



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

February 3, 2023

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	February 13, 2023	Dividend payable date	March 15, 2023
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 FY2022

(1) Consolidated business results

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

	Ordinary income		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended						
December 31, 2022	126,363	25.9	18,426	(52.5)	15,711	(45.0)
December 31, 2021	100,362	(13.0)	38,799	34.4	28,586	29.9

(Note) Comprehensive income JPY (34,075) million –% (Nine months ended December 31, 2022)
JPY 43,637 million (41.8)% (Nine months ended December 31, 2021)

	Net income per common share (basic)	Net income per common share (diluted)
	Yen	Yen
Nine months ended		
December 31, 2022	134.53	134.31
December 31, 2021	244.85	244.49

(2) Consolidated financial condition

	Total assets	Total net assets	Net assets to total assets ratio	Net assets per common share
	Millions of yen	Millions of yen	%	Yen
December 31, 2022	7,154,360	439,989	6.2	3,823.91
March 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 446,561 million (December 31, 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	38.00	38.00		
FY2022 (common share) (Forecast)				40.00	154.00

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

Because the dividend forecast for year-end of FY2022 has become a fixed amount, revision of dividends forecast to the latest announcement is shown as 'Affirmative'. The common share dividend forecast for FY2022 would be 154.00 yen per common share, which remains unchanged from the dividend forecast previously announced on May 16, 2022. While we have revised consolidated earnings forecast of FY2022 announced in the 'Revision to FY2022 Full-Year Earnings Forecast' on January 27, 2023, the dividend forecast remains unchanged.

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
	Millions of yen	%	Millions of yen	%	Yen
FY2022 (Full Year)	10,000	(78.4)	10,000	(71.4)	85.63

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

We have announced 'Revision to FY2022 Full-Year Earnings Forecast' on January 27, 2023 and revised the consolidated earnings forecast.

* Notes

- (1) Changes in material subsidiaries during the first nine months
(changes in specified subsidiaries which affect the scope of consolidation) Affirmative
Excluded: 1 Company (Aozora Investments LLC)
- (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

	December 31, 2022	March 31, 2022
(a) The number of common shares issued (including treasury shares)	118,289,418	118,289,418
(b) The number of treasury shares	1,508,199	1,517,048

	Nine months ended December 31, 2022	Nine months ended December 31, 2021
(c) The average number of common shares outstanding (9 months)	116,778,289	116,749,370

* 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, 2022	As of December 31, 2022
Assets		
Cash and due from banks	1,141,946	1,060,789
Call loans and bills bought	122,243	15,928
Monetary claims bought	101,687	85,528
Trading account assets	133,021	271,879
Money held in trust	20,930	13,546
Securities	1,478,178	1,333,590
Loans and bills discounted	3,317,125	3,877,656
Foreign exchanges	63,878	81,332
Other assets	306,215	339,118
Tangible fixed assets	21,785	21,084
Intangible fixed assets	20,140	19,555
Retirement benefit asset	4,964	5,352
Deferred tax assets	31,729	53,296
Customers' liabilities for acceptances and guarantees	14,038	17,808
Allowance for loan losses	(48,677)	(41,454)
Allowance for investment loss	(553)	(652)
Total assets	6,728,653	7,154,360
Liabilities		
Deposits	4,838,056	5,383,146
Negotiable certificates of deposit	33,500	23,000
Call money and bills sold	16,121	16,637
Securities sold under repurchase agreements	69,876	51,063
Cash collateral received for securities lent	356,956	194,817
Trading account liabilities	129,227	180,889
Borrowed money	432,342	509,045
Bonds payable	168,959	117,725
Other liabilities	166,022	205,983
Provision for bonuses	4,332	2,552
Provision for bonuses for directors (and other officers)	86	55
Retirement benefit liability	10,974	11,180
Provision for credit losses on off-balance-sheet instruments	407	433
Provision for contingent loss	453	—
Reserves under special laws	8	8
Deferred tax liabilities	23	22
Acceptances and guarantees	14,038	17,808
Total liabilities	6,241,387	6,714,370
Net assets		
Share capital	100,000	100,000
Capital surplus	87,476	87,481
Retained earnings	301,700	303,327
Treasury shares	(3,117)	(3,099)
Total shareholders' equity	486,060	487,709
Valuation difference on available-for-sale securities	3,985	(55,023)
Deferred gains or losses on hedges	(157)	4,304
Foreign currency translation adjustment	3,450	9,776
Remeasurements of defined benefit plans	(233)	(205)
Total accumulated other comprehensive income	7,045	(41,147)
Share acquisition rights	390	503
Non-controlling interests	(6,229)	(7,074)
Total net assets	487,265	439,989
Total liabilities and net assets	6,728,653	7,154,360

