

Summary of the Financial Statements for FY2019

May 14, 2020

Company name Aozora Bank, Ltd. Listed exchange Tokyo Stock Exchange
TSE code 8304
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Date of ordinary shareholders' meeting June 24, 2020 URL <https://www.aozorabank.co.jp/>
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Reference Material Affirmative
Investor Meeting Affirmative

(Unit: JPY millions, rounded down)

1. Business highlights for the fiscal year ended March 31, 2020 (FY2019)

(1) Consolidated business results

(Note: Percentages show year-on-year rates of change)

	Ordinary income		Ordinary profit		Profit attributable to owners of parent	
	Million Yen	%	Million Yen	%	Million Yen	%
FY2019	184,406	15.2	43,330	(9.3)	28,142	(22.1)
FY2018	160,136	7.6	47,796	(17.6)	36,130	(16.1)

(Note) Comprehensive income JPY (6,437) million –% (FY2019) JPY 30,923 million (19.9)% (FY2018)

	Net income per common share (basic)	Net income per common share (diluted)	ROE	Ordinary profit per total assets	Ordinary profit per ordinary income
	Yen	Yen	%	%	%
FY2019	241.18	240.92	6.4	0.8	23.5
FY2018	309.67	309.42	8.2	0.9	29.8

(Ref.) Equities in earnings (losses) of affiliates None (FY2019) None (FY2018)

(2) Consolidated financial condition

	Total assets	Total net assets	Net assets to total assets ratio	Net assets per common share
	Million Yen	Million Yen	%	Yen
Mar. 31, 2020	5,299,815	424,758	8.1	3,659.84
Mar. 31, 2019	5,255,048	448,710	8.5	3,844.08

(Ref.) Total net assets (less Share acquisition rights and Non-controlling interests) JPY 427,048 million (March 31, 2020)

JPY 448,519 million (March 31, 2019)

(Note) Net assets to total assets ratio = (Total net assets – Share acquisition rights - Non-controlling interests) / Total assets

(Note) The above Net assets to total assets ratio is different from the capital adequacy ratio prescribed in the notification of the Financial Services Agency.

(3) Consolidated Cash Flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalent at the end of the period
	Million Yen	Million Yen	Million Yen	Million Yen
FY2019	(286,284)	121,823	(17,871)	357,411
FY2018	147,285	(55,862)	(19,710)	539,743

2. Dividend

	Annual dividend					Total dividends (Annual)	Dividend ratio (Consolidated)	Dividends to net assets ratio (Consolidated)
	1Q end	2Q end	3Q end	Year-end	Annual	Million Yen	%	%
FY2018(common share)	40.00	40.00	40.00	34.00	154.00	17,967	49.7	4.1
FY2019(common share)	39.00	39.00	39.00	39.00	156.00	18,202	64.7	4.2
FY2020(common share) (Forecast)	–	–	–	–	122.00		50.0	

(Note) Regarding the dividend for the next fiscal year, please refer to “Aozora Reports Net Earnings for FY2019; Announces FY2019 Dividend Payment, FY2020 Earnings and Dividend Forecast” announced on May 14.

3. Consolidated earnings forecast for the year ending March 31, 2021 (FY2020)

(Note: Percentages show year-on-year rates of change)

	Ordinary profit		Profit attributable to owners of parent		Net income per common share
	Million Yen	%	Million Yen	%	Yen
FY2020 (Full Year)	40,000	(7.7)	28,500	1.3	244.24

* Notes

- (1) Changes in material subsidiaries during the term (changes in specified subsidiaries which affect the scope of consolidation) None
- (2) Changes in accounting policy, accounting estimates, or retrospective restatements
- (a) Changes with revisions of accounting standards None
- (b) Changes other than (a) above None
- (c) Changes in accounting estimates None
- (d) Retrospective restatements None

(3) The number of common shares issued

	Mar. 31, 2020	Mar. 31, 2019
(a) The number of common shares issued (including treasury shares)	118,289,418	118,289,418
(b) The number of treasury shares	1,604,619	1,611,667

	FY2019	FY2018
(c) The average number of common shares outstanding	116,681,983	116,672,792

(Summary of non-consolidated financial statements)

1. Business highlights for the fiscal year ended March 31, 2020 (FY2019)

(1) Business results

(Note: Percentages show year-on-year rates of change)

	Ordinary income		Ordinary profit		Profit	
	Million Yen	%	Million Yen	%	Million Yen	%
FY2019	176,858	12.8	45,342	(11.7)	28,669	(24.6)
FY2018	156,829	9.0	51,335	(9.9)	38,043	(9.5)

	Net income per common share (basic)	Net income per common share (diluted)
	Yen	Yen
FY2019	245.70	245.43
FY2018	326.06	325.80

(2) Financial condition

	Total assets	Total net assets	Net assets to total assets ratio	Net assets per common share
	Million Yen	Million Yen	%	Yen
Mar. 31, 2020	5,212,668	424,309	8.1	3,632.56
Mar. 31, 2019	5,205,876	443,611	8.5	3,798.95

(Ref.) Total net assets (less Share acquisition rights): JPY 423,865 million (March 31, 2020) JPY 443,253 million (March 31, 2019)

(Note) Net assets to total assets ratio = (Total net assets - Share acquisition rights) / Total assets

(Note) The above Net assets to total assets ratio is different from the capital adequacy ratio prescribed in the notification of the Financial Services Agency.

