

Financial Results for 1st Half of FY2018



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I. Overviews of the Financial Results for the 1st Half Ended September 30, 2018 (Fiscal Year 2018)

1. Summary of Revenue and Expenses

[Consolidated]

(million yen)

	FY 2018 1st Half Period		FY 2017 1st Half Period (B)
	(A)	(A)-(B)	
Consolidated net revenue ※1	44,846	799	44,047
Net interest income	27,084	2,125	24,959
Net fees and commissions	4,675	(1,107)	5,782
Net trading income	5,413	(2,227)	7,641
Net other ordinary income	7,673	2,008	5,664
General and administrative expenses	(23,622)	(902)	(22,720)
Business profit ※2	21,224	(103)	21,327
Credit-related expenses	3,019	(2,428)	5,448
Write-off of loans	(158)	(86)	(71)
Provision of specific allowance for loan losses	(470)	(3,838)	3,367
Provision of general allowance for loan losses	3,222	1,693	1,528
Provision of allowance for loans to restructuring countries	-	-	-
Loss on disposition of loans	(2)	(2)	-
Recoveries of written-off claims	329	(242)	571
Provision of reserve for credit losses on off-balance-sheet instruments	99	47	51
Gains (losses) on stock transactions	5,184	1,063	4,121
Income from interests in associated undertakings	-	-	-
Other	210	731	(520)
Ordinary profit	29,639	(736)	30,375
Extraordinary profit (loss)	-	21	(21)
Profit before income taxes and non-controlling interests	29,639	(715)	30,354
Income taxes-current	(7,852)	(1,334)	(6,518)
Income taxes-deferred	(1,153)	(246)	(906)
Profit	20,633	(2,295)	22,929
Loss attributable to non-controlling interests	744	493	250
Profit attributable to owners of parent	21,377	(1,802)	23,180

※1 Consolidated net revenue = (Interest income - Interest expenses) + (Fees and commissions income - Fees and commissions expenses)
+ (Trading income - Trading expenses) + (Other ordinary income - Other ordinary expenses)

※2 Business profit = Consolidated net revenue - General and administrative expenses

(Note) The amounts are rounded down to the nearest million yen.

(Scope of Consolidation and Equity-Method Application)

(Number of companies)

	FY 2018 1st Half Period		FY 2017 1st Half Period (B)
	(A)	(A)-(B)	
Consolidated subsidiaries	23	3	20
Affiliated companies applying equity-method	0	0	0

【Non-consolidated】

(million yen)

	FY 2018		FY 2017 1st Half Period (B)
	1st Half Period (A)	(A)-(B)	
Net revenue	42,163	485	41,678
(Excluding gains (losses) on bond transactions)	39,998	(121)	40,120
Net interest income	26,503	2,439	24,063
Net fees and commissions	4,031	(2,009)	6,040
Net trading income	4,466	(1,508)	5,975
Net other ordinary income	7,163	1,564	5,598
(Gains (losses) on bond transactions)	2,165	607	1,557
General and administrative expenses	(19,978)	405	(20,384)
Personnel	(9,912)	(81)	(9,831)
Property and equipment	(8,675)	(23)	(8,651)
Taxes	(1,391)	509	(1,900)
Business profit before general allowance for loan losses	22,185	890	21,294
Excluding gains (losses) on bond transactions	20,020	283	19,736
Credit-related expenses	3,103	(2,394)	5,497
Written-off of loans	(152)	(152)	(0)
Provision of specific allowance for loan losses	(470)	(3,838)	3,367
Provision of general allowance for loan losses	3,476	1,819	1,657
Provision of allowance for loans to restructuring countries	-	-	-
Loss on disposition of loans	-	-	-
Recoveries of written-off claims	158	(287)	446
Provision of reserve for credit losses on off-balance-sheet instruments	92	65	27
Gains (losses) on stock transactions	5,184	1,063	4,121
Other	62	728	(665)
Ordinary profit	30,535	288	30,247
Extraordinary profit (loss)	-	21	(21)
Profit before income taxes	30,535	309	30,226
Income taxes-current	(7,588)	(1,241)	(6,346)
Income taxes-deferred	(989)	(157)	(832)
Profit	21,958	(1,088)	23,047
Business profit	22,185	890	21,294

(Note) The amounts are rounded down to the nearest million yen.

2. Profit Margins [Non-consolidated]

(Total)

	FY 2018 1st Half Period		FY 2017 1st Half Period
	(A)	(A)-(B)	(B)
(1) Yield on total investments (A)	2.33%	0.35%	1.98%
Yield on loans (B)	2.08%	0.36%	1.72%
Yield on securities	3.11%	0.43%	2.68%
(2) Rate of funding cost (including general and administrative expenses) (C)	1.96%	0.23%	1.73%
Cost of debentures, deposits & certificates of deposit (including general and administrative expenses) (D)	1.51%	(0.04%)	1.55%
Yield on debentures, deposits & certificates of deposit (E)	0.23%	0.04%	0.19%
Yield on borrowings	0.56%	(0.05%)	0.61%
(3) Profit margins (A) - (C)	0.37%	0.12%	0.25%
(4) Loan margin (B) - (D)	0.57%	0.40%	0.17%
(5) Yield spread (B) - (E)	1.85%	0.32%	1.53%

(Note) The figures are calculated in the method specified in "Kessan Jokyohyo".

