



Summary of the Financial Statements for the First Three Months of FY2022 [JGAAP] (Consolidated)

August 1, 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	Yukie Tajima, Joint General Manager of Financial Control Division		
Scheduled filing date of securities report	Aug. 10, 2022	Dividend payable date	Sep. 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 three months of FY2022

(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, 2022	50,831	37.9	11,319	(27.7)	8,372	(27.6)
Jun. 30, 2021	36,852	(15.6)	15,663	78.5	11,557	55.1

(Note) Comprehensive income JPY (25,517) million –% (Three months ended June 30, 2022)
JPY 26,448 million (38.8)% (Three months ended June 30, 2021)

	Net income per common share (basic)		Net income per common share (diluted)	
	Yen		Yen	
Three months ended				
Jun. 30, 2022	71.69		71.59	
Jun. 30, 2021	99.02		98.87	

(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, 2022	6,985,206	456,485	6.6	3,962.87
Mar. 31, 2022	6,728,653	487,265	7.3	4,222.79

(Ref.) Total net assets (less Share acquisition rights and Non-controlling interests) JPY 462,754 million (June 30, 2022)
JPY 493,105 million (March 31, 2022)

(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	Yen	Yen	Yen	Yen
FY2021 (common share)	32.00	32.00	40.00	45.00	149.00
FY2022 (common share)	38.00				
FY2022 (common share) (Forecast)		—	—	—	154.00

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

(Note) The dividend payment forecast for FY2022 was calculated by dividing the total dividend amount, which is set at 50% of Profit attributable to owners of parent for forecast FY2022, by the total number of common share issued, excluding treasury shares, as of June 30, 2022. 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, 2023 (FY2022)

(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
FY2022 (Full Year)	49,500	6.9	36,000	2.8	308.29

(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, 2022	Mar. 31, 2022
(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	1,517,048

	Three months ended Jun. 30, 2022	Three months ended Jun. 30, 2021
(c) The average number of common shares outstanding (3 months)	116,772,370	116,702,861

* 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 three months ended Jun. 30	3
Quarterly consolidated statement of comprehensive income	
For the three months ended Jun. 30	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)	4

1. Quarterly consolidated financial statements and main notes

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Cash and due from banks	1,141,946	1,107,930
Call loans and bills bought	122,243	127,760
Monetary claims bought	101,687	91,600
Trading account assets	133,021	155,613
Money held in trust	20,930	18,804
Securities	1,478,178	1,361,453
Loans and bills discounted	3,317,125	3,600,919
Foreign exchanges	63,878	85,683
Other assets	306,215	368,940
Tangible fixed assets	21,785	21,426
Intangible fixed assets	20,140	19,865
Retirement benefit asset	4,964	5,093
Deferred tax assets	31,729	47,086
Customers' liabilities for acceptances and guarantees	14,038	16,051
Allowance for loan losses	(48,677)	(42,453)
Allowance for investment loss	(553)	(571)
Total assets	6,728,653	6,985,206
Liabilities		
Deposits	4,838,056	5,111,909
Negotiable certificates of deposit	33,500	33,000
Call money and bills sold	16,121	16,967
Securities sold under repurchase agreements	69,876	69,659
Cash collateral received for securities lent	356,956	273,507
Trading account liabilities	129,227	170,609
Borrowed money	432,342	448,364
Bonds payable	168,959	166,391
Other liabilities	166,022	209,156
Provision for bonuses	4,332	1,255
Provision for bonuses for directors (and other officers)	86	18
Retirement benefit liability	10,974	10,969
Provision for credit losses on off-balance-sheet instruments	407	365
Provision for contingent loss	453	466
Reserves under special laws	8	8
Deferred tax liabilities	23	19
Acceptances and guarantees	14,038	16,051
Total liabilities	6,241,387	6,528,721
Net assets		
Share capital	100,000	100,000
Capital surplus	87,476	87,476
Retained earnings	301,700	304,818
Treasury shares	(3,117)	(3,117)
Total shareholders' equity	486,060	489,177
Valuation difference on available-for-sale securities	3,985	(38,213)
Deferred gains or losses on hedges	(157)	3,597
Foreign currency translation adjustment	3,450	8,417
Remeasurements of defined benefit plans	(233)	(224)
Total accumulated other comprehensive income	7,045	(26,423)
Share acquisition rights	390	390
Non-controlling interests	(6,229)	(6,659)
Total net assets	487,265	456,485
Total liabilities and net assets	6,728,653	6,985,206