2. Non-consolidated earnings forecast for the year ending March 31, 2021 (FY2020)

(Note: Percentages show year-on-year rates of change)

	Ordinary profit		Profit		Net income per common share
	Million Yen	%	Million Yen	%	Yen
FY2020 (Full Year)	42,000	(7.4)	28,500	(0.6)	244.24

* Summary of financial statements is out of scope of audit (by CPAs or audit firms).

* Notes and remarks for the proper use of earnings projection

The above earnings forecast involves certain risks and uncertainties since the calculations are based on management's assumptions and beliefs in light of information currently available. This should not be interpreted as a promise or guarantee that the forecast will be achieved. Please be aware that actual results may be materially different from the forecast presented herein due to various factors.

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1. Overview of operating results

(1) Overview of operating results for FY2019

① Consolidated results of operations

Aozora reported net revenue of 95.7 billion yen, an increase of 11.8 billion yen, or 14.2% year on year, and business profit was 42.3 billion yen, an increase of 7.9 billion yen, or 23.0%. Profit attributable to owners of parent was 28.1 billion yen, a decrease of 7.9 billion yen, or 22.1%.

Net interest income was 48.7 billion yen, a decrease of 1.4 billion yen, or 3.0% year on year. The decline was primarily due to lower interest and dividends on securities, which offset the higher level of interest on loans and discounts.

Non-interest income was 46.9 billion yen, an increase of 13.3 billion yen, or 39.8%, reflecting strong performance particularly from retail-related income and loan fees during the fourth quarter (Jan.-Mar.), and continued a trend of positive results generated from customer-based transactions during the first nine months.

General and administrative expenses were 53.3 billion yen, an increase of 3.9 billion yen, or 8.0%, approximately equal to the original full-year plan. This was mainly due to incremental expenses associated with our internet banking subsidiary and our new retail banking smartphone app, BANK™.

Consolidated business profit was 42.3 billion yen, an increase of 7.9 billion yen, or 23.0%.

Credit-related expenses were a net expense of 11.7 billion yen, mainly due to loss reserves established during the fourth quarter (Jan.-Mar.) as a result of the potential impact of COVID-19 on customer credit quality and business conditions. Gains/losses on stock transactions were a gain of 11.6 billion yen. Ordinary profit was 43.3 billion yen, a decrease of 4.4 billion yen, or 9.3%.

Total income taxes (corporation tax, resident tax, business tax and deferred income taxes) were a net expense of 17.7 billion yen.

As a result of the above factors, profit attributable to owners of parent was 28.1 billion yen, a decrease of 7.9 billion yen, or 22.1% year on year. Net income per share (basic) was 241.18 yen, as compared to 309.67 yen per share (basic) in FY2018.

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.

Profit/loss by segment for FY2019, which is calculated as net revenue minus general and administrative expenses by each segment, was: a profit of 1.6 billion yen (a loss of 0 billion yen in FY2018) for RBG; a profit of 10.3 billion yen (8.6 billion yen) for IBG; a profit of 3.5 billion yen (4.1 billion yen) for ABG; a profit of 10.1 billion yen (10.2 billion yen) for SFG; a profit of 6.0 billion yen

(6.1 billion yen) for IFG; and a profit of 14.5 billion yen (6.2 billion yen) for FMG.

② Outlook for the next term

The consolidated earnings forecast for the year ending March 2021 is 90.0 billion yen for net revenue, 34.5 billion yen for business profit, 40.0 billion yen for ordinary profit and 28.5 billion yen for profit attributable to owners of parent.

(2) Overview of financial condition for FY2019

① Assets, liabilities, and net assets

Total assets were 5,299.8 billion yen as of March 31, 2020, an increase of 44.7 billion yen, or 0.9%, compared to March 31, 2019. Loans were 2,954.1 billion yen, an increase of 174.2 billion yen, or 6.3%, from March 31, 2019. Domestic loans increased 181.8 billion yen, while overseas loans decreased 7.6 billion yen. Securities decreased by 167.1 billion yen, or 13.5%, from March 31, 2019, to 1,073.6 billion yen.

Total liabilities were 4,875.0 billion yen, an increase of 68.7 billion yen, or 1.4%, compared to March 31, 2019. Total core funding (deposits, negotiable certificates of deposit, debentures and bonds) was 3,656.8 billion yen, an increase of 142.1 billion yen, or 4.0%, from March 31, 2019.

