

Integrated Report

— Annual Report —

(Financial and Corporate Data Section)

2024

April 1, 2023 – March 31, 2024

Please refer to Aozora Bank’s Integrated Report (Annual Report Main Section) 2024 for information on businesses and strategies.

Editorial Policy _____

This document (Main Section and Financial and Corporate Data Section) is an Annual Report (document explaining the Bank’s business operations and financial condition) created in compliance with Article 21 of the Banking Act.

Forward-Looking Statement _____

This document contains forward-looking statements regarding the Bank’s financial condition and results of operations. These forward-looking statements, which include the Bank’s views and assumptions with respect to future events, involve certain risks and uncertainties. Actual results may differ from forecasts due to changes in economic conditions and other factors.

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Corporate Data

Corporate History

April	1957	Established as the Nippon Fudosan Bank, Limited (capital: ¥1 billion) in accordance with the Long-Term Credit Bank Law
July	1964	Started foreign exchange business as an authorized foreign exchange bank
September		Listed stock on the Tokyo Stock Exchange
February	1970	Listed stock on the Osaka Securities Exchange
October	1977	Changed name to the Nippon Credit Bank, Ltd.
February	1994	Established the Nippon Credit Trust Bank, Ltd. (currently GMO Aozora Net Bank, Ltd.)
December	1998	Started special public management and terminated listing of stock on the Tokyo Stock Exchange and the Osaka Securities Exchange
September	1999	NCB Servicer Co., Ltd. (currently Aozora Loan Services Co., Ltd.), commenced servicer operations
September	2000	Ended special public management
January	2001	Changed name to Aozora Bank, Ltd.
June	2005	Established a subsidiary, Aozora Asia Pacific Finance Limited, in Hong Kong
July		Established New York Representative Office
April	2006	Converted from “Long-Term Credit Bank” to an “Ordinary Bank”
November		Established Aozora Securities Co., Ltd. Listed on the First Section of the Tokyo Stock Exchange
May	2007	Established Shanghai Representative Office
April	2009	Established Internet Branch (currently BANK Branch) and commenced Internet banking services
August	2012	Announced the Comprehensive Recapitalization Plan
March	2013	Launched Aozora Cash Card Plus (Visa debit) Established Aozora Regional Consulting Co., Ltd.
February	2014	Established Aozora Investment Management Co., Ltd.
May		Established Singapore Representative Office
January	2015	Established Aozora Real Estate Investment Advisors Co., Ltd.
June		Full repayment of public funds
December		Established a subsidiary, Aozora Europe Limited, in London
May	2016	Completed conversion to new Kanjo-kei core banking system
May	2017	Moved headquarters Established ABN Advisors Co., Ltd.
April	2018	Established Aozora Corporate Investment Co., Ltd.
July		GMO Aozora Net Bank, Ltd. commenced Internet banking services
October		Completed transfer of trust operations from GMO Aozora Net Bank, Ltd. and started concurrent trust operations
June	2020	Purchased an ownership stake in Orient Commercial Joint Stock Bank, a commercial bank based in Vietnam (making it an equity method affiliate of Aozora)
September		Aozora North America, Inc., the Bank’s New York subsidiary, commenced finance operations
April	2022	Listed on the Prime Market segment of the Tokyo Stock Exchange following the restructuring of its market segments
November	2023	Established a subsidiary, Aozora Asia Pacific Limited, in Hong Kong
May	2024	Entered into a Capital and Business Alliance Agreement with Daiwa Securities Group Inc.

Business Activities (As of July 1, 2024)

● Deposits

Deposits

Checking accounts, savings accounts, time deposits, deposits-at-notice, non-residents' deposits in yen and deposits in foreign currencies

Negotiable certificates of deposit

● Lending

Loans

Loans on deeds, loans on notes and overdraft

Discount on promissory notes

Bankers' acceptances and discounts on commercial bills

● Securities investment business

Public bonds, local bonds, corporate bonds, equity and other securities for cash reserves for payment of the deposit and fund management

● Domestic exchange

Such services as money orders between branches of the Bank and those of other banks, collection of payments, etc.

● Foreign exchange

Remittance to foreign countries and other foreign currency-related businesses

● Consignment of bonds

Consignment business for soliciting or managing public bonds and issue agent or payment agent

● Trust operations

Management of various trust assets including cash, securities, monetary claims and real estate

● Other services

1. Guarantee of liabilities (acceptances and guarantees)
2. Lending of securities
3. Underwriting of public bonds
4. Over-the-counter sales of securities investment trusts
5. Trust business for secured corporate bonds
6. Agency business
 - ① Revenue agency for Bank of Japan
 - ② Handling of funds for regional public entities, including those in Tokyo
7. Custody services
8. Interest rate, currency and other derivative transactions
9. Over-the-counter sales of insurance products
10. Financial instruments intermediary business
11. Business matching services

Corporate Data

Office Directory (As of July 1, 2024)

Overseas Network

● Representative Offices

New York Representative Office

Chief Representative
Keisuke Yamamoto

Address

1270 Avenue of the Americas, Suite
#1040, New York, NY 10020, U.S.A.
Tel: +1-212-830-1680
Fax: +1-212-314-3124

Shanghai Representative Office

Chief Representative
Yoichi Nakanishi

Address

27F, Hang Seng Bank Tower,
1000 Lujiazui Ring Road,
Pudong New Area,
Shanghai 200120,
People's Republic of China
Tel: +86-21-3899-6288
Fax: +86-21-6841-2882

Representative Office Registered in Singapore

Chief Representative
Shingo Sawada

Address

50 Raffles Place,
#16-05A Singapore Land Tower,
Singapore 048623
Tel: +65-6221-9221
Fax: +65-6221-9421

Domestic Network

● Head Office

6-1-1, Kojimachi,
Chiyoda-ku, Tokyo 102-8660,
Japan
Tel: +81-3-6752-1111
SWIFT: NCBTJPJT

● Branch Offices

Sapporo

4-1-4, Kita Sanjo-nishi,
Chuo-ku, Sapporo 060-0003
Tel: 011-241-8171

Sendai

3-2-1, Chuo, Aoba-ku,
Sendai 980-0021
Tel: 022-225-1171

Shinjuku

3-37-11, Shinjuku,
Shinjuku-ku, Tokyo 160-0022
Tel: 03-3354-1600

Nihonbashi

2-2-1, Nihonbashi-muromachi,
Chuo-ku, Tokyo 103-0022
Tel: 03-3517-7888

Shibuya

1-7-7, Shibuya, Shibuya-ku,
Tokyo 150-0002
Tel: 03-3409-6411

Ueno

2-2-1, Nihonbashi-muromachi,
Chuo-ku, Tokyo 103-0022
Tel: 03-5202-6602

Ikebukuro

2-28-13, Minami-Ikebukuro,
Toshima-ku, Tokyo 171-0022
Tel: 03-3988-0911

Chiba

2-15-11, Fujimi, Chuo-ku,
Chiba 260-0015
Tel: 043-227-3111

Yokohama

1-1-1, Minamisaikai, Nishi-ku,
Yokohama 220-0005
Tel: 045-319-1588

Kanazawa

2-37, Kamitsutsumicho,
Kanazawa 920-0869
Tel: 076-231-4151

Nagoya

3-28-12, Meieki, Nakamura-ku,
Nagoya 450-6404
Tel: 052-566-1900

Kyoto

79, Kankobokocho,
Muromachi-Higashiiru, Shijo-dori,
Shimogyo-ku, Kyoto 600-8009
Tel: 075-211-3341

Kansai

1-12-12, Umeda, Kita-ku,
Osaka 530-0001
Tel: 06-4799-3541

(Kansai Branch deals solely with corporate clients.)

Osaka

1-12-12, Umeda, Kita-ku,
Osaka 530-0001
Tel: 06-4799-3553

Umeda

1-12-12, Umeda, Kita-ku,
Osaka 530-0001
Tel: 06-4799-3533

Hiroshima

13-13, Motomachi, Naka-ku,
Hiroshima 730-0011
Tel: 082-211-0125

Takamatsu

9-6, Konyamachi,
Takamatsu 760-0027
Tel: 087-821-5521

Fukuoka

2-8-36, Tenjin, Chuo-ku,
Fukuoka 810-0001
Tel: 092-751-4261

Bank Branch

Bank Blue Branch

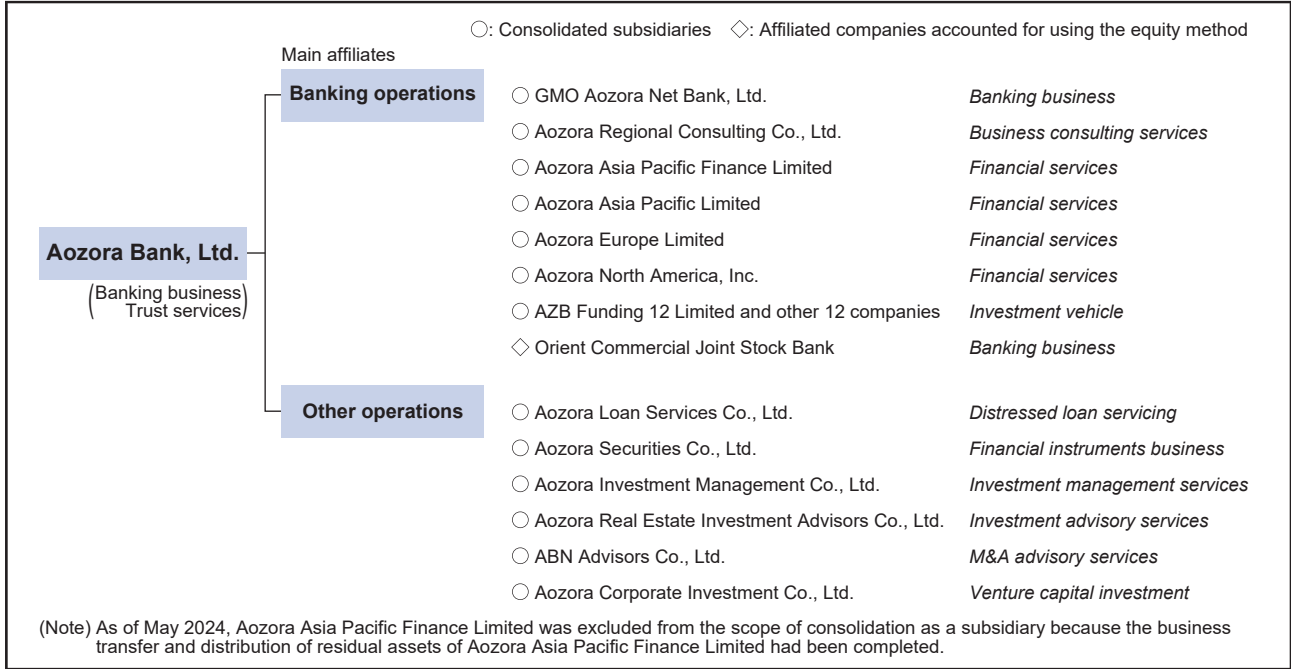
Bank Sky Branch

Bank Marine Branch

Bank Cobalt Branch

6-1-1, Kojimachi,
Chiyoda-ku, Tokyo 102-8660
<https://www.aozorabank.co.jp/bank/>

Business Network (As of March 31, 2024)



Corporate Data

Subsidiaries and Affiliated Companies (As of March 31, 2024)

Consolidated Subsidiaries

(%)

Company Name	Location	Business Activities	Established	Capital	Aozora Bank Shareholding	Group Shareholding
GMO Aozora Net Bank, Ltd.	Shibuya-ku, Tokyo	Banking business	February 28, 1994	21,629 millions of JPY	85.1	—
Aozora Loan Services Co., Ltd.	Chiyoda-ku, Tokyo	Distressed loan servicing	June 18, 1996	500 millions of JPY	67.6	—
Aozora Securities Co., Ltd.	Chiyoda-ku, Tokyo	Financial instruments business	January 23, 2006	3,000 millions of JPY	100.0	—
Aozora Regional Consulting Co., Ltd.	Chiyoda-ku, Tokyo	Business consulting services	March 21, 2013	10 millions of JPY	100.0	—
Aozora Investment Management Co., Ltd.	Chiyoda-ku, Tokyo	Investment management services	February 4, 2014	450 millions of JPY	100.0	—
Aozora Real Estate Investment Advisors Co., Ltd.	Chiyoda-ku, Tokyo	Investment advisory services	January 6, 2015	150 millions of JPY	100.0	—
ABN Advisors Co., Ltd.	Chiyoda-ku, Tokyo	M&A advisory services	May 24, 2017	200 millions of JPY	100.0	—
Aozora Corporate Investment Co., Ltd.	Chiyoda-ku, Tokyo	Venture capital investment	April 24, 2018	15 millions of JPY	100.0	—
Aozora Asia Pacific Finance Limited	Hong Kong, People's Republic of China	Financial services	June 29, 2005	0 thousands of USD	100.0	—
Aozora Asia Pacific Limited	Hong Kong, People's Republic of China	Financial services	November 20, 2023	2,000 thousands of USD	100.0	—
Aozora Europe Limited	London, United Kingdom	Financial services	December 15, 2015	1,000 thousands of GBP	100.0	—
Aozora North America, Inc.	New York, USA	Financial services	November 21, 2006	411 thousands of USD	100.0	—
AZB Funding 12 Limited	Dublin, Ireland,	Investment vehicle	January 30, 2020	0 thousands of USD	—	—
Other 12 companies						

Affiliated Companies Accounted for Using the Equity Method

(%)

Company Name	Location	Business Activities	Established	Capital	Aozora Bank Shareholding	Group Shareholding
Orient Commercial Joint Stock Bank	Ho Chi Minh City, Vietnam	Banking business	May 10, 1996	20,601 billions of VND	15.0	—

Directors, Audit & Supervisory Board Members and Executive Officers (As of July 1, 2024)

Directors and Audit & Supervisory Board Members

Executive Officers

Director and Chairman	Koji Yamakoshi*	Senior Managing Executive Officers	Masaki Onuma Toru Takahashi
Representative Director and President	Hideto Oomi*	Managing Executive Officers	Jun Shinozaki Kazuhiro Yasuda Tetsuji Okuda Hiroki Nakazato
Representative Director and Deputy President	Masayoshi Ohara*		
Director and Senior Managing Executive Officer	Takashi Kato*		
Directors	Sakie Tachibana Fukushima Hideyuki Takahashi Hideaki Saito Koichi Tadano Hiromasa Kawashima	Executive Officers	Hiroshi Suzuki Shu Takahashi Yukiko Morita Naoko Tanaka Takashi Hagio Jun Nakashima Hiroshi Kaneko Mitsuhiro Segawa Mayumi Takada Kouji Igarashi Kosuke Takai Chiharu Hirota Kimiaki Satou
Standing Audit & Supervisory Board Member	Satoshi Hashiguchi		
Audit & Supervisory Board Members	Toraki Inoue Junichi Maeda		

*Serving as Executive Officer concurrently

Staff Profile (As of March 31, 2024)

Number of Employees	Average Age	Average Years of Service	Average Yearly Salary
1,964 (121)	44.1	16.1	8,873 thousand yen

Notes: 1. The number of employees includes executive officers and locally hired staff overseas, but excludes temporary employees.

2. The figure in parentheses is the average number of temporary employees for the year.

3. The average yearly salary includes bonuses and pay other than fixed wages.

Corporate Data

Executive Officers



Koji Yamakoshi
Director and Chairman
Executive Officer



Hiroshi Suzuki
Executive Officer
Head of Compliance & Governance
Unit



Toru Takahashi
Senior Managing Executive Officer
Chief Technology Officer (CTO)



Hideto Oomi
Representative Director and
President
Chief Executive Officer (CEO)



Chiharu Hirota
Executive Officer
Head of Human Resources Unit



Masaki Onuma
Senior Managing Executive Officer
Chief Risk Officer (CRO)



Masayoshi Ohara
Representative Director and
Deputy President
Executive Officer



Takashi Hagio
Executive Officer
Head of Corporate Strategy Unit and in
charge of Office of Corporate Secretary



Kosuke Takai
Executive Officer
Chief Credit Risk Officer (CCRO)



Takashi Kato
Director and Senior
Managing Executive Officer
Chief Financial Officer (CFO)



Mayumi Takada
Executive Officer
In charge of Sustainability Management
Deputy Chief Financial Officer



Yukiko Morita
Executive Officer
Head of Operations Group

Institutional Banking Group

Jun Shinozaki
Managing Executive Officer
Head of Corporate Business Group



Kazuhiro Yasuda
Managing Executive Officer
Head of Corporate Banking Group



Hiroshi Kaneko
Executive Officer
Deputy Head of Corporate Banking Group



Shu Takahashi
Executive Officer
Head of M&A Advisory Group

Structured Finance Group

Hiroki Nakazato
Managing Executive Officer
Head of Acquisition & Structured Finance Group
Head of Environment Business Group



Kimiaki Satou
Executive Officer
Head of Special Situations Group



Kouji Igarashi
Executive Officer
Head of Real Estate Finance Group

International Business Group

Mitsuhiro Segawa
Executive Officer
Head of International Business Group

Customer Relations Group

Naoko Tanaka
Executive Officer
Head of Allied Banking Group



Jun Nakashima
Executive Officer
Head of Retail Banking Group

Market Group

Tetsuji Okuda
Managing Executive Officer
Head of Financial Markets Group

Management Support and Efforts for Regional Economic Revitalization

Aozora Bank has been making various efforts to fully leverage the Group's competencies and effectively uses a high degree of expertise and abundant know-how in order to solve management issues faced by its customers, including SMEs, and to revitalize local communities.

Specifically, in three phases, "Fostering," "Change" and "Recovery," where the Group plans to leverage its strengths, Aozora actively works on the following initiatives ① through ④ in cooperation with regional financial institutions:

① Support for nurturing start-up companies ("Fostering")

To support the growth of our promising startups, we have established "Startup Ecosystem Support Framework" that offers one-stop support services to serve customer needs at each growth stage including investments and loans for startups by Aozora Corporate Investment Co., Ltd., while GMO Aozora Net Bank, Ltd. provides a range of services that closely match the needs of its corporate customers in the startup phase.

② Provide solutions for business succession issues ("Change")

For business succession issues, Aozora placed "Solution Management Office" aimed to provide our customers, who are SME owners, with professional consulting services and meets various needs. We continue to fully leverage Aozora Group's competencies represented by "ABN Advisors, Co., Ltd." registered as an M&A support institution of Small and Medium Enterprise Agency and "AJ Capital Co., Ltd." running business succession funds in order to provide various solutions to customers and address business succession issues faced by SMEs and revitalization of local economies also in cooperation with regional financial institutions and local companies across Japan.

③ Promotion of business recovery support ("Recovery")

We promote support for management improvement and business recovery based on customers' reality by providing our consulting function through utilizing our specialty in tailor-made sales activities. Further, Aozora provides support for business recovery of customers including SMEs by providing loans, DIP finance or borrowing recognizable as capital to a customer having filed for civil rehabilitation proceedings in the past to repay the rehabilitation loan in a lump sum. Additionally, Aozora intends to contribute to the business recovery of SME customers and the regional economic revitalization through establishing and operating business recovery funds in collaboration with regional financial institutions also in the future.

④ Solutions for issues of regional financial institutions

Aozora assists regional financial institutions and their clients in solving sophisticated and diversified issues faced by them by leveraging the various financial service functions it has developed over the years as a regional finance partner bank. Aozora has formed alliances with several regional financial institutions to provide solutions to their clients, building also a cooperative relationship toward business solutions for regional core companies and SMEs. Aozora intends to continuously contribute to the regional revitalization and the development of local economies and industries through working closely with more regional financial institutions to provide solutions that leverage the Bank's expertise and product development capabilities specifically focused on the business challenges faced by their customers.

Furthermore, in accordance with its "Basic Policies for Facilitation of Financing," recognizing that providing smooth financing for customers is one of the most important roles of financial institutions, Aozora has prepared to respond appropriately to consultations from customers affected by the recent price hikes, overseas situations, labor shortages, and other factors.

Compliance

Insider Trading Prevention

To prevent insider trading by officers and employees, Aozora Group has defined a procedure to manage insider information learned in the course of duty in its Internal Rules and strictly manages such information. In addition, all officers and employees including those of Group Companies pledge every year to comply with Internal Rules on insider trading prevention.

Customer Protection Management

Aozora Bank continuously reviews and improves its operations in order to respect customer's intension, to protect customers' assets and information held at the Bank, and to improve customer's convenience.

The Board of Directors appoints the Director in charge of customer protection management, who supervises customer protection management in general. The Head of Compliance and Governance Unit supervises customer explanation management, customer information management, customer support management, outsourcing management and conflict of interest management, as Head of Supervisors.

As for customer information management, Aozora Group believes it is an important business responsibility to appropriately manage customer information based on Need to Know Principle and to stably operate the information systems designed to provide reliable financial services to our customers. In light of these responsibilities, we have developed Internal Rules (Security Policy), which determine the basic policy and organizational structure regarding the protection of all information assets held by the Group.

In addition, Aozora has developed its Privacy Policy and Basic Policy, which determines the basic concept and policy to safely manage personal information and data acquired and held by Aozora, and prevent unauthorized access causing damage, falsification and leakage of customer information, and has disclosed them at sales branches and on the website.

With respect to customer support management, the Bank has determined basic policies on receiving customer's voice, including complaints, and responding to them, and processes keeping records and managing reports/responses. We ensure prompt and attentive responses to customer's voice, including complaints, and precise reporting to the management. As to customers' inquiries, contacts for advice, requests and complaints that business branches, Call Center and the Customer Service Office receive, the Bank makes the best efforts to properly respond to them so that customers are satisfied. We identify and analyze backgrounds or causes of customer's voice.

The status of customer protection management is verified and deliberated by the Customer Protection Committee, and the results are reported to the Management Committee, the Audit and Compliance Committee, and the Board of Directors.

To timely respond to customers' complaints and solve disputes with them, the Bank offers information on ADR institutions, such as the Japanese Bankers Association (JBA), Trust Companies Association of Japan and the Financial Instruments Mediation Assistance Center (FINMAC), to customers.

The Bank has concluded a contract with the following ADR institutions:

Japanese Bankers Association (Designated Dispute Resolution Organization for Banking Services)

Contact : JBA Consultation Desk

(Tel : 0570-017109 or 03-5252-3772)

Trust Companies Association of Japan

Contact : Trust Counseling Center

(Tel : 0120-817335 or 03-6206-3988)

Tax Compliance

The Aozora Group recognizes that complying with tax laws and properly paying tax liabilities in all countries where it conducts business are part of our social responsibilities as a business entity. As such, we have developed the "Aozora Bank Group Tax Compliance Policy", as a way to raise awareness of tax compliance among the Group's officers and employees.

Human Resources Strategy

Aozora Group's Career Development Support Programs

<Framework/Program>

Area	Contents
Job rotation for junior employees	Program to have junior employees to do various jobs at three divisions during the first eight years, so that they can use experiences for career development and establish internal network.
Communication Forum	Online forum where employees in Japan can develop closer communication and stronger teamwork. FY2023 Forum handled Aozora Mission, Vision and Action to deepen employees' understanding on Aozora management philosophy.
Short-term Internal Trainee Program	Intensive program that allows employees to learn unexperienced businesses in other divisions for short periods.
Job-posting Program	Internal job-posting program that supports employees in realizing their career aspirations. Approximately 70 positions are posted a year.
Career Course Conversion	Program that allows Global Sogo-shoku, Regional Sogo-shoku and IT-shoku to change their career track.
Job Support Program	Career development system where employees can temporarily take on new job responsibilities in their preferred division while staying in the current position.
Mushashugyo-master Program	Program that dispatches junior or mid-level employees to outside entities to enhance their creativity and expertise.
Real Estate Appraiser Program	Program that allows employees to work at Appraisal Division while studying to acquire Real Estate Appraiser qualification. The Bank pays all fees for school, exam and intern training.
Overseas Trainee Program	Global talent development program that dispatches young or mid-level employees to work at Aozora's overseas offices for two years.
Grad School Dispatch	Program to foster core talents to the management by dispatching employees who are expected to be able to develop strategies to grad schools. The Bank pays school fees. We also offer Executive MBA program for general managers and managers.
Talent development for Aozora's Strategic Investments Business	Program that nurture core personnel to promote engagement investment in our Aozora's Strategic Investment Business, a key area. The program is implemented in collaboration with external specialists.
Digital talents development program	Program provides all employees with opportunities to improve their DX literacy. It aims to cultivate talents who can effectively use information and data in business, offering practical AI programs and other options.
English proficiency enhancement program	Global talent development program through support for English conversation lessons.
Skill-building support initiatives	Financial support to encourage employees to acquire any of 60 qualifications useful for banking business. Financial support of up to 70,000 yen per year is offered when employees complete self-development programs.
Support for secondary employment	The Bank lifted restrictions on secondary employment (only when self-employed or serving as external companies' officer) and created Second Employment Guidelines in FY2020.
The Alumni Network	The Alumni Network, a system for hiring former employees who have contributed to the Aozora Bank Group, was introduced in April 2024. This system strengthens our recruitment capabilities and fosters long-term relationships.
Referral Recruitment Incentive	The referral hiring allowance was newly established in April 2024 to enhance hiring through personal and friend referrals, strengthening the recruitment of specialized personnel.
The career consultation desk	The career consultation desk, which was established in October 2023, is available for anyone to use at any time. Certified career consultants provide career advice according to the wishes of the employees.

<Training>

Area	Contents
Junior Employees Training	Basic training for junior employees during their first three years.
OJT Support	OJT Trainers training, Followers training.
Business Stance Training	The training aimed at improving the skill set necessary to excel in the Aozora Group, focusing on cultivating a business stance for new employees. Introduced from the fiscal year 2024.
Women Leaders Development Training	Program aimed at potential female managers. It is designed to help them re-recognize the roles and expectations of female leaders and acquire essential skills as leaders.
Management capability building	New Managers Training, New GMs Training, Managers Training (360 degree feedback, coaching).
Career Ownership Program	Training that urges employees aged around 50 to proactively think their career and to design their life plan.
Proactive Career Training	Training to urge employees, whose jobs and roles were greatly changes at the age of 55, to have proactive mindset for self-growth. It was introduced in FY2022.
Aozora University	Internal and external specialists give specialized lectures on a wide range of topics, including investment banking business, business recovery support, DX and SGDs. In FY2022, Takumi-mastery project started.
Training/Seminar Platform	System to solely manage training and seminars sponsored by Business Groups in order to promote sharing of knowledge and skills Bank-wide.

Programs for better working environment

Program	Overview
"4 day on 3 day off" Work Program	System that allows employees aged 55 or over to select one more off day. It was introduced in April 2022.
Flextime Program	System that allows employees to alter their start and finish times as long as they achieve a certain number of hours-worked per month.
Work from Home and Mobile Work Program	System that allows employees to work outside of the office based on their personal work style,introduces in April 2017.The hybrid work model, combining remote and office work, has become established since the COVID-19 pandemic.
Staggered Work Hours Program	System that allows employees to alter their workday start and finish times in order to avoid rush-hour commutes while maintaining their regular number of daily hours-worked.
Short Time Work Program	Program that shortens working hours of employees who are pregnant or need to provide child or nursing care.The introduction for employees aged 55 and over: Implemented from April 2022.
Exemption of Overtime, Late-night, and Holiday Work	Program that allows exemption of overtime, late-night and holiday work for employees who are pregnant, within one year of giving birth, on maternity leave, or need to provide nursing care.
Maternity Leave Program	Leave granted 6 weeks prior and 8 weeks after giving birth.
Childcare Leave Program	Leave granted when an employee's child is under 1 and half years old, or until the end of April past the child's first birthday.
Postnatal Paternity Leave System	System that was introduced in response to the revised Child Care and Family Care Leave Law, with unique elements added by our bank. It allows for up to four weeks of paid leave and temporary employment during leave, accommodating flexible work styles. To increase the rate of paternity leave taken by men, we will require male employees eligible from fiscal 2024 to take at least five days a year.
Child Nursing Care Leave	5 days of leave granted per year, or 10 days in the case of more than one child, for use when their pre-elementary school age child is sick or injured.
Nursing care "Kyuka" leave	Leave granted when an employee must provide nursing care to family members. 10 days per year, or 20 days in the case of more than one family member.
Nursing Care "Kyugyou" Leave Program	Leave granted when an employee must provide daily nursing care to family members. 365 days in total, possible to divide this leave into up to 12 parts if necessary.
Carrer Support Leave	A long-term leave system for studying abroad or attending graduate school to improve one's skills, accompanying a spouse's job transfer or Infertility treatment etc.

Risk Management

Risk Definition

The Aozora Group defines “risks” as factors that could cause it to suffer unexpected losses in the course of its operations

and impair its capital position, and classifies and defines those “risks” according to their different risk attributes as follows:

Credit Risk	Credit Risk is defined as the risk of incurring losses due to the impairment or loss of asset values (including off-balance-sheet assets) as a result of deterioration in the credit standing of counterparties (including the government of a country or region).
Market Risk	Market Risk refers to the risk of incurring losses due to fluctuations in the value of the Group's assets and liabilities caused by market movements.
Liquidity Risk	<p>Liquidity Risk refers to the risk of becoming insolvent due to a failure to ensure sufficient asset liquidity to meet liabilities or an unexpected outflow of funds as well as the risk of incurring losses due to a significant rise in funding costs on liabilities (Funding Liquidity Risk).</p> <p>The other type of Liquidity Risk is the risk of incurring losses that result from not being able to engage in market transactions mainly due to market turbulence or thin trading volumes as well as from being forced to transact at extremely unfavorable prices ('market liquidity risk').</p>
Operational Risk	Operational Risk refers to the risk of loss arising from inappropriate or failed internal business processes, activities of directors, officers and employees, or systems, or from external events.
Operations Risk	Operations Risk is the risk of the Group's incurring loss from the neglect by officers, employees (hereinafter called “officers or employees”) to properly conduct administrative work due to human errors or processing failures and from the accidents caused by them.
System Risk	System Risk is the risk that the Group may incur a loss due to inadequate systems, etc., including the breakdown or malfunction of the Group's or external computer systems, or due to the improper use of computer systems by its directors, officers and employees, or third parties (including system risk to address cybersecurity threats).
Compliance Risk	Compliance Risk refers to the risk that the Group may incur a loss as legal responsibilities or social reputation are harmed by directors, officers and employees engaging in activities or actions in violation of compliance, whether business or personal (including penalty risk and litigation risk).
Legal Risk	Legal Risk, pertaining to the business activities of the Group, refers to the risk that expected profit cannot be acquired or unexpected loss is incurred due to such factors as the non-existence of a fact, and inadequate evidence or legal grounds, as to the matters that have been judged or should be judged for such activities as well as the matters used as the bases for judgment.
Human Risk	<p>Human Risk is the risk of losses caused by claims for damages against the Group, etc., arising from labor disputes over matters such as remuneration, benefits or dismissal relating to Human Risk management.</p> <p>It refers to the risk of losing profit-earning opportunities as the Group cannot formulate its strategies or achieve sustainable growth due to the shortage or drain of personnel who can deal with the changes in the business environment or those with the skill sets necessary for the Bank's focused business areas.</p>
Tangible Asset Risk	Tangible Asset Risk is the risk of the Group's incurring loss from the retirement of fixed assets or from the failure to capitalize assets caused by external factors such as acts of nature/third parties and human errors by officers and employees.
Reputation Risk	Reputation Risk refers to the risk of the Group incurring losses due to the inadequate handling by the Group or its officers/employees, risk events that have materialized in connection with business operations, rumors that are not based on facts, or the deterioration of the Group's reputation, etc.
Crisis & Disaster Risk	Crisis & Disaster Risk refers to the risk that a loss is incurred by the occurrence of an event where disaster damages such as natural disasters, material systems failures, cyber-attacks, terrorism and armed attacks have a serious impact on the Group's business operations in part or in whole, and require cross-sectional response.

Comprehensive Risk Management

The Aozora Group establishes the business plans based on the resolutions of the Board of Directors. In the business plans, a risk capital allocation is determined in view of risk management targets, the Bank's financial strength including capital and profit targets to be achieved. Risk management operations are conducted by committees including the Management Committee, the Asset and Liability Committee, the Integrated Risk Committee, the Credit Committee and the Investment Committee to which the Board of Directors delegated its authority as the core components of the Group's risk management. In addition, the Board of Directors is committed to ensuring appropriate corporate governance by approving material decisions of subcommittees and receiving reports on risk management.

Acknowledging the importance of risk management, the Group has set a basic policy that will strive to generate sustained and steady returns through the efficient control and use of managerial resources, including capital, balance sheets, and other resources, as well as sound risk-taking, thereby enhancing its capital and achieving corporate growth, with a view to realizing our management philosophy: "Contribute to the development of society through the creation of new value-added financial services." Under the basic policy, the Group has established a framework designed to properly identify and control individual and aggregate risks. In addition, for the comprehensive risk management, the Group has set out the scope of target risk categories such as credit risk, market risk and operational risk, and their definitions and the methods of identifying and assessing as well as monitoring and controlling the target risks. Accordingly, disciplined business operations are implemented.

Capital Management System

One of the most important challenges for the Aozora Group is increasing capital efficiency while securing financial soundness. Therefore, the establishment of an appropriate capital management system and the improvement in return on capital is one of our top priorities. Capital management comprises risk capital management and regulatory capital management. Risk capital management aims for internal management, and is the process to verify that the Bank's business size is controlled by allocating capital to individual business groups according to their characteristics and risk categories after setting certain limits on the total amount of capital from the perspective of maintaining the financial soundness of the Bank, and that adequate capital corresponding to the risk the Bank faces is secured on a sustained basis. Regulatory capital management is the process to verify whether capital is at an adequate level in

view of the securing of the minimum required capital for regulatory capital purposes and target capital ratios.

<Internal Capital Adequacy and Assessment Process>

An internal capital adequacy and assessment process is in place to ensure the adequacy of capital reserves against risk by monitoring the total capital amount for the fiscal year and the actual risk profile.

The Group assesses its internal capital adequacy by periodically monitoring the risk capital and the risk capital usage through a comparison with capital for the year and also by conducting stress tests to estimate the Bank's potential losses, risk and possible capital requirements in the event that economic and market environments, the conditions for assessments of credit risk, market risk, operational risk, etc., undergo stressed conditions. The Bank estimates risk capital for major risks, i.e., credit, market and operational risks, using the following methodologies.

Our approach for measuring the risk capital of credit risk is based on the concept of unexpected loss (credit value at risk). First, we estimate probability of default (PD) rates by internal rating category, nonrecovery rates of loss given default (LGD) by collateral type and default correlations, and then calculate credit value at risk with a confidence interval of 99.9%, and a one-year holding period. The calculated credit value at risk corresponds to risk capital.

We employ the VaR approach for the measurement of risk capital for market risk. Risk capital is estimated with a confidence level of 99.9% and the holding period depends on the business characteristics and liquidity of the asset. Risk capital for operational risk is based on the regulatory capital approach (Standardized Measurement Approach: the measurement approach using the Bank's business size and historical operational risk losses, etc.).

Risk Management

<Risk Capital Allocation>

Risk capital is allocated to business groups according to their risk tolerance and expected income with the goal of improving the financial soundness, profitability and efficiency of the Bank as a whole. The Board of Directors initially determines the capital that will not be allocated to individual business groups (unallocated capital) in view of the amount of capital required for continued business growth and future capital policies, and subsequently allocates capital to individual business groups up to the amount of capital remaining after subtraction of unallocated capital. In addition, for individual business groups, capital for credit risk, market risk and operational risk is allocated in line with the management and business strategies. Individual business groups are responsible for conducting operations within their risk capital allocation, and capital usage is reported approximately monthly to senior management.

Credit Risk Management

Credit risk is the risk of incurring losses due to the impairment or loss of asset value, including off-balance sheet assets, as a result of deterioration in the credit standing of counterparties (including the government of a country or region). The Aozora Bank is committed to maintaining the soundness of the Bank's assets by making efforts to control loss in the event of the materialization of credit risk within the acceptable range through the accurate identification of credit risk, its measurement and appropriate risk-based pricing, while providing value-added financial solutions to our clients.

(1) Credit Risk Management System

Our approach to managing credit risk is both at the transaction level and at the portfolio level. The Bank maintains a sound asset portfolio for the Group through strict credit screening and ex post facto management of transactions including the predictive control of our clients, as well as a focus on eliminating credit risk concentration at the portfolio level.

Approval Authority for investment and loan transactions resides with the Credit Committee or Investment Committee, whose members include Representative Directors, Chief Risk Officer and Chief Credit Risk Officer, and deliberations for investment and loan transactions are made at the respective Committees.

The Credit Committee and Investment Committee delegate part of Approval Authority to Chief Credit Risk Officer, who, in turn, re-delegates the authority delegated by the respective Committees to individuals in Credit Divisions or Business Divisions, within certain

limits.

The Group's credit portfolio is carefully monitored and reported to the Board of Directors and the Management Committee on a regular basis.

(2) Credit Rating System

Credit ratings are subject to review on a regular basis based on the updated financial results of our clients and, where appropriate, when changes are identified in the quality of their credit.

Business unit analysts recommend a rating at the inception of a credit relationship, and these recommendations are approved by our credit divisions.

The Asset Assessment Division has the authority to perform ratings examinations and to make necessary amendments.

The Bank examines its credit rating system through benchmarking (comparative verification of our ratings with those assigned by rating agencies) and back testing (assessment of significance of the credit rating system based on past default).

<Obligor Rating>

Ratings for each borrower are assigned based on the probability of default. The rating is determined after passing through the process of a quantitative and qualitative evaluation of each borrower.

<Facility Rating>

Each credit transaction also receives facility ratings, which consider collectability with collateral and/or guarantee, and a tenor of credit facility, so that the Bank is able to assess their risk/return profile and quantify credit risks. We recognize the credit risk mitigation effect of collateral while taking into consideration the level of correlation between deterioration of credit and collateral values. In addition, we assign credit ratings to guarantors to recognize the credit risk mitigation effect.

<Expected Loss Grade>

An expected loss grade is assigned to transactions, such as non-recourse real estate loans, securitization of monetary claims and structured bonds in senior/junior tranches, by ranking the occurrence of loss.

<Utilization of Credit Ratings>

Credit ratings are an integral component of the approval system for credit assessment, interest rate spread, etc. Ratings are also used to conduct self-assessment and are employed as benchmarks to quantify credit risks.

(3) Quantification of Credit Risk

Our understanding of the credit risk exposure of our clients and their groups is the starting point for credit risk management. We centrally manage all assets with credit risk such as loans, securities, equities, funds, securitized transactions and off-balance-sheet transactions (including commitment lines, derivative transactions, etc.). With regard to counterparty risk for derivative transactions, we take the market value at the time of measurement and market value fluctuation risk in the future as the exposure, and manage this by setting a credit line (credit limit) for the relevant counterparty.

In our portfolio management, unexpected loss is calculated and analyzed on a monthly basis, and the comparisons between the derived unexpected loss and allocated capital are regularly reported to the Board of Directors and Management Committee. The Bank's internal model employs a holding period of one year and a confidence interval of 99.9%. Unexpected loss is measured using parameters such as PD, LGD, intra-sector correlation, inter-sector correlation and parent/subsidiary correlation of the borrower group.

(4) Credit Portfolio Management

We seek management of our credit portfolio with an emphasis on adequate risk/return, based on credit rating, etc.

For concentration risk, we manage this by setting guidelines on exposure by country/region or by the rating of borrowers. For example, concentration risk is managed by establishing credit limits for respective credit ratings, and then establishing additional concentration limits or guideline on the portfolio related to real estate risks. For status on the credit portfolio and those sectors to which we have a particularly large credit exposure, we provide the Bank's senior management with reports on a regular basis.

Market Risk Management

Market risk is the risk of incurring losses due to fluctuations in the value of the Aozora Group's assets and liabilities caused by market movements. The Bank performs a comprehensive analysis of the market risk affecting all assets, liabilities and off-balance-sheet transactions for its trading and banking businesses. We manage market risk appropriately through the documentation of our management of products, risk management methods and market price valuation methods.

(1) Procedures for Market Risk Management

The Board of Directors and Management Committee allocate capital for market risk to the entire Group and respective front-office business groups and units, and set risk and loss limits, etc., based on the allocated capital. The status of usage of and compliance with these risk and loss limits, and the risk control status including the confirmation of risk reduction methods or the effectiveness of hedging, are centrally monitored by Risk Management Division, which is independent from front-office units in terms of organization and human resources. The Division directly reports the status to Chief Risk Officer and Executive Officers in charge of front-office units on a daily basis, and regularly reports the status to the Board of Directors, Management Committee, and Asset and Liability Committee.

(2) Overview of Market Risk Measurement Methods

The Bank uses VaR to quantify the market risk for the trading and banking businesses and as a basis for setting market risk limits and for monitoring risk. VaR is a statistical measure of estimated maximum losses that could arise for a defined period at a given confidence interval, and serves as a common standard of measurement for estimating maximum losses that could arise as a result of fluctuations in risk factors such as interest rates of various countries, stock prices and exchange rates. The Bank calculates VaR using the historical simulation method.

Risk Management

» Market risk for the entire bank

1. The Value at Risk (VaR) number at term-end

(100 Millions of Yen)

March 31, 2023					
	Interest rate	Equity	Forex	Others	Total
Trading	10	15	2	0	27
Banking	35	52	6	13	117
Total	45	68	9	14	145

Notes: 1. "Others" includes hedge funds and credit derivatives, etc.

2. The above figures are based on a holding period in accordance with each business and product (a period of 10, 20 and 60 days respectively) and a 99% confidence level.

3. The figures for total VaR do not represent the sum of individual components, due to correlations.

(100 Millions of Yen)

March 31, 2024					
	Interest rate	Equity	Forex	Others	Total
Trading	14	3	5	0	21
Banking	36	13	9	12	51
Total	51	17	14	12	72

2. The highest, lowest and average VaR number during the disclosure period

(100 Millions of Yen)

March 31, 2023				
	Average	Maximum	Minimum	As of March 31, 2023
Trading	34	50	26	27
Banking	231	446	112	117

(100 Millions of Yen)

March 31, 2024				
	Average	Maximum	Minimum	As of March 31, 2024
Trading	23	32	17	21
Banking	107	141	51	51

3. The stressed Value at Risk (stressed VaR) number at term-end and the highest, lowest and average stressed VaR number during the disclosure period

(100 Millions of Yen)

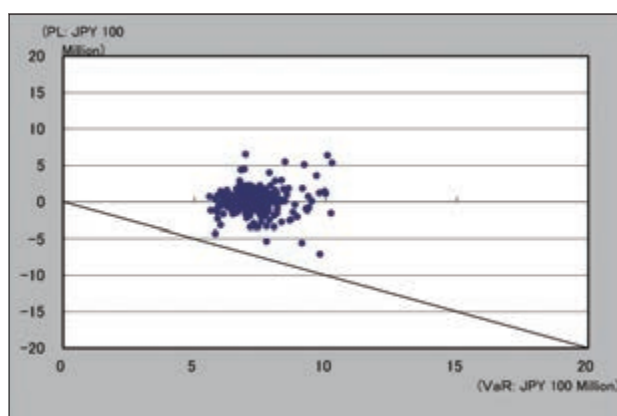
March 31, 2023			
Average	Maximum	Minimum	As of March 31, 2023
79	136	50	101

(100 Millions of Yen)

March 31, 2024			
Average	Maximum	Minimum	As of March 31, 2024
57	109	35	42

(3) Back Testing

The Bank verifies the reliability of its VaR through back testing that compares VaR calculated by using a one-day holding period and daily profits/losses. The following graph represents the results of back testing for VaR in connection with trading business operations over 244 business days from April 1, 2023 through March 31, 2024. As a result of the back testing, the daily losses did not exceed daily VaR. This result supports the reliability of the Bank's VaR.



(4) Stress Testing

To complement VaR, the Bank regularly conducts stress tests to assess the potential impact of volatile market movements that could exceed statistical estimates. The Bank sets stress scenarios that simulate the impact of the largest fluctuations in market risk factors equivalent to past market turbulence, including those in interest rates, stock prices and foreign exchange rates, on the Bank's current positions, and market situations that influence the slope of the yield curves. The anticipated amount of loss in such hypothetical circumstances is reported to the Asset and Liability Committee.

(5) Risk-weighted Assets and Capital Requirement for Market Risk

The Bank classifies the trades with the purpose of gaining profits by controlling risks arising from short-term price fluctuations in the markets, including derivative sales or trading operations, into the trading book. Among the financial instruments classified into the trading book in FSA's Ministerial Public Notice, we classify those held for the purposes other than trading into the banking book by reporting them to the FSA in advance. For foreign exchange risk associated with the instruments classified into the trading book and the banking book, the amounts of risk-weighted assets for

market risk (derived by dividing the total of market risk equivalent amounts by 8%) and capital requirement for market risk are calculated.

Transfers of positions between the banking and trading books are not implemented. Also, the transactions for the purpose of hedging the market risk of banking book positions and financing /investment transactions are carried out through internal transactions with Internal Risk Transfer Desk set up within a trading desk. In the calculation of the capital adequacy ratio as of March 31, 2023 and March 31, 2024, the regulatory capital for market risk and its breakdown are as follows:

(Millions of Yen)

	March 31, 2023			
	Risk-weighted Asset		Capital Requirement	
	Consolidated	Non-Consolidated	Consolidated	Non-Consolidated
Market Risk	478,496	477,916	19,139	19,116
Of which, Internal Model Approach	448,252	448,252	17,930	17,930
Of which, Standardised Approach	30,242	29,662	1,209	1,186
Interest Rate Risk	12,846	12,826	513	513
Equity Risk	3,723	3,661	148	146
Foreign Exchange Risk	504	6	20	0
Commodities Risk	13,169	13,169	526	526
Option Transactions	–	–	–	–

(Millions of Yen)

	March 31, 2024			
	Risk-weighted Asset		Capital Requirement	
	Consolidated	Non-Consolidated	Consolidated	Non-Consolidated
Market Risk	238,982	238,105	9,559	9,524
Of which, the portion to which the Standardised Approach is applied	238,105	238,105	9,524	9,524
General Interest Rate Risk	136,079	136,079	5,443	5,443
Equity Risk	33,953	33,953	1,358	1,358
Commodities Risk	0	0	0	0
Foreign Exchange Risk	37,453	37,453	1,498	1,498
Credit Spread Risk (Non-securitisations)	6,971	6,971	279	279
Credit Spread Risk (Non-securitisations (non-CTP))	–	–	–	–
Credit Spread Risk (Non-securitisations (CTP))	–	–	–	–
Default Risk (Non-securitisations)	1,973	1,973	79	79
Default risk (Non-securitisations (non-CTP))	–	–	–	–
Default risk (Non-securitisations (CTP))	–	–	–	–
Residual Risk Add-on	21,676	21,676	867	867
Others	–	–	–	–
Of which, the portion to which Internal Model Approach is applied	–	–	–	–
Of which, the portion to which Simplified Approach is applied	876	–	35	–
Amount of interest rate risk (general market risk and individual risks)	–	–	–	–
Amount of equity risk (general market risk and individual risks)	–	–	–	–
Amount of commodities risk	–	–	–	–
Amount of foreign exchange risk	876	–	35	–
Amount of individual risks associated with securitisation exposures	–	–	–	–

Note: The calculation method has been changed based on the FSA's revised Ministerial Public Notice following the application of the finalized Basel III regulations.

