



Summary of the Financial Statements for the First Three Months of FY2024 [JGAAP] (Consolidated)

August 2, 2024

Company name	Aozora Bank, Ltd.	Listed exchange	Tokyo Stock Exchange
TSE code	8304	URL	https://www.aozorabank.co.jp/
Representative	Hideto Oomi, President and CEO		
Contact person	Yukie Tajima, Joint General Manager of Financial Control Division		
Dividend payable date	September 17, 2024		
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 FY2024

(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	%
Three months ended June 30, 2024	58,299	(12.7)	5,892	(20.2)	7,571	11.8
June 30, 2023	66,801	31.4	7,385	(34.8)	6,771	(19.1)

(Note) Comprehensive income JPY 4,001 million —% (Three months ended June 30, 2024)
JPY (997) million —% (Three months ended June 30, 2023)

	Net income per common share (basic)	Net income per common share (diluted)
	Yen	Yen
Three months ended June 30, 2024	64.81	64.69
June 30, 2023	57.98	57.87

(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
June 30, 2024	7,683,049	397,563	5.1	3,322.68
March 31, 2024	7,603,002	391,078	5.0	3,285.94

(Reference) Total net assets (less Share acquisition rights and Non-controlling interests) JPY 388,163 million (June 30, 2024)
JPY 383,871 million (March 31, 2024)

(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
FY2023(common share)	38.00	38.00	0.00	0.00	76.00
FY2024(common share)	19.00				
FY2024(common share) (Forecast)		—	—	—	76.00

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

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, 2025 (FY2024)

(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
FY2024 (Full Year)	24,000	—	18,000	—	135.37

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

Net income per common share is calculated based on the average number of common shares outstanding, including the new common shares of 21,500,000 which were issued through the third party allotment completed on July 1, 2024.

* Notes

(1) Significant changes in the scope of consolidation during the first three months Affirmative
Excluded: 1 company (Aozora Asia Pacific Finance Limited)

(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

	June 30, 2024	March 31, 2024
(a) The number of common shares issued (including treasury shares)	118,289,418	118,289,418
(b) The number of treasury shares	1,467,139	1,467,109

	Three months ended June 30, 2024	Three months ended June 30, 2023
(c) The average number of common shares outstanding (3 months)	116,822,282	116,783,011

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by CPAs or audit firms None

* 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.

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1. Overview of operating results

For more details, please refer to 'FY2024 1st Quarter Financial Results Overview' that was announced today (August 2, 2024) on TDnet or the Bank's website (<https://www.aozorabank.co.jp/english/ir/library/results/>).

2. Quarterly consolidated financial statements and main notes

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Cash and due from banks	1,579,781	1,605,401
Call loans and bills bought	17,269	5,344
Monetary claims bought	68,093	65,324
Trading account assets	173,713	203,952
Money held in trust	12,963	12,343
Securities	1,186,561	1,230,935
Loans and bills discounted	4,071,295	4,018,425
Foreign exchanges	51,267	52,537
Other assets	420,921	463,152
Tangible fixed assets	23,159	22,787
Intangible fixed assets	18,962	19,015
Retirement benefit asset	8,741	8,862
Deferred tax assets	44,580	43,790
Customers' liabilities for acceptances and guarantees	18,084	19,150
Allowance for loan losses	(87,929)	(83,628)
Allowance for investment loss	(4,463)	(4,345)
Total assets	7,603,002	7,683,049
Liabilities		
Deposits	5,634,992	5,625,568
Negotiable certificates of deposit	141,380	79,767
Call money and bills sold	—	5,000
Securities sold under repurchase agreements	29,903	30,743
Cash collateral received for securities lent	260,689	292,608
Trading account liabilities	165,078	193,643
Borrowed money	563,300	562,800
Bonds payable	181,397	191,063
Other liabilities	199,472	271,252
Provision for bonuses	4,646	1,530
Provision for bonuses for directors (and other officers)	76	16
Retirement benefit liability	10,912	10,740
Provision for credit losses on off-balance-sheet instruments	1,960	1,570
Reserves under special laws	8	8
Deferred tax liabilities	21	21
Acceptances and guarantees	18,084	19,150
Total liabilities	7,211,924	7,285,486
Net assets		
Share capital	100,000	100,000
Capital surplus	87,498	87,498
Retained earnings	228,444	236,016
Treasury shares	(3,015)	(3,015)
Total shareholders' equity	412,928	420,500
Valuation difference on available-for-sale securities	(45,803)	(50,950)
Deferred gains or losses on hedges	4,332	6,184
Foreign currency translation adjustment	10,137	10,245
Remeasurements of defined benefit plans	2,277	2,184
Total accumulated other comprehensive income	(29,056)	(32,336)
Share acquisition rights	532	532
Non-controlling interests	6,673	8,867
Total net assets	391,078	397,563
Total liabilities and net assets	7,603,002	7,683,049

