

May 26, 2017

Company name: Aozora Bank, Ltd.
Name of representative: Shinsuke Baba, President and CEO
(Listed exchange: TSE, Code 8304)
Enquiries: Hiroyuki Kajitani, General Manager
Corporate Communication Division (03 6752 1111)

Change in Number of Shares Constituting One Unit, Consolidation of Shares and Partial Amendment to Articles of Incorporation

Aozora Bank, Ltd. (the “Bank”) today announced that its Board of Directors has resolved to propose a change in the number of shares constituting one unit, the consolidation of shares and a partial amendment to the Articles of Incorporation at the annual general meeting of shareholders scheduled to be held on June 27, 2017.

I. Change in Number of Shares Constituting One Unit

1. Reasons for Change

In light of the Japanese Stock Exchanges’ efforts under the “Action Plan for Consolidating Trading Units” announced on November 27, 2007 to unify the trading units of common shares of all listed companies in Japan at 100 shares, the Bank has decided to change the number of shares constituting one unit of stock (which will be the Bank’s share trading unit) from 1,000 shares to 100 shares, effective October 1, 2017.

2. Details of Change

The number of common shares constituting one unit will be changed from 1,000 shares to 100 shares.

3. Scheduled Date of Change

October 1, 2017

4. Conditions of Change

The change in the number of shares constituting one unit shall become effective on October 1, 2017, subject to the approval and resolution of the agenda items pertaining to “II. Consolidation of Shares” and “III. Partial Amendment to Articles of Incorporation” at the annual general meeting of shareholders scheduled to be held on June 27, 2017.

II. Consolidation of Shares

1. Objectives of Share Consolidation

In accordance with the change in the number of shares constituting one unit from 1,000 shares to 100 shares as stated above in “I. Change in Number of Shares Constituting One Unit,” the Bank will consolidate every ten shares into one share (the “**Share Consolidation**”) taking into account the level of price per trading unit (minimum trading price) that is deemed appropriate by the Japanese Stock Exchanges (which is no less than 50,000 yen and less than 500,000 yen).

2. Details of Share Consolidation

(1) Class of Shares to be Consolidated

Common shares

(2) Method and Ratio of Share Consolidation

On October 1, 2017, every ten shares held by shareholders as listed or recorded on the final shareholder registry as of September 30, 2017 (effectively September 29, 2017) will be consolidated into one share.

(3) Number of Shares to be Reduced

Outstanding Shares before the Share Consolidation (as of March 31, 2017)	1,182,894,181 shares
Number of Shares Reduced through the Share Consolidation (Note)	1,064,604,763 shares
Outstanding Shares after the Share Consolidation (Note)	118,289,418 shares

(Note) "Number of Shares Reduced through the Share Consolidation" and "Outstanding Shares after the Share Consolidation" above are theoretical figures calculated by multiplying the "Outstanding Shares before the Share Consolidation" above by the Share Consolidation ratio.

(4) Total Number of Issuable Shares as of the Effective Date of the Share Consolidation

Subject to the implementation of the Share Consolidation, the total number of issuable shares will be changed to 289,828,200 shares (before Share Consolidation: 2,898,282,000 shares). Please refer to "III. Partial Amendment to Articles of Incorporation" below for details.

(5) Impact of the Share Consolidation

Although the total number of shares issued by the Bank will be reduced to one tenth, the net asset value per share will increase tenfold since the net assets of the Bank will not change. Accordingly, the Share Consolidation will not affect the asset value of shares in the Bank.

3. Treatment of Fractional Shares Constituting Less than One Share

Fractional shares constituting less than one share resulting from the Share Consolidation will be liquidated in a lump in accordance with Article 235 of the Companies Act of Japan, and the sales proceeds will be distributed to shareholders in accordance with the proportion of fractional shares held.

4. Number of Shareholders Reduced through the Share Consolidation

Shareholder composition as of March 31, 2017 is as follows:

	Number of Shareholders (%)	Number of Shares (%)
Total	75,506 persons (100.0%)	1,182,894,181 shares 100.0%)
Fewer than Ten Shares	1,194 persons (1.6%)	1,738 shares (0.0%)
Ten or More Shares	74,312 persons (98.4%)	1,182,892,443 shares (100.0%)

As a result of the Share Consolidation, 1,194 shareholders who hold less than ten shares before the Share Consolidation (total number of shares held by these shareholders is 1,738 as of March 31, 2017) will lose their status as shareholders. However, such shareholders can opt to utilize the procedures for “Additional Purchase of Fractional Unit Shares” or “Repurchase of Fractional Unit Shares” before the Share Consolidation takes effect. For details, please contact your securities company or the Bank’s shareholder registry administrator.

5. Conditions of Share Consolidation

The Share Consolidation will take effect on October 1, 2017, subject to the approval and resolution of the agenda items pertaining to the Share Consolidation and “III. Partial Amendment to Articles of Incorporation” below at the annual general meeting of shareholders scheduled to be held on June 27, 2017.

