FY2023
Financial Results
Overview

May 13, 2024

AOZORA BANK

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Financial Highlights

Net revenue	Business-related profit*1	Business-related profit from customer-related business*2	Profit attributable to owners of parent
50.9 billion yen 8.6 billion yen decrease year-on-year	**-6.9 billion yen** 18.0 billion yen decrease year-on-year	**42.8 billion yen** 8.9 billion yen increase year-on-year	**-49.9 billion yen** 58.6 billion yen decrease year-on-year

*1 Business profit + Gains/losses on stock transactions *2 excl. financial market-related and retail businesses

Key points

- Business-related profit from customer-related business (excl. financial market-related and retail businesses) was 42.8 billion yen, an increase of 8.9 billion yen from the previous year, mainly driven by Aozora's Strategic Investments Business
- As for U.S. non-recourse office loans, additional provisions were made to loan loss reserves in 3Q after a review of property valuations from a forward-looking perspective. No loans were downgraded to NPLs ("In Danger of Bankruptcy borrowers") during 4Q, and collection of loans through workouts is steadily progressing
- We proceeded with the timely disposal of securities as planned, resulting in a 189.4 billion yen decrease in securities compared to December 31, 2023 and a loss on sale of 25.0 billion yen in 4Q. Unrealized losses on the securities portfolio after hedging decreased by 30.4 billion yen to 51.1 billion yen compared to December 31, 2023, somewhat less than our estimate as of February 1, 2024
- Profit attributable to owners of parent was a net loss of 49.9 billion yen, resulting from a reversal of deferred tax assets in addition to our initiatives to address the above balance sheet issues
- The consolidated capital adequacy ratio (domestic standard) was 9.23% (preliminary basis). The CET1 (Common Equity Tier 1) ratio was approximately 7.1%

Full-year dividend per common share: 76 yen (4Q dividend: No dividend)

(Note) "1Q" refers to the period from April to June, "2Q" refers to the period from July to September, "1H" refers to the period from April to September, "3Q" refers to the period from October to December, and "4Q" refers to the period from January to March.

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FY2024 earnings and dividend forecasts

Earnings forecast

(billion yen)

		FY2022 results	FY2023 results	FY2024 forecast
Consolidated	Net revenue	59.5	50.9	84.0
	Business profit*	2.5	-8.5	24.0
	Ordinary profit	7.3	-54.8	24.0
	Profit attributable to owners of parent	8.7	-49.9	18.0
Non-consolidated	Net revenue	44.3	30.8	67.0
	Business profit (before general loan-loss reserves)	-1.6	-15.8	21.0
	Ordinary profit	3.1	-60.9	21.0
	Net income	-8.1	-50.7	15.0

* Including gains/losses on equity method investments

Dividend forecast

	FY2022 results	FY2023 results	FY2024 forecast
Full-year dividend per common share	154 yen	76 yen	76 yen*

* Maintaining dividend payments on a quarterly basis

(Note) The impact of the Capital and Business Alliance and the Third Party Allotment on the business performance for FY2024 has not been incorporated into the earnings forecast for FY2024

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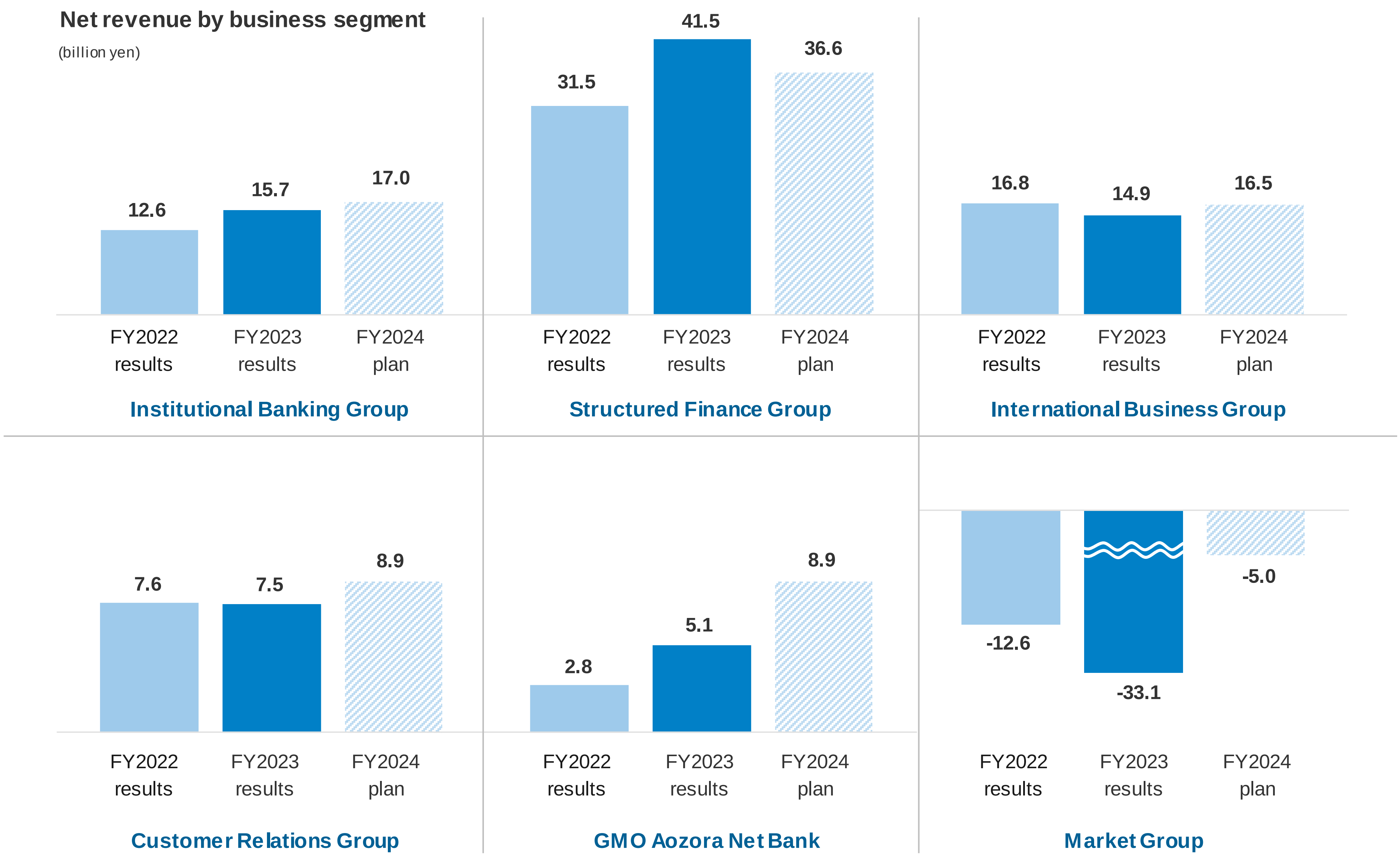
Earnings results and forecasts by business segment



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PL summary

(billion yen)	FY2022 Full year A	FY2023 1Q	2Q	3Q	4Q	Full year B	Change B - A
Net revenue	**59.5**	**17.7**	**26.8**	**16.0**	**-9.7**	**50.9**	**-8.6**
Net interest income	51.0	12.0	13.1	8.8	8.0	42.0	-9.0
Non-interest income	8.4	5.7	13.6	7.2	-17.8	8.8	+0.3
General & administrative expenses	-59.3	-15.0	-15.3	-15.2	-16.1	-61.8	-2.4
Gains/losses on equity method investments	2.3	0.5	0.9	0.8	0.0	2.3	-0.0
Business profit (A)	**2.5**	**3.1**	**12.4**	**1.6**	**-25.8**	**-8.5**	**-11.1**
Credit-related expenses	-1.7	-0.9	-9.0	-32.9	-3.9	-46.9	-45.2
Gains/losses on stock transactions (B)	8.4	5.7	3.6	-7.8	0.0	1.6	-6.8
Ordinary profit	**7.3**	**7.3**	**6.9**	**-39.2**	**-29.9**	**-54.8**	**-62.1**
Taxes	-0.6	-1.1	-2.2	12.2	-7.3	1.4	+2.1
Gains/losses attributable to non-controlling interests	2.0	0.5	0.5	0.2	0.4	1.8	-0.2
Profit attributable to owners of parent	**8.7**	**6.7**	**5.2**	**-26.7**	**-35.1**	**-49.9**	**-58.6**

ROE	**1.9%**	**-**	**-**	**-**	**-**	**-**	**-**

Business-related profit (A)+(B)*	**11.0**	**8.9**	**16.1**	**-6.2**	**-25.7**	**-6.9**	**-18.0**
Customer-related business (excl. financial market-related and retail businesses)	33.8	12.7	16.7	6.8	6.4	42.8	+8.9
Retail business	-5.2	-1.2	-1.1	-0.7	-1.0	-4.1	+1.0
Financial market-related business	-17.5	-2.6	0.4	-12.3	-31.1	-45.6	-28.0

* Business profit + Gains/losses on stock transactions
Management accounting basis

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Results by business segment

- Aozora's customer-related business (excluding financial market-related and retail businesses) was relatively strong
  - The Structured Finance Group's business-related profit increased by 8.9 billion yen year-on-year mainly due to loan-related fee income from increased business activity in the LBO financing in the Acquisition & Structured Finance Group and gains on the sale of REITs and equity investments in the Real Estate Finance Group
  - In the Institutional Banking Group, business-related profit increased by 3.5 billion yen year-on-year due to the absence of provisions to loan loss reserves made for some transactions in the previous fiscal year as well as stable earnings from the sale of derivatives
  - The International Business Group continued risk/return-oriented selective portfolio management. Business-related profit for FY2023 decreased by 4.5 billion yen year-on-year mainly due to the Bank's evaluations of Asian funds as well as a decline in gains on the sale of overseas equities
- The Market Group worked on the restructuring of the securities portfolio by disposing of securities as planned with the aim to secure added flexibility in the portfolio management and improve profitability in FY2024 and beyond

Business-related profit by business segment

(billion yen)	FY2022 Full year **A**	FY2023					Change **B - A**
		1Q	2Q	3Q	4Q	Full year **B**	
Institutional Banking Group	3.0	1.8	1.7	1.5	1.3	6.5	+3.5
Structured Finance Group	18.9	6.2	10.4	3.9	7.1	27.8	+8.9
International Business Group	15.7	4.3	2.6	3.8	0.2	11.2	-4.5
Market Group	-17.5	-2.6	0.4	-12.3	-31.1	-45.6	-28.0
Customer Relations Group	-2.4	-1.0	-0.7	-0.4	-0.7	-2.9	-0.5
Allied Banking Group	2.7	0.1	0.3	0.3	0.3	1.1	-1.5
Retail Banking Group	-5.2	-1.2	-1.1	-0.7	-1.0	-4.1	+1.0
Total (incl. other)	**11.0**	**8.9**	**16.1**	**-6.2**	**-25.7**	**-6.9**	**-18.0**

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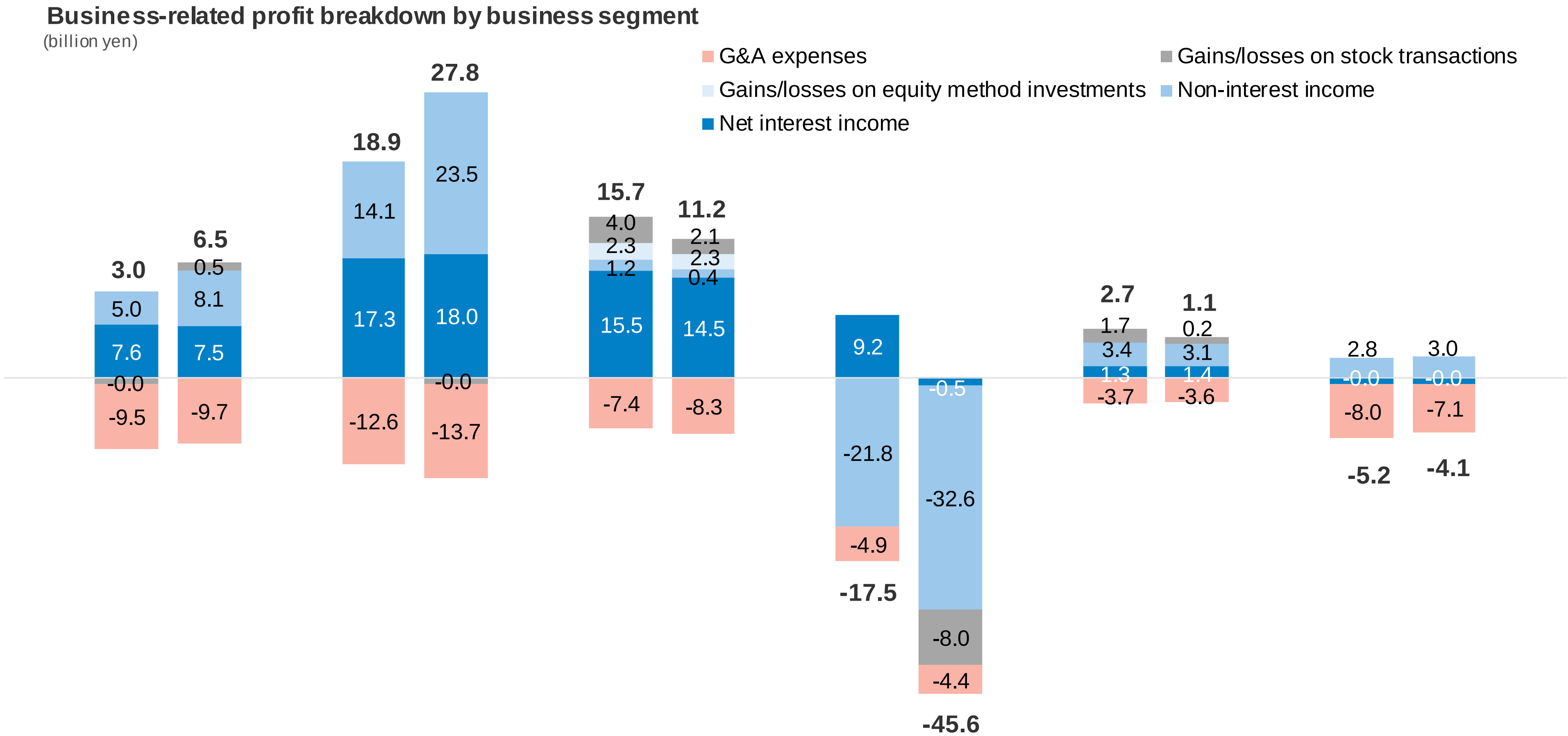
Results by business segment