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income
 (Quarterly consolidated statement of income)
 (For the three months ended June 30)

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Ordinary income	66,801	58,299
Interest income	40,615	41,476
Interest on loans and discounts	31,152	33,977
Interest and dividends on securities	7,716	5,102
Trust fees	79	101
Fees and commissions	5,234	7,085
Gain on trading account transactions	7,287	1,292
Other ordinary income	6,819	6,158
Other income	6,764	2,184
Ordinary expenses	59,415	52,406
Interest expenses	28,604	29,391
Interest on deposits	3,487	3,061
Fees and commissions payments	1,273	1,574
Loss on trading account transactions	8,989	—
Other ordinary expenses	3,437	4,412
General and administrative expenses	15,217	14,829
Other expenses	1,893	2,199
Ordinary profit	7,385	5,892
Extraordinary income	0	3,408
Gain on disposal of non-current assets	0	—
Reversal of foreign currency translation adjustments	—	3,408
Extraordinary losses	0	—
Loss on disposal of non-current assets	0	—
Profit before income taxes	7,385	9,300
Income taxes - current	533	307
Income taxes - deferred	599	1,699
Total income taxes	1,133	2,006
Profit	6,252	7,293
Loss attributable to non-controlling interests	(518)	(277)
Profit attributable to owners of parent	6,771	7,571

(Quarterly consolidated statement of comprehensive income)
 (For the three months ended June 30)

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit	6,252	7,293
Other comprehensive income	(7,250)	(3,292)
Valuation difference on available-for-sale securities	(13,513)	(5,159)
Deferred gains or losses on hedges	2,907	1,851
Foreign currency translation adjustment	2,763	(1,514)
Remeasurements of defined benefit plans, net of tax	89	(92)
Share of other comprehensive income of entities accounted for using equity method	502	1,622
Comprehensive income	(997)	4,001
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(484)	4,291
Comprehensive income attributable to non-controlling interests	(512)	(289)

(3) Notes to quarterly consolidated financial statements

(Information on going concern assumption)

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 particularly U.S office market will stabilize during the FY2025, considering the market trends.

In line with this, for all borrowers of overseas real estate non-recourse loans 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 working styles in the post-COVID-19 period, in order to prepare for the disposal of these properties, for cases where there is a possibility of debt recovery in the future, the Bank evaluates the property considering the risk of price decline during the FY2025 and determines individual borrower category considering the possibility of the debt recovery through the disposal of properties. The allowance for loan losses is made based on the estimated disposal price assuming the price decline risk.

The above assumptions, which are the basis for the estimates, have a high degree of uncertainty, and depending on the situation, future profits and losses may fluctuate.

(Quarterly consolidated statement of income)

'Reversal of foreign currency translation adjustments' included in 'Extraordinary income' is recorded due to the exclusion of a foreign subsidiary from consolidation, after it has been transformed to be dissolved in line with the transfer of business and distribution of residual assets.

