



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

January 31, 2022

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	Feb. 10, 2022	Dividend payable date	Mar. 15, 2022
Reference material	Affirmative	Trading accounts	Affirmative
Investor meeting	Affirmative	TEL	(03)6752-1111

(Unit: JPY millions, rounded down)

1. Business highlights for the first nine 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	%
Nine months ended						
Dec. 31, 2021	100,362	(13.0)	38,799	34.4	28,586	29.9
Dec. 31, 2020	115,360	(14.2)	28,858	(31.7)	22,003	(26.0)

(Note) Comprehensive income JPY 43,637 million (41.8)% (Nine months ended Dec. 31, 2021)
JPY 74,967 million 57.0% (Nine months ended Dec. 31, 2020)

	Net income per common share (basic)		Net income per common share (diluted)	
	Yen		Yen	
Nine months ended				
Dec. 31, 2021	244.85		244.49	
Dec. 31, 2020	188.55		188.28	

(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
Dec. 31, 2021	6,377,537	521,963	8.3	4,514.38
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 527,155 million (Dec. 31, 2021)
JPY 494,065 million (Mar. 31, 2021)

(Note) Net assets to total assets ratio = (Total net assets - Share acquisition rights - Non-controlling interests) / Total assets
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
	Yen				
FY2020(common share)	30.00	30.00	30.00	34.00	124.00
FY2021(common share)	32.00	32.00	40.00		
FY2021(common share) (Forecast)				41.00	145.00

(Note) Revision of dividends forecast to the latest announcement Affirmative

(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 December 31, 2021.

(Note) Based on the latest business performance and other factors, we have decided to revise the dividend forecast previously announced on May 13, 2021. For details, please refer to "Revision to FY2021 Full-Year Earnings and Dividend Forecasts (Dividend Increase)" announced on January 31, 2022.

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)	47,000	20.6	34,000	17.4	291.16

(Note) Revision of consolidated earnings forecast to the latest announcement Affirmative

(Note) Based on the latest business performance and other factors, we have decided to revise the earnings forecast previously announced on May 13, 2021. For details, please refer to "Revision to FY2021 Full-Year Earnings and Dividend Forecasts (Dividend Increase)" announced on January 31, 2022.

* Notes

- (1) Changes in material subsidiaries during the first nine 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

	Dec. 31, 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	1,517,048	1,586,557

	Nine months ended Dec. 31, 2021	Nine months ended Dec. 31, 2020
(c) The average number of common shares outstanding (9 months)	116,749,370	116,696,890

* 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]

1. Quarterly consolidated financial statements and main notes	2
(1) Quarterly consolidated balance sheet	2
(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income	3
Quarterly consolidated statement of income	
For the nine months ended Dec. 31	3
Quarterly consolidated statement of comprehensive income	
For the nine months ended Dec. 31	3
(3) Notes to quarterly consolidated financial statements	4
(Information on going concern assumption)	4
(Changes in shareholders' equity)	4
(Change in accounting Policy)	4
(Additional information)	5

