



Summary of the Financial Statements for the First Three Months of FY2021 [JGAAP] (Consolidated)

August 2, 2021

Company name	Aozora Bank, Ltd.	Listed exchange	Tokyo Stock Exchange
TSE code	8304	URL	https://www.aozorabank.co.jp/
Representative	Kei Tanikawa, President and CEO		
Contact person	Naoko Okamoto, Joint General Manager of Financial Control Division		
Scheduled filing date of securities report	Aug. 12, 2021	Dividend payable date	Sep. 15, 2021
Reference material	Affirmative	Trading accounts	Affirmative
Investor meeting	Affirmative	TEL	(03)6752-1111

(Unit: JPY millions, rounded down)

1. Business highlights for the first three months of FY2021

(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	%
Three months ended						
Jun. 30, 2021	36,852	(15.6)	15,663	78.5	11,557	55.1
Jun. 30, 2020	43,679	(7.8)	8,773	(47.9)	7,450	(37.3)

(Note) Comprehensive income JPY 26,448 million (38.8)% (Three months ended June 30, 2021)
JPY 43,223 million 95.9 % (Three months ended June 30, 2020)

	Net income per common share (basic)	Net income per common share (diluted)
	Yen	Yen
Three months ended		
Jun. 30, 2021	99.02	98.87
Jun. 30, 2020	63.85	63.78

(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
Jun. 30, 2021	6,064,056	512,130	8.5	4,423.82
Mar. 31, 2021	5,916,866	490,006	8.4	4,233.53

(Ref.) Total net assets (less Share acquisition rights and Non-controlling interests) JPY 516,272 million (June 30, 2021)
JPY 494,065 million (March 31, 2021)

(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.

2. Dividend

	Annual dividend				
	1Q end	2Q end	3Q end	Year-end	Annual
FY2020(common share)	30.00	30.00	30.00	34.00	124.00
FY2021(common share)	32.00	-	-	-	-
FY2021(common share) (Forecast)	-	-	-	-	128.00

(Note) Revision of dividends forecast to the latest announcement None

(Note) The dividend payment forecast for FY2021 was calculated by dividing the total dividend amount, which is set at 50% of Profit attributable to owners of parent for forecast FY2021, by the total number of common share issued, excluding treasury shares, as of June 30, 2021. Aozora will continue to pay dividends on a quarterly basis, although dividend payment forecast was announced only on an annual basis.

3. Consolidated earnings forecast for the year ending March 31, 2022 (FY2021)

(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
FY2021 (Full Year)	42,500	9.0	30,000	3.5	257.06

(Note) Revision of consolidated earnings forecast to the latest announcement None

* Notes

- (1) Changes in material subsidiaries during the first three months
(changes in specified subsidiaries which affect the scope of consolidation) None
- (2) Accounting treatments particularly used for the quarterly financial statements None
- (3) Changes in accounting policy, accounting estimates, or retrospective restatements
- (a) Changes with revisions of accounting standards Affirmative
 - (b) Changes other than (a) above None
 - (c) Changes in accounting estimates None
 - (d) Retrospective restatements None

(4) The number of common shares issued

	Jun. 30, 2021	Mar. 31, 2021
(a) The number of common shares issued (including treasury shares)	118,289,418	118,289,418
(b) The number of treasury shares	1,586,557	1,586,557

	Three months ended Jun. 30, 2021	Three months ended Jun. 30, 2020
(c) The average number of common shares outstanding (3 months)	116,702,861	116,684,799

* Quarterly summary is out of scope of quarterly review (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.

[Attachment]

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1. Quarterly consolidated financial statements and main notes

