



Summary of the Financial Statements for the First Nine Months of FY2020 [JGAAP] (Consolidated)

February 1, 2021

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	Feb. 12, 2021	Dividend payable date	Mar. 15, 2021
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 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	%
Nine months ended						
Dec. 31, 2020	115,360	(14.2)	28,858	(31.7)	22,003	(26.0)
Dec. 31, 2019	134,458	6.9	42,222	0.6	29,752	0.1

(Note) Comprehensive income JPY 74,967 million 57.0% (Nine months ended Dec. 31, 2020)
JPY 47,746 million - % (Nine months ended Dec. 31, 2019)

	Net income per common share (basic)	Net income per common share (diluted)
	Yen	Yen
Nine months ended		
Dec. 31, 2020	188.55	188.28
Dec. 31, 2019	254.98	254.72

(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
Dec. 31, 2020	5,592,969	488,693	8.8	4,217.57
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 492,202 million (Dec. 31, 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	30.00		
FY2020(common share) (Forecast)				32.00	122.00

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

(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 December 31, 2020.

(Note) Because the dividend forecast for year-end of FY2020 has become a fixed amount, revision of dividends forecast to the latest announcement is shown as "Affirmative". The common share dividend forecast for FY2020 would be 122.00 yen per common share, which remains unchanged from the last forecast.

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 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

	Dec. 31, 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

	Nine months ended Dec. 31, 2020	Nine months ended Dec. 31, 2019
(c) The average number of common shares outstanding (9 months)	116,696,890	116,681,392

* 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 Mar. 31, 2020	As of Dec. 31, 2020
Assets		
Cash and due from banks	464,275	802,758
Call loans and bills bought	—	110,000
Receivables under resale agreements	71,011	—
Monetary claims bought	66,778	59,225
Trading assets	259,378	209,909
Money held in trust	27,213	30,029
Securities	1,073,670	1,246,893
Loans and bills discounted	2,954,122	2,850,232
Foreign exchanges	67,168	52,690
Other assets	276,592	196,881
Tangible fixed assets	23,698	23,586
Intangible fixed assets	19,210	19,771
Retirement benefit asset	2,507	2,867
Deferred tax assets	26,960	18,578
Customers' liabilities for acceptances and guarantees	21,426	18,770
Allowance for loan losses	(53,799)	(48,799)
Allowance for investment loss	(399)	(427)
Total assets	5,299,815	5,592,969
Liabilities		
Deposits	3,349,659	3,736,983
Negotiable certificates of deposit	47,240	34,100
Debentures	44,660	11,680
Call money and bills sold	38,728	15,173
Payables under repurchase agreements	27,758	55,867
Payables under securities lending transactions	281,325	337,378
Trading liabilities	211,223	163,475
Borrowed money	427,610	362,184
Bonds payable	215,275	184,067
Other liabilities	194,694	170,896
Provision for bonuses	4,054	2,135
Provision for bonuses for directors (and other officers)	86	48
Retirement benefit liability	10,348	10,688
Provision for retirement benefits for directors (and other officers)	3	3
Provision for credit losses on off-balance-sheet instruments	562	409
Provision for contingent loss	364	381
Reserves under special laws	8	8
Deferred tax liabilities	25	24
Acceptances and guarantees	21,426	18,770
Total liabilities	4,875,056	5,104,275
Net assets		
Share capital	100,000	100,000
Capital surplus	87,388	87,412
Retained earnings	269,545	279,996
Treasury shares	(3,297)	(3,260)
Total shareholders' equity	453,635	464,148
Valuation difference on available-for-sale securities	(24,340)	31,133
Deferred gains or losses on hedges	229	(341)
Foreign currency translation adjustment	(806)	(1,641)
Remeasurements of defined benefit plans	(1,669)	(1,096)
Total accumulated other comprehensive income	(26,587)	28,054
Share acquisition rights	444	482
Non-controlling interests	(2,734)	(3,990)
Total net assets	424,758	488,693
Total liabilities and net assets	5,299,815	5,592,969

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income

(Quarterly consolidated statement of income)

(For the nine months ended Dec. 31)

(Millions of yen)