1. Quarterly consolidated financial statements and main notes

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of Mar. 31, 2021	As of Dec. 31, 2021
Assets		
Cash and due from banks	950,109	1,096,683
Call loans and bills bought	41,000	121,496
Monetary claims bought	74,506	95,841
Trading account assets	154,616	107,546
Money held in trust	33,521	42,860
Securities	1,393,357	1,342,069
Loans and bills discounted	2,948,808	3,225,378
Foreign exchanges	58,154	66,000
Other assets	232,409	251,290
Tangible fixed assets	23,311	22,073
Intangible fixed assets	20,133	20,287
Retirement benefit asset	5,740	6,150
Deferred tax assets	16,984	13,842
Customers' liabilities for acceptances and guarantees	15,773	14,170
Allowance for loan losses	(50,886)	(47,782)
Allowance for investment loss	(674)	(372)
Total assets	5,916,866	6,377,537
Liabilities		
Deposits	3,978,506	4,547,507
Negotiable certificates of deposit	34,000	33,300
Call money and bills sold	15,536	16,207
Securities sold under repurchase agreements	56,750	62,904
Cash collateral received for securities lent	431,673	343,840
Trading account liabilities	140,451	96,631
Borrowed money	349,767	413,179
Bonds payable	198,365	170,466
Other liabilities	190,033	143,143
Provision for bonuses	4,006	2,290
Provision for bonuses for directors (and other officers)	80	52
Retirement benefit liability	10,844	10,774
Provision for retirement benefits for directors (and other officers)	4	—
Provision for credit losses on off-balance-sheet instruments	612	642
Provision for contingent loss	421	429
Reserves under special laws	8	8
Deferred tax liabilities	24	22
Acceptances and guarantees	15,773	14,170
Total liabilities	5,426,859	5,855,574
Net assets		
Share capital	100,000	100,000
Capital surplus	87,412	87,476
Retained earnings	283,464	299,953
Treasury shares	(3,260)	(3,117)
Total shareholders' equity	467,615	484,312
Valuation difference on available-for-sale securities	27,196	42,056
Deferred gains or losses on hedges	(750)	(1,639)
Foreign currency translation adjustment	(971)	1,644
Remeasurements of defined benefit plans	974	780
Total accumulated other comprehensive income	26,449	42,842
Share acquisition rights	482	390
Non-controlling interests	(4,541)	(5,582)
Total net assets	490,006	521,963
Total liabilities and net assets	5,916,866	6,377,537

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income

(Quarterly consolidated statement of income)

(For the nine months ended Dec. 31)

(Millions of yen)

	For the nine months ended Dec. 31, 2020	For the nine months ended Dec. 31, 2021
Ordinary income	115,360	100,362
Interest income	52,140	49,346
Interest on loans and discounts	35,106	33,214
Interest and dividends on securities	16,350	15,327
Trust fees	300	308
Fees and commissions	10,123	12,585
Gain on trading account transactions	23,642	12,167
Other ordinary income	23,891	22,408
Other income	5,261	3,545
Ordinary expenses	86,501	61,562
Interest expenses	13,858	10,568
Interest on deposits	4,315	4,450
Fees and commissions payments	1,710	2,740
Loss on trading account transactions	16,968	—
Other ordinary expenses	8,363	4,196
General and administrative expenses	40,628	41,902
Other expenses	4,973	2,154
Ordinary profit	28,858	38,799
Extraordinary losses	2	269
Loss on disposal of non-current assets	2	—
Impairment losses	—	269
Profit before income taxes	28,855	38,529
Income taxes - current	8,180	9,708
Income taxes - deferred	345	1,568
Total income taxes	8,525	11,277
Profit	20,330	27,252
Loss attributable to non-controlling interests	(1,673)	(1,334)
Profit attributable to owners of parent	22,003	28,586

(Quarterly consolidated statement of comprehensive income)

(For the nine months ended Dec. 31)

(Millions of yen)

	For the nine months ended Dec. 31, 2020	For the nine months ended Dec. 31, 2021
Profit	20,330	27,252
Other comprehensive income	54,637	16,385
Valuation difference on available-for-sale securities	55,470	14,852
Deferred gains or losses on hedges	(571)	(888)
Foreign currency translation adjustment	(832)	935
Remeasurements of defined benefit plans, net of tax	573	(194)
Share of other comprehensive income of entities accounted for using equity method	(2)	1,680
Comprehensive income	74,967	43,637
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	76,645	44,979
Comprehensive income attributable to non-controlling interests	(1,677)	(1,341)

(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, and other guidances')

The 'Accounting Standard for Revenue Recognition' (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the 'Accounting Standard for Revenue Recognition'), and other guidances have been applied from the beginning of the three months ended June 30, 2021. 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 three months ended June 30, 2021 was added to or subtracted from retained earnings at the beginning of the three months ended June 30, 2021, 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 nine months ended Dec. 31, 2021 decreased by 1,190 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, and other standards and guidances')