FY2022 FY2023	FY2022 FY2023	FY2022 FY2023	FY2022 FY2023	FY2022 FY2023	FY2022 FY2023
Institutional Banking Group	**Structured Finance Group**	**International Business Group**	**Market Group**	**Customer Relations Group**	
• Corporate Business Group • M&A Advisory Group	• Acquisition & Structured Finance Group • Environment Business Group • Special Situations Group • Real Estate Finance Group	• International Business Group	• Financial Markets Group	• Allied Banking Group	• Retail Banking Group

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Aozora's Strategic Investments Business — Equity investments (customer-related business) —

- Capital gains and other equity returns from equity investments were strong at 12.6 billion yen, an increase of 2.8 billion yen year-on-year
- Overall equity investments slightly increased from March 31, 2023 as a result of continued investments in new equities based on selective risk evaluations while exiting from the prior real estate-related investments on a timely basis
  - With regard to real estate-related equities, we recognized gains on the sale of domestic full-equity investments and domestic/overseas unlisted REITs as a result of risk control measures taken for real estate exposures. Overall exposures decreased significantly from March 31, 2023
  - As for investments in business recovery claims, the purchase of domestic recovery claims progressed. Capital gains and other equity returns decreased year-on-year due to a smaller number of exit transactions from overseas funds than the previous year's level
  - Capital gains from buyout funds remained strong due to active domestic transactions. For overseas buyout funds, the Bank's evaluations of Asian funds resulted in a net loss
  - Equity investments in venture funds increased, mainly driven by venture debt funds for start-ups managed by Aozora Corporate Investment

Capital gains and other equity returns*1

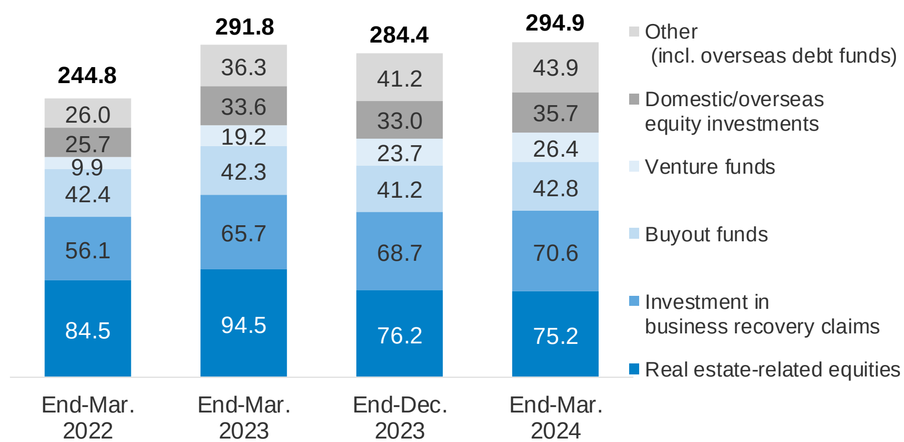
(billion yen)	FY2022 Full year A	FY2023 1Q	2Q	3Q	4Q	Full year B	Change B - A
Real estate-related equities	3.6	2.5	2.7	0.0	1.7	7.1	+3.5
Investment in business recovery claims	3.0	0.3	0.2	0.3	-0.4	0.4	-2.6
Buyout funds	-0.8	-0.4	1.7	0.8	-0.3	1.9	+2.7
Venture funds	-0.1	-0.2	-0.3	-0.1	-0.3	-1.1	-0.9
Domestic/overseas equity investments	6.3	2.6	0.2	0.1	0.5	3.6	-2.7
Other (incl. overseas debt funds)	-2.3	0.1	0.1	0.2	0.1	0.6	+2.9
Total	**9.7**	**4.9**	**4.7**	**1.5**	**1.3**	**12.6**	**+2.8**

*1 Management accounting basis, including gains/losses on stock transactions, gains/losses from limited partnerships, and interest and dividends on securities

*2 Management accounting basis, customer business-related equity investments on a mark-to-market basis

Equity investments*2

(billion yen)



<Reference> Gains/losses on stock transactions*3

(billion yen)	FY2022 Full year A	FY2023 1Q	2Q	3Q	4Q	Full year B	Change B - A
Gains/losses on stock transactions	**8.4**	**5.7**	**3.6**	**-7.8**	**0.0**	**1.6**	**-6.8**

Includes a net loss of 8.0 billion yen due to the sale of foreign currency ETFs in the financial market-related business

*3 Includes gains/losses on equities held solely for investment purposes

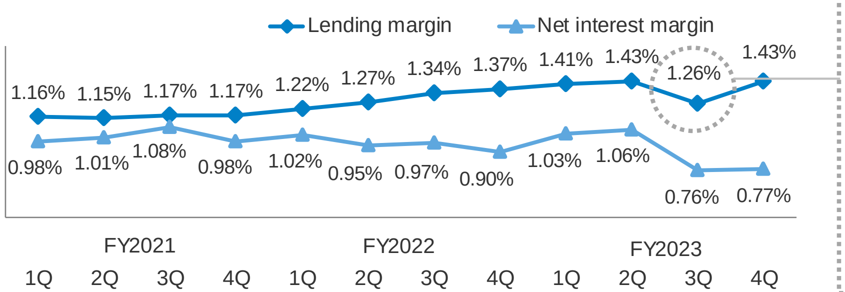
Net interest income

- Net interest income was 42.0 billion yen, a decrease of 9.0 billion yen compared to the previous year
  - Net interest income on loans increased by approximately 7.0 billion yen year-on-year due to increases in both average loan outstandings and the lending margin
  - Net interest income on securities decreased by approximately 8.0 billion yen due to a narrower securities margin resulting from higher U.S. interest rates
  - Net interest income on other assets, including liquidity reserves, decreased by approximately 8.0 billion yen mainly due to higher overseas interest rates
- The net interest margin remained almost flat year-on-year (slight decrease of 4 bps)
  - The net interest margin declined in 3Q and 4Q mainly due to the absence of gains on the cancellation of investment trusts
  - The lending margin remained strong, with the exception in 3Q

(billion yen)	FY2022 Full year A	FY2023 1Q	FY2023 2Q	FY2023 3Q	FY2023 4Q	FY2023 Full year B	Change B - A
Net interest income	**51.0**	**12.0**	**13.1**	**8.8**	**8.0**	**42.0**	**-9.0**
Interest income	**113.5**	**40.6**	**44.2**	**42.1**	**39.4**	**166.4**	**+52.8**
Interest on loans and discounts	87.0	31.1	33.6	33.3	33.1	131.3	+44.3
Interest and dividends on securities	23.3	7.7	8.5	6.7	4.0	26.9	+3.5
Incl. gains on cancellation of investment trusts	1.3	2.0	2.1	-	-1.6	2.5	+1.2
Other	3.1	1.7	2.0	2.0	2.2	8.1	+4.9
Interest expenses	**-62.4**	**-28.6**	**-31.1**	**-33.3**	**-31.3**	**-124.3**	**-61.8**
Incl. interest on deposits and NCDs	-11.2	-3.4	-3.5	-3.8	-3.4	-14.3	-3.1
Incl. repurchase interest, etc.	-9.2	-3.8	-5.1	-4.9	-4.5	-18.4	-9.1
Incl. interest on swaps	-39.1	-19.9	-20.9	-22.5	-21.2	-84.6	-45.4

(billion yen)	FY2022 Full year A	FY2023 1Q	FY2023 2Q	FY2023 3Q	FY2023 4Q	FY2023 Full year B	Change B - A
Average balance of interest-earning assets	5,824.8	5,872.6	6,083.4	6,243.3	6,145.5	6,086.4	+261.6
Yield on interest-earning assets	1.94%	2.77%	2.88%	2.67%	2.60 %	2.73%	+0.79%
Average balance of loans	3,771.5	3,964.1	4,105.4	4,164.6	4,118.7	4,088.4	+316.9
Yield on loans	2.30%	3.15%	3.25%	3.17%	3.26 %	3.21%	+0.91%
Average balance of securities	1,432.8	1,373.2	1,453.2	1,507.5	1,430.2	1,441.3	+8.4
Yield on securities	1.63%	2.25%	2.33%	1.76%	1.13 %	1.87%	+0.24%
Average balance of interest-bearing liabilities	6,289.6	6,584.4	6,778.2	6,909.9	6,936.3	6,802.1	+512.4
Yield on interest-bearing liabilities	0.99%	1.74%	1.82%	1.91%	1.83 %	1.82%	+0.83%
Net interest margin	0.95%	1.03%	1.06%	0.76%	0.77 %	0.91%	-0.04%
Lending margin	1.31%	1.41%	1.43%	1.26%	1.43 %	1.39%	+0.08%
Securities margin	0.64%	0.51%	0.51%	-0.15%	-0.70%	0.05%	-0.59%

Net interest margin and lending margin



<Lending margin in 3Q>

- The lending margin declined approx. 5 bps in the quarter due to a decrease in interest on U.S. non-recourse office loans that were downgraded to NPL status ("In Danger of Bankruptcy borrowers")
- Interest expenses related to forex swap transactions, which were executed in order to enhance liquidity reserves, increased due to the application of hedge accounting, resulting in a 9 bps increase in funding costs for the quarter. (On an accounting basis, approx. 1.5 billion yen was reclassified as interest expense from gains/losses on forex transactions)
- The 17 bps Q-on-Q decline in the lending margin was mainly due to the above factors

(Note) See pages 17–18 for loan spreads on an internally managed basis for domestic and overseas loans

Non-interest income

- Non-interest income was 8.8 billion yen, an increase of 0.3 billion yen compared to the previous year (an increase of 7.8 billion yen, except for gains/losses on bond transactions)
- Net fees and commissions were 20.4 billion yen, an increase of 7.0 billion yen year-on-year
  - Loan-related fee income mainly from increased business activity in the LBO financing was strong
  - Investment trust fee income grew steadily, driven by an increase in the selling of publicly offered funds originated by Aozora Investment Management through regional financial institutions
  - GANB fee income achieved 170% of the previous year's level due to strong fee income growth from transfer transactions
  - M&A fee income reached a record high in terms of full-year results mainly due to the closing of large-sized transactions
- Gains/losses on bond transactions were a net loss of 18.6 billion yen mainly due to the sale of foreign currency ETFs and MBS as a means to restructure the securities portfolio
- Gains/losses from limited partnerships were a net gain of 10.1 billion yen, an increase of 5.4 billion yen year-on-year, mainly as a result of strong performance in real estate-related and buyout fund investments (see page 7 for details)

(billion yen)	FY2022 Full year A	FY2023 1Q	2Q	3Q	4Q	Full year B	Change B - A
Non-interest income	**8.4**	**5.7**	**13.6**	**7.2**	**-17.8**	**8.8**	**+0.3**
Net fees and commissions	**13.3**	**4.0**	**6.2**	**4.4**	**5.6**	**20.4**	**+7.0**
Loan-related fee income	5.9	1.5	3.5	1.1	1.7	8.0	+2.1
Investment trust fee income	2.4	0.7	0.8	0.8	0.9	3.4	+1.0
GANB fee income	2.7	0.8	0.8	1.5	1.3	4.6	+1.9
M&A fee income	1.1	0.6	0.2	0.4	0.4	1.7	+0.6
Other	1.1	0.2	0.7	0.4	1.1	2.4	+1.3
Net trading revenues	**4.1**	**-1.7**	**1.8**	**0.6**	**0.8**	**1.6**	**-2.5**

<Reference>

Earnings from investment product sales to retail customers*	**2.9**	**0.5**	**0.6**	**0.7**	**0.6**	**2.5**	**-0.3**
Incl. investment trusts	1.3	0.4	0.5	0.4	0.5	1.9	+0.5
Incl. structured bonds	1.4	0.0	0.0	0.0	0.0	0.2	-1.2

* Earnings from the sale of investment trusts are included in net fees and commissions. Earnings from the sale of structured bonds are included in net trading revenues.