(Changes in shareholders' equity)

None

(Quarterly consolidated statement of cash flows)

The quarterly consolidated statement of cash flows has not been prepared. The depreciation expenses, including amortization expenses for intangible fixed assets excluding goodwill for the three months ended June 30, 2024 and 2023, are as follows:

	(Millions of yen)	
	Three months ended June 30, 2023	Three months ended June 30, 2024
Depreciation	1,790	1,717

(Segment information)

1. Business revenue and Business-related profit (loss) by reportable segment

For the three months ended June 30, 2023

(Millions of yen)

	Institutional Banking Group	Structured Finance Group	International Business Group	Market Group	Customer Relations Group	Total
Consolidated net revenue	4,085	9,481	3,666	(1,575)	1,662	17,320
Gains (losses) on equity method investment	—	—	530	—	—	530
Gains (losses) on stock transactions	224	143	2,189	—	0	2,557
Business Revenue	4,309	9,625	6,386	(1,575)	1,662	20,408
General and administrative expenses	2,411	3,252	1,987	1,064	2,708	11,525
Business-related profit (loss)	1,898	6,272	4,399	(2,640)	(1,045)	8,883

(Note)

Due to the nature of the banking business, the Bank uses 'Business revenue' as a substitute for 'Sales' as would be used by non-financial service companies. 'Business revenue' includes 'Consolidated net revenue', 'Gains (losses) on equity method investment', and 'Gains (losses) on stock transactions.' Consolidated net revenue represents the total of net interest income, trust fees, net fees and commissions, net gains on trading account transactions and net other ordinary income. Gains (losses) on stock transactions represents the total of Gain (loss) on sale of equity securities and Loss on devaluation of equity securities. The Bank oversees its revenue by reportable segment using Business revenue. The Bank offsets interest income and interest expense for the management purpose, therefore, revenue in transactions between reportable segments is not disclosed.

For the three months ended June 30, 2024

(Millions of yen)

	Institutional Banking Group	Structured Finance Group	International Business Group	Market Group	Customer Relations Group	Total
Consolidated net revenue	3,899	8,730	4,621	1,019	2,003	20,274
Gains (losses) on equity method investment	—	—	719	—	—	719
Gains (losses) on stock transactions	228	300	—	—	176	706
Business Revenue	4,127	9,031	5,341	1,019	2,180	21,699
General and administrative expenses	2,305	3,453	1,918	1,024	2,406	11,108
Business-related profit (loss)	1,822	5,577	3,422	(4)	(226)	10,591

(Note)

Due to the nature of the banking business, the Bank uses 'Business revenue' as a substitute for 'Sales' as would be used by non-financial service companies. 'Business revenue' includes 'Consolidated net revenue', 'Gains (losses) on equity method investment', and 'Gains (losses) on stock transactions.' Consolidated net revenue represents the total of net interest income, trust fees, net fees and commissions, net gains on trading account transactions and net other ordinary income. Gains (losses) on stock transactions represents the total of Gain (loss) on sale of equity securities and Loss on devaluation of equity securities. The Bank oversees its revenue by reportable segment using Business revenue. The Bank offsets interest income and interest expense for the management purpose, therefore, revenue in transactions between reportable segments is not disclosed.

2. Reconciliation between total business-related profits and ordinary profit in the quarterly consolidated statement of income

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Total business-related profits (losses)	8,883	10,591
Variances resulting from profit or loss not covered by reportable segments or differences in the basis of revenue and expense recognition and measurement	50	(3,392)
Amortization of actuarial differences on retirement benefit plans, etc.	(129)	133
Credit-related expenses, etc.	(922)	(1,396)
Others	(495)	(44)
Ordinary profit (loss) in the quarterly consolidated statement of income	7,385	5,892

(Note)

Credit-related expenses, etc., represent the total of write-off of loans, provision of allowance for loan losses and losses on disposition of non-performing loans.