(Domestic operations)

	FY 2018 1st Half Period		FY 2017 1st Half Period
	(A)	(A)-(B)	(B)
(1) Yield on total investments (A)	0.71%	(0.09%)	0.80%
Yield on loans (B)	0.88%	0.01%	0.87%
Yield on securities	2.09%	(0.48%)	2.57%
(2) Rate of funding cost (including general and administrative expenses) (C)	1.18%	(0.08%)	1.26%
Cost of debentures, deposits & certificates of deposit (including general and administrative expenses) (D)	1.36%	(0.05%)	1.41%
Yield on debentures, deposits & certificates of deposit (E)	0.16%	(0.01%)	0.17%
Yield on borrowings	0.27%	(0.01%)	0.28%
(3) Profit margins (A) - (C)	(0.47%)	(0.01%)	(0.46%)
(4) Loan margin (B) - (D)	(0.48%)	0.06%	(0.54%)
(5) Yield spread (B) - (E)	0.72%	0.02%	0.70%

(Note) The figures are calculated in the method specified in "Kessan Jokyohyo".

3. Business Profit [Non-consolidated]

(million yen)

	FY 2018 1st Half Period		FY 2017 1st Half Period
	(A)	(A)-(B)	(B)
Business profit			
before general allowance for loan losses	22,185	890	21,294
per employee (thousand yen)	12,050	73	11,976

4. ROE [Non-consolidated]

	FY 2018 1st Half Period		FY 2017 1st Half Period
	(A)	(A)-(B)	(B)
Business profit before general allowance for loan losses basis	10.31%	0.19%	10.12%
Profit basis	10.20%	(0.75%)	10.95%

$$\text{ROE} = \frac{\text{Profit} \times 365 \div \text{number of days elapsed}}{\{(\text{Total net assets at beginning of term} - \text{Share acquisition rights}) + (\text{Total net assets at end of term} - \text{Share acquisition rights})\} \div 2}$$

5. Gains (losses) on Securities Transactions [Non-consolidated]

(million yen)

	FY 2018 1st Half Period		FY 2017 1st Half Period
	(A)	(A)-(B)	(B)
Gains (losses) on bond transactions	2,165	607	1,557
Gain on sale	2,348	534	1,814
Gain on redemption	-	-	-
Loss on sale	(109)	107	(217)
Loss on redemption	(73)	(34)	(38)
Loss on devaluation	(0)	0	(0)
Gains (losses) on stock transactions	5,184	1,063	4,121
Gain on sale	5,184	1,063	4,121
Loss on sale	-	-	-
Loss on devaluation	-	0	(0)

6. Investments and Funding

【Non-consolidated】

(Total)

(million yen)

	FY 2018 1st Half Period				FY 2017 1st Half Period	
	(A)		(A) - (B)		(B)	
	Average balance	Yield	Average balance	Yield	Average balance	Yield
Total investments	4,082,411	2.33%	277,451	0.35%	3,804,960	1.98%
Due from banks	41,900	1.69%	(34)	0.59%	41,935	1.10%
Call loans	643	1.71%	251	0.77%	392	0.94%
Receivables under resale agreements	5	(0.07%)	5	(0.07%)	-	-
Receivables under securities borrowing transactions	55	0.00%	55	0.00%	-	-
Securities	1,225,266	3.11%	135,409	0.43%	1,089,857	2.68%
Loans and bills discounted	2,655,313	2.07%	104,968	0.34%	2,550,345	1.73%
Total funding	4,171,923	1.01%	240,725	0.31%	3,931,198	0.70%
Deposits	2,932,563	0.24%	176,276	0.04%	2,756,286	0.20%
Negotiable certificates of deposit	123,427	0.00%	(5,342)	0.00%	128,770	0.00%
Debentures	56,320	0.26%	(54,270)	0.02%	110,591	0.24%
Call money	84,542	1.22%	(23,851)	0.13%	108,393	1.09%
Payables under repurchase agreements	30,056	2.11%	29,851	0.76%	205	1.35%
Payables under securities lending transactions	405,028	1.82%	31,138	0.74%	373,890	1.08%
Borrowed money	301,880	0.38%	16,484	(0.04%)	285,395	0.42%
Bonds payable	206,359	0.62%	67,814	(0.11%)	138,545	0.73%

(Domestic operations)

(million yen)

