



Summary of the 1st Quarter Financial Statements for the First Three Months of FY2018 [JGAAP] (Consolidated)

July 30, 2018

Company Name	Aozora Bank, Ltd.	Listed exchange	TSE
TSE Code	8304	URL	http://www.aozorabank.co.jp/
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Contact Person	Yoshinari Takasaki, Senior Manager of Financial Control Division		
Scheduled Filing Date of Security Report	Aug. 10, 2018	Dividend payable date	Sep. 18, 2018
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 FY2018

(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, 2018	42,762	9.7	16,608	(5.5)	11,373	(21.7)
Jun. 30, 2017	38,974	20.7	17,576	48.1	14,524	5.0

(Note) Comprehensive income JPY -637 million (- %) (Three months ended June 30, 2018)
JPY 14,692 million (-9.3 %) (Three months ended June 30, 2017)

	Net income per common share (basic)	Net income per common share (diluted)
	Yen	Yen
Three months ended Jun. 30, 2018	97.49	97.42
Jun. 30, 2017	124.52	124.43

(Note) Aozora Bank, Ltd. (Aozora) consolidated every ten common shares into one common share on October 1, 2017. "Net income per common share (basic)" and "Net income per common share (diluted)" are presented as if the share consolidation was effective at the beginning of the previous accounting period.

(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, 2018	4,927,814	430,290	8.7	3,677.56
Mar. 31, 2018	4,912,792	437,234	8.9	3,735.00

(Ref.) Total net assets (less Share acquisition rights and Non-controlling interests) JPY 429,018 million (June 30, 2018)
JPY 435,719 million (March 31, 2018)

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

2. Dividend

	Annual dividend				
	1Q end	2Q end	3Q end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2017(common share)	4.00	4.00	50.00	54.00	-
FY2018(common share)	40.00				
FY2018(common share) (Forecast)		-	-	-	184.00

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

(Note) On October 1, 2017, Aozora consolidated every ten common shares into one common share. As the above dividend payments for the 1st quarter and the 2nd quarter of FY2017 are actual amounts before the share consolidation, the annual dividend for FY2017 is shown as "-". For more details on dividend payments for each quarter assuming that the share consolidation was effective at the beginning of the previous accounting period, please refer to "(Reference) Dividend payments per common share."

(Note) The dividend payment forecast for FY2018 was calculated by dividing the total dividend amount, which is set at 50% of Profit attributable to owners of parent for forecast FY2018, by the total number of common share issued, excluding treasury shares, as of June 30, 2018. 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, 2019 (FY2018)

(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)	58,500	0.9	43,000	(0.1)	368.59

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

* 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, 2018	Mar. 31, 2018
(a) The number of common shares issued (including treasury shares)	118,289,418	118,289,418
(b) The number of treasury shares	1,631,067	1,631,067

	Three months ended Jun. 30, 2018	Three months ended Jun. 30, 2017
(c) The average number of common shares outstanding (3 months)	116,658,351	116,640,316

(Note) Aozora consolidated every ten common shares into one common share on October 1, 2017. "The average number of common shares outstanding" is presented as if the share consolidation was effective at the beginning of the previous accounting period.

* 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.

(Reference) Dividend payments per common share

Aozora consolidated every ten common shares into one common share on October 1, 2017.

Assuming that the share consolidation was effective at the beginning of the previous accounting period, dividend payments per common share are as follows.

	Annual dividend				
	1Q end	2Q end	3Q end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2017(common share)	40.00	40.00	50.00	54.00	184.00
FY2018(common share)	40.00				
FY2018(common share) (Forecast)		-	-	-	184.00

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1. Qualitative information

(1) Operating results

Aozora reported consolidated net revenue of 22.0 billion yen, an increase of 0.3 billion yen, or 1.7% year on year. Consolidated business profit was 10.4 billion yen, an increase of 0.3 billion yen, or 3.2%. Profit attributable to owners of parent was 11.3 billion yen, a decrease of 3.1 billion yen, or 21.7%.

Net interest income was 14.0 billion yen, an increase of 1.0 billion yen, or 8.3% year on year. This change was due to factors including an increase in yields on loans and securities as well as continued disciplined balance sheet management.

