



Summary of the 3rd Quarter Financial Statements for the First Nine Months of FY2017 [JGAAP] (Consolidated)

January 31, 2018
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	Feb. 13, 2018	Dividend payable date	Mar. 15, 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 nine 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	%
Nine months ended Dec. 31, 2017	112,395	14.8	46,180	8.8	33,534	(5.7)
Dec. 31, 2016	97,909	7.8	42,432	(1.6)	35,569	1.3

(Note) Comprehensive income JPY 43,136 million (134.9%) (Nine months ended Dec. 31, 2017)

JPY 18,361 million (57.5%) (Nine months ended Dec. 31, 2016)

	Net income per common share (basic)	Net income per common share (diluted)
	Yen	Yen
Nine months ended Dec. 31, 2017	287.47	287.26
Dec. 31, 2016	304.95	304.76

(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	Net assets per common share
	Million Yen	Million Yen	%	Yen
Dec. 31, 2017	4,916,887	447,594	9.1	3,822.18
Mar. 31, 2017	4,586,007	420,345	9.1	3,586.16

(Ref.) Total net assets (less Subscription rights to shares and Non-controlling interests) JPY 445,890 million (Dec. 31, 2017)

JPY 418,289 million (Mar. 31, 2017)

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

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

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	4.00	50.00		
FY2017(common share) (Forecast)				54.00	-

(Note) Revision of dividends forecast to the latest announcement Affirmative

(Note) 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 December 31, 2017.

(Note) On October 1, 2017, Aozora consolidated every ten common shares into one common share. The above dividend payments for the 1st quarter and the 2nd quarter of FY2017 are actual amounts before the share consolidation, and those for the 3rd quarter and year-end are actual or forecast amounts after the share consolidation. As total dividends cannot be calculated by simply adding together dividend payments for each quarter, the annual dividend forecast 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) Because the dividend forecast for year-end of FY2017 has become a fixed amount, revision of dividends forecast to the latest announcement is shown as "Affirmative." If not for the share consolidation, the common share dividend forecast for FY2017 would be 18.40 yen per common share, which remains unchanged from the last forecast (taking into consideration the share consolidation, the common share dividend forecast for FY2017 is 184 yen per common share).

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)	368.59

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

(Note) Aozora consolidated every ten common shares into one common share on October 1, 2017. "Net income per common share" of consolidated earnings forecast for the year ending March 31, 2018 is based on the consolidated shares.

* Notes

- (1) Changes in material subsidiaries during the first nine months (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

	Dec. 31, 2017	Mar. 31, 2017
(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	1,649,530

	Nine months ended Dec. 31, 2017	Nine months ended Dec. 31, 2016
(c) The average number of common shares outstanding (9 months)	116,652,735	116,639,707

(Note) Aozora consolidated every ten common shares into one common share on October 1, 2017. "The number of common shares issued", "The number of treasury shares" and "The average number of common shares outstanding" are 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.

※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
FY2016 (common share)	40.00	40.00	50.00	57.00	187.00
FY2017 (common share)	40.00	40.00	50.00		
FY2017 (common share) (Forecast)				54.00	184.00

[Attachment]

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1. Qualitative information

(1) Operating results

In the first nine months of FY2017 (Apr.-Dec.), net revenue was 69.4 billion yen, a decrease of 1.0 billion yen, or 1.4% year on year, and consolidated business profit was 35.4 billion yen, a decrease of 1.8 billion yen, or 5.0% year on year representing progress of 75.4% and 76.9%, respectively, towards the full-year forecasts. Profit attributable to owners of parent was 33.5 billion yen, a decrease of 2.0 billion yen, or 5.7% from the prior year and representing progress of 77.9% towards the full-year forecast of 43.0 billion yen.

Net interest income was 37.8 billion yen, an increase of 3.7 billion yen, or 10.8% year on year, due to an increase in the yield on loans and securities, reflecting the Bank's continued disciplined approach to balance sheet management, as well as an increase in average earning assets.