Net assets were 424.7 billion yen, representing a decrease of 23.9 billion yen, or 5.3%, from March 31, 2019, reflecting a decreased valuation difference on available-for-sale securities. Net assets per common share were 3,659.84 yen, as compared to 3,844.08 yen per common share as of March 31, 2019.

② Cash flow

Cash flow from operating activities was a negative 286.2 billion yen mainly due to an increase in loans. From investing activities, cash flow was a positive 121.8 billion yen mainly due to the sale and redemption of securities. Cash flow from financing activities was a negative 17.8 billion yen mainly due to dividend payments. As a result, cash and cash equivalents as of March 31, 2020 were 357.4 billion yen, a decrease of 182.3 billion yen compared to the previous fiscal year end.

(Reference)

Summary of consolidated revenue and expenses

(JPY 100 million)

	FY2018	FY2019	Change
Net revenue ※1	838	957	118
Net interest income	502	487	(14)
Net fees and commissions	129	126	(2)
Net trading income	83	180	97
Gains/losses on bond transactions	49	145	96
Net other ordinary income excluding gains/losses on bond transactions	73	16	(57)
General and administrative expenses	(494)	(533)	(39)
Business profit ※2	344	423	79
Credit-related expenses	(10)	(117)	(107)
Gains/losses on stock transactions	132	116	(16)
Other	11	10	(0)
Ordinary profit	477	433	(44)
Extraordinary profit/loss	(0)	(0)	(0)
Profit before income taxes	477	433	(44)
Total income taxes	(137)	(177)	(39)
Profit	340	255	(84)
Loss attributable to non-controlling interests	21	25	4
Profit attributable to owners of parent	361	281	(79)

※1 Net revenue = (Interest income – Interest expenses)

+ (Trust fees + Fees and commissions income – Fees and commissions expenses) + (Trading income – Trading expenses) + (Other ordinary income – Other ordinary expenses)

※2 Business profit = Net revenue – General and administrative expenses

※3 Regardless of nature of accounts, income or profits are shown as positive and expenses or losses are shown as negative amount on the table above.

(3) Policy for appropriation of earnings and dividend for the year

Regarding the dividend policy, please refer to “Aozora Announces New Mid-term Plan, Aozora 2022 ~Establishing Aozora Partner Bank~” announced on May 14.

For this fiscal year, the Bank will pay a cash dividend of 39.00 yen for the fourth quarter (156.00 yen for the entire year) per common share.

Regarding the dividend for the next fiscal year, please refer to “Aozora Reports Net Earnings for FY2019; Announces FY2019 Dividend Payment, FY2020 Earnings and Dividend Forecast” announced on May 14.

(Note) Figures are rounded down to the nearest unit specified.

2. Management Policy

We announced “Aozora’s new mid-term plan for 2020-22, entitled ‘Aozora 2022,’ one year ahead of the end of the current mid-term plan.

For details, please refer to “Aozora Announces New Mid-term Plan, Aozora 2022 ~Establishing Aozora Partner Bank~” announced on May 14.

3. Basic view on selection of Accounting Standards

The Bank’s consolidated financial statements are prepared in accordance with accounting principals generally accepted in Japan (“J GAAP”), in order to ensure the comparability with other domestic banks.

In terms of the application of IFRS, the Bank will take appropriate actions in consideration of the Group’s business operations, based on internal and external situations, etc.

4. Consolidated financial statements and main notes
 (1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Cash and due from banks	618,716	464,275
Receivables under resale agreements	—	71,011
Monetary claims bought	51,121	66,778
Trading assets	199,928	259,378
Money held in trust	35,098	27,213
Securities	1,240,838	1,073,670
Loans and bills discounted	2,779,894	2,954,122
Foreign exchanges	49,480	67,168
Other assets	232,697	276,592
Tangible fixed assets	23,641	23,698
Buildings, net	12,060	11,670
Land	9,235	9,235
Leased assets, net	58	942
Construction in progress	32	26
Other tangible fixed assets	2,254	1,824
Intangible fixed assets	18,572	19,210
Software	18,504	19,143
Other intangible fixed assets	67	67
Retirement benefit asset	3,671	2,507
Deferred tax assets	23,368	26,960
Customers' liabilities for acceptances and guarantees	23,825	21,426
Allowance for loan losses	(45,004)	(53,799)
Allowance for investment loss	(800)	(399)
Total assets	5,255,048	5,299,815
Liabilities		
Deposits	3,102,804	3,349,659
Negotiable certificates of deposit	127,927	47,240
Debentures	51,360	44,660
Call money and bills sold	51,723	38,728
Payables under repurchase agreements	49,658	27,758
Payables under securities lending transactions	450,860	281,325
Trading liabilities	177,764	211,223
Borrowed money	320,559	427,610
Bonds payable	232,586	215,275
Other liabilities	202,680	194,694
Provision for bonuses	3,460	4,054
Provision for bonuses for directors (and other officers)	82	86
Retirement benefit liability	9,784	10,348
Provision for retirement benefits for directors (and other officers)	2	3
Provision for credit losses on off-balance-sheet instruments	860	562
Provision for contingent loss	387	364
Reserves under special laws	8	8
Deferred tax liabilities	1	25
Acceptances and guarantees	23,825	21,426
Total liabilities	4,806,337	4,875,056