III. Partial Amendment to Articles of Incorporation

1. Objectives of Amendment

Along with the change in the number of shares constituting one unit of stock to 100 shares in light of the “Action Plan for Consolidating Trading Units” established by the Japanese Stock Exchanges (as stated in “I. Change in Number of Shares Constituting One Unit” above), the Bank will change the number of shares constituting one unit, set forth in Article 7 of its Articles of Incorporation, to 100 shares. In addition, in consideration of a decrease in the total number of outstanding shares resulting from the Share Consolidation (as stated in “II. Consolidation of Shares” above), the Bank will change the total number of issuable shares as set forth in Article 6 of the Articles of Incorporation.

2. Details of Amendment

Details of the amendment to the Articles of Incorporation are as follows:

Current Articles of Incorporation and Proposals for Amendments (changes are underlined)

Current Articles of Incorporation	Proposals for Amendments
CHAPTER 2 Shares (Total Number of Issuable Shares) Article 6 The total number of shares that the Bank is authorized to issue shall be <u>two billion eight hundred ninety-eight million two hundred eighty-two thousand (2,898,282,000)</u> shares; provided, however, that if any share is retired, the number of shares so retired shall be subtracted from the total number of shares that the Bank is authorized to issue. (Number of Shares Constituting One Unit) Article 7 The number of shares constituting one unit (<i>tan-gen</i>) shall be <u>one thousand (1,000)</u> shares.	CHAPTER 2 Shares (Total Number of Issuable Shares) Article 6 The total number of shares that the Bank is authorized to issue shall be <u>two hundred eighty-nine million eight hundred twenty-eight thousand two hundred (289,828,200)</u> shares; provided, however, that if any share is retired, the number of shares so retired shall be subtracted from the total number of shares that the Bank is authorized to issue. (Number of Shares Constituting One Unit) Article 7 The number of shares constituting one unit (<i>tan-gen</i>) shall be <u>one hundred (100)</u> shares.

3. Conditions of Amendment

The amendment to the Articles of Incorporation shall become effective on October 1, 2017, subject to the approval and resolution of the agenda items pertaining to the partial amendment to the Articles of Incorporation and “II. Consolidation of Shares” at the annual general meeting of shareholders scheduled to be held on June 27, 2017.

IV. Schedule

Resolution of Board of Directors Meeting	May 26, 2017
Annual Shareholders' Meeting	June 27, 2017 (scheduled)
Public Notice (<i>koukoku</i>) of Share Consolidation	September 15, 2017 (scheduled)
Last Day of Trading using 1,000-Share Unit	September 26, 2017 (scheduled)
First Day of Trading using 100-Share Unit	September 27, 2017 (scheduled)
Effective Date of Changes in Number of Shares Constituting One Unit	October 1, 2017 (scheduled)
Effective Date of Share Consolidation	October 1, 2017 (scheduled)
Effective Date of Amendment of Articles of Incorporation	October 1, 2017 (scheduled)

(Note)

As stated above, the change in the number of shares constituting one unit, Share Consolidation and the amendment of the Articles of Incorporation are scheduled to come into effect on October 1, 2017. In relation to the share transfer procedures, however, trading of the Bank's shares by shareholders on the Tokyo Stock Exchange on or after September 27, 2017, will be based on the trading unit after the consummation of the foregoing (i.e., 100 shares after the consolidation).

End

(Reference) Q&A regarding Consolidation of Shares and Change in Number of Shares Constituting One Unit

Q1 What is a consolidation of shares? What is a change in the number of shares constituting one unit?

A1 A consolidation of shares means consolidating the number of shares to reduce the number of shares.
The number of shares constituting one unit means the number of shares that forms the basis for the unit required to exercise voting rights at a shareholders' meeting, and also used as the share trading units on the stock exchanges.
The Bank intends to consolidate every ten shares into one share (the "**Share Consolidation**") and change the number of shares constituting one unit of stock from 1,000 shares to 100 shares (the "**Share Unit Number Change**").

Q2 What is the purpose of the Share Consolidation and the Share Unit Number Change?

A2 Pursuant to their "Action Plan for Consolidating Trading Units," Japanese Stock Exchanges have been promoting efforts to unify the trading units at 100 shares. In light of this, the Bank decided to change the number of shares constituting one unit of stock (which will be the Bank's share trading unit) from 1,000 shares to 100 shares.
Also, in light of the Share Unit Number Change from 1,000 shares to 100 shares, the Bank decided to consolidate every ten shares into one share taking into account the level of price per trading unit (minimum trading price) that is deemed appropriate by the Japanese Stock Exchanges (which is no less than 50,000 yen and less than 500,000 yen).

Q3 How will the number of shares and voting rights of shareholders be affected?

A3 The number of shares held by each shareholder after the Share Consolidation will be the number of shares obtained by multiplying the number of shares listed or recorded on the final register of shareholders of September 30, 2017, by one-tenth (rounded down to the nearest whole share). The number of voting rights will be one per 100 shares held after the Share Consolidation.