	FY 2018 1st Half Period				FY 2017 1st Half Period	
	(A)		(A) - (B)		(B)	
	Average balance	Yield	Average balance	Yield	Average balance	Yield
Total investments	3,482,000	0.71%	234,376	(0.09%)	3,247,623	0.80%
Due from banks	4,313	0.00%	4,159	(0.13%)	154	0.13%
Call loans	109	0.06%	54	(0.08%)	54	0.14%
Receivables under resale agreements	5	(0.07%)	5	(0.07%)	-	-
Receivables under securities borrowing transactions	55	0.00%	55	0.00%	-	-
Securities	309,490	2.09%	9,587	(0.48%)	299,902	2.57%
Loans and bills discounted	1,568,092	0.92%	21,518	0.00%	1,546,574	0.92%
Total funding	3,577,042	0.18%	169,647	0.00%	3,407,394	0.18%
Deposits	2,832,037	0.17%	119,041	(0.01%)	2,712,996	0.18%
Negotiable certificates of deposit	123,427	0.00%	(5,342)	0.00%	128,770	0.00%
Debentures	56,320	0.26%	(54,270)	0.02%	110,591	0.24%
Call money	43,437	(0.02%)	8,474	(0.01%)	34,962	(0.01%)
Payables under repurchase agreements	-	-	-	-	-	-
Payables under securities lending transactions	57,437	0.00%	11,217	0.01%	46,219	(0.01%)
Borrowed money	289,717	0.31%	31,627	(0.01%)	258,089	0.32%
Bonds payable	169,715	0.11%	64,491	0.00%	105,224	0.11%

【Consolidated】

(Total)

(million yen)

	FY 2018 1st Half Period				FY 2017 1st Half Period	
	(A)		(A) - (B)		(B)	
	Average balance	Yield	Average balance	Yield	Average balance	Yield
Total investments	4,054,861	2.37%	275,961	0.33%	3,778,900	2.04%
Due from banks	67,349	1.23%	(11,871)	0.53%	79,221	0.70%
Call loans and bills bought	643	1.71%	251	0.77%	392	0.94%
Receivables under resale agreements	5	(0.07%)	5	(0.07%)	-	-
Receivables under securities borrowing transactions	55	0.00%	55	0.00%	-	-
Securities	1,160,563	3.29%	141,641	0.42%	1,018,921	2.87%
Loans and bills discounted	2,641,620	2.12%	111,483	0.31%	2,530,137	1.81%
Total funding	4,171,788	1.01%	250,541	0.31%	3,921,246	0.70%
Deposits	2,930,656	0.24%	186,065	0.04%	2,744,590	0.20%
Negotiable certificates of deposit	123,427	0.00%	(5,342)	0.00%	128,770	0.00%
Debentures	56,320	0.26%	(54,270)	0.02%	110,591	0.24%
Call money and bills sold	84,542	1.22%	(23,851)	0.13%	108,393	1.09%
Payables under repurchase agreements	30,056	2.11%	29,851	0.76%	205	1.35%
Payables under securities lending transactions	405,028	1.82%	31,138	0.74%	373,890	1.08%
Borrowed money	303,652	0.38%	16,513	(0.05%)	287,139	0.43%
Bonds payable	206,359	0.62%	67,814	(0.11%)	138,545	0.73%

7. Unrealized Gains and Losses on Securities

① Valuation standards

Held-for-trading securities	Fair value
Held-to-maturity bonds	Amortized cost
Stocks in subsidiaries and affiliates	Acquisition cost
Available-for-sale securities	
With fair value available	Fair value (Unrealized gains (losses) recorded in net assets, net of taxes.)
Without fair value available	Acquisition cost

② Unrealized gains and losses

【Non-consolidated】

(million yen)

		September 30, 2018				March 31, 2018		
		Unrealized gains and losses				Unrealized gains and losses		
		(A)	(A)-(B)	gains	losses	(B)	gains	losses
Held-to-maturity bonds		-	-	-	-	-	-	-
Stocks in subsidiaries and affiliates		-	-	-	-	-	-	-
Available-for-sale securities		61,307	2,928	103,139	41,832	58,379	90,290	31,911
Japanese stocks		76,213	10,918	76,223	10	65,294	65,302	7
Japanese debt securities		118	(141)	355	236	260	364	103
Other		(15,024)	(7,848)	26,560	41,585	(7,176)	24,623	31,799
Total		61,307	2,928	103,139	41,832	58,379	90,290	31,911
Japanese stocks		76,213	10,918	76,223	10	65,294	65,302	7
Japanese debt securities		118	(141)	355	236	260	364	103
Other		(15,024)	(7,848)	26,560	41,585	(7,176)	24,623	31,799

(Note) The gain or loss from revaluation of 'Securities' on the balance sheet is included in the table above.

A portion of beneficial interests in investment trust within 'Monetary claims bought' are marked-to-market, but the unrealized gains and losses in the table below are not included in the table above.