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Net assets		
Share capital	100,000	100,000
Capital surplus	87,377	87,388
Retained earnings	259,021	269,545
Treasury shares	(3,312)	(3,297)
Total shareholders' equity	443,087	453,635
Valuation difference on available-for-sale securities	23,501	(24,340)
Deferred gains or losses on hedges	(17,111)	229
Foreign currency translation adjustment	(291)	(806)
Remeasurements of defined benefit plans	(667)	(1,669)
Total accumulated other comprehensive income	5,431	(26,587)
Share acquisition rights	357	444
Non-controlling interests	(166)	(2,734)
Total net assets	448,710	424,758
Total liabilities and net assets	5,255,048	5,299,815

(2) Consolidated statement of income and Consolidated statement of comprehensive income
(Consolidated statement of income)

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Ordinary income	160,136	184,406
Interest income	97,426	95,409
Interest on loans and discounts	59,183	61,440
Interest and dividends on securities	36,152	31,409
Interest on call loans and bills bought	5	(5)
Interest on receivables under resale agreements	(0)	(1)
Interest on receivables under securities borrowing transactions	0	—
Interest on deposits with banks	926	839
Other interest income	1,158	1,726
Trust fees	372	462
Fees and commissions	14,230	14,168
Trading income	8,340	26,505
Other ordinary income	22,995	31,175
Other income	16,770	16,685
Recoveries of written off receivables	1,070	501
Reversal of provision for credit losses on off-balance-sheet instruments	134	296
Other	15,565	15,887
Ordinary expenses	112,339	141,076
Interest expenses	47,141	46,619
Interest on deposits	7,391	7,278
Interest on negotiable certificates of deposit	8	7
Interest on debentures	146	138
Interest on call money and bills sold	975	632
Interest on payables under repurchase agreements	962	1,526
Interest on payables under securities lending transactions	8,804	9,485
Interest on borrowings and rediscounts	1,149	1,079
Interest on bonds	1,846	2,666
Other interest expenses	25,857	23,805
Fees and commissions payments	1,653	1,975
Trading expenses	—	8,431
Other ordinary expenses	10,729	14,983
General and administrative expenses	49,332	53,681
Other expenses	3,483	15,384
Provision of allowance for loan losses	1,637	10,729
Other	1,845	4,655
Ordinary profit	47,796	43,330
Extraordinary income	0	0
Gain on disposal of non-current assets	0	0
Extraordinary losses	1	4
Loss on disposal of non-current assets	1	4
Profit before income taxes	47,794	43,325
Income taxes - current	13,478	19,843
Income taxes - deferred	288	(2,099)
Total income taxes	13,767	17,743
Profit	34,027	25,582
Loss attributable to non-controlling interests	(2,103)	(2,560)
Profit attributable to owners of parent	36,130	28,142

(Consolidated statement of comprehensive income)

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Profit	34,027	25,582
Other comprehensive income	(3,104)	(32,019)
Valuation difference on available-for-sale securities	(11,843)	(47,842)
Deferred gains or losses on hedges	8,469	17,341
Foreign currency translation adjustment	779	(515)
Remeasurements of defined benefit plans, net of tax	(510)	(1,002)
Comprehensive income	30,923	(6,437)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	33,027	(3,876)
Comprehensive income attributable to non-controlling interests	(2,104)	(2,560)

(3) Consolidated statement of changes in net assets
For the fiscal year ended March 31, 2019

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	100,000	87,345	243,190	(3,351)	427,184
Changes during period					
Dividends of surplus			(20,300)		(20,300)
Profit attributable to owners of parent			36,130		36,130
Purchase of treasury shares					—
Disposal of treasury shares		32		39	71
Net changes in items other than shareholders' equity					
Total changes during period	—	32	15,830	39	15,902
Balance at end of period	100,000	87,377	259,021	(3,312)	443,087

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	35,343	(25,581)	(1,070)	(156)	8,535	331	1,183	437,234
Changes during period								
Dividends of surplus								(20,300)
Profit attributable to owners of parent								36,130
Purchase of treasury shares								—
Disposal of treasury shares								71
Net changes in items other than shareholders' equity	(11,842)	8,469	779	(510)	(3,103)	25	(1,349)	(4,426)
Total changes during period	(11,842)	8,469	779	(510)	(3,103)	25	(1,349)	11,475
Balance at end of period	23,501	(17,111)	(291)	(667)	5,431	357	(166)	448,710

For the fiscal year ended March 31, 2020

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	100,000	87,377	259,021	(3,312)	443,087
Changes during period					
Dividends of surplus			(17,618)		(17,618)
Profit attributable to owners of parent			28,142		28,142
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		10		14	24
Net changes in items other than shareholders' equity					
Total changes during period	—	10	10,523	14	10,548
Balance at end of period	100,000	87,388	269,545	(3,297)	453,635