Risk Management

(6) Market Liquidity Risk Management

Market liquidity risk is the risk of incurring losses that result from not being able to engage in market transactions mainly due to market turbulence or thin trading volumes as well as from being forced to transact at extremely unfavorable prices. The Risk Management Division monitors the Bank's position relative to market size to ensure that the position does not become excessive.

(7) Funding Liquidity Risk Management

Liquidity Risk refers to the risk of becoming insolvent due to a failure to ensure sufficient asset liquidity to meet liabilities or an unexpected outflow of funds as well as the risk of incurring losses due to a significant rise in funding costs on liabilities. The Financial Management Division centrally monitors the funding liquidity risk of yen- and foreign currency denominated funds and ensures that the Bank's funding capabilities are sufficient to meet its contractual obligations by holding sufficient cash on hand and a sufficient level of securities with high liquidity. The Board of Directors and Asset and Liability Committee approve the Sources and Uses Plan on a monthly and annual basis. The Financial Management Division reports the liquidity status directly to the Bank's senior management on a daily basis. Additionally, as a precaution against liquidity risk, we conduct simulations assuming scenarios where our funding is hindered, confirming the availability of sufficient cash on hand and collateral necessary for settlements to maintain our asset size, and conducting training to review the steps for response measures.

Operational Risk Management

Operational Risk refers to the risk of loss arising from inappropriate or failed internal business processes, activities of directors, officers and employees, or systems, or from external events. The Aozora Bank fully recognizes the importance of operational risk management and appropriately manages the risk in compliance with the risk management policies approved by the Board of Directors. The risk management policies set forth the comprehensive management policies for operational risk as well as the management policies for operations risk, system risk, compliance risk, legal risk, human risk, tangible asset risk, reputation risk and crisis & disaster risk that comprise operational risk. The Bank has established dedicated organizational units tasked with the management of respective risks, and Risk Management Division, as a unit tasked with the centralized control of operational risk, is engaged in the comprehensive control of the Group's operational risk.

(1) Comprehensive Management of Operational Risk

The Bank manages operations risk, system risk and other operational risks comprehensively. In the management of operational risk, in addition to actual loss events, potential loss events that may occur in the future need to be managed. The Bank manages operational risks primarily through the monitoring of materialized loss incidents and assessment of risks.

Actual loss events arising from operation errors, compliance violations, system troubles, disasters or accidents, damage to tangible assets, and external fraudulent acts, etc., are monitored by each risk management unit. These loss events are centrally reported and managed by the system, analyzed appropriately, and addressed through responsive measures. Any significant loss events are individually reported to the management. Potential loss events are identified and assessed through risk control self-assessment (RCSA). RCSA is a bottom-up assessment approach in which all business units identify and assess by themselves the material risks faced by the respective units and their management systems. Through RCSA, the Bank's business operation system is checked and reviewed on an ongoing basis. As to operational risk, required capital is secured in view of regulatory capital. Operational risk will change in accordance with factors such as the Group's commitment to a new business and changes in the external environment. The Bank strives to maintain the appropriate management system that is able to handle such changes while utilizing the information on external loss incidents.

(2) Securing operational resilience

In order to secure operational resilience, the Bank selects 37 operations in five categories as priority operations by considering impact on the financial system and customers, and sets RLO (recovery level objective) and RTO (recovery time objective) as indices so that we can deliver a minimum resilience level of the priority operations.

For implementation of the priority operations, the Bank has made efforts to secure internal and external management resources by promoting various actions, such as securing organizations and human resource and facilitating system redundancy. We have comprehensively implemented risk management for system failures and cyber security incidents that affect not only the Bank but also vendors (third parties).

We continue to keep our operational resilience framework effective by regular verification and review.

(3) Operations Risk Management

Aozora Bank has documented operations risk management policy and rules. The Compliance Management Division, which is independent of business divisions, supervises operations risks and takes the initiative in implementing necessary measures in close cooperation with the Process Innovation Division. It aims to enhance routine procedures on a bank-wide-basis by documenting all administrative procedures in the form of manuals for each business operation as well as providing guidance and training on specific processes. It is also responsible for building an effective and stable administrative system by monitoring organizational structure. Further methods to more efficiently perform routine procedures and to improve business quality are being discussed and implemented to mitigate human error arising from administrative processes.

(4) System Risk Management

We believe that it is an important management issue to properly manage customer information and confidential information as well as stably operate the information system so that the provision of financial services is not confused due to system troubles such as information system breakdowns or malfunctions, and information leaks due to unauthorized access to our system.

In the Bank, in order to properly protect information assets and ensure stable operation of information systems, we have established the following system and are continuously implementing necessary measures.

In the internal regulations (security policy and system risk management policy), we designate the Chief Technology Officer (CTO) as the person in charge of control and management of overall information system security, and assign a data administrator, system administrator, and network administrator for each system, striving for protecting data, managing to prevent unauthorized use, and preventing the emergence of system risks.

As our efforts on enhancing information management, we set access rights to information systems to limit access to information to the minimum necessary. In addition, regarding the use of new external systems and services using the cloud, etc., we assess the security measures, access control and status of monitoring prior to the introduction, and regularly assess after the introduction as well. By regularly conducting trainings such as e-learning, we continuously educate officers and employees on the importance of information management.

For information systems and infrastructure, according to the importance, we take measures such as redundancy of computer equipment/lines, backup device installation, and obtaining a backup. For system implementation, change or migration, we provide adequate verification to prevent incidents, as well as maintain coordinated framework and schedule with sufficient time. In preparation for the event of an incident, we have established the IT-BCP and emergency contact system to promptly report to the business divisions and management, and have carried out trainings on system restoration and emergency contact.

In order to detect the occurrence of an incident at an early stage, we conduct provisional initial operational checks immediately after the start of services when updating them for customers. When these services are affected by system failures, our Operations Group, Technology Group, and other related divisions work closely to promptly disclose information while recognizing the importance of providing appropriate responses for customers in addition to working on early system recovery. We are committed to improving Aozora Bank's systems so as to provide appropriate guidance and responses to our customers.

(5) Crisis & Disaster Risk management

A part or the whole of the Aozora Group operations could be seriously affected by a large-scale natural disasters, such as earthquakes and typhoon, serious system failures, cyber-attacks, terrorism, armed attacks or pandemic. Anticipating these risk events, the Bank has maintained and strengthened its crisis management and the business continuity framework so as to minimize impact on financial system and secure operational resilience.

In normal times, we develop business continuity plans (BCP), which describe responses and business continuity processes, by assessing impact from the assumption that the infrastructure, systems and personnel for major operations are not available in crisis times. The Bank has conducted various drills and training sessions for officers and employees to more effectively implement crisis management.

Risk Management

When a crisis occurs, Command Center, consisting of the Bank President, Executive Officers, and General Managers of Crisis Management Division and other major divisions, is established to lead and supervise activities, such as information collection and restoration processes. The President is responsible for make decisions on implementation of the BCP and other actions as Head of the Command Center.

We have also developed a framework to implement primary operations in a back-up office in Kansai Branch if Yotsuya Head Office and Fuchu Annex cannot function because of an earthquake that directly hits Tokyo Metropolitan area.

The Bank analyzes potential reputation risk when planning new business and/or products, and the Corporate Communication Division makes efforts to identify and prevent the spread of adverse rumors that may occur through the daily monitoring of information sources such as the media. Officers and employees are obliged to report any reputational risk they detect to the Corporate Communication Division, which then reports to management as necessary.

(6) Other Operational Risk management

To manage operational risk comprehensively, the Bank also defines legal risk, compliance risk, human resource risk, tangible asset risk and reputation risk as operational risks. As for the legal risk and the compliance risk that may result in damages arising from illegal activities, the violation of internal rules, and issues such as lawsuits, the Legal Division and the Compliance Management Division monitor legal risks and compliance risks, respectively, in an integrated manner, conduct investigation and analysis, and implement measures to mitigate the occurrence or recurrence of incidents.

Regarding risk of shortages and losses of talents indispensable for implementation of business strategies and operations, we have mitigated it by strengthening sustainability of human capital. For example, we have improved working environment while recruiting or developing excellent talents.

Human risk may result in losses caused by labor disputes, etc. To mitigate such risk, the Human Resources Division appropriately operates the HR framework and takes actions based on monitoring results of human risk at each branch/division.

The tangible asset risk, which describes loss resulting from damage to fixed assets caused by external factors such as natural disasters or accidents, is mitigated by the Corporate Administration & Service Division through monitoring of the inventories and losses of tangible assets and implementing of disaster and crime-prevention measures.

Policies

- Code of Ethics and Conduct
- Aozora Bank Group Environmental Policy
- Aozora Bank Group Human Rights Policy
- Aozora Bank Group Social Contribution Activity Policy
- Investment and Lending Policies regarding Environmental & Societal Issues
- Aozora Bank Group Outsourcing Policy
- Aozora Bank Group Basic Policy on the Elimination of Anti-Social Elements
- Aozora Bank Group Basic Policy on Anti-Money Laundering
- Aozora Bank Group Basic Policy on Anti-bribery
- Aozora Bank Group Tax Compliance Policy
- “Basic Policy on Customer-Oriented Business Management” in the Aozora Bank Group

Aozora Bank Group Code of Ethics and Conduct

Preamble

The mission of the Aozora Bank Group as finance professionals is to contribute to the development of society through the creation of new value-added financial services and, through the contribution to the well-being of all of our stakeholders including customers, shareholders, society and our officers and employees, seek to achieve sustainable growth and the creation of mid- to long-term corporate value, with the vision of adapting to a rapidly changing world while remaining a trusted, valued and specialized financial service provider.

- We contribute to the development of society through the creation of new value-added financial services (Aozora Mission (Core Purpose)).
- We adapt to a rapidly changing world while remaining a trusted, valued and specialized financial service provider (Aozora Vision (Ideal State)).

Code of Conduct As a Company

1. The Bank's Public Mission

The Aozora Bank Group recognizes the public nature of banking operations, including fund settlement and intermediary functions that are indispensable for economic activities, and through sound business management, strives to gain the unwavering trust of all of our stakeholders including customers, shareholders, society and our staff.

- Recognizing our responsibility to support the financial infrastructure that is indispensable for maintaining society, we strive to establish a system to continue important operations without interruption even in the event of a disaster or cyberattack.
- In order to maintain and improve trust, our management takes the initiative in building corporate ethics and strives to permeate and establish it throughout the organization with various initiatives.
- After carefully assessing the economic, market, investment and lending targets and customer conditions, we appropriately exercise the financial intermediary function, which is the role of the financial industry, through sound risk taking.

2. Providing High-Quality Services that Meet Customers' Needs

The Aozora Bank Group strives to improve its expertise, and develops and provides products and services with high customer convenience and customer satisfaction that meet customers' needs and profits always from the customer's point of view, in order to contribute to sustainable development of our customers (Customer-Oriented Business Management).

- As an intermediary in the financial market, we always put the needs and interest of our customers first, and protect their rights from the customer's point of view by fully understanding their financial knowledge, experience, property, purpose, etc., and execute our duties with fairness and integrity.
- We improve the convenience of our customers by developing and providing sophisticated financial services that respond to changes in the social and economic environment and the diversification of customer needs, and at the same time, we provide support from financial aspect for efforts on sustainable growth of society and on resolving environmental and social issues.
- In the provision and transactions of individual financial services, we provide appropriate information not only on the benefits for customers but also on the risks and costs for customers according to their financial knowledge, experience and proficiency.
- We take customer consultations, opinions, requests and complaints seriously and respond to them in good faith.
- We strive to ensure fair and impartial business management by appropriately managing transactions performed in Aozora that may cause any conflicts of interest so as not to unduly harm the interests of our customers.

3. Legal Compliance

The Aozora Bank Group complies with all applicable laws and regulations in all businesses, conducts sensible corporate activities in conformity with social norms and common sense, and thoroughly eliminates fraudulent activities such as bribery, illegal political or other donations, illegal supply of profits, etc.

- In order to ensure the protection and fairness of investors, we correctly understand the laws and regulations and all rules related to financial instruments transactions and strictly comply with them, and at the same time, we respond even the parts not foreseeable by the laws and regulations in accordance with general social norms and ethical sense.
- In order to prevent insider trading by the officers and employees, we strictly manage insider information that the officers and employees have obtained in the course of duties.
- We establish and observe rules based on laws and regulations or others and implement safety management measures such as responding to systems, in order to safely manage customer information including personal information and prevent unauthorized access, unauthorized use, leakage, falsification, etc.
- We maintain appropriate business relationships with customers and normal relationships with civil services, and act so as not to violate the National Civil Service Ethics Code, etc., and not to be accused of crimes of bribery or breach of trust.
- We eliminate any act of abusing our superior position as a lender, such as concluding an unfair tie-in contract against the background of a business relationship with a customer, forcing the purchase of goods and services, and binding deposits that have not been officially acquired as collateral.

4. Communication with Society

We proactively, effectively and fairly disclose information of management or others, and strive to secure understanding and trust through constructive communications with a wide range of stakeholders surrounding the Aozora Bank Group.

- We strive to disclose information in a timely and appropriate manner, and act with awareness of our social mission to maintain and improve the soundness, reliability and transparency of the capital market.

5. Respect for Human Rights

The Aozora Bank Group understand and respect the dignity and human rights of everyone including customers and our officers and employees while eliminating any discrimination.

- We develop a corporate culture that respects human rights in each workplace by conducting such as in-house training for all officers and employees on the theme of human rights issues.
- We seek for respecting human rights through communications with customers, suppliers, outsourcees, etc., and take appropriate action when improvements are needed.

6. Improving the Working Environment for Officers and Employees

The Aozora Bank Group supports the sustainable growth of officers and employees, respects the diversity of them, and creates a comfortable working environment that takes into consideration health and safety free from improper handling and discrimination, so that they can fully demonstrate their abilities through work, and at the same time, provides fair employment management and treatment.

- Our officers and employees work, with a sense of unity, to create a workplace that supports the growth of colleagues while respecting the diverse ways of life, ways of thinking, and working styles of their colleagues

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- Our officers and employees respect each other's gender, personality, individuality, privacy, and different values, and work to create a workplace free of harassment such as sexual harassment and power harassment.
- We value work-life balance by striving to support officers and employees involved in childbirth, childcare, and nursing care, and work to create an efficient and comfortable workplace where each officer and employee can feel motivated to work and live.
- We work to maintain and improve the physical and mental health of all officers and employees and their families.

7. Responding to Environmental Problems

The Aozora Bank Group is actively committed to environmental problems. In addition to reducing the environmental burden of its business activities such as efficient use of its own resources and reduction of waste, we support, through providing financial services, customers' efforts to address environmental issues such as climate change.

- As a business operator, we work to reduce greenhouse gas emissions and power consumption, as well as reduce waste by recycling it.
- We support our customers in promoting the transition to a low-carbon and decarbonized society through project finance for renewable energy businesses such as solar power generation and wind power generation, and through sustainable finance such as sustainability linked loans.
- We establish the investment and loan policy that takes the environment and society into consideration, and for customers who engage in businesses that may have a negative impact on the environment, we strive to make improvements through communications with them. If there is no improvement, credit will be restricted or prohibited.

8. Contribution to Society

The Aozora Bank Group participates in society as a "good corporate citizen" and proactively engages in activities that contribute to its development.

- The Aozora Bank Group strives to improve the environment in terms of providing opportunities for social participation such as volunteer activities, introducing a support system for social participation and so on while respecting the self-motivation of individual officers and employees.

9. Blocking Relationships with Antisocial Forces, Preventing Financial Crimes

The Aozora Bank Group firmly confronts any antisocial forces that threaten social order and safety, and completely blocks relationships with them. In addition, we thoroughly prevent crimes related to deposit accounts and enhance measures against money laundering and terrorist financing.

- At the start of a continuous business relationship or when conducting a large cash transaction, we work to prevent money laundering and terrorist financing by way of thoroughly confirming personal identification items such as name and address as well as customer management items such as transaction purpose and occupation.
- We resolutely eliminate forces and groups engaged in antisocial activities, and block all relationships including transactions with them. We firmly confront all other violent or unjustified demands such as donations, membership fees, subscription to information magazines that may provide unreasonable supply of profits or funds.

- We collaborate with relevant authorities as well to establish a framework to prevent financial crimes such as fraud that abuses deposit accounts. In addition, we strive to improve the level of security such as Internet banking in order to ensure the security of deposits and other transactions, which is the basis of trust in banks and financial systems.

Behavior As Individuals

- The officers and employees of the Aozora Bank Group is always committed to practicing the "Aozora Action (Action Agenda)".
 1. Provide specialized and value-added financial services
 2. Move quickly, while responding patiently and politely
 3. Prioritize teamwork and provide a more comfortable working environment
 4. Respect one's colleagues and support professional growth of all team members
 5. Learn from the past while adapting to and focusing on the future
 6. Take smart risks in new areas based upon our skills and experience
 7. Actively contribute to the sustainable growth of society
- The officers and employees of the Aozora Bank Group always act placing priority on the best interests of customers and the Aozora Bank Group (even if the personal interests of the officers and employees conflict with the interests of customers or the Aozora Bank Group).
- The officers and employees of the Aozora Bank Group are fully aware that they are required to be socially and economically virtuous and sound due to the nature of their profession, understand that the following transactions are prohibited, and pledge not to breach such rules.
 - In personal investment behavior, trading of securities for the purpose of exclusively pursuing speculative profits or highly speculative trading such as margin trading and futures trading
 - Pursuing personal profits using information or others obtained in the course of duties
 - Private loaning between the officers or employees and external business partners such as customers and vendors. Private loaning between individuals of the officers and employees (excluding small amounts or temporary payment for someone else)
- The officers and employees of the Aozora Bank Group do not accept entertainment or gifts that exceed the socially acceptable range.
- The officers and employees of the Aozora Bank Group pay close attention to the management of information obtained in the course of duties, and properly manage information that shall be protected as confidential.
- The officers and employees of the Aozora Bank Group respect the human rights and different values of people inside and outside the company related to corporate activities, and do not discriminate on the basis of race, ethnicity, religion, nationality, social status, gender, age, sexual orientation, disability, etc.
- Aiming to "never do harassment or have someone do harassment in the workplace", the officers and employees of the Aozora Bank Group proactively and continuously work to maintain and improve the work environment as the own task of each and every one.
- The officers and employees of the Aozora Bank Group comply with laws and regulations and the Bank's rule, and if they recognize an act that violates them as well as any act that is suspected of deviating from general social norms, social common sense or ethical standards, they will respond in a timely and appropriate manner, such as reporting to seniors or headquarters without overlooking.

Aozora Bank Group Environmental Policy

1. Basic Philosophy

Mankind's economies and societies are dependent on the multiple benefits bestowed by nature and the Earth's ecological system. The Aozora Bank Group recognizes that the well-being of the environment is a critical issue facing the entire globe. The Aozora Bank Group works to reduce environmental burden as a business entity by complying with environmental laws, regulations and rules, and intends to actively contribute to the sustainable development of society mainly by raising awareness of various environmental issues and supporting initiatives to resolve them through its business activities.

2. Positioning of Environmental Policy

The Aozora Bank Group recognizes its environmental initiatives as a set of important business challenges. The "Aozora Bank Group Environmental Policy", which was established in line with our management philosophy, sets our policy on environmental initiatives based on the "Code of Ethics and Conduct" that all officers and employees across the Aozora Bank Group are required to comply with.

3. Initiatives to Resolve Environmental Issues through Business Activities

The Aozora Bank Group works to raise customers' environmental awareness and support borrowers and investees in addressing environmental issues, including their transition to a low-carbon and decarbonized society, by providing products and services that contribute to environmental solutions. As stated in our "Investment and Lending Policies regarding Environmental & Societal Issues" and other policies, we recognize the possibility that the business activities of borrowers and investees may have a negative impact on the environment, and strive to make improvements through dialogue with them. When no improvements can be made, we will work further to reduce negative environmental impacts mainly by restricting or prohibiting credit.

4. Reduction of Environmental Burden as a Business Entity

The Aozora Bank Group works on resource and energy saving, waste reduction, green procurement and other initiatives as a business entity. As stated in the "Aozora Bank Group Outsourcing Policy", we remain concerned about the negative environmental impact of suppliers' business activities mainly in relation to the purchase of goods and services required for business operations, including IT systems and facilities, and outsourcing, and intend to reduce environmental burden through communication with them.

5. Stakeholder Engagement

The Aozora Bank Group facilitates dialogue with a wide variety of stakeholders involved in business activities to promote environmental conservation activities.

6. Information Disclosure

The Aozora Bank Group strives to actively disclose information on its environmental initiatives to earn the trust of society.

Aozora Bank Group Human Rights Policy

1. Basic Philosophy (Commitment to Respect for Human Rights)

The Aozora Bank Group intends to fulfill its responsibility to eliminate from its business operations any activities that are in opposition to the protection and promotion of human rights as well as any exploitative practices, including slavery, human trafficking, forced labor and child labor, while remaining dedicated to complying with applicable laws and regulations in the regions where it conducts business.

We also support the following international norms and standards on human rights:

- International Bill of Human Rights (Universal Declaration of Human Rights and International Covenants on Human Rights)
- ILO Declaration on Fundamental Principles and Rights at Work
- Guiding Principles on Business and Human Rights
- Children's Rights and Business Principles

2. Positioning of Human Rights Policy

The Aozora Bank Group recognizes the possibility that its business activities may have an impact on human rights. The "Aozora Bank Group Human Rights Policy", which was established in line with our management philosophy, sets our policy on initiatives for upholding the sanctity of human rights based on the "Code of Ethics and Conduct" that all officers and employees across the Aozora Bank Group are required to comply with.

3. Human Rights of Officers and Employees

The Aozora Bank Group works to eliminate all forms of discrimination in hiring and employment, and provides its officers and employees with a workplace free from human rights abuses, including discrimination or harassment mainly based on race, ethnicity, religion, creed, nationality, birthplace, social identity, family origin, gender, age, sexual orientation, gender identity, disability, pregnancy, marital status and health status. We also respect the rights to freedom of association and collective bargaining. In addition, we provide training sessions covering a range of human rights issues to raise awareness among officers and employees.

4. Human Rights of Retail Customers

The Aozora Bank Group respects the human rights of retail customers and exerts every effort to protect their privacy. We strive to ensure an environment that enables customers to have secure access to funding as well as provide our financial products and services in a fair and responsible manner.

5. Human Rights of Borrowers and Investees

The Aozora Bank Group respects the human rights of borrowers and investees. We also remain concerned about the negative impact of borrowers and investees' business activities on human rights and, as stated in our "Investment and Lending Policies regarding Environmental & Societal Issues", prohibit any investments in and loans to companies whose business activities are in violation of international human rights norms.

6. Human Rights of Suppliers

The Aozora Bank Group respects the human rights of suppliers mainly in relation to the purchase of goods and services required for business operations, including IT systems and facilities, and outsourcing. We also remain concerned about the negative impact of suppliers' business activities on human rights and, as stated in the "Aozora Bank Group Outsourcing Policy", work to respect human rights through communication with them.

7. Human Rights Due Diligence

The Aozora Bank Group strives to properly conduct human rights due diligence as a means to identify, prevent, and mitigate any potential negative impacts of business activities on human rights.

As stated in our "Investment and Lending Policies regarding Environmental & Societal Issues" and other policies, if there is a possibility that the business activities of borrowers and investees may have a negative impact on human rights, we strive to make improvements through dialogue with them. When no improvements can be made, we will work further to reduce risk mainly by restricting or prohibiting credit. When financing large-scale projects, we conduct environmental and social due diligence, including respect for human rights, in accordance with the Equator Principles.

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8. Remedial Actions

The Aozora Bank Group continues developing a system to receive consultation requests and reports on human rights from various stakeholders. We encourage customers to request consultation by telephone or other means. We have also established a whistle-blower system called “Aozora Hotline Program”, which enables officers and employees to make reports through internal and external contact points. If the Aozora Bank Group causes or contributes to any negative impacts on human rights, we will take appropriate measures to remedy the situation.

Aozora Bank Group Social Contribution Activity Policy

1. Basic Philosophy

The Aozora Bank Group works to address social issues through both financial services and social contribution activities by promoting its initiatives to “contribute to the sustainable development of society” and “participate in society as a ‘good corporate citizen’” as stated in its management philosophy and Code of Ethics and Conduct. Our social contribution activities are defined as activities that are provided without seeking compensation to work on social issues that may be difficult to address through business operations, and that are socially important but not fully supported. The Aozora Bank Group believes that, in order to realize a sustainable society, it is possible to create synergies that contribute to resolving issues by leveraging the characteristics of our business operations and social contribution activities mainly through a fusion of these features.

2. Positioning of Social Contribution Activity Policy

The “Aozora Bank Group Social Contribution Activity Policy” sets our policy on social contribution activities based on the “Aozora Bank Group Environmental Policy” and “Aozora Bank Group Human Rights Policy”, which were prepared under our “Code of Ethics and Conduct” established in line with the management philosophy.

3. Implementation of Social Contribution Activities

In its social contribution activities, the Aozora Bank Group provides management resources, including donations, and implements joint programs with external organizations, as well as encourages officers and employees to take part in social contribution activities mainly by offering volunteer opportunities and introducing support systems. We believe that these social contribution activities enable officers and employees to broaden their views and enhance their autonomy, which will then contribute to the dissemination of our management philosophy.

4. Main Areas of Activity

The Aozora Bank Group has defined its main areas of activity from the perspective of both urgent priorities in resolving social issues and topics that interest officers and employees, and promotes social contribution activities in cooperation with internal and external stakeholders. Currently, the main areas of activity are as follows:

- Environmental conservation
 - Support for initiatives to reduce environmental burden
- Support for the next generation as bearers of the future
 - Financial, economic, educational and other support for the sound growth of the next generation who will lead the future, as well as support for the next generation in difficult circumstances due to a range of factors
- Regional and community support
 - Support for promoting the invigoration of regional economies in cooperation with local organizations in areas closely related to corporate activities, including places where business is conducted
- Disaster recovery support
 - Emergency support for large-scale natural disasters and humanitarian crises

5. Communication and Information delivery

The Aozora Bank Group promotes social contribution activities through enhanced communication with stakeholders and actively delivers information regarding these activities and results.

Investment and Lending Policies regarding Environmental & Societal Issues

Today's global society is increasingly focused on initiatives designed to resolve environmental and societal issues, including protection of the global environment and human rights, elimination of unfair labor practices and prevention of corruption, in a bid to achieve Sustainable Development Goals (SDGs) and become carbon neutral.

Our economies and societies are built on receiving a range of benefits from nature and ecosystems. We are expected to address environmental initiatives as a key global issue by becoming more aware of climate change in conjunction with natural capital and biodiversity. With respect of social issues, demands for respecting human rights, improving our living infrastructure, and providing higher-quality education and medical services are especially increasing more than ever.

Companies are now expected to fulfill their responsibilities to the environment and society by taking into consideration the entire supply chain of their own business activities. Financial institutions are also expected to contribute to the mitigation of negative impact and expansion of positive impact on the environment and society through their investment and lending activities.

The Aozora Bank Group has pledged to "contribute to the development of society through the creation of new value-added financial services" in its management philosophy, and to "actively contribute to the sustainable growth of society" is one of its key priorities.

In order to fully realize its management philosophy, the Aozora Bank Group focuses on "response to climate change," "respect for human rights," "promoting industrial transition" and other challenge areas as key issues (ESG Materiality) in light of social trends, expectations and requests from stakeholders, and the importance of the issues to corporate management in the Aozora Bank Group.

Based on the "Aozora Bank Group Environmental Policy," which defines the Group's policy towards environmental issues, and the "Aozora Bank Group Human Rights Policy," which defines the Group's policy towards human rights issues, the Aozora Bank Group has established a set of "Investment and Lending Policies regarding Environmental & Societal Issues" (hereinafter referred to as "the Policies") as a means of working towards sustainable growth in tandem with its customers through investments and loans that contribute to the sustainable development of society.

1. Basic approach

The Aozora Bank Group intends to proactively engage in financing initiatives to support solutions to environmental and social issues as well as transition to new industrial and social structures, and also develop new products and services.

The Aozora Bank Group properly identifies environmental and social risks, strives to improve issues through dialogue with customers whose businesses may have a negative impact on the environment and society, and works to reduce environmental and social risks by restricting or prohibiting credit when no improvement can be made.

2. Investment and lending policy governance

(1) Governance

The Aozora Bank Group provides investments and loans based on the Policies. To better facilitate this initiative in response to the demands of the business environment and society, changes in business activity and other factors, the Aozora Bank Group reviews the Policies as needed through discussions at the Sustainability Committee as well as the decisions of the Management Committee.

(2) Application to individual cases

The approval of individual credit transactions is made by the Credit Committee or Investment Committee based on the verification mainly through a discussion with the customer regarding (1) the customer's creditworthiness, (2) profitability of the transaction given its risk level, and (3) impact of the transaction on the environment and society (a positive or negative effect of the investment or loan on the environment or society). Towards becoming carbon neutral, the Aozora Bank Group also obtains as much information as possible regarding the amount of greenhouse gas (GHG) emissions produced by the customer and uses this information when verifying the above criteria.

3. Specific activities

(1) Promotion of investments and loans that support initiatives to address environmental and societal issues

The Aozora Bank Group strives for the creation of social value in its financial business and proactively contributes to its customers' efforts to develop solutions to environmental and societal issues through investments and loans as a means to realize environmental sustainability and societal growth.

With regard to responding to climate change, not all countries, regions or industries can immediately achieve decarbonization due to technological and budget constraints. Under these circumstances, it is important to develop technology and provide financial support to help them realize a steady transition towards decarbonization.

Financial institutions are also required to measure and reduce greenhouse gas emissions in their investment and loan portfolios (financed emissions). Providing transition finance to companies that proactively work towards decarbonization may temporarily increase the financed emissions of financial institutions.

The Aozora Bank Group intends to proactively make investments and loans that contribute to reducing greenhouse gas emissions across our entire society, based on an appropriate assessment of the effect of reduction, even if financed emissions increase temporarily.

For financing where the purpose is specified, the Aozora Bank Group verifies the customer's efforts to quantify and disclose its performance, and for financing where the purpose is unspecified, the Aozora Bank Group verifies whether the customer's strategy and governance initiatives are consistent with its goal to address environmental and social issues.

<Examples of Sustainable Finance>

[Environmental/specified fund usage] Project finance for renewable energy:

Project finance for renewable energy business, etc., including solar and wind power

[Environmental/specified fund usage] Financing for green buildings:

Financing for buildings designed with special consideration towards enhancing environmental performance

[Environmental/specified fund usage] Financing for environmental innovations:

Financing for initiatives that aim to reduce environmental load, including the development, implementation, and dissemination of innovative technology, etc., as well as for domestic and overseas green projects, in order to substantially reduce greenhouse gas emissions

[Societal/specified fund usage] Financing for initiatives to address social issues:

Financing (including social bonds) for initiatives (including social projects) that aim to address social issues, such as regional revitalization, urban renewal, child-care support, measures to benefit senior citizens, health, and employment

[Environmental & Societal/unspecified fund usage] Sustainability-linked loans/bonds:

Loans and bonds whose stated purpose is consistent with the customer's sustainability strategy and whose financing conditions may vary depending on the achievement thereof

[Environment/specified & unspecified fund usage] Transition finance:

Financing to help existing carbon-intensive businesses or companies with a high environmental load transition into low-carbon or decarbonized organizations

[Environmental & Societal/unspecified fund usage] Positive Impact Finance:

Financing that aims to provide continued support for the development and expansion of positive impact or the mitigation and control of negative impact through comprehensive analysis and assessment of the impact of customers' corporate activities on the environment, society and economy

(2) Policies regarding financing that may have a negative impact on the environment or society

The Aozora Bank Group sets forth its “cross-sectoral” and “specific sector” policies regarding loans and investments that may have a negative impact on the environment or society in the Policies.

When considering approval of individual credit transactions, the Aozora Bank Group verifies specific loans from the perspective of environmental and social issues by researching the negative impact and associated risks of the customer’s business (including relevant supply-chains involved) on the environment and society based on information provided by the customer as well as publically-available/disclosed information and confirms the customer’s implementation of initiatives to mitigate and avoid such impacts and risks.

①[Cross-sectoral] Businesses subject to the prohibition of financing through investments and loans

The following cases are considered to involve material risks to or negative impact on the environment and society. When such risk to or negative impact on the environment and society is identified, the Aozora Bank Group will decline to provide an investment or loan.

- Businesses which have a negative impact on wetlands registered under the Ramsar Convention
- Businesses which have a negative impact on UNESCO World Heritage sites (with the exception of businesses that have received the advanced consent of the government of the relevant country and UNESCO)
- Businesses which violate the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) (with special consideration to the reservation clause of each country)
- Businesses that are involved in child labor, forced labor or human trafficking
- Businesses that are involved with, or have the purpose of, committing illegal acts violating the laws and regulations of a country to which the customer belongs, acts violating international norms on environmental issues and human rights in cases where a country to which the customer belongs falls behind in developing laws regarding the environment and human rights, and acts against the public order and conventional morality, as well as anti-social elements

②[Cross-sectoral] Businesses requiring special attention

As the following cases involve risks to or negative impact on the environment and society, the Aozora Bank Group confirms the customer’s implementation of initiatives to mitigate and avoid these risks and makes a deliberate determination when considering making investments and loans.

- Businesses which have a negative impact on the regional societies of indigenous peoples
- Businesses that require the expropriation of land leading to the involuntary resettlement of inhabitants
- Businesses that have a negative impact on high conservation value areas
- Businesses that cause or contribute to human rights infringement in a disputed area

③[Cross-sectoral] Project finance (Equator Principles)

When considering providing financing or project finance advisory services (commissioned to the Bank) for projects which fall into the scope of the Equator Principles, the Aozora Bank Group will verify the customer’s adherence to the requirements set out in the Principles.

In the case of considering providing financing or project finance advisory services for projects which do not fall into the scope of the Equator Principles, the Aozora Bank Group will confirm the customer’s implementation of initiatives that take into account environmental and social issues as appropriate when a negative impact on the environment and society, or the risk thereof, as determined by the Principles is identified.

④[Specific Sector] Coal-fired power generation

<Issue overview>

Coal-fired power generation draws concerns regarding climate change and air pollution, such as emitting more greenhouse gases than other power generation measures. There are also fears that it may disrupt the smooth transition to a decarbonized society, one of the main goals of the Paris Agreement.

<Policy>

The Aozora Bank Group will decline to provide financing for the construction of new coal-fired power plants or expansion of coal-fired power generation facilities.

Meanwhile, the Group will proactively provide investments and loans to support its customers’ initiatives that contribute to the transition to a decarbonized society, including carbon dioxide capture, usage, and storage technologies.

⑤[Specific Sector] Coal mining

<Issue overview>

Greenhouse gas emissions may increase mainly as a result of coal combustion at thermal power generation plants.

The Aozora Bank Group recognizes the need to take into account the impact on ecosystems, including the transfer of soils arising from development work and hazardous waste discharged from coal mines.

There is a possibility that improper management will lead to a mining accident or forced labor. Also, human rights infringement, including the involuntary resettlement of indigenous peoples or inhabitants, may occur in connection with development work.

<Policy>

When considering making investments or loans for the development of a new coal mine, the Aozora Bank Group will confirm the customer's implementation of initiatives that take into account environmental and social issues.

The Aozora Bank Group will decline to make an investment or loan for mountaintop removal (MTR) coal mining which has a substantial impact on the environment.

The Aozora Bank Group also will decline to make an investment or loan for the development of new coal mines that supply power generation operators with coal, as this may increase the amount of greenhouse gas emissions in the future.

⑥[Specific Sector] Oil and gas

<Issue overview>

While oil and gas are indispensable sources of energy for society, the Aozora Bank Group will take into account their impact on climate change via greenhouse gas emissions.

Regarding oil sands, shale oil and gas, oil and gas pipelines, and development in the Arctic Circle (the area 66°33' north of the equator), the Aozora Bank Group will take into account soil and water contamination, the impact on ecosystems, and local communities of indigenous peoples.

<Policy>

When considering making investments or loans for oil sands, shale oil and gas, oil and gas pipelines, and development in the Arctic Circle (the area 66°33' north of the Equator), the Aozora Bank Group will confirm the customer's implementation of initiatives that take into account environmental and social issues.

⑦[Specific Sector] Large-scale hydroelectric power generation

<Issue overview>

While hydroelectric power generation contributes to the clean energy supply, the Aozora Bank Group will take into account the impact of dam construction on ecosystems and local residents' living environment (including involuntary resettlement).

<Policy>

When considering making investments or loans for new large-scale hydroelectric power generation (with an embankment of 15 meters or higher, as well as output of 30,000KW or above), the Aozora Bank Group will confirm the customer's implementation of initiatives that take into account environmental and social issues.

⑧[Specific Sector] Deforestation

<Issue overview>

Forests are important for conservation of biodiversity, and also play an significant role in mitigating climate change through their natural ability to capture and store carbon dioxide.

For businesses involved in unregulated and large-scale deforestation for the purpose of producing timber, paper and pulp, the Aozora Bank Group will take into account factors including a higher risk of climate change attributable to an increase in CO₂ emissions, damage to biodiversity, damage to soils due to ground subsidence or flood, and a substantial negative impact on local residents' living environment.

<Policy>

When considering making investments or loans for businesses involved in deforestation, the Aozora Bank Group will confirm the customer's implementation of initiatives that take into account environmental and social issues.

When making an investment or loan for the development of large agricultural farms involving deforestation, the Aozora Bank Group requests its customers to disclose their compliance with NDPE (No Deforestation, No Peat, No Exploitation).

⑨[Specific Sector] Palm oil

<Issue overview>

The production of palm oil may cause human rights issues, such as infringement on indigenous peoples' rights and child labor, as well as environmental issues, including deforestation or burning of native trees and damage to biodiversity.

<Policy>

When providing investments or loans for the development of palm oil plantations, the Aozora Bank Group requests its customers to disclose their compliance with NDPE.

When considering making investments or loans for businesses associated mainly with the distribution of palm oil, the Aozora Bank Group will confirm the customer's implementation of initiatives that take into account environmental and social issues, including whether they have obtained RSPO (Roundtable on Sustainable Palm Oil) certification.

In addition, the Aozora Bank Group requests its customers to enhance their supply chain management and traceability so that the same initiatives also take place in their supply chain.

⑩[Specific Sector] Tobacco manufacturing

<Issue overview>

The Aozora Bank Group will take into account human rights issues with the aim to abolish child and forced labor during the cultivation of tobacco plants as the raw material. Smoking tobacco may also cause health hazards such as lung cancer and impaired respiratory function.

<Policy>

When considering making investments or loans for tobacco manufacturing, the Aozora Bank Group will confirm the customer's implementation of initiatives that take into account environmental and social issues regarding child and forced labor and health hazards.

⑪[Specific Sector] Inhumane weapons

<Issue overview>

Cluster munitions, which are a form of air-dropped explosive weapons that release smaller submunitions over a wide area, and their undetonated submunitions have also caused substantial damage to civilians. The international community, including Japan, has recognized cluster munitions as inhumane weapons and ratified the "Convention on Cluster Munitions."

Similar to cluster munitions, nuclear, biological, and chemical weapons, as well as antipersonnel land mines, that have been manufactured to be used for military purposes have a non-discriminatory and substantial impact, including on civilians, and are recognized within the international community as an important humanitarian concern.

<Policy>

The Aozora Bank Group will decline to make an investment or loan for the manufacturing of inhumane weapons such as cluster munitions.

⑫[Specific Sectors] Nuclear power

<Issue overview>

Nuclear technologies, equipment and materials have the potential to be diverted for military use. There are also concerns that a nuclear incident may have a long-term and wide-ranging impact on the environment or society.

<Policy>

When considering making investments or loans for nuclear-related businesses, the Aozora Bank Group will gather information regarding the customer's implementation of, and stance on, initiatives that take into account environmental and social issues.

⑬[Specific Sectors] Plastics

<Issue overview>

While plastics contribute to the reduction of food waste, etc., the effective usage rate of recycled and reused plastic materials is low compared to other materials such as metal, and there are concerns about environmental contamination caused by plastic waste flowing into the ocean as a result of inadequate processing.

<Policy>

When considering making investments or loans for plastic-related businesses, the Aozora Bank Group will gather information regarding the customer's implementation of, and stance on, initiatives that take into account environmental and social issues.

⑭[Specific Sectors] Shipping

<Issue overview>

While ships emit less CO₂ per unit of transportation compared to other means of transportation, they still cause other environmental issues, including the emission of sulfur oxides, greenhouse gases, ballast water, ocean plastic waste, and oil spills.

<Policy>

When considering making investments or loans for ship-related businesses, the Aozora Bank Group will gather information regarding the customer's implementation of, and stance on, initiatives that take into account environmental and social issues.

⑮[Specific Sectors] Mines

<Issue overview>

The Aozora Bank Group will take into account the impact of the development of mines, such as the effect of forest destruction and hazardous waste on ecosystems, the forced displacement of inhabitants, child and forced labor, and corruption in politically unstable regions.

<Policy>

When considering making investments or loans for mine-related businesses, the Aozora Bank Group will gather information regarding the customer's implementation of, and stance on, initiatives that take into account environmental and social issues.

4. Measures to promote these initiatives

(1) Internal training

The Aozora Bank Group conducts educational training seminars and disseminates information in order to deepen the understanding by its officers and employees of the risks to the environment and society as well as promote their compliance with relevant rules and procedures.

(2) Engagement

The Aozora Bank Group works to make sure its investments and loans that take into consideration environmental and social issues are in line with common sense and societal expectations by engaging in dialogue with customers (engagement).

(3) Disclosure

Aozora Bank has affirmed its support of the Task Force on Climate-related Financial Disclosure (TCFD) recommendations and will improve its disclosure of information in line with the TCFD recommendations.

Aozora Bank Group Outsourcing Policy

1. Basic Philosophy

Our economy and society are built on a foundation of various mutually beneficial transactions with other parties and supported through collaborations with suppliers who facilitate the purchase of goods and the subcontracting of services (hereinafter referred to as "outsourcing") required for business operations, including IT systems and facilities. The Aozora Bank Group will actively contribute to the sustainable development of society by promoting responsible outsourcing activities that take into consideration environmental and social issues, such as human rights, in collaboration with its suppliers.

2. Role of Outsourcing Policy

In addition to its in-house initiatives, the Aozora Bank Group recognizes that environmental and human rights initiatives conducted throughout the supply chain are an important management issue. The "Aozora Bank Group Outsourcing Policy" outlines the Bank's outsourcing initiatives based on the "Aozora Bank Group Environmental Policy" and "Aozora Bank Group Human Rights Policy", which were both developed based on the Bank's "Code of Ethics and Conduct" in accordance with its management philosophy.

3. Aozora Bank Group Outsourcing Policy

- 1) Fairness in choosing suppliers
 - When choosing suppliers, the Aozora Bank Group considers factors such as proper quality and service, adherence to delivery deadlines, economic rationality, compliance with laws and regulations, information management, as well as respect for human rights and the environment. In the case of an ongoing business partnership, including operations subcontracting, the Group will monitor the supplier as necessary.
- 2) Compliance with laws and regulations
 - The Aozora Bank Group conducts outsourcing in compliance with all applicable laws and regulations as well as in adherence with social norms.
 - The Aozora Bank Group firmly confronts any antisocial forces that threaten social order and safety, and completely blocks relationships with them.
 - The Aozora Bank Group maintains a fair and transparent relationship with its suppliers. To that end, the Group prohibits all officers and employees from giving and receiving corporate hospitality or gifts with suppliers beyond socially-acceptable limits.
- 3) Consideration of the importance of human rights and the environment
 - The Aozora Bank Group strives to respect human rights and reduce its potential impact on environmental factors, such as climate change and biodiversity, when conducting outsourcing activities.
- 4) Collaboration with Suppliers
 - The Aozora Bank Group publically discloses its Outsourcing Policy and communicates closely with suppliers in consideration of environmental and human rights issues in order to develop a mutual understanding between the Group and its suppliers that contributes to the sustainable development of society.

Aozora Bank Group Basic Policy on the Elimination of Anti-Social Elements

The Aozora Bank Group (the Group) has introduced the following initiatives in order to confront anti-social elements that pose a threat to public order and safety while ensuring that the Group categorically blocks any relationship with such elements.

(1) Institutional response

The Group has produced an institutional response to anti-social elements, starting with management, through the clear statements found in its ethical behavior criteria and internal rules. The Group also ensures the safety of its employees from anti-social elements.

(2) Cooperation with external specialized organizations

The Group always strives to establish and maintain close cooperative relationships with external specialist organizations, including law enforcement agencies, the Tokyo Center for Removal of Criminal Organizations, and attorneys.

(3) Blocking all relationships (including transactions)

The Group strives to prevent any and all relationships with anti-social elements, including transactions.

The Group refuses to perform any action that may serve to provide income/funding for anti-social elements, including but not limited to backdoor deals, monetary contributions/membership fees, and subscribing to informational magazines.

(4) Civil and criminal legal response in case of an emergency

The Group thoroughly rejects any unreasonable demands made by anti-social elements and takes the necessary civil and criminal legal actions in response.

Aozora Bank Group Basic Policy on Anti-Money Laundering

The Aozora Group is aware that preventing money laundering, combating the financing of terrorism, and countering proliferation financing constitute the most important issues facing the global financial system. The Bank has established a framework to comply with domestic and international laws, regulations, and rules while also making an on-going effort to further strengthen its preventive measures against money laundering, financing of terrorism, and proliferation financing (hereafter “anti-money laundering”).

(1) Organizational structure

The Aozora Bank Group has developed internal regulations and an organizational structure, which includes the establishment of an Anti-Money Laundering Centralized Management Division, in order to properly implement the following management measures/initiatives while conducting an on-going review to ensure their effectiveness.

(2) Customer management policy

The Aozora Bank Group takes a risk-based approach to customer verification at the time of transaction by conducting preventative measures based on customer characteristics, type of transaction, county/region, and products/services. The Aozora Bank Group also utilizes the results of its periodic monitoring and analysis (including profiling) of customer transactions in order to conduct a review of its preventative measures.

(3) Management policy for correspondent counterparties

The Aozora Bank Group collects information and performs appropriate evaluations regarding its correspondent counterparties and takes appropriate measures based on their risk-profiles.

(4) Employee training policy

The Aozora Bank Group provides timely and on-going financial crime prevention training for its employees that consists of knowledge acquisition as well as learning methods for the proper management of customers, such as verification at the time of transaction and the creation of transaction records.

(5) Internal audit policy

The Aozora Bank Group regularly conducts internal audits regarding anti-money laundering and works to further improve its anti-money laundering framework and policies based on the results of these audits.

(6) Reporting of suspicious transactions

The Aozora Bank Group has developed a system for conducting daily monitoring of its customers' transactions, including new account openings, and ensuring the proper handling as well as immediate reporting to the relevant authorities of any suspicious customers or transactions detected as a result of said monitoring.