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income
 (Quarterly consolidated statement of income)
 (For the nine months ended December 31)

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Ordinary income	100,362	126,363
Interest income	49,346	79,627
Interest on loans and discounts	33,214	59,566
Interest and dividends on securities	15,327	18,412
Trust fees	308	262
Fees and commissions	12,585	12,411
Gain on trading account transactions	12,167	4,968
Other ordinary income	22,408	19,502
Other income	3,545	9,592
Ordinary expenses	61,562	107,937
Interest expenses	10,568	39,193
Interest on deposits	4,450	7,998
Fees and commissions payments	2,740	3,190
Loss on trading account transactions	—	1,902
Other ordinary expenses	4,196	17,190
General and administrative expenses	41,902	43,782
Other expenses	2,154	2,679
Ordinary profit	38,799	18,426
Extraordinary losses	269	2
Loss on disposal of non-current assets	—	2
Impairment losses	269	—
Profit before income taxes	38,529	18,424
Income taxes - current	9,708	1,486
Income taxes - deferred	1,568	2,780
Total income taxes	11,277	4,267
Profit	27,252	14,156
Loss attributable to non-controlling interests	(1,334)	(1,554)
Profit attributable to owners of parent	28,586	15,711

(Quarterly consolidated statement of comprehensive income)
 (For the nine months ended December 31)

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit	27,252	14,156
Other comprehensive income	16,385	(48,231)
Valuation difference on available-for-sale securities	14,852	(59,047)
Deferred gains or losses on hedges	(888)	4,461
Foreign currency translation adjustment	935	1,205
Remeasurements of defined benefit plans, net of tax	(194)	28
Share of other comprehensive income of entities accounted for using equity method	1,680	5,120
Comprehensive income	43,637	(34,075)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	44,979	(32,481)
Comprehensive income attributable to non-controlling interests	(1,341)	(1,593)

(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 Nine Months
of FY2022**

 **AOZORA BANK, LTD.**

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I . Summary of Revenue and Expenses

【Consolidated】

(Millions of yen)

	For the nine months ended December 31, 2022		For the nine months ended December 31, 2021
	(A)	(A)-(B)	(B)
Consolidated net revenue ※1	55,296	(24,014)	79,310
Net interest income	40,433	1,655	38,778
Net fees and commissions	9,483	(669)	10,152
Net gains on trading account transactions	3,066	(9,101)	12,167
Net other ordinary income	2,312	(15,899)	18,211
General and administrative expenses	(43,694)	(1,555)	(42,138)
Gains (losses) on equity method investments	1,316	(391)	1,707
Business profit ※2	12,917	(25,961)	38,879
Credit-related expenses	2,262	3,544	(1,282)
Written-off of loans	(29)	1,200	(1,229)
Provision of specific allowance for loan losses	(187)	280	(468)
Provision of general allowance for loan losses	1,657	1,375	281
Provision of allowance for loans to restructuring countries	-	-	-
Loss on disposition of loans	(316)	(315)	(0)
Recoveries of written-off receivables	1,164	999	164
Provision of reserve for credit losses on off-balance-sheet instruments	(26)	3	(30)
Gains (losses) on stock transactions	4,697	3,864	833
Other	(1,451)	(1,820)	369
Ordinary profit	18,426	(20,373)	38,799
Extraordinary profit (loss)	(2)	267	(269)
Profit before income taxes and non-controlling interests	18,424	(20,105)	38,529
Income taxes-current	(1,486)	8,221	(9,708)
Income taxes-deferred	(2,780)	(1,211)	(1,568)
Profit	14,156	(13,095)	27,252
Loss attributable to non-controlling interests	1,554	220	1,334
Profit attributable to owners of parent	15,711	(12,874)	28,586

※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, 2022		December 31, 2021
	(A)	(A)-(B)	(B)
Consolidated subsidiaries	25	0	25
Subsidiaries and affiliated companies applying equity-method	1	0	1

