



Summary of the 1st Quarter Financial Statements for the First Three Months of FY2019 [JGAAP] (Consolidated)

August 1, 2019

Company name	Aozora Bank, Ltd.	Listed exchange	Tokyo Stock Exchange
TSE code	8304	URL	https://www.aozorabank.co.jp/
Representative	Shinsuke Baba, President and CEO		
Contact person	Yoshinari Takasaki, Joint General Manager of Financial Control Division		
Scheduled filing date of securities report	Aug. 9, 2019	Dividend payable date	Sep. 17, 2019
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 FY2019

(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, 2019	47,387	10.8	16,827	1.3	11,886	4.5
Jun. 30, 2018	42,762	9.7	16,608	(5.5)	11,373	(21.7)

(Note) Comprehensive income JPY 22,062 million - % (Three months ended June 30, 2019)
JPY (637) million - % (Three months ended June 30, 2018)

	Net income per common share (basic)	Net income per common share (diluted)
	Yen	Yen
Three months ended Jun. 30, 2019	101.87	101.79
Jun. 30, 2018	97.49	97.42

(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, 2019	5,297,934	466,798	8.8	4,003.74
Mar. 31, 2019	5,255,048	448,710	8.5	3,844.08

(Ref.) Total net assets (less Share acquisition rights and Non-controlling interests) JPY 467,148 million (June 30, 2019)
JPY 448,519 million (March 31, 2019)

(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
	Yen	Yen	Yen	Yen	Yen
FY2018(common share)	40.00	40.00	40.00	34.00	154.00
FY2019(common share)	39.00				
FY2019(common share) (Forecast)		-	-	-	156.00

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

(Note) The dividend payment forecast for FY2019 was calculated by dividing the total dividend amount, which is set at 50% of Profit attributable to owners of parent for forecast FY2019, by the total number of common share issued, excluding treasury shares, as of June 30, 2019. 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, 2020 (FY2019)

(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
FY2019 (Full Year)	51,000	6.7	36,500	1.0	312.82

(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 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

	Jun. 30, 2019	Mar. 31, 2019
(a) The number of common shares issued (including treasury shares)	118,289,418	118,289,418
(b) The number of treasury shares	1,611,667	1,611,667

	Three months ended Jun. 30, 2019	Three months ended Jun. 30, 2018
(c) The average number of common shares outstanding (3 months)	116,677,751	116,658,351

* 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. Qualitative information

(1) Operating results

Aozora reported consolidated net revenue of 23.3 billion yen, an increase of 1.2 billion yen, or 5.8% year on year. Consolidated business profit was 11.0 billion yen, an increase of 0.5 billion yen, or 5.7%. Profit attributable to owners of parent was 11.8 billion yen, an increase of 0.5 billion yen, or 4.5%.

Net interest income was 12.6 billion yen, a decrease of 1.3 billion yen, or 10.0% year on year. This was primarily due to lower interest and dividends on securities, despite higher average asset balances.

Non-interest income was 10.6 billion yen, an increase of 2.6 billion yen, or 33.2% year on year, mainly due to a 3.3 billion yen increase in gains on bond transactions. Net fees and commissions, as well as gains from limited partnerships, remained strong.

General and administrative expenses were 12.3 billion yen, a year-on-year increase of 0.6 billion yen, or 5.9%, and represented progress of 23.2% towards our full-year forecast of 53.0 billion yen. The increase in expenses was mainly due to incremental expenses associated with the Bank's new internet banking operations.

Consolidated business profit was 11.0 billion yen, an increase of 0.5 billion yen, or 5.7% year on year.

Credit-related expenses were a net reversal of 4.4 billion yen, mainly due to the reversal of general loan loss reserves. Gains/losses on stock transactions were a gain of 1.1 billion yen. Ordinary profit was 16.8 billion yen, an increase of 0.2 billion yen, or 1.3% year on year.

Total income taxes (corporation tax, resident tax, business tax and deferred income taxes) were a net expense of 5.4 billion yen.

As a result of the above factors, profit attributable to owners of parent was 11.8 billion yen, an increase of 0.5 billion yen, or 4.5% year on year, representing progress of 32.6% of the full-year forecast of 36.5 billion yen. Net income per common share (basic) was 101.87 yen, as compared to 97.49 yen per share (basic) for the first three months of FY2018.

(2) Financial condition

Total assets were 5,297.9 billion yen as of June 30, 2019, an increase of 42.8 billion yen, or 0.8%, compared to March 31, 2019. Loans were 2,788.5 billion yen, an increase of 8.6 billion yen, or 0.3%, from March 31, 2019. Securities increased by 26.3 billion yen, or 2.1%, from March 31, 2019, to 1,267.1 billion yen.

Total liabilities were 4,831.1 billion yen, an increase of 24.7 billion yen, or 0.5%, compared to March 31, 2019. The Bank continued to flexibly manage its funding position in light of its asset requirements. Total core funding (deposits, negotiable certificates of deposit, debentures and bonds) was 3,505.5 billion yen, a decrease of 9.1 billion yen, or 0.3%, from March 31, 2019.

Net assets were 466.7 billion yen, representing an increase of 18.0 billion yen, or 4.0%, from March 31, 2019. Net assets per common share were 4,003.74 yen, as compared to 3,844.08 yen per common share as of March 31, 2019.

(3) Consolidated earnings forecast

No change has been made to the full-year consolidated earnings forecast of FY2019 announced on May 16, 2019 (consolidated net revenue of 88.0 billion yen, consolidated business profit of 35.0 billion yen, ordinary profit of 51.0 billion yen and profit attributable to owners of parent of 36.5 billion yen).

(Note) Figures are rounded down to the nearest unit specified.