Aozora Bank Group Basic Policy on Anti-bribery

Based on its mission; “to contribute to the development of society through the creation of new value-added financial services”, the Aozora Bank Group (the “Group”) aims to “adapt to a rapidly changing world while remaining a trusted, valued and specialized financial service provider”. The Group believes that in order for a company to fulfill its social responsibility while promoting sustainable growth, it is necessary to earn the trust of its customers and society with high ethical standards. The Group shall observe all applicable laws and regulations in the countries/regions where it conducts business, and strive to eliminate any fraudulent activities including bribery and corruption.

For prevention of bribery, the Group shall take the following actions:

- (1) Prohibition of bribery of public officials, etc.
The Group shall prohibit all officers and employees from offering or promising to offer improper entertainment, gifts, and other benefits, either directly or indirectly, to public officials, etc. in any country in association with their duties.
- (2) Prohibition of offering excessive entertainment and gifts
The Group shall prohibit all officers and employees from offering or accepting excessive entertainment or gifts beyond the socially accepted limits, even if it is permissible under applicable laws and regulations.
- (3) Implementing risk assessment on bribery
The Group shall constantly implement risk assessment on bribery and adequately review its approach to anti-bribery based on the result of such assessment.
- (4) Preparation and retention of records
With respect to offering or accepting entertainment and gifts, the Group shall prepare records promptly and accurately.
- (5) Training
The Group shall constantly provide training on the prevention of bribery to all officers and employees.
- (6) Whistle-blower system
Any violation of laws, regulations, and internal rules pertaining to bribery shall be subject to reporting in the whistle-blower system. Under the system, no adverse dispositions against a person who makes such a report in good faith shall be allowed.
- (7) Disciplinary procedures
Any violation of laws, regulations, and internal rules pertaining to bribery shall be subject to disciplinary actions including punitive dismissal.
- (8) Monitoring
The Group shall constantly perform risk-based monitoring including internal auditing concerning the operation of the anti-bribery system.

Aozora Bank Group Tax Compliance Policy

1. Basic Philosophy

The Aozora Bank Group is committed to complying with the tax laws of all countries where it conducts businesses and enhancing tax compliance in recognition of its responsibility to fulfill tax liabilities as one of its corporate social responsibilities.

2. Role of Tax Compliance Policy

The “Aozora Bank Group Tax Compliance Policy” outlines the Bank’s tax initiatives based on the Bank’s “Code of Ethics and Conduct”, in accordance with its management philosophy.

3. Aozora Bank Group Tax Compliance Policy

1) Legal Compliance

The Aozora Bank Group will comply with laws of each jurisdiction, tax treaties, as well as the tax-related standards published by international organizations such as the OECD Transfer Pricing Guidelines and the BEPS Action Plan, while also properly completing all statutory procedures, including the filing of tax returns and tax payments.

2) Tax Planning

The Aozora Bank Group recognizes the importance of tax compliance and making tax payments as appropriate, and will not engage in any business activities where the sole aim is to achieve tax avoidance or develop tax avoidance structures outside of normal business operations. The Bank also seeks to appropriately manage tax costs by eliminating double taxation as well as by utilizing incentives, reliefs and exemptions in order to improve corporate value.

3) Relationship with Tax Authorities

The Aozora Bank Group strives to establish good relationships with tax authorities by disclosing all relevant information in a timely and appropriate manner. The Bank also endeavors to settle disagreements with tax authorities regarding tax-related issues, if applicable, through discussions of the most appropriate interpretations of available decrees, precedent cases, etc.

4) Tax Risk Management

The Aozora Bank Group aims to resolve various tax issues appropriately by obtaining the opinion of external tax advisors and/or seeking advices for rulings from the tax authorities in advance which have jurisdiction where the Bank’s Finance Group manages its tax compliance framework. The Bank also strengthens its tax governance through the increase of tax literacy among executives and regular employees through internal education and training about taxes.

"Basic Policy on Customer-Oriented Business Management" in the Aozora Bank Group

May 31, 2024

The Aozora Bank Group will strive to work on issue areas that need to be focused on to maximize economic and social value, and with the management philosophy of "contributing to the development of society through the creation of new value-added financial services", we will appropriately provide advanced financial/non-financial services and know-how tailored to the characteristics and needs of our customers through collaboration within the Group as well as with external partners.

The Aozora Bank Group and its officers and employees are committed to contributing to the sustainable growth and development of society and economy by carrying out our business in a fair and sincere manner, while maintaining the customer-oriented business management recognizing the importance of "helping our customers through specialized services in pursuit of the best interests of the customers".

1. Formulation and disclosure of basic policy regarding customer-oriented business management

Recognizing the importance of instilling and establishing our customer-oriented business management further in the Aozora Bank Group, while the Management Committee, where we decide important matters in daily business execution, will report and hold discussions on the status of activities according to the basic policy, the Bank will strengthen its efforts to practice the policy, and will disclose the status of those efforts every six months.

In addition, the Bank will review the basic policy on a regular basis for better business management.

2. For the pursuit of the best interests of customers

The Bank believes that meeting the diverse needs of our customers, such as those who want to increase their accumulated assets or protect and pass them on to the next generation, is in their best interest and will also lead to our growth. We will appropriately provide advanced financial/non-financial services and expertise tailored to the characteristics and needs of our customers by leveraging our "Aozora's Platform Business" strengths in collaboration within the Group as well as with external partners.

To pursue the best interests of our customers, all officers and employees are obliged to submit an "Annual Written Confirmation of Compliance on the Aozora Bank Group Code of Ethics and Conduct", and we strive to instill the "corporate culture" that aims for the best interests of the customers.

The Bank has established and is committed to a product governance framework in which its management team is involved in the selection, sale and management of financial products that will contribute to the best interests of the customers.

When providing consultations for customers on asset management, the Bank will make diversified investment proposals after accurately recognizing the customers' needs and fully understanding the customers' financial knowledge, investment experience, transaction purpose, asset status, risk tolerance, life plan, etc. We support our customers' mid- to long-term and stable asset building. And, We will not make proposals that do not match the customers' wishes, or propose a review of products in a short period of time that will not suit the interests of the customers. The positioning of the main products is as follows.

<Investment Trusts>

The Bank will propose investment trusts as the core product of diversified investment, based on fund diversification and time diversification. For instance, for customers who are just starting their asset building, we offer products that allow "investment trust accumulation" at a fixed amount on a fixed date each month, and for customers who wish to invest a large amount of funds, we offer those that include a time diversification mechanism.

In addition, we will increase the number of products corresponding to the new NISA system so that many customers can take advantage of the new NISA system that started in January 2024.

<Complex Structured Bonds (Stock Index-Linked Bond, Exchangeable Bond, etc.)>

Since complex structured bonds are complicated products that incorporate options, etc., into bonds, the Bank has stopped handling them and will not resume handling at this time.

In addition to asset management consultation, for customers who want to "leave a legacy" or "prepare for the future", the Bank also provides a wide range of consulting services that meet the needs of its customers, such as proposals of insurance products, support on wealth transfer and business succession, etc., in order to help protect and pass on their accumulated assets to the next generation.

The Bank will constantly verify and evaluate the results and progress of the above activities, and will announce some of the results in the "Aozora Bank's Initiatives".

3. Appropriate management system for conflict of interest

The Bank strives to accurately understand the possibility of conflict of interest with customers in transactions and the possibility of conflict of interest when developing and introducing products, and determine and identify whether interests of customers are unreasonably harmed by transactions that may cause conflict of interest, in a bid to pursue appropriate management to prevent conflict of interest.

When proposing financial products and services, the Bank will not select products by considering fees paid by the company that provides the product or will not prioritize products of our Group companies, but always will make proposals from the customer's point of view.

An overview of the Bank's conflict of interest management system is published in the "Conflict of Interest Management Policy".

4. Fees to be borne by customers

The Bank will consider fees to be borne by customers as one of the important information to make their decision on transactions. We will thus strive to ensure transparency as well as provide easy-to-understand explanations, including presenting comparisons with similar products and alternative products. In addition, we will also post the information on the Bank's website and BANK app for easy confirmation.

Regarding the details of fees and other costs, when proposing products and services, the Bank will ask customers to check with the Important Information Sheet, the documents delivered prior to the conclusion of the contract, or the prospectus, and after the transaction, we will ask them to check with the reports and others.

5. Providing important information in an easy-to-understand manner

The Bank will explain important information in an easy-to-understand manner using the Important Information Sheet, sales materials, legal documents, and materials presenting easy comparison for each product, in order to propose products and services suitable for customers. In addition, we will also post the information on the Bank's website and BANK app for easy confirmation. The major "important information" is as follows.

- Risks, returns, and transaction conditions of the products and services
- Attributes of potential customers for sale of the products
- Reasons for selecting the products and services
- Fees received as compensation for services to customers as well as fees received from third parties (Even in the same products, if the fee varies depending on the quantity, currency, course, etc., such information will be included.)
- Packaged or not

6. Providing services suitable for customers

<Maintenance of branches and infrastructure>

The Bank will provide "BANKTM" services for customers who do not have a branch nearby. We offer "Bank The Debit" and "Bank The Savings" as services for "Spending" and "Saving", and "BANK The Teiki (time deposit)" as a service for "Increasing", as well as financial products such as investment trusts.

<Providing financial products>

After accurately recognizing the customers' needs and fully understanding the customers' financial knowledge, investment experience, transaction purpose, asset status, risk tolerance, life plan, etc., the Bank will carefully consider the target asset amount, study appropriate asset ratio using "Aozora Model Portfolios", and select and propose the product suitable for each and every customer from the diverse product line-up, taking into consideration whether the product is provided as a package or not. In addition, we will also post the information including product line-up on the Bank's website and BANK app for easy confirmation.

The Bank will coordinate with a wide range of domestic and international asset management companies and insurance companies, and based on the attributes of the target potential customers, we will improve our product line-up that will contribute to our customers' mid-to long-term asset management needs by introducing financial products and services and reviewing their handling. In addition, in order to understand customers' diverse needs, we will conduct regular surveys to customers, and make good use of the results to improve our product line-up.

When introducing new financial products and services, the product group and the compliance divisions conduct verification, including research and analysis of various issues and problems, such as clarification of target customers for sales, risk/return/cost of products, and sales solicitation framework for customers. And these issues are discussed at the Integrated Risk Committee, the Customer Protection Committee, etc. as necessary.

Even after the Bank starts handling products, etc., we will check the results of the verification of products, etc. conducted at the time of introduction, and review or discontinue the products, etc. as necessary.

In preparation for introducing complicated or high-risk financial products to customers or providing information for those with limited investment experience, the Bank will create solicitation rules such as suitability judgment and solicitation start criteria, and we will thus provide services more carefully. In addition, we will monitor whether confirmation of the customer's intention and explanation to the customer were properly performed, and will provide instructions and training to sales personnel in order to improve and enhance the explanation to customers.

※Regarding Principle 6 (Note 3) of the "Principles for Customer-Oriented Business Conduct" published by the FSA (Financial Services Agency), it is not applicable to the Bank as we are not a financial business operator involved in the establishment of financial products.

<Detailed follow-up services>

The Bank will make proposals while giving due consideration to the customer's life plan, and after the sale of financial products and services as well, we will regularly provide information such as the status of customer's owned products and market trends, and in addition, we will provide information from a long-term perspective in response to changes in the customer's life stage.

Through those efforts, we will contribute to the asset formation of our customers for a long time.

The Bank will constantly verify and evaluate the results and progress of the above activities, and will announce the results in the "Aozora Bank's Initiatives".

<Responding to Customers' Voice>

The Bank will take the "Customer's Voice" received in the branches and call center seriously and make good use of their feedback for service improvement and product design.

7. Consultant training policy and appropriate motivational framework

To appropriately evaluate the customer-oriented business management with highly specialized and courteous consulting services, the Bank abolished personnel evaluation based on the amount of revenue, and instead, with plans prepared by each business office based on assets under custody and provision of non-financial services, we conduct business management while focusing primarily on customer attributes and needs.

To instill the customer-oriented business management, the Bank developed the "Specialized Retail Training Program" that fully considers enhancement of consulting skills and improvement of compliance awareness, and for realizing highly specialized consulting services, we encourage all sales personnel to obtain financial planner qualifications.

Regarding the framework for consultant training and appropriate motivation, such as training implementation and its understanding level, performance evaluation system, the Bank will regularly check, verify and evaluate the results and progress status.

Consolidated Business Results

Consolidated Financial Highlights [Five-Year Summary]

Years Ended March 31

(Millions of yen)

	2024	2023	2022	2021	2020
Ordinary income	246,299	183,292	134,737	155,755	184,406
Trust fees	370	377	444	386	462
Ordinary profit (loss)	(54,816)	7,356	46,294	38,982	43,330
Net income (loss) attributable to owners of the parent	(49,904)	8,719	35,004	28,972	28,142
Comprehensive income (loss)	(42,703)	(38,507)	13,611	79,781	(6,437)
Share capital	100,000	100,000	100,000	100,000	100,000
Total equity	391,078	431,119	487,265	490,006	424,758
Total assets	7,603,002	7,184,070	6,728,653	5,916,866	5,299,815
Debentures and bonds payable	181,397	147,773	168,959	198,365	259,935
Deposits ^(Note 1)	5,776,372	5,497,352	4,871,556	4,012,506	3,396,899
Loans and bills discounted	4,071,295	3,881,373	3,317,125	2,948,808	2,954,122
Securities	1,186,561	1,278,749	1,478,178	1,393,357	1,073,670
Net assets per share (yen)	3,285.94	3,751.95	4,222.79	4,233.53	3,659.84
Basic net income (loss) per share (yen)	(427.22)	74.67	299.81	248.27	241.18
Diluted net income per share (yen) ^(Note 2)	—	74.54	299.38	247.90	240.92
Consolidated capital adequacy ratio (domestic standard) (%)	9.23	9.43	10.37	11.03	10.29
Net cash provided by (used in) operating activities	133,949	(61,382)	253,900	728,732	(286,284)
Net cash provided by (used in) investing activities	167,439	213,939	(23,830)	(223,529)	121,823
Net cash provided by (used in) financing activities	2,136	(18,068)	(16,059)	(14,882)	(17,871)
Cash and cash equivalents, end of year	1,499,756	1,196,230	1,061,743	847,732	357,411
Trust assets ^(Note 3)	905,987	871,414	879,535	730,209	835,481

Notes: 1. Deposits include negotiable certificates of deposit (NCDs).

2. Diluted net income per share for the year ended March 31, 2024 is not described in the above table, because of net loss per share although there are diluted shares.

3. 'Trust assets' is assets in trust pertaining to trust business under the Act on Engagement in Trust Business by a Financial Institution (the Concurrent Business Act). The company operating the trust business among the Bank and its subsidiaries is the Bank.

Consolidated Financial Review

1. Consolidated and Equity-Method Companies

(Number of Companies)

Years Ended March 31	2024	2023	Change
Consolidated subsidiaries	25	25	0
Subsidiaries and affiliated companies accounted for using the equity method	1	1	0

The consolidated financial statements include the accounts of the Bank, its significant subsidiaries and affiliated companies.

The number of consolidated subsidiaries were 25 as of March 31, 2024 and 2023, respectively.

The number of subsidiaries and affiliated companies accounted for using the equity method were 1 as of March 31, 2024 and 2023, respectively.

Aozora Asia Pacific Limited was established and included in the scope of consolidation as subsidiaries.

In addition, Aozora GMAC Investment Limited was excluded from the scope of consolidation as a subsidiary due to the distribution of residual assets from liquidation.

There was no change in subsidiaries and affiliated companies accounted for using the equity method from March 31, 2023.

2. Analysis of Business Results

(1) Income

(Millions of yen)

Years Ended March 31	2024	2023	Change
Total income	¥248,169	¥183,292	¥64,876
Interest income	166,436	113,570	52,865
Interest on loans and discounts	132,121	87,355	44,766
Interest and dividends on securities	26,964	23,397	3,566
Interest on due from banks	1,523	765	757
Other interest income	5,826	2,052	3,773
Fees and commissions income (including trust fees)	26,165	17,716	8,449
Gains on trading account transactions	11,304	14,832	(3,527)
Other ordinary income	27,590	23,798	3,791
Gains on sales of bonds and other securities	8,139	5,914	2,224
Gains on foreign exchange transactions	—	—	—
Gains on derivatives	322	1,957	(1,634)
Other	19,128	15,926	3,202
Other income	16,672	13,374	3,297
Gains on sales of stocks and other securities	10,278	8,576	1,701
Gains on investments in money held in trust	374	315	58
Equity in earnings of associates	2,342	2,380	(37)
Recoveries of written-off receivables	758	1,199	(440)
Reversal of provision for credit losses on off-balance-sheet instruments	—	—	—
Gains on disposal of fixed assets	0	0	0
Reversal of foreign currency translation adjustment	1,869	—	1,869
Other	1,048	902	145

- Total income was ¥248.1 billion, an increase of ¥64.8 billion year-on-year
- Interest income was ¥166.4 billion, an increase of ¥52.8 billion year-on-year
 - The change was mainly due to increases in both average loan outstandings and interest yield
- Fees and commissions income were ¥26.1 billion, an increase of ¥8.4 billion 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 public offered funds originated by Aozora Investment Management through regional financial institutions
 - GMO Aozora Net Bank fee income achieved 170% of the previous year's level due to strong fee income growth from transfer transactions
- Gains on trading account transactions were ¥11.3 billion, a decrease of ¥3.5 billion year-on-year
- Other ordinary income was ¥27.5 billion, an increase of ¥3.7 billion year-on-year

Consolidated Financial Review

(2) Expenses

(Millions of yen)

Years Ended March 31	2024	2023	Change
Total expenses	¥301,343	¥175,938	¥125,405
Interest expenses	124,362	62,490	61,871
Interest on deposits	14,396	11,281	3,114
Interest on bonds payable	5,407	1,517	
Interest on borrowings and rediscounts	1,926	1,452	474
Interest expenses on interest rate swaps	43,576	22,570	
Other interest expenses	59,055	25,668	33,387
Fees and commissions expenses	5,744	4,383	1,361
Losses on trading account transactions	9,671	10,636	(965)
Other ordinary expenses	40,794	32,835	7,959
Amortization of bond issuance costs	211	144	67
Losses on foreign exchange transactions	6,717	6,885	(167)
Losses on sales of bonds and other securities	23,188	16,109	7,079
Losses on redemption of bonds and other securities	3,555	590	2,964
Losses on devaluation of bonds and other securities	—	373	(373)
Other	7,121	8,732	(1,610)
General and administrative expenses	62,424	59,463	2,961
Other expenses	58,346	6,129	52,216
Losses on sales of stocks and other securities	8,187	—	8,187
Losses on devaluation of stocks and other securities	455	80	374
Write-off of loans	683	176	506
Provision of allowance for loan losses	44,584	1,110	43,473
Provision of allowance for credit losses on off-balance-sheet instruments	1,463	84	1,379
Losses on disposition of loans	1,081	1,528	(446)
Losses on disposal of fixed assets	7	2	4
Losses on impairment of fixed assets	220	—	220
Other	1,661	3,145	(1,484)

- Total expenses were ¥301.3 billion, an increase of ¥125.4 billion year-on-year
- Interest expenses were ¥124.3 billion, an increase of ¥61.8 billion year-on-year
- Other ordinary expenses were ¥40.7 billion, an increase of ¥7.9 billion year-on-year
 - Losses on sales of bonds and other securities increased by ¥7.0 billion, mainly due to the sale of foreign currency ETFs and MBS as a means to restructure the securities portfolio
- General and administrative expenses were ¥62.4 billion, an increase of ¥2.9 billion year-on-year
 - Personnel expenses increased by ¥1.1 billion 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 the year ended March 31, 2024.
- Other expenses were ¥58.3 billion, an increase of ¥52.2 billion year-on-year
 - Provision of allowance for loan losses increased by ¥43.4 billion mainly due to U.S. non-recourse office loans, which accounted for a net expense of ¥44.6 billion

(3) Net income

(Millions of yen)

Years Ended March 31	2024	2023	Change
Income (loss) before income taxes	¥(53,174)	¥7,354	¥(60,528)
Income taxes	(1,437)	698	(2,136)
Current	810	437	372
Deferred	(2,247)	260	(2,508)
Net income (loss)	(51,737)	6,655	(58,392)
Net income (loss) attributable to non-controlling interests	(1,832)	(2,064)	232
Net income (loss) attributable to owners of the parent	¥(49,904)	¥8,719	¥(58,624)

- Income (loss) before income taxes was ¥(53.1) billion, as compared to income of ¥7.3 billion in the previous year
- Consolidated net income (loss) attributable to owners of the parent was ¥(49.9) billion, as compared to income of ¥8.7 billion in the previous year
- Net loss per share was ¥427.22

3. Analysis of Financial Condition

(1) Loans and bills discounted

(Millions of yen)

Years Ended March 31	2024	2023	Change
Total loans	¥4,071,295	¥3,881,373	¥189,922
Domestic loans	2,598,139	2,510,178	87,960
Overseas loans	1,473,156	1,371,194	101,961
Ratio of overseas loans	36.2%	35.3%	0.9%

Breakdown of Loans and Bills Discounted by Industry (Consolidated)

(Millions of yen)

Years Ended March 31	2024	2023
Domestic offices (excluding Japan offshore market accounts)	¥3,098,275	¥3,000,048
Manufacturing	300,950	258,789
Agriculture, forestry and fisheries	152	3,119
Mining, quarry and gravel extraction	—	—
Construction	16,668	12,769
Electricity, gas, heat supply and water	126,090	141,507
Information and communications	128,199	105,336
Transport and postal service	42,792	49,774
Wholesale and retail trade	85,987	86,957
Finance and insurance	363,825	342,472
Real estate	758,169	760,426
Leasing	183,255	148,798
Various services	162,957	155,215
Local government	813	8,588
Others	928,411	926,292
Overseas offices (including Japan offshore market accounts)	973,019	881,324
Government	—	—
Financial institutions	—	—
Others	973,019	881,324
Total	¥4,071,295	¥3,881,373

Notes: 1. 'Domestic offices' includes the Bank (except foreign branches) and consolidated subsidiaries in Japan.

2. 'Overseas offices' includes foreign branches of the Bank and consolidated subsidiaries based overseas.

Non-performing loans ('NPLs') based on the Banking Act and the Financial Reconstruction Act (Consolidated)

(Millions of yen)

Years Ended March 31	2024	2023	Change
Bankrupt and similar credit	¥18	¥3,039	¥(3,021)
Doubtful credit	118,572	30,623	87,949
Special attention credit	12,514	5,511	7,003
Loans overdue for three months or more	6,361	—	6,361
Restructured loans	6,153	5,511	641
Subtotal	131,105	39,174	91,931
Normal credit	3,996,188	3,896,873	99,315
Total credit	¥4,127,294	¥3,936,047	¥191,246
NPL ratio	3.2%	1.0%	2.2%

- Total Loans were ¥4,071.2 billion, an increase of ¥189.9 billion compared to March 31, 2023
- Domestic loans were ¥2,598 billion, an increase of ¥87.9 billion compared to March 31, 2023
 - Loan outstandings increased in 'Manufacturing' by ¥42.1 billion mainly due to the origination of LBO loans, decreased in 'Utilities (electric power/gas/heat supply/water service)' by ¥15.4 billion mainly due to the sell-down of environmental finance for syndication purposes, and increased in 'Leasing' by ¥34.4 billion mainly due to the origination of loans to borrowers with stronger credit ratings

Consolidated Financial Review

- Overseas loans were ¥1,473.1 billion, an increase of ¥101.9 billion from March 31, 2023 (a decrease of \$541 million)
 - North American corporate loans and overseas real estate non-recourse loans decreased by \$351 million and \$223 million respectively, compared to March 31, 2023
- NPL ratio (consolidated) was 3.2%, an increase of 2.2% from March 31, 2023
 - Doubtful credit increased mainly due to changes in the borrower category for U.S. non-recourse office loans following a review of property valuations from a forward-looking perspective, taking into account the risk of price declines over the next two years

(2) Securities

(Millions of yen)

Years Ended March 31	2024	2023	Change
Japanese debt securities	¥189,160	¥185,327	¥3,832
Japanese national government bonds	52,528	18,381	34,146
Japanese local government bonds	29,080	38,985	(9,904)
Japanese short-term corporate bonds	—	10,999	(10,999)
Japanese corporate bonds	107,551	116,961	(9,409)
Japanese stocks	31,125	30,154	971
Other securities	966,276	1,063,267	(96,991)
Foreign securities	793,547	766,533	27,013
Others	172,729	296,733	(124,004)
Total	¥1,186,561	¥1,278,749	¥(92,187)

- Securities were ¥1,186.5 billion, a decrease of ¥92.1 billion compared to March 31, 2023
 - The Bank proceeded with the disposal of securities, including MBS and ETFs as part of restructuring the securities portfolio

(3) Deposits and bonds payable

(Millions of yen)

Years Ended March 31	2024	2023	Change
Deposits	¥5,776,372	¥5,497,352	¥279,019
Time deposits	2,424,603	2,277,512	147,090
Liquid deposits	3,299,769	3,106,338	193,431
Other	51,999	113,501	(61,502)
Bonds payable	¥181,397	¥147,773	¥33,624

Note: Total of deposits and time deposits include negotiable certificates of deposit (NCDs).

- Total core funding (deposits and bonds payable) was ¥5,957.7 billion, an increase of ¥312.6 billion from March 31, 2023
 - Deposits increased by ¥279.0 billion compared to March 31, 2023. Retail deposits decreased by ¥84.8 billion partly due to an outflow of a small portion of deposits to banks offering higher-interest rate time deposits

(4) Equity

- Equity was ¥391.0 billion, a decrease of ¥40.0 billion from March 31, 2023. This decrease is primarily due to a decrease of ¥63.4 billion in retained earnings, offset by increases of ¥9.0 billion in accumulated other comprehensive income and ¥14.2 billion in non-controlling interest
- Net assets per common share were ¥3,285.94

Consolidated Financial Statements

Consolidated Balance Sheet

Aozora Bank, Ltd. and Consolidated Subsidiaries
March 31, 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Assets			
Cash and cash equivalents (Notes 3 and 27)	¥1,499,756	¥1,196,230	\$9,901,994
Due from banks (Note 27)	80,025	78,772	528,363
Call loans and bills bought (Note 27)	17,269	78,311	114,018
Monetary claims bought (Note 27)	68,093	75,209	449,579
Trading account assets (Notes 4, 12, 27 and 28)	173,713	151,285	1,146,926
Money held in trust (Notes 6 and 27)	12,963	13,083	85,588
Securities (Notes 5, 7, 12 and 27)	1,186,561	1,278,749	7,834,160
Loans and bills discounted (Notes 7, 12 and 27)	4,071,295	3,881,373	26,880,334
Foreign exchange (Notes 7, 8, 12 and 27)	51,267	76,873	338,486
Other assets (Notes 7, 12, 16 and 27)	420,921	284,650	2,779,096
Tangible fixed assets (Note 9)	23,159	21,617	152,908
Intangible fixed assets (Note 9)	18,962	19,392	125,198
Retirement benefit asset (Note 17)	8,741	3,873	57,714
Deferred tax assets (Note 25)	44,580	53,577	294,342
Customers' liabilities for acceptances and guarantees (Notes 7 and 10)	18,084	18,630	119,401
Allowance for loan losses (Note 11)	(87,929)	(44,052)	(580,546)
Allowance for investment losses	(4,463)	(3,509)	(29,470)
Total	¥7,603,002	¥7,184,070	\$50,198,091

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Liabilities and Equity			
Liabilities:			
Deposits (Notes 13 and 27)	¥5,776,372	¥5,497,352	\$38,137,939
Call money and bills sold (Note 27)	—	10,000	—
Securities sold under repurchase agreements (Notes 12 and 27)	29,903	48,224	197,438
Cash collateral received for securities lent (Notes 12 and 27)	260,689	215,983	1,721,175
Trading account liabilities (Notes 4, 27 and 28)	165,078	121,877	1,089,913
Borrowed money (Notes 12, 15 and 27)	563,300	525,613	3,719,134
Bonds payable (Notes 14 and 27)	181,397	147,773	1,197,659
Other liabilities (Notes 16 and 27)	204,195	155,679	1,348,184
Retirement benefit liability (Note 17)	10,912	11,288	72,052
Provision for credit losses on off-balance-sheet instruments	1,960	496	12,945
Reserves under special laws	8	8	54
Deferred tax liabilities (Note 25)	21	22	143
Acceptances and guarantees (Note 10)	18,084	18,630	119,401
Total liabilities	7,211,924	6,752,951	47,616,037
Equity:			
Shareholders' equity:			
Share capital (Note 18)	100,000	100,000	660,240
Capital surplus (Note 18)	87,498	87,481	577,701
Retained earnings (Notes 18 and 33)	228,444	291,898	1,508,285
Treasury stock—at cost (Note 18)	(3,015)	(3,099)	(19,907)
Total	412,928	476,280	2,726,319
Accumulated other comprehensive income (loss):			
Valuation difference on available-for-sale securities	(45,803)	(45,449)	(302,412)
Deferred gains or losses on hedges	4,332	972	28,603
Foreign currency translation adjustment	10,137	7,683	66,929
Remeasurements of defined benefit plans (Note 17)	2,277	(1,328)	15,038
Total	(29,056)	(38,122)	(191,842)
Share acquisition rights (Notes 18 and 19)	532	503	3,515
Non-controlling interests	6,673	(7,541)	44,062
Total equity	391,078	431,119	2,582,054
Total	¥7,603,002	¥7,184,070	\$50,198,091

See the accompanying notes to consolidated financial statements.

Consolidated Financial Statements

Consolidated Statement of Operations

Aozora Bank, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Income:			
Interest income:			
Interest on loans and discounts	¥132,121	¥87,355	\$872,320
Interest and dividends on securities	26,964	23,397	178,031
Interest on due from banks	1,523	765	10,060
Other interest income	5,826	2,052	38,467
Trust fees	370	377	2,448
Fees and commissions income	25,794	17,338	170,309
Gains on trading account transactions	11,304	14,832	74,639
Other ordinary income (Note 20)	27,590	23,798	182,162
Other income (Note 21)	16,672	13,374	110,077
Total income	248,169	183,292	1,638,513
Expenses:			
Interest expenses:			
Interest on deposits	14,396	11,281	95,051
Interest on bonds payable	5,407	1,517	35,699
Interest on borrowings and rediscounts	1,926	1,452	12,718
Interest expenses on interest rate swaps	43,576	22,570	287,713
Other interest expenses	59,055	25,668	389,908
Fees and commissions expenses	5,744	4,383	37,929
Losses on trading account transactions	9,671	10,636	63,853
Other ordinary expenses (Note 22)	40,794	32,835	269,343
General and administrative expenses (Note 23)	62,424	59,463	412,154
Other expenses (Note 24)	58,346	6,129	385,226
Total expenses	301,343	175,938	1,989,594
Income (loss) before income taxes	(53,174)	7,354	(351,081)
Income taxes (Note 25):			
Current	810	437	5,350
Deferred	(2,247)	260	(14,840)
Total income taxes	(1,437)	698	(9,490)
Net income (loss)	(51,737)	6,655	(341,591)
Net income (loss) attributable to non-controlling interests	(1,832)	(2,064)	(12,099)
Net income (loss) attributable to owners of the parent	¥(49,904)	¥8,719	\$(329,492)

	Yen		U.S. dollars (Note 1)
	2024	2023	2024
Per share information:			
Basic net income (loss) per share of common stock (Note 30)	¥(427.22)	¥74.67	\$(2.82)
Diluted net income per share of common stock (Note 30)	—	74.54	—
Cash dividends applicable to the year:			
Common stock	76.00	154.00	0.50

See the accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Aozora Bank, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Net income (loss)	¥(51,737)	¥6,655	\$(341,591)
Other comprehensive income (loss) (Note 29):			
Valuation difference on available-for-sale securities	(385)	(49,430)	(2,546)
Deferred gains or losses on hedges	3,359	1,129	22,181
Foreign currency translation adjustment	1,503	1,515	9,926
Remeasurements of defined benefit plans	3,606	(1,095)	23,813
Share of other comprehensive income (loss) in associates	950	2,717	6,274
Total other comprehensive income (loss)	9,034	(45,163)	59,648
Comprehensive income (loss) (Note 29)	¥(42,703)	¥(38,507)	\$(281,943)
Comprehensive income (loss) attributable to:			
Owners of the parent	¥(40,838)	¥(36,447)	\$(269,633)
Non-controlling interests	(1,864)	(2,059)	(12,310)

See the accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Aozora Bank, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2024

	Millions of yen												
	Shareholders' equity					Accumulated other comprehensive income (loss)					Share acquisition rights	Non-controlling interests	Total equity
	Share capital	Capital surplus	Retained earnings	Treasury stock—at cost	Total	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total			
Balance, April 1, 2022	¥100,000	¥87,476	¥301,700	¥(3,117)	¥486,060	¥3,985	¥(157)	¥3,450	¥(233)	¥7,045	¥390	¥(6,229)	¥487,265
Net income (loss) attributable to owners of the parent			8,719		8,719								8,719
Cash dividends paid			(18,567)		(18,567)								(18,567)
Change in scope of consolidation			45		45								45
Purchase of treasury stock (Note 18)				(0)	(0)								(0)
Disposal of treasury stock (Note 18)		4		18	22								22
Net changes in items during the year						(49,435)	1,129	4,233	(1,095)	(45,167)	112	(1,311)	(46,366)
Balance, March 31, 2023	¥100,000	¥87,481	¥291,898	¥(3,099)	¥476,280	¥(45,449)	¥972	¥7,683	¥(1,328)	¥(38,122)	¥503	¥(7,541)	¥431,119
Net income (loss) attributable to owners of the parent			(49,904)		(49,904)								(49,904)
Cash dividends paid			(13,548)		(13,548)								(13,548)
Purchase of treasury stock (Note 18)				(0)	(0)								(0)
Disposal of treasury stock (Note 18)		17		84	101								101
Net changes in items during the year						(353)	3,359	2,453	3,606	9,066	29	14,214	23,310
Balance, March 31, 2024	¥100,000	¥87,498	¥228,444	¥(3,015)	¥412,928	¥(45,803)	¥4,332	¥10,137	¥2,277	¥(29,056)	¥532	¥6,673	¥391,078

	Thousands of U.S. dollars (Note 1)												
	Shareholders' equity					Accumulated other comprehensive income (loss)					Share acquisition rights	Non-controlling interests	Total equity
	Share capital	Capital surplus	Retained earnings	Treasury stock—at cost	Total	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total			
Balance, March 31, 2023	\$660,240	\$577,586	\$1,927,233	\$(20,464)	\$3,144,595	\$(300,077)	\$6,422	\$50,729	\$(8,775)	\$(251,701)	\$3,322	\$(49,790)	\$2,846,426
Net income (loss) attributable to owners of the parent			(329,492)		(329,492)								(329,492)
Cash dividends paid			(89,456)		(89,456)								(89,456)
Purchase of treasury stock (Note 18)				(1)	(1)								(1)
Disposal of treasury stock (Note 18)		115		558	673								673
Net changes in items during the year						(2,335)	22,181	16,200	23,813	59,859	193	93,852	153,904
Balance, March 31, 2024	\$660,240	\$577,701	\$1,508,285	\$(19,907)	\$2,726,319	\$(302,412)	\$28,603	\$66,929	\$15,038	\$(191,842)	\$3,515	\$44,062	\$2,582,054

See the accompanying notes to consolidated financial statements.

Consolidated Financial Statements

Consolidated Statement of Cash Flows

Aozora Bank, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Cash flows from operating activities:			
Income (loss) before income taxes	¥(53,174)	¥7,354	\$(351,081)
Adjustments for:			
Depreciation and amortization	7,174	6,984	47,371
Losses on impairment of fixed assets	220	—	1,454
Equity in losses (earnings) of associates	(2,342)	(2,380)	(15,464)
Increase (decrease) in allowance for loan losses	43,813	(4,696)	289,274
Increase (decrease) in allowance for investment losses	953	2,956	6,298
Decrease (increase) in retirement benefit asset	(16)	(515)	(107)
Increase (decrease) in retirement benefit liability	(28)	340	(186)
Increase (decrease) in provision for credit losses on off-balance-sheet instruments	1,464	88	9,669
Interest income (accrual basis)	(166,436)	(113,570)	(1,098,879)
Interest expenses (accrual basis)	124,362	62,490	821,089
Losses (gains) on securities	16,969	2,662	112,042
Losses (gains) on money held in trust	(374)	(315)	(2,473)
Foreign exchange losses (gains)	(200,203)	(137,868)	(1,321,825)
Losses (gains) on disposal of fixed assets	7	2	48
Net decrease (increase) in trading account assets	(22,428)	(18,263)	(148,081)
Net increase (decrease) in trading account liabilities	43,200	(7,349)	285,227
Net decrease (increase) in loans and bills discounted	(74,014)	(497,146)	(488,674)
Net increase (decrease) in deposits	279,019	625,796	1,842,201
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	37,686	93,271	248,819
Net decrease (increase) in due from banks (excluding due from the Bank of Japan)	3,214	4,330	21,226
Net decrease (increase) in call loans and bills bought and others	68,158	70,409	450,013
Net increase (decrease) in call money and bills sold and others	(28,320)	(27,773)	(186,985)
Net increase (decrease) in cash collateral received for securities lent	44,705	(140,972)	295,164
Net decrease (increase) in foreign exchange—assets	14,758	(14,628)	97,442
Increase (decrease) in straight bonds—issuance and redemption	33,624	(21,186)	222,002
Interest and dividends received (cash basis)	160,459	107,336	1,059,417
Interest paid (cash basis)	(123,750)	(60,602)	(817,052)
Other, net	(73,833)	8,301	(487,480)
Subtotal	134,870	(54,946)	890,469
Income taxes paid	(920)	(6,436)	(6,078)
Net cash provided by (used in) operating activities	133,949	(61,382)	884,391
Cash flows from investing activities:			
Purchase of securities	(742,715)	(416,168)	(4,903,704)
Proceeds from sales of securities	707,562	383,204	4,671,610
Proceeds from redemption of securities	209,839	244,860	1,385,443
Increase in money held in trust	(39,926)	(48,963)	(263,608)
Decrease in money held in trust	40,162	57,111	265,171
Purchase of tangible fixed assets	(2,394)	(1,524)	(15,811)
Purchase of intangible fixed assets	(5,082)	(4,468)	(33,555)
Proceeds from sales of tangible fixed assets	3	9	25
Settlement of asset retirement obligations	(10)	(122)	(70)
Net cash provided by (used in) investing activities	167,439	213,939	1,105,501
Cash flows from financing activities:			
Repayments of lease obligations	(394)	(249)	(2,601)
Proceeds from stock issuance to non-controlling interests	—	756	—
Cash dividends paid	(13,548)	(18,567)	(89,456)
Cash dividends paid to non-controlling interests	(15)	(8)	(105)
Purchase of treasury stock	(0)	(0)	(1)
Proceeds from sales of treasury stock	0	0	0
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	16,095	—	106,267
Net cash provided by (used in) financing activities	2,136	(18,068)	14,104
Net increase (decrease) in cash and cash equivalents	303,525	134,487	2,003,996
Cash and cash equivalents, beginning of year	1,196,230	1,061,743	7,897,998
Cash and cash equivalents, end of year (Note 3)	¥1,499,756	¥1,196,230	\$9,901,994

See the accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Aozora Bank, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2024

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of Aozora Bank, Ltd. (the 'Bank') and consolidated subsidiaries (together, the 'Group') have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act, the Banking Act of Japan and other related accounting regulations, and in accordance with accounting principles generally accepted in Japan ('Japanese GAAP'), which are different in certain respects as to the application and disclosure requirements of IFRS Accounting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. Japanese yen figures of less than one million yen are truncated, except for per share data. As a result, the totals do not necessarily equal the sum of the individual amounts. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥151.46 to \$1.00, the rate of exchange at March 31, 2024. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

(1) Use of Estimates

The preparation of consolidated financial statements in accordance with Japanese GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change in the near term include, but are not limited to, those that are related to the determination of the allowance for loan losses, deferred tax assets, and the valuation of financial instruments.

(2) Consolidation

The consolidated financial statements include the accounts of the Bank, its significant subsidiaries and affiliated companies. The number of consolidated subsidiaries was 25 as of March 31, 2024 and 2023, respectively. The number of subsidiaries and affiliated companies accounted for using the equity method was 1 as of March 31, 2024 and 2023, respectively.

Aozora Asia Pacific Limited was established and consolidated in the year ended March 31, 2024. Aozora GMAC Investment Limited was excluded from the scope of consolidation due to the distribution of residual assets from liquidation during the year ended March 31, 2024.

Under the control and influence concepts, those entities in which the Bank, directly or indirectly, is able to exercise control over finance and operations are fully consolidated, and those entities over which the Group has the ability to exercise significant influence should be accounted for by the equity method.

Practical Issues Task Force ('PITF') No. 20, 'Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations,' issued by the Accounting Standards Board of Japan ('ASBJ'), provides additional guidance on how the control and influence concepts should be practically applied to investment vehicles, such as limited partnerships, *Tokumei Kumiai* arrangements (a silent partnership under the Commercial Code of Japan),

and other entities with similar characteristics in order to prevent these investment vehicles from being inappropriately excluded from consolidation.

The consolidated financial statements do not include the accounts of certain subsidiaries such as Aozora Chiiki Saisei Co., Ltd., because the combined total assets, total income, net income (loss) and retained earnings, etc. of such subsidiaries would not have a material effect on the accompanying consolidated financial statements.

Investments in unconsolidated subsidiaries and affiliated companies, such as AJ Capital Co., Ltd., AZ-Star Co., Ltd. and B Spark Inc. are generally stated at cost. These companies are not accounted for using the equity method of accounting because the effect on the accompanying consolidated financial statements would not be material even if the equity method of accounting had been applied to the investments in these companies.

Goodwill is amortized over an appropriate period not to exceed 20 years under the straight-line method. Immaterial goodwill is expensed as incurred. A bargain purchase gain is charged to operations on the acquisition date after reassessing the procedures to allocate the acquisition price and ensure that an acquirer has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.

All significant intercompany balances and transactions are eliminated in consolidation. All material unrealized profits resulting from transactions within the Group are also eliminated.

Consolidated Financial Statements

The Group applies the ASBJ Implementation Guidance No. 22, 'Implementation Guidance on Determining a Subsidiary and an Affiliate for Consolidated Financial Statements', which clarifies the conditions where a company does not regard an entity as a subsidiary and an affiliated company even if the company holds the controlling interest of the entity or exercises significant influence on the entity.

CRE HOLDINGS SUB 1 LLC is not treated as an affiliated company even though the Group owns 20% to 50% of its voting rights, because the Group obtains the voting rights primarily to benefit from the appreciation of the investment resulting from growth or restructuring the investee's businesses and the investment meets the conditions of the Paragraph 24 of the ASBJ Implementation Guidance No.22.

In accordance with PITF No. 18, 'Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements,' foreign subsidiaries' financial statements prepared in accordance with either IFRS Accounting Standards or generally accepted accounting principles in the United States are used for the consolidation process with certain limitations.

(3) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and due from the Bank of Japan.

(4) Trading Account Assets/Liabilities

Transactions for trading purposes (for the purpose of seeking to capture gains arising from short-term changes in interest rates, currency exchange rates or market prices of securities and other market-related indices or arbitrage opportunities) are included in 'Trading account assets' or 'Trading account liabilities,' as appropriate, on a trade-date basis. Trading account assets and liabilities are stated at fair value.

Profits and losses (interest received and paid, dividend, gains and losses on sales, and valuation gains and losses) on transactions for trading purposes are shown as 'Gains on trading account transactions' and 'Losses on trading account transactions,' as appropriate.

(5) Securities

All securities are classified and accounted for, depending on management's intent, as follows:

- 1) Trading securities which are held for the purpose of earning capital gains in the near term (other than securities booked in trading accounts) are reported at fair value, and the related unrealized gains and losses are recognized in the consolidated statement of income.
- 2) Held-to-maturity debt securities which are expected to be held to maturity with the positive intent and ability to hold them to maturity are reported at amortized cost.
- 3) Stocks in unconsolidated subsidiaries and affiliated companies which are not accounted for by the equity method are reported at acquisition cost (using the moving-average method).

- 4) Available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported within accumulated other comprehensive income as a separate component of equity. The cost of sale of these securities is determined mainly by the moving-average method.

Non-marketable equity securities are measured at cost.

The cost of non-marketable equity securities stated at cost is determined by the moving-average method.

For other-than-temporary declines in fair value, the cost of securities is reduced to fair value and the impairment losses are recognized by a charge to operations.

The Group records its interests in investment limited partnerships, associations under the Civil Code of Japan, and *Tokumei Kumiai* arrangements, based on its proportionate share of the net assets in such entities, and recognizes its share of profits or losses in a manner similar to the equity method of accounting. The Group records such interests in 'Securities.'

Securities included in money held in trust on behalf of the Group are accounted for in the same manner as the securities mentioned above.

(6) Derivatives and Hedging Activities

Derivative financial instruments (other than derivatives booked in trading accounts) are classified and accounted for as follows:

- 1) All derivatives other than those used for hedging purposes are recognized as either assets or liabilities and measured at fair value, with gains or losses recognized currently in the consolidated statement of income.
- 2) Derivatives used for hedging purposes, if they meet certain hedging criteria, including high correlation of fair value movement and effectiveness between the hedging instruments and the hedged items and the assessment of its effectiveness, are recognized as either assets or liabilities and measured at fair value. Valuation gains or losses on derivatives used for hedging purposes are primarily deferred over the terms of the hedged items within accumulated other comprehensive income as a component of equity and are charged to operations when the gains and losses on the hedged items are recognized.

(a) Hedges of Interest Rate Risk

The Bank applies deferral hedge accounting to hedges of interest rate risk associated with financial assets and liabilities, principally by portfolio hedging, in accordance with 'Accounting and Auditing Treatments on the Application of Accounting Standards for Financial Instruments in the Banking Industry' (the Japanese Institute of Certified Public Accountants ('JICPA') Industry Committee Practical Guideline No.24, March 17, 2022), or by individual hedging.

Under the JICPA Industry Committee Practical Guideline No.24, portfolio hedges to offset changes in fair value of fixed-rate instruments (such as loans or deposits) ('fair value hedges') are applied by grouping hedging instruments and hedged items by their maturities. The assessment of hedge effectiveness is generally based on the consideration of

interest rate indices affecting the respective fair values of the group of hedging instruments and hedged items.

With regard to an individual hedge to offset changes in fair value of fixed-rate instruments, since principal conditions underlying in available-for-sale securities (debt securities, etc.) and bonds payable as hedged items and interest rate swaps as hedging instruments are substantially on the same terms, the hedge is deemed highly effective.

(b) Hedges of Foreign Currency Risk

The Bank applies deferral hedge accounting to hedges of foreign currency risk associated with foreign currency-denominated financial assets and liabilities in accordance with 'Accounting and Auditing Treatments for Foreign Currency Transactions in the Banking Industry' (the JICPA Industry Committee Practical Guideline No. 25, October 8, 2020).