	For the nine months ended Dec. 31, 2019	For the nine months ended Dec. 31, 2020
Ordinary income	134,458	115,360
Interest income	73,862	52,140
Interest on loans and discounts	46,977	35,106
Interest and dividends on securities	24,849	16,350
Trust fees	354	300
Fees and commissions	10,892	10,123
Trading income	15,734	23,642
Other ordinary income	24,645	23,891
Other income	8,969	5,261
Ordinary expenses	92,236	86,501
Interest expenses	36,751	13,858
Interest on deposits	5,535	4,315
Fees and commissions payments	1,693	1,710
Trading expenses	3,139	16,968
Other ordinary expenses	8,901	8,363
General and administrative expenses	38,380	40,628
Other expenses	3,370	4,973
Ordinary profit	42,222	28,858
Extraordinary income	0	—
Gain on disposal of non-current assets	0	—
Extraordinary losses	4	2
Loss on disposal of non-current assets	4	2
Profit before income taxes	42,218	28,855
Income taxes - current	13,991	8,180
Income taxes - deferred	277	345
Total income taxes	14,269	8,525
Profit	27,948	20,330
Loss attributable to non-controlling interests	(1,804)	(1,673)
Profit attributable to owners of parent	29,752	22,003

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

(Millions of yen)

	For the nine months ended Dec. 31, 2019	For the nine months ended Dec. 31, 2020
Profit	27,948	20,330
Other comprehensive income	19,797	54,637
Valuation difference on available-for-sale securities	14,130	55,470
Deferred gains or losses on hedges	5,872	(571)
Foreign currency translation adjustment	(328)	(832)
Remeasurements of defined benefit plans, net of tax	123	573
Share of other comprehensive income of entities accounted for using equity method	—	(2)
Comprehensive income	47,746	74,967
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	49,550	76,645
Comprehensive income attributable to non-controlling interests	(1,804)	(1,677)

(3) Notes to quarterly consolidated financial statements

(Information on going concern assumption)

None

(Changes in shareholders' equity)

None

(Additional information)

(Accounting estimates related to COVID-19)

The Bank assumed that the impact of the COVID-19 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.

Based on the current situation, the Bank reviewed the assumptions for the length of time that the pandemic would have an impact on social and corporate activities in the first six months of FY2020, which assumptions remained unchanged since then.

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

Financial Results
for the First Nine Months
of FY2020



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I . Summary of Revenue and Expenses

【Consolidated】

(million yen)

	FY 2020 3rd Quarter		FY 2019 3rd Quarter
	(A)	(A)-(B)	
Consolidated net revenue ※1	69,198	(5,805)	75,003
Net interest income	38,281	1,171	37,110
Net fees and commissions	8,713	(840)	9,553
Net trading income	6,674	(5,920)	12,594
Net other ordinary income	15,528	(216)	15,744
General and administrative expenses	(39,764)	(1,606)	(38,157)
Gains (losses) on equity method investments	275	275	-
Business profit ※2	29,709	(7,136)	36,845
Credit-related expenses	(1,729)	(2,243)	514
Write-off of loans	(146)	302	(448)
Provision of specific allowance for loan losses	(597)	2,309	(2,906)
Provision of general allowance for loan losses	1,800	(2,070)	3,871
Provision of allowance for loans to restructuring countries	-	-	-
Loss on disposition of loans	(3,164)	(2,514)	(650)
Recoveries of written-off receivables	225	(237)	463
Provision of reserve for credit losses on off-balance-sheet instruments	153	(32)	185
Gains (losses) on stock transactions	2,389	(2,231)	4,620
Other	(1,510)	(1,753)	242
Ordinary profit	28,858	(13,363)	42,222
Extraordinary profit (loss)	(2)	1	(4)
Profit before income taxes and non-controlling interests	28,855	(13,362)	42,218
Income taxes-current	(8,180)	5,811	(13,991)
Income taxes-deferred	(345)	(67)	(277)
Profit	20,330	(7,617)	27,948
Loss attributable to non-controlling interests	1,673	(131)	1,804
Profit attributable to owners of parent	22,003	(7,748)	29,752

※1 Consolidated 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 = 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, 2020		December 31, 2019
	(A)	(A)-(B)	
Consolidated subsidiaries	25	2	23
Subsidiaries and affiliated companies applying equity-method	1	1	0

【Non-consolidated】

(million yen)