The 'Accounting Standard for Fair Value Measurement' (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the 'Accounting Standard for Fair Value Measurement') and other standards and guidances has been applied from the beginning of the three months ended June 30, 2021. In accordance with Paragraph 8 of the Accounting Standard for Fair Value Measurement, and other standards and guidances, the Bank has revised its fair 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, and other standards and guidances, hence in accordance with the transitional treatment prescribed in the Paragraph 20 of the Accounting Standard for Fair Value Measurement, and other standards and guidances, the cumulative effect of retroactively applying the new accounting policy prior to the beginning of the three months ended June 30, 2021 has been reflected in retained earnings at the beginning of the period. As a result, Retained earnings at the beginning of the nine months ended Dec. 31, 2021 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 effects of the global novel coronavirus ('COVID-19') pandemic on the economy and corporate activities would continue long term and that certain borrowers' business performance may continue to be affected until the fiscal year ending March 31, 2023.

Based on this general assumption, the allowance for loan losses is provided with consideration of possible future credit deterioration for the borrowers.

The assumption of the period affecting economic and corporate activities was unchanged from the fiscal year ended March 31, 2021.

Since the relevant assumption has a high degree of uncertainty, the loss amount can be increased or decreased in the future depending on the situation.

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



AOZORA BANK, LTD.

【 INDEX 】

I .	Summary of Revenue and Expenses	【Consolidated】	_____	1
		【Non-consolidated】	_____	2
II .	Unrealized Gains and Losses on Securities	【Consolidated】	_____	3
III .	Disclosed Claims under the Financial Reconstruction Law ("FRL Credit")	【Non-consolidated】	_____	4
IV .	Allowance and Coverage for FRL Credit	【Non-consolidated】	_____	4

I . Summary of Revenue and Expenses

【Consolidated】

(million yen)

	For the nine months ended Dec. 31, 2021		For the nine months ended Dec. 31, 2020
	(A)	(A)-(B)	(B)
Consolidated net revenue ※1	79,310	10,112	69,198
Net interest income	38,778	496	38,281
Net fees and commissions	10,152	1,439	8,713
Net gains on trading account transactions	12,167	5,493	6,674
Net other ordinary income	18,211	2,683	15,528
General and administrative expenses	(42,138)	(2,374)	(39,764)
Gains (losses) on equity method investments	1,707	1,431	275
Business profit ※2	38,879	9,169	29,709
Credit-related expenses	(1,282)	447	(1,729)
Write-off of loans	(1,229)	(1,083)	(146)
Provision of specific allowance for loan losses	(468)	128	(597)
Provision of general allowance for loan losses	281	(1,518)	1,800
Provision of allowance for loans to restructuring countries	-	-	-
Loss on disposition of loans	(0)	3,164	(3,164)
Recoveries of written-off receivables	164	(61)	225
Provision of reserve for credit losses on off-balance-sheet instruments	(30)	(183)	153
Gains (losses) on stock transactions	833	(1,555)	2,389
Other	369	1,879	(1,510)
Ordinary profit	38,799	9,941	28,858
Extraordinary profit (loss)	(269)	(267)	(2)
Profit before income taxes and non-controlling interests	38,529	9,673	28,855
Income taxes-current	(9,708)	(1,528)	(8,180)
Income taxes-deferred	(1,568)	(1,223)	(345)
Profit	27,252	6,921	20,330
Loss attributable to non-controlling interests	1,334	(338)	1,673
Profit attributable to owners of parent	28,586	6,582	22,003

※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)

	December 31, 2021		December 31, 2020
	(A)	(A)-(B)	(B)
Consolidated subsidiaries	25	0	25
Subsidiaries and affiliated companies applying equity-method	1	0	1

【Non-consolidated】

(million yen)

