



Summary of the 1st Quarter Financial Statements for the First Three Months of FY2020 [JGAAP] (Consolidated)

July 31, 2020

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	Yoshinari Takasaki, Joint General Manager of Financial Control Division		
Scheduled filing date of securities report	Aug. 13, 2020	Dividend payable date	Sep. 15, 2020
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 FY2020

(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, 2020	43,679	(7.8)	8,773	(47.9)	7,450	(37.3)
Jun. 30, 2019	47,387	10.8	16,827	1.3	11,886	4.5

(Note) Comprehensive income JPY 43,223 million 95.9% (Three months ended June 30, 2020)
JPY 22,062 million - % (Three months ended June 30, 2019)

	Net income per common share (basic)	Net income per common share (diluted)
	Yen	Yen
Three months ended		
Jun. 30, 2020	63.85	63.78
Jun. 30, 2019	101.87	101.79

(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, 2020	5,694,195	463,852	8.2	3,996.57
Mar. 31, 2020	5,299,815	424,758	8.1	3,659.84

(Ref.) Total net assets (less Share acquisition rights and Non-controlling interests) JPY 466,339 million (June 30, 2020)
JPY 427,048 million (March 31, 2020)

(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
FY2019(common share)	39.00	39.00	39.00	39.00	156.00
FY2020(common share)	30.00				
FY2020(common share) (Forecast)		-	-	-	122.00

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

(Note) The dividend payment forecast for FY2020 was calculated by dividing the total dividend amount, which is set at 50% of Profit attributable to owners of parent for forecast FY2020, by the total number of common share issued, excluding treasury shares, as of June 30, 2020. 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, 2021 (FY2020)

(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
FY2020 (Full Year)	40,000	(7.7)	28,500	1.3	244.24

(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, 2020	Mar. 31, 2020
(a) The number of common shares issued (including treasury shares)	118,289,418	118,289,418
(b) The number of treasury shares	1,604,619	1,604,619

	Three months ended Jun. 30, 2020	Three months ended Jun. 30, 2019
(c) The average number of common shares outstanding (3 months)	116,684,799	116,677,751

* 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 21.3 billion yen, a decrease of 1.9 billion yen year on year, and consolidated business profit was 8.5 billion yen, a decrease of 2.4 billion yen. Profit attributable to owners of parent was 7.4 billion yen, a decrease of 4.4 billion yen.

Net interest income was 12.4 billion yen, a decrease of 0.2 billion yen. The decrease was largely the result of a lower level of U.S. dollar interest rates which resulted in lower interest on loans and discounts as well as a lower level of interest and dividends on securities. The decline in interest income was offset in part by lower funding costs.

Non-interest income was 8.9 billion yen, a decrease of 1.7 billion yen compared to the previous year. Despite the state of emergency and subsequent restrictions placed on non-essential activities following the outbreak of COVID-19, income from customer-based transactions with our corporate and financial institution customers remained solid, while financial market business saw strong performance.

General and administrative expenses were 12.8 billion yen, an increase of 0.5 billion yen compared to the previous year, and represented 22.9% of the full-year budget of 56.0 billion yen. The increase was mainly due to incremental expenses associated with our internet banking subsidiary and our new retail banking smartphone app, BANK™.

Consolidated business profit was 8.5 billion yen, a decrease of 2.4 billion yen.

Credit-related expenses were a net reversal of 0.1 billion yen. Gains (losses) on stock transactions were a gain of 1.0 billion yen. Ordinary profit was 8.7 billion yen, a decrease of 8.0 billion yen.

Total income taxes (corporation tax, resident tax, business tax and deferred income taxes) were a net expense of 1.9 billion yen.

As a result of the above factors, profit attributable to owners of parent was 7.4 billion yen, 4.4 billion yen less than last year, but on track with this year's plan at 26.1% of the full-year earnings forecast of 28.5 billion yen. Net income per common share (basic) was 63.85 yen, as compared to 101.87 yen per share (basic) for the first three months of FY2019.

(2) Financial condition

Total assets were 5,694.1 billion yen as of June 30, 2020, an increase of 394.3 billion yen compared to March 31, 2020. Loans were 2,979.3 billion yen, an increase of 25.1 billion yen from March 31, 2020. Domestic loans increased 42.8 billion yen, while overseas loans decreased 17.6 billion yen. Securities increased by 59.0 billion yen from March 31, 2020 to 1,132.6 billion yen.

Total liabilities were 5,230.3 billion yen, an increase of 355.2 billion yen compared to March 31, 2020. Total core funding (deposits, negotiable certificates of deposit, debentures and bonds) was 3,775.5 billion yen, an increase of 118.7 billion yen from March 31, 2020.

Net assets were 463.8 billion yen, representing an increase of 39.0 billion yen from March 31, 2020, as a result of a higher valuation difference on available-for-sale securities. Net assets per common share were 3,996.57 yen, as compared to 3,659.84 yen per common share as of March 31, 2020.

(3) Consolidated earnings forecast

No change has been made to the full-year consolidated earnings forecast of FY2020 announced on May 14, 2020 (consolidated net revenue of 90.0 billion yen, consolidated business profit of 34.5 billion yen, ordinary profit of 40.0 billion yen and profit attributable to owners of parent of 28.5 billion yen).