		September 30, 2018				March 31, 2018		
		Unrealized gains and losses (A)	(A)-(B)	gains	losses	Unrealized gains and losses (B)	gains	losses
Monetary claims bought		15	(4)	15	-	20	21	0

Available-for-sale securities are marked-to-market, and above figures are difference between balance sheet amount and acquisition cost.

【Consolidated】

(million yen)

		September 30, 2018				March 31, 2018		
		Unrealized gains and losses				Unrealized gains and losses		
		(A)	(A)-(B)	gains	losses	(B)	gains	losses
Held-to-maturity bonds		-	-	-	-	-	-	-
Available-for-sale securities		61,367	2,898	103,200	41,833	58,468	90,380	31,911
Japanese stocks		76,213	10,918	76,223	10	65,294	65,302	7
Japanese debt securities		120	(143)	358	237	263	367	103
Other		(14,966)	(7,877)	26,618	41,585	(7,089)	24,710	31,799
Total		61,367	2,898	103,200	41,833	58,468	90,380	31,911
Japanese stocks		76,213	10,918	76,223	10	65,294	65,302	7
Japanese debt securities		120	(143)	358	237	263	367	103
Other		(14,966)	(7,877)	26,618	41,585	(7,089)	24,710	31,799

(Note) The gain or loss from revaluation of 'Securities' on the consolidated balance sheet is included in the table above.

A portion of beneficial interests in investment trust within 'Monetary claims bought' are marked-to-market, but the unrealized gains and losses in the table below are not included in the table above.

		September 30, 2018				March 31, 2018		
		Unrealized gains and losses (A)	(A)-(B)	gains	losses	Unrealized gains and losses (B)	gains	losses
Monetary claims bought		15	(4)	15	-	20	21	0

Available-for-sale securities are marked-to-market, and above figures are difference between consolidated balance sheet amount and acquisition cost.

8. Employees' Retirement Benefits

① Provision for retirement benefits

【Non-consolidated】

(million yen)

			September 30, 2018		March 31, 2018
			(A)	(A) - (B)	(B)
	Defined retirement benefit obligation	(A)	(41,204)	293	(41,498)
	Fair value of plan assets	(B)	34,899	71	34,828
	Unfunded retirement benefit obligation	(C)=(A)+(B)	(6,304)	364	(6,669)
	Unrecognized actuarial losses	(D)	1,198	(92)	1,290
	Unrecognized prior-service cost	(E)	(900)	163	(1,064)
	Net liability recognized	(F)=(C)+(D)+(E)	(6,007)	436	(6,443)
	Prepaid pension costs	(G)	2,957	386	2,571
	Provision for retirement benefits	(F)-(G)	(8,965)	49	(9,015)

【Consolidated】

(million yen)

			September 30, 2018		March 31, 2018
			(A)	(A) - (B)	(B)
	Defined retirement benefit obligation	(A)	(41,348)	292	(41,641)
	Fair value of plan assets	(B)	34,899	71	34,828
	Unfunded retirement benefit obligation	(C)=(A)+(B)	(6,449)	363	(6,813)
	Net defined benefit asset	(D)	2,980	259	2,720
	Net defined benefit liability	(C)-(D)	(9,429)	104	(9,533)
	Unrecognized actuarial losses	(E)	(1,198)	92	(1,290)
	Unrecognized prior-service cost	(F)	900	(163)	1,064
	Remeasurements of defined benefit plans (before income tax effect)	(E)+(F)	(297)	(71)	(225)

② Net periodic benefit costs

【Non-consolidated】

(million yen)

			FY 2018 1st Half Period		FY 2017 1st Half Period
			(A)	(A) - (B)	(B)
	Net periodic benefit costs		355	199	155
	Service cost		780	(31)	811
	Interest cost		81	(0)	82
	Expected return on plan assets		(435)	(8)	(426)
	Amortization of prior-service cost		(163)	-	(163)
	Recognized actuarial losses		92	240	(148)
	Other		-	(1)	1

【Consolidated】

(million yen)

			FY 2018 1st Half Period		FY 2017 1st Half Period
			(A)	(A) - (B)	(B)
	Net periodic benefit costs regarding defined benefit pension plans		380	211	168

9. Capital Adequacy Ratio (under Japanese domestic standards)

■ Basel III

【Consolidated】

(million yen)

	September 30, 2018			March 31, 2018	September 30, 2017
	preliminary (A)	(A) - (B)	(A) - (C)	(B)	(C)
(1) Capital adequacy ratio (4)/(5)	10.14%	(0.25%)	(0.72%)	10.39%	10.86%
(2) Core capital: instruments and reserves	471,863	9,632	10,788	462,231	461,075
(3) Core capital: regulatory adjustments	12,543	1,298	5,217	11,244	7,326
(4) Regulatory capital (2)-(3)	459,320	8,333	5,570	450,986	453,749
(5) Risk-weighted assets	4,529,302	189,572	354,378	4,339,730	4,174,924
(6) Total required capital (5)*4%	181,172	7,582	14,175	173,589	166,996

