

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

November 16, 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	Nov. 27, 2020	Dividend payable date	Dec. 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 six 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	%
Six months ended Sep. 30, 2020	76,503	(13.8)	18,944	(34.9)	15,126	(25.3)
Sep. 30, 2019	88,788	6.0	29,112	(1.8)	20,249	(5.3)

(Note) Comprehensive income JPY 57,212 million 59.9% (Six months ended Sep. 30, 2020)
JPY 35,774 million 218.7% (Six months ended Sep. 30, 2019)

	Net income per common share (basic)	Net income per common share (diluted)
	Yen	Yen
Six months ended Sep. 30, 2020	129.62	129.45
Sep. 30, 2019	173.54	173.37

(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
Sep. 30, 2020	5,583,827	474,439	8.6	4,090.91
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 477,421 million (Sep. 30, 2020)
JPY 427,048 million (Mar. 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	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 September 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	244.20

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

*Notes

(1) Changes in material subsidiaries during the first six months
(changes in specified subsidiaries which affect the scope of consolidation) None

(2) 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

(3) The number of common shares issued

	Sep. 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	1,586,549	1,604,619

	Six months ended Sep. 30, 2020	Six months ended Sep. 30, 2019
(c) The average number of common shares outstanding (6 months)	116,693,884	116,680,453

(Summary of non-consolidated financial statements)

1. Business highlights for the first six months of FY2020

(1) Business results

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

	Ordinary income		Ordinary profit		Profit	
	Million Yen	%	Million Yen	%	Million Yen	%
Six months ended Sep. 30, 2020	76,069	(11.6)	23,706	(20.8)	18,090	(9.9)
Sep. 30, 2019	86,034	3.3	29,935	(2.0)	20,081	(8.5)

	Net income per common share (basic)
	Yen
Six months ended Sep. 30, 2020	155.02
Sep. 30, 2019	172.10

(2) Financial condition

	Total assets	Total net assets	Net assets to total assets ratio	Net assets per common share
	Million Yen	Million Yen	%	Yen
Sep. 30, 2020	5,469,173	477,850	8.7	4,090.46
Mar. 31, 2020	5,212,668	424,309	8.1	3,632.56

(Ref.) Total net assets (less Share acquisition rights): JPY 477,368 million (Sep. 30, 2020) JPY 423,865 million (Mar. 31, 2020)

(Note) Net assets to total assets ratio = (Total net assets - Share acquisition rights) / 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. Non-consolidated earnings forecast for the year ending March 31, 2021 (FY2020)

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

	Ordinary profit		Profit		Net income per common share
	Million Yen	%	Million Yen	%	Yen
FY2020 (Full Year)	42,000	(7.4)	28,500	(0.6)	244.20

※Summary of 1st half financial statements is out of scope of interim audit (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. Interim consolidated financial statements and main notes

(1) Interim consolidated balance sheet

(Millions of yen)

