



# Summary of the 1<sup>st</sup> Quarter Financial Statements for the First Three Months of FY2017 [JGAAP] (Consolidated)

July 31, 2017  
Listed Exchange TSE

Company Name Aozora Bank, Ltd. URL <http://www.aozorabank.co.jp/>  
TSE Code 8304  
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Scheduled Filing Date of Security Report Aug. 10, 2017 Dividend payable date Sep. 15, 2017  
Reference Material Yes Trading Accounts Yes  
Investor Meeting Yes TEL (03)6752-1111  
(Unit: JPY millions, rounded down)

## 1. Business highlights for the first three months of FY2017

### (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, 2017	38,974	20.7	17,576	48.1	14,524	5.0
Jun. 30, 2016	32,289	3.2	11,870	(25.5)	13,832	11.8

(Note) Comprehensive income JPY 14,692 million (-9.3%) (Three months ended June 30, 2017)

JPY 16,195 million (-%) (Three months ended June 30, 2016)

	Net income per common share (basic)		Net income per common share (diluted)	
	Yen		Yen	
Three months ended				
Jun. 30, 2017	12.45		12.44	
Jun. 30, 2016	11.85		11.85	

### (2) Consolidated financial condition

	Total assets	Total net assets	Net assets to total assets ratio (Note)	Net assets per common share
	Million Yen	Million Yen	%	Yen
Jun. 30, 2017	4,744,393	428,382	9.0	365.63
Mar. 31, 2017	4,586,007	420,345	9.1	358.61

(Ref.) Total net assets (less Subscription rights to shares and Non-controlling interests) JPY 426,517 million (June 30, 2017)

JPY 418,289 million (March 31, 2017)

(Note) Net assets to total assets ratio = (Total net assets - Subscription rights to shares - Non-controlling interests) / Total assets

## 2. Dividend

	Annual dividend				
	1Q end	2Q end	3Q end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2016(common share)	4.00	4.00	5.00	5.70	18.70
FY2017(common share)	4.00				
FY2017(common share) (Forecast)		-	-	-	18.40

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

(Note) The common share dividend forecast for FY2017 is 18.40 yen per common share. Dividends will be paid quarterly and amount of the payment for the 2<sup>nd</sup> quarter and thereafter will be separately announced upon determination. The dividend payment forecast for FY2017 was calculated by dividing the total dividend amount, which is set at 50% of profit attributable to owners of parent for forecast FY2017, by the total number of common shares issued, excluding treasury shares, as of June 30, 2017.

(Note) Aozora Bank, Ltd. (Aozora) plans to exercise a share consolidation of every 10 common shares into one common share effective on October 1, 2017. However, dividend payments per common share forecast for FY2017 do not account for the share consolidation. Assuming that the share consolidation is exercised at the beginning of FY2017, dividend payments per common share will be 184 yen.

### 3. Consolidated earnings forecast for the year ending March 31, 2018 (FY2017)

(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
FY2017 (Full Year)	56,500	9.1	43,000	(1.9)	36.86

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

(Note) Aozora plans to exercise a share consolidation of every 10 common shares into one common share effective on October 1, 2017. However, net income per common share for FY2017 does not account for the share consolidation. Assuming that the share consolidation is exercised at the beginning of FY2017, net income per common share will be 368.61 yen.

#### \* Notes

- (1) Changes in material subsidiaries during the first quarter (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, 2017	Mar. 31, 2017
(a) The number of common shares issued (including treasury shares)	1,182,894,181	1,182,894,181
(b) The number of treasury shares	16,365,500	16,495,300

	Three months ended Jun. 30, 2017	Three months ended Jun. 30, 2016
(c) The average number of common shares outstanding (3 months)	1,166,403,161	1,166,392,635

\* Quarterly summary is out of scope of quarterly review.

#### \* 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. Qualitative information

### (1) Operating results

Aozora reported consolidated net revenue of 21.7 billion yen, a decrease of 0.3 billion yen, or 1.2% year on year. Consolidated business profit was 10.1 billion yen, a decrease of 0.6 billion yen, or 5.6% year on year. Profit attributable to owners of parent was 14.5 billion yen, an increase of 0.7 billion yen, or 5.0% year on year, representing progress of 33.7% towards the full-year forecast of 43.0 billion yen.

Net interest income was 12.9 billion yen, an increase of 2.8 billion yen, or 27.3% year on year, and reflected an increase in the yield on loans and securities as the Bank continued its disciplined approach to balance sheet management.

