



Summary of the Financial Statements for the First Nine Months of FY2023 [JGAAP] (Consolidated)

February 1, 2024

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, 2024	Dividend payable date	-
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 FY2023

(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, 2023	193,254	52.9	(24,861)	—	(14,705)	—
December 31, 2022	126,363	25.9	18,426	(52.5)	15,711	(45.0)

(Note) Comprehensive income JPY (23,550) million —% (Nine months ended December 31, 2023)
JPY (34,075) million —% (Nine months ended December 31, 2022)

	Net income per common share (basic)	Net income per common share (diluted)
	Yen	Yen
Nine months ended		
December 31, 2023	(125.88)	—
December 31, 2022	134.53	134.31

(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, 2023	7,722,736	410,230	5.2	3,445.59
March 31, 2023	7,184,070	431,119	6.1	3,751.95

(Ref.) Total net assets (less Share acquisition rights and Non-controlling interests) JPY 402,522 million (December 31, 2023)
JPY 438,157 million (March 31, 2023)

(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
FY2022(common share)	38.00	38.00	38.00	40.00	154.00
FY2023(common share)	38.00	38.00	0.00		
FY2023(common share) (Forecast)				0.00	76.00

(Note) Revision of dividends forecast to the latest announcement Affirmative
Regarding the revision of dividends forecast, please refer to the 'Aozora Announces No Dividend to be Paid for the Third Quarter' and the 'Revision to FY2023 Full-Year Earnings and Dividend Forecasts' that were announced today (February 1, 2024).

3. Consolidated earnings forecast for the year ending March 31, 2024 (FY2023)

(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
FY2023 (Full Year)	(49,000)	—	(28,000)	—	(239.68)

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

Regarding the revision of consolidated earnings forecast, please refer to the 'Revision to FY2023 Full-Year Earnings and Dividend Forecasts' that was announced today (February 1, 2024).

* 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 None
- (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, 2023	March 31, 2023
(a) The number of common shares issued (including treasury shares)	118,289,418	118,289,418
(b) The number of treasury shares	1,467,109	1,508,199

	Nine months ended December 31, 2023	Nine months ended December 31, 2022
(c) The average number of common shares outstanding (9 months)	116,809,112	116,778,289

* 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, 2023	As of December 31, 2023
Assets		
Cash and due from banks	1,275,003	1,537,387
Call loans and bills bought	78,311	18,728
Monetary claims bought	75,209	68,359
Trading account assets	151,285	207,623
Money held in trust	13,083	13,560
Securities	1,278,749	1,375,975
Loans and bills discounted	3,881,373	4,073,510
Foreign exchanges	76,873	58,730
Other assets	284,650	325,010
Tangible fixed assets	21,617	21,256
Intangible fixed assets	19,392	19,041
Retirement benefit asset	3,873	4,238
Deferred tax assets	53,577	68,791
Customers' liabilities for acceptances and guarantees	18,630	17,634
Allowance for loan losses	(44,052)	(84,260)
Allowance for investment loss	(3,509)	(2,852)
Total assets	7,184,070	7,722,736
Liabilities		
Deposits	5,463,352	5,800,710
Negotiable certificates of deposit	34,000	40,000
Call money and bills sold	10,000	8,503
Securities sold under repurchase agreements	48,224	37,948
Cash collateral received for securities lent	215,983	293,261
Trading account liabilities	121,877	141,124
Borrowed money	525,613	562,300
Bonds payable	147,773	193,709
Other liabilities	151,280	200,674
Provision for bonuses	4,373	3,206
Provision for bonuses for directors (and other officers)	25	52
Retirement benefit liability	11,288	11,214
Provision for credit losses on off-balance-sheet instruments	496	2,136
Reserves under special laws	8	8
Deferred tax liabilities	22	22
Acceptances and guarantees	18,630	17,634
Total liabilities	6,752,951	7,312,506
Net assets		
Share capital	100,000	100,000
Capital surplus	87,481	87,498
Retained earnings	291,898	263,644
Treasury shares	(3,099)	(3,015)
Total shareholders' equity	476,280	448,128
Valuation difference on available-for-sale securities	(45,449)	(55,940)
Deferred gains or losses on hedges	972	88
Foreign currency translation adjustment	7,683	11,305
Remeasurements of defined benefit plans	(1,328)	(1,058)
Total accumulated other comprehensive income	(38,122)	(45,605)
Share acquisition rights	503	532
Non-controlling interests	(7,541)	7,175
Total net assets	431,119	410,230
Total liabilities and net assets	7,184,070	7,722,736