(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, 2021	Three months ended June 30, 2022
Ordinary income	36,852	50,831
Interest income	15,613	21,298
Interest on loans and discounts	10,818	14,490
Interest and dividends on securities	4,528	6,499
Trust fees	94	84
Fees and commissions	3,152	3,779
Gain on trading account transactions	6,450	9,805
Other ordinary income	8,129	11,239
Other income	3,412	4,624
Ordinary expenses	21,189	39,512
Interest expenses	3,731	7,057
Interest on deposits	1,406	2,179
Fees and commissions payments	808	1,006
Loss on trading account transactions	—	8,177
Other ordinary expenses	2,103	8,483
General and administrative expenses	13,727	14,480
Other expenses	818	305
Ordinary profit	15,663	11,319
Extraordinary losses	—	1
Loss on disposal of non-current assets	—	1
Profit before income taxes	15,663	11,318
Income taxes - current	2,997	1,196
Income taxes - deferred	1,489	2,172
Total income taxes	4,487	3,369
Profit	11,176	7,948
Loss attributable to non-controlling interests	(380)	(423)
Profit attributable to owners of parent	11,557	8,372

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

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit	11,176	7,948
Other comprehensive income	15,272	(33,466)
Valuation difference on available-for-sale securities	14,057	(42,197)
Deferred gains or losses on hedges	(66)	3,754
Foreign currency translation adjustment	153	3,134
Remeasurements of defined benefit plans, net of tax	(102)	9
Share of other comprehensive income of entities accounted for using equity method	1,231	1,832
Comprehensive income	26,448	(25,517)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	26,833	(25,095)
Comprehensive income attributable to non-controlling interests	(384)	(421)

(3) Notes to quarterly consolidated financial statements

(Information on going concern assumption)

None

(Changes in shareholders' equity)

None

(Change in accounting Policy)

(Application of “Implementation Guidance on Accounting Standard for Fair Value Measurement”)

The “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No.31 June 17, 2021) has been applied from the beginning of the three months ended June 30, 2022. In accordance with the transitional treatment prescribed in Paragraph 27-2 of the guidance, the Bank applies new accounting policies prescribed in the “Implementation Guidance on Accounting Standard for Fair Value Measurement” prospectively. There is no effect on the quarterly consolidated financial statements.

(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, 2022.

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 Three Months
of FY2022**



【 INDEX 】

I .	Summary of Revenue and Expenses	【Consolidated】	_____	1
		【Non-consolidated】	_____	2
II .	Unrealized Gains and Losses on Securities	【Consolidated】	_____	3
III .	Non-performing loans (NPLs) based on the Banking Act and the Financial Reconstruction Act, and coverage	【Consolidated】	_____	3

I . Summary of Revenue and Expenses

【Consolidated】

(million yen)

	For the three months ended Jun. 30, 2022		For the three months ended Jun. 30, 2021
	(A)	(A)-(B)	(B)
Consolidated net revenue ※1	21,481	(5,314)	26,796
Net interest income	14,240	2,358	11,882
Net fees and commissions	2,857	419	2,437
Net gains on trading account transactions	1,628	(4,822)	6,450
Net other ordinary income	2,755	(3,270)	6,025
General and administrative expenses	(14,467)	(591)	(13,875)
Gains (losses) on equity method investments	381	(190)	571
Business profit ※2	7,396	(6,096)	13,493
Credit-related expenses	3,215	1,199	2,016
Written-off of loans	(16)	476	(493)
Provision of specific allowance for loan losses	(671)	736	(1,408)
Provision of general allowance for loan losses	2,936	(867)	3,803
Provision of allowance for loans to restructuring countries	-	-	-
Loss on disposition of loans	(91)	(91)	-
Recoveries of written-off receivables	1,016	901	114
Provision of reserve for credit losses on off-balance-sheet instruments	41	43	(1)
Gains (losses) on stock transactions	(47)	(52)	5
Other	754	606	148
Ordinary profit	11,319	(4,343)	15,663
Extraordinary profit (loss)	(1)	(1)	-
Profit before income taxes and non-controlling interests	11,318	(4,344)	15,663
Income taxes-current	(1,196)	1,801	(2,997)
Income taxes-deferred	(2,172)	(683)	(1,489)
Profit	7,948	(3,227)	11,176
Loss attributable to non-controlling interests	423	42	380
Profit attributable to owners of parent	8,372	(3,184)	11,557