Non-interest income was 31.6 billion yen, a decrease of 4.6 billion yen, or 12.9% year on year. Net fees and commissions were 8.5 billion yen, an increase of 1.8 billion yen, or 26.2% year on year, mainly due to increases in fee income from loans as well as the sale of investment trusts and insurance to our mass affluent retail customers. Net trading revenues were 12.8 billion yen, a decrease of 3.0 billion yen, or 19.0% year on year. Gains/losses on bond transactions were a gain of 1.7 billion yen, a decrease of 3.7 billion yen, or 69.3% year on year. Net other ordinary income, excluding gains/losses on bond transactions, was 8.6 billion yen, an increase of 0.3 billion yen, or 3.7%, due to gains from limited partnerships.

General and administrative expenses were 34.0 billion yen, a year-on-year increase of 0.8 billion yen, or 2.5%, representing 73.9% of the full-year budget of 46.0 billion yen. The increase was mainly due to incremental staff for the Bank's Internet banking project as well as for other business areas of focus.

Consolidated business profit was 35.4 billion yen, a decrease of 1.8 billion yen, or 5.0% year on year.

Credit-related expenses were a net reversal of 3.9 billion yen, mainly due to the reversal of specific loan loss reserves resulting from the collection of non-performing claims in the first quarter (Apr.-Jun.). Gains/losses on stock transactions were a gain of 7.4 billion yen resulting from gains on the sale of prior years' overseas investments in the third quarter (Oct.-Dec.).

Ordinary profit and profit before income taxes were both 46.2 billion yen, an increase of 3.7 billion yen, or 8.8% year on year.

Taxes (corporation tax, resident tax, business tax and deferred income taxes) were a net expense of 13.0 billion yen.

As a result of the above factors, profit attributable to owners of parent was 33.5 billion yen, a decrease of 2.0 billion yen, or 5.7% year on year, representing progress of 77.9% towards the full-year forecast of 43.0 billion yen. Net income per common share (basic) was 287.47 yen, as compared to 304.95 yen per common share (basic) for the first nine months of FY2016.

(2) Financial condition

Total assets were 4,916.9 billion yen as of December 31, 2017, an increase of 330.9 billion yen, or 7.2%, compared to March 31, 2017. Loans were 2,626.5 billion yen, an increase of 104.6 billion yen, or 4.1%, from March 31, 2017. Domestic loans decreased by 8.8 billion yen, while overseas loans increased by 113.3 billion yen. Securities increased by 234.7 billion yen, or 25.0%, from March 31, 2017, to 1,172.6 billion yen.

Total liabilities were 4,469.3 billion yen, an increase of 303.6 billion yen, or 7.3%, compared to March 31, 2017. Total core funding (deposits, negotiable certificates of deposit, debentures and bonds) increased by 106.5 billion yen, or 3.4%, from March 31, 2017, to 3,205.9 billion yen.

Total net assets were 447.6 billion yen, representing an increase of 27.2 billion yen, or 6.5%, from March 31, 2017. Net assets per common share were 3,822.18 yen, as compared to 3,586.16 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, consolidated 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 1) Figures stated in 0.1 billion yen units are rounded to the nearest 0.1 billion yen.

(Note 2) Aozora consolidated every ten common shares into one common share on October 1, 2017. Per share information 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)

	FY2016 9 months Apr.-Dec.	FY2017 9 months Apr.-Dec.	Change
Net revenue ※1	704	694	(10)
Net interest income	341	378	37
Net fees and commissions	68	85	18
Net trading income	158	128	(30)
Gains/losses on bond transactions	54	17	(37)
Net other ordinary income excluding gains/losses on bond transactions	83	86	3
General and administrative expenses	(332)	(340)	(8)
Business profit ※2	372	354	(18)
Credit-related expenses	44	39	(5)
Gains/losses on stock transactions	4	74	70
Other	4	(5)	(9)
Ordinary profit	424	462	37
Extraordinary profit/loss	(0)	(0)	(0)
Profit before income taxes	424	462	37
Total income taxes	(69)	(130)	(61)
Profit	355	332	(24)
Loss attributable to non-controlling interests	1	4	3
Profit attributable to owners of parent	356	335	(20)