	As of Mar 31, 2020	As of Sep. 30, 2020
Assets		
Cash and due from banks	464,275	853,780
Call loans and bills bought	—	80,000
Receivables under resale agreements	71,011	41,473
Monetary claims bought	66,778	62,771
Trading assets	259,378	224,881
Money held in trust	27,213	27,668
Securities	1,073,670	1,130,043
Loans and bills discounted	2,954,122	2,866,636
Foreign exchanges	67,168	67,111
Other assets	276,592	186,948
Tangible fixed assets	23,698	23,432
Intangible fixed assets	19,210	19,291
Retirement benefit asset	2,507	2,748
Deferred tax assets	26,960	24,883
Customers' liabilities for acceptances and guarantees	21,426	20,301
Allowance for loan losses	(53,799)	(47,678)
Allowance for investment loss	(399)	(467)
Total assets	5,299,815	5,583,827
Liabilities		
Deposits	3,349,659	3,612,429
Negotiable certificates of deposit	47,240	34,600
Debentures	44,660	24,880
Call money and bills sold	38,728	10,126
Payables under repurchase agreements	27,758	69,292
Payables under securities lending transactions	281,325	349,849
Trading liabilities	211,223	182,033
Borrowed money	427,610	436,569
Bonds payable	215,275	195,438
Other liabilities	194,694	160,331
Provision for bonuses	4,054	2,183
Provision for bonuses for directors (and other officers)	86	32
Retirement benefit liability	10,348	10,538
Provision for retirement benefits for directors (and other officers)	3	3
Provision for credit losses on off-balance-sheet instruments	562	373
Provision for contingent loss	364	370
Reserves under special laws	8	8
Deferred tax liabilities	25	24
Acceptances and guarantees	21,426	20,301
Total liabilities	4,875,056	5,109,387
Net assets		
Share capital	100,000	100,000
Capital surplus	87,388	87,412
Retained earnings	269,545	276,620
Treasury shares	(3,297)	(3,260)
Total shareholders' equity	453,635	460,772
Valuation difference on available-for-sale securities	(24,340)	19,660
Deferred gains or losses on hedges	229	(372)
Foreign currency translation adjustment	(806)	(1,351)
Remeasurements of defined benefit plans	(1,669)	(1,287)
Total accumulated other comprehensive income	(26,587)	16,648
Share acquisition rights	444	482
Non-controlling interests	(2,734)	(3,463)
Total net assets	424,758	474,439
Total liabilities and net assets	5,299,815	5,583,827

(2) Interim consolidated statement of income and Interim consolidated statement of comprehensive income
(Interim consolidated statement of income)

(Millions of yen)

	For the six months ended Sep. 30, 2019	For the six months ended Sep. 30, 2020
Ordinary income	88,788	76,503
Interest income	49,920	35,476
Interest on loans and discounts	31,821	24,366
Interest and dividends on securities	16,638	10,653
Trust fees	237	221
Fees and commissions	7,242	5,773
Trading income	8,004	12,003
Other ordinary income	16,625	18,568
Other income	6,758	4,459
Ordinary expenses	59,676	57,559
Interest expenses	25,214	9,963
Interest on deposits	3,683	2,953
Fees and commissions payments	996	1,085
Trading expenses	2,057	9,755
Other ordinary expenses	3,611	6,155
General and administrative expenses	25,365	26,664
Other expenses	2,431	3,934
Ordinary profit	29,112	18,944
Extraordinary income	0	—
Gain on disposal of non-current assets	0	—
Extraordinary losses	—	0
Loss on disposal of non-current assets	—	0
Profit before income taxes	29,112	18,943
Income taxes - current	9,767	5,640
Income taxes - deferred	264	(675)
Total income taxes	10,032	4,964
Profit	19,079	13,979
Loss attributable to non-controlling interests	(1,169)	(1,147)
Profit attributable to owners of parent	20,249	15,126

(Interim consolidated statement of comprehensive income)

(Millions of yen)

	For the six months ended Sep. 30, 2019	For the six months ended Sep. 30, 2020
Profit	19,079	13,979
Other comprehensive income	16,694	43,232
Valuation difference on available-for-sale securities	11,511	43,997
Deferred gains or losses on hedges	5,793	(601)
Foreign currency translation adjustment	(693)	(545)
Remeasurements of defined benefit plans, net of tax	82	382
Comprehensive income	35,774	57,212
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	36,943	58,362
Comprehensive income attributable to non-controlling interests	(1,169)	(1,150)

(3) Interim consolidated statement of changes in net assets
For the six months ended Sep. 30, 2019

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	100,000	87,377	259,021	(3,312)	443,087
Changes during period					
Dividends of surplus			(8,517)		(8,517)
Profit attributable to owners of parent			20,249		20,249
Disposal of treasury shares		9		11	21
Net changes in items other than shareholders' equity					
Total changes during period	—	9	11,731	11	11,753
Balance at end of period	100,000	87,387	270,753	(3,300)	454,840