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
Assets		
Cash and due from banks	950,109	1,010,216
Call loans and bills bought	41,000	114,316
Monetary claims bought	74,506	78,887
Trading account assets	154,616	137,590
Money held in trust	33,521	27,765
Securities	1,393,357	1,404,179
Loans and bills discounted	2,948,808	2,966,027
Foreign exchanges	58,154	63,646
Other assets	232,409	233,865
Tangible fixed assets	23,311	22,933
Intangible fixed assets	20,133	20,323
Retirement benefit asset	5,740	5,875
Deferred tax assets	16,984	12,314
Customers' liabilities for acceptances and guarantees	15,773	13,616
Allowance for loan losses	(50,886)	(47,070)
Allowance for investment loss	(674)	(431)
Total assets	5,916,866	6,064,056
Liabilities		
Deposits	3,978,506	4,218,966
Negotiable certificates of deposit	34,000	35,000
Call money and bills sold	15,536	16,301
Securities sold under repurchase agreements	56,750	67,877
Cash collateral received for securities lent	431,673	379,751
Trading account liabilities	140,451	119,190
Borrowed money	349,767	353,067
Bonds payable	198,365	185,243
Other liabilities	190,033	149,961
Provision for bonuses	4,006	1,172
Provision for bonuses for directors (and other officers)	80	17
Retirement benefit liability	10,844	10,689
Provision for retirement benefits for directors (and other officers)	4	—
Provision for credit losses on off-balance-sheet instruments	612	614
Provision for contingent loss	421	424
Reserves under special laws	8	8
Deferred tax liabilities	24	23
Acceptances and guarantees	15,773	13,616
Total liabilities	5,426,859	5,551,926
Net assets		
Share capital	100,000	100,000
Capital surplus	87,412	87,412
Retained earnings	283,464	290,395
Treasury shares	(3,260)	(3,260)
Total shareholders' equity	467,615	474,547
Valuation difference on available-for-sale securities	27,196	41,257
Deferred gains or losses on hedges	(750)	(817)
Foreign currency translation adjustment	(971)	413
Remeasurements of defined benefit plans	974	871
Total accumulated other comprehensive income	26,449	41,725
Share acquisition rights	482	482
Non-controlling interests	(4,541)	(4,624)
Total net assets	490,006	512,130
Total liabilities and net assets	5,916,866	6,064,056

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income
 (Quarterly consolidated statement of income)
 (For the three months ended Jun. 30)

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Ordinary income	43,679	36,852
Interest income	18,273	15,613
Interest on loans and discounts	12,673	10,818
Interest and dividends on securities	5,428	4,528
Trust fees	116	94
Fees and commissions	2,405	3,152
Gain on trading account transactions	8,923	6,450
Other ordinary income	11,507	8,129
Other income	2,453	3,412
Ordinary expenses	34,906	21,189
Interest expenses	5,871	3,731
Interest on deposits	1,532	1,406
Fees and commissions payments	562	808
Loss on trading account transactions	9,690	—
Other ordinary expenses	3,755	2,103
General and administrative expenses	13,090	13,727
Other expenses	1,935	818
Ordinary profit	8,773	15,663
Profit before income taxes	8,773	15,663
Income taxes - current	1,549	2,997
Income taxes - deferred	389	1,489
Total income taxes	1,939	4,487
Profit	6,834	11,176
Loss attributable to non-controlling interests	(616)	(380)
Profit attributable to owners of parent	7,450	11,557

(Quarterly consolidated statement of comprehensive income)
 (For the three months ended Jun. 30)

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Profit	6,834	11,176
Other comprehensive income	36,388	15,272
Valuation difference on available-for-sale securities	36,793	14,057
Deferred gains or losses on hedges	(372)	(66)
Foreign currency translation adjustment	(223)	153
Remeasurements of defined benefit plans, net of tax	191	(102)
Share of other comprehensive income of entities accounted for using equity method	—	1,231
Comprehensive income	43,223	26,448
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	43,842	26,833
Comprehensive income attributable to non-controlling interests	(618)	(384)

(3) Notes to quarterly consolidated financial statements

(Information on going concern assumption)

None

(Changes in shareholders' equity)

None

(Change in accounting Policy)

(Application of 'Accounting Standard for Revenue Recognition, etc.')

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the "Accounting Standard for Revenue Recognition"), etc. have been applied from the beginning of the current first quarter. The Bank recognizes revenue at the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer hence revenues from certain transactions are recorded net of related expenses.

The Bank has applied this in accordance with the transitional treatment prescribed in the proviso of Paragraph 84 of the Accounting Standards for Revenue Recognition. The cumulative effect of applying the new accounting policy retrospectively prior to the beginning of the current first quarter was added to or subtracted from retained earnings at the beginning of the current first quarter, and the new accounting policy was applied from the beginning balance of the current fiscal year.