	FY 2020		FY 2019 3rd Quarter (B)
	3rd Quarter (A)	(A)-(B)	
Net revenue	66,123	(3,591)	69,714
(Excluding gains (losses) on bond transactions)	53,389	(3,950)	57,339
Net interest income	33,804	(1,024)	34,829
Net fees and commissions ※	8,209	(958)	9,168
Net trading income	5,762	(4,043)	9,806
Net other ordinary income	18,346	2,436	15,910
(Gains (losses) on bond transactions)	12,734	358	12,375
General and administrative expenses	(32,096)	(937)	(31,159)
Personnel	(15,526)	(452)	(15,074)
Property and equipment	(14,623)	(622)	(14,001)
Taxes	(1,946)	137	(2,083)
Core net business profit	34,026	(4,528)	38,555
Core net business profit excluding gains(losses) on bonds	21,292	(4,887)	26,180
Core net business profit excluding gains(losses) on bonds and cancellation on investment trusts	21,260	(4,424)	25,684
Credit-related expenses	(1,640)	(2,553)	913
Written-off of loans	(3,080)	(2,425)	(654)
Provision of specific allowance for loan losses	(607)	2,289	(2,896)
Provision of general allowance for loan losses	1,837	(2,137)	3,974
Provision of allowance for loans to restructuring countries	-	-	-
Loss on disposition of loans	(126)	(126)	-
Recoveries of written-off receivables	187	(133)	320
Provision of reserve for credit losses on off-balance-sheet instruments	148	(21)	170
Gains (losses) on stock transactions	2,389	(2,231)	4,620
Other	(1,802)	(1,591)	(210)
Ordinary profit	32,973	(10,905)	43,878
Extraordinary profit (loss)	(2)	1	(4)
Profit before income taxes	32,970	(10,903)	43,874
Income taxes-current	(7,801)	5,414	(13,215)
Income taxes-deferred	(1,075)	(641)	(434)
Profit	24,093	(6,130)	30,224
Business profit	34,026	(4,528)	38,555

※ Trust fees are included.

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

II . Securities

1. Held-to-maturity bonds that have market prices or reasonably determinable prices

None.

2. Available-for-sale securities that have market prices or reasonably determinable prices

【Consolidated】

(million yen)

	December 31, 2020			September 30, 2020			March 31, 2020		
	Cost	Book Value	Difference	Cost	Book Value	Difference	Cost	Book Value	Difference
Stocks	3,304	19,941	16,637	3,304	18,769	15,465	3,334	13,466	10,132
Bonds	268,854	269,776	922	145,133	145,902	769	97,559	98,154	595
Government bonds	20,491	20,562	70	4,974	5,004	29	-	-	-
Local government bonds	137,215	137,233	18	60,072	60,198	126	37,746	37,859	113
Short-term corporate bonds	29,998	29,998	-	9,998	9,998	-	-	-	-
Corporate bonds	81,149	81,983	834	70,087	70,700	613	59,813	60,294	481
Others	850,776	878,022	27,246	899,927	911,857	11,930	956,674	927,309	(29,364)
Total	1,122,934	1,167,740	44,806	1,048,364	1,076,529	28,165	1,057,568	1,038,931	(18,637)

(Note) 1. Certain amounts shown in the tables include negotiable certificates of deposit in 'Cash and due from banks' and certain beneficiary interests in trust classified as 'Monetary claims bought', in addition to 'Securities' stated in the consolidated balance sheets.

2. Book Value is based on market price or reasonably determinable price at the end of the accounting period.

III. Disclosed Claims under the Financial Reconstruction Law ("FRL Credit")☐ After partial and direct written-off

【Non-consolidated】

(million yen)

	December 31, 2020			September 30, 2020	March 31, 2020
	(A)	(A) - (B)	(A) - (C)	(B)	(C)
Bankrupt and similar credit	2,043	(105)	(2,357)	2,148	4,400
Doubtful credit	19,732	3,037	(1,967)	16,694	21,700
Special attention credit	5,137	(36)	2,853	5,174	2,284
Total (a)	26,913	2,895	(1,471)	24,017	28,385
Normal assets	2,835,920	(16,213)	(115,586)	2,852,133	2,951,507
Grand total (b)	2,862,834	(13,317)	(117,058)	2,876,151	2,979,892
Non-performing loans ratio (a/b)	0.9%	0.1%	(0.1%)	0.8%	1.0%

IV. Allowance and Coverage for FRL Credit☐ After partial and direct written-off

【Non-consolidated】

(million yen)

	December 31, 2020			September 30, 2020	March 31, 2020
	(A)	(A) - (B)	(A) - (C)	(B)	(C)
Allowance & Coverage (c)	23,848	2,447	(3,719)	21,401	27,568
Allowance for loan losses (d)	12,789	1,187	(2,474)	11,602	15,263
Collateral / guarantee coverage (e)	11,059	1,259	(1,244)	9,799	12,304

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

Coverage Ratio c/a

	December 31, 2020			September 30, 2020	March 31, 2020
	(A)	(A) - (B)	(A) - (C)	(B)	(C)
After partial and direct written-off	88.6%	(0.5%)	(8.5%)	89.1%	97.1%

Allowance Ratio $d/(a-e)$

	December 31, 2020			September 30, 2020	March 31, 2020
	(A)	(A) - (B)	(A) - (C)	(B)	(C)
After partial and direct written-off	80.7%	(0.9%)	(14.2%)	81.6%	94.9%