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

(Reference)

Summary of consolidated revenue and expenses

(JPY 100 million)

	FY2019 3 months Apr.-Jun.	FY2020 3 months Apr.-Jun.	Change
Net revenue ※1	233	213	(19)
Net interest income	126	124	(2)
Net fees and commissions	19	19	(0)
Net trading income	17	(7)	(25)
Gains (losses) on bond transactions	48	79	31
Net other ordinary income excluding gains (losses) on bond transactions	20	(2)	(23)
General and administrative expenses	(123)	(128)	(5)
Gains (losses) on equity method investments	-	-	-
Business profit ※2	110	85	(24)
Credit-related expenses	44	1	(42)
Gains (losses) on stock transactions	11	10	(0)
Other	2	(10)	(12)
Ordinary profit	168	87	(80)
Extraordinary profit (loss)	0	-	(0)
Profit before income taxes	168	87	(80)
Total income taxes	(54)	(19)	35
Profit	113	68	(45)
Loss attributable to non-controlling interests	5	6	0
Profit attributable to owners of parent	118	74	(44)

※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 + Gains (losses) on equity method investments

※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

(Millions of yen)

	As of Mar. 31, 2020	As of Jun. 30, 2020
Assets		
Cash and due from banks	464,275	625,956
Receivables under resale agreements	71,011	360,407
Monetary claims bought	66,778	63,122
Trading assets	259,378	220,319
Money held in trust	27,213	28,044
Securities	1,073,670	1,132,676
Loans and bills discounted	2,954,122	2,979,317
Foreign exchanges	67,168	56,358
Other assets	276,592	186,919
Tangible fixed assets	23,698	23,837
Intangible fixed assets	19,210	19,107
Retirement benefit asset	2,507	2,627
Deferred tax assets	26,960	27,037
Customers' liabilities for acceptances and guarantees	21,426	18,525
Allowance for loan losses	(53,799)	(49,678)
Allowance for investment loss	(399)	(383)
Total assets	5,299,815	5,694,195
Liabilities		
Deposits	3,349,659	3,507,229
Negotiable certificates of deposit	47,240	34,500
Debentures	44,660	34,210
Call money and bills sold	38,728	10,883
Payables under repurchase agreements	27,758	12,241
Payables under securities lending transactions	281,325	405,735
Trading liabilities	211,223	180,320
Borrowed money	427,610	655,873
Bonds payable	215,275	199,623
Other liabilities	194,694	158,866
Provision for bonuses	4,054	1,085
Provision for bonuses for directors (and other officers)	86	16
Retirement benefit liability	10,348	10,380
Provision for retirement benefits for directors (and other officers)	3	3
Provision for credit losses on off-balance-sheet instruments	562	451
Provision for contingent loss	364	361
Reserves under special laws	8	8
Deferred tax liabilities	25	24
Acceptances and guarantees	21,426	18,525
Total liabilities	4,875,056	5,230,342
Net assets		
Share capital	100,000	100,000
Capital surplus	87,388	87,388
Retained earnings	269,545	272,445
Treasury shares	(3,297)	(3,297)
Total shareholders' equity	453,635	456,535
Valuation difference on available-for-sale securities	(24,340)	12,454
Deferred gains or losses on hedges	229	(142)
Foreign currency translation adjustment	(806)	(1,029)
Remeasurements of defined benefit plans	(1,669)	(1,478)
Total accumulated other comprehensive income	(26,587)	9,803
Share acquisition rights	444	444
Non-controlling interests	(2,734)	(2,931)
Total net assets	424,758	463,852
Total liabilities and net assets	5,299,815	5,694,195

(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)	
	For the three months ended Jun. 30, 2019	For the three months ended Jun. 30, 2020
Ordinary income	47,387	43,679
Interest income	25,609	18,273
Interest on loans and discounts	16,050	12,673
Interest and dividends on securities	8,824	5,428
Trust fees	115	116
Fees and commissions	2,292	2,405
Trading income	3,357	8,923
Other ordinary income	8,368	11,507
Other income	7,644	2,453
Ordinary expenses	30,560	34,906
Interest expenses	12,979	5,871
Interest on deposits	1,856	1,532
Fees and commissions payments	436	562
Trading expenses	1,564	9,690
Other ordinary expenses	1,433	3,755
General and administrative expenses	12,372	13,090
Other expenses	1,773	1,935
Ordinary profit	16,827	8,773
Extraordinary income	0	—
Gain on disposal of non-current assets	0	—
Profit before income taxes	16,827	8,773
Income taxes - current	5,086	1,549
Income taxes - deferred	387	389
Total income taxes	5,474	1,939
Profit	11,353	6,834
Loss attributable to non-controlling interests	(533)	(616)
Profit attributable to owners of parent	11,886	7,450

(Quarterly consolidated statement of comprehensive income)

(For the three months ended Jun. 30)

	(Millions of yen)	
	For the three months ended Jun. 30, 2019	For the three months ended Jun. 30, 2020
Profit	11,353	6,834
Other comprehensive income	10,709	36,388
Valuation difference on available-for-sale securities	9,954	36,793
Deferred gains or losses on hedges	1,432	(372)
Foreign currency translation adjustment	(719)	(223)
Remeasurements of defined benefit plans, net of tax	41	191
Comprehensive income	22,062	43,223
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	22,596	43,842
Comprehensive income attributable to non-controlling interests	(533)	(618)

(3) Notes to quarterly consolidated financial statements

(Information on going concern assumption)

None

(Changes in shareholders' equity)

None