Non-interest income was 8.7 billion yen, a decrease of 3.0 billion yen, or 25.8% year on year. Net fees and commissions were 1.9 billion yen, a decrease of 0.3 billion yen, or 14.4% year on year, and net trading income was 3.7 billion yen, a decrease of 0.8 billion yen, or 17.6%. Earnings from the sale of financial products to the Bank's mass affluent retail customers increased compared to the previous year. Gains/losses on bond transactions were a gain of 1.0 billion yen, compared with a gain of 2.3 billion yen in the first three months of FY2016. Net other ordinary income, excluding gains/losses on bond transactions, was 2.1 billion yen, a decrease of 0.7 billion yen, or 24.6% year on year.

General and administrative expenses were 11.6 billion yen, a year on year increase of 0.3 billion yen, or 2.9%, representing 25.2% of the 46.0 billion yen budgeted for the full-year. The expense increase was mainly due to incremental staff for the Bank's Internet banking project, as well as its business areas of focus.

As a result of the above factors, consolidated business profit was 10.1 billion yen, a decrease of 0.6 billion yen, or 5.6%.

Credit-related expenses were a net reversal of 4.6 billion yen, mainly due to the reversal of specific loan loss reserves resulting from the collection of non-performing claims. Gains/losses on stock transactions were a gain of 3.3 billion yen. Ordinary profit and profit before income taxes were both 17.6 billion yen, an increase of 5.7 billion yen, or 48.1%.

Taxes (corporation tax, resident tax, business tax and deferred income taxes) were a net expense of 3.2 billion yen.

As a result of the aforementioned factors, profit attributable to owners of parent for the first three months of FY2017 was 14.5 billion yen, an increase of 0.7 billion yen, or 5.0% year on year, representing progress of 33.7% towards the full-year forecast of 43.0 billion yen. Net income per common share (basic) was 12.45 yen, as compared to 11.85 yen per share (basic) for the first three months of FY2016.

## (2) Financial condition

Total assets were 4,744.4 billion yen as of June 30, 2017, an increase of 158.4 billion yen, or 3.5%, compared to March 31, 2017. Loans were 2,514.5 billion yen, a decrease of 7.3 billion yen, or 0.3%, from March 31, 2017. Domestic loans decreased 54.2 billion yen, while overseas loans increased 46.8 billion yen. Securities increased by 146.0 billion yen, or 15.6%, from March 31, 2017, to 1,084.0 billion yen.

Total liabilities were 4,316.0 billion yen, an increase of 150.3 billion yen, or 3.6%, compared to March 31, 2017. The Bank continued its efforts to flexibly manage its funding position. Total core funding (deposits, negotiable certificates of deposit, debentures and bonds) increased 42.7 billion yen, or 1.4%, from March 31, 2017, to 3,142.1 billion yen.

Net assets were 428.4 billion yen, representing an increase of 8.0 billion yen, or 1.9% from March 31, 2017. Net assets per common share were 365.63 yen, as compared to 358.61 yen per common share as of March 31, 2017.

## (3) Consolidated earnings forecast

No change has been made to the full-year consolidated earnings forecast of FY2017 announced on May 15, 2017 (net revenue of 92.0 billion yen, business profit of 46.0 billion yen, ordinary profit of 56.5 billion yen and profit attributable to owners of parent of 43.0 billion yen).

(Note) Figures stated in 0.1 billion yen units are rounded to the nearest 0.1 billion yen.

(Reference)

## Summary of consolidated revenue and expenses

(JPY 100 million)

	FY2016 3 months Apr.-Jun.	FY2017 3 months Apr.-Jun.	Change
Net revenue ※1	220	217	(3)
Net interest income	102	129	28
Net fees and commissions	22	19	(3)
Net trading income	45	37	(8)
Gains/losses on bond transactions	23	10	(12)
Net other ordinary income excluding gains/losses on bond transactions	28	21	(7)
General and administrative expenses	(113)	(116)	(3)
Business profit ※2	107	101	(6)
Credit-related expenses	6	46	40
Gains/losses on stock transactions	4	33	29
Other	2	(5)	(6)
Ordinary profit	119	176	57
Extraordinary profit	-	-	-
Profit before income taxes	119	176	57
Total income taxes	20	(32)	(52)
Profit	139	144	5
Profit/loss attributable to non-controlling interests	(0)	1	2
Profit attributable to owners of parent	138	145	7

※1 Net revenue = (Interest income – Interest expenses) + (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

※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

(In millions of yen)