(billion yen)	FY2022 Full year A	FY2023 1Q	2Q	3Q	4Q	Full year B	Change B - A
Net other ordinary income	**-9.0**	**3.3**	**5.5**	**2.1**	**-24.3**	**-13.2**	**-4.1**
Incl. gains/losses on bond transactions (A)	-11.1	2.7	3.6	-1.3	-23.7	-18.6	-7.4
Japanese government bonds (JGBs)	-0.6	-	-	-	-0.0	-0.0	+0.6
Municipal bonds	-3.4	-0.0	-0.0	-0.0	-0.0	-0.0	+3.4
Foreign government bonds and MBS	-5.0	-0.9	-	-	-10.9	-11.8	-6.8
Other	-2.0	3.6	3.6	-1.3	-12.7	-6.7	-4.6
Incl. private placement investment trusts	3.1	1.2	2.1	-1.1	-4.4	-2.2	-5.3
Incl. REITs	0.3	2.4	1.5	-0.1	-	3.8	+3.4
Incl. foreign currency ETFs	-5.2	-	-	-	-8.3	-8.3	-3.1
Incl. gains/losses from limited partnerships	4.6	1.1	4.2	2.7	2.0	10.1	+5.4
Incl. gains/losses on financial derivatives (B)	1.9	-0.1	0.0	0.6	-0.2	0.3	-1.6
(A)+(B)	-9.2	2.6	3.6	-0.6	-23.9	-18.2	-9.0

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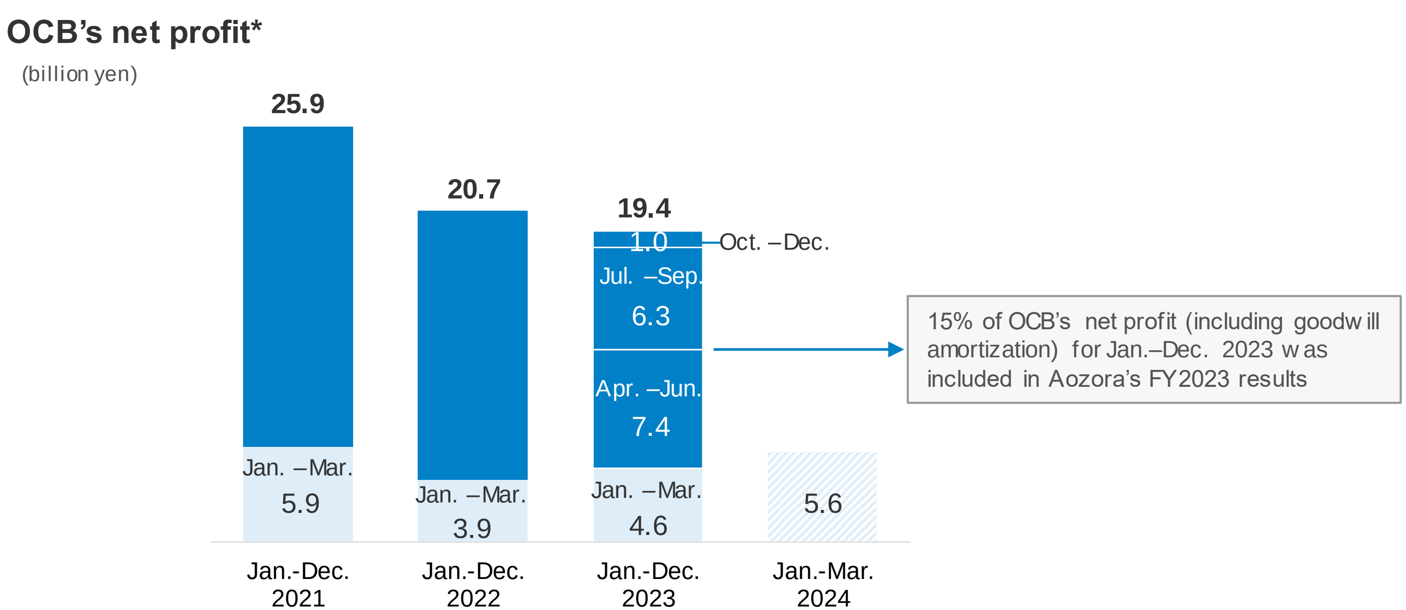
Gains/losses on equity method investments

- Gains/losses on equity method investments were a net gain of 2.3 billion yen
  - Orient Commercial Joint Stock Bank's (OCB) net profit in fiscal 2023 (January–December) slightly decreased from the previous year. Due to the recording of credit-related expenses for the October–December 2023 period, OCB's net profit decreased. As a result, Aozora recognized no gains on equity method investments in 4Q

(billion yen)	FY2022 Full year A	FY2023 1Q	2Q	3Q	4Q	Full year B	Change B - A
Gains/losses on equity method investments	2.3	**0.5**	**0.9**	**0.8**	**0.0**	**2.3**	**-0.0**



*Uses an exchange rate of 0.0059 yen per 1 Vietnamese dong

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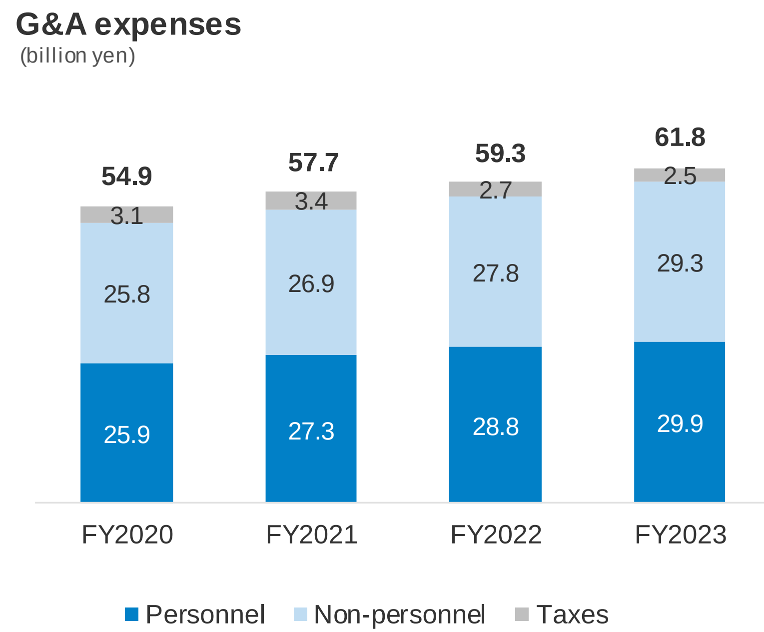
G&A expenses

- G&A expenses were 61.8 billion yen in FY2023, which was within the range of the original budget (63.0 billion yen) as the Bank maintained its focus on cost control
  - Personnel expenses increased by 1.1 billion yen as a result of continued investments in human capital. The Bank expanded total payments for pay-scale increases, pay raises and promotions by 5.5% in FY2023, and implemented a 3.5% pay-scale increase for FY2024 in April

(billion yen)	FY2022 Full year A	FY2023 1Q	2Q	3Q	4Q	Full year B	Change B - A
G&A expenses	**59.3**	**15.0**	**15.3**	**15.2**	**16.1**	**61.8**	**+2.4**
Personnel	28.8	7.2	7.6	7.5	7.4	29.9	+1.1
Non-personnel	27.8	7.0	7.0	7.1	8.0	29.3	+1.5
Incl. IT-related	11.9	3.0	3.1	3.1	3.4	12.7	+0.7
Taxes	2.7	0.7	0.5	0.5	0.6	2.5	-0.1
(million yen)							
Business-related profit per employee	**4.1**	**-**	**-**	**-**	**-**	**-2.5**	**-6.7**



Credit-related expenses

- Credit-related expenses were a net expense of 46.9 billion yen in FY2023, which included a net expense of 3.9 billion yen in 4Q mainly due to the impact of a weaker yen
  - With regard to U.S. non-recourse office loans, no loans were downgraded to NPLs ("In Danger of Bankruptcy borrowers") during 4Q and no additional provisions were made to specific loan loss reserves on a foreign currency basis
  - Of the net expense of 3.9 billion yen in 4Q, 3.3 billion yen was impacted by further weakening of the yen
  - Following steady progress on workouts for the U.S. non-recourse office loan portfolio, we fully resolved two workout loans in April 2024, one of which resulted in a reversal of reserves of 0.7 billion yen in 4Q
  - As for general loan loss reserves, Aozora independently categorized its overseas real estate non-recourse loans in 4Q to ensure an adequate level of provisions reflecting the portfolio quality. As a result, the amount of reserve increased for overseas real estate non-recourse loans, including U.S. offices, and decreased for domestic loans
  - Of the credit-related expenses of 46.9 billion yen in FY2023, U.S. non-recourse office loans accounted for a net expense of 44.6 billion yen (including 41.7 billion yen for NPLs classified as "In Danger of Bankruptcy borrowers")

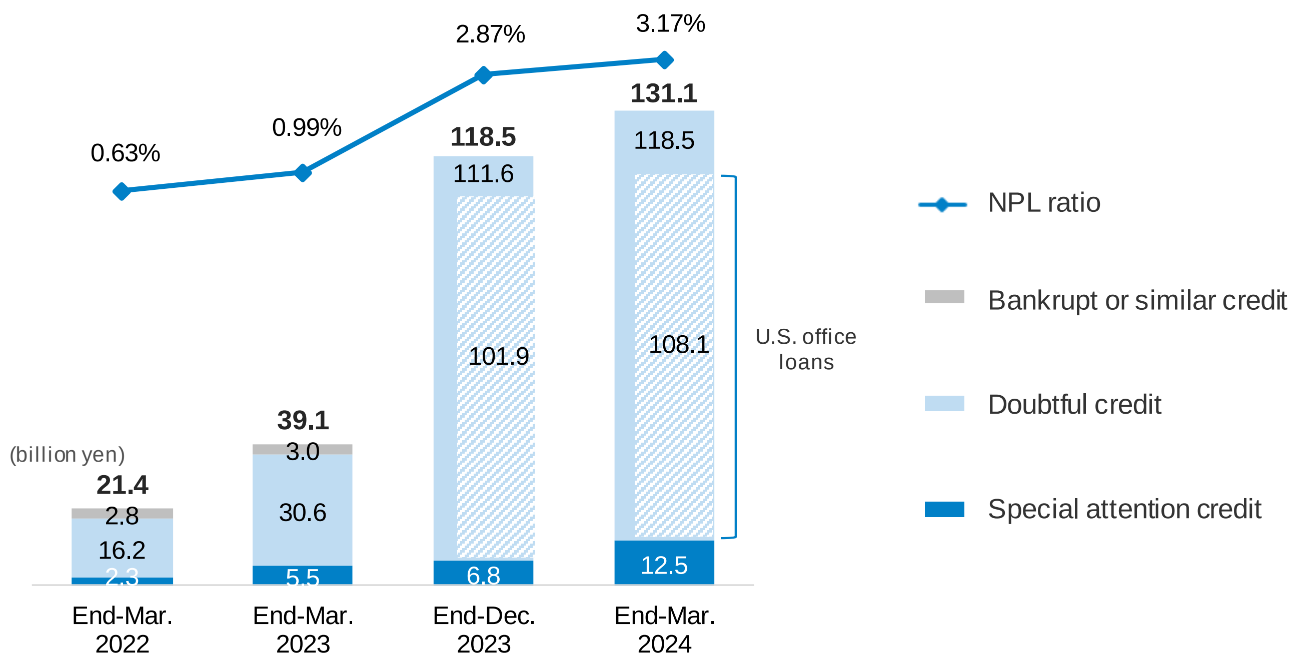
	FY2022	FY2023				
(billion yen)	Full year	1Q	2Q	3Q	4Q	Full year
Credit-related expenses	**-1.7**	**-0.9**	**-9.0**	**-32.9**	**-3.9**	**-46.9**
Loan loss reserves	-1.1	-0.6	-9.1	-31.4	-3.3	-44.5
Specific loan loss reserves	-5.9	-0.3	-7.2	-31.5	-1.6	-40.8
General loan loss reserves	4.8	-0.2	-1.9	0.1	-1.7	-3.7
Reserve for credit losses on off-balance-sheet instruments	-0.0	-0.0	-0.0	-1.5	0.1	-1.4
Write-off of loans	-0.1	-0.0	-0.0	-0.0	-0.5	-0.6
Gains/losses on disposition of loans	-1.5	-0.3	-0.0	-0.2	-0.2	-0.9
Recoveries of written-off receivables	1.1	0.1	0.2	0.2	0.0	0.7

Ratio of loan loss reserves to total loans

(billion yen)	End - Mar. 2023	End - Dec. 2023	End - Mar. 2024
Loan loss reserves (A)	44.0	84.2	87.9
General loan loss reserves	33.6	35.7	37.4
Total loans (B)	3,881.3	4,073.5	4,071.2
Loans subject to loss reserves (C)	3,482.8	3,635.2	3,691.3
(A) / (B)	1.13%	2.06%	2.15%
(A) / (C)	1.26%	2.31%	2.38%
Reserve ratio for need attention credit	4.9%	5.4%	6.8%
Reserve ratio for normal credit	0.5%	0.5%	0.4%