	For the nine months ended Dec. 31, 2021		For the nine months ended Dec. 31, 2020
	(A)	(A)-(B)	(B)
Net revenue	67,724	1,601	66,123
(Excluding gains (losses) on bond transactions)	61,860	8,471	53,389
Net interest income	34,490	685	33,804
Net fees and commissions ※	5,200	(3,009)	8,209
Net gains on trading account transactions	11,000	5,238	5,762
Net other ordinary income	17,033	(1,312)	18,346
(Gains (losses) on bond transactions)	5,863	(6,870)	12,734
General and administrative expenses	(33,548)	(1,451)	(32,096)
Personnel	(16,103)	(576)	(15,526)
Property and equipment	(15,194)	(570)	(14,623)
Taxes	(2,250)	(304)	(1,946)
Core net business profit	34,176	149	34,026
Core net business profit excluding gains(losses) on bonds	28,312	7,020	21,292
Core net business profit excluding gains(losses) on bonds and cancellation on investment trusts	28,181	6,920	21,260
Credit-related expenses	(1,169)	470	(1,640)
Written-off of loans	(518)	2,561	(3,080)
Provision of specific allowance for loan losses	(467)	139	(607)
Provision of general allowance for loan losses	(286)	(2,123)	1,837
Provision of allowance for loans to restructuring countries	-	-	-
Loss on disposition of loans	-	126	(126)
Recoveries of written-off receivables	132	(54)	187
Provision of reserve for credit losses on off-balance-sheet instruments	(30)	(178)	148
Gains (losses) on stock transactions	833	(1,555)	2,389
Other	418	2,221	(1,802)
Ordinary profit	34,258	1,285	32,973
Extraordinary profit (loss)	(269)	(267)	(2)
Profit before income taxes	33,988	1,018	32,970
Income taxes-current	(8,352)	(550)	(7,801)
Income taxes-deferred	(1,214)	(139)	(1,075)
Profit	24,422	328	24,093
Business profit	33,860	(166)	34,026

※ 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)

	December 31, 2021					September 30, 2021			March 31, 2021		
	Unrealized gains and losses					Unrealized gains and losses			Unrealized gains and losses		
	(A)	(A)-(B)	(A)-(C)	gains	losses	(B)	gains	losses	(C)	gains	losses
Held-to-maturity bonds	-	-	-	-	-	-	-	-	-	-	-
Available-for-sale securities	60,343	(430)	16,864	69,163	8,819	60,774	67,889	7,115	43,478	56,570	13,092
Japanese stocks	27,313	873	6,857	27,357	44	26,440	26,457	17	20,455	20,462	7
Japanese debt securities	1,410	18	504	1,535	124	1,392	1,524	132	905	1,408	502
Other	31,619	(1,322)	9,502	40,269	8,650	32,941	39,908	6,966	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)

	December 31, 2021			September 30, 2021 (B)	March 31, 2021 (C)
	(A)	(A) - (B)	(A) - (C)		
Bankrupt and similar credit	983	983	(1,161)	-	2,145
Doubtful credit	12,818	(3,609)	(7,918)	16,428	20,737
Special attention credit	2,392	-	(476)	2,392	2,869
Total (a)	16,195	(2,625)	(9,556)	18,820	25,751
Normal assets	3,197,314	83,051	258,781	3,114,263	2,938,533
Grand total (b)	3,213,509	80,425	249,224	3,133,084	2,964,285
Non-performing loans ratio (a/b)	0.5%	(0.1%)	(0.4%)	0.6%	0.9%

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

【Non-consolidated】

(million yen)

	December 31, 2021			September 30, 2021 (B)	March 31, 2021 (C)
	(A)	(A) - (B)	(A) - (C)		
Allowance & Coverage (c)	15,287	(2,625)	(7,592)	17,913	22,879
Allowance for loan losses (d)	9,416	(2,617)	(2,853)	12,034	12,269
Collateral / guarantee coverage (e)	5,871	(8)	(4,738)	5,879	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

	December 31, 2021			September 30, 2021 (B)	March 31, 2021 (C)
	(A)	(A) - (B)	(A) - (C)		
After partial and direct written-off	94.4%	(0.8%)	5.6%	95.2%	88.8%

Allowance Ratio d/(a-e)

	December 31, 2021			September 30, 2021 (B)	March 31, 2021 (C)
	(A)	(A) - (B)	(A) - (C)		
After partial and direct written-off	91.2%	(1.8%)	10.2%	93.0%	81.0%