In accordance with the JICPA Industry Committee Practical Guideline No. 25, the Bank designates certain currency swaps and foreign exchange swaps for the purpose of funding foreign currencies as hedges for the exposure to changes in foreign exchange rates associated with foreign currency-denominated assets or liabilities when the foreign currency positions on the hedged assets or liabilities are expected to exceed the corresponding foreign currency positions on the hedging instruments. Hedge effectiveness is reviewed by comparing the total currency position of the hedged items with that of the hedging instruments by currency.

For hedging the foreign currency exposure of foreign currency-denominated available-for-sale securities (other than debt securities), which were designated in advance, fair value hedge accounting is adopted on a portfolio basis when the cost of the hedged securities is covered with offsetting liabilities denominated in the same foreign currency as the hedged securities.

(c) Hedges of Securities Price Fluctuation Risk

The Bank designates available-for-sale securities (stock, etc.) for price fluctuation risk of stocks and available-for-sale securities (debt securities, etc.) for price fluctuation risk of listed investment trusts as hedged items and total return swaps as hedging instruments and applies individual deferral hedge accounting.

The assessment of hedge effectiveness is generally based on the comparison of changes in fair value of the hedged item and hedging instruments.

(d) Intercompany and Intracompany Derivative Transactions

For intercompany and intracompany derivative transactions for hedging purposes ('Internal derivatives'), including currency and interest rate swaps, the Bank currently charges gains and losses on internal derivatives to operations or defers them within accumulated other comprehensive income as a component of equity without elimination in accordance with the JICPA Industry Committee Practical Guidelines No. 24 and No. 25. These reports permit a bank to retain the gains and losses on internal derivatives in its consolidated

financial statements without elimination if the bank establishes and follows strict hedging criteria by entering into mirror-image offsetting transactions with external third parties after the designation of internal derivatives as hedging instruments.

(7) Tangible Fixed Assets and Intangible Fixed Assets

Tangible fixed assets and intangible fixed assets are stated at cost.

Depreciation of tangible fixed assets of the Group is computed primarily by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings, including structures and equipment attached to buildings, of the Bank. The ranges of useful lives are principally from 15 years to 50 years for buildings and from 5 years to 15 years for other tangible fixed assets.

Amortization of intangible fixed assets of the Group is computed by the straight-line method over the estimated useful lives of the assets. Costs of software developed or obtained for internal use are amortized over the estimated useful lives of the software (principally from 5 years to 13 years).

Lease assets under finance lease transactions, in which substantial ownership is not deemed to be transferred, are depreciated by the straight-line method over the lease term. The salvage value is zero or the guaranteed amounts if specified in the lease contracts.

(8) Long-Lived Assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or asset group or the net selling price at disposition.

(9) Deferred Charges

Corporate bond issuance expenses are deferred and amortized by the straight-line method over the terms of the corporate bonds.

(10) Write-Off of Loans and Allowance for Loan Losses

Loans to borrowers who are assessed as 'Bankrupt' (in the process of legal proceedings for bankruptcy, special liquidation, etc.) or 'De facto bankrupt' (in serious financial difficulties and are not deemed to be capable of restructuring) under the Bank's self-assessment guidelines are written off to the amounts expected to be collected through the disposal of collateral or execution of guarantees, etc. The amounts deemed to be uncollectible and written off were ¥22,731 million (\$150,085 thousand) and ¥25,604 million at March 31, 2024 and 2023, respectively.

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For loans to borrowers who are assessed as 'In danger of bankruptcy' (not yet bankrupt but are in financial difficulty and are highly likely to go bankrupt in the foreseeable future), a specific allowance is provided for the loan losses at an amount considered to be necessary based on an overall solvency assessment of the borrowers and expected collectible amounts through the disposal of collateral or execution of guarantees, etc. For loans whose future cash flows of principal and interest are reasonably estimated, the difference between the discounted cash flows and the carrying amount is accounted for as an allowance for loan losses (the 'DCF method').

For other loans, the Bank provides the expected loan loss for the average remaining period of loans (almost three to four years respectively), after classifying the loans into four groups of corporate loans in North America/Europe, Asia, overseas real estate non-recourse loans and other loans, based on the characteristics of risk. The expected loan loss is determined based on the average rates of loan loss experience or bankruptcy over a certain period of time in the past, responding to the average remaining period with certain adjustments such as future prospects by considering the latest trend of loan loss experience. However, for borrowers with a large credit exposure that are categorized as 'Need attention,' under the internal credit rating system, the loan loss amount estimated by the DCF method is reflected as an addition to the allowance for loan losses determined based on the estimated loan loss ratio, if necessary. For certain borrowers other than those mentioned above that have a large credit exposure over a certain amount, an allowance is provided in addition to an amount determined based on an expected loan loss rate, according to the above method.

The allowance for loans to restructuring countries is provided for the amount of expected losses based on an assessment of political and economic conditions in their respective countries.

All loans are monitored in accordance with the internal self-assessment standard and other guidance on an ongoing basis. The operating divisions or branches review the internal credit ratings of borrowers which also determines the borrower categories. The internal credit ratings are then approved by the divisions in charge of credit. The division in charge of asset assessment, which is independent of the operating divisions or branches and the divisions in charge of credit, reviews the appropriateness of the internal credit ratings on a sample basis.

Based on the borrower categories as of year-end determined by the aforementioned process, the operating divisions or branches initially determine write-offs and the allowance for loan losses, and the division in charge of asset assessment verifies and determines the final amounts.

With regard to the allowance for loan losses of consolidated subsidiaries, a general allowance is determined for the amount of estimated loan losses using historical loan loss data over a defined period in the past. For loans to 'In danger of bankruptcy' borrowers and 'De facto bankrupt' and 'Bankrupt' borrowers, a specific allowance is provided or the uncollectible amount is written off based on an assessment of collectability of individual loans.

The independent internal audit divisions periodically audit the appropriateness of the write-offs and allowances based on the self-assessment on a regular basis.

Additional Information

For overseas real estate non-recourse loans, the Bank assumes a decrease in market liquidity mainly due to the deteriorating environment of the U.S. real estate market, and it will take approximately one to two years particularly for the U.S. office market to stabilize, considering the market trends.

In line with this, from the year ended March 31, 2024, for all borrowers of overseas real estate non-recourse loans that require careful monitoring in the future, the loan loss amount mainly estimated by the DCF method is reflected as an addition to the allowance for loan losses determined based on the estimated loan loss ratio. The estimated loan loss ratio to be applied to other overseas real estate non-recourse loans is calculated by classifying them to appropriately reflect the risk characteristics of the loan portfolio.

(11) Allowance for Investment Losses

Allowance for investment losses is provided for estimated losses on certain investments based on an assessment of the issuers' financial condition and uncertainty about future recoverability of the decline in realizable values of the investments.

(12) Asset Retirement Obligations

Asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such a tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

(13) Provision for Credit Losses on Off-Balance-Sheet Instruments

Provision for credit losses on off-balance-sheet instruments is provided for credit losses on commitments to extend loans and other off-balance-sheet financial instruments based on

an estimated loss ratio or individually estimated loss amount determined by the same methodology used in determining the amount of allowance for loan losses.

(14) Reserves under Special Laws

Reserves under special laws are reserves for financial products' transaction liabilities which are provided for compensation for losses from securities brokering in consolidated domestic subsidiaries in accordance with the Financial Instruments and Exchange Act, Article 46-5 and the Cabinet Office Ordinance on Financial Instruments Business, Article 175.

(15) Retirement and Pension Plans

The Group accounts for retirement benefit liabilities (assets) based on the defined retirement benefit obligations and plan assets at the consolidated balance sheet date. The defined retirement benefit obligations are calculated based on the benefit formula attribution of the expected benefit over the service period of employees. Prior-service cost is amortized using the straight-line method over a period within the employees' average remaining service period at incurrence. Net actuarial gain and loss are amortized using the straight-line method over a period (five years) within the employees' average remaining service period commencing from the next fiscal year after incurrence.

Some consolidated subsidiaries adopt a simplified method based on the defined retirement benefit obligations for each retirement plan that would be required if all employees retired voluntarily at the consolidated balance sheet date.

(16) Lease Transactions

All finance lease transactions are capitalized to recognize lease assets and lease obligations on the consolidated balance sheet.

All other leases are accounted for as operating leases.

(17) Income Taxes

Deferred income taxes are recorded to reflect expected future consequences of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax rates to the temporary differences. The Bank assesses the realizability of deferred tax assets based on consideration of the available evidence, including future taxable income, future reversals of existing temporary differences, and tax-planning strategies. The Bank reduces the carrying amount of a deferred tax asset to the extent that it is not probable that sufficient taxable income will be available to allow the benefit of part or all of that deferred tax asset to be realized. Such reduction may be reversed to the extent that it becomes probable that sufficient taxable income will be available and warrant the realization of tax benefits.

The Bank and some of its domestic consolidated subsidiaries have applied the group relief system.

(18) Foreign Currency Items

Assets and liabilities denominated in foreign currencies held

by the Bank are translated into Japanese yen at the exchange rates prevailing at the consolidated balance sheet date except for investments in equity securities of unconsolidated subsidiaries or affiliated companies, which are translated at historical rates.

Assets and liabilities denominated in foreign currencies which are held by consolidated subsidiaries are translated into Japanese yen at the exchange rates as of their respective balance sheet dates, while equity accounts are translated at historical rates. Differences arising from such translations are shown as 'Foreign currency translation adjustment' within accumulated other comprehensive income as a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate. Differences arising from such translation are included in 'Non-controlling interests' or 'Foreign currency translation adjustment' as a separate component of equity in the consolidated balance sheet.

(19) Per Share Information

Basic net income (loss) per share is computed by dividing net income (loss) attributable to common stockholders by the weighted-average number of shares of common stock outstanding for the period, retroactively adjusted for stock splits or reverse stock splits.

Diluted net income per share reflects the potential dilution that would occur if dilutive options and warrants were exercised or the securities were converted into common stock, also retroactively adjusted for stock splits or reverse stock splits. Diluted net income per share of common stock assumes full conversion of the preferred stock at the beginning of the year (or at the time of issuance) with an applicable adjustment for related dividends to preferred stock, unless the preferred stock has an antidilutive effect.

Net assets per share of common stock are computed by dividing net assets attributable to common stockholders by the number of shares of common stock outstanding at the end of the fiscal year.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective periods including dividends to be paid after the end of the fiscal years.

(20) Significant Accounting Estimates

Among items recorded in the consolidated financial statements for the year ended March 31, 2024 with accounting estimates, items that significantly affect the consolidated financial statements for the year ending March 31, 2025 are described below:

1) Allowance for loan losses

(a) Amounts recorded in the consolidated financial statements

Allowance for loan losses: ¥87,929 million (\$580,546 thousand) and ¥44,052 million at March 31, 2024 and 2023, respectively

(b) Information contributing to understanding of the detail of the significant accounting estimates related to recognized item

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(i) Determination method

The determination method of the allowance for loan losses is described in Note 2 'Summary of Significant Accounting Policies' (10) 'Write-Off of Loans and Allowance for Loan Losses.'

(ii) Major assumptions

i) Outlook of future business performance of borrowers in determination of borrower category

For determining borrower categories, characteristics such as profit earning capability and cash flow generating capability are individually examined and evaluated with consideration of external environment. Specifically, for borrowers who have recorded goodwill derived from M&A transactions, the feasibility of the estimated cash flows generated from the acquired business is individually examined and evaluated.

ii) Estimation of future cash flows of underlying real estate properties in real estate non-recourse loans (i.e., loans for which the repayment source is provided only by cash flows generated from underlying real estate properties)

Since the estimation of future cash flows of underlying real estate properties is a significant element in determining the borrower categories for real estate non-recourse loans, rents, vacancy rates, discount rates or other factors are individually examined and evaluated.

For overseas real estate non-recourse loans, the Bank assumes a decrease in market liquidity mainly due to the deteriorating environment of the U.S. real estate market, and it will take approximately one to two years particularly for the U.S. office market to stabilize, considering the market trends. For non-recourse loans backed by underperforming office properties in the U.S. due to the changes in working styles in the post-COVID-19 period, in order to prepare for the full-scale disposal of these properties, for cases where there is a possibility of debt recovery in the future, the Bank evaluates the property considering the risk of price decline over the next one to two years and determines individual borrower category considering the possibility of the debt recovery through the disposal of properties in the future, etc. The allowance for loan losses is made based on the estimated disposal price assuming the risk of price decline.

(iii) Effect over the consolidated financial statements for the year ending March 31, 2025

In case the assumptions used for the original estimation change due to fluctuations in business performance, of individual borrower or changes in the U.S. real estate market, the allowance for loan losses can be significantly affected in the consolidated financial statements for the year ending March 31, 2025.

2) Recoverability of deferred tax assets

(a) Amounts recorded in the consolidated financial statements

Deferred tax assets: ¥44,580 million (\$294,342 thousand) and ¥53,577 million at March 31, 2024 and 2023, respectively

(b) Information contributing to understanding of the detail of the significant accounting estimates related to recognized item

(i) Determination method

Deferred tax assets are recorded by estimating future taxable income in accordance with the corporate category based on the "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No.26), and determining the recoverability of deferred tax assets as a result of scheduling of deductible temporary differences and tax loss carryforwards.

(ii) Major assumptions

Estimates of future taxable income are based on the group's business plan, which takes into account the past performance of each business, the current business environment and business policies. Major assumptions are the outlook for profitability and credit-related expenses of customer-related businesses and the outlook for interest rates after the lifting of the negative interest rate policy.

(iii) Effect over the consolidated financial statements for the year ending March 31, 2025

In case the assumptions used for the original estimates change, due to future changes in the financial and economic environment, the deferred tax assets can be significantly affected in the consolidated financial statements for the year ending March 31, 2025.

3) Determination regarding the recognition of impairment loss of fixed assets

(a) Amounts recorded in the consolidated financial statements

For the application of impairment accounting, the Bank identifies GMO Aozora Net Bank, Ltd. (hereafter referred to as 'GMO Aozora' in '3) Determination regarding the recognition of impairment loss of fixed assets'), which is a consolidated subsidiary, as one of the asset grouping unit, and considers the determination of recoverability of GMO Aozora's fixed assets as a significant accounting estimate.

The Bank recorded GMO Aozora's fixed assets of ¥9,602 million (\$63,401 thousand) (tangible fixed assets ¥566 million (\$3,738 thousand), intangible fixed assets ¥9,036 million (\$59,663 thousand) and ¥8,821 million (tangible fixed assets ¥438 million, intangible fixed assets ¥8,383 million), in the consolidated financial statements for the year ended March 31, 2024 and 2023, respectively.

(b) Information contributing to understanding of the detail of the significant accounting estimates related to recognized item

(i) Determination method

The Bank has determined that GMO Aozora's fixed assets have an indication of impairment because the profit or loss arising from the business activities is continuously negative. However, except for the fixed assets which will be taken over as a result of business succession, no impairment loss is recorded because the total undiscounted future cash flows exceeded the carrying amount of the assets.

(ii) Major assumptions

For determination of the recoverability of GMO Aozora's fixed assets, undiscounted future cash flows are estimated based on GMO Aozora's Mid-term plan, and major assumptions are the number of corporate accounts, number of exchange transactions, amount of debit card transactions, and outstanding loan balance which future increases based on the trend of actual performance in the most recent fiscal year are taken into consideration.

(iii) Effect over the consolidated financial statements for the year ending March 31, 2025

If major assumptions in GMO Aozora's Mid-term plan change due to changes in financial and economic conditions and the total amount of undiscounted cash flows fall below the carrying amount of the assets, the Bank may recognize an impairment loss in the consolidated financial statements for the following fiscal year. An impairment loss is calculated by deducting the recoverable value from the carrying amount of fixed assets.

3. Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2024 and 2023, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Cash on hand	¥3,587	¥4,601	\$23,687
Due from the Bank of Japan	1,496,168	1,191,629	9,878,307
Total	¥1,499,756	¥1,196,230	\$9,901,994

4. Trading Account Assets and Liabilities

Trading account assets and liabilities as of March 31, 2024 and 2023, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Trading account assets:			
Trading securities	¥—	¥55	\$—
Trading securities derivatives	—	7,811	—
Trading account securities derivatives for hedging	1,566	4,493	10,344
Trading account financial derivatives	172,146	138,924	1,136,582
Total	¥173,713	¥151,285	\$1,146,926
Trading account liabilities:			
Trading account securities derivatives for hedging	¥1,607	¥14,001	\$10,615
Trading account financial derivatives	163,470	107,876	1,079,298
Total	¥165,078	¥121,877	\$1,089,913

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5. Securities

Certain amounts shown in the following tables include negotiable certificates of deposit in 'Due from banks', trading securities and trading account securities for hedging classified as 'Trading account assets' and certain beneficiary interests in trust classified as 'Monetary claims bought' in addition to 'Securities' stated in the consolidated balance sheet.

'Securities' stated in the consolidated balance sheet as of March 31, 2024 and 2023, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Japanese national government bonds	¥52,528	¥18,381	\$346,813
Japanese local government bonds	29,080	38,985	192,003
Japanese short-term corporate bonds	—	10,999	—
Japanese corporate bonds	107,551	116,961	710,098
Japanese stocks	31,125	30,154	205,501
Foreign bonds	493,961	458,787	3,261,335
Other	472,314	604,479	3,118,410
Total	¥1,186,561	¥1,278,749	\$7,834,160

As of March 31, 2024 and 2023, securities included equity investments in unconsolidated subsidiaries and affiliated companies that amounted to ¥65,125 million (\$429,984 thousand) and ¥62,115 million, respectively.

The unrealized gains and losses for trading securities as of March 31, 2024 and 2023, were charged to profit or loss for the years then ended as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Unrealized gains (losses)	¥—	¥4	\$—

No held-to-maturity bonds were held as of March 31, 2024 and 2023.

The costs and carrying amounts of available-for-sale securities with fair value as of March 31, 2024 and 2023, were as follows:

	Millions of yen			Thousands of U.S. dollars		
	Carrying amount	Cost	Difference	Carrying amount	Cost	Difference
March 31, 2024						
Carrying amount exceeding cost:						
Japanese stocks	¥26,398	¥11,196	¥15,202	\$174,294	\$73,925	\$100,369
Japanese national government bonds	—	—	—	—	—	—
Japanese local government bonds	2,210	2,202	7	14,595	14,544	51
Japanese short-term corporate bonds	—	—	—	—	—	—
Japanese corporate bonds	31,440	31,146	293	207,580	205,645	1,935
Foreign bonds	72,487	71,020	1,466	478,594	468,909	9,685
Other	77,457	68,349	9,107	511,404	451,272	60,132
Subtotal	209,994	183,917	26,077	1,386,467	1,214,295	172,172
Carrying amount not exceeding cost:						
Japanese stocks	2,482	2,898	(415)	16,392	19,134	(2,742)
Japanese national government bonds	52,528	54,708	(2,180)	346,813	361,211	(14,398)
Japanese local government bonds	26,870	27,089	(219)	177,409	178,856	(1,447)
Japanese short-term corporate bonds	—	—	—	—	—	—
Japanese corporate bonds	76,111	76,859	(748)	502,518	507,457	(4,939)
Foreign bonds	421,473	483,586	(62,112)	2,782,740	3,192,834	(410,094)
Other	206,946	226,118	(19,171)	1,366,346	1,492,925	(126,579)
Subtotal	786,413	871,261	(84,847)	5,192,218	5,752,417	(560,199)
Total	¥996,407	¥1,055,178	¥(58,770)	\$6,578,685	\$6,966,712	\$(388,027)
March 31, 2023						
Carrying amount exceeding cost:						
Japanese stocks	¥24,031	¥10,841	¥13,190			
Japanese national government bonds	—	—	—			
Japanese local government bonds	5,219	5,191	28			
Japanese short-term corporate bonds	—	—	—			
Japanese corporate bonds	37,879	37,426	452			
Foreign bonds	43,391	43,080	310			
Other	204,266	190,056	14,210			
Subtotal	314,788	286,595	28,192			
Carrying amount not exceeding cost:						
Japanese stocks	3,628	3,936	(308)			
Japanese national government bonds	18,381	19,683	(1,301)			
Japanese local government bonds	33,765	33,894	(129)			
Japanese short-term corporate bonds	10,999	10,999	—			
Japanese corporate bonds	79,081	80,449	(1,367)			
Foreign bonds	415,396	478,170	(62,774)			
Other	236,868	265,097	(28,229)			
Subtotal	798,121	892,231	(94,110)			
Total	¥1,112,910	¥1,178,827	¥(65,917)			

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The Group has adopted its impairment criteria based on the severity of decline of securities by borrower category of the issuer of securities in the determination of significant declines. A significant decline is regarded as an other-than-temporary decline unless the significant decline is reasonably recoverable. Impairment losses are recognized for other-than-temporary declines.

For the year ended March 31, 2024, the Group wrote off Japanese stocks included in marketable available-for-sale securities in the amount of ¥75 million (\$498 thousand). For the year ended March 31, 2023, the amount that the Group wrote off was ¥404 million which was ¥30 million for Japanese stocks and ¥373 million for foreign bonds.

If the fair value declines more than 50% from the acquisition cost or amortized cost, the Group generally deems the decline to be significant and other-than-temporary. However, based on the borrower category of the issuer of securities, the following impairment criteria determine whether or not the fair value decline is significant under the internal standards for write-offs and reserves.

'In danger of bankruptcy,' 'De facto bankrupt' and 'Bankrupt' ... if the fair value declines from cost.

'Need attention' ... if the fair value declines more than 30% from cost.

'Normal' ... if the fair value declines more than 50% from cost.

For debt securities categorized as 'Normal,' the fair value decline is deemed significant if the fair value declines more than 30% from cost.

For securities, whose fair value remains below a certain level, the fair value decline is deemed significant even if it does not meet the above criteria.

'Bankrupt' borrower means an issuer of securities under legal proceedings, such as bankruptcy or liquidation. 'De facto bankrupt' borrower means an issuer of securities in a similar condition as 'Bankrupt' borrower. 'In danger of bankruptcy' borrower means an issuer of securities that is not currently bankrupt but is highly likely to become bankrupt. 'Need attention' borrower means an issuer of securities that needs to be monitored carefully. 'Normal' borrower means an issuer of securities categorized as other than 'Bankrupt,' 'De facto bankrupt,' 'In danger of bankruptcy' or 'Need attention.'

As of March 31, 2024, there were no securities received under unsecured lending agreements, lending agreements with cash collateral or resale agreements, etc., and those received as collateral for derivative transactions, which the Group has the right to be freely sold or repledged.

As of March 31, 2023, the received securities amounting to ¥13 million were repledged under such agreements. None were re-loaned and none remained undisposed under such agreements.

Proceeds from sales of available-for-sale securities and the gross realized gains and losses on these sales for the years ended March 31, 2024 and 2023, were as follows:

	Millions of yen			Thousands of U.S. dollars		
	Proceeds from sales	Gross realized gains	Gross realized losses	Proceeds from sales	Gross realized gains	Gross realized losses
March 31, 2024						
Japanese stocks	¥26,314	¥8,065	¥84	\$173,739	\$53,252	\$555
Japanese national government bonds	115,009	—	19	759,341	—	126
Japanese local government bonds	6,358	1	15	41,979	12	103
Japanese short-term corporate bonds	—	—	—	—	—	—
Japanese corporate bonds	1,592	0	7	10,517	6	51
Foreign bonds	79,523	173	12,000	525,049	1,143	79,232
Other	507,092	13,232	22,804	3,348,032	87,368	150,564
Total	¥735,892	¥21,474	¥34,931	\$4,858,657	\$141,781	\$230,631
March 31, 2023						
Japanese stocks	¥3,062	¥2,805	¥—			
Japanese national government bonds	39,305	15	650			
Japanese local government bonds	120,349	3	3,474			
Japanese short-term corporate bonds	—	—	—			
Japanese corporate bonds	5,372	1	24			
Foreign bonds	77,488	21	5,016			
Other	126,434	11,370	7,534			
Total	¥372,012	¥14,219	¥16,700			

There were no securities reclassified due to the change of the holding purpose during the years ended March 31, 2024 and 2023.

'Valuation difference on available-for-sale securities' stated in the consolidated balance sheet as of March 31, 2024 and 2023, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Net unrealized gains	¥(58,770)	¥(65,917)	\$(388,027)
Available-for-sale securities	(58,770)	(65,917)	(388,027)
Other money held in trust	—	—	—
(+) Deferred tax assets	12,913	20,445	85,259
(-) Deferred tax liabilities	—	—	—
Valuation difference on available-for-sale securities (before adjustments)	(45,857)	(45,471)	(302,768)
(-) Non-controlling interests	(53)	(21)	(356)
(+) The Bank's interest in valuation difference on available-for-sale securities held by equity method affiliate	—	—	—
Valuation difference on available-for-sale securities	¥(45,803)	¥(45,449)	\$(302,412)

6. Money Held in Trust

The carrying amounts and related valuation gains recognized in earnings for money held in trust classified as for investment purposes as of March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Carrying amounts	¥12,963	¥13,083	\$85,588
Unrealized gains recognized in earnings	—	—	—

None of the money held in trust was categorized as held-to-maturity or available-for-sale as of March 31, 2024 and 2023.

7. Loans and Bills Discounted

Loans and bills discounted as of March 31, 2024 and 2023, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Bills discounted	¥6,457	¥7,223	\$42,633
Loans on notes	3,628	14,034	23,957
Loans on deeds	3,906,352	3,712,621	25,791,313
Overdrafts	154,857	147,480	1,022,431
Other	—	13	—
Total	¥4,071,295	¥3,881,373	\$26,880,334

Non-performing loans based on the Banking Act and the Financial Reconstruction Act as of March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Bankrupt and similar credit	¥18	¥3,039	\$122
Doubtful credit	118,572	30,623	782,863
Special attention credit	12,514	5,511	82,627
Loans overdue for three months or more	6,361	—	42,000
Restructured loans	6,153	5,511	40,627
Subtotal	131,105	39,174	865,612
Normal credit	3,996,188	3,896,873	26,384,448
Total credit	¥4,127,294	¥3,936,047	\$27,250,060

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The above amounts are stated after write-offs of uncollectible amounts but before the deduction of the allowance for loan losses.

Non-performing loans based on the Banking Act and the Financial Reconstruction Act are listed in the second table above. These include corporate bonds in securities (limited to those for which payment of principal and interest is guaranteed in whole or in part, and the issuance of such bonds is through private placement of securities (Article 2, Paragraph 3 of the Financial Instruments and Exchange Act)), loans and bills discounted, foreign exchanges, accrued interest and suspense payables in other assets, customers' liabilities for acceptances and guarantees and securities in the case of loaned securities in the notes to the consolidated balance sheet (limited to only those subject to usage and lending or lending agreement).

'Bankrupt and similar credit' refers to the credit of borrowers who have filed for bankruptcy, corporate reorganization, composition, etc., as well as those borrowers who are in an equivalent situation.

'Doubtful credit' refers to the credit with serious doubt concerning the recovery of principal and receiving of interest as contract provisions, because the borrower's financial condition and business results have worsened, although they have not reached the point of management collapse, excluding loans to 'Bankrupt and similar credit'.

'Loans overdue for three months or more' refers to those loans excluding loans to 'Bankrupt and similar credit' and 'Doubtful credit' for which principal or interest remains unpaid for at least three months.

'Restructured loans' refers to those loans excluding loans to 'Bankrupt and similar credit', 'Doubtful credit' and 'Loans overdue for three months or more' for which agreement was made to provide a reduction or a moratorium on interest payments, or concessions in the borrower's favor on interest or principal payments or to waive claims in order to support the borrowers' recovery from financial difficulties.

'Normal credit' refers to credits to borrowers whose financial condition and business results have no particular problem and which are not categorized in any of the above categories.

Overdraft contracts and contracts for loan commitments are those by which the Group is bound to extend loans up to a prearranged amount, upon the request of customers, unless the customer is in breach of contract conditions. The unutilized balance of these contracts amounted to ¥506,660 million (\$3,345,175 thousand) and ¥560,665 million as of March 31, 2024 and 2023, respectively. ¥395,517 million (\$2,611,368 thousand) and ¥480,109 million of these amounts relate to contracts with residual contractual terms of one year or less as of March 31, 2024 and 2023, respectively.

Bills discounted are accounted for as financing transactions in accordance with 'Accounting and Auditing Treatments on the Application of Accounting Standards for Financial Instruments in the Banking Industry' (the JICPA Industry Committee Practical Guideline No.24), although the Bank has the right to sell or repledge them without restriction. The face values of such bills discounted held as of March 31, 2024 and 2023, were ¥6,457 million (\$42,633 thousand) and ¥7,223 million, respectively.

8. Foreign Exchange

Foreign exchange as of March 31, 2024 and 2023, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Assets:			
Due from foreign banks	¥51,267	¥76,873	\$338,486
Total	¥51,267	¥76,873	\$338,486

9. Tangible Fixed Assets and Intangible Fixed Assets

Tangible fixed assets as of March 31, 2024 and 2023, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Buildings	¥10,355	¥9,837	\$68,374
Land	9,235	9,235	60,977
Lease assets	1,313	247	8,670
Other	2,254	2,297	14,887
Total	¥23,159	¥21,617	\$152,908
Accumulated depreciation	¥27,218	¥26,369	\$179,710

Intangible fixed assets as of March 31, 2024 and 2023, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Software	¥18,895	¥19,325	\$124,755
Other	67	67	443
Total	¥18,962	¥19,392	\$125,198

10. Customers' Liabilities for Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are included in acceptances and guarantees. As a contra account, customers' liabilities for acceptances and guarantees are shown as assets representing the Group's right of indemnity from customers.

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11. Allowance for Loan Losses

Allowance for loan losses as of March 31, 2024 and 2023, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
General allowance	¥37,475	¥33,693	\$247,431
Specific allowance	50,453	10,359	333,115
Total	¥87,929	¥44,052	\$580,546

12. Pledged Assets and Collateralized Debts

The carrying amounts of assets pledged as collateral and collateralized debts as of March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Assets pledged as collateral:			
Securities	¥300,286	¥278,693	\$1,982,616
Loans and bills discounted	459,489	389,081	3,033,735
Total	¥759,776	¥667,775	\$5,016,351
Collateralized debts:			
Securities sold under repurchase agreements	¥29,903	¥48,224	\$197,438
Cash collateral received for securities lent	260,689	215,983	1,721,175
Borrowed money	100,000	100,000	660,240
Total	¥390,593	¥364,208	\$2,578,853

In addition, the following assets were pledged or deposited as margin money for future trading and collateral for transactions, including exchange settlements and derivatives as of March 31, 2024 and 2023:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Securities	¥29,309	¥33,493	\$193,511
Loans and bills discounted	144	1,557	951
Foreign exchange	15,146	13,354	100,000
Other assets:			
Margin deposits for futures transactions	962	962	6,353
Cash collateral paid for financial instruments	141,751	81,238	935,901
Guarantee deposits	79,350	45,784	523,904
Total	¥266,663	¥176,389	\$1,760,620

13. Deposits

Deposits as of March 31, 2024 and 2023, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Current deposits	¥21,089	¥33,457	\$139,241
Ordinary deposits	3,222,985	3,022,098	21,279,451
Saving deposits	55,109	49,846	363,853
Deposits at notice	585	935	3,866
Time deposits	2,283,223	2,243,512	15,074,762
Negotiable certificates of deposit	141,380	34,000	933,448
Other	51,999	113,501	343,318
Total	¥5,776,372	¥5,497,352	\$38,137,939

14. Bonds Payable

Bonds payable as of March 31, 2024 and 2023, consisted of the following:

	Millions of yen		Thousands of U.S. dollars	Interest rates
	2024	2023	2024	
Three-year unsecured straight bond issued by the Bank	¥30,000	¥40,000	\$198,072	0.11% - 0.43%
Five-year unsecured straight bond issued by the Bank	—	3,000	—	0.19%
Three-year unsecured straight bond issued by the Bank in U.S. dollars	143,824	86,745	949,587	1.05% - 5.90%
Three-year unsecured domestic straight bond issued by the Bank in U.S. dollars	—	11,350	—	1.06%
Five-year unsecured domestic straight bond issued by the Bank in U.S. dollars	7,573	6,677	50,000	1.70%
Total	¥181,397	¥147,773	\$1,197,659	

Annual maturities of bonds payable as of March 31, 2024, were as follows:

Years Ending March 31	Millions of yen	Thousands of U.S. dollars
2025	¥55,433	\$365,993
2026	70,552	465,818
2027	55,411	365,848
2028	—	—
2029	—	—
Total	¥181,397	\$1,197,659

15. Borrowed Money

The weighted-average annual interest rates applicable to borrowed money were 0.54% and 0.49% as of March 31, 2024 and 2023, respectively.

Borrowed money does not include subordinated borrowings as of March 31, 2024 and 2023.

Annual maturities of borrowed money as of March 31, 2024, were as follows:

Years Ending March 31	Millions of yen	Thousands of U.S. dollars
2025	¥105,500	\$696,554
2026	10,300	68,005
2027	13,000	85,831
2028	2,500	16,506
2029	26,500	174,964
2030 and thereafter	405,500	2,677,274
Total	¥563,300	\$3,719,134

Apart from borrowed money, lease obligations are included in 'Other liabilities.' Annual maturities of lease obligations as of March 31, 2024, were as follows:

Years Ending March 31	Millions of yen	Thousands of U.S. dollars
2025	¥345	\$2,281
2026	244	1,612
2027	193	1,278
2028	193	1,278
2029	193	1,278
2030 and thereafter	274	1,810
Total	¥1,444	\$9,537

Note: Lease obligations above include interest expense which is amortized over the lease term by the straight-line method. The weighted-average effective interest rates applicable to the lease obligations are not disclosed accordingly.

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16. Other Assets and Liabilities

Other assets and liabilities as of March 31, 2024 and 2023, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Other assets:			
Accrued income	¥17,367	¥13,528	\$114,666
Accounts receivable	42,286	32,546	279,191
Financial derivatives	92,377	74,697	609,915
Cash collateral paid for financial instruments	141,751	81,238	935,902
Guarantee deposits	79,350	45,784	523,904
Other	47,788	36,855	315,518
Total	¥420,921	¥284,650	\$2,779,096
Other liabilities:			
Income taxes payable	¥641	¥428	\$4,237
Accrued expenses	7,239	6,712	47,795
Accounts payable	18,290	22,292	120,760
Financial derivatives	122,070	78,431	805,961
Cash collateral received for financial instruments	13,051	21,386	86,172
Asset retirement obligations	2,094	2,104	13,826
Other	40,808	24,322	269,433
Total	¥204,195	¥155,679	\$1,348,184

17. Retirement and Pension Plans

The Bank and certain consolidated subsidiaries have defined retirement benefit plans for their employees. Such retirement benefits are made in the form of a lump-sum severance payment from the Group and annuity payments from trustees etc.

Changes in defined retirement benefit obligation for the years ended March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Defined retirement benefit obligation at the beginning of fiscal year	¥41,944	¥42,047	\$276,934
Service cost	1,710	1,711	11,293
Interest cost	163	164	1,079
Actuarial losses (gains)	(3,248)	123	(21,450)
Benefits paid	(2,459)	(2,102)	(16,236)
Defined retirement benefit obligation at the end of fiscal year	¥38,110	¥41,944	\$251,620

Changes in plan assets for the years ended March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Fair value of plan assets at the beginning of fiscal year	¥34,529	¥36,037	\$227,981
Expected return on plan assets	863	900	5,699
Actuarial gains (losses)	1,430	(1,510)	9,446
Contributions from employer	456	457	3,011
Benefits paid	(1,341)	(1,356)	(8,856)
Fair value of plan assets at the end of fiscal year	¥35,938	¥34,529	\$237,281

Reconciliation between the liability and asset recorded in the consolidated balance sheet and the balances of defined retirement benefit obligation and plan assets for the years ended March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Funded defined retirement benefit obligation	¥27,197	¥30,656	\$179,567
Plan assets	(35,938)	(34,529)	(237,281)
	(8,741)	(3,873)	(57,714)
Unfunded defined retirement benefit obligation	10,912	11,288	72,052
Net liability (asset) arising from defined retirement benefit obligation	¥2,171	¥7,414	\$14,338
Retirement benefit liability	¥10,912	¥11,288	\$72,052
Retirement benefit asset	(8,741)	(3,873)	(57,714)
Net liability (asset) arising from defined retirement benefit obligation	¥2,171	¥7,414	\$14,338

Components of net periodic retirement benefit costs for the years ended March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Service cost	¥1,710	¥1,711	\$11,293
Interest cost	163	164	1,079
Expected return on plan assets	(863)	(900)	(5,699)
Recognized actuarial losses	518	54	3,425
Amortization of prior-service cost	—	—	—
Other	—	7	—
Net periodic defined retirement benefit costs	¥1,529	¥1,037	\$10,098

Note: 'Other' stated above is the premium severance pay.

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The breakdown of 'Remeasurements of defined benefit plans' in Other comprehensive income (loss), before adjusting for tax effects, for the years ended March 31, 2024 and 2023, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Amortization of prior-service cost	¥—	¥—	\$—
Recognized actuarial gains (losses)	5,198	(1,578)	34,322
Total	¥5,198	¥(1,578)	\$34,322

The breakdown of 'Remeasurements of defined benefit plans' in Accumulated other comprehensive income (loss), before adjusting for tax effects, as of March 31, 2024 and 2023, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Unrecognized prior-service cost	¥—	¥—	\$—
Unrecognized actuarial losses	3,282	(1,915)	21,675
Total	¥3,282	¥(1,915)	\$21,675

Plan assets

(1) Asset allocation of plan assets as of March 31, 2024 and 2023, was as follows:

	2024	2023
Bonds	46.8%	50.2%
Stocks	17.7	20.9
Cash and deposits	20.2	13.2
Other	15.3	15.7
Total	100.0%	100.0%

(2) Determination of expected long-term rate of return on plan assets

The Bank considers the asset allocation of plan assets and the expected long-term rate of return on diverse assets which plan assets comprise in the present and future, in order to determine the expected long-term rate of return on plan assets.

Principal actuarial assumptions used for the years ended March 31, 2024 and 2023, were as follows:

	2024	2023
Discount rate	1.2%	0.4%
Expected long-term rate of return on plan assets	2.5%	2.5%

18. Equity

(1) Share Capital and Capital Surplus

Authorized number of common stock was 289,828 thousand as of March 31, 2024 and 2023.

Changes in the number of issued shares of common stock and treasury stock for the years ended March 31, 2024 and 2023, consisted of the following:

	Thousands			
	Number of shares			
	As of April 1, 2023	Increase	Decrease	As of March 31, 2024
Issued stock				
Common stock	118,289	—	—	118,289
Treasury stock				
Common stock ^(Note)	1,508	0	41	1,467

Note: The increase is due to buybacks of shares constituting less than one trade unit, and the decrease is due to exercise of share acquisition rights.

	Thousands			
	Number of shares			
	As of April 1, 2022	Increase	Decrease	As of March 31, 2023
Issued stock				
Common stock	118,289	—	—	118,289
Treasury stock				
Common stock ^(Note)	1,517	0	8	1,508

Note: The increase is due to buybacks of shares constituting less than one trade unit, and the decrease is due to exercise of share acquisition rights and sales of shares constituting less than one trade unit.

Share acquisition rights

Share acquisition rights as of March 31, 2024 and 2023, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Share acquisition rights as stock options	¥532	¥503	\$3,515

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Cash dividends

Cash dividends paid during the years ended March 31, 2024 and 2023, were as follows:

	Millions of yen	Yen	Thousands of U.S. dollars	U.S. dollars
	Total amounts	Per share	Total amounts	Per share
Year ended March 31, 2024				
(Record date: December 31, 2023) ^(Note 1)				
Common stock	¥—	¥—	\$—	\$—
(Record date: September 30, 2023) ^(Note 2)				
Common stock	¥4,439	¥38.00	\$29,310	\$0.25
(Record date: June 30, 2023) ^(Note 3)				
Common stock	¥4,438	¥38.00	\$29,305	\$0.25
(Record date: March 31, 2023) ^(Note 4)				
Common stock	¥4,671	¥40.00	\$30,841	\$0.26
Year ended March 31, 2023				
(Record date: December 31, 2022) ^(Note 5)				
Common stock	¥4,437	¥38.00		
(Record date: September 30, 2022) ^(Note 6)				
Common stock	¥4,437	¥38.00		
(Record date: June 30, 2022) ^(Note 7)				
Common stock	¥4,437	¥38.00		
(Record date: March 31, 2022) ^(Note 8)				
Common stock	¥5,254	¥45.00		

- Notes: 1. Cash dividends applicable to the three-month period ended December 31, 2023, were not distributed, as approved at the Board of Directors' meeting held on February 1, 2024. Therefore, the description has been omitted.
2. Cash dividends applicable to the three-month period ended September 30, 2023, were approved at the Board of Directors' meeting held on November 13, 2023.
3. Cash dividends applicable to the three-month period ended June 30, 2023, were approved at the Board of Directors' meeting held on August 2, 2023.
4. Year-end cash dividends applicable to the year ended March 31, 2023, were approved at the Board of Directors' meeting held on May 17, 2023.
5. Cash dividends applicable to the three-month period ended December 31, 2022, were approved at the Board of Directors' meeting held on February 3, 2023.
6. Cash dividends applicable to the three-month period ended September 30, 2022, were approved at the Board of Directors' meeting held on November 11, 2022.
7. Cash dividends applicable to the three-month period ended June 30, 2022, were approved at the Board of Directors' meeting held on August 1, 2022.
8. Year-end cash dividends applicable to the year ended March 31, 2022, were approved at the Board of Directors' meeting held on May 16, 2022.

(2) Companies Act and Banking Act of Japan

The Bank is subject to the Companies Act and Banking Act of Japan.

1) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the stockholders' meeting. For companies that meet certain criteria such as:

(1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors is prescribed as one year rather than two years of a normal term by the company's Articles of Incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has so prescribed in its Articles of Incorporation. The Bank meets all of the above criteria and its Articles of Incorporation prescribe the authority for dividend declaration by the Board of Directors.

The Companies Act permits companies to distribute dividends in kind (noncash assets) to stockholders subject to certain limitations and additional requirements.

Interim dividends may also be paid once a year upon resolution by the Board of Directors if the Articles of Incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the stockholders, however, the amount of equity after dividends must be maintained at no less than ¥3 million.

2) Increases/decreases and transfers of common stock, reserves and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the

equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that capital stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the stockholders.

Under the Banking Act of Japan, an amount equivalent to 20% of the aggregate amount of cash dividends and certain other appropriations of surplus associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 100% of stated capital. The amount of total additional paid-in capital and legal reserve that exceeds 100% of the stated capital may be available for dividends by resolution of the stockholders.

3) Treasury stock and treasury stock acquisition rights

The Companies Act also allows for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the stockholders which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

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19. Stock Options

(1) Expenses for stock options as of March 31, 2024, and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
General and administrative expenses	¥131	¥135	\$866

(2) Outline, volume and changes in stock options

The outline of stock options was as follows:

	Stock options for FY2023	Stock options for FY2022	Stock options for FY2021
Title and number of eligible persons	4 directors of the Bank 22 executive officers of the Bank	4 directors of the Bank 23 executive officers of the Bank	4 directors of the Bank 20 executive officers of the Bank
Number of stock options by share class ^(Note)	54,260 shares of common stock	56,420 shares of common stock	51,540 shares of common stock
Grant date	July 10, 2023	July 8, 2022	July 12, 2021
Condition for vesting	None	None	None
Requisite service period	None	None	None
Exercise period	From July 11, 2023 to July 10, 2053	From July 9, 2022 to July 8, 2052	From July 13, 2021 to July 12, 2051

	Stock options for FY2020	Stock options for FY2019	Stock options for FY2018
Title and number of eligible persons	4 directors of the Bank 18 executive officers of the Bank	4 directors of the Bank 18 executive officers of the Bank	4 directors of the Bank 17 executive officers of the Bank
Number of stock options by share class ^(Note)	64,110 shares of common stock	47,420 shares of common stock	25,540 shares of common stock
Grant date	July 10, 2020	July 11, 2019	July 13, 2018
Condition for vesting	None	None	None
Requisite service period	None	None	None
Exercise period	From July 11, 2020 to July 10, 2050	From July 12, 2019 to July 11, 2049	From July 14, 2018 to July 13, 2048

	Stock options for FY2017	Stock options for FY2016	Stock options for FY2015
Title and number of eligible persons	4 directors of the Bank 17 executive officers of the Bank	4 directors of the Bank 18 executive officers of the Bank	4 directors of the Bank 16 executive officers of the Bank
Number of stock options by share class ^(Note)	26,540 shares of common stock	34,330 shares of common stock	22,970 shares of common stock
Grant date	July 13, 2017	July 15, 2016	July 14, 2015
Condition for vesting	None	None	None
Requisite service period	None	None	None
Exercise period	From July 14, 2017 to July 13, 2047	From July 16, 2016 to July 15, 2046	From July 15, 2015 to July 14, 2045

Note: Numbers of stock options are shown on the basis of the post share consolidation effective October 1, 2017.

Volume and Changes in Stock Options

The number of stock options was as follows:

	Stock options for FY2023	Stock options for FY2022	Stock options for FY2021	Stock options for FY2020	Stock options for FY2019	Stock options for FY2018
Before vested						
At the beginning of fiscal year	—	—	—	—	—	—
Granted	54,260 shares	—	—	—	—	—
Forfeited	—	—	—	—	—	—
Vested	54,260 shares	—	—	—	—	—
Outstanding	—	—	—	—	—	—
After vested						
At the beginning of fiscal year	—	56,420 shares	49,530 shares	46,600 shares	26,950 shares	12,040 shares
Vested	54,260 shares	—	—	—	—	—
Exercised	—	7,740 shares	7,650 shares	9,940 shares	6,820 shares	2,720 shares
Forfeited	—	—	—	—	—	—
Exercisable	54,260 shares	48,680 shares	41,880 shares	36,660 shares	20,130 shares	9,320 shares

	Stock options for FY2017	Stock options for FY2016	Stock options for FY2015
Before vested			
At the beginning of fiscal year	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
Outstanding	—	—	—
After vested			
At the beginning of fiscal year	8,290 shares	7,450 shares	3,880 shares
Vested	—	—	—
Exercised	2,770 shares	2,020 shares	1,480 shares
Forfeited	—	—	—
Exercisable	5,520 shares	5,430 shares	2,400 shares

Note: Numbers of stock options are shown on the basis of the post share consolidation effective October 1, 2017.

Unit price information was as follows:

	Stock options for FY2023	Stock options for FY2022	Stock options for FY2021	Stock options for FY2020	Stock options for FY2019	Stock options for FY2018
Exercise price	¥1	¥1	¥1	¥1	¥1	¥1
Average stock price when exercised	—	2,680	2,678	2,679	2,677	2,686
Fair value on grant date	¥2,417.5	¥2,396	¥2,248	¥1,537	¥2,352	¥3,832

	Stock options for FY2017	Stock options for FY2016	Stock options for FY2015
Exercise price	¥1	¥1	¥1
Average stock price when exercised	2,686	2,691	2,691
Fair value on grant date	¥3,980	¥3,420	¥4,380

Note: Unit prices are shown on the basis of the post share consolidation effective October 1, 2017.