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	23,501	(17,111)	(291)	(667)	5,431	357	(166)	448,710
Changes during period								
Dividends of surplus								(17,618)
Profit attributable to owners of parent								28,142
Purchase of treasury shares								(0)
Disposal of treasury shares								24
Net changes in items other than shareholders' equity	(47,842)	17,341	(515)	(1,002)	(32,018)	86	(2,567)	(34,499)
Total changes during period	(47,842)	17,341	(515)	(1,002)	(32,018)	86	(2,567)	(23,951)
Balance at end of period	(24,340)	229	(806)	(1,669)	(26,587)	444	(2,734)	424,758

(4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from operating activities		
Profit before income taxes	47,794	43,325
Depreciation	4,784	5,407
Increase (decrease) in allowance for loan losses	1,496	8,809
Increase (decrease) in allowance for investment loss	498	(401)
Increase (decrease) in provision for bonuses	(277)	597
Increase (decrease) in provision for bonuses for directors (and other officers)	(4)	3
Decrease (increase) in retirement benefit asset	(1,701)	(396)
Increase (decrease) in retirement benefit liability	266	678
Increase (decrease) in provision for retirement benefits for directors (and other officers)	0	0
Increase (decrease) in provision for credit losses on off-balance-sheet instruments	(135)	(297)
Interest income	(97,426)	(95,409)
Interest expenses	47,141	46,619
Loss (gain) related to securities	(18,201)	(26,252)
Loss (gain) on money held in trust	(473)	(644)
Foreign exchange losses (gains)	(45,100)	35,036
Loss (gain) on disposal of non-current assets	1	4
Net decrease (increase) in trading assets	(20,256)	(59,449)
Net increase (decrease) in trading liabilities	47,562	33,459
Net decrease (increase) in loans and bills discounted	(148,610)	(189,434)
Net increase (decrease) in deposits	255,925	246,855
Net increase (decrease) in negotiable certificates of deposit	3,867	(80,687)
Net increase (decrease) in debentures	(13,350)	(6,700)
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	5,309	107,051
Net decrease (increase) in due from banks (excluding due from Bank of Japan)	(3,326)	(28,290)
Net decrease (increase) in call loans	21,180	(86,668)
Net increase (decrease) in call money	560	(34,895)
Net increase (decrease) in payables under securities lending transactions	19,550	(169,534)
Net decrease (increase) in foreign exchanges - assets	(6,903)	(17,909)
Increase (decrease) in straight bonds - issuance and redemption	39,732	(17,310)
Interest received	92,768	97,822
Interest paid	(47,935)	(48,632)
Other, net	(20,510)	(37,590)
Subtotal	164,226	(274,831)
Income taxes (paid) refund	(16,940)	(11,453)
Net cash provided by (used in) operating activities	147,285	(286,284)

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from investing activities		
Purchase of securities	(609,935)	(791,665)
Proceeds from sales of securities	486,042	807,033
Proceeds from redemption of securities	77,637	102,804
Increase in money held in trust	(96,600)	(180,284)
Decrease in money held in trust	92,787	188,896
Purchase of tangible fixed assets	(933)	(667)
Purchase of intangible assets	(4,860)	(4,291)
Proceeds from sales of tangible fixed assets	0	0
Net cash provided by (used in) investing activities	(55,862)	121,823
Cash flows from financing activities		
Repayments of lease obligations	(165)	(244)
Proceeds from share issuance to non-controlling shareholders	761	—
Dividends paid	(20,300)	(17,618)
Dividends paid to non-controlling interests	(7)	(7)
Purchase of treasury shares	—	(0)
Proceeds from sales of treasury shares	0	0
Net cash provided by (used in) financing activities	(19,710)	(17,871)
Net increase (decrease) in cash and cash equivalents	71,712	(182,331)
Cash and cash equivalents at beginning of period	468,031	539,743
Cash and cash equivalents at end of period	539,743	357,411

(5) Notes to consolidated financial statements

(Information on going concern assumption)

None

(Segment information)

1. Description of reportable segments

(1) 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 is comprised of 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, and so on.

(2) 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, 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, real estate finance.

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

FMG engages in offering 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

FY2018 (From April 1, 2018 to March 31, 2019)

(In millions of yen)

	RBG	IBG	ABG	SFG	IFG	FMG	Total
Consolidated net revenue	9,095	19,780	7,983	19,396	12,774	11,487	80,518
General and administrative expenses	9,186	11,140	3,807	9,112	6,590	5,236	45,073
Segment profit (loss)	(90)	8,640	4,176	10,284	6,183	6,251	35,445
Segment assets	14,543	1,114,756	101,076	1,059,591	818,289	1,827,787	4,936,042
Segment liabilities	1,825,163	638,831	1,060,592	40,074	242	1,036,064	4,600,966

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 purpose, 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 4,784 million yen.