【Non-consolidated】

(million yen)

	September 30, 2018			March 31, 2018	September 30, 2017
	preliminary (A)	(A) - (B)	(A) - (C)	(B)	(C)
(1) Capital adequacy ratio (4)/(5)	10.02%	(0.23%)	(0.66%)	10.25%	10.68%
(2) Core capital: instruments and reserves	463,110	9,154	10,808	453,955	452,302
(3) Core capital: regulatory adjustments	8,702	273	2,621	8,429	6,081
(4) Regulatory capital (2)-(3)	454,408	8,881	8,187	445,526	446,221
(5) Risk-weighted assets	4,530,774	188,344	355,752	4,342,429	4,175,021
(6) Total required capital (5)*4%	181,230	7,533	14,230	173,697	167,000

The 'Composition of Capital Disclosure' is available on our website at
<http://www.aozorabank.co.jp/english/ir/library/>

II. Status of Loans, etc.

1. Risk Monitored Loans

☐ After partial and direct written-off

【Non-consolidated】

(million yen)

		September 30, 2018			March 31, 2018	September 30, 2017
		(A)	(A) - (B)	(A) - (C)	(B)	(C)
Risk Monitored Loans	Loans to bankrupt companies	-	(177)	(141)	177	141
	Past due loans	6,902	2,278	5,121	4,623	1,780
	Loans overdue for 3 months or more	-	-	-	-	-
	Restructured loans	2,157	-	-	2,157	2,157
	Total	9,059	2,100	4,980	6,958	4,078
Loan balance (end of period basis)		2,665,432	40,690	91,042	2,624,742	2,574,389

Ratio to Loan balance	Loans to bankrupt companies	-	(0.0%)	(0.0%)	0.0%	0.0%
	Past due loans	0.3%	0.1%	0.2%	0.2%	0.1%
	Loans overdue for 3 months or more	-	-	-	-	-
	Restructured loans	0.1%	(0.0%)	(0.0%)	0.1%	0.1%
	Total	0.3%	0.1%	0.2%	0.3%	0.2%

☐ After partial and direct written-off

【Consolidated】

(million yen)

		September 30, 2018			March 31, 2018	September 30, 2017
		(A)	(A) - (B)	(A) - (C)	(B)	(C)
Risk Monitored Loans	Loans to bankrupt companies	-	(177)	(141)	177	141
	Past due loans	6,902	2,278	5,121	4,623	1,780
	Loans overdue for 3 months or more	-	-	-	-	-
	Restructured loans	2,157	-	-	2,157	2,157
	Total	9,059	2,100	4,980	6,958	4,078
Loan balance (end of period basis)		2,654,463	43,184	98,696	2,611,278	2,555,766

Ratio to Loan balance	Loans to bankrupt companies	-	(0.0%)	(0.0%)	0.0%	0.0%
	Past due loans	0.3%	0.1%	0.2%	0.2%	0.1%
	Loans overdue for 3 months or more	-	-	-	-	-
	Restructured loans	0.1%	(0.0%)	(0.0%)	0.1%	0.1%
	Total	0.3%	0.1%	0.2%	0.3%	0.2%

2. Allowance for Loan Losses☐ After partial and direct written-off

【Non-consolidated】

(million yen)

	September 30, 2018			March 31, 2018	September 30, 2017
	(A)	(A) - (B)	(A) - (C)	(B)	(C)
Allowance for loan losses	40,101	(3,135)	(5,278)	43,236	45,379
General allowance	36,384	(3,476)	(8,137)	39,860	44,521
Specific allowance	3,717	340	2,858	3,376	858
Allowance for loans to restructuring countries	-	-	-	-	-

☐ After partial and direct written-off

【Consolidated】

(million yen)

	September 30, 2018			March 31, 2018	September 30, 2017
	(A)	(A) - (B)	(A) - (C)	(B)	(C)
Allowance for loan losses	40,639	(2,856)	(5,071)	43,495	45,711
General allowance	36,921	(3,197)	(7,930)	40,119	44,852
Specific allowance	3,717	340	2,858	3,376	858
Allowance for loans to restructuring countries	-	-	-	-	-

3. Disclosed Claims under the Financial Reconstruction Law ("FRL Credit")☐ After partial and direct written-off

【Non-consolidated】

(million yen)

	September 30, 2018			March 31, 2018	September 30, 2017
	(A)	(A) - (B)	(A) - (C)	(B)	(C)
Bankrupt and similar credit	-	(177)	(153)	177	153
Doubtful credit	6,902	2,278	5,133	4,623	1,768
Special attention credit	2,157	-	-	2,157	2,157
Total (a)	9,059	2,100	4,980	6,958	4,078
Normal assets	2,690,029	36,521	88,441	2,653,508	2,601,588
Grand total (b)	2,699,088	38,622	93,421	2,660,466	2,605,667
Non-performing loans ratio (a/b)	0.3%	0.1%	0.2%	0.3%	0.2%