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(3) Valuation technique used for valuing the fair value of stock options

Stock options for FY2023 granted in the year ended March 31, 2024 were valued using the Black-Scholes option pricing model.

The principal parameters and estimation methods were as follows:

	Stock options for FY2023
Expected volatility ^(Note 1)	17.0%
Average expected life ^(Note 2)	2 years
Expected dividends ^(Note 3)	¥154 (\$1.0) per share
Risk-free interest rate ^(Note 4)	0.04% negative

Notes: 1. Expected volatility is calculated based on the actual price of common stock of the Bank on each trading day from July 5, 2021 to July 3, 2023.

2. Average expected life could not be estimated rationally due to insufficient amount of data. It was estimated based on average tenures of the Bank's directors and executive officers.

3. Expected dividends are estimated based on the actual dividends on common stock paid for the year ended March 31, 2023.

4. Japanese national government bond yield applicable to the average expected life.

(4) Method of estimating the number of stock options vested

Only the actual number of forfeited stock options is reflected because it is difficult to rationally estimate the actual number of stock options that will be forfeited in the future.

20. Other Ordinary Income

Other ordinary income for the years ended March 31, 2024 and 2023, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Gains on sales of bonds and other securities	¥8,139	¥5,914	\$53,739
Gains on derivatives	322	1,957	2,131
Other	19,128	15,926	126,292
Total	¥27,590	¥23,798	\$182,162

Note: The 'Other' category primarily includes gains from investments in partnerships.

21. Other Income

Other income for the years ended March 31, 2024 and 2023, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Gains on sales of stocks and other securities	¥10,278	¥8,576	\$67,860
Gains on investments in money held in trust	374	315	2,473
Recoveries of written-off receivables	758	1,199	5,011
Equity in earnings of associates	2,342	2,380	15,464
Gains on disposal of fixed assets	0	0	2
Reversal of foreign currency translation adjustment	1,869	—	12,344
Other	1,048	902	6,923
Total	¥16,672	¥13,374	\$110,077

Note: Reversal of foreign currency translation adjustment for the year ended March 31, 2024 is recorded because a foreign subsidiary was excluded from consolidation due to the distribution of residual assets from liquidation.

22. Other Ordinary Expenses

Other ordinary expenses for the years ended March 31, 2024 and 2023, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Amortization of bond issuance costs	¥211	¥144	\$1,399
Losses on foreign exchange transactions	6,717	6,885	44,352
Losses on sales of bonds and other securities	23,188	16,109	153,100
Losses on redemption of bonds and other securities	3,555	590	23,472
Losses on devaluation of bonds and other securities	—	373	—
Other	7,121	8,732	47,020
Total	¥40,794	¥32,835	\$269,343

Note: The 'Other' category primarily includes losses from investments in partnerships.

23. General and Administrative Expenses

General and administrative expenses for the years ended March 31, 2024 and 2023, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Salaries and related expenses	¥24,535	¥23,615	\$161,996
Depreciation	7,174	6,984	47,371
Other	30,714	28,863	202,787
Total	¥62,424	¥59,463	\$412,154

24. Other Expenses

Other expenses for the years ended March 31, 2024 and 2023, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Losses on sales of stocks and other securities	¥8,187	¥—	\$54,059
Losses on devaluation of stocks and other securities	455	80	3,009
Losses on investments in money held in trust	—	0	—
Write-off of loans	683	176	4,514
Provision of allowance for loan losses	44,584	1,110	294,363
Provision of allowance for credit losses on off-balance-sheet instruments	1,463	84	9,666
Losses on disposition of loans	1,081	1,528	7,140
Losses on disposal of fixed assets	7	2	50
Losses on impairment of fixed assets	220	—	1,454
Other	1,661	3,145	10,971
Total	¥58,346	¥6,129	\$385,226

25. Income Taxes

The Bank and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in effective statutory tax rates of approximately 30.6% for the years ended March 31, 2024 and 2023.

The Bank and some of its domestic consolidated subsidiaries have applied the group relief system. The accounting and disclosure of corporate tax, local corporate tax and tax effect accounting is in accordance with the 'Practical Solution on the Accounting and Disclosure under the Group Relief System' (ASBJ PITF No.42 August 12, 2021).

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The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Deferred tax assets:			
Tax loss carryforwards ^(Note 2)	¥27,080	¥24,237	\$178,796
Allowance for loan losses	27,278	14,228	180,102
Devaluation of securities	760	728	5,023
Valuation difference on available-for-sale securities	18,615	21,378	122,908
Difference related to investment in consolidated subsidiaries	—	16,304	—
Write-off of loans	75	75	498
Other	16,978	14,540	112,097
Total of tax loss carryforwards and temporary differences	90,788	91,494	599,424
Less valuation allowance for tax loss carryforwards	(13,856)	(23,519)	(91,487)
Less valuation allowance for temporary differences	(27,072)	(11,808)	(178,744)
Total valuation allowance ^(Note 1)	(40,929)	(35,328)	(270,231)
Total deferred tax assets	49,859	56,165	329,193
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(260)	(366)	(1,719)
Deferred gains or losses on hedges	(1,911)	(429)	(12,624)
Other	(3,127)	(1,815)	(20,651)
Total deferred tax liabilities	(5,300)	(2,610)	(34,994)
Net deferred tax assets	¥44,559	¥53,554	\$294,199

The expiration of tax loss carryforwards and its deferred tax assets are as follows:

Year ended March 31, 2024

	Millions of yen						
	1 year or less	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total
Deferred tax assets related to tax loss carryforwards ^(Note 2)	¥0	¥87	¥324	¥2	¥1,236	¥25,429	¥27,080
Less valuation allowance for tax loss carryforwards	(0)	(87)	(324)	(0)	(1,236)	(12,207)	(13,856)
Net deferred tax assets related to tax loss carryforwards	¥—	¥—	¥—	¥1	¥—	¥13,222	(Note 3) ¥13,223

	Thousands of U.S. dollars						
	1 year or less	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total
Deferred tax assets related to tax loss carryforwards ^(Note 2)	\$6	\$576	\$2,139	\$15	\$8,163	\$167,897	\$178,796
Less valuation allowance for tax loss carryforwards	(6)	(576)	(2,139)	(4)	(8,163)	(80,599)	(91,487)
Net deferred tax assets related to tax loss carryforwards	\$—	\$—	\$—	\$11	\$—	\$87,298	(Note 3) \$87,309

Year ended March 31, 2023

	Millions of yen						
	1 year or less	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total
Deferred tax assets related to tax loss carryforwards ^(Note 2)	¥0	¥—	¥89	¥327	¥5	¥23,815	¥24,237
Less valuation allowance for tax loss carryforwards	(0)	—	(89)	(327)	(0)	(23,102)	(23,519)
Net deferred tax assets related to tax loss carryforwards	¥—	¥—	¥—	¥0	¥4	¥712	(Note 4) ¥717

Notes: 1. Valuation allowance increased by ¥5,600 million (\$36,976 thousand) from March 31, 2023, primarily due to a change in the Bank's corporate category for deciding the recoverability of deferred tax assets.
2. The amount of tax loss carryforwards is multiplied by the effective statutory tax rate.

3. Of the tax loss carryforward of the ¥27,080 million (\$178,796 thousand) (multiplied by the effective statutory tax rate), the Group recorded deferred tax assets of ¥13,223 million (\$87,309 thousand) as of March 31, 2024. The Group expects to record taxable income in the future, and therefore has decided that part of tax loss carryforwards will be recoverable.
4. Of the tax loss carryforward of the ¥24,237 million (multiplied by the effective statutory tax rate), the Group recorded deferred tax assets of ¥717 million as of March 31, 2023. The Group expects to record taxable income in the future, and therefore has decided that part of tax loss carryforwards will be recoverable.

Reconciliation between the effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of operations for the years ended March 31, 2024 and 2023, were as follows:

	2024	2023
Effective statutory tax rate	—%	30.6%
Valuation allowance	—	6.0
Tax loss carryforwards of subsidiaries	—	(17.1)
Expenses not deductible for income tax purposes	—	0.8
Reversal of corporate income tax for prior periods at overseas subsidiary	—	(6.3)
Other—net	—	(4.5)
Actual effective tax rate	—%	9.5%

Note: The information for the year ended March 31, 2024 has been omitted since the Group recorded loss before income taxes.

26. Lease Transactions

(1) Finance lease transactions

The Group leases certain fixed assets, such as system-related equipment.

(2) Operating lease transactions

The minimum rental commitments under non-cancelable operating leases as of March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Due one year or less	¥2,227	¥2,233	\$14,707
Due after one year	2,559	4,583	16,897
Total	¥4,786	¥6,817	\$31,604

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27. Financial Instruments and Related Disclosures

(1) Overview of financial instruments

1) Basic policy for financial instruments

The main business of the Group is banking operations, which consist of deposit taking, lending, domestic exchange services, foreign exchange services, etc. Additionally, the Group pursues securities operations (trading of marketable securities, securities investments, etc.), and other financial services, such as trust banking operations and loan-servicing operations.

The asset side of the Group mainly consists of financial assets, such as loans and securities, and the liability side mainly consists of financial liabilities, such as deposits and bonds payable. Since the major operation of the Group is the handling of financial instruments involving market risk and/or credit risk, it is the basic business policy of the Group to avoid unexpected losses by properly managing various risks relating to financial instruments, and to achieve highly reliable and healthy management of the Group by adequately undertaking certain risks within the capacity of the Group and securing reasonable profit, well balanced with the undertaken risks.

Also, the Bank intends to stabilize and optimize profitability by maintaining an appropriate level of interest rate risk associated with assets and liabilities of the Bank, liquidity risk, and price fluctuation risk of securities, etc., based on the policy of asset liability management (ALM, comprehensive management of assets and liabilities). Derivative transactions are also used to maintain interest rate risk derived from on-balance-sheet assets and liabilities at an adequate level, and are intended to achieve stable profitability and efficient operations.

2) Main items of financial instruments and related risks

Financial assets held by the Group mainly comprise loans to both domestic and foreign corporate entities and securities, etc.

Loans are subject to credit risk which includes the risk of default caused by deteriorated credit of the borrowers. Loans to the 10 largest borrowers of the Bank accounted for about 13% and 12% of the total outstanding balance of loans as of March 31, 2024 and 2023, respectively. A default by any of the borrowers with large credit exposures or a material change in our relationship with any of them could negatively affect the business results and financial condition of the Group. Also, the proportion of loans to real estate businesses and the coverage ratio of loans collateralized by real estate properties are material in the loan portfolio of the Group. Therefore, in the event that the real estate market or the real estate industry were to become stagnant, the quality of the loans protected by real estate collateral would deteriorate; the creditworthiness of the borrowers in the industry would be undermined; or the cash flows from the underlying properties of real estate nonrecourse loans would be negatively affected. In such cases, the Group might need to provide an additional allowance for loan losses or incur additional credit costs. Also, in addition to credit risk and interest rate risk,

overseas loan exposures are subject to various risks, including those related to transactions arising from foreign exchange fluctuations, and risks involved with environmental changes, whether social, political and/or the economic environment.

Securities held by the Group primarily consist of debt securities, stocks and fund investments, which are subject to various risks, such as the credit risk of the issuer, interest rate fluctuation risk, and market price fluctuation risk. Securities held by the Bank include those backed by assets such as real estate properties, housing loans, etc. These securities are exposed to the risks dependent on the economic environment or transaction trends in relation to the underlying assets, in addition to other general risks related to interest rate fluctuations in the market, foreign exchange fluctuations, bond price movements, movements of the stock market, etc. Also, securities face market liquidity risk. This risk materializes when market liquidity of financial assets becomes almost nonexistent because of an abrupt deterioration in the financial environment, tumultuous movements in the financial markets, etc., resulting in the drastic decline in price at the time of disposition beyond expectations.

Financial liabilities of the Group are mainly deposits, negotiable certificates of deposit and bonds payable. Since funds procured by the Bank through deposit taking, etc., will be due one after another, refinancing of the existing liabilities is always necessary through continued deposit taking, or bond issuance, etc. However, in the event the market environment becomes unstable, sufficient funding would become difficult or more expensive. The Bank is exposed to such risk and the funding liquidity risk as well.

These financial assets and financial liabilities are also subject to interest rate fluctuation risk involved in the mismatch of intervals to repricing interest rates. From the viewpoint of ALM, the interest rate risk amount for the entire balance sheet is managed at an appropriate level, partly using derivative transactions (interest rate swaps, etc.).

Regarding assets denominated in foreign currencies, since funding of the Group is primarily conducted by taking deposits and issuing bonds payable in Japanese yen, the Group seeks to avoid foreign exchange fluctuation risk through currency matching between the funding side and the asset side, using currency swaps, etc.

Derivative transactions are one of the primary operations of the Group. The derivative instruments are provided to fulfill our customers' hedge requirements for market risk (interest rate, foreign exchange, etc.). Trading derivative instruments are booked in the trading accounts, which seek gains on short-term fluctuations and arbitrage opportunities in interest rates, currency prices, market prices of securities and related indices. Moreover, the Group implements derivative transactions for the purpose of optimizing ALM, in order to maintain the interest rate risk derived from on-balance-sheet assets and liabilities at an adequate level.

The Group uses interest rate futures, interest rate options, and interest rate swaps as interest rate derivatives, currency swaps, foreign exchange forwards and currency options as currency derivatives, and also futures and options related to equities and bonds, commodity-related transactions and credit derivative transactions. These derivative transactions are exposed to market risk, which implies potential loss from market fluctuations in market prices, volatility of underlying interest rates, foreign exchange and so forth, and to credit risk, which implies potential loss from contractual default by counterparties.

Concerning derivative transactions for the purpose of optimizing ALM, the Bank uses the deferral method of hedge accounting. The hedging instruments, hedged items, hedged policy and the effectiveness of hedging are described in Note 2 'Summary of Significant Accounting Policies' (6) 'Derivatives and Hedging Activities.'

The Bank applies deferral hedge accounting and fair value hedge accounting to hedges of foreign currency risk associated with foreign currency-denominated financial assets and liabilities. The hedging instruments, hedged items, hedged policy and the effectiveness of hedging are described in Note 2 'Summary of Significant Accounting Policies' (6) 'Derivatives and Hedging Activities.'

3) Risk management system concerning financial instruments

The Group, while pursuing various operations, is endeavoring to develop and maintain an adequate risk management system, to avoid the occurrence of unexpected losses and to realize highly reliable and sound management of the Group by adequately undertaking certain risks within the capacity of the Group and securing reasonable profit well-balanced with the undertaken risks.

The basic points of risk managements are documented as internal Master Policies and Procedures in the risk management category. The basic framework of risk management, including capital allocation and risk limits, is determined by the Board of Directors. Within this framework, the Risk Management Division is in charge of market risk, credit risk, comprehensive risk and operational risk. Also, the Internal Audit Division is responsible for verifying the appropriateness and effectiveness of the risk management system. The Board of Directors, the Management Committee ('MC'), and other concerned committees receive risk situation reports from each risk management function as well as audit reports from the Internal Audit Division, supervising the risk situation based on these reports or employing the information thereof for managerial decisions, and maintaining/improving the overall risk management system.

(a) Credit risk management

In order to maintain a sound asset portfolio of the entire Group including consolidated subsidiaries, the Group has implemented credit risk management, with the approach both at the transaction level, which entails strict credit screening and ex post facto management of individual transactions including predictive control of our clients, and at the portfolio level focusing on eliminating credit risk concentration. The Group has established a management system, including a credit rating system, quantification of credit risk, management of risk capital, management of concentration risk (large credit exposure, real estate risk, country risk, etc.), asset securitization transaction management of problem loans, and so forth. Also, concerning verification of credit ratings, self-assessments, and write-offs and reserves, the Asset Assessment Division is in charge of overall control and is responsible for adequately grasping the reality of the asset portfolio and properly implementing write-off/reserve appropriations, in cooperation with other concerned functions.

(i) Approval authority for individual credit undertaking

Credit and investment transactions are approved under the authority of the Credit Committee or the Investment Committee consisting of Representative Directors, the Chief Risk Officer ('CRO'), the Chief Credit Risk Officer ('CCRO'), etc., and proposals are discussed at and reported to each Committee. The approval authorities of the Credit Committee and the Investment Committee are partly delegated to the CCRO, furthermore the approval authority delegated to the CCRO from each Committee is redelegated to the credit functions or to business front office functions to a certain extent.

(ii) Credit rating system

Credit ratings are an integral component of the approval system for credit assessment and the decision for interest rate spread, etc. They are also used to conduct self-assessments and are employed as benchmarks for quantifying credit risks. The credit rating system of the Bank is composed of 'Obligor Rating', 'Facility Rating' and 'Expected Loss Grade'. 'Obligor Rating' is given, in principle, to all customers for whom the Bank is undertaking credit risk, and this rating represents the degree of creditworthiness of the borrower. 'Facility Rating' represents the degree of credit cost of a credit transaction in consideration of Obligor Rating and transaction conditions such as a tenor of credit facility, guarantee and collateral. Also, 'Expected Loss Grade' represents the degree of credit cost of a credit transaction which relies on cash flow arising from specified underlying assets such as real estate nonrecourse loans, securitization of monetary claims and structured bonds in senior/junior tranches. As for the credit rating processes, rating recommendations are given by the respective business divisions/branches at inception, and the recommendation is then approved by the Credit Divisions.

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Credit ratings are subject to review on a regular basis based on the updated financial results of each respective borrower, and on an as-needed basis whenever there is a symptom of a material change in the creditworthiness of any borrower. As for the credit rating given by business divisions/branches and the Credit Divisions, the Asset Assessment Division, which is an independent division for verification of ratings, reviews the appropriateness of credit ratings on a sample basis. Also, the Bank examines its credit rating system itself through benchmarking (comparative verification of our ratings with those assigned by external agencies) and back testing (assessment of the significance of credit rating based on past default).

(iii) Quantification of credit risk

The Group centrally manages all assets with credit risks, irrespective of the type of transaction, including not only loans, securities, equities and fund investments, and securitized transaction facilities, but also off-balance-sheet transactions such as commitment lines, derivative transactions, and the like. The credit risk amount of our portfolio is quantified by Value at Risk (VaR) according to our internal model, etc., and the quantified result is regularly reported to the Board of Directors, etc., together with the credit portfolio situation of the entire Group. The internal model of the Bank employs a holding period of 1 year and a confidence interval of 99.9%. Unexpected Loss (UL) is quantified using parameters, such as Probability of Default (PD), Loss Given Default (LGD), intra-sector correlation, inter-sector correlation, and parent subsidiary correlation of the borrower group.

(iv) Credit portfolio management

Concerning credit portfolio management, the Group examines the credit portfolio through the calculation and analysis of Expected Loss (EL) and UL assuming the occurrence of stress scenarios, such as the downgrading of credit ratings and declining real estate prices.

Credit concentration risk for a borrower group is managed by the maximum amount control and Credit Guidelines for each Risk Grade. The Group also manages the concentration risk for specific portfolios by the exposure limits for countries, corporates and real estate finances in North America and the credit risk limits for real estate industry.

(b) Market risk management

The Group performs, from various viewpoints, comprehensive analysis and understanding of the market risk affecting all assets and liabilities and off-balance-sheet transactions for its trading and banking businesses, in order to manage market risk properly.

(i) Quantification of market risk

The Group uses VaR to quantify the market risk for the trading and banking businesses and as a basis for setting market risk limits and for monitoring risk. The Bank has computed VaR with an internal model utilizing historical simulation.

The assumptions for computing VaR include a holding period in accordance with each business and product (a period of 10, 20 and 60 days respectively), a 99% confidence interval, an observation period of 2 years for the trading account, and 5 years for the banking account in principle (The assumptions for computing VaR as of March 31, 2023 include a 1-day holding period, a 99% confidence interval). The Group conducts back testing to verify the reliability of VaR by comparing daily computed VaR with daily gains or losses. To complement VaR, the Group regularly conducts stress testing to assess the potential impact of volatile market movements that could exceed statistical estimates. The results of the stress testing are reported to the ALM Committee, etc.

(ii) Quantitative information of market risk

(i) Financial instruments held for trading purposes

The VaR of financial instruments (trading account securities, derivatives, etc.) held for trading purposes by the Bank was ¥2,117 million (\$13,981 thousand) and ¥883 million as of March 31, 2024 and 2023, respectively. Market risk in the financial instruments held for trading purposes by certain consolidated subsidiaries is immaterial.

The back testing of the VaR calculated with internal models over the 244 business days from April 1, 2023 to March 31, 2024, and the 245 business days from April 1, 2022 to March 31, 2023, resulted in no business day with actual daily losses beyond VaR. This result supports the reliability of the Bank's internal models which have captured market risks with sufficient accuracy. However, the VaR represents the market risks arising with a certain probability using a statistical methodology based on historical market movements. It may not be able to capture the risks arising under drastic market movements beyond normal estimates.

ii) Financial instruments held for other than trading purposes

The main financial instruments in the Bank which are affected by interest rate risk, the typical risk parameter in the Bank, are 'Loans and bills discounted,' bonds/notes of 'Securities,' 'Deposits,' 'Bonds payable,' interest rate swaps and currency swaps of 'Derivatives', etc.

The VaR of financial instruments held for other than trading purposes by the Bank was ¥5,181 million (\$34,210 thousand) and ¥1,363 million as of March 31, 2024 and 2023, respectively. Market risks in the financial instruments held for other than trading purposes by certain consolidated subsidiaries are immaterial. The VaR represents the market risks arising with a certain probability using a statistical methodology based on historical market movements. It may not be able to capture the risks arising under drastic market movements beyond normal estimates.

(iii) Procedures for market risk management

The Group documents its handling of products, risk management methods and market price valuation methods under market risk management. The compliance with limits of risks and losses, etc., allocated to the front office, business units and divisions, is monitored by the Risk Management Division, which is independent from the front offices in terms of organization and human resources. The Risk Management Division monitors the market risk and profit/loss on a daily basis for trading operations, and on a daily or monthly basis for banking operations, and they report on them directly to the CRO and Executive Officer(s) in charge of the front offices. The Risk Management Division also makes periodic reports to the Board of Directors, the MC and the ALM Committee. In the event a large loss is reported in excess of the maximum expected loss amount computed in advance, a cause analysis is conducted. Also, a discussion point, which is positioned as cross-section risk management between market risk and credit risk, is set up by asset class in order to strengthen the monitoring function for price fluctuation risks.

Market liquidity risk is the potential for losses caused by the inability to execute market transactions as a result of market turbulence and thin trading or by the necessity to execute transactions at extremely unfavorable prices. Regarding management of market liquidity risk, the Risk Management Division monitors the Group's position relative to market size in order to ensure that the position does not become excessive.

(c) Funding liquidity risk management

The Financial Management Division centrally monitors the funding liquidity risk of yen- and foreign currency-denominated funds and takes all possible measures to ensure that the Bank holds a sufficient level of assets such as cash deposits and securities with high liquidity to properly meet its contractual obligations. The Financial Management Division also plans for the sources and uses of funds both annually and monthly, and reports the cash flow status directly to senior management on a daily basis. In order to prepare for funding liquidity risk, the Financial Management Division conducts a funding simulation to confirm that the Bank has sufficient cash on hand to maintain its asset size and collateral for settlement as well as a drill to confirm response procedures.

(d) Operational risk management

The Group recognizes operations risk, legal risk, compliance risk and system risk in handling financial instruments as operational risk, and manages them comprehensively. Actual loss events that have already occurred are gathered by the Risk Management Division. Potential risks that would lead to actual loss events are identified and assessed through risk control self-assessment, etc.

(e) Comprehensive risk management

The Group establishes a basic policy on comprehensive risk management. The basic policy sets forth the scope of target risk categories, such as credit risk, market risk and operational risk, and their definitions. The policy also defines the risk management procedures which consist of the identification, assessment, monitoring and control of the target risks. The Group is committed to managing risks in compliance with this basic policy, and is always endeavoring to improve the risk management system. In the framework of comprehensive risk management, the Group specifies every risk in a comprehensive manner, ensures that these risks are controlled within allowable limits with reference to the Group's capital through implementation of integrated stress testing together with liquidity risk, etc., and aims at securing an adequate level of profit well balanced with the corresponding risks.

4) Supplemental explanation for fair value of financial instruments

Since the calculations for the fair value of financial instruments are based on certain conditions and assumptions, calculated prices would differ if different conditions and assumptions are adopted.

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(2) Matters concerning fair value of financial instruments and breakdown by level within fair value hierarchy

Carrying amounts, fair values of financial instruments, their difference and fair values by level within fair value hierarchy are as follows.

The amounts shown in the following tables do not include non-marketable equity securities and investments in partnerships (see 'Non-marketable equity securities and investments in partnerships').

The fair values of financial instruments are classified into the following three levels based on the observability and significance of the inputs used in the fair value measurement.

Level 1 : Fair value determined based on quoted prices for the asset or liability in an active market among the observable inputs to the fair value measurement

Level 2 : Fair value determined based on observable inputs to the fair value measurement other than Level 1 inputs

Level 3 : Fair value determined based on significant unobservable inputs to the fair value measurement

If multiple inputs with a significant impact on the fair value measurement are used, the financial instrument is classified into the lowest priority level of fair value measurement in which each input belongs.

1) Assets and liabilities of financial instruments measured at fair value as of March 31, 2024 and 2023

	Millions of yen				Thousands of U.S. dollars			
	2024				2024			
	Carrying Amount				Carrying Amount			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥—	¥—	¥20,060	¥20,060	\$—	\$—	\$132,446	\$132,446
Trading account assets	—	—	—	—	—	—	—	—
Securities								
Available-for-sale	346,966	538,166	34,902	920,034	2,290,811	3,553,191	230,437	6,074,439
Japanese stocks	27,808	1,072	—	28,881	183,603	7,083	—	190,686
Japanese national government bonds	52,528	—	—	52,528	346,813	—	—	346,813
Japanese local government bonds	—	29,080	—	29,080	—	192,003	—	192,003
Japanese short-term corporate bonds	—	—	—	—	—	—	—	—
Japanese corporate bonds	—	93,733	13,817	107,551	—	618,870	91,228	710,098
Foreign bonds	205,331	267,545	21,084	493,961	1,355,684	1,766,442	139,209	3,261,335
Other ^(Note 1)	61,297	146,733	0	208,030	404,711	968,793	0	1,373,504
Assets total	¥346,966	¥538,166	¥54,962	¥940,094	\$2,290,811	\$3,553,191	\$362,883	\$6,206,885
Derivatives ^(Notes 2 and 3)								
Interest rate contracts	¥0	¥40,124	¥3	¥40,127	\$1	\$264,917	\$22	\$264,940
Foreign exchange contracts	—	(63,164)	—	(63,164)	—	(417,036)	—	(417,036)
Equity contracts	(41)	—	—	(41)	(276)	—	—	(276)
Bond contracts	0	(303)	—	(302)	5	(2,003)	—	(1,998)
Commodity derivatives	—	595	—	595	—	3,929	—	3,929
Credit derivatives	—	1,405	—	1,405	—	9,280	—	9,280
Derivatives total	¥(40)	¥(21,342)	¥3	¥(21,380)	\$(270)	\$(140,913)	\$22	\$(141,161)

	Millions of yen			
	2023			
	Carrying Amount			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥—	¥—	¥31,597	¥31,597
Trading account assets	—	—	55	55
Securities				
Available-for-sale	319,197	648,558	48,328	1,016,084
Japanese stocks	26,034	1,625	—	27,659
Japanese national government bonds	18,381	—	—	18,381
Japanese local government bonds	—	38,985	—	38,985
Japanese short-term corporate bonds	—	—	10,999	10,999
Japanese corporate bonds	—	100,826	16,135	116,961
Foreign bonds	146,464	291,129	21,193	458,787
Other (Note 1)	128,317	215,991	0	344,308
Assets total	¥319,197	¥648,558	¥79,982	¥1,047,737
Derivatives (Notes 2 and 3)				
Interest rate contracts	¥—	¥34,692	¥9	¥34,702
Foreign exchange contracts	—	(8,610)	—	(8,610)
Equity contracts	(9,987)	—	7,811	(2,176)
Bond contracts	(223)	(683)	—	(906)
Commodity derivatives	—	305	0	305
Credit derivatives	—	1,786	—	1,786
Derivatives total	¥(10,210)	¥27,490	¥7,820	¥25,100

Notes: 1. In accordance with the Paragraph 24-3 and 24-9 of the 'Implementation Guidance on Accounting Standard for Fair Value Measurement' (ASBJ Guidance No. 31, issued on June 17, 2021), investment trusts where the net asset value is deemed to be the fair value are not included in the balance of the above table. As of March 31, 2024, the carrying amounts of investment trusts to which the treatment in Paragraph 24-3 and 24-9 are applied are ¥4,809 million (\$31,753 thousand) and ¥41,503 million (\$274,023 thousand), respectively. Similarly, as of March 31, 2023, the respective carrying amounts are ¥4,043 million and ¥54,184 million.

Reconciliation between the beginning and ending balance of investment trusts to which the treatment in Paragraph 24-9 is applied

Millions of yen							
2024							
As of April 1, 2023	Included in earnings of the period (Note i)	Included in other comprehensive income (loss) (Note ii)	Net amount of purchase, sale, redemption	The amount to which the net asset value of the investment trusts is deemed to be the fair value	The amount to which the net asset value of the investment trusts is not deemed to be the fair value	As of March 31, 2024	Net unrealized gains (losses) on investment trusts held at consolidated balance sheet date included in earnings of the period
¥54,184	¥4,603	¥(3,955)	¥(13,328)	¥—	¥—	¥41,503	¥1,222

Thousands of U.S. dollars							
2024							
As of April 1, 2023	Included in earnings of the period (Note i)	Included in other comprehensive income (loss) (Note ii)	Net amount of purchase, sale, redemption	The amount to which the net asset value of the investment trusts is deemed to be the fair value	The amount to which the net asset value of the investment trusts is not deemed to be the fair value	As of March 31, 2024	Net unrealized gains (losses) on investment trusts held at consolidated balance sheet date included in earnings of the period
\$357,749	\$30,392	\$(26,116)	\$(88,002)	\$—	\$—	\$274,023	\$8,069

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Millions of yen							
2023							
As of April 1, 2022	Included in earnings of the period (Note i)	Included in other comprehensive income (loss) (Note ii)	Net amount of purchase, sale, redemption	The amount to which the net asset value of the investment trusts is deemed to be the fair value	The amount to which the net asset value of the investment trusts is not deemed to be the fair value	As of March 31, 2023	Net unrealized gains (losses) on investment trusts held at consolidated balance sheet date included in earnings of the period
¥46,664	¥905	¥(253)	¥6,868	¥—	¥—	¥54,184	¥644

Notes: i. Included in 'Other ordinary income' in the consolidated statement of operations.

ii. Included in 'Valuation difference on available-for-sale securities' under 'Other comprehensive income (loss)' in the consolidated statement of comprehensive income.

As for investment trusts to which the treatment in Paragraph 24-3 is applied, notes (3) and (4) in Paragraph 24-7 are omitted due to immaterial total amount recorded on the carrying amounts as of March 31, 2024 and 2023.

- Derivatives recorded in 'Trading account assets', 'Trading account liabilities', 'Other assets' and 'Other liabilities' are aggregated and shown herein in total. Assets and liabilities attributable to the derivative contracts are totally offset and the net liability position as a consequence of offsetting would be represented with brackets, if any.
- As for derivative transactions for which hedge accounting is applied, negative ¥42,832 million (negative \$282,798 thousand) and negative ¥9,667 million are recorded on the carrying amounts as of March 31, 2024 and 2023, respectively. These are currency swaps, etc. designated as hedging instruments in order to offset market fluctuations of foreign currency-denominated loans, etc., which are hedged items, and deferral hedge accounting is mainly applied.

2) Assets and liabilities of financial instruments not measured at fair value as of March 31, 2024 and 2023

'Cash and cash equivalents', 'Due from banks', 'Call loans and bills bought', 'Securities purchased under resale agreements', 'Cash collateral provided for securities borrowed', 'Foreign exchange', 'Negotiable certificates of deposit', 'Call money and bills sold', 'Securities sold under repurchase agreements', and 'Cash collateral received for securities lent' are omitted from the following tables, since these instruments are mostly with short maturities (one year or less), and the fair value of these instruments is approximately equal to the book value.

	Millions of yen					
	2024					
	Fair Value				Carrying Amount	Difference
	Level 1	Level 2	Level 3	Total		
Monetary claims bought (Note 1)	¥—	¥—	¥53,635	¥53,635	¥48,008	¥5,626
Money held in trust	—	3,351	11,140	14,491	12,963	1,528
Loans and bills discounted (Note 2)	—	665,653	3,403,429	4,069,083	3,984,065	85,018
Assets total	¥—	¥669,005	¥3,468,205	¥4,137,211	¥4,045,037	¥92,173
Deposits (excluding negotiable certificates of deposit)	¥—	¥3,308,898	¥2,327,470	¥5,636,368	¥5,634,992	¥1,376
Borrowed money	—	—	563,143	563,143	563,300	(156)
Bonds payable	—	178,310	—	178,310	181,397	(3,086)
Liabilities total	¥—	¥3,487,208	¥2,890,613	¥6,377,822	¥6,379,689	¥(1,867)

	Thousands of U.S. dollars					
	2024					
	Fair Value				Carrying Amount	Difference
	Level 1	Level 2	Level 3	Total		
Monetary claims bought (Note 1)	\$—	\$—	\$354,122	\$354,122	\$316,974	\$37,148
Money held in trust	—	22,131	73,551	95,682	85,588	10,094
Loans and bills discounted (Note 2)	—	4,394,915	22,470,817	26,865,732	26,304,408	561,324
Assets total	\$—	\$4,417,046	\$22,898,490	\$27,315,536	\$26,706,970	\$608,566
Deposits (excluding negotiable certificates of deposit)	\$—	\$21,846,680	\$15,366,900	\$37,213,580	\$37,204,492	\$9,088
Borrowed money	—	—	3,718,098	3,718,098	3,719,134	(1,036)
Bonds payable	—	1,177,280	—	1,177,280	1,197,659	(20,379)
Liabilities total	\$—	\$23,023,960	\$19,084,998	\$42,108,958	\$42,121,285	\$(12,327)

	Millions of yen					
	2023					
	Fair Value				Carrying Amount	Difference
	Level 1	Level 2	Level 3	Total		
Monetary claims bought ^(Note 1)	¥—	¥—	¥49,908	¥49,908	¥43,567	¥6,341
Money held in trust	—	3,733	11,224	14,958	13,083	1,874
Loans and bills discounted ^(Note 2)	—	600,339	3,338,810	3,939,150	3,837,962	101,188
Assets total	¥—	¥604,073	¥3,399,944	¥4,004,017	¥3,894,613	¥109,404
Deposits (excluding negotiable certificates of deposit)	¥—	¥3,125,268	¥2,342,234	¥5,467,502	¥5,463,352	¥4,150
Borrowed money	—	—	525,571	525,571	525,613	(42)
Bonds payable	—	144,807	—	144,807	147,773	(2,965)
Liabilities total	¥—	¥3,270,076	¥2,867,805	¥6,137,882	¥6,136,739	¥1,142

Notes: 1. Allowance for loan losses provided to 'Monetary claims bought' is directly deducted from the carrying amounts due to immateriality.

2. General allowance for loan losses and specific allowance for loan losses provided to 'Loans and bills discounted' are deducted by ¥87,229 million (\$575,927 thousand) and ¥43,411 million as of March 31, 2024 and 2023, respectively.

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Description of the valuation techniques and inputs used to measure fair value

(1) Monetary claims bought

Fair value of trust beneficiary rights, recorded as monetary claims bought which meet the criteria of securities for the purpose of accounting treatment, is measured using the same method as described in (4) Securities, below. The fair value is mainly determined as the present value of estimated future cash flows, discounted by the market interest rates, less accrued interest and is classified as Level 3. The estimated future cash flows are calculated by adjusting contractual payment of principal and interest and reflecting Probability of Default (PD) and Loss Given Default (LGD). PD is based on the internal credit ratings and LGD is based on the situations of underlying assets and collateral.

Fair value of monetary claims bought other than the above is measured using the same techniques as described in (5) Loans and bills discounted, below and is classified as Level 3.

(2) Trading account assets

Fair value of trading securities is measured using the same techniques as described in either (4) Securities or (9) Derivatives, below and is classified as each level based on the type of the securities.

(3) Money held in trust

Fair value of securities held as trust assets in individually operated money trusts whose main purpose is to manage securities is measured using the same techniques as described in (4) Securities, below and is classified as each level based on the type of the securities.

Fair value of monetary claims held as trust assets is measured using the same techniques as described in (5) Loans and bills discounted, below and is classified as either Level 2 or Level 3.

Notes on money held in trust by purpose of holding are described in Note 6, 'Money Held in Trust.'

(4) Securities

Fair value of stocks is valued at market prices quoted at exchanges and is mainly classified as Level 1 based on market activity.

Bonds that have a market price announced by certain industry associations or provided by information vendors are valued at those prices. Fair value of Japanese national government bonds etc. is classified as Level 1. Fair value of other bonds is classified as Level 2. Fair value of bonds that do not have a market price announced by certain industry associations or provided by information vendors is mainly determined as the present value of estimated future cash flows, discounted by the market interest rates, less accrued interest and is classified as Level 3. The estimated future cash flows are calculated by adjusting contractual payment of principal and interest and reflecting PD and LGD. PD is based on the internal credit ratings and LGD is based on the situations of underlying assets and collateral.

Fair value of investment trusts with market prices quoted at exchanges is valued at the price and is classified as Level 1 or Level 2 based on market activity. In addition, fair value of investment trusts with no market prices is valued at the net asset value and classified as Level 2 if there are no material restrictions on cancellation or repurchase requests that would require compensation for the risk from market participants.

Notes on securities by purpose of holding are described in Note 5, 'Securities.'

(5) Loans and bills discounted

Fair value of loans and bills discounted is mainly determined as the present value of estimated future cash flows, discounted by the market interest rates, less accrued interest and is classified as Level 3. The estimated future cash flows are calculated by adjusting contractual payment of principal and interest and reflecting PD and LGD. PD is based on the

internal credit ratings and LGD is based on the situations of underlying assets and collateral.

Concerning compound financial instruments to which bifurcation accounting is applied, the contractual payments of principal and interest for the calculations are those of the host contracts where embedded derivatives are separated under bifurcation accounting. As for loans that are quantitatively insignificant, the book value is deemed as fair value.

Fair value of loans and bills discounted that have a price provided by information vendors is classified as Level 2 or Level 3.

The Group changed the valuation techniques applied to certain of its loans and bills discounted holdings during the period due to the availability of new information provided by information vendors.

As for loans to 'Bankrupt' borrowers, 'De facto bankrupt' borrowers and 'In danger of bankruptcy' borrowers, the collectable amount through the disposal of collateral or the execution of guarantees, or the present value of estimated future cash flows, etc., is deemed as the fair value and is classified as Level 3.

(6) Deposits

Fair value of deposits on demand is deemed as the payment amount if demanded on the consolidated balance sheet date (book value) and is classified as Level 2. Fair value of time deposits is principally determined as the present value of contractual payments of principal and interest less accrued interest and is classified as Level 3. The discount rate is the market interest rate, adjusted with average funding spreads of the Group observed within a specified period preceding the consolidated balance sheet date. Concerning compound financial instruments to which bifurcation accounting is applied, the contractual payments of principal and interest for the calculations are those of the host contracts where embedded derivatives are bifurcated under bifurcation accounting.

(7) Borrowed money

Since the fair value of borrowed money with short maturities is approximately equal to the book value, the fair value is deemed as the book value and is classified as Level 3. Other than that, the fair value is measured using the same techniques as for time deposits described in (6) Deposits above and is classified as Level 3. Concerning compound financial instruments to which bifurcation accounting is applied, the contractual payments of principal and interest for the calculations are those of the host contracts where embedded derivatives are bifurcated under bifurcation accounting.

(8) Bonds payable

Fair value of bonds payable is mainly measured using a market price announced by certain industry associations or provided by information vendors and is classified as Level 2.

(9) Derivatives

Fair value of listed derivatives is based on their closing prices. Fair value of over-the-counter derivative transactions is based on the discounted cash flow method or option pricing models, etc., using inputs such as interest rate, foreign exchange rate, volatility, etc. Fair value of over-the-counter derivative transactions is measured with adjustment of the counterparties' credit risk or the Group's own credit risk (Credit Value Adjustment or Debit Value Adjustment). Fair value of listed derivative transactions is mainly classified as Level 1. Fair value of over-the-counter derivative transactions is classified as Level 2 if observable inputs are available or impact of unobservable inputs to the fair values is not significant. If impact of unobservable inputs to the fair values is significant, it is classified as Level 3.

Information about assets and liabilities measured at fair value and classified as Level 3

(1) Quantitative Information on significant unobservable inputs

Years Ended March 31

	2024			
	Valuation technique	Significant unobservable inputs	Range	Weighted average
Monetary claims bought	Discounted cash flow method	Probability of default	0.0%—0.1%	0.1%
		Recovery rate	55.0%	55.0%
Securities	Discounted cash flow method	Probability of default	0.0%—9.7%	1.1%
		Credit Spread	0.4%	0.4%
		Recovery rate	55.0%—60.0%	56.9%
Derivatives				
Interest rate contracts	Option pricing model	Correlation between interest rates	1.1%	—
		Correlation between interest rate and foreign exchange rate	(15.9%)—5.0%	—

	2023			
	Valuation technique	Significant unobservable inputs	Range	Weighted average
Monetary claims bought	Discounted cash flow method	Probability of default	0.0%—0.2%	0.1%
		Recovery rate	60.0%	60.0%
Trading account assets	Option pricing model	Correlation between stock price indices	20.2%—28.1%	26.1%
		Correlation between stock price index and foreign exchange rate	3.0%—4.1%	3.8%
Securities	Discounted cash flow method	Probability of default	0.0%—9.8%	1.2%
		Credit Spread	0.4%	0.4%
		Recovery rate	60.0%	60.0%
Derivatives				
Interest rate contracts	Option pricing model	Correlation between interest rates	(4.5%)	—
		Correlation between interest rate and foreign exchange rate	(3.2%)—18.0%	—
Equity contracts	Option pricing model	Correlation between stock price indices	20.2%—28.1%	—
		Correlation between stock price index and foreign exchange rate	3.0%—4.1%	—
Commodity derivatives	Option pricing model	Correlation between commodity price and foreign exchange rate	(26.0%)—4.8%	—

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(2) Reconciliation between the beginning and ending balance, and net unrealized gains (losses) recognized in earnings of the period

	Millions of yen							
	2024							
	As of April 1, 2023	Included in earnings of the period (Note 1)	Included in other comprehensive income (loss) (Note 2)	Net amount of purchase, sale, issuance and settlement	Transfers into Level 3	Transfers out of Level 3	As of March 31, 2024	Net unrealized gains (losses) on assets and liabilities held at consolidated balance sheet date included in earnings of the period (Note 1)
Monetary claims bought	¥31,597	¥—	¥(58)	¥(11,479)	¥—	¥—	¥20,060	¥—
Trading account assets	55	3	—	(59)	—	—	—	—
Securities								
Available-for-sale								
Japanese short-term corporate bonds	10,999	6	—	(11,006)	—	—	—	—
Japanese corporate bonds	16,135	0	(80)	(2,236)	—	—	13,817	—
Foreign bonds	21,193	—	(109)	—	—	—	21,084	—
Other	0	—	—	(0)	—	—	0	—
Derivatives (Note 3)								
Interest rate contracts	¥9	¥(5)	¥—	¥—	¥—	¥—	¥3	¥(5)
Equity contracts	7,811	(9,918)	—	2,107	—	—	—	—
Commodity derivatives	0	(0)	—	—	—	—	—	—

	Thousands of U.S. dollars							
	2024							
	As of April 1, 2023	Included in earnings of the period (Note 1)	Included in other comprehensive income (loss) (Note 2)	Net amount of purchase, sale, issuance and settlement	Transfers into Level 3	Transfers out of Level 3	As of March 31, 2024	Net unrealized gains (losses) on assets and liabilities held at consolidated balance sheet date included in earnings of the period (Note 1)
Monetary claims bought	\$208,622	\$—	\$(385)	\$(75,791)	\$—	\$—	\$132,446	\$—
Trading account assets	368	26	—	(394)	—	—	—	—
Securities								
Available-for-sale								
Japanese short-term corporate bonds	72,624	43	—	(72,667)	—	—	—	—
Japanese corporate bonds	106,530	0	(533)	(14,769)	—	—	91,228	—
Foreign bonds	139,929	—	(720)	—	—	—	139,209	—
Other	0	—	—	(0)	—	—	0	—
Derivatives (Note 3)								
Interest rate contracts	\$61	\$(39)	\$—	\$—	\$—	\$—	\$22	\$(39)
Equity contracts	51,573	(65,486)	—	13,913	—	—	—	—
Commodity derivatives	0	(0)	—	—	—	—	—	—

	Millions of yen							
	2023							
	As of April 1, 2022	Included in earnings of the period (Note 1)	Included in other comprehensive income (loss) (Note 2)	Net amount of purchase, sale, issuance and settlement	Transfers into Level 3	Transfers out of Level 3	As of March 31, 2023	Net unrealized gains (losses) on assets and liabilities held at consolidated balance sheet date included in earnings of the period (Note 1)
Monetary claims bought	¥50,805	¥—	¥(94)	¥(19,112)	¥—	¥—	¥31,597	¥—
Trading account assets	12	5	—	37	—	—	55	5
Securities								
Available-for-sale								
Japanese short-term corporate bonds	34,998	7	—	(24,005)	—	—	10,999	—
Japanese corporate bonds	18,800	0	194	(2,860)	—	—	16,135	—
Foreign bonds	23,870	—	(126)	(2,550)	—	—	21,193	—
Other	0	—	—	0	—	—	0	—
Derivatives (Note 3)								
Interest rate contracts	¥0	¥9	¥—	¥—	¥—	¥—	¥9	¥9
Equity contracts	14,392	(11,150)	—	4,568	—	—	7,811	(10,051)
Commodity derivatives	0	2	—	(2)	—	—	0	2

Notes: 1. Included in consolidated statement of operations.

2. Included in 'Valuation difference on available-for-sale securities' under 'Other comprehensive income (loss)' in the consolidated statement of comprehensive income.

3. Derivatives recorded in 'Trading account assets', 'Trading account liabilities', 'Other assets' and 'Other liabilities' are aggregated and shown herein in total. Assets and liabilities attributable to the derivative contracts are totally offset and the net liability position as a consequence of offsetting would be represented with brackets, if any.

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(3) Description of the fair value valuation process

The Financial Control Division of the Group establishes policies and procedures for the calculation of fair value and procedures for the use of valuation models, and the front division develops valuation models in accordance with such policies and procedures. The Risk Management Division verifies the reasonableness of the fair value valuation models, the inputs used, and the calculated fair values. In addition, the Financial Control Division classifies the fair value level based on the results of such verifications. If quoted prices obtained from third parties are used, those values are verified by using appropriate methods such as confirming the valuation techniques and inputs used, and comparing the fair value with that of similar financial instruments.