Non-performing loans based on the FRA*

- The ratio of NPLs to total claims (NPL ratio) was 3.17%, an increase of 0.3 percentage points from December 31, 2023
  - Doubtful credit increased from December 31, 2023 mainly due to further weakening of the yen, but remained flat on a foreign currency basis



(billion yen)	End-Mar. 2022	End-Mar. 2023	End-Dec. 2023	End-Mar. 2024
Total claims	3,367.4	3,936.0	4,123.6	4,127.2
NPLs (A)	21.4	39.1	118.5	131.1
Coverage (B)	19.1	36.5	114.7	122.8
Reserves	11.6	13.2	51.5	54.7
Collateral & guarantees	7.4	23.3	63.1	68.1
Coverage ratio (B) / (A)	89%	93%	97%	94%

* Financial Reconstruction Act

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Reversal of deferred tax assets (tax expenses)

- The Bank examined the recoverability of deferred tax assets based on discussions with its independent auditor and made the decision to shorten the period for estimating future income for the determination of deferred tax assets while taking into consideration the current financial and economic environment. As a result, a portion of its deferred tax assets was reversed
- Taxes (tax expenses) were a net expense of 7.3 billion yen in 4Q mainly due to the reversal of deferred tax assets (The reversal of deferred tax assets is detailed on pages 30–31)
- A decrease in deferred tax assets related to valuation differences on available-for-sale securities was due to the shortened estimation period as well as a decrease in net valuation losses as a result of restructuring the securities portfolio
- The reversal of deferred tax assets at this time will have the effect of reducing future tax expenses

Balance sheet

(billion yen)	End - Mar. 2023 **A**	End - Dec. 2023 **B**	End - Mar. 2024 **C**	Change **C - A**	Change **C - B**
Deferred tax assets	**53.5**	**68.7**	**44.5**	**-8.9**	**-24.2**
Valuation difference on available-for-sale securities-related*1	20.2	24.2	8.9	-11.2	-15.2
Other*2	33.3	44.5	35.6	+2.2	-8.9

*1 There were no impacts on income and expenses.
*2 Changes were recorded as income taxes–deferred.

Income and expenses

(billion yen)	FY2023 1-3Q	FY2023 4Q	FY2023 Full year
Taxes	**8.8**	**-7.3**	**1.4**
Income taxes-current	-2.4	1.6	-0.8
Income taxes-deferred	11.2	-8.9	2.2

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Balance sheet summary

(billion yen)	End - Mar. 2023 A	End - Dec. 2023	End - Mar. 2024 B	Change B - A
Loans and bills discounted	3,881.3	4,073.5	4,071.2	+189.9
Securities	1,278.7	1,375.9	1,186.5	-92.1
Cash and due from banks	1,275.0	1,537.3	1,579.7	+304.7
Trading assets	151.2	207.6	173.7	+22.4
Deferred tax assets	53.5	68.7	44.5	-8.9
Other	544.0	459.4	547.0	+2.9
Total assets	**7,184.0**	**7,722.7**	**7,603.0**	**+418.9**

(billion yen)	End - Mar. 2023 A	End - Dec. 2023	End - Mar. 2024 B	Change B - A
Deposits / Negotiable certificates of deposit	5,497.3	5,840.7	5,776.3	+279.0
Bonds payable	147.7	193.7	181.3	+33.6
Borrowed money	525.6	562.3	563.3	+37.6
Cash collateral received for securities lent	215.9	293.2	260.6	+44.7
Trading liabilities	121.8	141.1	165.0	+43.2
Other	244.3	281.4	265.0	+20.7
Total liabilities	**6,752.9**	**7,312.5**	**7,211.9**	**+458.9**
Capital stock / Capital surplus	187.4	187.4	187.4	+0.0
Retained earnings	291.8	263.6	228.4	-63.4
Valuation difference on available-for-sale securities	-45.4	-55.9	-45.8	-0.3
Deferred gains/losses on hedges	0.9	0.0	4.3	+3.3
Foreign currency translation adjustment	7.6	11.3	10.1	+2.4
Other	-11.4	3.6	6.4	+17.9
Total net assets	**431.1**	**410.2**	**391.0**	**-40.0**
Total liabilities and net assets	**7,184.0**	**7,722.7**	**7,603.0**	**+418.9**

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Loans — Summary —

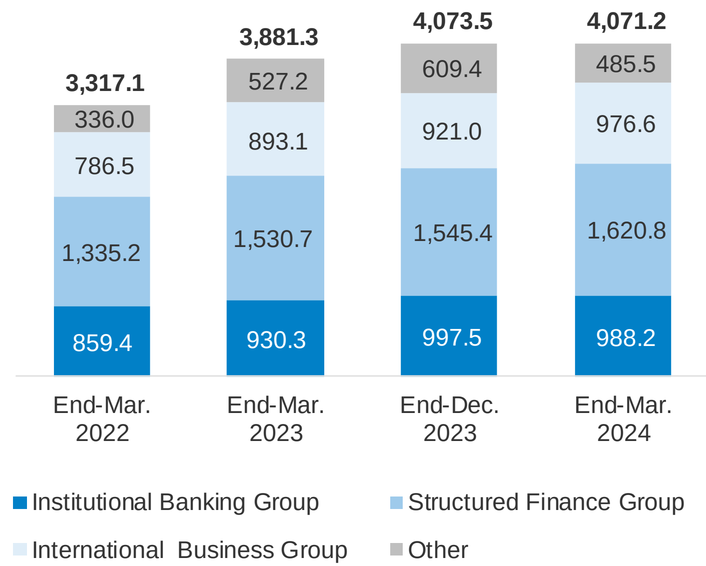
- Total loans were 4,071.2 billion yen, an increase of 189.9 billion yen compared to March 31, 2023
- Domestic loans increased by 87.9 billion yen. Overseas loans increased by 101.9 billion yen, although they decreased by 541 million on a U.S. dollar-basis
  - The Institutional Banking Group saw an increase of 57.9 billion yen from March 31, 2023 mainly due to the origination of loans to borrowers with stronger credit ratings
  - The Structured Finance Group recorded an increase of 90.1 billion yen from March 31, 2023 mainly due to the origination of LBO loans and the impact of a weaker yen

(billion yen)	End - Mar. 2023 A	End - Dec. 2023	End - Mar. 2024 B	Change B - A
Total loans (A)	**3,881.3**	**4,073.5**	**4,071.2**	**+189.9**
Domestic loans	2,510.1	2,680.6	2,598.1	+87.9
Overseas loans* (B)	1,371.1	1,392.8	1,473.1	+101.9
(B) / (A)	35.3%	34.2%	36.2%	-

* Overseas loans are with no final risk residing in Japan

Loan outstandings by business segment

(billion yen)



Loans — Domestic —

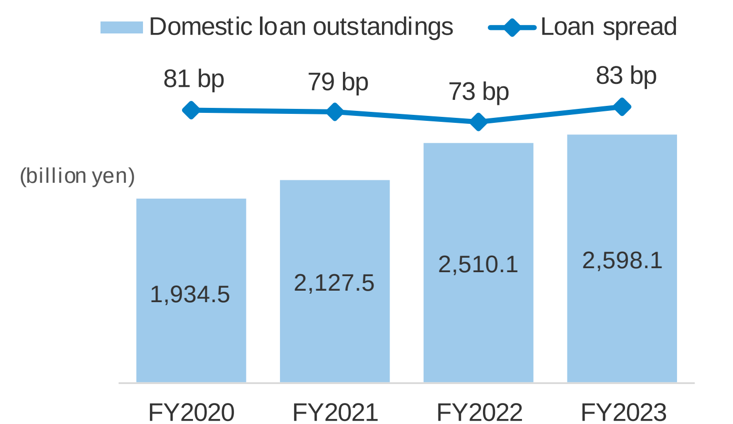
- Domestic loans were 2,598.1 billion yen, an increase of 87.9 billion yen compared to March 31, 2023
  - Loan outstandings increased in "Manufacturing" by 42.1 billion yen mainly due to the origination of LBO loans, decreased in "Utilities (electric power/gas/heat supply/water service)" by 15.4 billion yen mainly due to the sell-down of environmental finance for syndication purposes, and increased in "Leasing" by 34.4 billion yen mainly due to the origination of loans to borrowers with stronger credit ratings
- Domestic loan spreads were 83 bps, which increased by 10 bps due to an increase in profitable LBO transactions and a decrease in lower-spread transactions

Balance by industry

(billion yen)	End - Mar. 2023 A	End - Dec. 2023	End - Mar. 2024 B	Change B - A	*Share*
Manufacturing	258.7	288.1	300.9	+42.1	*12%*
Utilities (electric power/gas/ heat supply/water service)	141.5	108.2	126.0	-15.4	*5%*
Information and communications	105.3	123.0	128.1	+22.8	*5%*
Transport, postal services	49.7	48.2	42.7	-6.9	*2%*
Wholesale and retail sale	86.9	80.8	85.9	-0.9	*3%*
Financial and insurance	342.4	372.9	363.8	+21.3	*14%*
Real estate	760.4	763.7	758.1	-2.2	*29%*
Incl. non-recourse loans	428.0	427.6	427.9	-0.1	*16%*
Leasing	148.7	180.4	183.2	+34.4	*7%*
Other services	155.2	205.0	162.9	+7.7	*6%*
Other	460.9	509.8	445.9	-14.9	*17%*
Total *	**2,510.1**	**2,680.6**	**2,598.1**	**+87.9**	*100%*

* Domestic loans are with final risk residing in Japan

Domestic loan outstandings and loan spread*



* Management accounting basis, as of each fiscal year/quarter end. Average loan spread does not include NPLs

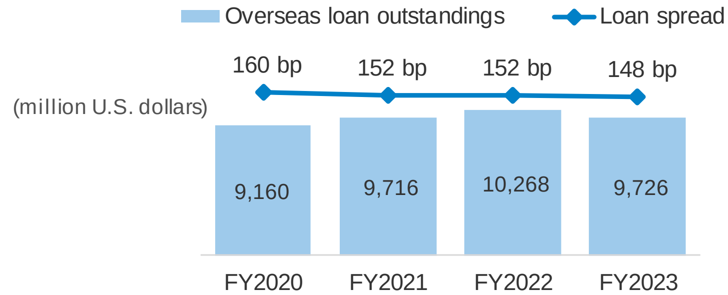
Loans — Overseas —

- Overseas loans were 1,473.1 billion yen, or 9.7 billion on a U.S. dollar-basis (a decrease of US$ 541 million, or 5.3%, from March 31, 2023)
  - North American corporate loans and overseas real estate non-recourse loans decreased by US$ 351 million or 8.9% and US$ 223 million or 8.0%, respectively, compared to March 31, 2023

(billion yen)	End - Mar. 2023 A	End - Dec. 2023	End - Mar. 2024 B	Change B - A
Total loans (A)	3,881.3	4,073.5	4,071.2	+189.9
Overseas loans* (US$ million)	**10,268**	**9,827**	**9,726**	**-541**
Overseas loans (B)	1,371.1	1,392.8	1,473.1	+101.9
(B) / (A)	35.3%	34.2%	36.2%	-
Foreign exchange rate (US$/JPY)	*¥133.54*	*¥141.73*	*¥151.46*	*¥17.92*

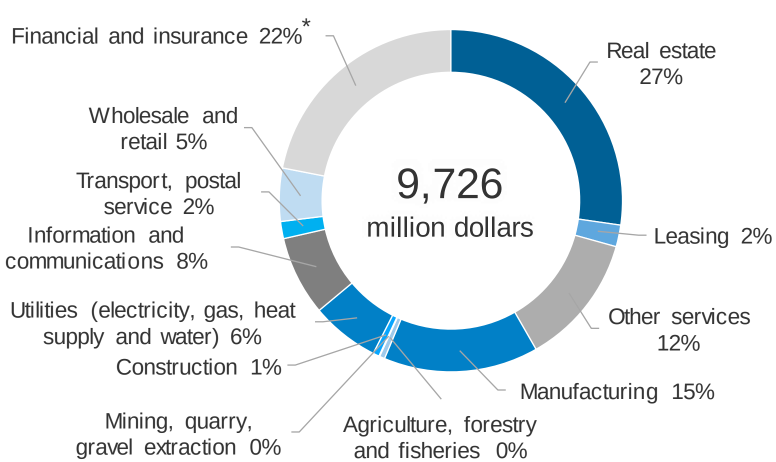
* Overseas loans are with no final risk residing in Japan

Overseas loan outstandings and loan spread*



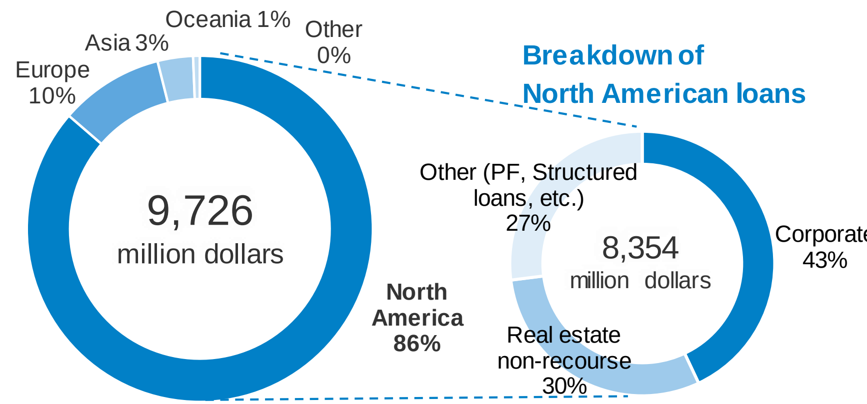
* Management accounting basis, as of each fiscal year/quarter end. Average loan spread does not include NPLs but includes forex forwards to which hedge accounting is not applied

By industry



* The majority of "Financial and insurance" consist of the highest senior tranche (AAA-rated) of middle-market CLO backed by diversified portfolio of U.S. medium-sized companies.