(Material subsequent event)

The Bank has resolved to enter into a capital and business alliance agreement with Daiwa Securities Group Inc. and to issue new shares through third-party allotment to Daiwa Securities Group Inc. as the allottee at the Board of Directors' meeting held on May 13, 2024. The payment procedure for the issuance of new shares through third party allotment with Daiwa Securities Group Inc. has been completed on July 1, 2024.

1. Overview of the Capital Increase Through Third Party Allotment

(1)	Payment date	July 1, 2024
(2)	Number of shares to be newly issued	21,500,000 common shares
(3)	Issue price	JPY 2,415.5 per share
(4)	Amount of fund to be raised	JPY 51,933,250,000
(5)	Amount of stated capital and additional paid-in capital to be increased	Stated capital: JPY 25,966,625,000(JPY 1,207.75 per share) Additional paid-in capital: JPY 25,966,625,000(JPY 1,207.75 per share)
(6)	Method of offering or allotment (Allottee)	Through third party allotment to Daiwa Securities Group Inc.

The Allottee newly became a major shareholder, the largest shareholder, which is a major shareholder, and an associated company of the Bank on July 1, 2024, as a result of the Capital Increase Through Third Party Allotment.

2. Changes in total number of issued shares and amount of stated capital by the Capital Increase Through Third Party Allotment

(1)	Total number of issued shares before the capital increase (As of June 30, 2024)	118,289,418 shares (Amount of stated capital before the capital increase: JPY 100,000,000,000)
(2)	Number of shares increased by the capital increase	21,500,000 shares (Amount of stated capital to be increased: JPY 25,966,625,000)
(3)	Total number of issued shares after the capital increase	139,789,418 shares (Amount of stated capital after the capital increase: JPY 125,966,625,000)

(Note) The total number of issued shares and the amount of stated capital after the capital increase are calculated by adding the number of increased shares and the amount of stated capital to be increased by the Capital Increase Through Third Party Allotment to the total number of issued shares and the amount of stated capital before the capital increase (as of June 30, 2024), respectively.

Financial Results
for the First Three Months
of FY2024



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* NPLs : Non-performing loans

* FRA : Financial Reconstruction Act

I . Summary of Revenue and Expenses

【Consolidated】

(Millions of yen)

	For the three months ended June 30, 2024		For the three months ended June 30, 2023
	(A)	(A)-(B)	(B)
Consolidated net revenue ※1	20,736	3,005	17,731
Net interest income	12,085	74	12,010
Net fees and commissions	5,612	1,572	4,040
Net gains on trading account transactions	1,292	2,995	(1,702)
Net other ordinary income	1,745	(1,636)	3,382
General and administrative expenses	(14,963)	124	(15,087)
Gains (losses) on equity method investments	719	188	530
Business profit ※2	6,492	3,318	3,174
Credit-related expenses	(1,396)	(473)	(922)
Write-off of loans	(35)	1	(36)
Provision of specific allowance for loan losses	(451)	(92)	(358)
Provision of general allowance for loan losses	(1,270)	(1,004)	(265)
Provision of allowance for loans to restructuring countries	-	-	-
Loss on disposition of loans	(85)	303	(388)
Recoveries of written-off receivables	56	(114)	171
Provision of allowance for credit losses on off-balance-sheet instruments	389	434	(44)
Gains (losses) on stock transactions	706	(5,052)	5,758
Other	89	714	(624)
Ordinary profit	5,892	(1,493)	7,385
Extraordinary profit (loss)	3,408	3,408	0
Profit before income taxes	9,300	1,915	7,385
Income taxes-current	(307)	225	(533)
Income taxes-deferred	(1,699)	(1,099)	(599)
Profit	7,293	1,041	6,252
Loss attributable to non-controlling interests	277	(240)	518
Profit attributable to owners of parent	7,571	800	6,771

※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)

	June 30, 2024		June 30, 2023
	(A)	(A)-(B)	(B)
Consolidated subsidiaries	24	(1)	25
Subsidiaries and affiliated companies applying equity-method	1	0	1