As a result, ordinary income and ordinary expenses for the current first quarter decreased by 280 million yen. There is no effect on the balance of retained earnings at the beginning of the period.

(Application of 'Accounting Standard for Fair Value Measurement, etc.')

The "Accounting Standard for Fair Value Measurement, etc." (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the "Accounting Standard for Fair Value Measurement, etc.") has been applied from the beginning of the current first quarter. In accordance with Paragraph 8 of the Accounting Standard for Fair Value Measurement, etc., the Bank has revised its market value adjustment method for calculating the fair value of derivative transactions to a method that maximizes the use of observable inputs estimated from derivatives traded in the market. This revision is due to the application of Accounting Standard for Fair Value Measurement, etc. hence in accordance with the transitional treatment prescribed in the Paragraph 20 of the Accounting Standard for Market Value Measurement, etc. the cumulative effect of retroactively applying the new accounting policy prior to the beginning of the current first quarter has been reflected in retained earnings at the beginning of the period. As a result, Retained earnings at the beginning of the current first quarter decreased by 657 million yen, Trading account assets increased by 350 million yen, Other assets decreased by 14

million yen, Deferred tax assets increased by less than 1 million yen, Trading account liabilities increased by 873 million yen, Other liabilities increased by 122 million yen, and Deferred gains or losses on hedges decreased by 1 million yen.

(Additional information)

(Accounting estimates related to COVID-19)

The Bank assumed that the impact of the COVID-19 pandemic on social and corporate activities would last longer than expected, and for some borrowers, it would continue as long as FY2022. The Bank estimated allowance for loan losses of such borrowers, considering the possibility of credit deterioration in the future.

The assumptions for the length of time to the impact on social and corporate activities remained unchanged since the end of the last fiscal year.

Such assumptions are highly uncertain, and future losses may change depending on the situation.

**Financial Results
for the First Three Months
of FY2021**



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I . Summary of Revenue and Expenses

【Consolidated】

(million yen)

	FY 2021 1st Quarter		FY 2020 1st Quarter
	(A)	(A)-(B)	(B)
Consolidated net revenue ※1	26,796	5,450	21,346
Net interest income	11,882	(519)	12,401
Net fees and commissions	2,437	478	1,959
Net gains on trading account transactions	6,450	7,217	(766)
Net other ordinary income	6,025	(1,726)	7,752
General and administrative expenses	(13,875)	(1,060)	(12,814)
Gains (losses) on equity method investments	571	571	-
Business profit ※2	13,493	4,961	8,531
Credit-related expenses	2,016	1,820	196
Write-off of loans	(493)	146	(639)
Provision of specific allowance for loan losses	(1,408)	411	(1,819)
Provision of general allowance for loan losses	3,803	1,001	2,802
Provision of allowance for loans to restructuring countries	-	-	-
Loss on disposition of loans	-	283	(283)
Recoveries of written-off receivables	114	89	25
Provision of reserve for credit losses on off-balance-sheet instruments	(1)	(111)	110
Gains (losses) on stock transactions	5	(1,041)	1,046
Other	148	1,149	(1,000)
Ordinary profit	15,663	6,889	8,773
Extraordinary profit (loss)	-	-	-
Profit before income taxes and non-controlling interests	15,663	6,889	8,773
Income taxes-current	(2,997)	(1,448)	(1,549)
Income taxes-deferred	(1,489)	(1,099)	(389)
Profit	11,176	4,341	6,834
Loss attributable to non-controlling interests	380	(235)	616
Profit attributable to owners of parent	11,557	4,106	7,450

※1 Consolidated net revenue = (Interest income - Interest expenses)
+ (Trust fees + Fees and commissions - Fees and commissions payments)
+ (Gain on trading account transactions - Loss on trading account transactions)
+ (Other ordinary income - Other ordinary expenses)

※2 Business profit = Consolidated net revenue - General and administrative expenses + Gains (losses) on equity method investments
(Note) The amounts are rounded down to the nearest million yen.