(4) Description of the sensitivity of the fair value to changes in significant unobservable inputs

Probability of default

Probability of default is an estimate of the likelihood that the default event will occur, and the Group will be unable to collect the contractual amounts. A significant increase (decrease) in the default rate would result in a significant decrease (increase) in a fair value.

Credit spread

Credit spread is an additional risk premium required for the financial assets relative to the yield on risk-free assets in the secondary market. A significant increase (decrease) in the credit spread would result in a significant decrease (increase) in a fair value.

Recovery rate

Recovery rate is an estimated proportion of the total outstanding balance of a bond or loan that is expected to be collected in a liquidation scenario. Recovery rate would affect estimation of future cash flows to a certain extent. A significant increase (decrease) in the recovery rate would result in a significant increase (decrease) in a fair value.

Correlation

Correlation is an indicator of the relation of variables such as interest rate, foreign exchange rate, stock price and commodity price. Correlation is estimated based on actual results in the past and is mainly used in valuation technique of complex derivatives. A significant change in correlation would generally result in a significant increase or decrease in a fair value according to the contractual terms of the financial instrument.

Non-marketable equity securities and Investments in partnerships

The following instruments are not included in 'Securities' in the above tables of 'Matters concerning fair value of financial instruments and breakdown by level within fair value hierarchy.'

Years Ended March 31

	Carrying amount	
	2024	
	Millions of yen	Thousands of U.S. dollars
Non-marketable equity securities (Notes 1 and 3)	¥11,035	\$72,862
Investments in partnerships (Note 2)	178,151	1,176,229

	Carrying amount
	2023
	Millions of yen
Non-marketable equity securities (Notes 1 and 3)	¥10,606
Investments in partnerships (Note 2)	166,095

Notes: 1. Non-marketable equity securities include unlisted stocks, etc. and those fair value is not disclosed in accordance with the Paragraph 5 of 'Implementation Guidance on Disclosures about Fair Value of Financial Instruments' (ASBJ Guidance No.19, issued on March 31, 2020).
 2. Fair value of investments in partnerships is not disclosed in accordance with the Paragraph 24-16 of 'Implementation Guidance on Accounting Standard for Fair Value Measurement' (ASBJ Guidance No. 31, issued on June 17, 2021).
 3. The Group wrote off unlisted stocks, etc. in the amount of ¥380 million (\$2,512 thousand) during the year ended March 31, 2024. The Group wrote off unlisted stocks, etc. in the amount of ¥49 million during the year ended March 31, 2023.

Maturity analysis for claims and securities with contractual maturities as of March 31, 2024 and 2023

Year Ended March 31, 2024

	Millions of yen					
	1 year or less	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years
Due from banks	¥1,576,194	¥—	¥—	¥—	¥—	¥—
Call loans and bills bought	17,269	—	—	—	—	—
Securities purchased under resale agreements	—	—	—	—	—	—
Cash collateral provided for securities borrowed	—	—	—	—	—	—
Monetary claims bought ^(Note 1)	15,438	10,835	724	3,081	12,988	—
Securities:						
Available-for-sale securities with fixed maturity	87,445	113,614	77,827	63,028	131,031	210,174
Loans and bills discounted ^(Note 2)	1,188,634	928,356	961,752	503,762	199,700	170,499
Total	¥2,884,982	¥1,052,807	¥1,040,303	¥569,872	¥343,721	¥380,673

	Thousands of U.S. dollars					
	1 year or less	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years
Due from banks	\$10,406,670	\$—	\$—	\$—	\$—	\$—
Call loans and bills bought	114,018	—	—	—	—	—
Securities purchased under resale agreements	—	—	—	—	—	—
Cash collateral provided for securities borrowed	—	—	—	—	—	—
Monetary claims bought ^(Note 1)	101,932	71,543	4,781	20,347	85,759	—
Securities:						
Available-for-sale securities with fixed maturity	577,353	750,132	513,846	416,139	865,123	1,387,657
Loans and bills discounted ^(Note 2)	7,847,844	6,129,382	6,349,876	3,326,041	1,318,503	1,125,704
Total	\$19,047,817	\$6,951,057	\$6,868,503	\$3,762,527	\$2,269,385	\$2,513,361

Notes: 1. Of monetary claims bought, the portion whose collection is unforeseeable, such as loans to 'Bankrupt' borrowers, loans to 'De facto bankrupt' borrowers and loans to 'In danger of bankruptcy' borrowers, amounting to ¥25,023 million (\$165,217 thousand) as of March 31, 2024, is not included in the table.

2. Of loans and bills discounted, the portion whose collection is unforeseeable, such as loans to 'Bankrupt' borrowers, loans to 'De facto bankrupt' borrowers and loans to 'In danger of bankruptcy' borrowers, amounting to ¥118,590 million (\$782,984 thousand) as of March 31, 2024, is not included in the table. There are no loans that do not have fixed maturity.

Year Ended March 31, 2023

	Millions of yen					
	1 year or less	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years
Due from banks	¥1,270,402	¥—	¥—	¥—	¥—	¥—
Call loans and bills bought	78,311	—	—	—	—	—
Securities purchased under resale agreements	—	—	—	—	—	—
Cash collateral provided for securities borrowed	—	—	—	—	—	—
Monetary claims bought ^(Note 1)	19,646	16,569	4,526	358	10,621	—
Securities:						
Available-for-sale securities with fixed maturity	35,038	110,878	84,430	42,351	109,998	261,418
Loans and bills discounted ^(Note 2)	1,103,685	940,251	882,341	534,310	154,438	232,723
Total	¥2,507,083	¥1,067,700	¥971,298	¥577,020	¥275,058	¥494,141

Notes: 1. Of monetary claims bought, the portion whose collection is unforeseeable, such as loans to 'Bankrupt' borrowers, loans to 'De facto bankrupt' borrowers and loans to 'In danger of bankruptcy' borrowers, amounting to ¥23,486 million as of March 31, 2023, is not included in the table.

2. Of loans and bills discounted, the portion whose collection is unforeseeable, such as loans to 'Bankrupt' borrowers, loans to 'De facto bankrupt' borrowers and loans to 'In danger of bankruptcy' borrowers, amounting to ¥33,621 million as of March 31, 2023, is not included in the table. There are no loans that do not have fixed maturity.

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Maturity analysis for interest-bearing liabilities as of March 31, 2024 and 2023

Year Ended March 31, 2024

	Millions of yen					
	1 year or less	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years
Deposits (excluding negotiable certificates of deposit)	¥4,446,496	¥250,735	¥282,921	¥101,095	¥181,075	¥372,667
Negotiable certificates of deposit	141,380	—	—	—	—	—
Call money and bills sold	—	—	—	—	—	—
Securities sold under repurchase agreements	29,903	—	—	—	—	—
Cash collateral received for securities lent	260,689	—	—	—	—	—
Borrowed money	105,500	23,300	29,000	29,800	180,800	194,900
Bonds payable	55,433	125,964	—	—	—	—
Total	¥5,039,403	¥400,000	¥311,921	¥130,895	¥361,875	¥567,567

	Thousands of U.S. dollars					
	1 year or less	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years
Deposits (excluding negotiable certificates of deposit)	\$29,357,565	\$1,655,459	\$1,867,961	\$667,472	\$1,195,532	\$2,460,502
Negotiable certificates of deposit	933,448	—	—	—	—	—
Call money and bills sold	—	—	—	—	—	—
Securities sold under repurchase agreements	197,438	—	—	—	—	—
Cash collateral received for securities lent	1,721,175	—	—	—	—	—
Borrowed money	696,553	153,836	191,470	196,752	1,193,715	1,286,808
Bonds payable	365,993	831,666	—	—	—	—
Total	\$33,272,172	\$2,640,961	\$2,059,431	\$864,224	\$2,389,247	\$3,747,310

Note: Deposits on demand (current deposits, ordinary deposits and deposits at notice) are included in '1 year or less.'

Year Ended March 31, 2023

	Millions of yen					
	1 year or less	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years
Deposits (excluding negotiable certificates of deposit)	¥4,263,512	¥348,317	¥189,802	¥81,612	¥189,729	¥390,379
Negotiable certificates of deposit	34,000	—	—	—	—	—
Call money and bills sold	10,000	—	—	—	—	—
Securities sold under repurchase agreements	48,224	—	—	—	—	—
Cash collateral received for securities lent	215,983	—	—	—	—	—
Borrowed money	106,513	15,800	15,500	43,500	143,100	201,200
Bonds payable	34,350	113,422	—	—	—	—
Total	¥4,712,585	¥477,539	¥205,302	¥125,112	¥332,829	¥591,579

Note: Deposits on demand (current deposits, ordinary deposits and deposits at notice) are included in '1 year or less.'

28. Derivatives

The qualitative nature of derivative transactions, such as the type of derivatives, policy and purpose of using derivatives, risks and risk control systems for derivatives, are described in Note 27, 'Financial Instruments and Related Disclosures.'

(1) Derivative transactions for which hedge accounting is not applied

The Group had the following derivative contracts, which were listed on exchanges, outstanding as of March 31, 2024 and 2023:

	Millions of yen				Thousands of U.S. dollars			
	Contract or notional amount	Due after 1 year	Fair Value	Valuation gain/(loss)	Contract or notional amount	Due after 1 year	Fair Value	Valuation gain/(loss)
March 31, 2024								
Interest rate contracts;								
Futures sold	¥1,806	¥—	¥0	¥0	\$11,930	\$—	\$1	\$1
Bond contracts:								
Futures sold	835	—	(3)	(3)	5,518	—	(22)	(22)
Futures bought	183	—	0	0	1,213	—	6	6
Futures options written	—	—	—	—	—	—	—	—
Futures options purchased	2,271	—	3	(3)	15,000	—	21	(26)
Equity contracts:								
Index futures sold	1,657	—	1	1	10,945	—	12	12
Index futures bought	1,427	—	2	2	9,424	—	14	14
Index options written	74,420	30,829	(1,603)	3,483	491,351	203,549	(10,586)	23,003
Index options purchased	52,269	15,850	1,557	(931)	345,103	104,648	10,284	(6,148)
March 31, 2023								
Interest rate contracts;								
Futures sold	¥—	¥—	¥—	¥—				
Bond contracts:								
Futures sold	23,485	—	(394)	(394)				
Futures bought	14,204	—	193	193				
Futures options written	6,677	—	(50)	(2)				
Futures options purchased	6,677	—	28	(12)				
Equity contracts:								
Index futures sold	11,960	—	(350)	(350)				
Index futures bought	99,039	—	2,422	2,422				
Index options written	349,307	147,431	(13,936)	6,702				
Index options purchased	69,419	30,896	1,877	(1,668)				

Notes: 1. The contracts or notional amounts of derivatives which are shown in the above table do not necessarily represent the amounts exchanged by the parties and do not measure the exposure of the Group to credit or market risk.

2. Derivative transactions shown above are stated at fair value in the accompanying consolidated financial statements.

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The Group had the following derivative contracts, which were not listed on exchanges, outstanding as of March 31, 2024 and 2023:

	Millions of yen				Thousands of U.S. dollars			
	Contract or notional amount	Due after 1 year	Fair Value	Valuation gain/(loss)	Contract or notional amount	Due after 1 year	Fair Value	Valuation gain/(loss)
March 31, 2024								
Interest rate contracts:								
Interest rate swaps:								
Receive fixed and pay floating	¥3,921,232	¥3,541,776	¥(64,358)	¥(64,358)	\$25,889,561	\$23,384,239	\$(424,918)	\$(424,918)
Receive floating and pay fixed	4,311,483	3,900,835	107,254	107,254	28,466,151	25,754,891	708,138	708,138
Receive floating and pay floating	409,048	348,881	4,468	4,468	2,700,706	2,303,454	29,504	29,504
Other contracts sold	2,338,495	2,066,495	(7,427)	(7,427)	15,439,689	13,643,835	(49,040)	(49,040)
Other contracts bought	852,507	701,227	190	190	5,628,595	4,629,783	1,256	1,256
Foreign exchange contracts:								
Currency swaps	778,870	306,057	(7,060)	(7,060)	5,142,418	2,020,718	(46,616)	(46,616)
Forward exchange contracts sold	656,842	52,942	(38,031)	(38,031)	4,336,741	349,547	(251,100)	(251,100)
Forward exchange contracts bought	410,962	113,296	52,274	52,274	2,713,338	748,031	345,136	345,136
Options written	850,571	525,297	(65,238)	(32,513)	5,615,813	3,468,227	(430,731)	(214,669)
Options purchased	766,693	476,240	39,790	13,657	5,062,017	3,144,333	262,714	90,170
Commodity derivatives:								
Commodity swaps:								
Receive fixed and pay floating	19,493	6,647	(2,317)	(2,317)	128,702	43,891	(15,303)	(15,303)
Receive floating and pay fixed	18,943	6,351	2,912	2,912	125,071	41,933	19,232	19,232
Options written	—	—	—	—	—	—	—	—
Options purchased	—	—	—	—	—	—	—	—
Credit derivatives:								
CDS sold	147,280	112,645	2,899	2,899	972,402	743,728	19,142	19,142
CDS bought	137,695	99,630	(1,493)	(1,493)	909,118	657,797	(9,862)	(9,862)
Equity index swaps:								
Receive equity index and pay interest rate	—	—	—	—	—	—	—	—
Internal transactions:								
Interest rate swaps:								
Receive fixed and pay floating	488,073	432,512	(10,417)	(10,417)	3,222,456	2,855,620	(68,782)	(68,782)
Currency swaps	714,000	260,400	8,067	8,067	4,714,116	1,719,266	53,265	53,265
Forward exchange contracts sold	0	—	0	0	3	—	0	0
Forward exchange contracts bought	0	—	(0)	(0)	3	—	(0)	(0)
March 31, 2023								
Interest rate contracts:								
Interest rate swaps:								
Receive fixed and pay floating	¥2,771,179	¥2,511,526	¥(33,957)	¥(33,957)				
Receive floating and pay fixed	3,105,590	2,877,829	71,900	71,900				
Receive floating and pay floating	433,464	365,031	1,880	1,880				
Other contracts sold	2,248,280	1,827,720	(7,414)	(7,414)				
Other contracts bought	839,786	538,311	2,293	2,293				
Foreign exchange contracts:								
Currency swaps	784,527	359,176	(3,864)	(3,864)				
Forward exchange contracts sold	601,999	78,838	(12,420)	(12,420)				
Forward exchange contracts bought	340,086	141,549	22,810	22,810				
Options written	794,779	561,850	(40,861)	(7,077)				
Options purchased	764,100	534,848	32,812	4,203				
Commodity derivatives:								
Commodity swaps:								
Receive fixed and pay floating	16,884	4,754	(543)	(543)				
Receive floating and pay fixed	16,575	4,620	849	849				
Options written	55	—	(2)	(2)				
Options purchased	55	—	2	2				
Credit derivatives:								
CDS sold	160,540	129,540	2,423	2,423				
CDS bought	144,020	118,670	(637)	(637)				
Equity index swaps:								
Receive equity index and pay interest rate	123,053	99,966	7,811	7,811				
Internal transactions:								
Interest rate swaps:								
Receive fixed and pay floating	387,086	387,086	(4,266)	(4,266)				
Currency swaps	746,000	322,900	5,949	5,949				
Forward exchange contracts sold	—	—	—	—				
Forward exchange contracts bought	—	—	—	—				

Notes: 1. The contracts or notional amounts of derivatives which are shown in the above table do not necessarily represent the amounts exchanged by the parties and do not measure the exposure of the Group to credit or market risk.

2. Derivative transactions shown above are stated at fair value in the accompanying consolidated financial statements.

3. Other contracts sold and bought of 'Interest rate contracts' were mainly swaptions.

4. Foreign exchange profit/loss generated from the notional amount exposure of currency swaps, amounting to a loss of ¥19 million (\$128 thousand) and a gain of ¥214 million as of March 31, 2024 and 2023, respectively, are excluded from 'Fair Value' and 'Valuation gain/(loss)' shown above.

5. The contract or notional amount of 'Forward exchange contracts sold' as of March 31, 2023 was restated from ¥795,609 million to ¥601,999 million due to an error.
6. Commodity derivatives are mainly related to oil and non-ferrous metal.
7. CDS is the abbreviation for credit default swaps.
8. 'Sold' credit derivatives represent credit risk taking. 'Bought' credit derivatives represent credit risk transfer.

(2) Derivative transactions for which hedge accounting is applied

The Group had the following derivative contracts for which hedge accounting is applied as of March 31, 2024 and 2023:

	Millions of yen			Thousands of U.S. dollars		
	Contract or notional amount	Due after 1 year	Fair Value	Contract or notional amount	Due after 1 year	Fair Value
March 31, 2024						
Interest rate contracts						
Interest rate swaps						
Receive floating and pay fixed	¥488,073	¥432,512	¥10,417	\$3,222,456	\$2,855,620	\$68,782
Bond contracts						
Total return swaps	59,626	—	(303)	393,678	—	(2,003)
Foreign exchange contracts:						
Currency swaps	740,315	268,714	(8,067)	4,887,862	1,774,161	(53,265)
Forward exchange contracts	683,284	—	(18,507)	4,511,322	—	(122,191)
March 31, 2023						
Interest rate contracts						
Interest rate swaps						
Receive floating and pay fixed	¥387,086	¥387,086	¥4,266			
Bond contracts						
Total return swaps	60,759	—	(683)			
Foreign exchange contracts:						
Currency swaps	748,556	324,274	(5,949)			
Forward exchange contracts	790,589	—	(5,206)			

- Notes: 1. The contracts or notional amounts of derivatives which are shown in the above table do not necessarily represent the amounts exchanged by the parties and do not measure the exposure of the Group to credit or market risk.
2. The main hedged items for total return swaps are stock-price-bearing financial assets, such as available-for-sale securities.
3. The main hedged items for currency swaps and forward exchange contracts are foreign-currency-denominated financial assets or liabilities, such as loans and securities.
4. For the currency swaps and forward exchange contracts shown above, deferred hedge accounting is applied in accordance with the JICPA Industry Committee Practical Guideline No. 25.
5. Foreign exchange profit/loss generated from the notional amount exposure of currency swaps, amounting to a loss of ¥26,372 million (\$174,120 thousand) and a loss of ¥2,095 million as of March 31, 2024 and 2023, respectively, are excluded from 'Fair Value' shown above.

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29. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Reclassification and tax effect related to comprehensive income			
Valuation difference on available-for-sale securities:			
Difference arising during the year	¥(13,519)	¥(75,030)	\$(89,259)
Reclassification adjustment to profit or loss	20,665	3,101	136,445
Amount before income tax effect	7,146	(71,928)	47,186
Income tax effect	(7,532)	22,497	(49,732)
Valuation difference on available-for-sale securities	(385)	(49,430)	(2,546)
Deferred gains or losses on hedges:			
Gains (losses) arising during the year	(70,193)	(37,044)	(463,449)
Reclassification adjustment to profit or loss	75,036	38,672	495,420
Amount before income tax effect	4,842	1,628	31,971
Income tax effect	(1,482)	(498)	(9,790)
Deferred gains or losses on hedges	3,359	1,129	22,181
Foreign currency translation adjustment:			
Adjustments arising during the year	4,412	1,515	29,133
Reclassification adjustment to profit or loss	(1,869)	—	(12,344)
Amount before income tax effect	2,542	1,515	16,789
Income tax effect	(1,039)	—	(6,863)
Foreign currency translation adjustment	1,503	1,515	9,926
Remeasurements of defined benefit plans:			
Adjustments arising during the year	4,679	(1,633)	30,897
Reclassification adjustment to profit or loss	518	54	3,425
Amount before income tax effect	5,198	(1,578)	34,322
Income tax effect	(1,591)	483	(10,509)
Remeasurements of defined benefit plans	3,606	(1,095)	23,813
Share of other comprehensive income (loss) in associates:			
Adjustments arising during the year	950	2,717	6,274
Reclassification adjustment to profit or loss	—	—	—
Amount before income tax effect	950	2,717	6,274
Income tax effect	—	—	—
Share of other comprehensive income (loss) in associates	950	2,717	6,274
Other comprehensive income total	¥9,034	¥(45,163)	\$59,648

30. Per Share Information

The reconciliation of differences between basic and diluted net income per share (EPS) for the years ended March 31, 2024 and 2023, was as follows:

	Millions of yen	Thousands of Shares	Yen	U.S. dollars
	Net Income (loss)	Weighted-Average Number of Shares	EPS	
Year Ended March 31, 2024				
Basic EPS—Net loss attributable to common stockholders (Net loss attributable to owners of the parent)	¥(49,904)	116,812	¥(427.22)	\$(2.82)
Effect of dilutive securities— Share acquisition rights to shares	—	—		
Diluted EPS—Net loss for computation ^(Note)	¥—	—	¥—	\$—
Year Ended March 31, 2023				
Basic EPS—Net income attributable to common stockholders (Net income attributable to owners of the parent)	¥8,719	116,779	¥74.67	
Effect of dilutive securities— Share acquisition rights to shares	—	199		
Diluted EPS—Net income for computation	¥8,719	116,978	¥74.54	

Note: Diluted EPS is not described because of net loss per common share although there are dilutive shares for the year ended March 31, 2024.

Net assets per share of common stock as of March 31, 2024 and 2023, were as follows:

	Yen		U.S. dollars
	2024	2023	2024
Net assets per share of common stock	¥3,285.94	¥3,751.95	\$21.70

Net assets per share of common stock as of March 31, 2024 and 2023, were calculated based on the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Total equity	¥391,078	¥431,119	\$2,582,054
Deductions from total equity:			
Non-controlling interests	6,673	(7,541)	44,062
Share acquisition rights	532	503	3,515
Net assets attributable to common stock at the end of the year	¥383,871	¥438,157	\$2,534,477
Number of shares of common stock at the end of the year used for the calculation of net assets per share of common stock (shares in thousands)	116,822	116,781	

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31. Segment Information

(1) Segment information

Segment information for the years ended March 31, 2024 and 2023, was as follows:

The description of profit (loss) for segment information has been changed from 'Segment profit (loss)' to 'Business profit (loss)' due to the alignment with the description of management accounting. Note that there is no change in the measurement method.

1) Description of reportable segments

(a) Identification of operating segments

The Bank has classified its Group's business operations into business groups based upon the nature of the customers served and products offered: Institutional Banking Group, Structured Finance Group, International Business Group, Market Group, and Customer Relations Group. The Bank has designated these business groups as operating segments and reportable segments for the purpose of the disclosures contained herein.

Financial information for these groups is regularly reported to the Management Committee, which comprises members from amongst the Executive Officers who are approved and appointed by the Board of Directors, and is utilized for management decisions on the allocation of resources, an evaluation of the performance of each business group, etc.

(b) Services provided by each reportable segment

Institutional Banking Group consists of Corporate Banking Group and M&A Advisory Group. Institutional Banking Group offers financial services to corporate customers. Major services offered by Institutional Banking Group are loans and deposits, sale of financial products, private equity operations, M&A advisory, and other financial services.

Structured Finance Group consists of Acquisition & Structured Finance Group, Environment Business Group, Special Situations Group and Real Estate Finance Group. Structured Finance Group offers financial services that require specialized expertise such as acquisition finance, environmental project finance, corporate restructuring finance, real estate finance and other financial services.

International Business Group consists of International Finance Group and Asia Investment Group. International Business Group offers financial services that require specialized expertise such as overseas loans and investments, and other financial services.

Market Group consists of Financial Markets Group. Market Group offers derivatives and foreign exchange products to customers, trading derivatives and foreign exchange products, as well as ALM operations.

Customer Relations Group consists of Allied Banking Group and Retail Banking Group. Customer Relations Group offers financial services to financial institutions, public sector customers and retail customers. Major services offered by Customer Relations Group are loans and deposits, sale of financial products (for financial institutions and public sector customers) and the sale of investment products, including deposits, investment trusts and insurance (for retail customers), and other financial services.

2) Methods of measurement for the amounts of business revenue, profit (loss), assets and liabilities by reportable segments

Business revenue, profit (loss), assets and liabilities of reportable segments are recognized and measured mainly in accordance with accounting policies applied to consolidated financial statements.

Business revenue includes 'Consolidated net revenues,' 'Equity in earnings of associates,' and 'Gains (losses) on stock transactions.'

The Bank calculates its net interest income from funding and investing across reportable segments based on i) the internal transfer rates determined by the average rate of funding by the currency and by contractual term, and ii) an expense allocation ratio for funding activities. In addition, the expenses related to the operations of the Bank's Head Office, which is not directly related to its business activities, is excluded from each reportable segment.

Fixed assets are not allocated to reportable segments, while the associated expenses are allocated to specific reportable segments and included in the segments' expenses.

3) Business revenue, profit (loss), assets and liabilities by reportable segment

Year ended March 31, 2024

	Millions of yen					
	Institutional Banking	Structured Finance	International Business	Market	Customer Relations	Total
Consolidated net revenue	¥15,720	¥41,580	¥14,997	¥(33,161)	¥7,582	¥46,719
Equity in earnings of associates	—	—	2,342	—	—	2,342
Gains (losses) on stock transactions	570	(12)	2,189	(8,086)	248	(5,089)
Business revenue	16,291	41,567	19,529	(41,248)	7,830	43,971
General and administrative expenses	9,725	13,709	8,319	4,399	10,800	46,954
Business profit (loss)	6,566	27,858	11,209	(45,647)	(2,969)	(2,982)
Segment assets	1,123,844	1,806,654	1,103,567	2,426,912	128,841	6,589,820
Segment liabilities	240,779	91,380	13	859,139	5,312,689	6,504,002

	Thousands of U.S. dollars					
	Institutional Banking	Structured Finance	International Business	Market	Customer Relations	Total
Consolidated net revenue	\$103,795	\$274,532	\$99,023	\$(218,949)	\$50,060	\$308,461
Equity in earnings of associates	—	—	15,464	—	—	15,464
Gains (losses) on stock transactions	3,769	(84)	14,454	(53,387)	1,643	(33,605)
Business revenue	107,564	274,448	128,941	(272,336)	51,703	290,320
General and administrative expenses	64,209	90,514	54,929	29,049	71,311	310,012
Business profit (loss)	43,355	183,934	74,012	(301,385)	(19,608)	(19,692)
Segment assets	7,420,075	11,928,260	7,286,197	16,023,452	850,665	43,508,649
Segment liabilities	1,589,724	603,329	91	5,672,386	35,076,516	42,942,046

- Notes: 1. Due to the nature of the banking business, the Bank uses 'Business revenue' as a substitute for 'Sales' as would be used by non-financial service companies. 'Business revenue' includes 'Consolidated net revenue,' 'Equity in earnings of associates,' and 'Gains (losses) on stock transactions.' Consolidated net revenue represents the total of net interest income, trust fees, net fees and commissions, net gains on trading account transactions and net other ordinary income. Gains (losses) on stock transactions represents the total of Gains (losses) on sales of stocks and other securities and losses on devaluation of stocks and other securities. The Bank oversees its revenue by reportable segment using business revenue. The Bank offsets interest income and interest expense for the management purpose, therefore, revenue in transactions between reportable segments is not disclosed.
2. Depreciation expenses are included in the general and administrative expenses of each reportable segment, but are not disclosed as a separate item, because in the calculation process of the business profit (loss), a part of depreciation expenses is allocated to each reportable segment, aggregated with other general and administrative expenses. Therefore, depreciation expenses by reportable segment are not managed separately. The amount of depreciation expense for the year is ¥7,174 million (\$47,371 thousand).
3. Segment assets of International Business Group include investments in entities applying equity methods of ¥31,027 million (\$204,854 thousand).

Year ended March 31, 2023

	Millions of yen					
	Institutional Banking	Structured Finance	International Business	Market	Customer Relations	Total
Consolidated net revenue	¥12,658	¥31,560	¥16,829	¥(12,636)	¥7,651	¥56,063
Equity in earnings of associates	—	—	2,380	—	—	2,380
Gains (losses) on stock transactions	(72)	—	4,018	—	1,744	5,690
Business revenue	12,585	31,560	23,228	(12,636)	9,395	64,134
General and administrative expenses	9,551	12,650	7,472	4,938	11,845	46,458
Business profit (loss)	3,033	18,910	15,755	(17,574)	(2,449)	17,675
Segment assets	1,062,195	1,770,071	1,001,280	2,411,635	193,797	6,438,982
Segment liabilities	289,953	86,046	9	722,290	5,139,457	6,237,757

- Notes: 1. Due to the nature of the banking business, the Bank uses 'Business revenue' as a substitute for 'Sales' as would be used by non-financial service companies. 'Business revenue' includes 'Consolidated net revenue,' 'Equity in earnings of associates,' and 'Gains (losses) on stock transactions.' Consolidated net revenue represents the total of net interest income, trust fees, net fees and commissions, net gains on trading account transactions and net other ordinary income. Gains (losses) on stock transactions represents the total of Gains (losses) on sales of stocks and other securities and losses on devaluation of stocks and other securities. The Bank oversees its revenue by reportable segment using business revenue. The Bank offsets interest income and interest expense for the management purpose, therefore, revenue in transactions between reportable segments is not disclosed.
2. Depreciation expenses are included in the general and administrative expenses of each reportable segment, but are not disclosed as a separate item, because in the calculation process of the business profit (loss), a part of depreciation expenses is allocated to each reportable segment, aggregated with other general and administrative expenses. Therefore, depreciation expenses by reportable segment are not managed separately. The amount of depreciation expense for the year is ¥6,984 million.
3. Segment assets of International Business Group include investments in entities applying equity methods of ¥27,734 million.

Consolidated Financial Statements

4) Reconciliation between total segment amounts and the consolidated financial statements

(a) Reconciliation between total business revenue of reportable segments and business revenue derived from the consolidated statement of income for the years ended March 31, 2024 and 2023, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Total business revenue of reportable segments	¥43,971	¥64,134	\$290,320
Variances resulting from profit or loss not covered by reportable segments or differences in the basis of revenue and expense recognition and measurement	10,929	6,314	72,158
Business revenue derived from the consolidated statement of income	¥54,900	¥70,449	\$362,478

(b) Reconciliation between total business profits and income before income taxes in the consolidated statement of income for the years ended March 31, 2024 and 2023, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Total business profits (losses)	¥(2,982)	¥17,675	\$(19,692)
Variances resulting from profit or loss not covered by reportable segments or differences in the basis of revenue and expense recognition and measurement	(3,977)	(6,588)	(26,259)
Amortization of actuarial differences on retirement benefit plans, etc.	(564)	(101)	(3,726)
Credit-related expenses, etc.	(46,930)	(1,700)	(309,854)
Others, including net extraordinary income (losses)	1,279	(1,930)	8,450
Income (loss) before income taxes in the consolidated statement of income	¥(53,174)	¥7,354	\$(351,081)

Note: Credit-related expenses, etc., represent the total of write-offs of loans, provision of allowance for loan losses and losses on disposition of non-performing loans.

(c) Reconciliation between total segment assets and total assets in the consolidated balance sheet as of March 31, 2024 and 2023, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Total segment assets	¥6,589,820	¥6,438,982	\$43,508,649
Allowance for loan losses	(37,475)	(33,693)	(247,431)
Assets not allocated to reportable segments	1,050,658	778,781	6,936,873
Total assets in the consolidated balance sheet	¥7,603,002	¥7,184,070	\$50,198,091

Note: As of March 31, 2024, assets not allocated to reportable segments include foreign exchange of ¥51,267 million (\$338,486 thousand), other assets of ¥328,544 million (\$2,169,181 thousand), fixed assets of ¥42,121 million (\$278,106 thousand) and deferred tax assets of ¥44,580 million (\$294,342 thousand). As of March 31, 2023, assets not allocated to reportable segments include foreign exchange of ¥76,873 million, other assets of ¥209,953 million, fixed assets of ¥41,010 million and deferred tax assets of ¥53,577 million.

(d) Reconciliation between total segment liabilities and total liabilities in the consolidated balance sheet as of March 31, 2024 and 2023, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Total segment liabilities	¥6,504,002	¥6,237,757	\$42,942,046
Liabilities not allocated to reportable segments	707,922	515,194	4,673,991
Total liabilities in the consolidated balance sheet	¥7,211,924	¥6,752,951	\$47,616,037

Note: As of March 31, 2024, liabilities not allocated to reportable segments include other liabilities of ¥77,401 million (\$511,035 thousand) and retirement benefit liability of ¥10,912 million (\$72,052 thousand). As of March 31, 2023, liabilities not allocated to reportable segments include other liabilities of ¥72,848 million and retirement benefit liability of ¥11,288 million.

(e) Detailed information on revenues from contracts with customers

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Fees and commissions income (including trust fees)	¥26,165	¥17,716	\$172,757
Loan business and deposit related	8,409	6,145	55,520
Securities and agency related	6,250	4,634	41,269
Others	11,506	6,935	75,967

Note: Of fees and commissions income (including trust fees), revenues from loan business and deposit related are mainly recorded in Institutional Banking Group and Structured Finance Group, and revenues from securities and agency related are mainly recorded in Customer Relations Group.
The above table also includes revenues based on ASBJ Statement No. 10 'Accounting Standard for Financial Instruments' and other guidance.

(2) Related information

1) Segment information by service

Year ended March 31, 2024

	Millions of yen				
	Lending	Securities investment	Derivatives, etc.	Others	Total
Ordinary income from external customers	¥140,446	¥61,187	¥15,117	¥29,547	¥246,299

	Thousands of U.S. dollars				
	Lending	Securities investment	Derivatives, etc.	Others	Total
Ordinary income from external customers	\$927,286	\$403,986	\$99,809	\$195,085	\$1,626,166

Note: 'Ordinary income', that is calculated as total income less non-recurring income such as gains on disposal of fixed assets, is presented instead of 'Sales' as would be used by non-financial service companies.

Year ended March 31, 2023

	Millions of yen				
	Lending	Securities investment	Derivatives, etc.	Others	Total
Ordinary income from external customers	¥94,262	¥49,742	¥17,319	¥21,968	¥183,292

Note: 'Ordinary income', that is calculated as total income less non-recurring income such as gains on disposal of fixed assets, is presented instead of 'Sales' as would be used by non-financial service companies.

2) Segment information by geographic region

(a) Ordinary income

The information by geographic region has been omitted as the transaction data on each customer regarding interest income, gains on sales of securities and income related to derivative transactions, etc., were not available to be segmented by customers' domicile.

(b) Tangible fixed assets

The information by geographic region has been omitted as the amounts of tangible fixed assets located in Japan exceeded 90% of the total amount of tangible fixed assets in the consolidated balance sheet as of March 31, 2024 and 2023.

3) Segment information by major customer

The information by major customer has been omitted as ordinary income from any particular customer was less than 10% of ordinary income in the consolidated statement of income.

Consolidated Financial Statements

(3) Segment information on impairment losses on fixed assets by reportable segment

For the year ended March 31, 2024

The description is omitted because it is immaterial.

For the year ended March 31, 2023

Not applicable

(4) Segment information on amortization and unamortized portion of goodwill by reportable segment

Not applicable

(5) Segment information on profit on negative goodwill by reportable segment

Not applicable

32. Related-Party Transactions

There were no material related party transactions to be disclosed for the years ended March 31, 2024 and 2023.

Information on the parent company (including entities similar to partnerships) is as follows:

Not applicable

33. Subsequent Events

(1) Appropriation of retained earnings

There was no distribution of retained earnings to the stockholders of record as of March 31, 2024 as approved at the Board of Directors' meeting held on May 13, 2024.

	Millions of yen	Thousands of U.S. dollars
Year-end dividends:		
Common stock	—	—

(2) Capital and business alliance agreement

The Bank has resolved to enter into a capital and business alliance agreement with Daiwa Securities Group Inc. and to issue new shares through third-party allotment to Daiwa Securities Group Inc. as the allottee at the Board of Directors' meeting held on May 13, 2024.

As a result, Daiwa Securities Group Inc. subscribed for a third-party allotment of new shares issued by the Bank and acquired 21,500,000 of the Bank's common shares (the ratio of the total number of issued shares after the third-party allotment is 15.38%).

<Outline of pertaining to issuance of shares>

(1)	Number of shares to be newly issued	21,500,000 common shares
(2)	Issue price	JPY 2,415.5 per share
(3)	Amount of proceeds to be raised	JPY 51,933,250,000
(4)	Amount to be incorporated in stated capital	JPY 1,207.75 per share
(5)	Total amount to be incorporated in stated capital	JPY 25,966,625,000
(6)	Method of subscription or allotment	Through third-party allotment
(7)	Allottee	Daiwa Securities Group Inc.
(8)	Specific use of funds to be raised	Redemption of corporate bonds
(9)	Payment date	July 1, 2024



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Aozora Bank, Ltd.:

<Audit of Consolidated Financial Statements>

Opinion

We have audited the consolidated financial statements of Aozora Bank, Ltd. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2024, and the consolidated statement of operations, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Member of
Deloitte Touche Tohmatsu Limited

Independent Auditor's Report

In the audit for the consolidated financial statements for the year ended March 31, 2024, we identified following matters as key audit matters:

- Estimation of an allowance for loan losses
- Recoverability of deferred tax assets
- Determination regarding the recognition of impairment loss of fixed assets at GMO Aozora Net Bank, Ltd. (hereinafter referred to as "GMO Aozora")

Estimation of an allowance for loan losses	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>The Group recorded an allowance for loan losses of 87.9 billion yen against loans of 4,071.2 billion yen and other accounts receivable in the consolidated financial statements as of March 31, 2024.</p> <p>As described in Note 2 "Summary of Significant Accounting Policies" (10) "Write-off of Loans and Allowance for Loan Losses" to the consolidated financial statements, loans are monitored in accordance with the internal self-assessment standard and other guidance on an ongoing basis. The operating divisions or branches review the internal credit ratings of the borrowers, which also determine the borrower categories. The internal credit ratings are then approved by the divisions in charge of credit. In addition, the division in charge of asset assessment, which is independent of the operating divisions or branches and the divisions in charge of credit, reviews the appropriateness of the internal credit ratings on a sample basis.</p> <p>For the allowance for loan losses, the operating divisions or branches initially determine the write-offs of loans and the allowances for loan losses, and the division in charge of asset assessment verifies and determines the final amounts based on the borrower categories as of year-end following the aforementioned process.</p> <p>The allowance for loan losses depends on the borrowers' financial conditions, the value of collateral held, and the effect of the external environment, such as the U.S. office market, interest rates, foreign exchange rates or inflation, and requires significant judgment by management.</p> <p>As described in Note 2 "Summary of Significant Accounting Policies" (20) "Significant Accounting Estimates" 1) "Allowance for loan losses" to the consolidated financial statements, for the accounting estimate for overseas real estate non-recourse loans, the Group assumes that liquidity in the overseas real estate non-recourse loan market has decreased mainly due to environmental deterioration in the U.S. real estate market, and specifically, for the U.S. office it will take about one to two years to stabilize market conditions in light of market trends.</p>	<p>We performed the following audit procedures, among others, to examine the allowance for loan losses.</p> <p>(Evaluation of controls)</p> <ul style="list-style-type: none"> • We tested the effectiveness of the control that the division in charge of asset assessment evaluated whether the determination of borrower categories conformed with the internal self-assessment standard and other guidance. • We tested the effectiveness of the control that the division in charge of asset assessment evaluated whether the valuation of the underlying real estate properties for the real estate non-recourse loans, including rents, vacancy rates, discount rates or other factors, conformed with the processes prescribed in the internal appraisal standard and other guidance. <p>(Substantive procedures)</p> <ul style="list-style-type: none"> • We read the internal self-assessment standard, appraisal standard and other guidance used for the determination of borrower categories and appraisal of collateral real estate, and evaluated the appropriateness thereof. • For overseas real estate non-recourse loans, we evaluated the rationality of the assumption that it takes one to two years to stabilize market conditions in the U.S. office market by examining the status of credit portfolios and the perception of the market environment in external agency reports.

<p>With the changes in working style in the post-COVID-19 period, for non-recourse loans backed by office properties in the U.S. where market conditions are sluggish, preparing for the full-scale disposal, the Group evaluated underlying properties considering the risk of price decline over the next one to two years and determined each borrower's category. For loans that are likely to transition to debt recovery through the disposal of underlying properties in the future, the Group recorded the allowance for loan losses based on the estimated disposal price assuming this risk of price decline.</p> <p>The Group's valuation of underlying properties based on the above assumption, and determination of borrower categories and estimation of disposal price considering this valuation involve a high degree of uncertainty and significant judgment on estimation.</p> <p>Based on the above considerations, we determined that the estimation of the allowance for loan losses, especially the evaluation of real estate non-recourse loans backed by office properties in the U.S., were particularly significant to our audit of the consolidated financial statements for the year ended March 31, 2024, and identified them as a key audit matter.</p>	<ul style="list-style-type: none"> • Additionally, for the Group's valuation of underlying properties of important overseas real estate non-recourse loans, considering the risk of price decline based on such assumptions, we evaluated the rationality of the estimation through inspection of real estate appraisal reports prepared by the Group and external agency reports including factors such as rents, vacancy rates or discount rates with the assistance of our valuation specialists. In addition, with regard to the determination of borrower categories or estimation of the disposal price of underlying properties of loans that are likely to transition to debt recovery through the disposal of underlying properties, we evaluated the rationality of the estimation through inquiry of each responsible department, inspection of related materials, and examination of the appropriateness of the disposal price with the assistance of our valuation specialists.
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Recoverability of deferred tax assets	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>As described in Note 2 "Summary of Significant Accounting Policies" (20) "Significant Accounting Estimates" 2) "Recoverability of deferred tax assets" to the consolidated financial statements, the Group recorded deferred tax assets of 44,580 million yen. Among these deferred tax assets on tax loss carryforward was 13,223 million yen, and it was mainly derived from a lump sum disposal for the rebalance of the securities portfolio and liquidations of an overseas subsidiary.</p> <p>The Group estimated future taxable income according to the corporate category based on the "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26) and recorded deferred tax assets.</p>	<p>We performed the following audit procedures, among others, to examine the recoverability of deferred tax assets:</p> <p>(Evaluation of controls)</p> <ul style="list-style-type: none"> • We tested the effectiveness of the controls related to the recoverability of deferred tax assets including formulation and approval of the business plan. <p>(Substantive procedures)</p> <ul style="list-style-type: none"> • For the corporate category, we read supporting materials prepared by the Group, and assessed the trend of past taxable income and the progress of the business plan, and evaluated the corporate category made by the Group and the rationality of the estimation period for future taxable income. • For the business plan, we inquired of management about the outline of the plan and underlying business environment, and read various minutes and related materials.

Independent Auditor's Report

<p>Future taxable income is estimated based on the Group's business plan. This business plan is formulated considering the profitability of customer-related businesses, future credit-related expenses and the outlook for interest rates after the lifting of the negative interest rate policy, based on the Group's past business performance (including credit-related expenses and the disposal of securities), recent business environment, and business policies. The estimation of taxable income is particularly affected by future economic conditions, interest rates, and other financial and economic conditions, including estimation period, and involves a high degree of uncertainty and significant judgment.</p> <p>Based on the above considerations, we determined that the recoverability of deferred tax assets, particularly the business plan on which estimates of future taxable income depend, was particularly significant to our audit of the consolidated financial statements for the year ended March 31, 2024, and identified it as a key audit matter.</p>	<ul style="list-style-type: none"> For each estimate in the business plan, we mainly performed the following procedures and evaluated its reasonableness: <ul style="list-style-type: none"> For major customer-related business, we compared with past performance, and examined consistency with the latest business environment, business policy, external information on market and so on. For credit-related expenses, we read related materials, inquired to the responsible division, and examined the consistency with the past long-term results of credit-related expenses. For the effect from the outlook of expected interest rates after the lifting of the negative interest rate policy, we read related materials, inquired to the responsible division, and examined the consistency with business policy or external information on interest rate trends.
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Determination regarding the recognition of impairment loss of fixed assets at GMO Aozora	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>As described in Note 2 "Summary of Significant Accounting Policies" (20) "Significant Accounting Estimates" 3) "Determination regarding recognition of impairment loss of fixed assets" to the consolidated financial statements, the Group recorded fixed assets of 9,602 million yen, including tangible fixed assets of 566 million yen and intangible fixed assets of 9,036 million yen, such as software owned by its consolidated subsidiary, GMO Aozora.</p> <p>The Group has determined that an impairment indicator exists for GMO Aozora's fixed assets because the profit or loss arising from the business activities are continuously negative.</p> <p>According to impairment accounting for fixed assets, if an indication of impairment is identified, the total undiscounted future cash flows for the asset group are compared with its carrying amount to determine whether it is necessary to recognize an impairment loss. If it is determined that an impairment loss needs to be recognized, the carrying amount of fixed assets is reduced to the recoverable amount and the reduction is recorded as an impairment loss.</p> <p>For fixed assets held by GMO Aozora, the total undiscounted future cash flows exceeded the carrying amount of the assets; therefore, GMO Aozora did not record an impairment loss.</p>	<p>We performed the following audit procedures, among others, to examine the appropriateness of determining the recognition of impairment loss on fixed assets held by GMO Aozora:</p> <p>(Evaluation of controls)</p> <ul style="list-style-type: none"> We tested the effectiveness of the controls related to impairment loss recognition including the estimation and approval of the undiscounted future cash flows at GMO Aozora. <p>(Substantive procedures)</p> <ul style="list-style-type: none"> For the mid-term business plan of GMO Aozora, which is the basis for the estimation of the future cash flows used for determination regarding the recognition of impairment loss, we inquired with management about the outline of the plan and the underlying business environment, and read the minutes of the board of directors' meetings and related materials. We compared revenue forecasts at previous year estimated by GMO Aozora with the actual results of the current year, and evaluated the accuracy of the estimation made by management and the degree of uncertainty of the undiscounted future cash flows.