(Reference)

Summary of consolidated revenue and expenses

(JPY 100 million)

	FY2018 3 months Apr.-Jun.	FY2019 3 months Apr.-Jun.	Change
Net revenue ※1	220	233	12
Net interest income	140	126	(13)
Net fees and commissions	16	19	3
Net trading income	22	17	(4)
Gains/losses on bond transactions	15	48	33
Net other ordinary income excluding gains/losses on bond transactions	26	20	(5)
General and administrative expenses	(116)	(123)	(6)
Business profit ※2	104	110	5
Credit-related expenses	7	44	36
Gains/losses on stock transactions	51	11	(40)
Other	2	2	0
Ordinary profit	166	168	2
Extraordinary profit/loss	-	0	0
Profit before income taxes	166	168	2
Total income taxes	(54)	(54)	(0)
Profit	111	113	2
Loss attributable to non-controlling interests	2	5	2
Profit attributable to owners of parent	113	118	5

※1 Net revenue = (Interest income – Interest expenses) + (Trust fees + Fees and commissions income – Fees and commissions expenses) + (Trading income – Trading expenses) + (Other ordinary income – Other ordinary expenses)

※2 Business profit = Net revenue – General and administrative expenses

※3 Regardless of nature of accounts, income or profits are shown as positive and expenses or losses are shown as negative amount on the table above.

2. Quarterly consolidated financial statements and main notes

(1) Quarterly consolidated balance sheet

(In millions of yen)

	As of Mar. 31, 2019	As of Jun. 30, 2019
Assets		
Cash and due from banks	618,716	568,011
Call loans and bills bought	—	20,000
Monetary claims bought	51,121	84,178
Trading assets	199,928	230,277
Money held in trust	35,098	30,492
Securities	1,240,838	1,267,150
Loans and bills discounted	2,779,894	2,788,528
Foreign exchanges	49,480	47,793
Other assets	232,697	212,703
Tangible fixed assets	23,641	24,354
Intangible fixed assets	18,572	18,877
Retirement benefit asset	3,671	3,799
Deferred tax assets	23,368	21,044
Customers' liabilities for acceptances and guarantees	23,825	21,013
Allowance for loan losses	(45,004)	(40,039)
Allowance for investment loss	(800)	(249)
Total assets	5,255,048	5,297,934
Liabilities		
Deposits	3,102,804	3,133,607
Negotiable certificates of deposit	127,927	89,959
Debentures	51,360	51,360
Call money and bills sold	51,723	48,467
Payables under repurchase agreements	49,658	56,575
Payables under securities lending transactions	450,860	470,223
Trading liabilities	177,764	191,418
Borrowed money	320,559	333,267
Bonds payable	232,586	230,640
Other liabilities	202,680	192,602
Provision for bonuses	3,460	972
Provision for bonuses for directors (and other officers)	82	17
Retirement benefit liability	9,784	9,880
Provision for retirement benefits for directors (and other officers)	2	2
Provision for credit losses on off-balance-sheet instruments	860	754
Provision for contingent loss	387	365
Reserves under special laws	8	8
Deferred tax liabilities	1	0
Acceptances and guarantees	23,825	21,013
Total liabilities	4,806,337	4,831,136
Net assets		
Share capital	100,000	100,000
Capital surplus	87,377	87,377
Retained earnings	259,021	266,941
Treasury shares	(3,312)	(3,312)
Total shareholders' equity	443,087	451,006
Valuation difference on available-for-sale securities	23,501	33,456
Deferred gains or losses on hedges	(17,111)	(15,678)
Foreign currency translation adjustment	(291)	(1,010)
Remeasurements of defined benefit plans	(667)	(626)
Total accumulated other comprehensive income	5,431	16,141
Share acquisition rights	357	357
Non-controlling interests	(166)	(707)
Total net assets	448,710	466,798
Total liabilities and net assets	5,255,048	5,297,934

(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)

(In millions of yen)

	For the three months ended Jun. 30, 2018	For the three months ended Jun. 30, 2019
Ordinary income	42,762	47,387
Interest income	24,105	25,609
Interest on loans and discounts	13,584	16,050
Interest and dividends on securities	10,055	8,824
Trust fees	88	115
Fees and commissions	1,915	2,292
Trading income	3,763	3,357
Other ordinary income	6,257	8,368
Other income	6,631	7,644
Ordinary expenses	26,153	30,560
Interest expenses	10,079	12,979
Interest on deposits	1,732	1,856
Fees and commissions payments	389	436
Trading expenses	1,484	1,564
Other ordinary expenses	2,120	1,433
General and administrative expenses	11,595	12,372
Other expenses	484	1,773
Ordinary profit	16,608	16,827
Extraordinary income	—	0
Gain on disposal of non-current assets	—	0
Profit before income taxes	16,608	16,827
Income taxes - current	4,676	5,086
Income taxes - deferred	794	387
Total income taxes	5,471	5,474
Profit	11,137	11,353
Loss attributable to non-controlling interests	(236)	(533)
Profit attributable to owners of parent	11,373	11,886

(Quarterly consolidated statement of comprehensive income)

(For the three months ended Jun. 30)

(In millions of yen)

	For the three months ended Jun. 30, 2018	For the three months ended Jun. 30, 2019
Profit	11,137	11,353
Other comprehensive income	(11,775)	10,709
Valuation difference on available-for-sale securities	(12,302)	9,954
Deferred gains or losses on hedges	(145)	1,432
Foreign currency translation adjustment	697	(719)
Remeasurements of defined benefit plans, net of tax	(24)	41
Comprehensive income	(637)	22,062
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(401)	22,596
Comprehensive income attributable to non-controlling interests	(236)	(533)

(3) Notes to quarterly consolidated financial statements
(Information on going concern assumption)

None

(Changes in shareholders' equity)

None