(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, 2022	Nine months ended December 31, 2023
Ordinary income	126,363	193,254
Interest income	79,627	127,012
Interest on loans and discounts	59,566	98,136
Interest and dividends on securities	18,412	22,962
Trust fees	262	253
Fees and commissions	12,411	18,673
Gain on trading account transactions	4,968	10,488
Other ordinary income	19,502	22,673
Other income	9,592	14,152
Ordinary expenses	107,937	218,116
Interest expenses	39,193	93,014
Interest on deposits	7,998	10,929
Fees and commissions payments	3,190	4,161
Loss on trading account transactions	1,902	9,697
Other ordinary expenses	17,190	11,572
General and administrative expenses	43,782	46,118
Other expenses	2,679	53,551
Ordinary profit (loss)	18,426	(24,861)
Extraordinary income	—	0
Gain on disposal of non-current assets	—	0
Extraordinary losses	2	3
Loss on disposal of non-current assets	2	3
Profit (loss) before income taxes	18,424	(24,864)
Income taxes - current	1,486	2,411
Income taxes - deferred	2,780	(11,219)
Total income taxes	4,267	(8,807)
Profit (loss)	14,156	(16,056)
Loss attributable to non-controlling interests	(1,554)	(1,351)
Profit (loss) attributable to owners of parent	15,711	(14,705)

(Quarterly consolidated statement of comprehensive income)

(For the nine months ended December 31)

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit (loss)	14,156	(16,056)
Other comprehensive income	(48,231)	(7,494)
Valuation difference on available-for-sale securities	(59,047)	(10,501)
Deferred gains or losses on hedges	4,461	(884)
Foreign currency translation adjustment	1,205	1,040
Remeasurements of defined benefit plans, net of tax	28	269
Share of other comprehensive income of entities accounted for using equity method	5,120	2,581
Comprehensive income	(34,075)	(23,550)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(32,481)	(22,188)
Comprehensive income attributable to non-controlling interests	(1,593)	(1,362)

(3) Notes to quarterly consolidated financial statements

(Information on going concern assumption)

None

(Changes in shareholders' equity)

None

(Additional information)

(Allowance for Loan Losses for Overseas Real Estate Non-Recourse Loans)

For overseas real estate non-recourse loans, the Bank assumes a decrease in market liquidity mainly due to the deteriorating environment of the U.S. real estate market, and it will take approximately 1-2 years particularly for the U.S. office market to stabilize.

For all borrowers that require careful monitoring in the future, the loan loss amount mainly estimated by the DCF method is reflected as an addition to the allowance for loan losses determined based on the estimated loan loss ratio.

In addition, for non-recourse loans backed by underperforming office properties in the U.S. due to the changes in work styles during the COVID-19 pandemic and the post-COVID-19 period, in order to prepare for the disposal of these properties, for cases where there is a possibility to debt recovery, the allowance for loan losses is made based on the determination of individual borrower category and estimated disposal price taking into account the risk price decline over the next 1-2 years through a forward-looking perspective.

Since the above assumption which from the basis of the estimate has a high degree of uncertainty, and depending on the situation, there is a possibility of fluctuations in the future profits and losses.

**Financial Results
for the First Nine Months
of FY2023**



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* NPLs : Non-performing loans

* FRA : Financial Reconstruction Act

I . Summary of Revenue and Expenses

【Consolidated】

(Millions of yen)

	For the nine months ended December 31, 2023		For the nine months ended December 31, 2022
	(A)	(A)-(B)	(B)
Consolidated net revenue ※1	60,656	5,359	55,296
Net interest income	33,998	(6,435)	40,433
Net fees and commissions	14,765	5,281	9,483
Net gains on trading account transactions	791	(2,274)	3,066
Net other ordinary income	11,100	8,788	2,312
General and administrative expenses	(45,684)	(1,989)	(43,694)
Gains (losses) on equity method investments	2,285	969	1,316
Business profit ※2	17,257	4,340	12,917
Credit-related expenses	(42,935)	(45,198)	2,262
Write-off of loans	(85)	(56)	(29)
Provision of specific allowance for loan losses	(39,143)	(38,956)	(187)
Provision of general allowance for loan losses	(2,065)	(3,722)	1,657
Provision of allowance for loans to restructuring countries	-	-	-
Loss on disposition of loans	(672)	(355)	(316)
Recoveries of written-off receivables	670	(493)	1,164
Provision of allowance for credit losses on off-balance-sheet instruments	(1,640)	(1,613)	(26)
Gains (losses) on stock transactions	1,563	(3,134)	4,697
Other	(746)	704	(1,451)
Ordinary profit (loss)	(24,861)	(43,287)	18,426
Extraordinary profit (loss)	(3)	(1)	(2)
Profit (loss) before income taxes	(24,864)	(43,288)	18,424
Income taxes-current	(2,411)	(924)	(1,486)
Income taxes-deferred	11,219	14,000	(2,780)
Profit (loss)	(16,056)	(30,213)	14,156
Loss attributable to non-controlling interests	1,351	(202)	1,554
Profit (loss) attributable to owners of parent	(14,705)	(30,416)	15,711