By region

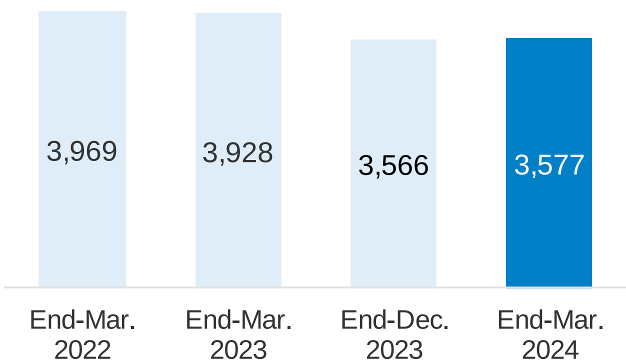


Loans — North American corporate loans —

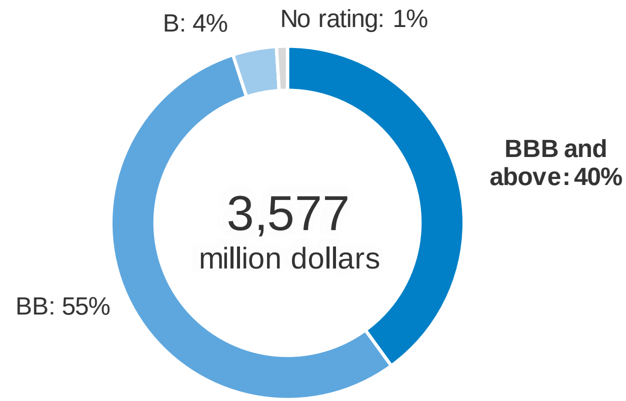
- North American corporate loans were US$ 3.6 billion, a decrease of US$ 351 million, or 8.9%, compared to March 31, 2023
  - Aozora continued selective origination from a risk-return perspective and implemented flexible rebalancing while taking into consideration exposure management on a yen basis
  - The Bank maintained its careful origination policy while remaining cautious about the U.S. economy. The average bid price of our loan portfolio remained strong. Loans rated BB or higher represented 95%, almost flat compared to March 31, 2023

North American corporate loan outstandings

(million U.S. dollars)

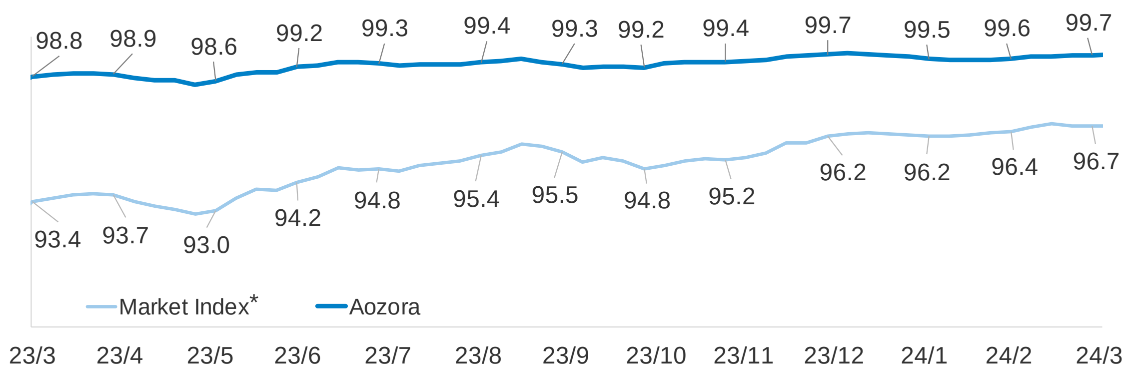


North American corporate loans by credit rating*



* S&P credit rating (facility basis)

Average bid price



* Source: Leveraged Commentary & Data

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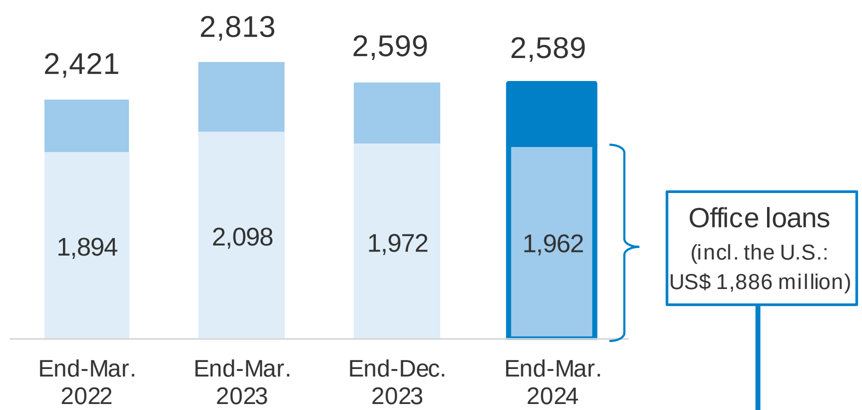
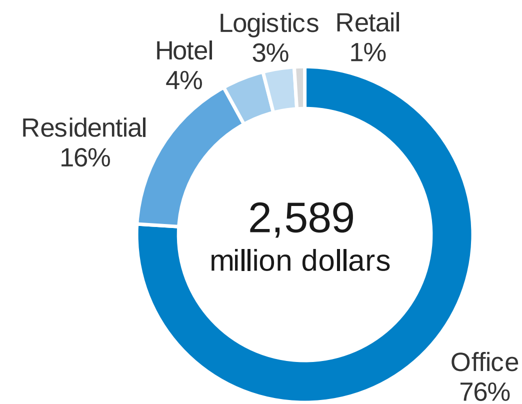
Loans — Overseas real estate non-recourse loans (NRLs) —

- Overseas real estate non-recourse loans were US$ 2.6 billion, a decrease of US$ 223 million, or 8.0%, compared to March 31, 2023
  - For overseas real estate non-recourse loans by region, the U.S. represented 96%, U.K. 3% and Canada 1%
  - U.S. office loans (US$ 1.9 billion) are further detailed on page 21

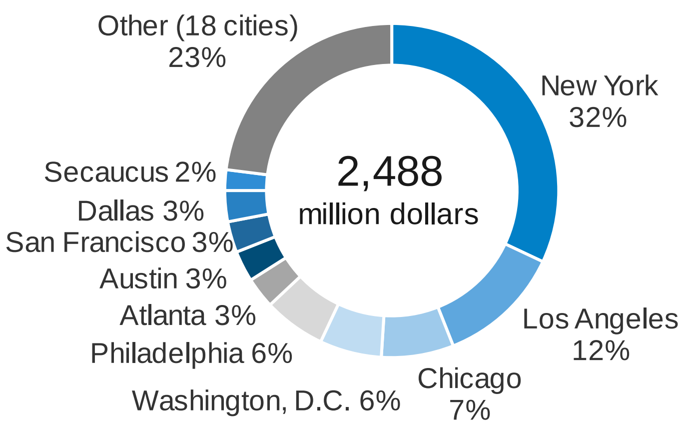
Overseas real estate non-recourse loan outstandings
(million U.S. dollars)



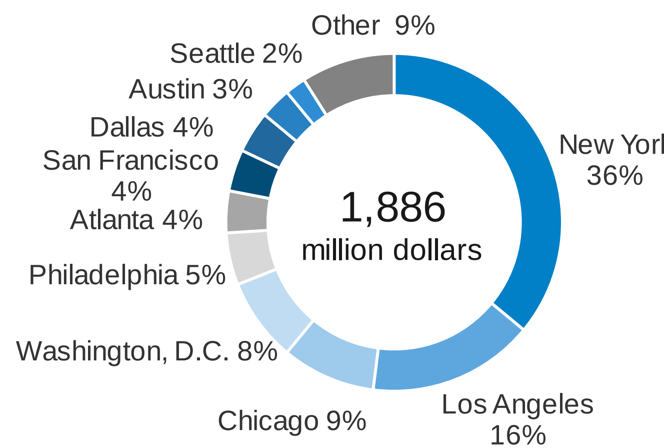
By sector



By U.S. city – Total NRLs



By U.S. city – Office loans only



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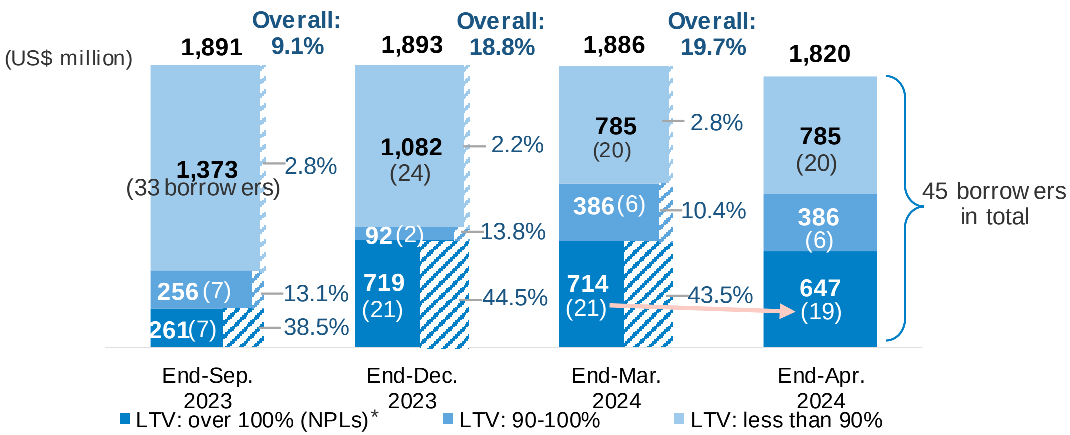
U.S. non-recourse office loans

- U.S. office loan outstandings were US$ 1.9 billion, which accounted for 7% of total loans
  - No loans were downgraded to NPLs ("In Danger of Bankruptcy borrowers") during 4Q, and adequate provisions to loan loss reserves were made while taking into account the risk of price declines over the next two years as of December 31, 2023. As a result, the reserve ratio was unchanged
  - In April 2024, the Bank fully resolved two workout loans, both of which were sold above book value net of the provision made for each loan as of December 31, 2023
  - As for general loan loss reserves, Aozora independently categorized its overseas real estate non-recourse loans in 4Q to ensure an adequate level of provisions reflecting the portfolio quality. As a result, the amount of reserve increased for overseas real estate non-recourse loans, including U.S. offices
  - For borrowers of loans with an LTV of 100% or less (covered by general loan loss reserves), appropriate provisions were made to loan loss reserves, although LTVs increased in some loans following the Bank's review of property valuations. As a result, the number of borrowers of loans with an LTV of 90–100% increased to six, all of which reached this percentage range as a result of a small percentage increase

Aozora's U.S. office loan portfolio (balance and reserve ratio)



* U.S. office loans with an LTV of over 100% are classified as NPLs in principle

(million U.S. dollars)

	End-Sep. 2023			End-Dec. 2023			End-Mar. 2024		
	Balance	Reserves	Reserve ratio*	Balance	Reserves	Reserve ratio*	Balance	Reserves	Reserve ratio*
LTV: less than 90%	1,373	37	2.8%	1,082	23	2.2%	785	22	2.8%
LTV: 90-100%	256	33	13.1%	92	12	13.8%	386	40	10.4%
LTV: over 100% (NPLs)	261	100	38.5%	719	320	44.5%	714	310	43.5%
Total	**1,891**	**172**	**9.1%**	**1,893**	**357**	**18.8%**	**1,886**	**373**	**19.7%**

* Total exposure basis

(Note) NPLs refer to loans to "In Danger of Bankruptcy borrowers"

Breakdown of Aozora's U.S. office loan portfolio by region (as of March 31, 2024)

	Number of transactions	Total outstandings ($m)	Average LTV *2	% of valuation decline
New York		82	154%	-51%
Washington, D.C.		38	174%	-56%
Chicago		168	209%	-63%
Los Angeles		127	176%	-59%
San Francisco		77	165%	-59%
Other *1		220	163%	-56%
Total NPLs	**21**	**714**	**176%**	**-58%**
Total Normal Loans	**26**	**1,172**	**82%**	**-19%**
Total	**47**	**1,886**		

*1 Including NPLs in the following seven cities/county: Atlanta, Arlington, Austin, Philadelphia, Orange County, Minneapolis and Seattle

*2 Taking into account the risk of price declines over the next two years for NPLs