4. Allowance and Coverage for FRL Credit☐ After partial and direct written-off

【Non-consolidated】

(million yen)

	September 30, 2018			March 31, 2018	September 30, 2017
	(A)	(A) - (B)	(A) - (C)	(B)	(C)
Allowance & Coverage (c)	8,111	2,293	4,696	5,818	3,414
Allowance for loan losses (d)	5,150	354	2,874	4,795	2,275
Collateral / guarantee coverage (e)	2,961	1,938	1,822	1,022	1,138

(Note) Allowance for loan losses (d) is the sum of specific allowance for loan losses and general allowance for loan losses for FRL Credit.

Coverage Ratio c/a

	September 30, 2018			March 31, 2018	September 30, 2017
	(A)	(A) - (B)	(A) - (C)	(B)	(C)
After partial and direct written-off	89.5%	5.9%	5.8%	83.6%	83.7%

Allowance Ratio d/(a-e)

	September 30, 2018			March 31, 2018	September 30, 2017
	(A)	(A) - (B)	(A) - (C)	(B)	(C)
After partial and direct written-off	84.5%	3.7%	7.1%	80.8%	77.4%

5. Coverage for FRL Credit by Borrowers' Category

☐ After partial and direct written-off

【Non-consolidated】

(100 millions yen)

Borrower categories for self-assessment	FRL Credit		Allowance & Coverage	Allowance Ratio	Coverage Ratio	Risk Monitored Loans
	Loans	other				
Bankrupt borrowers	Bankrupt and similar credit -		Collateral / Guarantee coverage -	100.0%	100.0%	Loans to bankrupt companies -
De facto bankrupt borrowers						
In Danger of Bankruptcy borrowers	Doubtful credit 69		Collateral / Guarantee coverage 29 Allowance 36 Estimated collections 2	93.1%	96.1%	Past due loans 69
Need Attention borrowers	Special attention credit 21		Collateral / Guarantee coverage - Allowance 14 Estimated collections 6	68.7%	68.7%	Loans overdue for three months or more -
Normal borrowers	(Normal credit) (26,900)					Restructured loans 21

FRL Credit, total 90	Collateral / Guarantee coverage 29 Allowance 51 Estimated collections 9	FRL Credit Allowance Ratio 84.5%	FRL Credit Coverage Ratio 89.5%	Risk Monitored loans 90
Total credit 26,990	Total allowance 401	Allowance ratio = Allowance / (Credit – Collateral, Guarantees, etc.) Coverage ratio = (Collateral, Guarantees + Allowance) / Credit		
The reserve ratio for the non-secured portion of special attention credit		68.6%		
The reserve ratio for the need attention credit		4.5%		
The reserve ratio for the normal credit		1.0%		

(Note) The amounts are rounded down to the nearest 100 millions yen.

6. Off-Balancing of FRL Credit [Non-consolidated]

① Balance of doubtful credit, and bankrupt and similar credit

(100 millions yen)

Newly added within:		As of Mar. 31, 2015	As of Sep. 30, 2015	As of Mar. 31, 2016	As of Sep. 30, 2016	As of Mar. 31, 2017	As of Sep. 30, 2017	As of Mar. 31, 2018 (B)	increase (decrease) (A)-(B)	As of Sep. 30, 2018 (A)
-Mar. 31, 2015	Bankrupt and similar credit	2	2	1	1	0	0	-	-	-
	Doubtful credit	261	182	148	124	111	13	13	(0)	13
	subtotal	264	184	150	125	112	13	13	(0)	13
Apr. 1, 2015 -Sep. 30, 2015	Bankrupt and similar credit	-	-	-	-	-	-	-	-	-
	Doubtful credit	-	25	25	23	-	-	-	-	-
	subtotal	-	25	25	23	-	-	-	-	-
Oct. 1, 2015 -Mar. 31, 2016	Bankrupt and similar credit	-	-	-	-	-	-	-	-	-
	Doubtful credit	-	-	15	-	-	-	-	-	-
	subtotal	-	-	15	-	-	-	-	-	-
Apr. 1, 2016 -Sep. 30, 2016	Bankrupt and similar credit	-	-	-	-	-	-	-	-	-
	Doubtful credit	-	-	-	1	1	1	1	(0)	0
	subtotal	-	-	-	1	1	1	1	(0)	0
Oct. 1, 2016 -Mar. 31, 2017	Bankrupt and similar credit	-	-	-	-	-	-	-	-	-
	Doubtful credit	-	-	-	-	1	1	1	(1)	-
	subtotal	-	-	-	-	1	1	1	(1)	-
Apr. 1, 2017 -Sep. 30, 2017	Bankrupt and similar credit	-	-	-	-	-	1	1	(1)	-
	Doubtful credit	-	-	-	-	-	2	-	-	-
	subtotal	-	-	-	-	-	3	1	(1)	-
Oct. 1, 2017 -Mar. 31, 2018	Bankrupt and similar credit	-	-	-	-	-	-	-	-	-
	Doubtful credit	-	-	-	-	-	-	30	(0)	30
	subtotal	-	-	-	-	-	-	30	(0)	30
Apr. 1, 2018 -Sep. 30, 2018	Bankrupt and similar credit	-	-	-	-	-	-	-	-	-
	Doubtful credit	-	-	-	-	-	-	-	24	24
	subtotal	-	-	-	-	-	-	-	24	24