Non-interest income was 8.0 billion yen, a decrease of 0.7 billion yen, or 8.2% year on year. While earnings from the sale of financial products to the Bank's mass affluent retail customers and gains from limited partnerships remained strong, net trading revenues declined by 1.4 billion yen, or 38.4% year on year.

General and administrative expenses were 11.6 billion yen, approximately the same level as the previous year, and represented progress of 22.4% of the full-year budget of 52.0 billion yen. This result was mainly due to incremental expenses associated with the Bank's business area of focus, offset in part by continued cost control measures taken by the Bank during the period.

Consolidated business profit was 10.4 billion yen, an increase of 0.3 billion yen, or 3.2% year on year.

Credit-related expenses were a net reversal of 0.7 billion yen, mainly due to the reversal of general loan loss reserves. Gains/losses on stock transactions were a gain of 5.1 billion yen. Ordinary profit and profit before income taxes were both 16.6 billion yen, a decrease of 0.9 billion yen, or 5.5% year on year.

Taxes (corporation tax, resident tax, business tax and deferred income taxes) were a net expense of 5.4 billion yen.

As a result of the above factors, profit attributable to owners of parent for the first three months of FY2018 was 11.3 billion yen, a decrease of 3.1 billion yen, or 21.7% year on year, representing progress of 26.5% of the full-year forecast of 43.0 billion yen. Net income per common share (basic) was 97.49 yen, as compared to 124.52 yen per share (basic) for the first three months of FY2017.

(2) Financial condition

Total assets were 4,927.8 billion yen as of June 30, 2018, an increase of 15.0 billion yen, or 0.3%, compared to March 31, 2018. Loans were 2,634.8 billion yen, an increase of 23.6 billion yen, or 0.9%, from March 31, 2018. Domestic loans increased 9.6 billion yen, while overseas loans increased 13.9 billion yen. Securities increased by 54.5 billion yen, or 4.8%, from March 31, 2018, to 1,194.3 billion yen.

Total liabilities were 4,497.5 billion yen, an increase of 21.9 billion yen, or 0.5%, compared to March 31, 2018. The Bank continued to flexibly manage its funding position in light of its asset requirements. Total core funding (deposits, negotiable certificates of deposit, debentures and bonds) was 3,353.0 billion yen, an increase of 124.5 billion yen, or 3.9%, from March 31, 2018.

Net assets were 430.2 billion yen, representing a decrease of 6.9 billion yen, or 1.6%, from March 31, 2018. Net assets per common share were 3,677.56 yen, as compared to 3,735.00 yen per common share as of March 31, 2018.

(3) Consolidated earnings forecast

No change has been made to the full-year consolidated earnings forecast of FY2018 announced on May 14, 2018 (net revenue of 92.0 billion yen, consolidated business profit of 40.0 billion yen, ordinary profit of 58.5 billion yen and profit attributable to owners of parent of 43.0 billion yen).

(Note 1) Figures are rounded down to the nearest unit specified.

(Note 2) Aozora consolidated every ten common shares into one common share on October 1, 2017. "Net income per common share (basic)" is presented as if the share consolidation was effective at the beginning of the previous accounting period.

(Reference)

Summary of consolidated revenue and expenses

(JPY 100 million)

	FY2017 3 months Apr.-Jun.	FY2018 3 months Apr.-Jun.	Change
Net revenue ※1	216	220	3
Net interest income	129	140	10
Net fees and commissions	18	16	(2)
Net trading income	36	22	(14)
Gains/losses on bond transactions	10	15	5
Net other ordinary income excluding gains/losses on bond transactions	21	26	4
General and administrative expenses	(115)	(116)	(0)
Business profit ※2	101	104	3
Credit-related expenses	46	7	(38)
Gains/losses on stock transactions	33	51	18
Other	(4)	2	6
Ordinary profit	175	166	(9)
Extraordinary profit/loss	-	-	-
Profit before income taxes	175	166	(9)
Total income taxes	(31)	(54)	(22)
Profit	143	111	(32)
Loss attributable to non-controlling interests	1	2	0
Profit attributable to owners of parent	145	113	(31)