(Scope of Consolidation and Equity-Method Application)

(Number of companies)

	June 30, 2021		June 30, 2020
	(A)	(A)-(B)	(B)
Consolidated subsidiaries	25	0	25
Subsidiaries and affiliated companies applying equity-method	1	0	1

【Non-consolidated】

(million yen)

	FY 2021		FY 2020
	1st Quarter (A)	(A)-(B)	1st Quarter (B)
Net revenue	22,703	2,214	20,489
(Excluding gains (losses) on bond transactions)	21,179	8,678	12,500
Net interest income	10,756	(1,026)	11,783
Net fees and commissions ※	241	(1,661)	1,902
Net gains on trading account transactions	6,062	6,804	(741)
Net other ordinary income	5,642	(1,903)	7,546
(Gains (losses) on bond transactions)	1,524	(6,464)	7,989
General and administrative expenses	(11,110)	(637)	(10,472)
Personnel	(5,110)	(121)	(4,989)
Property and equipment	(5,040)	(330)	(4,709)
Taxes	(959)	(185)	(773)
Core net business profit	11,593	1,576	10,016
Core net business profit excluding gains(losses) on bonds	10,068	8,040	2,027
Core net business profit excluding gains(losses) on bonds and cancellation on investment trusts	10,068	8,048	2,019
Credit-related expenses	1,980	1,870	110
Written-off of loans	-	860	(860)
Provision of specific allowance for loan losses	(1,408)	413	(1,821)
Provision of general allowance for loan losses	3,271	611	2,660
Provision of allowance for loans to restructuring countries	-	-	-
Loss on disposition of loans	-	-	-
Recoveries of written-off receivables	111	90	21
Provision of reserve for credit losses on off-balance-sheet instruments	6	(104)	111
Gains (losses) on stock transactions	5	(1,041)	1,046
Other	218	1,345	(1,127)
Ordinary profit	13,798	3,752	10,046
Extraordinary profit (loss)	-	-	-
Profit before income taxes	13,798	3,752	10,046
Income taxes-current	(2,433)	(774)	(1,658)
Income taxes-deferred	(1,211)	(930)	(281)
Profit	10,153	2,047	8,106
Business profit	11,593	1,576	10,016

※ Trust fees are included.

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

II . Unrealized Gains and Losses on Securities

【Consolidated】

(million yen)

	June 30, 2021				March 31, 2021		
	Unrealized gains and losses				Unrealized gains and losses		
	(A)	(A)-(B)	gains	losses	(B)	gains	losses
Held-to-maturity bonds	-	-	-	-	-	-	-
Available-for-sale securities	60,773	17,294	66,012	5,239	43,478	56,570	13,092
Japanese stocks	21,318	862	21,338	19	20,455	20,462	7
Japanese debt securities	1,687	781	1,804	117	905	1,408	502
Other	37,767	15,650	42,869	5,102	22,117	34,699	12,582

(Note) A portion of beneficial interests in investment trust within 'Monetary claims bought' is included in the table above.

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

【Non-consolidated】

(million yen)

	June 30, 2021		March 31, 2021
	(A)	(A) - (B)	(B)
Bankrupt and similar credit	110	(2,035)	2,145
Doubtful credit	16,818	(3,919)	20,737
Special attention credit	2,796	(73)	2,869
Total (a)	19,724	(6,027)	25,751
Normal assets	2,969,207	30,673	2,938,533
Grand total (b)	2,988,931	24,646	2,964,285
Non-performing loans ratio (a/b)	0.7%	(0.2%)	0.9%

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

【Non-consolidated】

(million yen)

	June 30, 2021		March 31, 2021
	(A)	(A) - (B)	(B)
Allowance & Coverage (c)	18,433	(4,446)	22,879
Allowance for loan losses (d)	12,262	(7)	12,269
Collateral / guarantee coverage (e)	6,170	(4,439)	10,609

(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

	June 30, 2021		March 31, 2021
	(A)	(A) - (B)	(B)
After partial and direct written-off	93.5%	4.7%	88.8%

Allowance Ratio $d/(a-e)$

	June 30, 2021		March 31, 2021
	(A)	(A) - (B)	(B)
After partial and direct written-off	90.5%	9.5%	81.0%