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## Aozora Announces Revision to FY2022 Full-Year Earnings Forecast

TOKYO January 27, 2023 — Aozora Bank, Ltd. ('Aozora' or 'the Bank') today announced that it has decided to implement a loss-cut to a portion of unrealized losses in the securities portfolio during FY2022, with a view to achieving stable and steady growth under Aozora's next Mid-term Plan (FY2023-25). Following this, the Board of Directors today resolved to revise the FY2022 full-year earnings forecast announced on May 16, 2022, as specified below.

Aozora's FY2022 full-year dividend forecast remains unchanged (154 yen per common share).

### 1. Revision to FY2022 Full-Year Earnings Forecast (April 1, 2022 to March 31, 2023)

#### Consolidated basis

(billion yen)	Net revenue	Business profit	Ordinary profit	Profit attributable to owners of parent	Profit attributable to owners of parent per common share
Previous forecast	103.0	46.0	49.5	36.0	308.29 yen
Revised forecast	62.0	4.5	10.0	10.0	85.63 yen
Change	(41.0)	(41.5)	(39.5)	(26.0)	-
Percentage change	(39.8%)	(90.2%)	(79.8%)	(72.2%)	-

#### Non-consolidated basis

(billion yen)	Net revenue	Business profit (before general loan-loss reserves)	Ordinary profit	Net income	Net income per common share
Previous forecast	85.0	38.0	41.0	29.0	248.34 yen
Revised forecast	47.0	1.0	7.0	(5.0)	(42.81 yen)
Change	(38.0)	(37.0)	(34.0)	(34.0)	-
Percentage change	(44.7%)	(97.4%)	(82.9%)	-	-

### 2. Reason for Revision

The sharp rise in U.S. interest rates since the beginning of the current fiscal year has caused unrealized losses mainly on foreign bonds. Aozora has conducted risk control operations primarily through hedging transactions throughout FY2022, the result of which unrealized losses have decreased and the risk of further losses has been significantly reduced. In order to ensure flexibility in managing its securities portfolio for the future as well as improve periodic earnings under the next Mid-term Plan starting from FY2023, Aozora has decided to implement a loss-cut to a portion of these unrealized losses during FY2022. As a result, earnings from market-related business are expected to be significantly lower compared to the initial forecast. Aozora has accordingly revised downward its consolidated and non-consolidated earnings forecasts.

The consolidated capital adequacy ratio (domestic standard) as of March 31, 2023 is expected to remain at 9% or higher, the target set in the current Mid-term Plan.

The Bank's non-consolidated earnings forecast has already reflected losses on the valuation of equities of subsidiaries and affiliates related to GMO Aozora Net Bank ('GANB') (an extraordinary loss of 9.9 billion yen recorded in the FY2022 2<sup>nd</sup> quarter financial results on a non-consolidated basis). Please refer to "Notice Regarding Additional Capital Investment in GANB, Valuation Loss on Equities of Subsidiaries and Affiliates Recorded in Non-consolidated Financial Statements" released on October 25, 2022.

Aozora is scheduled to announce the FY2022 3<sup>rd</sup> quarter consolidated financial results on February 3, 2023. Following the aforementioned partial recognition of unrealized losses on the securities portfolio starting from the 3<sup>rd</sup> quarter (October-December), profit attributable to owners of parent is expected to be 15.7 billion yen for the first nine months of FY2022 (0.3 billion yen for the 3<sup>rd</sup> quarter).

Given the current portfolio, unrealized gains/losses on securities (after hedging) reflecting the partial recognition of unrealized losses this time are estimated to be a loss of 24.0 billion yen in FY2025, the final year of the next Mid-term Plan (a loss of 80.7 billion yen as of September 30, 2022 and a loss of approximately 70.0 billion yen as of December 31, 2022).

Following the partial recognition of unrealized losses, net interest income in the Financial Markets Group during the next Mid-term Plan period is expected to be a loss of 6.0 billion yen in FY2023 and break-even in FY2025.

(Note) All figures mentioned in this paragraph are estimates based on current market conditions.

In the next Mid-term Plan (to be announced in May 2023), Aozora will strive to realize stable and steady earnings growth by shifting resources to its business areas of focus, in particular Aozora's Strategic Investments Business, improving income from the securities portfolio and proactively investing in human capital.

## (Reference)

### FY2022 Full-Year Dividend Forecast

Aozora's dividend policy is based on a target dividend payout ratio of 50% while flexibly managing its dividend payment in light of its earnings trend every quarter.

Despite the revision to the full-year earnings forecast, Aozora has decided not to revise its FY2022 dividend forecast per common share.

Record date	Dividend per common share				
	1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	Year-end	Total
Current forecast for FY2022			-	-	154 yen
Payments in FY2022	38 yen	38 yen			
Payments in FY2021	32 yen	32 yen	40 yen	45 yen	149 yen

(Note) Dividend from retained earnings (3<sup>rd</sup> quarter of FY2022) is planned to be announced on February 3, 2023.

*The forecasts contained in this announcement are based on certain assumptions reasonably determined by the Bank according to the most recently available information, and are not intended as a guarantee of future results. Actual results may differ from the forecasts due to a variety of factors.*