※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, 2023		December 31, 2022
	(A)	(A)-(B)	(B)
Consolidated subsidiaries	26	1	25
Subsidiaries and affiliated companies applying equity-method	1	0	1

【Non-consolidated】

(Millions of yen)

	For the nine months ended December 31, 2023		For the nine months ended December 31, 2022
	(A)	(A)-(B)	(B)
Net revenue	45,638	1,423	44,214
(Excluding gains (losses) on bond transactions)	40,531	(9,968)	50,500
Net interest income	25,884	(8,454)	34,339
Net fees and commissions ※	10,430	3,864	6,566
Net gains on trading account transactions	595	(2,049)	2,645
Net other ordinary income	8,727	8,064	663
(Gains (losses) on bond transactions)	5,107	11,392	(6,285)
General and administrative expenses	(34,556)	(592)	(33,963)
Personnel	(17,834)	(745)	(17,088)
Property and equipment	(15,322)	(162)	(15,159)
Taxes	(1,399)	316	(1,715)
Core net business profit	11,082	831	10,251
Core net business profit excluding gains(losses) on bonds	5,975	(10,560)	16,536
Core net business profit excluding gains(losses) on bonds and cancellation on investment trusts	1,801	(13,441)	15,242
Credit-related expenses	(42,619)	(45,106)	2,487
Write-off of loans	(637)	(340)	(297)
Provision of specific allowance for loan losses	(39,000)	(38,962)	(38)
Provision of general allowance for loan losses	(1,972)	(3,738)	1,766
Provision of allowance for loans to restructuring countries	-	-	-
Loss on disposition of loans	(21)	(21)	-
Recoveries of written-off receivables	578	(491)	1,070
Provision of allowance for credit losses on off-balance-sheet instruments	(1,565)	(1,552)	(13)
Gains (losses) on stock transactions	1,568	(3,129)	4,697
Other	(764)	687	(1,451)
Ordinary profit (loss)	(30,732)	(46,717)	15,985
Extraordinary profit (loss)	(3)	10,531	(10,534)
Profit (loss) before income taxes	(30,736)	(36,186)	5,450
Income taxes-current	(1,796)	(394)	(1,401)
Income taxes-deferred	11,470	14,099	(2,629)
Profit (loss)	(21,062)	(22,482)	1,419
Business profit	7,544	(2,693)	10,238

※ Trust fees are included.

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

II. Unrealized Gains and Losses on Securities

【Consolidated】 (Millions of yen)

	December 31, 2023					September 30, 2023			March 31, 2023		
	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	(81,109)	29,402	(15,192)	19,852	100,961	(110,512)	24,698	135,210	(65,917)	28,192	94,110
Japanese stocks	11,791	1,687	(1,090)	12,190	398	10,104	10,564	459	12,882	13,190	308
Japanese debt securities	(2,570)	539	(252)	395	2,965	(3,109)	420	3,530	(2,317)	481	2,798
Other	(90,331)	27,176	(13,849)	7,266	97,597	(117,507)	13,712	131,220	(76,482)	14,521	91,003

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

III. NPLs based on the Banking Act and the FRA, and coverage

- * NPLs : Non-performing loans
- * FRA : Financial Reconstruction Act

After partial and direct write-off

【Consolidated】 (Millions of yen)

	December 31, 2023			September 30, 2023	March 31, 2023
	(A)	(A) - (B)	(A) - (C)	(B)	(C)
Bankrupt and similar credit	22	15	(3,017)	7	3,039
Doubtful credit	111,662	66,322	81,039	45,339	30,623
Special attention credit	6,843	78	1,331	6,765	5,511
Loans overdue for three months or more	382	-	382	382	-
Restructured loans	6,460	78	949	6,382	5,511
Subtotal (a)	118,528	66,416	79,354	52,111	39,174
Normal credit	4,005,158	(111,167)	108,285	4,116,326	3,896,873
Total credit (b)	4,123,687	(44,750)	187,639	4,168,438	3,936,047
NPL ratio (a/b)	2.9%	1.6%	1.9%	1.3%	1.0%

	December 31, 2023			September 30, 2023	March 31, 2023
	(A)	(A) - (B)	(A) - (C)	(B)	(C)
Allowance & Coverage (c)	114,711	66,386	78,126	48,325	36,585
Allowance for loan losses (d)	51,521	30,698	38,239	20,822	13,281
Collateral / guarantee coverage (e)	63,190	35,687	39,886	27,502	23,303
Coverage ratio (c/a)	96.8%	4.1%	3.4%	92.7%	93.4%
Allowance ratio (d/(a-e))	93.1%	8.5%	9.4%	84.6%	83.7%

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