	As of Mar. 31, 2017	As of Jun. 30, 2017
<b>Assets</b>		
Cash and due from banks	573,048	605,707
Call loans and bills bought	8,637	—
Monetary claims bought	46,193	47,292
Trading assets	210,700	195,502
Money held in trust	31,269	30,781
Securities	937,949	1,083,979
Loans and bills discounted	2,521,874	2,514,529
Foreign exchanges	32,617	34,021
Other assets	187,143	196,219
Tangible fixed assets	23,257	24,866
Intangible fixed assets	13,601	14,510
Deferred debenture discounts	61	55
Net defined benefit asset	1,508	1,625
Deferred tax assets	20,769	20,423
Customers' liabilities for acceptances and guarantees	28,723	22,010
Allowance for loan losses	(50,627)	(46,793)
Allowance for investment loss	(721)	(338)
<b>Total assets</b>	<b>4,586,007</b>	<b>4,744,393</b>
<b>Liabilities</b>		
Deposits	2,718,589	2,762,297
Negotiable certificates of deposit	134,513	127,939
Debentures	120,660	108,310
Call money and bills sold	93,747	94,495
Payables under securities lending transactions	306,327	394,161
Trading liabilities	197,711	176,322
Borrowed money	276,624	290,077
Bonds payable	125,609	143,556
Other liabilities	148,733	184,916
Provision for bonuses	3,166	935
Provision for directors' bonuses	95	17
Net defined benefit liability	9,231	9,319
Provision for directors' retirement benefits	1	1
Provision for credit losses on off-balance-sheet instruments	1,553	1,256
Provision for contingent loss	360	375
Reserves under special laws	8	8
Deferred tax liabilities	4	10
Acceptances and guarantees	28,723	22,010
<b>Total liabilities</b>	<b>4,165,661</b>	<b>4,316,011</b>
<b>Net assets</b>		
Capital stock	100,000	100,000
Capital surplus	87,315	87,334
Retained earnings	221,940	229,815
Treasury shares	(3,387)	(3,360)
<b>Total shareholders' equity</b>	<b>405,867</b>	<b>413,789</b>
Valuation difference on available-for-sale securities	23,757	25,705
Deferred gains or losses on hedges	(11,052)	(12,542)
Foreign currency translation adjustment	(84)	(125)
Remeasurements of defined benefit plans	(199)	(307)
<b>Total accumulated other comprehensive income</b>	<b>12,421</b>	<b>12,728</b>
Subscription rights to shares	296	251
Non-controlling interests	1,759	1,613
<b>Total net assets</b>	<b>420,345</b>	<b>428,382</b>
<b>Total liabilities and net assets</b>	<b>4,586,007</b>	<b>4,744,393</b>

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

(In millions of yen)

	For the three months ended Jun. 30, 2016	For the three months ended Jun. 30, 2017
Ordinary income	32,289	38,974
Interest income	14,746	19,394
Interest on loans and discounts	10,101	11,220
Interest and dividends on securities	4,335	7,492
Fees and commissions	2,486	2,219
Trading income	4,974	3,699
Other ordinary income	7,589	5,083
Other income	2,492	8,577
Ordinary expenses	20,418	21,398
Interest expenses	4,572	6,445
Interest on deposits	1,761	1,303
Fees and commissions payments	278	330
Trading expenses	482	—
Other ordinary expenses	2,503	1,926
General and administrative expenses	11,090	11,437
Other expenses	1,491	1,258
Ordinary profit	11,870	17,576
Profit before income taxes	11,870	17,576
Income taxes - current	923	2,569
Income taxes - deferred	(2,914)	620
Total income taxes	(1,990)	3,190
Profit	13,861	14,386
Profit (loss) attributable to non-controlling interests	28	(138)
Profit attributable to owners of parent	13,832	14,524



(Quarterly consolidated statement of comprehensive income)  
 (For the first three months ended Jun. 30)

(In millions of yen)

	For the three months ended Jun. 30, 2016	For the three months ended Jun. 30, 2017
Profit	13,861	14,386
Other comprehensive income	2,333	306
Valuation difference on available-for-sale securities	3,559	1,947
Deferred gains or losses on hedges	452	(1,490)
Foreign currency translation adjustment	(1,559)	(40)
Remeasurements of defined benefit plans, net of tax	(119)	(108)
Comprehensive income	16,195	14,692
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	16,166	14,831
Comprehensive income attributable to non-controlling interests	28	(138)

(3) Notes to quarterly consolidated financial statements  
(Information on going concern assumption)

None

(Changes in shareholders' equity)

None