FY2019 (From April 1, 2019 to March 31, 2020)

(In millions of yen)

	RBG	IBG	ABG	SFG	IFG	FMG	Total
Consolidated net revenue	12,247	21,893	7,157	19,646	12,851	20,055	93,851
General and administrative expenses	10,631	11,559	3,600	9,491	6,843	5,540	47,664
Segment profit (loss)	1,616	10,334	3,557	10,155	6,008	14,515	46,187
Segment assets	18,211	1,214,441	82,584	1,117,619	800,817	1,598,930	4,832,602
Segment liabilities	2,041,342	522,158	1,120,229	50,201	58	918,164	4,652,152

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 purpose, 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 5,407 million yen.

4. Reconciliation between total segment amounts and the consolidated financial statements

(1) Reconciliation between total consolidated net revenue of reportable segments and the consolidated net revenue in the consolidated financial statement of income

(In millions of yen)

Items	FY2018 (March 31, 2019)	FY2019 (March 31, 2020)
Total consolidated net revenue of reportable segments	80,518	93,851
Profit excluded from reporting segment and variances resulting from differences in the basis of revenue and expense recognition and measurement	3,322	1,859
Net revenue derived from the consolidated statement of income	83,840	95,711

(2) Reconciliation between total segment profits and the consolidated statement of income

(In millions of yen)

Items	FY2018 (March 31, 2019)	FY2019 (March 31, 2020)
Total segment profits	35,445	46,187
Profit excluded from reporting segment and variances resulting from differences in the basis of revenue and expense recognition and measurement	(1,038)	(3,874)
Amortization of actuarial differences on retirement benefit plans, etc.	101	(282)
Credit-related expenses, etc.	(1,018)	(11,742)
Gains (losses) on sales of stocks and other securities	13,294	11,663
Others	1,011	1,379
Ordinary profit in the consolidated statement of income	47,796	43,330

(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.

(3) Reconciliation between total segment assets and total assets on the consolidated balance sheet

(In millions of yen)

Items	FY2018 (March 31, 2019)	FY2019 (March 31, 2020)
Total segment assets	4,936,042	4,832,602
Allowance for loan losses	(45,004)	(40,217)
Assets not allocated to reportable segments	364,010	507,431
Total assets on the consolidated balance sheet	5,255,048	5,299,815

(Note)

As of March 31, 2019, assets not allocated to reportable segments include foreign exchange of 49,480 million, other assets of 169,982 million yen, fixed assets of 42,213 million yen and deferred tax assets of 23,368 million yen. As of March 31, 2020, assets not allocated to reportable segments include foreign exchange of 67,168 million yen, other assets of 201,609 million yen, fixed assets of 42,909 million yen and deferred tax assets of 26,960 million yen.

(4) Reconciliation between total segment liabilities and total liabilities on the consolidated balance sheet

(In millions of yen)

Items	FY2018 (March 31, 2019)	FY2019 (March 31, 2020)
Total segment liabilities	4,600,966	4,652,152
Liabilities not allocated to reportable segments	205,371	222,904
Total liabilities on the consolidated balance sheet	4,806,337	4,875,056

(Note)

As of March 31, 2019, liabilities not allocated to reportable segments include other liabilities of 134,426 million yen and retirement benefit liability of 9,784 million yen. As of March 31, 2020, liabilities not allocated to

reportable segments include other liabilities of 110,371 million yen and retirement benefit liability of 10,348 million yen.

5. Change in reportable segments

None

(Per share information)

	FY 2018 (From April 1, 2018 to March 31, 2019)	FY 2019 (From April 1, 2019 to March 31, 2020)
Net assets per share	3,844.08 yen	3,659.84 yen
Net income per share	309.67 yen	241.18 yen
Diluted net income per share	309.42 yen	240.92 yen

(Note 1) Basis of calculation for Net assets per share is shown below.

		FY 2018 (As of March 31, 2019)	FY 2019 (As of March 31, 2020)
Net assets	Million yen	448,710	424,758
Deductions from net assets	Million yen	191	(2,289)
Non-controlling interests	Million yen	(166)	(2,734)
Share acquisition rights	Million yen	357	444
Net assets available to common stock	Million yen	448,519	427,048
Number of common stock at the end of fiscal year for calculation of Net assets per share	Thousand shares	116,677	116,684

(Note 2) Basis of calculation of Net income per share and Diluted net income per share is shown below.

