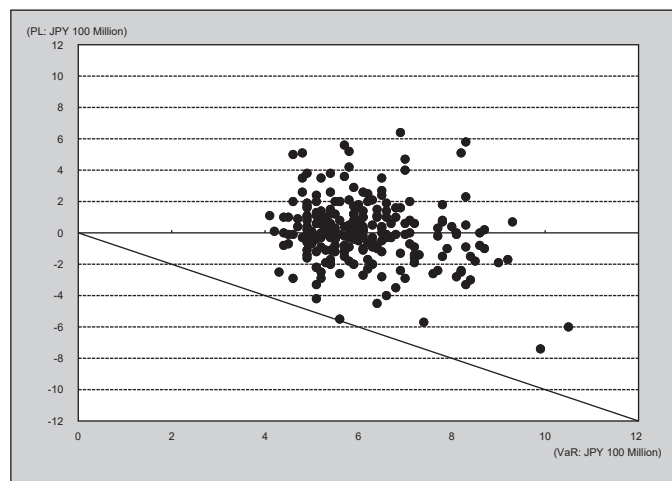
Sep. 2018			
Average	Maximum	Minimum	As of Sep. 2018
26	40	17	33

(3) Amount of required capital for additional and comprehensive risk at term-end and the highest, lowest and average capital requirements during the disclosure period

There was no applicable required capital amount as of September 30, 2019 and 2018.

(4) Back-testing results and explanations in the event actual losses strayed significantly downward from VaR numbers

The following graph represents the results of the back testing for trading businesses with internal models over the 241 business days from October 1, 2018 to September 30, 2019. As a result of the back testing, by comparing 1-day holding VaR to daily hypothetical P/L, the daily losses did not exceed daily VaR on any business day. This result supports the reliability of the Bank's VaR.

**8. Items pertaining to equity exposures in the banking book****(1) Balance sheet amount**

(Millions of Yen)

	Sep. 30, 2019		Sep. 30, 2018	
	Non-consolidated	Consolidated	Non-consolidated	Consolidated
Balance sheet amount	165,135	118,607	231,728	198,756
Listed stock exposures	118,062	118,062	193,203	193,203
Other	47,073	545	38,525	5,553

(2) Gains and losses on sales, and write-offs of equity exposure

(Millions of Yen)

	1H of FY2019		1H of FY2018	
	Non-consolidated	Consolidated	Non-consolidated	Consolidated
Gains on sales	6,307	6,307	6,283	6,283
Losses on sales	0	0	5	5
Write-off	1,529	1,529	—	—

(3) Unrealized gains/losses recognized on the balance sheet but not recognized on the statement of income

(Millions of Yen)

	Sep. 30, 2019		Sep. 30, 2018	
	Non-consolidated	Consolidated	Non-consolidated	Consolidated
Unrealized gains (losses)	39,697	39,697	85,131	85,131

(4) Unrealized gains/losses not recognized on the balance sheet or the statement of income

(As of September 30, 2019 and 2018)

Consolidated: Not applicable

Non-consolidated: Not applicable

9. Amount of exposures held in funds

This item is described in 'Exposures relating to funds' of 'Quantitative Disclosure 2.(1).'

Disclosure Based on Basel III Capital Accord Pillar III—Market Discipline

10. Losses on interest rate shocks based on internal measures for interest rate risk related to the banking book, and changes in economic prices

Interest rate risk in the banking book

(100 Million Yen, %)

	Sep. 2018
P/L impact of interest rate shock	287
Outlier ratio (ratio to regulatory capital)	6.3

Note: Interest rate shock is defined as the figure of 99th percentiles on the interest rate movement distribution based on a 1-year holding period observed during the past five years

11. Items pertaining to interest rate risk

• Non-consolidated

(Millions of Yen)

IRRBB1 : Interest rate risk									
Item No.		a		b		c		d	
		△EVE				△NII			
		Sep. 2019		Sep. 2018		Sep. 2019		Sep. 2018	
1	Parallel up	71,189	/	/	/	/	/	/	/
2	Parallel down	2,166	/	/	/	/	/	/	/
3	Steeper	33,626	/	/	/	/	/	/	/
4	Flattener	/	/	/	/	/	/	/	/
5	Short-term interest rate up	/	/	/	/	/	/	/	/
6	Short-term interest rate down	/	/	/	/	/	/	/	/
7	Maximum	71,189	/	/	/	/	/	/	/
		e				f			
		Sep. 2019		Sep. 2018		Sep. 2019		Sep. 2018	
8	Regulatory capital	465,667		/		/		/	

• Consolidated

(Millions of Yen)

IRRBB1 : Interest rate risk									
Item No.		a		b		c		d	
		△EVE				△NII			
		Sep. 2019		Sep. 2018		Sep. 2019		Sep. 2018	
1	Parallel up	75,971	/	/	/	/	/	/	/
2	Parallel down	2,153	/	/	/	/	/	/	/
3	Steeper	33,970	/	/	/	/	/	/	/
4	Flattener	/	/	/	/	/	/	/	/
5	Short-term interest rate up	/	/	/	/	/	/	/	/
6	Short-term interest rate down	/	/	/	/	/	/	/	/
7	Maximum	75,971	/	/	/	/	/	/	/
		e				f			
		Sep. 2019		Sep. 2018		Sep. 2019		Sep. 2018	
8	Regulatory capital	467,077		/		/		/	