(Note1)

The amounts are rounded down to the nearest 100 millions yen.

(Note2)

There were no borrowers for whom measures are undertaken which will lead to eventual off-balancing as of Sep. 30, 2018.

② Off-balancing of doubtful credit, and bankrupt and similar credit

(100 millions yen)

Newly added within:	-Mar. 31, 2015	Apr. 1, 2015 -Sep. 30, 2015	Oct. 1, 2015 -Mar. 31, 2016	Apr. 1, 2016 -Sep. 30, 2016	Oct. 1, 2016 -Mar. 31, 2017	Apr. 1, 2017 -Sep. 30, 2017	Oct. 1, 2017 -Mar. 31, 2018
Liquidation-type disposition	-	-	-	-	-	-	-
Restructuring-type disposition	-	-	-	-	-	-	-
Loan liquidations	-	-	-	-	-	-	-
Direct written-off	(0)	-	-	-	(1)	-	-
Other	0	-	-	(0)	(0)	(1)	(0)
Total	(0)	-	-	(0)	(1)	(1)	(0)

(Note1) The amounts are rounded down to the nearest 100 millions yen.

(Note2) Liquidation-type disposition : debt waiver in event of bankruptcy or special liquidation

Restructuring-type disposition : debt waiver in event of restructuring-type proceedings, such as corporate reorganization, civil rehabilitation, composition and winding-up; or debt forgiveness

Other : collection by disposition of collateral, business improvement of debtor, etc.

(Note3) If legal proceedings such as debt waiver, forgiveness, collection and so on, occur after direct written-off of book cost, relevant amounts are reentered in "Liquidation-type disposition", "Restructuring-type disposition" or "Other" where appropriate and subtracted from "Direct written-off".

7. Breakdown of Loans and Bills Discounted Classified by Industry [Non-consolidated]

□ After partial and direct written-off

① Loans and Bills Discounted Classified by Industry

(million yen)

	September 30, 2018	March 31, 2018	September 30, 2017
Loans by domestic offices (excluding Japan Offshore Market accounts)	2,665,432	2,624,742	2,574,389
Manufacturing	182,140	187,464	201,427
Agriculture, forestry & fisheries	3,551	3,817	3,254
Mining, quarry, gravel extraction	-	150	150
Construction	12,423	12,022	12,853
Electricity, gas, heat supply & water	28,397	28,110	24,615
Information & communications	47,627	54,324	42,015
Transport, postal Service	47,268	50,370	53,616
Whole sale & retail trade	95,608	109,686	104,141
Finance & insurance	385,021	391,568	387,075
Real estate	503,360	493,526	478,728
Leasing	45,286	50,798	60,596
Various Services	188,226	186,286	174,882
Local governments	4,466	6,135	6,372
Others	1,122,054	1,050,478	1,024,660
Loans by overseas offices (including Japan Offshore Market accounts)	-	-	-
Government	-	-	-
Financial institution	-	-	-
Others	-	-	-
Total	2,665,432	2,624,742	2,574,389

② Risk Monitored Loans Classified by Industry

(million yen)

	September 30, 2018	March 31, 2018	September 30, 2017
Loans by domestic offices (excluding Japan Offshore Market accounts)	9,059	6,958	4,078
Manufacturing	1,451	1,632	1,597
Agriculture, forestry & fisheries	-	-	-
Mining, quarry, gravel extraction	-	-	-
Construction	-	-	-
Electricity, gas, heat supply & water	-	-	-
Information & communications	748	748	748
Transport, postal Service	-	-	0
Whole sale & retail trade	2,171	2,285	609
Finance & insurance	-	-	-
Real estate	1,050	1,051	1,030
Leasing	-	-	11
Various Services	1,175	1,205	45
Local governments	-	-	-
Others	2,460	35	35
Loans by overseas offices (including Japan Offshore Market accounts)	-	-	-
Government	-	-	-
Financial institution	-	-	-
Others	-	-	-
Total	9,059	6,958	4,078

③ Consumer Loans

(million yen)