		FY 2018 (From April 1, 2018 to March 31, 2019)	FY 2019 (From April 1, 2019 to March 31, 2020)
Net income per share			
Profit attributable to owners of parent	Million yen	36,130	28,142
Not available to common stockholders	Million yen	–	–
Profit attributable to owners of parent available to common stock	Million yen	36,130	28,142
Average number of common stock	Thousand shares	116,672	116,681
Diluted net income per share			
Adjustments for profit attributable to owners of parent	Million yen	–	–
Number of common stock to increase	Thousand shares	93	126
Share acquisition rights	Thousand shares	93	126

(Material subsequent event)

None

5. Non-consolidated financial statements

(1) Non-consolidated balance sheet

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Cash and due from banks	539,100	364,644
Cash	18,940	10,690
Due from banks	520,159	353,954
Receivables under resale agreements	—	71,011
Monetary claims bought	26,512	44,708
Trading assets	199,898	259,369
Derivatives of trading securities	6,641	22,263
Derivatives of securities related to trading transactions	5,036	14,350
Trading-related financial derivatives	188,220	222,755
Money held in trust	18,107	14,455
Securities	1,314,968	1,151,561
Local government bonds	31,811	37,859
Corporate bonds	50,157	59,994
Stocks	92,879	43,081
Other securities	1,140,119	1,010,625
Loans and bills discounted	2,782,131	2,937,508
Loans on bills	13,846	11,356
Loans on deeds	2,622,401	2,754,819
Overdrafts	145,883	171,332
Foreign exchanges	49,480	67,168
Due from foreign banks (our accounts)	49,480	67,168
Other assets	233,563	267,759
Prepaid expenses	670	749
Accrued income	14,842	10,007
Initial margins of futures markets	962	962
Variation margins of futures markets	59	—
Derivatives other than for trading - assets	62,715	74,973
Cash collateral paid for financial instruments	85,657	111,133
Bond issuance costs	444	399
Accounts receivable	52,618	40,691
Other	15,591	28,842
Tangible fixed assets	22,912	22,888
Buildings, net	11,935	11,374
Land	9,235	9,235
Leased assets, net	58	942
Construction in progress	—	4
Other tangible fixed assets	1,683	1,332
Intangible fixed assets	12,182	12,068
Software	12,115	12,002
Other intangible fixed assets	66	66
Prepaid pension costs	4,272	4,669
Deferred tax assets	23,724	26,705
Customers' liabilities for acceptances and guarantees	24,103	21,731
Allowance for loan losses	(44,279)	(53,183)
Allowance for investment loss	(800)	(399)
Total assets	5,205,876	5,212,668

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities		
Deposits	3,068,732	3,278,749
Current deposits	25,429	30,547
Ordinary deposits	470,564	732,750
Saving deposits	—	1,729
Deposits at notice	1,175	1,095
Time deposits	2,465,322	2,400,595
Other deposits	106,239	112,030
Negotiable certificates of deposit	127,927	47,240
Debentures	51,360	44,660
Debenture issuance	51,360	44,660
Call money	51,723	38,728
Payables under repurchase agreements	49,658	27,758
Payables under securities lending transactions	450,860	281,325
Trading liabilities	177,764	211,223
Derivatives of securities related to trading transactions	12,867	21,130
Trading-related financial derivatives	164,897	190,093
Borrowed money	319,817	427,430
Borrowings from other banks	319,817	427,430
Bonds payable	232,586	215,275
Other liabilities	194,398	180,114
Income taxes payable	4,678	13,533
Accrued expenses	7,270	5,125
Unearned revenue	287	229
Variation margins of futures markets	549	2,801
Derivatives other than for trading - liabilities	68,254	84,322
Cash collateral received for financial instruments	65,642	60,244
Lease obligations	53	1,009
Asset retirement obligations	1,910	2,183
Other	45,750	10,666
Provision for bonuses	3,179	3,659
Provision for bonuses for directors (and other officers)	72	70
Provision for retirement benefits	9,245	9,834
Provision for credit losses on off-balance-sheet instruments	837	557
Acceptances and guarantees	24,103	21,731
Total liabilities	4,762,265	4,788,358
Net assets		
Share capital	100,000	100,000
Capital surplus	87,377	87,388
Legal capital surplus	87,313	87,313
Other capital surplus	64	74
Retained earnings	252,837	263,888
Legal retained earnings	12,686	12,686
Other retained earnings	240,150	251,201
Retained earnings brought forward	240,150	251,201
Treasury shares	(3,312)	(3,297)
Total shareholders' equity	436,903	447,979
Valuation difference on available-for-sale securities	23,461	(24,343)
Deferred gains or losses on hedges	(17,111)	229
Total valuation and translation adjustments	6,349	(24,113)
Share acquisition rights	357	444
Total net assets	443,611	424,309
Total liabilities and net assets	5,205,876	5,212,668