Share Procedure Information

(As of January 1, 2020)

- **Fiscal year** From April 1 to March 31
- **Ordinary General Shareholders' Meeting** Held in June
- **Record date for determination of dividends** March 31, June 30, September 30 and December 31
- **Record date** Ordinary General Shareholders' Meeting: March 31 (also to be held in other cases as deemed necessary, whereby the record date will be set and advance notice given)
- **Public notifications** Electronic public notice via the Internet. In the event that public notice cannot be made via the Internet, the Nihon Keizai Shimbun will be used.
- **Listed on** The First Section of the Tokyo Stock Exchange
- **Securities code** 8304
- **Number of shares constituting one unit (tangen)** 100 shares
- **Manager of register of shareholders and administrator of the 'special account'** Sumitomo Mitsui Trust Bank, Limited
4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo
- Manager of register of shareholders' location** Stock Transfer Agency Business Planning Dept.,
Sumitomo Mitsui Trust Bank, Limited
4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo
- (Mailing address)** Stock Transfer Agency Business Planning Dept.,
Sumitomo Mitsui Trust Bank, Limited
8-4, Izumi 2-chome, Suginami-ku, Tokyo, 168-0063
- (Contact number)** 0120-782-031 (toll free only if calling from Japan)

- **Inquiries regarding shares and notification of changes**

We ask that shareholders direct all inquiries, including change of address, to their securities company. For those shareholders who do not have an account with a securities firm, inquiries should be directed to the agent above.

- **Regarding the 'special account'**

Prior to the implementation of the electronic share certificate system in Japan, an account was established with Sumitomo Mitsui Trust Bank, Limited, for shareholders who did not use JASDEC's hofuri system. Such shareholders should direct all matters related to change of address and other inquiries to the agent above.

Aozora Bank Website

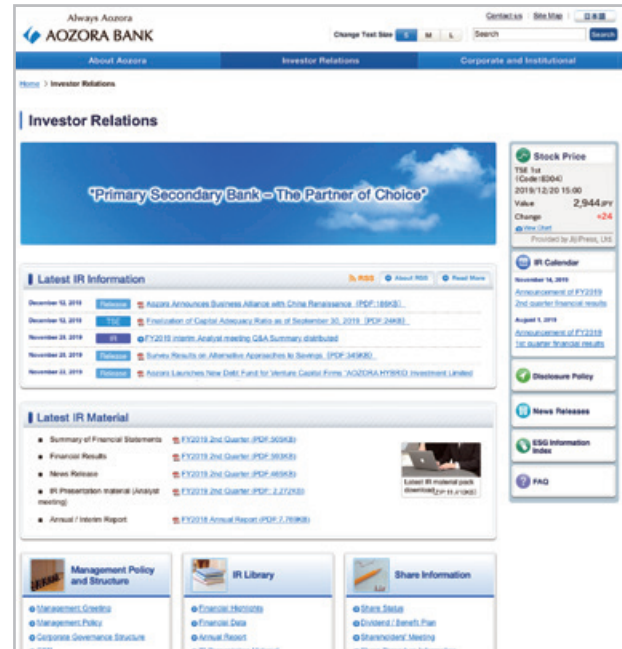
<https://www.aozorabank.co.jp/english/>

About Aozora



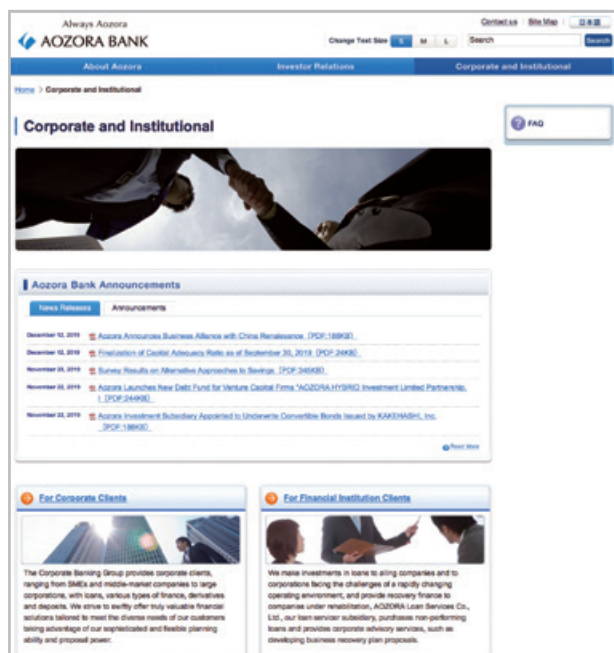
<https://www.aozorabank.co.jp/english/>

Investor Relations



<https://www.aozorabank.co.jp/english/ir/>

Corporate and Institutional



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Corporate Communication Division
AOZORA BANK, Ltd.

6-1-1, Kojimachi, Chiyoda-ku, Tokyo 102-8660, Japan
Tel: +81-3-6752-1111