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	23,501	(17,111)	(291)	(667)	5,431	357	(166)	448,710
Changes during period								
Dividends of surplus								(8,517)
Profit attributable to owners of parent								20,249
Disposal of treasury shares								21
Net changes in items other than shareholders' equity	11,511	5,793	(693)	82	16,694	90	(1,176)	15,607
Total changes during period	11,511	5,793	(693)	82	16,694	90	(1,176)	27,360
Balance at end of period	35,013	(11,317)	(985)	(584)	22,125	447	(1,343)	476,071

For the six months ended Sep. 30, 2020

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	100,000	87,388	269,545	(3,297)	453,635
Changes during period					
Dividends of surplus			(8,051)		(8,051)
Profit attributable to owners of parent			15,126		15,126
Disposal of treasury shares		23		37	60
Net changes in items other than shareholders' equity					
Total changes during period	—	23	7,075	37	7,136
Balance at end of period	100,000	87,412	276,620	(3,260)	460,772

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	(24,340)	229	(806)	(1,669)	(26,587)	444	(2,734)	424,758
Changes during period								
Dividends of surplus								(8,051)
Profit attributable to owners of parent								15,126
Disposal of treasury shares								60
Net changes in items other than shareholders' equity	44,001	(601)	(545)	382	43,236	37	(729)	42,543
Total changes during period	44,001	(601)	(545)	382	43,236	37	(729)	49,680
Balance at end of period	19,660	(372)	(1,351)	(1,287)	16,648	482	(3,463)	474,439

(4) Notes to interim consolidated financial statements

(Information on going concern assumption)

None

(Additional information)

(Accounting estimates related to COVID-19)

Based on the current situation, the Bank reviewed the assumptions for how long that COVID-19 pandemic would have an impact on social and corporate activities. The Bank assumed that the impact of the pandemic on social and corporate activities would last longer than expected, and for some borrowers, it would continue as long as FY2022. The Bank estimated allowance for loan losses of such borrowers considering the possibility of credit deterioration in the future.

The assumptions are highly uncertain, and future losses may change depending on the situation.

2. Interim non-consolidated financial statements

(1) Interim non-consolidated balance sheet

(Millions of yen)

	As of Mar. 31, 2020	As of Sep. 30, 2020
Assets		
Cash and due from banks	364,644	771,089
Call loans	—	80,000
Receivables under resale agreements	71,011	41,473
Monetary claims bought	44,708	40,141
Trading assets	259,369	224,870
Money held in trust	14,455	9,977
Securities	1,151,561	1,186,529
Loans and bills discounted	2,937,508	2,834,785
Foreign exchanges	67,168	67,111
Other assets	267,759	177,021
Other	267,759	177,021
Tangible fixed assets	22,888	22,661
Intangible fixed assets	12,068	11,906
Prepaid pension costs	4,669	4,451
Deferred tax assets	26,705	24,178
Customers' liabilities for acceptances and guarantees	21,731	20,597
Allowance for loan losses	(53,183)	(47,178)
Allowance for investment loss	(399)	(442)
Total assets	5,212,668	5,469,173
Liabilities		
Deposits	3,278,749	3,508,644
Negotiable certificates of deposit	47,240	34,600
Debentures	44,660	24,880
Call money	38,728	10,126
Payables under repurchase agreements	27,758	69,292
Payables under securities lending transactions	281,325	349,849
Trading liabilities	211,223	182,033
Borrowed money	427,430	436,326
Bonds payable	215,275	195,438
Other liabilities	180,114	147,060
Income taxes payable	13,533	4,622
Lease obligations	1,009	888
Asset retirement obligations	2,183	1,895
Other	163,389	139,655
Provision for bonuses	3,659	1,984
Provision for bonuses for directors (and other officers)	70	32
Provision for retirement benefits	9,834	10,082
Provision for credit losses on off-balance-sheet instruments	557	372
Acceptances and guarantees	21,731	20,597
Total liabilities	4,788,358	4,991,322

(Millions of yen)