【Non-consolidated】

(Millions of yen)

	For the three months ended June 30, 2024		For the three months ended June 30, 2023
	(A)	(A)-(B)	(B)
Net revenue	15,638	2,272	13,365
(Excluding gains (losses) on bond transactions)	13,914	3,337	10,577
Net interest income	9,978	542	9,435
Net fees and commissions ※1	3,870	951	2,918
Net gains on trading account transactions	1,246	2,995	(1,748)
Net other ordinary income	543	(2,217)	2,760
(Gains (losses) on bond transactions)	1,723	(1,064)	2,788
General and administrative expenses	(11,120)	475	(11,595)
Personnel	(5,483)	364	(5,848)
Property and equipment	(5,095)	57	(5,153)
Taxes	(540)	53	(594)
Business profit before provision of general allowance for loan losses	4,518	2,748	1,770
Core business profit ※2	2,794	3,812	(1,018)
Core business profit excluding cancellation on investment trusts	2,675	5,712	(3,036)
Credit-related expenses	(1,228)	(370)	(857)
Write-off of loans	(45)	361	(406)
Provision of specific allowance for loan losses	(350)	(29)	(320)
Provision of general allowance for loan losses	(1,234)	(968)	(266)
Provision of allowance for loans to restructuring countries	-	-	-
Loss on disposition of loans	-	-	-
Recoveries of written-off receivables	47	(84)	131
Provision of allowance for credit losses on off-balance-sheet instruments	354	350	4
Gains (losses) on stock transactions	706	(5,052)	5,758
Other	88	697	(609)
Ordinary profit	4,084	(1,977)	6,061
Extraordinary profit (loss)	-	0	(0)
Profit before income taxes	4,084	(1,977)	6,061
Income taxes-current	(18)	558	(576)
Income taxes-deferred	(561)	(237)	(324)
Profit	3,504	(1,655)	5,160
Business profit	3,284	1,780	1,504

※1 Trust fees are included.

※2 Core business profit = Business profit before provision of general allowance for loan losses - Gains (losses) on bond transactions

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

II. Unrealized Gains and Losses on Securities

【Consolidated】

(Millions of yen)

	June 30, 2024				March 31, 2024		
	Unrealized gains and losses				Unrealized gains and losses		
	(A)	(A)-(B)	gains	losses	(B)	gains	losses
Held-to-maturity bonds	-	-	-	-	-	-	-
Available-for-sale securities	(64,551)	(5,780)	27,471	92,022	(58,770)	26,077	84,847
Japanese stocks	16,894	2,107	17,335	441	14,786	15,202	415
Japanese debt securities	(4,291)	(1,444)	233	4,525	(2,847)	300	3,147
Other	(77,154)	(6,443)	9,901	87,055	(70,710)	10,574	81,284

(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)

	June 30, 2024		March 31, 2024
	(A)	(A) - (B)	(B)
Bankrupt and similar credit	6	(12)	18
Doubtful credit	104,265	(14,306)	118,572
Special attention credit	20,321	7,807	12,514
Loans overdue for three months or more	6,767	405	6,361
Restructured loans	13,554	7,401	6,153
Subtotal (a)	124,593	(6,512)	131,105
Normal credit	3,953,082	(43,105)	3,996,188
Total credit (b)	4,077,676	(49,617)	4,127,294
NPL ratio (a/b)	3.1%	(0.1%)	3.2%

	June 30, 2024		March 31, 2024
	(A)	(A) - (B)	(B)
Allowance & Coverage (c)	111,091	(11,802)	122,894
Allowance for loan losses (d)	51,697	(3,055)	54,753
Collateral / guarantee coverage (e)	59,393	(8,746)	68,140
Coverage ratio (c/a)	89.2%	(4.5%)	93.7%
Allowance ratio (d/(a-e))	79.3%	(7.7%)	87.0%

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