(2) Non-consolidated statement of income

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Ordinary income	156,829	176,858
Interest income	94,919	92,774
Interest on loans and discounts	56,816	58,954
Interest and dividends on securities	36,117	31,389
Interest on call loans	5	0
Interest on receivables under resale agreements	(0)	(1)
Interest on receivables under securities borrowing transactions	0	—
Interest on deposits with banks	798	704
Other interest income	1,181	1,727
Trust fees	189	462
Fees and commissions	15,026	15,864
Fees and commissions on domestic and foreign exchanges	177	174
Other fees and commissions	14,848	15,689
Trading income	8,224	22,052
Gain on trading account securities transactions	—	12,991
Income from securities and derivatives related to trading transactions	2,172	—
Income from trading-related financial derivatives transactions	6,052	9,061
Other ordinary income	22,663	30,480
Gain on sales of bonds	7,659	19,677
Other	15,003	10,803
Other income	15,806	15,223
Recoveries of written off receivables	605	320
Reversal of provision for credit losses on off-balance-sheet instruments	138	280
Gain on sales of equity securities	13,294	13,408
Gain on money held in trust	207	153
Other	1,560	1,060
Ordinary expenses	105,493	131,515
Interest expenses	47,100	46,562
Interest on deposits	7,371	7,230
Interest on negotiable certificates of deposit	8	7
Interest on debentures	146	138
Interest on call money	975	632
Interest on payables under repurchase agreements	962	1,526
Interest on payables under securities lending transactions	8,804	9,485
Interest on borrowings and rediscounts	1,127	1,070
Interest on bonds	1,846	2,666
Interest expenses on interest rate swaps	16,797	14,736
Other interest expenses	9,059	9,068
Fees and commissions payments	2,644	4,279
Fees and commissions on domestic and foreign exchanges	122	144
Other fees and commissions	2,522	4,134
Trading expenses	2,031	8,431
Expenses on trading securities and derivatives	2,031	—
Expenses on securities and derivatives related to trading transactions	—	8,431

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Other ordinary expenses	10,900	14,460
Loss on foreign exchange transactions	5,732	3,468
Loss on sales of bonds	2,174	4,586
Loss on redemption of bonds	579	292
Loss on devaluation of bonds	0	209
Amortization of debenture issuance costs	36	—
Amortization of bond issuance costs	267	295
Expenses on derivatives other than for trading or hedging	322	3,158
Other	1,788	2,449
General and administrative expenses	40,771	43,780
Other expenses	2,045	14,001
Provision of allowance for loan losses	1,186	10,819
Written-off of loans	149	1,133
Loss on sales of equity securities	—	0
Loss on devaluation of equity securities	—	1,744
Other	709	302
Ordinary profit	51,335	45,342
Extraordinary income	0	0
Gain on disposal of non-current assets	0	0
Extraordinary losses	1	4
Loss on disposal of non-current assets	1	4
Profit before income taxes	51,334	45,338
Income taxes - current	13,058	18,530
Income taxes - deferred	233	(1,861)
Total income taxes	13,291	16,669
Profit	38,043	28,669

(3) Non-consolidated statement of changes in net assets
For the fiscal year ended March 31, 2019

(Millions of yen)

	Shareholders' equity								
	Share capital	Capital surplus			Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of period	100,000	87,313	32	87,345	12,686	222,407	235,094	(3,351)	419,088
Changes during period									
Dividends of surplus						(20,300)	(20,300)		(20,300)
Profit						38,043	38,043		38,043
Purchase of treasury shares									—
Disposal of treasury shares			32	32				39	71
Net changes in items other than shareholders' equity									
Total changes during period	—	—	32	32	—	17,743	17,743	39	17,814
Balance at end of period	100,000	87,313	64	87,377	12,686	240,150	252,837	(3,312)	436,903

	Valuation and translation adjustments			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of period	35,253	(25,581)	9,672	331	429,092
Changes during period					
Dividends of surplus					(20,300)
Profit					38,043
Purchase of treasury shares					—
Disposal of treasury shares					71
Net changes in items other than shareholders' equity	(11,792)	8,469	(3,322)	25	(3,296)
Total changes during period	(11,792)	8,469	(3,322)	25	14,518
Balance at end of period	23,461	(17,111)	6,349	357	443,611

For the fiscal year ended March 31, 2020

(Millions of yen)

	Shareholders' equity								
	Share capital	Capital surplus			Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of period	100,000	87,313	64	87,377	12,686	240,150	252,837	(3,312)	436,903
Changes during period									
Dividends of surplus						(17,618)	(17,618)		(17,618)
Profit						28,669	28,669		28,669
Purchase of treasury shares								(0)	(0)
Disposal of treasury shares			10	10				14	24
Net changes in items other than shareholders' equity									
Total changes during period	—	—	10	10	—	11,050	11,050	14	11,075
Balance at end of period	100,000	87,313	74	87,388	12,686	251,201	263,888	(3,297)	447,979

	Valuation and translation adjustments			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of period	23,461	(17,111)	6,349	357	443,611
Changes during period					
Dividends of surplus					(17,618)
Profit					28,669
Purchase of treasury shares					(0)
Disposal of treasury shares					24
Net changes in items other than shareholders' equity	(47,804)	17,341	(30,463)	86	(30,376)
Total changes during period	(47,804)	17,341	(30,463)	86	(19,301)
Balance at end of period	(24,343)	229	(24,113)	444	424,309

(4) Notes to non-consolidated financial statements

(Information on going concern assumption)

None