※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 Dec. 31, 2017
Assets		
Cash and due from banks	573,048	553,173
Call loans and bills bought	8,637	—
Monetary claims bought	46,193	40,712
Trading assets	210,700	167,474
Money held in trust	31,269	39,396
Securities	937,949	1,172,623
Loans and bills discounted	2,521,874	2,626,451
Foreign exchanges	32,617	42,562
Other assets	187,143	235,232
Tangible fixed assets	23,257	24,824
Intangible fixed assets	13,601	16,023
Deferred debenture discounts	61	42
Net defined benefit asset	1,508	1,865
Deferred tax assets	20,769	16,081
Customers' liabilities for acceptances and guarantees	28,723	28,025
Allowance for loan losses	(50,627)	(47,257)
Allowance for investment loss	(721)	(344)
Total assets	4,586,007	4,916,887
Liabilities		
Deposits	2,718,589	2,848,087
Negotiable certificates of deposit	134,513	107,739
Debentures	120,660	77,210
Call money and bills sold	93,747	105,856
Payables under repurchase agreements	—	5,412
Payables under securities lending transactions	306,327	440,501
Trading liabilities	197,711	144,154
Borrowed money	276,624	303,061
Bonds payable	125,609	172,881
Other liabilities	148,733	222,381
Provision for bonuses	3,166	1,883
Provision for directors' bonuses	95	59
Net defined benefit liability	9,231	9,400
Provision for directors' retirement benefits	1	1
Provision for credit losses on off-balance-sheet instruments	1,553	2,225
Provision for contingent loss	360	391
Reserves under special laws	8	8
Deferred tax liabilities	4	10
Acceptances and guarantees	28,723	28,025
Total liabilities	4,165,661	4,469,293
Net assets		
Capital stock	100,000	100,000
Capital surplus	87,315	87,345
Retained earnings	221,940	239,493
Treasury shares	(3,387)	(3,351)
Total shareholders' equity	405,867	423,487
Valuation difference on available-for-sale securities	23,757	51,814
Deferred gains or losses on hedges	(11,052)	(28,931)
Foreign currency translation adjustment	(84)	44
Remeasurements of defined benefit plans	(199)	(524)
Total accumulated other comprehensive income	12,421	22,402
Subscription rights to shares	296	331
Non-controlling interests	1,759	1,372
Total net assets	420,345	447,594
Total liabilities and net assets	4,586,007	4,916,887

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income
 (Quarterly consolidated statement of income)
 (For the nine months ended Dec. 31)

(In millions of yen)

	For the nine months ended Dec. 31, 2016	For the nine months ended Dec. 31, 2017
Ordinary income	97,909	112,395
Interest income	49,446	59,554
Interest on loans and discounts	31,614	35,282
Interest and dividends on securities	17,102	22,813
Fees and commissions	7,663	9,575
Trading income	15,808	12,799
Other ordinary income	18,290	16,645
Other income	6,701	13,820
Ordinary expenses	55,476	66,215
Interest expenses	15,342	21,779
Interest on deposits	4,788	4,456
Fees and commissions payments	908	1,050
Other ordinary expenses	4,556	6,350
General and administrative expenses	32,703	33,583
Other expenses	1,965	3,451
Ordinary profit	42,432	46,180
Extraordinary losses	1	21
Loss on disposal of non-current assets	1	21
Transfer to reserve for financial products transaction liabilities	0	—
Profit before income taxes	42,431	46,158
Income taxes - current	8,586	12,023
Income taxes - deferred	(1,667)	979
Total income taxes	6,919	13,002
Profit	35,511	33,156
Loss attributable to non-controlling interests	(57)	(378)
Profit attributable to owners of parent	35,569	33,534

(Quarterly consolidated statement of comprehensive income)
 (For the nine months ended Dec. 31)

(In millions of yen)

	For the nine months ended Dec. 31, 2016	For the nine months ended Dec. 31, 2017
Profit	35,511	33,156
Other comprehensive income	(17,150)	9,980
Valuation difference on available-for-sale securities	(5,601)	28,055
Deferred gains or losses on hedges	(11,760)	(17,879)
Foreign currency translation adjustment	568	129
Remeasurements of defined benefit plans, net of tax	(357)	(325)
Comprehensive income	18,361	43,136
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	18,419	43,515
Comprehensive income attributable to non-controlling interests	(58)	(378)

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

None

(Changes in shareholders' equity)

None