Measures taken in 3Q

1. We reevaluated all U.S. non-recourse office loans (47 borrowers) and reviewed property valuations, taking into account the risk of price declines over the next two years
2. Following the above valuations, we downgraded borrowers of loans with an LTV of over 100% (and a high possibility of going into a workout process over the next two years) to NPLs, in principle, while taking into consideration factors including the specific characteristics of the property and regions
3. We also applied a stress case scenario taking into account the impact of market volatility on the NPL borrowers and made additional provisions to loan loss reserves, accordingly

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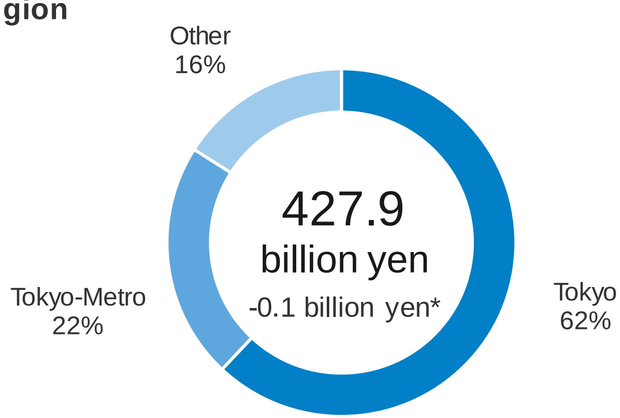
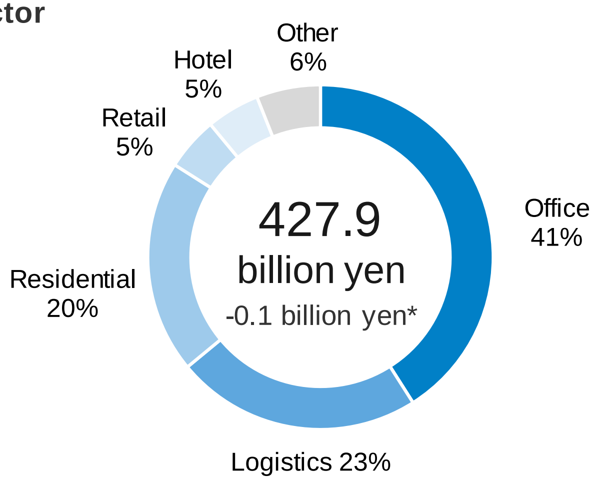
Loans — Domestic real estate non-recourse loans (NRLs) —

- Domestic real estate non-recourse loan outstandings totaled 427.9 billion yen, almost the same compared to March 31, 2023
  - Aozora focused on REITs while taking selective origination measures for real estate non-recourse loans excluding REITs from a risk control perspective
  - Real estate non-recourse loans (excluding REITs) with an LTV of 70% or less accounted for 98% of the total, and REIT loans with an LTV of below 50% represented 100% of the total

By region

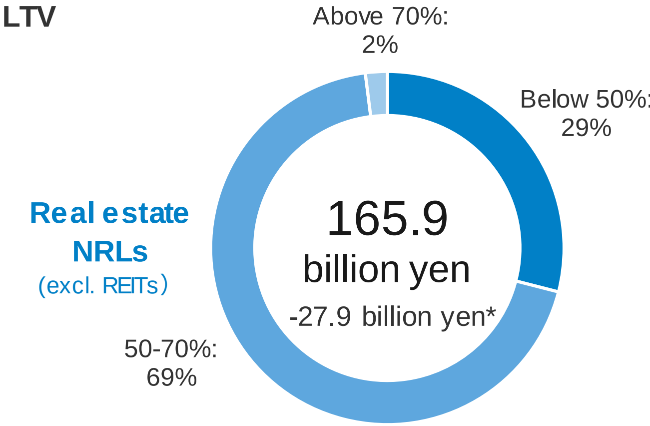


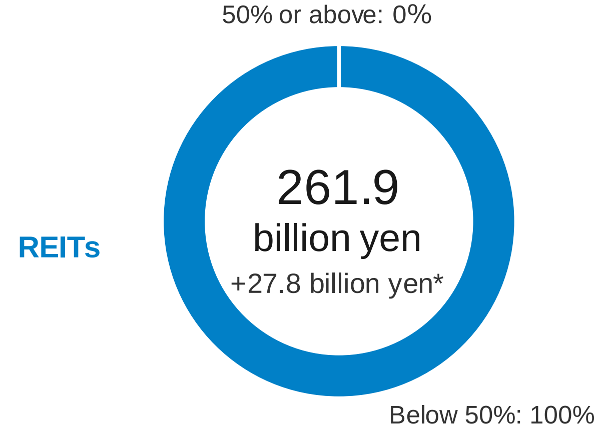
By sector



* Compared to March 31, 2023

LTV





Securities

- Securities were 1,186.5 billion yen, a decrease of 92.1 billion yen compared to March 31, 2023
- Unrealized gains/losses, including unrealized gains/losses on hedging instruments, were a net loss of 51.1 billion yen. This was an improvement of 30.4 billion yen from December 31, 2023 mainly due to the sale of securities as planned and an increase in unrealized gains on equities, while unrealized losses on foreign currency securities increased on a yen basis due to the impact of a weaker yen
  - Of Japanese government bonds (JGBs), long-term JGBs accounted for 17.5 billion yen
  - The Bank proceeded with the disposal of securities, including MBS and ETFs, as planned in 4Q as part of restructuring the securities portfolio
  - Unrealized losses after the above disposition were mainly from higher quality credit securities: U.S. and European government bonds, U.S. MBS and U.S. investment grade bonds ETFs
- Bond durations* as of March 31, 2024 were 5 years for U.S. government bonds, 7 years for mortgage-backed securities, 4 years for municipal bonds, and 7 years for JGBs (16 years for long-term JGBs and 0.2 years for short-term JGBs)

	Book value				**Unrealized gains/losses**				
(billion yen)	End - Mar. 2023 **A**	End - Dec. 2023	End - Mar. 2024 **B**	Change **B - A**	End - Mar. 2023 **C**	End - Dec. 2023 **D**	End - Mar. 2024 **E**	Change **E - C**	Change **E - D**
JGBs	18.3	27.6	52.5	+34.1	-1.3	-2.0	-2.1	-0.8	-0.1
Municipal bonds	38.9	29.6	29.0	-9.9	-0.1	-0.1	-0.2	-0.1	-0.0
Corporate bonds / short-term corporate bonds	127.9	143.6	107.5	-20.4	-0.9	-0.3	-0.4	+0.4	-0.0
Equities	30.1	27.9	31.1	+0.9	12.8	11.7	14.7	+1.9	+2.9
Foreign bonds	458.7	528.0	493.9	+35.1	-62.4	-61.1	-60.6	+1.8	+0.4
Foreign government bonds	195.8	250.2	262.6	+66.8	-27.0	-27.0	-32.1	-5.0	-5.0
MBS	152.3	151.0	99.2	-53.1	-32.5	-33.9	-28.6	+3.9	+5.3
Other	110.6	126.7	132.0	+21.4	-2.8	-0.0	0.1	+3.0	+0.1
Other securities	604.4	619.0	472.3	-132.1	-14.0	-29.2	-10.0	+4.0	+19.1
ETFs	123.3	104.0	59.9	-63.3	-23.7	-16.5	-10.4	+13.2	+6.0
Investments in limited partnerships	169.5	175.8	181.4	+11.8	1.8	0.5	1.0	-0.7	+0.4
REITs	46.5	33.5	35.1	-11.3	6.5	3.3	3.5	-2.9	+0.2
Investment trusts	225.0	262.7	153.9	-71.0	-1.4	-17.1	-4.7	-3.3	+12.3
Other	40.0	42.8	41.7	+1.7	2.7	0.5	0.5	-2.1	-0.0
Total	**1,278.7**	**1,375.9**	**1,186.5**	**-92.1**	**-65.9**	**-81.1**	**-58.7**	**+7.2**	**+22.3**
Foreign exchange rate (US$/JPY)	*¥133.54*	*¥141.73*	*¥151.46*	*¥17.92*					
Unrealized gains/losses, incl. unrealized gains/losses on hedging instruments					**-63.8**	**-81.5**	**-51.1**	**12.7**	**+30.4**

* Non-consolidated basis

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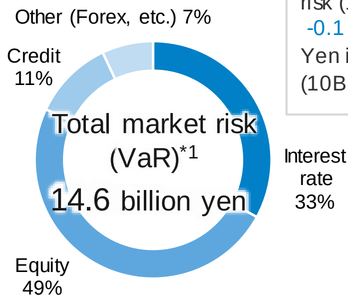
Securities operations

- With regard to ALM and securities operations, Aozora proceeded with the disposal of securities as planned with the aim to secure added flexibility in portfolio management and improve profitability in FY2024 and beyond. As a result, we recorded a net loss of 25.0 billion yen in 4Q, mainly from foreign currency ETFs and MBS, and a net loss of 27.9 billion yen in FY2023
- The Bank continued its risk control measures to mitigate both U.S. interest rate risk and yen interest rate risk

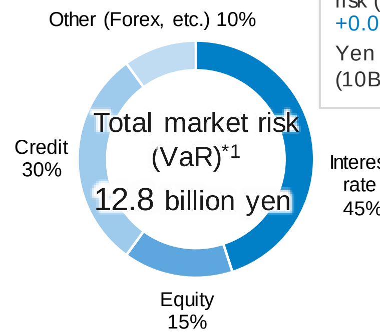
Market risk (VaR)

End-Mar. 2023



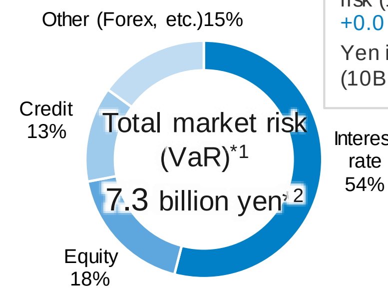
U.S. dollar interest rate risk (10BPV)*3: -0.1 billion yen
Yen interest rate risk (10BPV)*3: -0.3 billion yen

End-Dec. 2023



U.S. dollar interest rate risk (10BPV)*3: +0.0 billion yen
Yen interest rate risk (10BPV)*3: -0.0 billion yen

End-Mar. 2024



U.S. dollar interest rate risk (10BPV)*3: +0.0 billion yen
Yen interest rate risk (10BPV)*3: +0.0 billion yen

*1 Across-the-board basis. VaR considering the holding period since End-Mar. 2023
*2 Preliminary basis
*3 ALM and securities investments only

ALM/securities operations

		Balance*1, 2			Net balance after hedging*1, 2		Net gains/losses*3, 4	Unrealized gains/losses*5	Net gains/losses*3	Unrealized gains/losses*5
		End-Mar. 2023	End-Dec. 2023	End-Mar. 2024	End-Mar. 2024		FY2023	End-Dec. 2023	FY2023 4Q	End-Mar. 2024
JGBs, municipal bonds	(billion yen)	38.2	36.9	36.3	1.0	(billion yen)	0.2	-2.9	-	-3.1
U.S. government bonds	(US$ million)	1,250	1,550	1,550	-	(billion yen)	1.0	-15.7	-	-12.6
European government bonds	(EUR million)	405	405	405	21	(billion yen)	0.4	-10.1	-	-9.1
MBS	(US$ million)	1,341	1,264	822	26	(billion yen)	-9.8	-40.2	-12.0	-30.7
ETFs	(US$ million)	1,101	851	465	-	(billion yen)	-19.6	-24.1	-10.3	-13.6
Investment trusts	(billion yen)	38.5	35.8	11.1	0.2	(billion yen)	-0.6	-1.8	-2.6	1.0
REITs	(billion yen)	6.9	4.3	4.3	4.3	(billion yen)	0.3	-0.5	-	-0.5
						Total	**-27.9**	**-95.3**	**-25.0**	**-68.9**
						Across-the-board*5		**-81.5**		**-51.1**

Note 1: Assets managed under the ALM securities portfolio. Non-consolidated, management accounting basis (risk basis)
Note 2: "Net balance after hedging" and "Net gains/losses" include bear funds
*1 Bonds are calculated based on face value. Other securities are calculated based on book value
*2 Foreign currency-denominated REITs and investment trusts converted to yen. Other categories stated in original currency
*3 All realized gains/losses converted to yen.
*4 Includes 2.1 billion yen in gains on the cancellation of investment trusts recorded as net interest income
*5 Including hedging instruments

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Funding

- Core funding (deposits, negotiable certificates of deposit, and bonds) was 5,957.7 billion yen, an increase of 312.6 billion yen compared to March 31, 2023
  - Deposits/NCDs increased by 279.0 billion yen compared to March 31, 2023. Retail deposits decreased by 84.8 billion yen partly due to an outflow of a small portion of deposits to banks offering higher-interest rate time deposits
  - Liquidity reserves remained within the 1.4 trillion yen range, the same level as December 31, 2023

(billion yen)	End - Mar. 2023 A	End - Dec. 2023	End - Mar. 2024 B	Change B - A
Total core funding	**5,645.1**	**6,034.4**	**5,957.7**	**+312.6**
Deposits / NCDs	5,497.3	5,840.7	5,776.3	+279.0
Incl. the balance of retail deposits	3,739.6	3,863.2	3,654.8	-84.8
Bonds	147.7	193.7	181.3	+33.6
Retail funding ratio*	66%	64%	61%	
Loan-to-deposit ratio incl. NCDs	71%	70%	70%	