【Non-consolidated】

(Millions of yen)

	For the nine months ended December 31, 2022		For the nine months ended December 31, 2021
	(A)	(A)-(B)	(B)
Net revenue	44,214	(23,509)	67,724
(Excluding gains (losses) on bond transactions)	50,500	(11,360)	61,860
Net interest income	34,339	(151)	34,490
Net fees and commissions ※	6,566	1,366	5,200
Net gains on trading account transactions	2,645	(8,354)	11,000
Net other ordinary income	663	(16,370)	17,033
(Gains (losses) on bond transactions)	(6,285)	(12,148)	5,863
General and administrative expenses	(33,963)	(415)	(33,548)
Personnel	(17,088)	(985)	(16,103)
Property and equipment	(15,159)	34	(15,194)
Taxes	(1,715)	535	(2,250)
Core net business profit	10,251	(23,925)	34,176
Core net business profit excluding gains(losses) on bonds	16,536	(11,776)	28,312
Core net business profit excluding gains(losses) on bonds and cancellation on investment trusts	15,242	(12,938)	28,181
Credit-related expenses	2,487	3,657	(1,169)
Written-off of loans	(297)	221	(518)
Provision of specific allowance for loan losses	(38)	429	(467)
Provision of general allowance for loan losses	1,766	2,052	(286)
Provision of allowance for loans to restructuring countries	-	-	-
Loss on disposition of loans	-	-	-
Recoveries of written-off receivables	1,070	937	132
Provision of reserve for credit losses on off-balance-sheet instruments	(13)	17	(30)
Gains (losses) on stock transactions	4,697	3,864	833
Other	(1,451)	(1,870)	418
Ordinary profit	15,985	(18,273)	34,258
Extraordinary profit (loss)	(10,534)	(10,264)	(269)
Profit before income taxes	5,450	(28,538)	33,988
Income taxes-current	(1,401)	6,950	(8,352)
Income taxes-deferred	(2,629)	(1,415)	(1,214)
Profit	1,419	(23,002)	24,422
Business profit	10,238	(23,622)	33,860

※ Trust fees are included.

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

II. Unrealized Gains and Losses on Securities

(Millions of yen)

	December 31, 2022					September 30, 2022			March 31, 2022		
	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	(79,735)	14,713	(85,746)	32,771	112,506	(94,449)	33,648	128,098	6,011	50,670	44,658
Japanese stocks	14,057	136	(6,351)	14,386	329	13,921	14,216	295	20,408	20,480	71
Japanese debt securities	(6,361)	(3,105)	(4,777)	369	6,731	(3,256)	603	3,860	(1,584)	720	2,305
Other	(87,431)	17,683	(74,618)	18,015	105,446	(105,114)	18,827	123,942	(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

(Millions of yen)

	December 31, 2022			September 30, 2022 (B)	March 31, 2022 (C)
	(A)	(A) - (B)	(A) - (C)		
Bankrupt and similar credit	3,039	1,199	216	1,839	2,822
Doubtful credit	8,464	(3,634)	(7,736)	12,099	16,201
Special attention credit	8,399	-	6,007	8,399	2,392
Loans overdue for 3 months or more	2,888	-	2,888	2,888	-
Restructured loans	5,511	-	3,119	5,511	2,392
NPL Credit (a)	19,903	(2,435)	(1,512)	22,339	21,416
Normal credit	3,916,933	32,004	570,929	3,884,929	3,346,004
Total credit (b)	3,936,837	29,568	569,417	3,907,269	3,367,420
NPL ratio (a/b)	0.5%	(0.1%)	(0.1%)	0.6%	0.6%

	December 31, 2022			September 30, 2022 (B)	March 31, 2022 (C)
	(A)	(A) - (B)	(A) - (C)		
Allowance & Coverage (c)	15,395	(2,438)	(3,735)	17,834	19,131
Allowance for loan losses (d)	8,378	(2,457)	(3,266)	10,835	11,645
Collateral / guarantee coverage (e)	7,016	18	(468)	6,998	7,485
Coverage Ratio (c/a)	77.4%	(2.4%)	(11.9%)	79.8%	89.3%
Allowance Ratio (d/(a-e))	65.0%	(5.6%)	(18.6%)	70.6%	83.6%

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