<p>The undiscounted future cash flows are estimated based on the GMO Aozora's mid-term business plan. The estimation depends on key assumptions such as the number of corporate accounts, number of exchange transactions, amount of debit card transactions, and amount of loans, considering expected future increase derived from trend of recent year. It is affected by the future financial and economic environment then involves a high degree of uncertainty and significant judgment.</p> <p>Based on the above considerations, we determined that the determination regarding the recognition of impairment loss of fixed assets held by GMO Aozora, including the estimation of the future cash flows used to determine the recognition of an impairment loss, was particularly significant to our audit of the consolidated financial statements for the year ended March 31, 2024, and identified it as a key audit matter.</p>	<ul style="list-style-type: none"> • We read an analysis of competitors prepared by GMO Aozora or by external parties, and assessed the characteristics and growth potential of GMO Aozora and the internet banking business. • To evaluate the reasonableness of key assumptions in the estimation of the undiscounted future cash flows, we performed the following procedures among others: <ul style="list-style-type: none"> —We assessed the rationality of the expectation of a future increase in income based on trends of the number of exchange transactions, the amount of debit card transactions, and loan amounts. —For the number of corporate accounts, based on our understanding of the customer portfolio of GMA Aozora, we inquired of each responsible department, read related materials, compared with past results, and assessed the consistency with external information such as the customer market targeted by GMO Aozora or the movement of domestic corporate accounts.
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Other Information

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Report

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

<Fee-Related Information>

Fees for audit and other services for the year ended March 31, 2024, which were charged by us and our network firms to Aozora Bank, Ltd. and its subsidiaries were 304 million yen and 57 million yen, respectively.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

September 11, 2024

Income Analysis (Consolidated)

Interest-Earning Assets and Interest-Bearing Liabilities

Years Ended March 31

(Millions of yen, %)

	Average balance			Interest income/expenses			Return/rates		
	2024	2023	Change	2024	2023	Change	2024	2023	Change
Interest-earning assets	6,086,481	5,824,833	261,647	166,436	113,570	52,865	2.73	1.94	0.79
Due from banks	60,469	56,531	3,938	1,523	765	757	2.51	1.35	1.16
Call loans and bills bought	222,980	286,996	(64,016)	812	348	464	0.36	0.12	0.24
Securities purchased under resale agreements	4	—	4	(0)	—	(0)	(0.10)	—	(0.10)
Cash collateral provided for securities borrowed	—	—	—	—	—	—	—	—	—
Securities	1,441,320	1,432,846	8,473	26,964	23,397	3,566	1.87	1.63	0.24
Loans and bills discounted	4,088,421	3,771,517	316,904	131,308	87,006	44,302	3.21	2.30	0.91
Interest-bearing liabilities	6,802,136	6,289,698	512,438	124,354	62,483	61,870	1.82	0.99	0.83
Deposits	5,670,605	5,241,142	429,462	14,384	11,278	3,105	0.25	0.21	0.04
Negotiable certificates of deposit	42,539	28,563	13,976	12	3	8	0.02	0.01	0.01
Call money and bills sold	14,237	19,996	(5,758)	463	184	279	3.25	0.92	2.33
Securities sold under repurchase agreements	51,450	61,179	(9,729)	2,838	1,654	1,184	5.51	2.70	2.81
Cash collateral received for securities lent	286,182	287,040	(857)	15,050	7,058	7,991	5.25	2.45	2.80
Borrowed money	547,334	485,000	62,334	1,462	1,268	194	0.26	0.26	0.00
Bonds payable	179,213	146,251	32,961	5,407	1,517	3,889	3.01	1.03	1.98

Note: Interest-earning assets are shown after deduction of the average balance of non-interest-earning deposits. Interest-bearing liabilities are shown after deduction of amounts equivalent to the average balance of money held in trust and corresponding interest.

Fees and Commissions

Years Ended March 31

(Millions of yen)

	2024	2023	Change
Net fees and commissions	20,420	13,333	7,087
Fees and commissions income (including trust fees)	26,165	17,716	8,449
Deposits and loan operations	8,409	6,145	2,263
Foreign exchange operations	3,754	2,088	1,666
Securities-related operations	4,891	3,584	1,307
Agency services	1,358	1,050	308
Guarantee operations	134	119	15
Fees and commissions expenses	5,744	4,383	1,361
Foreign exchange operations	1,441	783	658

Gains on trading account transactions

Years Ended March 31

(Millions of yen)

	2024	2023	Change
Net gains on trading account transactions	1,633	4,196	(2,562)
Gains on trading account transactions	11,304	14,832	(3,527)
Gains on trading securities	—	—	—
Gains on trading account securities	8,275	10,943	(2,668)
Gains on trading account financial derivatives	3,029	3,888	(859)
Gains on other trading account transactions	—	—	—
Losses on trading account transactions	9,671	10,636	(965)
Losses on trading securities	9,671	10,636	(965)
Losses on trading account securities	—	—	—
Losses on trading account financial derivatives	—	—	—
Losses on other trading account transactions	—	—	—

Other Ordinary Income

Years Ended March 31

(Millions of yen)

	2024	2023	Change
Net other ordinary income	(13,204)	(9,036)	(4,167)
Other ordinary income	27,590	23,798	3,791
Gains on foreign exchange transactions	—	—	—
Gains on sales of bonds and other securities	8,139	5,914	2,224
Gains on redemption of bonds and other securities	—	—	—
Gains on derivatives	322	1,957	(1,634)
Other	19,128	15,926	3,202
Other ordinary expenses	40,794	32,835	7,959
Losses on foreign exchange transactions	6,717	6,885	(167)
Losses on sales of bonds and other securities	23,188	16,109	7,079
Losses on redemption of bonds and other securities	3,555	590	2,964
Losses on devaluation of bonds and other securities	—	373	(373)
Amortization of bond issuance costs	211	144	67
Losses on derivatives	—	—	—
Other	7,121	8,732	(1,610)

Non-Consolidated Business Results

Non-Consolidated Financial Highlights [Five-Year Summary]

Years Ended March 31

(Millions of yen)

	2024	2023	2022	2021	2020
Ordinary income	221,737	164,564	119,899	149,454	176,858
Trust fees (Note 4)	370	379	444	386	462
Ordinary profit (loss)	(60,992)	3,180	41,014	41,473	45,342
Net income (loss)	(50,792)	(8,127)	29,854	29,526	28,669
Share capital	100,000	100,000	100,000	100,000	100,000
Number of issued shares (in thousands)					
Common stock	118,289	118,289	118,289	118,289	118,289
Total equity	344,004	405,177	480,047	489,440	424,309
Total assets	6,942,657	6,767,805	6,446,916	5,735,238	5,212,668
Bonds payable	181,397	147,773	168,959	198,365	259,935
Deposits (Note 1)	5,184,442	5,115,374	4,597,581	3,855,140	3,325,989
Loans and bills discounted	3,880,684	3,710,072	3,230,905	2,918,317	2,937,508
Securities	1,194,907	1,319,450	1,494,578	1,445,782	1,151,561
Net assets per share (yen)	2,940.12	3,465.23	4,107.62	4,189.77	3,632.56
Common stock dividends per share (yen)	76.00	154.00	149.00	124.00	156.00
1st quarter end	(38.00)	(38.00)	(32.00)	(30.00)	(39.00)
2nd quarter end	(38.00)	(38.00)	(32.00)	(30.00)	(39.00)
3rd quarter end	(—)	(38.00)	(40.00)	(30.00)	(39.00)
Year end	(—)	(40.00)	(45.00)	(34.00)	(39.00)
Basic net income (loss) per share (yen)	(434.82)	(69.60)	255.69	253.01	245.70
Diluted net income per share (yen) (Note 2)	—	—	255.33	252.65	245.43
Dividend payout ratio (%) (Note 2)	—	—	58.27	49.00	63.49
Capital adequacy ratio (domestic standard) (%)	8.68	8.99	10.33	11.13	10.26
Number of employees (Note 3)	1,964	1,980	1,966	1,933	1,928
Trust assets (Note 4)	905,987	871,414	879,535	730,209	835,481
Loans and bills discounted (Trust account) (Note 4)	53,897	35,642	38,790	28,116	43,312
Securities (Trust account) (Note 4)	170,977	173,256	184,418	176,573	163,390
Electronic payment instruments and performance-guarantee electronic payment instruments (Trust account) (Note 4)	—	—	—	—	—
Crypto-assets and performance-guarantee crypto-assets (Trust account) (Note 4)	—	—	—	—	—
Rights represented by securities transferred and recorded electronically (Trust account) (Note 4)	—	—	—	—	—

Notes: 1. Deposits include negotiable certificates of deposit (NCDs).

2. Diluted net income per share for the year ended March 31, 2024 and 2023 is not described in the above table, because of net loss per share although there are diluted shares. Dividend payout ratio for the year ended March 31, 2024 and 2023 is not described in the above table, because of net loss.

3. Number of employees includes executive officers and locally hired overseas staff, but excludes the Bank's employees seconded to other firms.

4. 'Trust assets' is assets in trust pertaining to trust business under the Act on Engagement in Trust Business by a Financial Institution (the Concurrent Business Act).

Non-Consolidated Financial Statements

Non-Consolidated Balance Sheet (Unaudited)

Aozora Bank, Ltd.

March 31, 2024

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Assets			
Cash and cash equivalents	¥1,172,046	¥1,025,849	\$7,738,324
Due from banks	29,561	30,602	195,178
Call loans	17,269	78,311	114,018
Monetary claims bought	43,069	51,723	284,362
Trading account assets	173,713	151,229	1,146,926
Money held in trust	5,367	4,517	35,440
Securities	1,194,907	1,319,450	7,889,259
Loans and bills discounted	3,880,684	3,710,072	25,621,841
Foreign exchange	51,267	76,873	338,486
Other assets	359,723	249,721	2,375,038
Tangible fixed assets	22,459	21,026	148,285
Intangible fixed assets	9,892	10,896	65,316
Prepaid pension costs	5,663	5,647	37,395
Deferred tax assets	44,783	53,595	295,678
Customers' liabilities for acceptances and guarantees	24,084	25,004	159,015
Allowance for loan losses	(87,371)	(43,206)	(576,864)
Allowance for investment losses	(4,463)	(3,509)	(29,470)
Total	¥6,942,657	¥6,767,805	\$45,838,227

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Liabilities and Equity			
Liabilities:			
Deposits	¥5,184,442	¥5,115,374	\$34,229,781
Call money	—	10,000	—
Securities sold under repurchase agreements	29,903	48,224	197,438
Cash collateral received for securities lent	260,689	215,983	1,721,175
Trading account liabilities	165,078	121,877	1,089,913
Borrowed money	563,300	525,600	3,719,134
Bonds payable	181,397	147,773	1,197,659
Other liabilities	177,471	141,666	1,171,738
Provision for retirement benefits	10,491	10,609	69,271
Provision for credit losses on off-balance-sheet instruments	1,794	514	11,845
Acceptances and guarantees	24,084	25,004	159,015
Total liabilities	6,598,653	6,362,628	43,566,969
Equity:			
Share capital	100,000	100,000	660,240
Capital surplus:			
Legal capital surplus	87,313	87,313	576,479
Other capital surplus	185	167	1,222
Retained earnings:			
Legal retained earnings	12,686	12,686	83,764
Other retained earnings	187,724	252,065	1,239,432
Treasury stock—at cost	(3,015)	(3,099)	(19,907)
Valuation difference on available-for-sale securities	(45,754)	(45,432)	(302,090)
Deferred gains or losses on hedges	4,332	972	28,603
Share acquisition rights	532	503	3,515
Total equity	344,004	405,177	2,271,258
Total	¥6,942,657	¥6,767,805	\$45,838,227

Note: The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥151.46 to \$1.00, the approximate rate of exchange at March 31, 2024.

Non-Consolidated Financial Statements

Non-Consolidated Statement of Operations (Unaudited)

Aozora Bank, Ltd.

Year Ended March 31, 2024

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Income:			
Interest income:			
Interest on loans and discounts	¥122,217	¥78,926	\$806,931
Interest and dividends on securities	27,000	23,424	178,266
Interest on due from banks	1,346	693	8,888
Other interest income	5,923	2,102	39,111
Trust fees	370	379	2,448
Fees and commissions income	15,422	11,539	101,828
Gains on trading account transactions	11,304	14,832	74,639
Other ordinary income	26,733	22,672	176,503
Other income	21,360	9,992	141,030
Total income	231,679	164,564	1,529,644
Expenses:			
Interest expenses:			
Interest on deposits	15,012	11,289	99,120
Interest on bonds payable	5,407	1,517	35,699
Interest on borrowings and rediscounts	1,926	1,449	12,718
Interest expenses on interest rate swaps	43,576	22,570	287,713
Other interest expenses	59,055	25,668	389,908
Fees and commissions expenses	2,094	2,841	13,828
Losses on trading account transactions	9,918	11,150	65,486
Other ordinary expenses	42,466	33,759	280,383
General and administrative expenses	47,237	46,105	311,880
Other expenses	56,100	16,053	370,400
Total expenses	282,796	172,405	1,867,135
Income (loss) before income taxes	(51,116)	(7,840)	(337,491)
Income taxes:			
Current	(120)	(78)	(798)
Deferred	(203)	366	(1,340)
Total income taxes	(323)	287	(2,138)
Net income (loss)	¥(50,792)	¥(8,127)	\$(335,353)

Note: The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥151.46 to \$1.00, the approximate rate of exchange at March 31, 2024.

Non-Consolidated Statement of Changes in Equity (Unaudited)

Aozora Bank, Ltd.

Year Ended March 31, 2024

	Millions of yen									
	Share capital	Capital surplus		Retained earnings		Treasury stock-at cost	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Share acquisition rights	Total equity
		Legal capital surplus	Other capital surplus	Legal retained earnings	Other retained earnings					
Balance, April 1, 2022	¥100,000	¥87,313	¥163	¥12,686	¥278,761	¥(3,117)	¥4,007	¥(157)	¥390	¥480,047
Net income (loss)					(8,127)					(8,127)
Cash dividends paid					(18,567)					(18,567)
Purchase of treasury stock						(0)				(0)
Disposal of treasury stock			4			18				22
Net changes in items during the year							(49,440)	1,129	112	(48,197)
Balance, March 31, 2023	¥100,000	¥87,313	¥167	¥12,686	¥252,065	¥(3,099)	¥(45,432)	¥972	¥503	¥405,177
Net income (loss)					(50,792)					(50,792)
Cash dividends paid					(13,548)					(13,548)
Purchase of treasury stock						(0)				(0)
Disposal of treasury stock			17			84				101
Net changes in items during the year							(321)	3,359	29	3,067
Balance, March 31, 2024	¥100,000	¥87,313	¥185	¥12,686	¥187,724	¥(3,015)	¥(45,754)	¥4,332	¥532	¥344,004

	Thousands of U.S. dollars (Note)									
	Share capital	Capital surplus		Retained earnings		Treasury stock-at cost	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Share acquisition rights	Total equity
		Legal capital surplus	Other capital surplus	Legal retained earnings	Other retained earnings					
Balance, March 31, 2023	\$660,240	\$576,479	\$1,107	\$83,764	\$1,664,241	\$(20,464)	\$(299,966)	\$6,422	\$3,322	\$2,675,145
Net income (loss)					(335,353)					(335,353)
Cash dividends paid					(89,456)					(89,456)
Purchase of treasury stock						(1)				(1)
Disposal of treasury stock			115			558				673
Net changes in items during the year							(2,124)	22,181	193	20,250
Balance, March 31, 2024	\$660,240	\$576,479	\$1,222	\$83,764	\$1,239,432	\$(19,907)	\$(302,090)	\$28,603	\$3,515	\$2,271,258

Note: The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥151.46 to \$1.00, the approximate rate of exchange at March 31, 2024.

Income Analysis (Non-Consolidated)

Net Revenue, Business Profit

Years Ended March 31

(Millions of yen)

	2024			2023		
	Total	Domestic operations	International operations	Total	Domestic operations	International operations
Net interest income	31,517	22,025	9,491	42,660	19,258	23,401
Interest income	156,487	33,477	128,005	105,148	28,890	79,938
		[4,994]			[3,680]	
Interest expenses	124,970	11,452	118,513	62,488	9,631	56,536
			[4,994]			[3,680]
Trust fees	370	370	—	379	379	—
Net fees and commissions	13,328	11,630	1,697	8,697	6,947	1,750
Fees and commissions (income)	15,422	12,666	2,756	11,539	8,737	2,802
Fees and commissions (expenses)	2,094	1,035	1,059	2,841	1,790	1,051
Net gains on trading account transactions	1,386	(1,463)	2,849	3,682	(3,817)	7,500
Gains on trading account transactions	11,304	8,454	2,849	14,832	7,332	7,500
Losses on trading account transactions	9,918	9,918	—	11,150	11,150	—
Net other ordinary income	(15,733)	7,930	(23,664)	(11,086)	(2,213)	(8,872)
Other ordinary income	26,733	15,053	11,680	22,672	7,855	14,816
Other ordinary expenses	42,466	7,122	35,344	33,759	10,069	23,689
Net revenue	30,869	40,493	(9,624)	44,333	20,553	23,779
Net revenue ratio (%)	0.53	0.79	(0.36)	0.79	0.41	0.95
Business profit	(20,649)	—	—	2,870	—	—
Core net business profit	(15,803)	—	—	(1,671)	—	—
Core net business profit excluding gains (losses) on bonds	2,800	—	—	9,487	—	—
Core net business profit excluding gains (losses) on bonds and cancellation on investment trusts	258	—	—	8,159	—	—

- Notes: 1. Domestic operations include yen-denominated transactions by domestic offices, while international operations include foreign currency-denominated transactions by domestic offices and transactions by overseas offices. Yen-denominated nonresident transactions and Japan offshore market accounts are included under international operations.
2. Interest expenses are shown after deduction of amounts equivalent to interest expenses on money held in trust (¥7 million for the year ended March 31, 2024 and ¥7 million for the year ended March 31, 2023).
3. Figures in brackets [] indicate interest received/paid as a result of interdepartmental lending and borrowing activities between domestic and international operations.
4. Net revenue ratio is calculated as follows:
- $$\text{Net revenue ratio} = \frac{\text{net revenue}}{\text{average balance of interest-bearing assets}} \times 100$$
5. Business profit is calculated by deducting the net provision to general allowance for loan losses and general and administrative expenses from net revenue.
6. Core net business profit is calculated by deducting the general and administrative expenses from net revenue.

Ratios

Years Ended March 31

(%)

	2024	2023
Ordinary profit to total assets	—	0.04
Ordinary profit to equity	—	0.71
Net income to total assets	—	—
Net income to equity	—	—

- Notes: 1. Return on assets, as calculated using ordinary profit or net income = $\frac{\text{ordinary profit or net income}}{(\text{average balance of total assets} - \text{customers' liabilities for acceptances and guarantees})} \times 100$
2. Return on equity, as calculated using ordinary profit or net income = $\frac{\text{ordinary profit or net income}}{(\text{equity, beginning of year} + \text{equity, end of year}) \div 2} \times 100$
3. As the year ended March 31, 2023 was a net loss, and the year ended March 31, 2024 was an ordinary loss and a net loss, ratios are not shown.

Yield on Interest-Earning Assets, Interest Rate on Interest-Bearing Liabilities, Net Yield/Interest Rate

Years Ended March 31

(%)

	2024			2023		
	Total	Domestic operations	International operations	Total	Domestic operations	International operations
Yield on interest-earning assets	2.72	0.65	4.84	1.88	0.58	3.19
Interest rate on interest-bearing liabilities	2.71	0.95	4.67	1.81	0.96	2.43
Net yield/interest rate	0.01	(0.30)	0.17	0.07	(0.38)	0.76

Income Analysis (Non-Consolidated)

Average Balance of Interest-Earning Assets and Interest-Bearing Liabilities

Years Ended March 31

(Millions of yen)

		2024			2023		
		Total	Domestic operations	International operations	Total	Domestic operations	International operations
Balance of interest-earning assets	Average balance	5,733,824	5,085,800	2,639,986	5,569,132	4,953,746	2,498,442
	Interest income/expense	156,487	33,477	128,005	105,148	28,890	79,938
	Return/rates (%)	2.72	0.65	4.84	1.88	0.58	3.19
Due from banks	Average balance	26,701	1,448	25,253	26,431	1,266	25,165
	Interest income/expense	1,346	0	1,346	693	1	692
	Return/rates (%)	5.04	0.00	5.33	2.62	0.08	2.75
Call loans	Average balance	100,026	82,811	17,215	210,419	196,287	14,131
	Interest income/expense	872	(14)	887	385	(22)	408
	Return/rates (%)	0.87	(0.01)	5.15	0.18	(0.01)	2.89
Securities purchased under resale agreements	Average balance	4	4	—	—	—	—
	Interest income/expense	(0)	(0)	—	—	—	—
	Return/rates (%)	(0.10)	(0.10)	—	—	—	—
Cash collateral provided for securities borrowed	Average balance	—	—	—	—	—	—
	Interest income/expense	—	—	—	—	—	—
	Return/rates (%)	—	—	—	—	—	—
Securities	Average balance	1,478,528	510,030	968,497	1,453,629	527,300	926,328
	Interest income/expense	27,000	5,895	21,104	23,424	4,463	18,961
	Return/rates (%)	1.82	1.15	2.17	1.61	0.84	2.04
Loans and bills discounted	Average balance	3,879,060	2,373,622	1,505,438	3,624,917	2,212,375	1,412,542
	Interest income/expense	121,345	23,000	98,344	78,541	20,221	58,319
	Return/rates (%)	3.12	0.96	6.53	2.16	0.91	4.12
Balance of interest-bearing liabilities	Average balance	6,305,055	5,689,440	2,607,577	5,948,059	5,356,816	2,474,298
	Interest income/expense	124,970	11,452	118,513	62,488	9,631	56,536
	Return/rates (%)	1.98	0.20	4.54	1.05	0.17	2.28
Deposits	Average balance	5,173,526	5,046,858	126,668	4,899,671	4,757,613	142,057
	Interest income/expense	15,000	8,645	6,354	11,286	7,845	3,440
	Return/rates (%)	0.28	0.17	5.01	0.23	0.16	2.42
Negotiable certificates of deposit	Average balance	42,539	42,539	—	28,563	28,563	—
	Interest income/expense	12	12	—	3	3	—
	Return/rates (%)	0.02	0.02	—	0.01	0.01	—
Call money	Average balance	14,237	6,475	7,762	19,996	13,942	6,053
	Interest income/expense	463	0	462	184	(1)	185
	Return/rates (%)	3.25	0.01	5.95	0.92	(0.01)	3.06
Securities sold under repurchase agreements	Average balance	51,450	—	51,450	61,179	—	61,179
	Interest income/expense	2,838	—	2,838	1,654	—	1,654
	Return/rates (%)	5.51	—	5.51	2.70	—	2.70
Cash collateral received for securities lent	Average balance	286,182	—	286,182	287,040	1,389	285,650
	Interest income/expense	15,050	—	15,050	7,058	—	7,058
	Return/rates (%)	5.25	—	5.25	2.45	—	2.47
Borrowed money	Average balance	547,331	547,328	2	484,832	484,832	—
	Interest income/expense	1,462	1,462	0	1,265	1,265	—
	Return/rates (%)	0.26	0.26	5.69	0.26	0.26	—
Bonds payable	Average balance	179,213	42,415	136,798	146,251	66,435	79,815
	Interest income/expense	5,407	104	5,302	1,517	98	1,418
	Return/rates (%)	3.01	0.24	3.87	1.03	0.14	1.77

Notes: 1. Interest-earning assets are shown after deduction of the average balance of non-interest-earning deposits. Interest-bearing liabilities are shown after deduction of amounts equivalent to the average balance of money held in trust and corresponding interest.

2. Figures in brackets [] indicate the average balances of interdepartmental lending and borrowing activities between domestic and international operations and corresponding interest income/expenses.

Analysis of Interest Income and Interest Expenses

Years Ended March 31

(Millions of yen)

		2024			2023		
		Total	Domestic operations	International operations	Total	Domestic operations	International operations
Interest income	Volume-related increase (decrease)	3,109	770	4,528	6,270	3,558	6,931
	Rate-related increase (decrease)	48,230	3,816	43,538	39,019	(1,483)	37,939
	Net increase (decrease)	51,339	4,586	48,067	45,290	2,075	44,871
Due from banks	Volume-related increase (decrease)	7	0	2	2	0	1
	Rate-related increase (decrease)	645	(1)	650	668	1	668
	Net increase (decrease)	652	(0)	653	671	1	670
Call loans	Volume-related increase (decrease)	(202)	13	89	16	21	5
	Rate-related increase (decrease)	689	(4)	389	403	(0)	393
	Net increase (decrease)	486	8	478	420	21	398
Securities purchased under resale agreements	Volume-related increase (decrease)	—	—	—	0	0	—
	Rate-related increase (decrease)	(0)	(0)	—	—	—	—
	Net increase (decrease)	(0)	(0)	—	0	0	—
Cash collateral provided for securities borrowed	Volume-related increase (decrease)	—	—	—	—	—	—
	Rate-related increase (decrease)	—	—	—	—	—	—
	Net increase (decrease)	—	—	—	—	—	—
Securities	Volume-related increase (decrease)	401	(146)	863	1,144	220	969
	Rate-related increase (decrease)	3,174	1,578	1,280	1,982	(648)	2,585
	Net increase (decrease)	3,575	1,431	2,143	3,126	(428)	3,555
Loans and bills discounted	Volume-related increase (decrease)	5,506	1,473	3,835	6,804	2,363	5,251
	Rate-related increase (decrease)	37,297	1,304	36,189	33,272	(1,049)	33,511
	Net increase (decrease)	42,803	2,778	40,025	40,077	1,314	38,763
Interest expenses	Volume-related increase (decrease)	3,750	598	3,045	2,034	1,181	1,890
	Rate-related increase (decrease)	58,732	1,222	58,931	46,278	1,705	45,190
	Net increase (decrease)	62,482	1,820	61,976	48,312	2,887	47,081
Deposits	Volume-related increase (decrease)	630	476	(372)	1,099	1,034	61
	Rate-related increase (decrease)	3,083	323	3,287	4,056	1,063	2,996
	Net increase (decrease)	3,714	800	2,914	5,155	2,098	3,057
Negotiable certificates of deposit	Volume-related increase (decrease)	1	1	—	(0)	(0)	—
	Rate-related increase (decrease)	7	7	—	0	0	—
	Net increase (decrease)	8	8	—	(0)	(0)	—
Call money	Volume-related increase (decrease)	(52)	0	52	6	0	0
	Rate-related increase (decrease)	332	1	224	153	(2)	161
	Net increase (decrease)	279	2	277	159	(2)	162
Securities sold under repurchase agreements	Volume-related increase (decrease)	(263)	—	(263)	(2)	—	(2)
	Rate-related increase (decrease)	1,447	—	1,447	1,574	—	1,574
	Net increase (decrease)	1,184	—	1,184	1,572	—	1,572
Cash collateral received for securities lent	Volume-related increase (decrease)	(21)	—	13	(75)	—	(72)
	Rate-related increase (decrease)	8,012	—	7,978	6,777	—	6,775
	Net increase (decrease)	7,991	—	7,991	6,702	—	6,702
Borrowed money	Volume-related increase (decrease)	163	163	—	272	274	(2)
	Rate-related increase (decrease)	34	33	0	114	114	—
	Net increase (decrease)	197	197	0	387	389	(2)
Bonds payable	Volume-related increase (decrease)	342	(35)	1,012	(372)	(40)	(50)
	Rate-related increase (decrease)	3,547	41	2,871	(67)	14	(363)
	Net increase (decrease)	3,889	5	3,884	(439)	(26)	(413)

Note: Changes due to a combination of volume- and rate-related increases (decreases) have been included in rate-related increase (decrease).

Income Analysis (Non-Consolidated)

Fees and Commissions

Years Ended March 31

(Millions of yen)

	2024			2023		
	Total	Domestic operations	International operations	Total	Domestic operations	International operations
Net fees and commissions	13,328	11,630	1,697	8,697	6,947	1,750
Fees and commissions income	15,422	12,666	2,756	11,539	8,737	2,802
Deposits and loan operations	8,261	7,695	566	5,767	4,674	1,092
Foreign exchange operations	168	154	14	207	186	20
Securities-related operations	1,065	1,065	—	1,032	1,032	—
Agency services	4,095	2,021	2,074	3,518	1,905	1,613
Guarantee operations	147	80	66	137	82	54
Fees and commissions expenses	2,094	1,035	1,059	2,841	1,790	1,051
Foreign exchange operations	138	69	68	139	68	70

Gains on trading account transactions

Years Ended March 31

(Millions of yen)

	2024			2023		
	Total	Domestic operations	International operations	Total	Domestic operations	International operations
Net gains on trading account transactions	1,386	(1,463)	2,849	3,682	(3,817)	7,500
Gains on trading account transactions	11,304	8,454	2,849	14,832	7,332	7,500
Gains on trading securities	—	—	—	—	—	—
Gains on trading account securities	8,275	4,672	3,602	10,943	5,381	5,562
Gains on trading account financial derivatives	3,029	3,782	(752)	3,888	1,951	1,937
Gains on other trading account transactions	—	—	—	—	—	—
Losses on trading account transactions	9,918	9,918	—	11,150	11,150	—
Losses on trading securities	9,918	9,918	—	11,150	11,150	—
Losses on trading account securities	—	—	—	—	—	—
Losses on trading account financial derivatives	—	—	—	—	—	—
Losses on other trading account transactions	—	—	—	—	—	—

Other Ordinary Income

Years Ended March 31

(Millions of yen)

	2024			2023		
	Total	Domestic operations	International operations	Total	Domestic operations	International operations
Net other ordinary income	(15,733)	7,930	(23,664)	(11,086)	(2,213)	(8,872)
Other ordinary income	26,733	15,053	11,680	22,672	7,855	14,816
Gains on foreign exchange transactions	—	—	—	—	—	—
Gains on sales of bonds and other securities	8,139	4,105	4,034	5,914	1,372	4,542
Gains on redemption of bonds and other securities	—	—	—	—	—	—
Gains on derivatives	322	—	322	1,957	—	1,957
Other	18,271	10,947	7,323	14,799	6,483	8,316
Other ordinary expenses	42,466	7,122	35,344	33,759	10,069	23,689
Losses on foreign exchange transactions	8,233	—	8,233	7,810	—	7,810
Losses on sales of bonds and other securities	23,188	197	22,991	16,109	5,142	10,966
Losses on redemption of bonds and other securities	3,555	3,513	41	590	103	487
Losses on devaluation of bonds and other securities	—	—	—	373	—	373
Amortization of bond issuance costs	227	101	125	165	95	70
Losses on derivatives	—	—	—	—	—	—
Other	7,262	3,310	3,952	8,709	4,728	3,981

General and Administrative Expenses

Years Ended March 31

(Millions of yen)

	2024	2023
General and administrative expenses	47,237	46,105
Salaries and allowances	19,204	18,956
Retirement benefit expenses	1,459	983
Welfare expenses	583	594
Depreciation	5,053	5,095
Rent and lease expenses	3,110	3,035
Building and maintenance expenses	236	185
Supplies expenses	285	284
Utilities expenses	370	387
Traveling expenses	210	214
Communication expenses	555	618
Advertising expenses	404	575
Taxes and dues	1,880	2,125
Other	13,881	13,049

Electronic Payment Instruments (Non-Consolidated)

None

Crypto Assets (Non-Consolidated)

None

Deposit Operations (Non-Consolidated)

Balance of Deposits

Years Ended March 31

(Millions of yen, %)

		2024			2023		
		Total	Domestic operations	International operations	Total	Domestic operations	International operations
Deposits							
Liquid deposits	Average balance	2,807,001	2,807,001	—	2,443,568	2,443,568	—
	(%)	(54.26)	(55.62)	—	(49.87)	(51.36)	—
	Term-end balance	2,706,812	2,706,812	—	2,714,796	2,714,796	—
	(%)	(53.67)	(54.33)	—	(53.43)	(54.84)	—
Interest-bearing deposits	Average balance	2,775,185	2,775,185	—	2,410,546	2,410,546	—
	(%)	(53.64)	(54.99)	—	(49.20)	(50.67)	—
	Term-end balance	2,683,662	2,683,662	—	2,680,396	2,680,396	—
	(%)	(53.21)	(53.87)	—	(52.75)	(54.15)	—
Time deposits (in general)	Average balance	2,237,335	2,237,335	—	2,312,556	2,312,556	—
	(%)	(43.25)	(44.33)	—	(47.20)	(48.61)	—
	Term-end balance	2,273,276	2,273,276	—	2,232,558	2,232,558	—
	(%)	(45.08)	(45.63)	—	(43.94)	(45.10)	—
Deregulated interest rate time deposits (fixed)	Average balance	1,354,552	1,354,552	—	1,414,913	1,414,913	—
	(%)	(26.18)	(26.84)	—	(28.88)	(29.74)	—
	Term-end balance	1,397,125	1,397,125	—	1,298,492	1,298,492	—
	(%)	(27.70)	(28.04)	—	(25.55)	(26.23)	—
Deregulated interest rate time deposits (floating)	Average balance	882,782	882,782	—	897,643	897,643	—
	(%)	(17.06)	(17.49)	—	(18.32)	(18.87)	—
	Term-end balance	876,151	876,151	—	934,065	934,065	—
	(%)	(17.37)	(17.59)	—	(18.38)	(18.87)	—
Others	Average balance	129,189	2,521	126,668	143,546	1,488	142,057
	(%)	(2.49)	(0.05)	(100.00)	(2.93)	(0.03)	(100.00)
	Term-end balance	62,973	1,817	61,155	134,020	2,961	131,058
	(%)	(1.25)	(0.04)	(100.00)	(2.63)	(0.06)	(100.00)
Subtotal	Average balance	5,173,526	5,046,858	126,668	4,899,671	4,757,613	142,057
	(%)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)
	Term-end balance	5,043,062	4,981,907	61,155	5,081,374	4,950,316	131,058
	(%)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)
Negotiable certificates of deposit	Average balance	42,539	42,539	—	28,563	28,563	—
	Term-end balance	141,380	141,380	—	34,000	34,000	—
Total	Average balance	5,216,065	5,089,397	126,668	4,928,234	4,786,176	142,057
	Term-end balance	5,184,442	5,123,287	61,155	5,115,374	4,984,316	131,058

Notes: 1. Liquid deposits = Current deposits + ordinary deposits + savings deposits + deposits at notice

2. Time deposits (in general) = Time deposits

Deregulated interest rate time deposits (fixed) = Deregulated interest rate time deposits for which the interest up to the due date is determined when the deposits are made.

Deregulated interest rate time deposits (floating) = Deregulated interest rate time deposits for which the interest varies according to changes in market interest rates during the period of deposit.

Deposit Operations (Non-Consolidated)

Balance of Time Deposits by Residual Period

Years Ended March 31

(Millions of yen)

	2024			2023		
	Total	Deregulated interest rate (fixed)	Deregulated interest rate (floating)	Total	Deregulated interest rate (fixed)	Deregulated interest rate (floating)
Less than 3 months	459,982	451,781	8,201	284,540	275,971	8,569
3–6 months	284,705	272,068	12,637	327,295	297,799	29,496
6 months–1 year	328,450	318,981	9,468	418,830	378,726	40,104
1–2 years	174,342	87,671	86,671	214,232	173,158	41,074
2–3 years	87,762	49,971	37,791	135,975	56,696	79,279
More than 3 years	938,032	216,651	721,380	851,682	116,140	735,541
Total	2,273,276	1,397,125	876,151	2,232,558	1,298,492	934,065

Balance of Deposits by Depositor

Years Ended March 31

(Millions of yen, %)

	2024		2023	
	Balance	Share	Balance	Share
Corporate	708,148	14.04	676,142	13.30
Retail	3,365,187	66.73	3,480,205	68.49
Public sector	121,165	2.40	65,363	1.29
Financial institutions	848,561	16.83	859,663	16.92
Total	5,043,062	100.00	5,081,374	100.00

Note: The above balance does not include negotiable certificates of deposit in Japan offshore market accounts.

Deposits per Office

Years Ended March 31

(Number of offices, Millions of yen)

	2024			2023		
	Total	Domestic offices	Overseas offices	Total	Domestic offices	Overseas offices
Number of offices	20	20	—	20	20	—
Deposits per office	259,222	259,222	—	255,768	255,768	—

Notes: 1. Deposits include negotiable certificates of deposit.

2. Number of offices does not include domestic sub-branches and overseas representative offices.

Deposits per Employee

Years Ended March 31

(Number of employees, Millions of yen)

	2024			2023		
	Total	Domestic offices	Overseas offices	Total	Domestic offices	Overseas offices
Number of employees	1,999	1,999	—	2,007	2,007	—
Deposits per employee	2,593	2,593	—	2,548	2,548	—

Notes: 1. Deposits include negotiable certificates of deposit.

2. Number of employees represents the average number of employees in each fiscal year. The number of employees in domestic offices includes head office staff.

Loan Operations (Non-Consolidated)

Balance of Loans and Bills Discounted

Years Ended March 31

(Millions of yen)

		2024			2023		
		Total	Domestic operations	International operations	Total	Domestic operations	International operations
Loans on deeds	Average balance	3,686,727	2,181,288	1,505,438	3,424,020	2,011,478	1,412,542
	Term-end balance	3,722,527	2,181,461	1,541,066	3,543,033	2,116,094	1,426,938
Loans on notes	Average balance	7,409	7,409	—	15,740	15,740	—
	Term-end balance	3,628	3,628	—	14,034	14,034	—
Overdrafts	Average balance	178,817	178,817	—	178,350	178,350	—
	Term-end balance	148,070	148,070	—	145,781	145,781	—
Bills discounted	Average balance	6,106	6,106	—	6,806	6,806	—
	Term-end balance	6,457	6,457	—	7,223	7,223	—
Total	Average balance	3,879,060	2,373,622	1,505,438	3,624,917	2,212,375	1,412,542
	Term-end balance	3,880,684	2,339,617	1,541,066	3,710,072	2,283,134	1,426,938

Note: The Bank carries out partial and direct write-off of loans. This also applies to the table shown below.

Balance of Loans and Bills Discounted by Residual Period

Years Ended March 31

(Millions of yen)

		2024			2023		
		Total	Fixed interest	Floating interest	Total	Fixed interest	Floating interest
1 year or less		1,882,214			1,725,853		
1–3 years		716,230	239,697	476,532	744,786	258,733	486,052
3–5 years		687,837	221,394	466,442	620,077	203,487	416,590
5–7 years		360,063	62,145	297,918	330,052	77,067	252,985
Over 7 years		234,337	75,669	158,668	289,301	99,111	190,190
Indefinite period		—	—	—	—	—	—
Total		3,880,684			3,710,072		

Notes: 1. Maturity is based on scheduled final maturity dates.

2. No distinction has been made between fixed interest and floating interest for loans and bills discounted with a residual period of 1 year or less.

Ratio of Loans and Bills Discounted to Deposits

Years Ended March 31

(Millions of yen, %)

		2024			2023		
		Total	Domestic operations	International operations	Total	Domestic operations	International operations
Loans and bills discounted (A)		3,880,684	2,339,617	1,541,066	3,710,072	2,283,134	1,426,938
Deposits (B)		5,184,442	5,123,287	61,155	5,115,374	4,984,316	131,058
Ratio(A)/(B)		74.85	45.66	2,519.90	72.52	45.80	1,088.78
Average during the year		74.36	46.63	1,188.48	73.55	46.22	994.34

Note: Deposits include negotiable certificates of deposit.

Loans and Bills Discounted per Office

Years Ended March 31

(Number of offices, Millions of yen)

		2024			2023		
		Total	Domestic offices	Overseas offices	Total	Domestic offices	Overseas offices
Number of offices		20	20	—	20	20	—
Loans and bills discounted per office		194,034	194,034	—	185,503	185,503	—

Note: Number of offices does not include domestic sub-branches and overseas representative offices.

Loan Operations (Non-Consolidated)

Loans and Bills Discounted per Employee

Years Ended March 31

(Number of employees, Millions of yen)

	2024			2023		
	Total	Domestic offices	Overseas offices	Total	Domestic offices	Overseas offices
Number of employees	1,999	1,999	—	2,007	2,007	—
Loans and bills discounted per employee	1,941	1,941	—	1,848	1,848	—

Note: Number of employees represents the average number of employees in each fiscal year. The number of employees in domestic offices includes head office staff.

Loans and Bills Discounted to Small and Medium-Sized Enterprises (SMEs)

Years Ended March 31

(Number of borrowers, Millions of yen, %)

	2024		2023	
	Number of borrowers	Value	Number of borrowers	Value
Total loans and bills discounted (A)	8,445	3,880,684	10,235	3,710,072
Loans and bills discounted to small and medium-sized enterprises (SMEs) (B)	8,234	2,909,686	10,004	2,791,937
(B)/(A)	97.50	74.97	97.74	75.25

Notes: 1. In this table, the balance of loans and bills discounted does not include Japan offshore market accounts.

2. SMEs are defined as companies having capital of not more than ¥300 million (¥100 million in wholesale, and ¥50 million in retail, food service and leasing business categories), or companies with not more than 300 full-time employees (100 in wholesale and leasing, 50 in retail and food service business categories), etc.

Consumer Loans Outstanding

Years Ended March 31

(Millions of yen)

	2024	2023
Consumer loans	10,129	14,213
Housing loans	535	615
Others	9,594	13,598

Note: Consumer loans outstanding includes personal housing loans, as well as personal loans for general spending purposes and tax payments, and does not include business loans to sole proprietorships or their owners.

Breakdown of Loans and Bills Discounted by Industry

Years Ended March 31

(Millions of yen, %)

	2024		2023	
	Balance of loans and bills discounted	Share	Balance of loans and bills discounted	Share
Domestic offices (excluding Japan offshore market accounts)	3,880,684	100.00	3,710,072	100.00
Manufacturing	300,600	7.75	258,712	6.97
Agriculture, forestry and fisheries	107	0.00	3,112	0.08
Mining, quarry and gravel extraction	—	—	—	—
Construction	14,450	0.37	12,149	0.33
Electricity, gas, heat supply and water	125,992	3.25	141,463	3.81
Information and communications	127,175	3.28	105,001	2.83
Transport and postal service	42,429	1.09	49,659	1.34
Wholesale and retail trade	84,526	2.18	86,506	2.33
Finance and insurance	363,730	9.37	342,450	9.23
Real estate	757,253	19.51	760,187	20.49
Leasing	183,249	4.72	148,797	4.01
Various services	158,610	4.09	154,173	4.16
Local government	813	0.02	8,588	0.23
Others	1,721,743	44.37	1,639,270	44.19
Overseas offices (including Japan offshore market accounts)	—	—	—	—
Government	—	—	—	—
Financial institutions	—	—	—	—
Others	—	—	—	—
Total	3,880,684		3,710,072	

Note: Domestic offices refer to the Bank's head office and branch offices; overseas offices refer to the Bank's overseas branch offices.

Non-performing loans ('NPLs') based on the Financial Reconstruction Act by Industry

Years Ended March 31

(Millions of yen)

	2024	2023
Domestic offices (excluding Japan offshore market accounts)	130,459	38,391
Manufacturing	6,792	5,692
Agriculture, forestry and fisheries	107	3,144
Mining, quarry and gravel extraction	—	—
Construction	—	—
Electricity, gas, heat supply and water	—	—
Information and communications	—	—
Transport and postal service	—	—
Wholesale and retail trade	121	122
Finance and insurance	—	—
Real estate	—	—
Leasing	—	—
Various services	129	1,293
Local government	—	—
Others	123,309	28,139
Overseas offices (including Japan offshore market accounts)	—	—
Government	—	—
Financial institutions	—	—
Others	—	—
Total	130,459	38,391

Note: NPLs based on the Financial Reconstruction Act include accrued interest and suspense payments in other assets and customers' liabilities for acceptances and guarantees.

Loan Operations (Non-Consolidated)

Balance of Loans and Bills Discounted, Classified by Purpose

Years Ended March 31

(Millions of yen, %)

	2024		2023	
	Balance of loans and bills discounted	Share	Balance of loans and bills discounted	Share
Funds for capital investment	399,092	10.28	442,548	11.93
Funds for working capital	3,481,591	89.72	3,267,524	88.07
Total	3,880,684	100.00	3,710,072	100.00

Breakdown of Balance of Acceptances and Guarantees

Years Ended March 31

(Millions of yen)

	2024	2023
Acceptances of bills	—	—
Letters of credit	10,709	10,602
Guarantees	13,375	14,401
Total	24,084	25,004

Breakdown of Loans and Bills Discounted by Collateral

Years Ended March 31

(Millions of yen)

	2024	2023
Securities	10,517	10,630
Claims	34,607	34,472
Merchandise	—	—
Real estate	239,019	191,239
Others	5,876	7,883
Subtotal	290,020	244,225
Guaranteed	82,770	110,915
Unsecured	3,507,893	3,354,932
Total	3,880,684	3,710,072

Breakdown of Collateral for Customers' Liabilities for Acceptances and Guarantees

Years Ended March 31

(Millions of yen)

	2024	2023
Securities	—	—
Claims	—	—
Real estate	—	—
Others	—	—
Subtotal	—	—
Guaranteed	4,846	5,553
Unsecured	19,238	19,450
Total	24,084	25,004

Write-Off of Loans

Years Ended March 31

(Millions of yen)

	2024	2023
Write-off of loans	1,244	1,482

Allowance for Loan Losses

Years Ended March 31

(Millions of yen)

	2024					2023				
	Balance at beginning of year	Provision	Reduction during year		Balance at end of year	Balance at beginning of year	Provision	Reduction during year		Balance at end of year
			Used for specific purpose	Other				Used for specific purpose	Other	
General allowance	33,611	37,177	—	33,611	37,177	38,264	33,611	—	38,264	33,611
Specific allowance	[-1,170]					[196]				
	10,765	50,194	1,130	9,635	50,194	9,449	9,595	5,596	3,852	9,595
Related to non-residents	[-1,170]					[196]				
	9,186	49,042	—	9,186	49,042	(156)	8,016	—	(156)	8,016
Allowance for loans to restructuring countries	—	—	—	—	—	—	—	—	—	—

Note: Figures in parentheses for balance at beginning of year indicate translation difference due to foreign exchange fluctuations.

Loans to restructuring countries

None.

Loan Operations (Non-Consolidated)

NPLs based on the Banking Act and the FRA

* NPLs: Non-performing loans

* FRA : Financial Reconstruction Act

Years Ended March 31

Non-consolidated

(Billions of Yen)

	2024	2023
NPLs based on the Banking Act and the FRA		
Bankrupt and similar credit	0.0	3.0
Doubtful credit	118.2	29.8
Special attention credit	12.1	5.5
Loans overdue for 3 months or more	6.3	—
Restructured loans	5.7	5.5
Subtotal (A)	130.4	38.3
Normal credit	3,818.6	3,737.4
Total credit (B)	3,949.0	3,775.8
(A/B)	3.30%	1.01%

Consolidated

(Billions of Yen)

	2024	2023
NPLs based on the Banking Act and the FRA		
Bankrupt and similar credit	0.0	3.0
Doubtful credit	118.5	30.6
Special attention credit	12.5	5.5
Loans overdue for 3 months or more	6.3	—
Restructured loans	6.1	5.5
Subtotal (A)	131.1	39.1
Normal credit	3,996.1	3,896.8
Total credit (B)	4,127.2	3,936.0
(A/B)	3.17%	0.99%

Allowance Ratios for Each Category of Borrower, Based on Asset-Assessments

Years Ended March 31

Non-consolidated

(%)

Definition of Borrower Categories	2024	2023
Normal	0.4	0.5
Need attention:		
Other need attention borrowers	6.8	4.9
Special attention borrowers (Allowance Ratio to unsecured)	34.6	52.9
In danger of bankruptcy (Allowance Ratio to unsecured)	100.0	100.0
De facto bankrupt and bankrupt (Allowance Ratio to unsecured)	100.0	100.0

Asset-Assessment, NPLs based on the FRA, Write-Offs and Allowance

(After partial and direct write-off, Non-Consolidated Basis) as of March 31, 2024

(Billions of Yen)

Borrower categories for self-assessment	NPLs based on the FRA		Allowance & Coverage	Allowance Ratio	Coverage Ratio
	Loans	other			
Bankrupt borrowers	Bankrupt and similar credit 0.0		Collateral/Guarantee coverage Allowance	0.0 —	100.0%
De facto bankrupt borrowers			Collateral/Guarantee coverage Allowance	68.0 50.1	100.0%
In Danger of Bankruptcy borrowers	Doubtful credit 118.2		Estimated collections	—	100.0%
Need Attention borrowers	Special attention credit 12.1		Collateral/Guarantee coverage Allowance	— 4.2	34.7%
			Estimated collections	7.9	
Normal borrowers	Normal credit 3,818.6				
	NPL Credit 130.4		Collateral/Guarantee coverage Allowance Estimated collections	68.1 54.4 7.9	NPLs based on the FRA Allowance Ratio 87.3%
	Total credit	3,949.0	Total allowance	87.3	NPLs based on the FRA Coverage Ratio 93.9%

Allowance Ratio = Allowance / (NPL Credit – Collateral, Guarantees, etc.)