	As of Mar. 31, 2020	As of Sep. 30, 2020
Net assets		
Share capital	100,000	100,000
Capital surplus	87,388	87,412
Legal capital surplus	87,313	87,313
Other capital surplus	74	98
Retained earnings	263,888	273,927
Legal retained earnings	12,686	12,686
Other retained earnings	251,201	261,240
Retained earnings brought forward	251,201	261,240
Treasury shares	(3,297)	(3,260)
Total shareholders' equity	447,979	458,079
Valuation difference on available-for-sale securities	(24,343)	19,661
Deferred gains or losses on hedges	229	(372)
Total valuation and translation adjustments	(24,113)	19,289
Share acquisition rights	444	482
Total net assets	424,309	477,850
Total liabilities and net assets	5,212,668	5,469,173

(2) Interim non-consolidated statement of income

(Millions of yen)

	For the six months ended Sep. 30, 2019	For the six months ended Sep. 30, 2020
Ordinary income	86,034	76,069
Interest income	48,221	32,724
Interest on loans and discounts	30,188	21,643
Interest and dividends on securities	16,629	10,665
Trust fees	237	221
Fees and commissions	7,370	6,699
Trading income	8,004	12,003
Other ordinary income	16,419	20,596
Other income	5,781	3,823
Ordinary expenses	56,098	52,363
Interest expenses	25,185	9,969
Interest on deposits	3,658	2,931
Fees and commissions payments	1,246	1,126
Trading expenses	3,550	10,482
Other ordinary expenses	3,579	5,321
General and administrative expenses	20,833	21,826
Other expenses	1,703	3,636
Ordinary profit	29,935	23,706
Extraordinary income	0	—
Gain on disposal of non-current assets	0	—
Extraordinary losses	—	0
Loss on disposal of non-current assets	—	0
Profit before income taxes	29,935	23,705
Income taxes - current	9,424	5,627
Income taxes - deferred	429	(12)
Total income taxes	9,853	5,615
Profit	20,081	18,090

(3) Interim non-consolidated statement of changes in net assets
For the six months ended Sep. 30, 2019

(Millions of yen)

(millions of yen)

	Shareholders' equity								
	Share capital	Capital surplus			Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of period	100,000	87,313	64	87,377	12,686	240,150	252,837	(3,312)	436,903
Changes during period									
Dividends of surplus						(8,517)	(8,517)		(8,517)
Profit						20,081	20,081		20,081
Disposal of treasury shares			9	9				11	21
Net changes in items other than shareholders' equity									
Total changes during period	—	—	9	9	—	11,564	11,564	11	11,585
Balance at end of period	100,000	87,313	74	87,387	12,686	251,715	264,401	(3,300)	448,488

	Valuation and translation adjustments			Share acquisition on rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of period	23,461	(17,111)	6,349	357	443,611
Changes during period					
Dividends of surplus					(8,517)
Profit					20,081
Disposal of treasury shares					21
Net changes in items other than shareholders' equity	11,523	5,793	17,317	90	17,407
Total changes during period	11,523	5,793	17,317	90	28,992
Balance at end of period	34,984	(11,317)	23,667	447	472,603

For the six months ended Sep. 30, 2020

(Millions of yen)

	Shareholders' equity								
	Share capital	Capital surplus			Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of period	100,000	87,313	74	87,388	12,686	251,201	263,888	(3,297)	447,979
Changes during period									
Dividends of surplus						(8,051)	(8,051)		(8,051)
Profit						18,090	18,090		18,090
Disposal of treasury shares			23	23				37	60
Net changes in items other than shareholders' equity									
Total changes during period	—	—	23	23	—	10,039	10,039	37	10,100
Balance at end of period	100,000	87,313	98	87,412	12,686	261,240	273,927	(3,260)	458,079

	Valuation and translation adjustments			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of period	(24,343)	229	(24,113)	444	424,309
Changes during period					
Dividends of surplus					(8,051)
Profit					18,090
Disposal of treasury shares					60
Net changes in items other than shareholders' equity	44,004	(601)	43,402	37	43,440
Total changes during period	44,004	(601)	43,402	37	53,540
Balance at end of period	19,661	(372)	19,289	482	477,850