The number of shares held and the number of voting rights before and after the implementation of the Share Consolidation and the Share Unit Number Change are as follows:

	Before Implementation			After Implementation		
	Number of Shares Held	Number of Voting Rights		Number of Shares Held	Number of Voting Rights	Fractional Shares
Example (i)	5,000	5		500	5	None
Example (ii)	2,500	2		250	2	None
Example (iii)	1,225	1		122	1	0.5
Example (iv)	612	None		61	None	0.2
Example (v)	1	None		0	None	0.1

Regarding fractional shares constituting less than one share (the "**Fractional Shares**") arising as a result of the Share Consolidation (such as in Examples (iii) to (v) above), the Bank will liquidate all such Fractional Shares in a lump; and the sales proceeds will be paid to shareholders based on the proportion of Fractional Shares held, in about the middle of December 2017.

Meanwhile, shareholders in Examples (iii) to (v) above can opt to utilize the procedures for the “Additional Purchase of Fractional Unit Shares” or “Repurchase of Fractional Unit Shares” before the Share Consolidation takes effect, if they do not wish to have their Fractional Shares liquidated.

Shareholders opting to do so are recommended to contact their securities company or the Bank’s shareholder registry administrator specified at the end hereof, for specific procedures.

As a result of the Share Consolidation, shareholders who hold less than ten shares before the implementation of the Share Consolidation (such as in Example (v) above) will lose their status as shareholders as all of their shares will become Fractional Shares. The Bank would appreciate the shareholders’ understanding in this regard.

Q4. Will there be no impact on asset value?

A4. Although the number of shares held by a shareholder will be one-tenth after the Share Consolidation, the Bank’s assets and capital will remain unchanged after the Share Consolidation. Aside from changes in share market conditions and other factors, this means that there will be no change to the asset value of the Bank’s shares held by the shareholders. This is because, after the Share Consolidation, there will be a tenfold increase in the amount of net assets per share. Further, in theory, there will be a tenfold increase in the share price.

Q5 Will the minimum trading price be affected?

A5 Theoretically, the current minimum trading price will not change.
(Reference) Trial calculation based on the closing price on March 31, 2017 (410 yen)

Before consolidation:

410 yen (share price) x 1,000 shares (the number of shares per share unit) = 410,000 yen
(minimum trading price)

After consolidation:

4,100 yen (share price) x 100 shares (the number of shares per share unit) = 410,000 yen
(minimum trading price)

Q6 When the number of shares held declines, will this affect dividends?

A6 Although the number of shares held by shareholders will be one-tenth after the Share Consolidation, dividend per share will increase tenfold for payments with a record date that comes after the effective date of the Share Consolidation. Thus, aside from the change in performance results or other factors, total dividends of each shareholder after the Share Consolidation will not be substantially affected. However, dividends will not be paid on the Fractional Shares resulting from the Share Consolidation. As set out in Q3, the Bank will liquidate all Fractional Shares arising from the Share Consolidation in a lump; and the sales proceeds will be paid to the shareholders, based on the percentage of the fractions that each shareholder holds.

Q7 Are there any procedures that shareholders must take?

A7 No special procedures are necessary.
Where a shareholder holds less than ten shares before the Share Consolidation comes into effect, these shares will become Fractional Shares as a result of the Share Consolidation. The Bank will liquidate all such Fractional Shares in a lump, and the sales proceeds will be paid to the shareholders, based on the percentages of the fractions that each shareholder holds.

Shareholders holding less than ten shares before the Share Consolidation comes into effect will lose their status as shareholders.

Q8 Is it possible to request the additional purchase or repurchase of shares constituting less than one share unit after the Share Consolidation?

A8 Shareholders holding shares constituting less than one share unit that cannot be traded on the market can opt to utilize the procedures for “Additional Purchase of Fractional Unit Shares” or “Repurchase of Fractional Unit Shares,” before the Share Consolidation comes into effect. The shareholders opting to do so are recommended to contact their securities company or the Bank’s shareholder registry administrator specified at the end hereof, for specific procedures.

Q9 What is the specific schedule going forward?

A9 A summary of the schedule (planned) is as follows:

June 27, 2017	Annual Shareholders’ Meeting
September 15, 2017	Public Notice (<i>koukoku</i>) of Share Consolidation
September 26, 2017	Last Day of Trading using the Current Number of Shares Constituting One Unit (1,000 Shares)
September 27, 2017	First Day of Trading using the Changed Shares Constituting One Unit (100 Shares)
October 1, 2017	Effective Date of Share Unit Number Change
	Effective Date of Share Consolidation
	Effective Date of Amendment of Articles of Incorporation

[Contact information for Inquiries]

If you have any inquiries regarding the Share Consolidation and the Share Unit Number Change, please contact the following shareholder registry administrator.

The Bank’s shareholder registry administrator:
Sumitomo Mitsui Trust Bank, Limited
4-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8233, Japan

Mails and Inquiries:
Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Limited
8-4 Izumi 2-chome, Suginami-ku, Tokyo 168-0063
Tel: 0120-782-031 (toll free)
Office hours: 9:00 a.m.-5:00 p.m. (excluding Saturdays, Sundays, and National holidays)