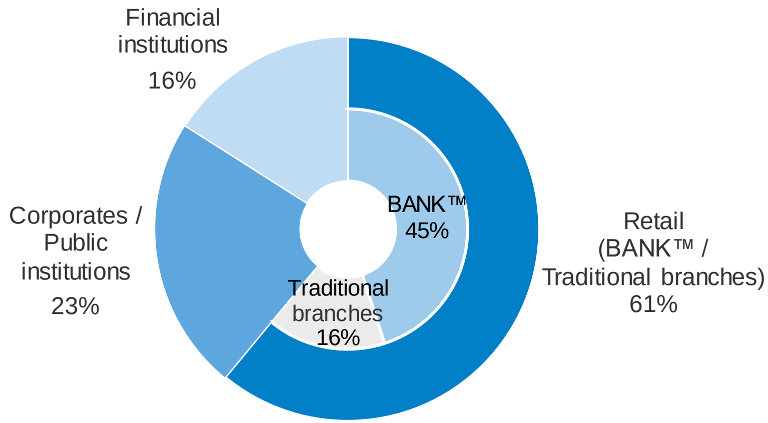
* Defined as follows:
Retail funding ratio = Retail deposits / Total core funding

Liquidity reserves*

(billion yen)	End - Mar. 2023 A	End - Dec. 2023	End - Mar. 2024 B	Change B - A
Liquidity reserves	**1,356.6**	**1,473.6**	**1,466.7**	**+110.1**

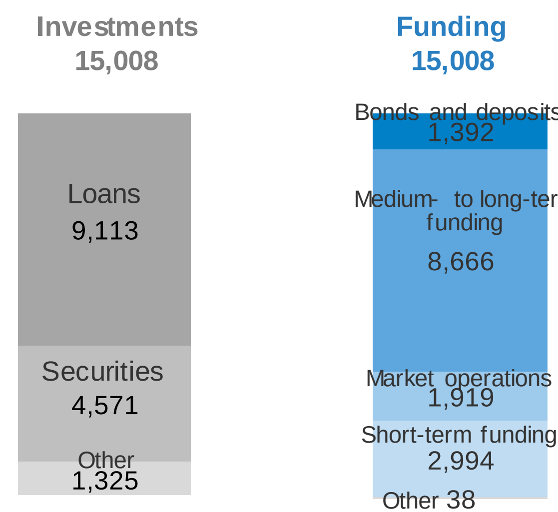
* Non-consolidated basis
Surplus funds at hand for cash management purpose operated with high liquidity method including BOJ current account balance, JGBs, U.S. government bonds and call loans

Core funding by customer segment



Foreign currency investments/funding

(million U.S. dollars)



- Medium- to long-term funding: Currency swaps, Long-term forex forwards
- Market operations: Repo, Interbank, TRS
- Short-term funding: Forex forwards

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Reference: Sensitivity analysis to an increase in interest rates

- The impact of a 0.25% increase in yen interest rates for all terms on annual net interest income is estimated to be a net increase of approximately 6.9 billion yen

Breakdown:

Investments: +11.0 billion yen (approx.)

Funding: -4.1 billion yen (approx.)

+6.9 billion yen (approx.)

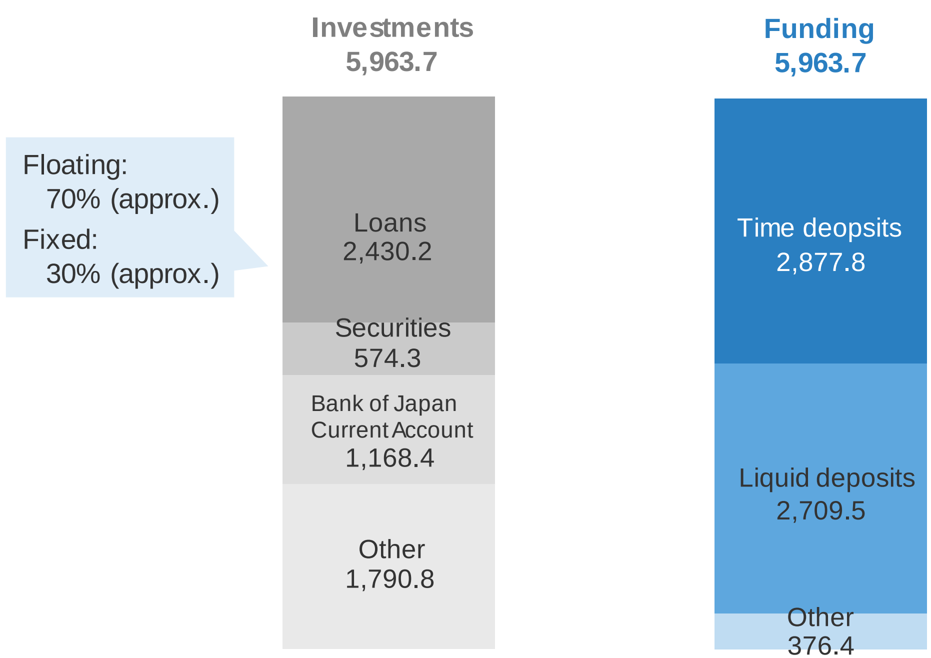
- Investments
  Higher interest income due to floating-rate lending and currency swaps/forex forwards
- Funding
  Higher interest expenses due to floating-rate funding and higher interest rates on deposits

Estimate assumptions:

- 0.25% interest rate increase for all terms
- No change in the balance sheet compared to March 31, 2024
- Assuming a 25 bps increase in the Bank of Japan's current account balance, except reserve deposits
- Assuming the raising of interest rates on deposits in response to market conditions (pass-through: 25%)

Yen-denominated investments/funding

(billion yen)



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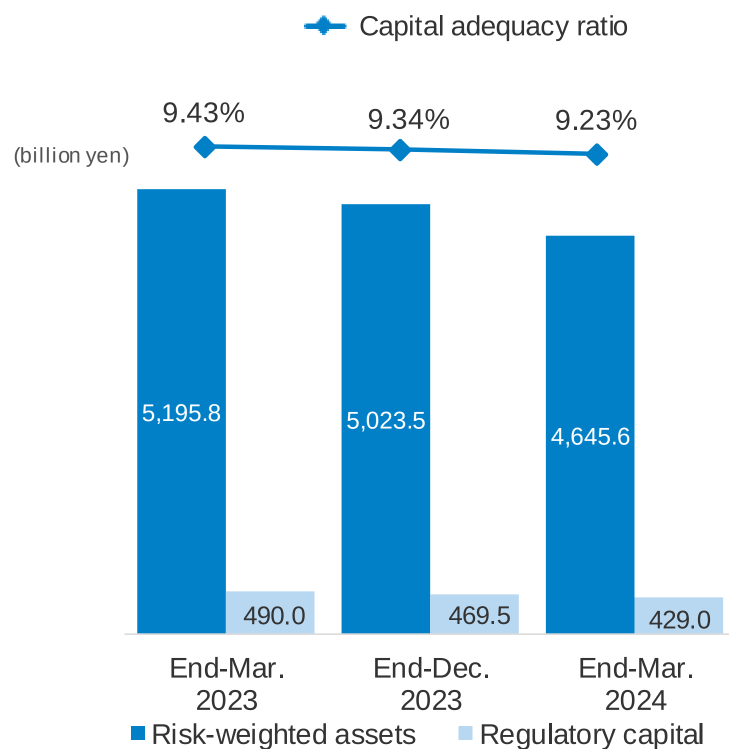
Capital adequacy ratio (preliminary)

- The consolidated capital adequacy ratio (domestic standard) was 9.23% (preliminary basis)
  - The CET1 (Common Equity Tier 1) ratio was approximately 7.1%
  - Risk-weighted assets decreased from December 31, 2023. Approximately two-thirds of the decrease was due to the Bank's application of the finalized Basel III regulations

Domestic standard

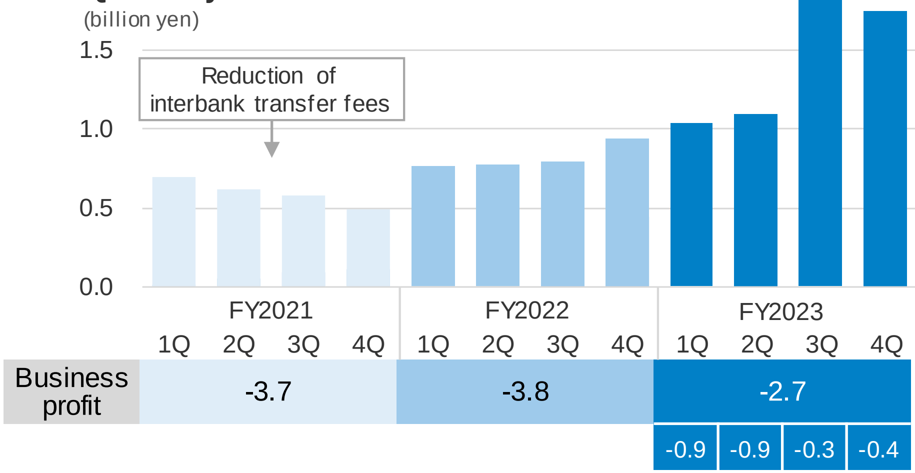
(billion yen)	End - Mar. 2023 A	End - Dec. 2023	End - Mar. 2024 B	Change B - A
Capital adequacy ratio	9.43%	9.34%	9.23%	-0.20 %
Regulatory capital (A - B)	490.0	469.5	429.0	-61.0
Instruments and reserves (A)	512.9	499.7	467.5	-45.3
Shareholders' equity	471.8	448.3	413.1	-58.6
Other	41.1	51.4	54.4	+13.3
Regulatory adjustment (B)	22.8	30.2	38.5	+15.7
Risk-weighted assets	5,195.8	5,023.5	4,645.6	-550.2
Credit risk assets	4,559.6	4,525.1	4,273.1	-286.4
Market risk	478.4	341.4	238.9	-239.5
Operational risk	157.7	156.9	133.4	-24.2



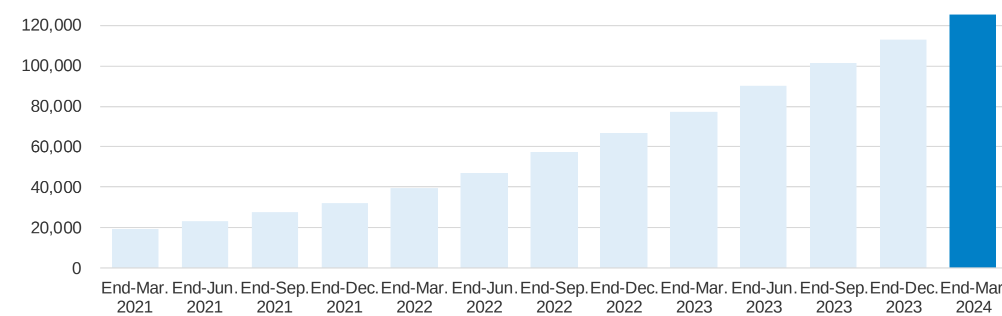
GMO Aozora Net Bank (GANB)

- Net revenue was 1.7 billion yen in 4Q and 5.7 billion yen in FY2023
  - The number of transfer transactions, including new large-volume customer transactions, exceeded the planned level, which contributed to net revenue growth
- The number of corporate accounts reached 120,000 as of March 31, 2024. Account openings per month marked a record high in Mar ch
- The number of “BaaS by GMO Aozora” contracts steadily increased due to GANB’s industry-leading range of bank API lineups and prompt technical support
  - The core banking system provided through “BaaS by GMO Aozora” was selected to support one of its customers intending to launch digital banking

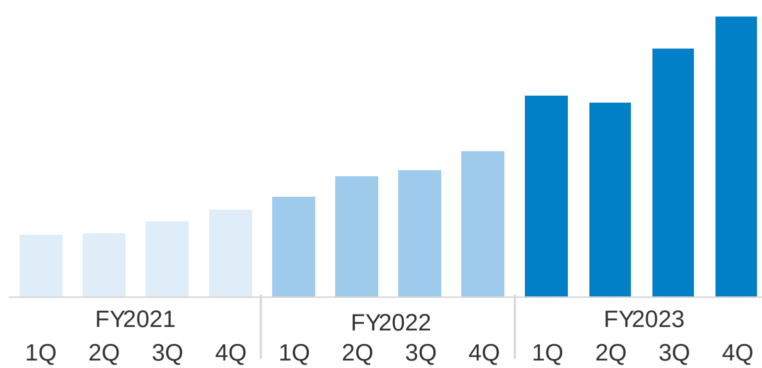
Quarterly net revenue



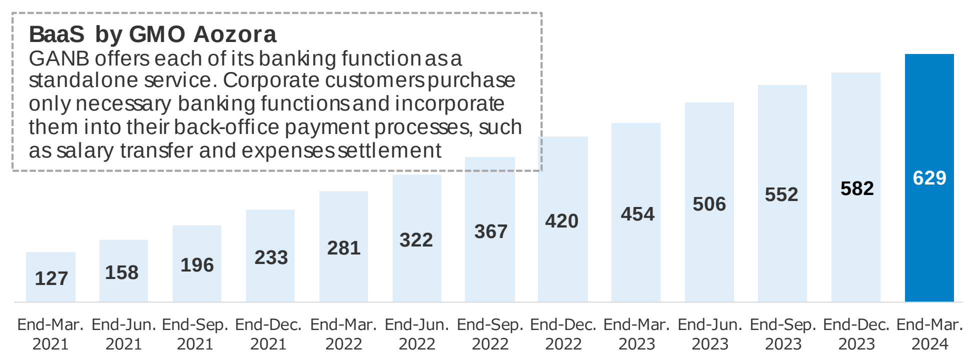
Number of corporate accounts



Number of transfer transactions



Number of “BaaS by GMO Aozora” contracts



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Aozora Group companies / consolidated, non-consolidated difference