		September 30, 2018			March 31, 2018	September 30, 2017
		(A)	(A) - (B)	(A) - (C)	(B)	(C)
Consumer loans		2,003	(392)	(677)	2,396	2,681
	Housing loans	1,554	(385)	(663)	1,939	2,217
	Other loans	449	(7)	(14)	456	464

④ Loans to Small/Medium-sized Corporations

(million yen)

		September 30, 2018			March 31, 2018	September 30, 2017
		(A)	(A) - (B)	(A) - (C)	(B)	(C)
Loans to small/medium-sized corporations		2,041,168	56,066	156,548	1,985,101	1,884,619
Ratio to total loans		76.6%	1.0%	3.4%	75.6%	73.2%

8. Debentures, Deposits and Loans

【Non-consolidated】

(million yen)

		September 30, 2018			March 31, 2018	September 30, 2017
		(A)	(A) - (B)	(A) - (C)	(B)	(C)
Debentures	Ending balance	51,360	(13,350)	(38,050)	64,710	89,410
	Average balance	56,320	(39,110)	(54,270)	95,431	110,591
Deposits	Ending balance	2,955,453	99,161	171,712	2,856,291	2,783,740
	Average balance	2,932,563	128,283	176,276	2,804,279	2,756,286
Deposits & Certificates of deposits	Ending balance	3,066,993	86,641	157,253	2,980,351	2,909,739
	Average balance	3,055,990	130,445	170,934	2,925,545	2,885,056
Loans and bills discounted	Ending balance	2,665,432	40,690	91,042	2,624,742	2,574,389
	Average balance	2,655,313	60,947	104,968	2,594,366	2,550,345

III. Uniform Questions for the Interim Period Ended September 30, 2018

1. FRL Credit Ratio 【Non-consolidated】【Consolidated】

	Mar. 31, 2016	Sep. 30, 2016	Mar. 31, 2017	Sep. 30, 2017	Mar. 31, 2018	Sep. 30, 2018
Non-consolidated	0.90%	0.67%	0.50%	0.15%	0.26%	0.33%
Consolidated	0.93%	0.69%	0.50%	0.15%	0.26%	0.33%

2. Investment Stocks 【Non-consolidated】

(1) Investment Stocks (100 millions yen)

	Acquisition cost(A)	Market value(B)	(B)-(A)
September 30, 2017	375	967	592
March 31, 2018	378	1,031	652
September 30, 2018	407	1,169	762

(Note) The amounts are rounded down to the nearest 100 millions yen. The same applies in the following tables.

(2) Sales of cross-holding stocks

None

(3) Impairment of stocks (100 millions yen)

	Gains (losses) on stock transactions	
		Impairment loss
FY 2017 1st Half Period	41	(0)
FY 2017	80	(0)
FY 2018 1st Half Period	51	-

3. Loans to Small/Medium-sized Corporations 【Non-consolidated】

Loan Balance (100 millions yen)

	Balance	Increase/Decrease	Ratio to total loans
September 30, 2017	18,846	3.2%	73.2%
March 31, 2018	19,851	5.3%	75.6%
September 30, 2018	20,411	2.8%	76.6%

4. Sales of investment trusts and annuity insurance to retail customers 【Non-consolidated】

a. Investment trusts (100 millions yen)

	Sales Total
FY 2017 1st Half Period	337
FY 2017	692
FY 2018 1st Half Period	132

b. Annuity insurance (100 millions yen)

	Sales Total
FY 2017 1st Half Period	109
FY 2017	273
FY 2018 1st Half Period	194

5. Japanese Government Bonds 【Non-consolidated】

(100 millions yen)

	Balance
September 30, 2017	80
March 31, 2018	80
September 30, 2018	80

IV. Deferred Tax Assets

1. Judgement for Recoverability of Deferred Tax Asset

We have categorized the Bank under Category 2 of 'Guidance on Recoverability of Deferred Tax Assets' (ASBJ Guidance on Corporate Accounting Standard No.26) and have calculated recoverable deferred tax assets based on a scheduling of the reversals of temporary differences.

Reference) Past Taxable income

(100 millions yen)

	FY 2015	FY 2016	FY 2017
Taxable income (before offsetting of tax loss carryforwards)	154	352	443

2. Temporary Differences and Loss Carryforwards

(100 millions yen)

	September 30, 2018		March 31, 2018
	(A)	(A) - (B)	(B)
Deferred Tax Assets	455	33	421
Allowance for loan losses	122	(5)	127
Provision for employees' retirement benefits	27	(0)	27
Securities write-off	187	(0)	187
Unrealized gain on available-for-sale securities	—	—	—
Tax loss carryforwards	—	—	—
Other	248	32	216
Subtotal	586	26	559
Less valuation allowance	(131)	6	(138)
Deferred tax liabilities	262	31	231
Unrealized gain on available-for-sale securities	249	34	214
Net deferred tax assets	192	1	190

(Note) Deferred tax assets/ liabilities are shown on a non-consolidated basis, as those of consolidated subsidiaries are insignificant.