※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, 2018	As of Jun. 30, 2018
Assets		
Cash and due from banks	543,173	533,923
Call loans and bills bought	26,567	16,581
Monetary claims bought	45,733	43,543
Trading assets	179,671	159,248
Money held in trust	30,815	27,961
Securities	1,139,803	1,194,365
Loans and bills discounted	2,611,278	2,634,885
Foreign exchanges	42,576	39,857
Other assets	246,703	230,305
Tangible fixed assets	24,628	24,324
Intangible fixed assets	16,907	17,869
Deferred debenture discounts	36	31
Net defined benefit asset	2,720	2,849
Deferred tax assets	18,541	21,499
Customers' liabilities for acceptances and guarantees	27,433	24,241
Allowance for loan losses	(43,495)	(42,879)
Allowance for investment loss	(302)	(792)
Total assets	4,912,792	4,927,814
Liabilities		
Deposits	2,846,878	2,974,723
Negotiable certificates of deposit	124,060	119,800
Debentures	64,710	51,360
Call money and bills sold	90,998	55,527
Payables under repurchase agreements	9,823	29,376
Payables under securities lending transactions	431,309	381,805
Trading liabilities	130,201	137,738
Borrowed money	315,250	295,458
Bonds payable	192,853	207,136
Other liabilities	227,275	208,424
Provision for bonuses	3,735	1,025
Provision for directors' bonuses	87	20
Net defined benefit liability	9,533	9,627
Provision for directors' retirement benefits	2	2
Provision for credit losses on off-balance-sheet instruments	994	858
Provision for contingent loss	391	379
Reserves under special laws	8	8
Deferred tax liabilities	10	10
Acceptances and guarantees	27,433	24,241
Total liabilities	4,475,557	4,497,524
Net assets		
Capital stock	100,000	100,000
Capital surplus	87,345	87,345
Retained earnings	243,190	248,265
Treasury shares	(3,351)	(3,351)
Total shareholders' equity	427,184	432,259
Valuation difference on available-for-sale securities	35,343	23,041
Deferred gains or losses on hedges	(25,581)	(25,727)
Foreign currency translation adjustment	(1,070)	(373)
Remeasurements of defined benefit plans	(156)	(181)
Total accumulated other comprehensive income	8,535	(3,240)
Share acquisition rights	331	331
Non-controlling interests	1,183	939
Total net assets	437,234	430,290
Total liabilities and net assets	4,912,792	4,927,814

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

(In millions of yen)

	For the three months ended Jun. 30, 2017	For the three months ended Jun. 30, 2018
Ordinary income	38,974	42,762
Interest income	19,394	24,105
Interest on loans and discounts	11,220	13,584
Interest and dividends on securities	7,492	10,055
Fees and commissions	2,219	2,004
Trading income	3,699	3,763
Other ordinary income	5,083	6,257
Other income	8,577	6,631
Ordinary expenses	21,398	26,153
Interest expenses	6,445	10,079
Interest on deposits	1,303	1,732
Fees and commissions payments	330	389
Trading expenses	—	1,484
Other ordinary expenses	1,926	2,120
General and administrative expenses	11,437	11,595
Other expenses	1,258	484
Ordinary profit	17,576	16,608
Profit before income taxes	17,576	16,608
Income taxes - current	2,569	4,676
Income taxes - deferred	620	794
Total income taxes	3,190	5,471
Profit	14,386	11,137
Loss attributable to non-controlling interests	(138)	(236)
Profit attributable to owners of parent	14,524	11,373

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

(In millions of yen)

	For the three months ended Jun. 30, 2017	For the three months ended Jun. 30, 2018
Profit	14,386	11,137
Other comprehensive income	306	(11,775)
Valuation difference on available-for-sale securities	1,947	(12,302)
Deferred gains or losses on hedges	(1,490)	(145)
Foreign currency translation adjustment	(40)	697
Remeasurements of defined benefit plans, net of tax	(108)	(24)
Comprehensive income	14,692	(637)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	14,831	(401)
Comprehensive income attributable to non-controlling interests	(138)	(236)

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

None

(Changes in shareholders' equity)

None