(billion yen)

(A) Non-consolidated net income	**-50.7**
(B) Profit attributable to owners of parent	**-49.9**
(B) - (A) (a + b) Difference	**0.8**

Breakdown of the difference

(a) Consolidated subsidiaries/affiliates			**3.2**
	Share of Earnings*1	**Net Revenue**	**Net Income**
GMO Aozora Net Bank, Ltd.	50.0% *2	5.7	-3.7
Aozora Loan Services Co., Ltd.	67.6%	1.6	0.1
Aozora Securities Co., Ltd.	100.0%	0.3	-1.3
Aozora Regional Consulting Co., Ltd.	100.0%	0.0	0.0
Aozora Investment Management Co., Ltd.	100.0%	1.7	0.7
Aozora Real Estate Investment Advisors Co., Ltd.	100.0%	0.6	0.3
ABN Advisors Co., Ltd.	100.0%	0.7	0.0
Aozora Corporate Investment Co., Ltd.	100.0%	0.4	0.1
Aozora Asia Pacific Finance Limited	100.0%	0.6	0.1
Aozora Europe Limited	100.0%	0.7	0.1
Aozora North America, Inc.	100.0%	4.7	2.8
Other	-	2.4	1.4
Orient Commercial Joint Stock Bank	15.0%	-	2.3 *3

(b) Consolidation adjustments		**-2.3**
Gains/losses attributable to non-controlling interests (GMO Aozora Net Bank, Ltd.)	-	1.8
Other*4	-	-4.2

*1 Percentage of profit and loss attributable to owners of parent

*2 Voting rights ratio is 85.1%

*3 Revenue contribution from equity method investments

*4 Including a net loss of 5.7 billion yen due to the liquidation of a subsidiary

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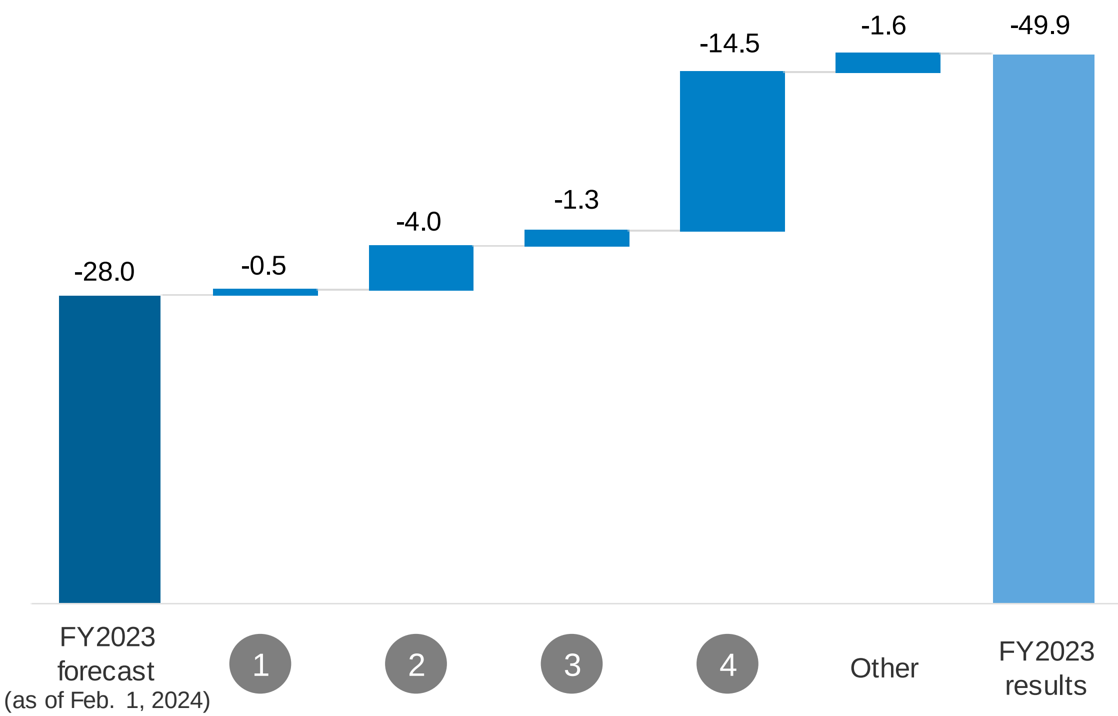
<Reference> Revisions (dated May 1, 2024) to FY2023 earnings forecast

Factors causing changes from the revised FY2023 earnings forecast dated Feb. 1, 2024

Factors causing changes from the forecast (dated February 1, 2024) of profit attributable to owners of parent for FY2023

(billion yen)



1 Differences in gains/losses on equity method investments

Vietnam-based Orient Commercial Joint Stock Bank (OCB), an equity method affiliate, revised its financial results ended December 31, 2023 (initially disclosed in January 2024, followed by the announcement of the revision in March 2024)

2 Increases in credit-related expenses mainly due to a weaker yen

Loan loss reserves for foreign currency loans increased in yen terms (no increases on a foreign currency basis) mainly due to further weakening of the yen from the end of December 2023

3 Extraordinary gains/losses

The recording of gains from the liquidation of a subsidiary was postponed to FY2024

4 Tax expenses

Reversal of deferred tax assets (see next page). A decrease of 14.5 billion yen represented a change from the February 1 estimate. A net expense of 8.9 billion yen was recorded in 4Q

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<Reference> Reversal of deferred tax assets

As of December 31, 2023

Period for estimated future taxable income: 10 years

Tax losses were recorded in the 4Q of FY2024 as a result of loss cut associated with the restructuring of securities portfolio as well as liquidation of an overseas subsidiary

As of March 31, 2024

1 year in principle → 5 years

Shortened by 5 years

⇒ **Deferred tax assets corresponding to the shortened 5 years were reversed**

Classification of companies with tax losses

Category	Period for estimated future taxable income	Requirements for applying exceptions	Category	Period for estimated future taxable income
Category 4	1 year	Stable taxable income for over 5 years can be reasonably explained	Category 2	No fixed period (10 years)
		Taxable income for the next 3–5 years can be reasonably explained	**Category 3**	3–5 years

The Bank decided to categorize itself as Category 3 by applying an exception to Category 4 as of March 31, 2024

1 Capital adequacy ratio slightly higher than the February 1 estimate

2 Expected reduction in tax expenses from FY2024 onwards

	Results as of End-Dec. 2023	End-Mar. 2024 estimate (as of Feb. 1, 2024)	End-Mar. 2024 (preliminary)
Capital adequacy ratio	9.34%	Approx. 8.8% →	9.23%
CET 1 ratio (approximation)	6.6%	Approx. 6.6% →	7.1%

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Capital and Business Alliance announced today

Capital and Business Alliance Objectives

AOZORA BANK

- Established provider of specialized finance, such as LBO finance, real estate finance, venture debt
- Strong and long-standing network with regional financial institutions across Japan

Daiwa Securities Group Inc.

- Expertise in the Wealth Management Business Model
- Global network in M&A business
- Strong presence in support of raising capital and exit transactions via IPO

- **Through collaboration between Daiwa Securities Group and Aozora Group, both of which have complementary strengths and management resources, we expect to significantly improve our consulting and solution capabilities for issues faced by our retail and corporate customers**
- **We are committed to enhancing our profitability and achieving sustainable growth in shareholder value by creating further value-added through this new business collaboration and by accelerating the growth of "Aozora's Strategic Investments Business" made possible by the capital increase**

The shareholding ratio* of Daiwa Securities Group will be 15.54% after the capital increase through a third-party allotment

* Shareholding ratio to the total number of issued shares excluding treasury shares

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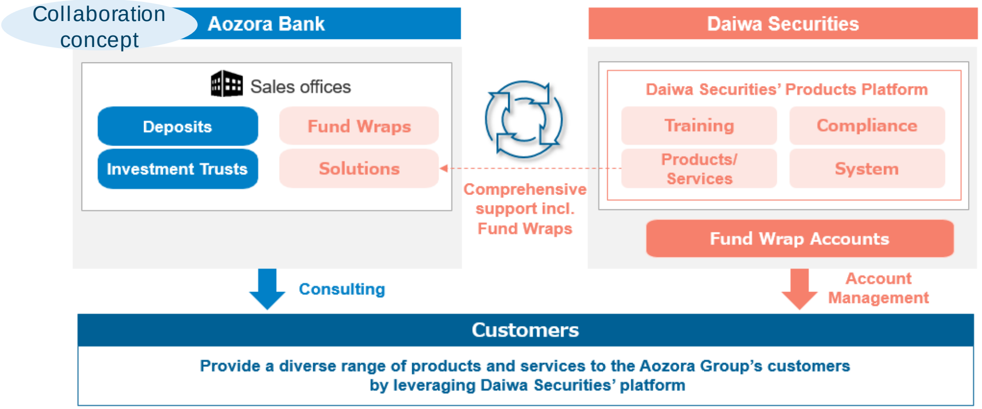
Targeted Areas for Collaboration

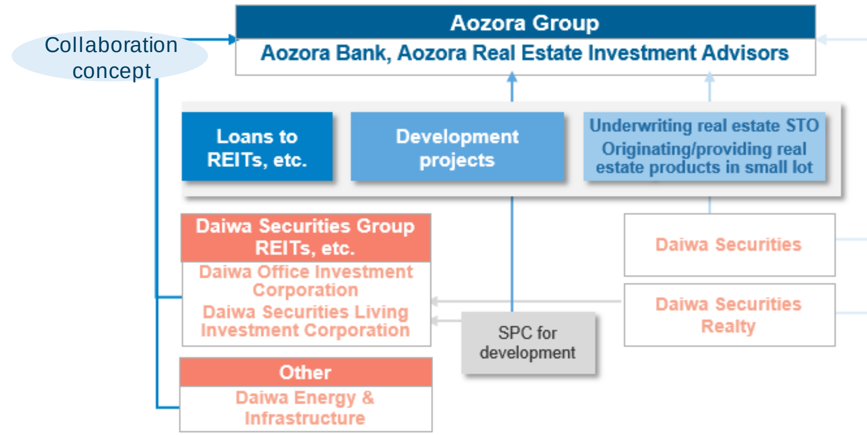
1 Wealth Management

Provide higher valued-added consulting services to Aozora Group's wide range of retail and corporate customers by utilizing Daiwa Securities Group's expertise, financial instruments/services and systems for the Wealth Management Business Model



2 Real Estate-related Business

Deepening real estate-related business of both groups by partnering Daiwa Securities Group's real estate asset management business with real estate finance, one of the Aozora Group's strengths

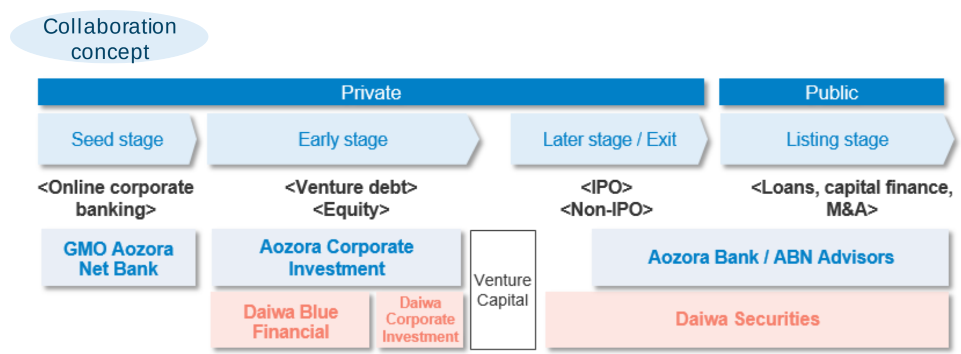


3 M&A

Responding to customer needs through the partnership of the two groups including the joint proposals which leverage Daiwa Securities Group's strengths in M&A and Aozora Bank's strengths in M&A and LBO financing

4 Growth Company Support

Form a new platform by combining equity investment through management of venture capital funds as well as support for fundraising and exit through IPO, in which Daiwa Securities Group has a strong presence, and Aozora Group's wide range of solutions focusing on the finance side, including venture debt



Management discussions will continue on further collaboration opportunities across a wide range of areas

(Note) Assuming necessary approvals and licenses from the relevant authorities have been obtained

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