※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, 2022		June 30, 2021
	(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 three months ended Jun. 30, 2022		For the three months ended Jun. 30, 2021
	(A)	(A)-(B)	(B)
Net revenue	18,281	(4,422)	22,703
(Excluding gains (losses) on bond transactions)	20,626	(552)	21,179
Net interest income	12,238	1,481	10,756
Net fees and commissions ※	1,838	1,597	241
Net gains on trading account transactions	1,440	(4,622)	6,062
Net other ordinary income	2,762	(2,880)	5,642
(Gains (losses) on bond transactions)	(2,344)	(3,869)	1,524
General and administrative expenses	(11,476)	(365)	(11,110)
Personnel	(5,638)	(528)	(5,110)
Property and equipment	(5,071)	(31)	(5,040)
Taxes	(766)	193	(959)
Core net business profit	6,805	(4,788)	11,593
Core net business profit excluding gains(losses) on bonds	9,149	(918)	10,068
Core net business profit excluding gains(losses) on bonds and cancellation on investment trusts	8,210	(1,857)	10,068
Credit-related expenses	3,315	1,334	1,980
Written-off of loans	(95)	(95)	-
Provision of specific allowance for loan losses	(560)	847	(1,408)
Provision of general allowance for loan losses	2,929	(342)	3,271
Provision of allowance for loans to restructuring countries	-	-	-
Loss on disposition of loans	-	-	-
Recoveries of written-off receivables	1,000	889	111
Provision of reserve for credit losses on off-balance-sheet instruments	42	35	6
Gains (losses) on stock transactions	(47)	(52)	5
Other	689	470	218
Ordinary profit	10,762	(3,035)	13,798
Extraordinary profit (loss)	(1)	(1)	-
Profit before income taxes	10,761	(3,037)	13,798
Income taxes-current	(1,074)	1,359	(2,433)
Income taxes-deferred	(1,815)	(604)	(1,211)
Profit	7,872	(2,281)	10,153
Business profit	6,805	(4,788)	11,593

※ 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, 2022				March 31, 2022		
	Unrealized gains and losses				Unrealized gains and losses		
	(A)	(A)-(B)	gains	losses	(B)	gains	losses
Held-to-maturity bonds	-	-	-	-	-	-	-
Available-for-sale securities	(55,368)	(61,379)	33,741	89,110	6,011	50,670	44,658
Japanese stocks	15,053	(5,355)	15,328	274	20,408	20,480	71
Japanese debt securities	(2,300)	(715)	733	3,033	(1,584)	720	2,305
Other	(68,122)	(55,309)	17,680	85,802	(12,812)	29,468	42,281

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

III. Non-performing loans (NPLs) based on the Banking Act and the Financial Reconstruction Act, and coverage After partial and direct written-off

【Consolidated】

(million yen)

	June 30, 2022		March 31, 2022
	(A)	(A) - (B)	(B)
Bankrupt and similar credit	3,189	366	2,822
Doubtful credit	10,837	(5,363)	16,201
Special attention credit	5,264	2,871	2,392
Loans overdue for 3 months or more	2,888	2,888	-
Restructured loans	2,376	(16)	2,392
NPL Credit (a)	19,291	(2,124)	21,416
Normal credit	3,636,844	290,840	3,346,004
Total credit (b)	3,656,136	288,715	3,367,420
NPL ratio (a/b)	0.5%	(0.1%)	0.6%

	June 30, 2022		March 31, 2022
	(A)	(A) - (B)	(B)
Allowance & Coverage (c)	15,101	(4,029)	19,131
Allowance for loan losses (d)	9,184	(2,460)	11,645
Collateral / guarantee coverage (e)	5,916	(1,569)	7,485
Coverage Ratio (c/a)	78.3%	(11.0%)	89.3%
Allowance Ratio (d/(a-e))	68.7%	(14.9%)	83.6%

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