Coverage Ratio = (Collateral, Guarantees + Allowance) / NPL Credit

<Definitions of Borrower Categories>		<Definitions of NPLs based on the Banking Act and the FRA>	
Normal	Business performance is strong and no special financial problems exist.	Bankrupt and similar credit	Bankrupt and similar credit refers to the credit of borrowers who have filed for bankruptcy, corporate reorganization, composition, etc., as well as those borrowers who are in an equivalent situation.
Need attention	Borrowers that need to be monitored carefully because of weak business fundamentals, financial problems or problematic lending conditions.	Doubtful credit	Doubtful refers to the credit of borrowers, excluding bankrupt and similar credit with serious concern for recovery of principal and receiving of interest as contract provisions, as those borrower's financial condition and business result have worsened, although they have not gone bankrupt.
In danger of bankruptcy	Borrowers that are not currently bankrupt but are highly likely to become bankrupt.	Special attention credit	Loans overdue for 3 months or more and Restructured loans.
De facto bankrupt	Borrowers that are substantially bankrupt but are not legally or practically bankrupt yet.	Loans overdue for 3 months or more	Loans overdue for 3 months or more refer to those loans, excluding bankrupt and similar credit and doubtful credit for which principal or interest remains unpaid for at least 3 months.
Bankrupt	Borrowers that are legally or practically bankrupt.	Restructured loans	Restructured loans refer to those loans, excluding bankrupt and similar credit, doubtful credit and loans overdue for 3 months or more for which agreement was made to provide reduction or a moratorium on interest payments, or concessions in the borrower's favor on interest or principal payments or to waive claims for the purpose of assisting the reconstruction of insolvent borrowers.
<Definitions of Asset Classifications>		Normal credit	Normal credit refers to credit to borrowers whose financial condition and business results have no particular problem and which are not categorized in any of the above categories.
Category I	Assets that present no particular risk of collectability or impairment of value.		
Category II	Assets, including credits, which bear above-average risk of collectability.		
Category III	Assets that bear substantial risk of final collectability or impairment of value, and are likely to incur losses.		
Category IV	Assets deemed to be uncollectable or valueless.		
<Write-Off and Allowance Rules>			
Normal and Need attention borrowers	A general allowance is provided by applying the estimated loan-loss ratio determined based on the historical loan-loss data over a defined period in the past. However, for borrowers with large credit exposure, the loan-loss amount estimated by the DCF method is reflected as an addition to the allowance for loan losses calculated based on the estimated loan-loss ratio, if necessary.		
In danger of bankruptcy borrowers	A specific allowance is provided for the loan losses at an amount considered to be necessary based on an overall solvency assessment of the borrowers and expected collectible amounts through the disposal of collateral or execution of guarantees, etc. For loans whose future cash flows of principal and interest are reasonably estimated, the difference between the discounted cash flows and the carrying value is accounted for as an allowance for loan losses.		
De facto bankrupt and Bankrupt borrowers	In principle, the full amounts of credits that bear substantial risk of final collectability or impairment of value, and credits deemed to be uncollectable or valueless are written off directly.		

Securities (Non-Consolidated)

Balance of Securities Held

Years Ended March 31

(Millions of yen, %)

		2024			2023		
		Total	Domestic operations	International operations	Total	Domestic operations	International operations
Total	Average balance (%)	1,478,528 (100.00)	510,030 (100.00)	968,497 (100.00)	1,453,629 (100.00)	527,300 (100.00)	926,328 (100.00)
	Term-end balance (%)	1,194,907 (100.00)	409,106 (100.00)	785,800 (100.00)	1,319,450 (100.00)	543,568 (100.00)	775,881 (100.00)
Japanese national government bonds	Average balance (%)	38,571 (2.61)	38,571 (7.56)	—	31,053 (2.14)	31,053 (5.89)	—
	Term-end balance (%)	42,530 (3.56)	42,530 (10.40)	—	18,381 (1.39)	18,381 (3.38)	—
Japanese local government bonds	Average balance (%)	13,706 (0.93)	13,706 (2.69)	—	77,773 (5.35)	77,773 (14.75)	—
	Term-end balance (%)	12,403 (1.04)	12,403 (3.03)	—	14,336 (1.09)	14,336 (2.64)	—
Japanese short-term corporate bonds	Average balance (%)	218 (0.01)	218 (0.04)	—	361 (0.02)	361 (0.07)	—
	Term-end balance (%)	—	—	—	10,999 (0.83)	10,999 (2.02)	—
Japanese corporate bonds	Average balance (%)	130,865 (8.85)	130,865 (25.66)	—	148,569 (10.22)	148,569 (28.18)	—
	Term-end balance (%)	103,137 (8.63)	103,137 (25.21)	—	110,616 (8.38)	110,616 (20.35)	—
Japanese stocks	Average balance (%)	36,956 (2.50)	36,956 (7.25)	—	51,203 (3.52)	51,203 (9.71)	—
	Term-end balance (%)	45,934 (3.84)	45,934 (11.23)	—	61,053 (4.63)	61,053 (11.23)	—
Others	Average balance (%)	1,258,209 (85.10)	289,711 (56.80)	968,497 (100.00)	1,144,666 (78.75)	218,337 (41.40)	926,328 (100.00)
	Term-end balance (%)	990,901 (82.93)	205,100 (50.13)	785,800 (100.00)	1,104,062 (83.68)	328,181 (60.38)	775,881 (100.00)

Note: Total for 'Others' is the sum of domestic operations for 'Others' and international operations.

Balance of Securities by Residual Period

Years Ended March 31

(Millions of yen)

	2024						2023					
	Japanese national government bonds	Japanese local government bonds	Japanese short-term corporate bonds	Japanese corporate bonds	Japanese stocks	Others	Japanese national government bonds	Japanese local government bonds	Japanese short-term corporate bonds	Japanese corporate bonds	Japanese stocks	Others
Less than 1 year	25,000	1,892	—	488		48,565	—	2,465	10,999	221		11,530
1–3 years	—	3,553	—	18,609		71,861	—	3,935	—	6,448		90,088
3–5 years	—	2,557	—	10,553		64,715	—	2,957	—	23,097		47,609
5–7 years	—	2,182	—	4,604		56,240	—	2,262	—	6,905		33,183
7–10 years	—	2,217	—	264		128,549	—	2,715	—	342		106,940
Over 10 years	17,530	—	—	68,615		124,028	18,381	—	—	73,600		169,436
Indefinite period	—	—	—	—	45,934	496,939	—	—	—	—	61,053	645,275
Total	42,530	12,403	—	103,137	45,934	990,901	18,381	14,336	10,999	110,616	61,053	1,104,062

Ratio of Securities to Deposits

Years Ended March 31

(Millions of yen, %)

	2024			2023		
	Total	Domestic operations	International operations	Total	Domestic operations	International operations
Securities (A)	1,194,907	409,106	785,800	1,319,450	543,568	775,881
Deposits (B)	5,184,442	5,123,287	61,155	5,115,374	4,984,316	131,058
Ratio (A)/(B)	23.04	7.98	1,284.91	25.79	10.90	592.01
Average during the year	28.34	10.02	764.59	29.49	11.01	652.07

Notes: Deposits include negotiable certificates of deposit.

Securities Business (Non-Consolidated)

Underwriting of Public Bonds

(Millions of yen)

	2024	2023
Japanese national government bonds	—	—
Japanese local government bonds and government-guaranteed bonds	—	—
Total	—	—

Over-the-Counter Sales of Public Bonds and Securities Investment Trusts

(Millions of yen)

	2024	2023
Japanese national government bonds	—	—
Japanese local government bonds and government-guaranteed bonds	—	—
Total	—	—
Securities investment trusts	112,246	72,658

International Operations (Non-Consolidated)

Foreign Exchange Transactions

Years Ended March 31

(Millions of U.S. dollars)

		2024	2023
Outward exchange:	Foreign bills sold	4,477	3,417
	Foreign bills bought	—	—
Incoming exchange:	Foreign bills payable	1,406	737
	Foreign bills receivable	—	—
Total		5,883	4,155

Balance of Assets in International Operations

Years Ended March 31

(Millions of yen)

	2024			2023		
	Total	Domestic offices	Overseas offices	Total	Domestic offices	Overseas offices
Balance of assets in international operations	2,573,147	2,573,147	—	2,463,371	2,463,371	—

Trust Business Operations (Non-Consolidated)

Statement of Trust Assets and Liabilities

Years Ended March 31

(Millions of yen)

Account	2024	2023
(Assets)		
Loans and bills discounted	53,897	35,642
Loans on deeds	53,897	35,642
Securities	170,977	173,256
Government bonds	5,764	5,764
Local government bonds	9,075	9,075
Corporate bonds	21,159	19,802
Foreign securities	134,977	138,614
Beneficiary rights	4,806	5,083
Securities held in custody accounts	221,189	220,168
Monetary claims	302,209	231,970
Monetary claims on home mortgage	839	1,005
Other monetary claims	301,370	230,964
Tangible fixed assets	73,263	109,934
Real estate	73,263	109,934
Other claims	739	2,384
Cash and cash equivalents	78,903	92,974
Due from banks	78,903	92,974
Total assets	905,987	871,414
(Liabilities)		
Money trusts	183,079	199,429
Money entrusted, other than money trusts	132,401	115,653
Securities trusts	221,372	220,348
Monetary claims trusts	35,565	59,306
Composite trusts	333,569	276,676
Total liabilities	905,987	871,414

Notes: 1. 'Beneficiary rights,' which the Bank acquired from a trust where the Bank acts as entrustor and trustee, is deducted from the total amount of beneficiary rights in the trust account, in order to avoid duplication.

The principal balance of the corresponding trust account is deducted from liabilities by the same amount.

2. There are no balances for guaranteed trusts.

Balance of Money Trusts under Management

Years Ended March 31

(Millions of yen)

Type	2024	2023
Money trusts	183,079	199,429
Total	183,079	199,429

Note: There are no balances for pension trusts, asset formation benefit trusts or loan trusts.

Trust Business Operations (Non-Consolidated)

Balance of Securities Related to Money Trusts

Years Ended March 31

(Millions of yen, %)

Type	2024		2023	
	Balance	Percentage	Balance	Percentage
Government bonds	5,764	3.38	5,764	3.33
Local government bonds	9,075	5.32	9,075	5.24
Short-term corporate bonds	—	—	—	—
Corporate bonds	20,829	12.20	19,802	11.43
Stocks	—	—	—	—
Other securities	134,977	79.10	138,614	80.00
Total	170,647	100.00	173,256	100.00

Note: There are no balances for pension trusts, asset formation benefit trusts or loan trusts.

Balance of Principal of Money Trusts by Trust Period

Years Ended March 31

(Millions of yen)

Type	2024	2023
Money trusts		
Less than 1 year	0	0
1-2 years	11,022	21,300
2-5 years	433	1,330
Over 5 years	794	810
Others	—	—
Total	12,250	23,441

Note: There are no balances for loan trusts.

Operational Status of Money Trusts by Type

Years Ended March 31

(Millions of yen)

Type	2024	2023
Money trusts		
Loans and bills discounted	—	—
Securities	170,647	173,256
Crypto assets	—	—
Electronic payment instruments	—	—
Money trusts Total	170,647	173,256
Total Loans and bills discounted	—	—
Total Securities	170,647	173,256
Total Crypto assets	—	—
Total Electronic payment instruments	—	—
Total Loans and bills discounted, Securities, Crypto assets and Electronic payment instruments	170,647	173,256

Note: There are no balances for pension trusts, asset formation benefit trusts or loan trusts.

The followings are not applicable.

- Balance of guaranteed trust (including trust assets entrusted to other banks for asset management) by type.
- Balance of loans and bills discounted, crypto assets and electronic payment instruments held in money trusts by type.
- Balance of loans and bills discounted related to money trusts by category (loans on deeds, loans on bills and bills discounted).
- Balance of loans and bills discounted related to money trusts by contract term.
- Balance of loans and bills discounted related to money trusts by type of collateral (securities, claims, commodities, real estate, guarantees and unsecured).
- Balance of loans and bills discounted related to money trusts by purpose of use (capital spending and working capital).
- Balance of loans and bills discounted related to money trusts by industry and ratios to total loans.
- Balance of loans and bills discounted to Small and Medium-Sized Enterprises (SMEs) related to money trusts and ratios to total loans and bills discounted.
SMEs are defined as companies having capital of not more than ¥300 million (¥100 million in wholesale, and ¥50 million in retail, food service and leasing business categories), or companies with not more than 300 full-time employees (100 in wholesale and leasing, 50 in retail and food service business categories), etc.
- Balance of loans and bills discounted related to guaranteed trust (including trust assets entrusted to other trust banks for asset management).
Loans are 'Bankrupt and similar credit,' 'Doubtful credit,' 'Loans overdue for three months or more' and 'Restructured loans.'
- Balance of crypto assets by type.
- Balance of electronic payment instruments by type.

Capitalization (Non-Consolidated)

History of Capitalization

(Millions of yen)

Month/Year	Capital increases	Capital thereafter	Remarks
Sep. 2000	66,666	419,781	Compensatory private placement (common stock, 333,334 thousand shares); Issue price ¥300; Transfer to capital ¥200
Oct. 2000	(260,000)	159,781	Non-compensatory reduction of capital • Capital reduction of ¥105,287 million by redemption of the 2nd preferred stock, 102,000 thousand shares; the 3rd preferred stock, 386,398 thousand shares; and the 4th preferred stock, 71,856 thousand shares • Capital reduction of ¥154,712 million exceeding face amount of common stock and transferred to capital
Oct. 2000	260,000	419,781	Compensatory private placement (the 5th preferred stock, 866,667 thousand shares); Issue price ¥300; Transfer to capital ¥300
Nov. 2012	(319,781)	100,000	Capital reduction (Change in capital composition) Capital stock was reduced by ¥319,781 million. Of which, ¥53,980 million was transferred to legal capital surplus, and the remaining ¥265,801 million was transferred to other capital surplus.

Major Shareholders

(As of March 31, 2024)

	Number of shares held	Percentage of total outstanding shares
The Master Trust Bank of Japan, Ltd. (Trust Account)	14,153 Thousands	11.96%
Aya Nomura	7,905	6.68
The Nomura Trust and Banking Co., Ltd. (Trust Account 2052255)	3,500	2.96
CITY INDEX ELEVENTH CO., Ltd.	2,611	2.21
Custody Bank of Japan, Ltd. (Trust Account)	2,347	1.98
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	2,110	1.78
Aozora Bank, Ltd.	1,467	1.24
JPMorgan Securities Japan Co., Ltd.	645	0.55
BNYM SA/NV FOR BNYM FOR BNY GCM CLIENT ACCOUNTS M LSCB RD	605	0.51
JP JPMSE LUX RE NOMURA INT PLC 1 EQ CO	592	0.50
BNYMSANV RE GCLB RE JP RD LMGC	564	0.48
Others	81,786	69.15
Total	118,289	100.00

Note: The above table was compiled based on the Bank's Shareholder Registry as of March 31, 2024.

Ownership and Distribution of Shares

(As of March 31, 2024)

Classification	Stock Status (1 <i>tangen</i> unit = 100 shares)								Fractional shares of common stock
	National and municipal governments	Financial institutions	Financial instruments firms	Other domestic companies	Foreign Investors		Individuals and others	Total	
					Other than individuals	Individuals			
Number of shareholders	—	42	29	947	288	537	122,018	123,861	—
Number of shares held (<i>tangen</i>)	—	220,047	32,022	67,769	108,535	3,297	748,304	1,179,974	292,018
Percentage of total number of shares	—	18.65	2.71	5.74	9.20	0.28	63.42	100.00	—

Notes: 1. Treasury stock of 1,467,109 shares comprises 14,671 *tangen* units under Individuals and others and 9 shares under Fractional shares of common stock.

2. In the Other domestic companies column, shares in the name of Japan Securities Depository Center Incorporated represent one *tangen* unit.

Disclosure Based on Basel III

Capital Accord Pillar III—Market Discipline

This section describes the information consistent with FSA Notice Number 7, Basel III Pillar III—Market Discipline, based on Article 19-2.1.5.d and 19-3.1.3.c of the Ordinance for the Enforcement of the Banking Act (Ministry of Finance Ordinance Number 10, 1982), issued in 2014.

‘Notice’ in this section refers to FSA Notice Number 19, Basel III Pillar I—Minimum Capital Requirements and Buffers, issued in 2006.

The Bank received agreed-upon procedures from Deloitte Touche Tohmatsu LLC (‘DTT’) as an external audit on the calculation of the capital adequacy ratio (on both consolidated and non-consolidated basis) in accordance with the JICPA Practical Guidelines on Professional Services 4465 ‘Practical Guidelines on Agreed-Upon Procedures for Calculation of Capital Adequacy Ratio and Leverage Ratio.’ DTT performed procedures to the extent agreed with the Bank on limited part of the internal control system relating to the calculation of the capital adequacy ratio, and reported the results to the Bank. This external audit is not part of the financial statement audits or the internal control audit, and does not express any opinion or conclusion regarding the capital adequacy ratio itself or the internal control system for calculation of the capital adequacy ratio.

Composition of Capital Disclosure

Composition of Capital Disclosure (Consolidated)

(Basel III)

(Millions of Yen)

Items	March 31, 2024	March 31, 2023
Core capital: instruments and reserves (1)		
Directly issued qualifying common share capital and preferred share capital with mandatory conversion clause plus related stock surplus and retained earnings	413,130	471,826
of which: capital and capital surplus	187,498	187,481
of which: retained earnings	228,647	292,117
of which: treasury stock (–)	3,015	3,099
of which: national specific regulatory adjustments (earnings to be distributed) (–)	–	4,672
of which: other than above	–	–
Accumulated other comprehensive income included in Core capital	12,414	6,354
of which: foreign currency translation adjustment	10,137	7,683
of which: remeasurements of defined benefit plans	2,277	(1,328)
Share award rights and Share acquisition rights to common shares and preferred shares with mandatory conversion clause	532	503
Adjusted non-controlling interests (amount allowed in group Core capital)	697	–
Total of general allowance for loan losses and eligible provisions included in Core capital	38,261	34,189
of which: general allowance for loan losses	38,261	34,189
of which: eligible provisions	–	–
Eligible non-cumulative perpetual preferred shares subject to transitional arrangements included in Core capital	–	–
Eligible capital instruments, other than non-cumulative perpetual preferred shares, subject to transitional arrangements included in Core capital	–	–
Capital instruments issued using public capital injection programs included in Core capital	–	–
Amounts equivalent to 45% of land revaluation excess subject to transitional arrangements included in Core capital	–	–
Non-controlling interests subject to transitional arrangements included in Core capital	2,548	95
Core capital: instruments and reserves (A)	467,585	512,968

(Millions of Yen)

Items	March 31, 2024	March 31, 2023
Core capital: regulatory adjustments (2)		
Total intangible assets (net of related tax liability, excluding those relating to mortgage servicing rights)	18,707	19,258
of which: goodwill (including those equivalent)	4,102	4,200
of which: other intangibles other than goodwill and mortgage servicing rights	14,605	15,058
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	13,223	717
Shortfall of eligible provisions to expected losses	—	—
Securitization gain on sale	—	—
Gains and losses due to changes in own credit risk on fair valued liabilities	574	207
Defined-benefit pension fund net assets (prepaid pension costs)	6,064	2,687
Investments in own shares (excluding those reported in the Net assets section)	1	0
Reciprocal cross-holdings in capital instruments	—	—
Investments in the common stock and preferred stock with mandatory conversion clause of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	—	—
Amount exceeding the 10% threshold on specified items	—	—
of which: significant investments in the common stock and preferred stock with mandatory conversion clause of financials	—	—
of which: mortgage servicing rights	—	—
of which: deferred tax assets arising from temporary differences (net of related tax liability)	—	—
Amount exceeding the 15% threshold on specified items	—	—
of which: significant investments in the common stock and preferred stock with mandatory conversion clause of financials	—	—
of which: mortgage servicing rights	—	—
of which: deferred tax assets arising from temporary differences (net of related tax liability)	—	—
Core capital: regulatory adjustments (B)	38,572	22,872
Regulatory capital		
Regulatory capital ((A)-(B)) (C)	429,013	490,096
Risk-weighted assets (3)		
Credit risk assets	4,273,156	4,559,602
Total of items subject to transitional arrangements included in risk-weighted assets	—	—
of which: investments in capital instruments of financials	—	—
of which: other than above	—	—
Risk assets derived from market risk equivalents	238,982	478,496
Internal risk transfer	—	—
Risk assets derived from operational risk equivalents	133,497	157,787
Floor adjustment	—	—
Total risk-weighted assets (D)	4,645,636	5,195,885
Consolidated capital adequacy ratio		
Consolidated capital adequacy ratio ((C)/(D))	9.23%	9.43%

Note: Consolidated capital adequacy ratio is calculated based on the Notice.

The Bank uses the domestic standard applicable to Japanese banks without overseas branches or banking subsidiaries.

Disclosure Based on Basel III

Capital Accord Pillar III—Market Discipline

Methods used to calculate risk-weighted assets and amounts of required capital for each risk are as follows:

(Millions of Yen)

	Methods	March 31, 2024
Total required capital		185,825
Credit risk	Standardized approach	170,926
Market risk equivalents	Standardized approach and Simplified standardized approach	9,559
Operational risk equivalents	Standardized approach	5,339

(Millions of Yen)

	Methods	March 31, 2023
Total required capital		207,835
Credit risk	Standardized approach	182,384
Market risk equivalents	Internal models approach and Standardized approach	19,139
Operational risk equivalents	Standardized approach	6,311

Composition of Capital Disclosure (Non-Consolidated)

(Basel III)

(Millions of Yen)

Items	March 31, 2024	March 31, 2023
Core capital: instruments and reserves (1)		
Directly issued qualifying common share capital and preferred share capital with mandatory conversion clause plus related stock surplus and retained earnings	384,894	444,463
of which: capital and capital surplus	187,498	187,481
of which: retained earnings	200,411	264,752
of which: treasury stock (–)	3,015	3,099
of which: national specific regulatory adjustments (earnings to be distributed) (–)	–	4,671
of which: other than above	–	–
Share award rights and Share acquisition rights to common shares and preferred shares with mandatory conversion clause	532	503
Total of general allowance for loan losses and eligible provisions included in Core capital	37,796	34,125
of which: general allowance for loan losses	37,796	34,125
of which: eligible provisions	–	–
Eligible non-cumulative perpetual preferred shares subject to transitional arrangements included in Core capital	–	–
Eligible capital instruments, other than non-cumulative perpetual preferred shares, subject to transitional arrangements included in Core capital	–	–
Capital instruments issued using public capital injection programs included in Core capital	–	–
Amounts equivalent to 45% of land revaluation excess subject to transitional arrangements included in Core capital	–	–
Core capital: instruments and reserves (A)	423,223	479,091
Core capital: regulatory adjustments (2)		
Total intangible assets (net of related tax liability, excluding those relating to mortgage servicing rights)	6,863	7,560
of which: goodwill (including those equivalent)	–	–
of which: other intangibles other than goodwill and mortgage servicing rights	6,863	7,560
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	13,218	452
Shortfall of eligible provisions to expected losses	–	–
Securitization gain on sale	–	–
Gains and losses due to changes in own credit risk on fair valued liabilities	574	207
Defined-benefit pension fund net assets (prepaid pension costs)	3,929	3,918
Investments in own shares (excluding those reported in the Net assets section)	1	0
Reciprocal cross-holdings in capital instruments	–	–
Investments in the common stock and preferred stock with mandatory conversion clause of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	–	–
Amount exceeding the 10% threshold on specified items	–	–
of which: significant investments in the common stock and preferred stock with mandatory conversion clause of financials	–	–
of which: mortgage servicing rights	–	–
of which: deferred tax assets arising from temporary differences (net of related tax liability)	–	–
Amount exceeding the 15% threshold on specified items	–	–
of which: significant investments in the common stock and preferred stock with mandatory conversion clause of financials	–	–
of which: mortgage servicing rights	–	–
of which: deferred tax assets arising from temporary differences (net of related tax liability)	–	–
Core capital: regulatory adjustments (B)	24,587	12,138
Regulatory capital		
Regulatory capital ((A)–(B)) (C)	398,635	466,952

Disclosure Based on Basel III

Capital Accord Pillar III—Market Discipline

(Millions of Yen)

Items	March 31, 2024	March 31, 2023
Risk-weighted assets (3)		
Credit risk assets	4,240,752	4,576,363
Total of items subject to transitional arrangements included in risk-weighted assets	—	—
of which: investments in capital instruments of financials	—	—
of which: other than above	—	—
Risk assets derived from market risk equivalents	238,105	477,916
Internal risk transfer	—	—
Risk assets derived from operational risk equivalents	111,316	138,165
Floor adjustment	—	—
Total risk-weighted assets (D)	4,590,174	5,192,445
Non-consolidated capital adequacy ratio		
Non-consolidated capital adequacy ratio ((C)/(D))	8.68%	8.99%

Note: Non-consolidated capital adequacy ratio is calculated based on the Notice.

The Bank uses the domestic standard applicable to Japanese banks without overseas branches or banking subsidiaries.

Methods used to calculate risk-weighted assets and amounts of required capital for each risk are as follows:

(Millions of Yen)

	Methods	March 31, 2024
Total required capital		183,606
Credit risk	Standardized approach	169,630
Market risk equivalents	Standardized approach	9,524
Operational risk equivalents	Standardized approach	4,452

(Millions of Yen)

	Methods	March 31, 2023
Total required capital		207,697
Credit risk	Standardized approach	183,054
Market risk equivalents	Internal models approach and Standardized approach	19,116
Operational risk equivalents	Standardized approach	5,526

Qualitative Disclosure

1. Items pertaining to the scope of consolidation

(1) A discrepancy between the definition of companies belonging to the group of companies (hereafter, 'Consolidated Group') subject to calculation of consolidated capital adequacy ratio, in accordance with Article 26 of the Notice, and companies included within the scope of accounting consolidation, and cause of the discrepancy

Subsidiaries deemed as 'financial subsidiaries' according to the Notice but excluded from the scope of accounting consolidation are included in the Consolidated Group in accordance with Article 26 of the Notice.

(2) Number of consolidated subsidiaries, names of principal consolidated subsidiaries and major lines of business

Number of consolidated subsidiaries for the consolidated financial statements: 25

Principal consolidated subsidiaries:

- GMO Aozora Net Bank, Ltd. (banking business)
- Aozora Loan Services Co., Ltd. (distressed loan servicing)
- Aozora Securities Co., Ltd. (financial instruments business)
- Aozora Regional Consulting Co., Ltd. (business consulting services)
- Aozora Investment Management Co., Ltd. (investment management services)
- Aozora Real Estate Investment Advisors Co., Ltd. (investment advisory services)
- ABN Advisors Co., Ltd. (M&A advisory services)
- Aozora Corporate Investment Co., Ltd. (venture capital investment)
- Aozora Asia Pacific Finance Limited (financial services)
- Aozora Europe Limited (financial services)
- Aozora North America, Inc. (financial services)
- AZB Funding (investment vehicle)
- AZB Funding 2 (investment vehicle)
- AZB Funding 3 (investment vehicle)
- AZB Funding 4 Limited (investment vehicle)
- AZB Funding 5 (investment vehicle)
- AZB Funding 6 (investment vehicle)

AZB Funding 7 (investment vehicle)
 AZB Funding 8 Limited (investment vehicle)
 AZB Funding 9 Limited (investment vehicle)
 AZB Funding 10 Limited (investment vehicle)
 AZB Funding 11 Limited (investment vehicle)
 AZB Funding 12 Limited (investment vehicle)
 Aozora APF (Ireland) Limited (investment vehicle)

(3) Number of affiliates conducting financial services and having applied Article 32 of the Notice, and names, amounts of total assets and net assets and main business of such affiliates

Not applicable

(4) Names, amounts of total assets and net assets, and main business of companies belonging to the Consolidated Group but not included in the scope of accounting consolidation, and companies not belonging to the Consolidated Group but included in the scope of accounting consolidation

(Companies belonging to the Consolidated Group but not included in the scope of accounting consolidation)

(Millions of Yen)

Name	Total assets	Net assets	Main business
AT Investments Co., Ltd.	488	244	financial services
AHT Investments	10	10	financial services
Tokyo Recovery	37	2	financial services
Aozora Recovery Acquisition 1	3,961	4	financial services
Momiji Recovery	1	1	financial services
Chiba-Musashino Partner	186	3	financial services
Shinkumi Recovery Co., Ltd.	1,002	3	financial services
Aozora Recovery Support Co., Ltd.	3,971	2	financial services
AL3 Co., Ltd.	26	3	financial services
AL4 Co., Ltd.	0	0	financial services
Aozora Asset Co., Ltd.	4,335	2	financial services
Fukushima Recovery Co., Ltd.	212	207	financial services
Aozora Chiiki Saisei Co., Ltd.	4,841	10	financial services

(Companies not belonging to the Consolidated Group but included in the scope of accounting consolidation)

Not applicable

(5) Summary of restrictions on the movement of cash and equity capital within the Consolidated Group

Not applicable

Disclosure Based on Basel III Capital Accord Pillar III—Market Discipline

2. Summary of equity financing methods

The Aozora Bank Group executes equity financing through the issuance of shares of common stock as follows.

(As of March 31, 2024)

Item	Common Stock
Issuing entity	Aozora Bank
Amounts included in core capital	¥187,498 million

3. Outline of capital adequacy assessment method

The Bank manages its capital based on 'risk capital,' namely economic capital, in order to control the size of its business within its intended scope and to secure sufficient capital that match the risk it faces. We assess our capital adequacy by comparing the amounts of total capital for the fiscal year and risk capital usage in which actual risk profile is reflected, and thus confirming that an adequate amount of capital for the risk is secured.

Such assessment is also made from the perspective of whether the Bank can maintain sufficient capital to cover the effects of the estimated impact of a loss assumed in a stress-testing on the Bank's capital position and ensure the continuous operation from the following fiscal year onwards, and secure the required capital adequacy ratio. The status of risk capital is reported to the senior management on monthly basis in principle.

4. Items pertaining to credit risk

(1) Summary of risk management policies and procedures

The policies and procedures applied to risk management at Aozora Bank are described in the Risk Management of this annual report under the heading 'Credit Risk Management,' in the Consolidated Financial Statements: Basic Requirements for the Preparation of Consolidated Financial Statements and the Non-Consolidated Financial Statements: Significant Accounting Policies.

(2) Eligible rating agencies used for the judgement on risk weight

The eligible rating agencies which we use for the judgment on risk weight are as follows. We do not use country risk scores of OECD or Export Credit Agencies.

Type of exposure	Eligible rating agencies used
Sovereign (including government-affiliated organizations)	Rating and Investment Information, Inc. (R&I)
Financial institutions (including securities firms)	Japan Credit Rating Agency, Ltd. (JCR)
Securitization	Moody's Investors Service (Moody's)
Exposures to corporates	S&P Global Ratings(S&P)

5. Risk management policy associated with credit risk mitigation and outline of procedures

The Bank uses a standard form of documentation for collateral or guarantee contracts which we confirm as to its legal enforceability. When this standard documentation is not used, we take steps such as confirming the legal enforceability of each contract, among other procedures in the process of our decision to grant or refuse a transaction.

The concentration of credit and market risks resulting from the use of credit risk mitigation is modest.

(Major collateral)

Type of collateral	Valuation	Management policy	Procedures
Financial assets (deposits at Aozora Bank, securities)	Notional amount or market price	Prices are reviewed on a monthly basis. (Prices of listed securities are reviewed every business day.)	In the calculation of risk-weighted assets, such financial collateral are applied as eligible credit risk mitigations. If a strong positive correlation exists between the credit risk of the counterparty and that of the subject eligible for financial collateral, we do not use such collateral as a credit risk mitigation.
Real estate, etc.	Appraisal	Value is reviewed annually or semi-annually according to the credit strength of the borrower.	
Nominative claims, etc.	Amount of billed receivables	Change in creditworthiness of the underlying obligor is monitored appropriately.	
Others	Judged individually	Judged individually	

(Guarantees/CDS)

	Type and creditworthiness of counterparty
Guarantees	<p>We individually judge the creditworthiness of the guarantor or the necessity of obtaining a proof thereof.</p> <p>We use a guarantee transaction as a credit risk mitigation contingent on the following:</p> <ol style="list-style-type: none"> 1. The risk weight of the guarantor must be lower than that of the borrower. 2. The guarantor must be a sovereign or financial institution. 3. If a guarantor is not a sovereign or financial institution, the Bank will use the rating of the guarantor assigned by eligible ratings agencies for the judgment of risk weight.
CDS	<p>The providers of protection in CDS transactions mainly consist of domestic and overseas financial institutions, and we judge the creditworthiness of the protection provider individually.</p> <p>When a CDS transaction is used as a credit risk mitigation, we set the minimum requirement of meeting the prerequisites of a guarantee as stated above.</p>

(Off-setting/Netting)

	Policy/procedures/type of transaction/scope
Loan and deposit at Aozora Bank (On-balance-sheet netting)	<p>(Policy)</p> <p>In extending a loan, we conclude a contract with a clause of special agreement on general requirements needed for offsetting, which allows legal offsetting of loans and deposits at Aozora Bank. In the calculation of risk-weighted assets, an amount after netting of a loan and deposit at Aozora subject to the offsetting agreement is treated as an exposure after credit risk mitigations are applied.</p> <p>(Type and scope of transactions)</p> <p>Claim against which the balance on the deposit account is off-set: Loans</p> <p>Claims used to off-set a loan: Time deposits</p> <p>(Procedures)</p> <p>Under the appropriate maturity control, we apply credit risk mitigations through netting of a loan provided by Aozora and time deposits at Aozora. However, if the remaining period of the loan exceeds the remaining period of time deposits at Aozora, credit risk mitigating effects are recognized only when the initial contract period of time deposits at Aozora is one year or longer and the remaining period as of the base date of calculation is over 3 months.</p>
Derivatives	<p>(Policy)</p> <p>We apply netting for derivative transactions subject to a legally enforceable netting agreement. Transactions exempt from calculation of credit equivalent amounts are not included in the target transactions of netting.</p> <p>(Type and scope of transactions)</p> <p>Interest derivatives, foreign exchange derivatives, credit derivatives, equity derivatives, commodity derivatives, and other various derivatives.</p> <p>(Procedures)</p> <p>We use the ISDA Master Agreement, whose legal enforceability has been confirmed by an outside law firm, as the standard form of derivative transactions. We have also confirmed that there is rational legal opinion for its use.</p>
Repo-style transactions	<p>(Policy)</p> <p>We apply netting for repo-style transactions subject to a legally enforceable netting agreement.</p> <p>(Type and scope of transactions)</p> <p>Repo-style transactions</p> <p>(Procedures)</p> <p>We use a contract, whose legal enforceability has been confirmed by an outside law firm, as the standard form of repo-style transactions. We have also confirmed that there is rational legal opinion for its use.</p>

Disclosure Based on Basel III

Capital Accord Pillar III—Market Discipline

6. Summary of risk management policies and procedures associated with counterparties to derivative product transactions and long-term settlement transactions

Policies and procedures are described under 'Risk Management,' 'Credit Risk Management' and 'Market Risk Management.' The Bank is obliged to provide additional collateral for derivative product transactions when there is a deterioration of its credit quality.

7. Items pertaining to securitization exposures

- (1) Summary of risk management policies and risk characteristics
Securitization transactions refer to transactions which are structured with two or more tranches in line with underlying credit and which are either partially or wholly transferred to a third party.
The main role of the Bank in securitization transactions is that of investor or servicer. Sometimes, it may also act as originator or swap provider.
Securitization transactions have various risks depending on underlying assets and the Bank's role in securitization transactions.
Risk management policies are described under 'Risk Management' and 'Credit Risk Management.'
- (2) Summary of system development and management status in accordance with No. 1 to No. 4 of Paragraph 1, Article 248 of the Capital Adequacy Ratio Notice (this includes cases in which Paragraph 2 of Article 302-2 apply).
Regarding securitization transactions (including resecuritization transactions), individual transactions and portfolios are monitored in accordance with risk characteristics by establishing monitoring policies for each product in line with the underlying assets.
- (3) Policy for using securitization transactions as credit risk mitigation
Securitization transactions as a way to manage the portfolio are considered when necessary.
- (4) Name of method used to calculate the amount of credit risk assets for securitization exposures
This is described in this document under the heading 'Quantitative Disclosures' 2. (1).
- (5) Name of method used to calculate equivalent market risk amounts of securitization exposures
Not applicable.
- (6) Name of SPE types and whether the Bank or its consolidated subsidiaries have securitization exposures to securitization transactions which Aozora Group makes for a third party's assets using an SPE for securitization.
There are no applicable securitization transactions as of March 31, 2024.
- (7) Names of subsidiaries (excluding consolidated subsidiaries) and affiliates which have securitization exposures to securitization transactions made by the Aozora Group (including securitization transactions in which the Aozora Group uses SPEs)
There are no applicable subsidiaries or affiliates as of March 31, 2024.
- (8) Accounting policy for securitization transactions
When the Group originates securitization transactions, the following treatments are applied:
 - The Group recognizes the securitization transactions as sale of assets if conditions required for the elimination of assets, based on the Accounting Standards for Financial Instruments, have been satisfied.
 - The Group recognizes sale of assets when the assets are reassigned (delivery standard).
 - The Group records remainders at the acquisition price. However, if severe impairment mars assessment of the securitized assets, the Group will consider a charge-off.
 - The Group provides the necessary amount of provisions for off-balance credits including liquidity facilities or credit facilities, based on internal Write-off and Reserve Standards and related rules.When the Group acquires securitized products, the assets are treated according to the Accounting Standards for Financial Instruments.
- (9) Names of eligible rating agencies used for the judgment of risk weights according to type of securitization exposure
This is described in this document under the heading 'Qualitative Disclosure' 4. (2).

8. Items pertaining to CVA risk

- (1) Names of calculation approach for CVA risk and summary of transactions calculated by each approach
We use reduced version of the BA-CVA.
Calculation target is derivative transactions except exposures to central counterparty (No. 2 of Paragraph 2 of Article 270 of the Capital Adequacy Ratio Notice).
- (2) Characteristic of CVA risk and summary of CVA risk management
CVA stands for credit valuation adjustment specified at a counterparty level. CVA values are effected by change of counterparty credit risk and market risk factors.
We reflect CVA to fair value of derivative transactions, and monitor CVA risk by calculating quarterly.

9. Items pertaining to market risk

- (1) Summary of risk management policies, procedures and structure
 - (2) Methods used to identify, evaluate, manage and reduce risk as well as to monitor the effectiveness of hedging
 - (3) Policies and procedures to specify the scope of products classified into the trading book (including the methods to specify, manage and monitor positions with low liquidity)
 - (4) Status of transfers of products between the trading book and banking book, and in the event of a transfer, its reason, and the market value and fair value on a gross basis of the product transferred
 - (5) Status of risk transfers of IRT desks
 - (6) Scope of the system related to reporting and measurement, and its content
- These items are described in the Risk Management section of this annual report under the heading 'Market Risk Management.'

10. Items pertaining to operational risk

- (1) Summary of risk management policies and procedures
This item is described in the Risk Management section of this annual report under the heading 'Operational Risk Management'.
- (2) Calculation Method of BI
It is calculated as the sum of ILDC, SC and FC, in accordance with Article 305 of the Capital Adequacy Ratio Notice.
- (3) Calculation Method of ILM
Based on No. 3 of Paragraph 1, Article 306 of the Capital Adequacy Ratio Notice, ILM is set to "1".
- (4) Whether there is any business unit excluded from the calculation of BI in calculating the amount corresponding to operational risk
There is no applicable business unit as of March 31, 2024.
- (5) Whether there is any extraordinary loss excluded from the calculation of ILM in calculating the amount corresponding to operational risk
There is no applicable loss as of March 31, 2024.

11. Summary of policies and procedures for risk management related to equity exposures

Policies and procedures are described under 'Risk Management section,' 'Credit Risk Management' and 'Market Risk Management.'

Accounting policies applicable to equity exposures are as follows:

- The Group evaluates equity exposures by holding purposes, in line with the Accounting Standards for Financial Instruments.
- a) Stocks in subsidiaries and affiliates are stated at cost.
 - b) Available-for-sale securities are reported at fair value.
 - c) Non-marketable equity securities are stated at cost.

We apply equity risk weights to investment for listed Real Estate Investment Trust out of investments for real estate investment trust.

12. Items pertaining to interest rate risk

- (1) Summary of risk management policies and procedures
Consolidated and non-consolidated interest rate risk is measured on a quarterly basis and the CRO reports Δ EVE and related items to the ALM Committee, etc. Interest rate risk is controlled by using bond transactions, funds, swaps to which hedge accounting is applied, bond and interest rate futures, and options for those.
- (2) Summary of interest rate risk calculation method
Interest rate risk in the banking book is measured in such a way that the interest due date under contract for each transaction is recognized as the maturity date, and prepayments of fixed rate housing loans and term deposits are assumed. We adopt the assumed rates for repayment and cancellation set by the Regulator. For liquid deposits, "core deposits" (liquid deposits that are to remain in the bank for a long period without withdrawal) are considered. The balance of core deposits is estimated by the internal model using the data including market and deposit interest rates, and macro environments. The maximum maturity set to liquid deposits is 10 years, and the average maturity is 0.7 years on a non-consolidated basis and 0.5 years on a consolidated basis. For the aggregation of interest rate risk amount calculated per currency, Δ EVE is calculate by adding only the currencies with positive Δ EVE and Δ NII is calculated by simply adding up Δ NII of each currency. Also, spreads are considered in cash flows.
Other items are described in the Risk Management section of this annual report under the heading 'Market Risk Management'.

Disclosure Based on Basel III Capital Accord Pillar III—Market Discipline

Quantitative Disclosure

1. Names of subsidiaries classified as other financial institutions under the Notice whose capital is short of the regulatory amount required, and total shortfall amount of such subsidiaries

(As of March 31, 2024 and 2023)

Not applicable

2. Items pertaining to Capital Adequacy

(1) Breakdown by Portfolio

(Non-Consolidated)

(100 Million Yen)

Portfolio category	Risk Weight(%)	March 31, 2024	
		Amount of credit risk assets	Amount of capital requirements
1. Cash	0	—	—
2. Japanese central government/bank	0	—	—
3. Foreign central government/bank	0~150	148	5
4. Bank for International Settlements(BIS)	0	—	—
5. Japanese local public bodies	0	—	—
6. Non-central government public sector entities (PSEs) of foreign countries	20~150	203	8
7. Multilateral development banks(MDBs)	0~150	—	—
8. Japan Finance Organization for Municipalities (JFM)	10~20	5	0
9. Organs affiliated with the Japanese government	10~20	10	0
10. Three major local public corporations	20	1	0
11. Banks, type I financial instruments business operators and insurance companies	20~150	983	39
Type I financial instruments business operators and Insurance companies	20~150	259	10
12. Covered bonds	10~100	—	—
13. Corporates (Including Specialised lending)	20~150	23,156	926
Specialised lending	20~150	2,331	93
14. SMEs and individuals	45~100	106	4
Transactors	45	—	—
15. Real estate properties	20~150	4,833	193
Residential mortgages	20~75	3	0
Income producing residential real estates	30~150	11	0
Income producing commercial real estates	70~150	4,367	174
Other real estates	60	—	—
ADC	100~150	450	18
16. Subordinated debt, and other capital, etc.	150	1,936	77
17. Past due loans (excluding Residential mortgages)	50~150	835	33
18. Past due Residential mortgages	100	0	0
19. Items in process of collection	20	—	—
20. Loans guaranteed by Credit Guarantee Association, etc.	0~10	—	—
21. Loans guaranteed by Regional Economy Vitalization Corporation of Japan (REVIC), etc.	10	—	—
22. Equity, etc.	250~400	601	24
23. Others	100~1250	2,414	96
Exposure for significant investments	1250	—	—
Exposure for investments in other financials excluding common equity and other TLAC liabilities	250	933	37
Amounts below the thresholds for deduction (subject to 250% risk weight)	250	1,064	42
Investments in other TLAC Liabilities of other financial entities ,where the bank does not own more than 10% of the issued share capital	250	—	—
Investments in other TLAC Liabilities of other financial entities ,where the bank owns more than 10% of the issued share capital	150	166	6
Among other external TLAC liabilities the exposure, which were excluded from regulatory adjustments of Tier 2 capital and other own TLAC liabilities	150	—	—
Others	100	251	10
24. Securitization	—	933	37
STC	—	—	—
Not STC	—	933	37
25. Re-securitization	—	—	—
26. Exposure relating to funds	—	5,270	210
Look-through approach	—	5,216	208
Mandate-based approach	—	54	2
Simple approach(subject to 250% RW)	—	—	—
Simple approach(subject to 400% RW)	—	—	—
Fall-back approach	—	0	0
27. Unsettled transactions	—	—	—
28. The exposures related to the capital instruments of other financial institutions that are not included in the credit risk assets subject to phase-out arrangements	—	—	—
Total	—	41,440	1,657

Notes: 1. Portfolio category

Portfolio category is subject to the Notice at March 31, 2024 after applying "Finalisation of the Basel III framework".

2. Amount of exposure After deducting the amount equivalent to partial direct write-offs, specific allowance for loan losses and allowance for loans to restructuring countries.
The amount is equivalent to credit extension set forth in the Notice (after the effect of deducting the amount equivalent to credit extension under netting agreement).
3. Amount of credit risk assets After credit risk mitigation.
4. Amount of capital requirements As the Bank is subject to domestic standards, the amount is calculated as 'credit risk assets ×4%.'
5. Securitization exposure There are no securitization transactions sponsored by the Aozora Group.
6. Indication method after the decimal point
The amount is rounded down to the whole number.
- As for 2.3.4.6, the same applies to the following charts.

(Non-Consolidated)

(100 Million Yen)

Portfolio category	March 31, 2023		
	Amount of exposure	Amount of credit risk assets	Amount of capital requirements
Cash	46	—	—
Japanese central government/bank	13,656	—	—
Foreign central government/bank	2,832	132	5
Bank for International Settlements (BIS)	—	—	—
Japanese local public bodies	236	—	—
Non-central government public sector entities (PSEs) of foreign countries	1,254	250	10
Multilateral development banks (MDBs)	—	—	—
Japan Finance Organization for Municipalities (JFM)	17	0	0
Organs affiliated with the Japanese government	305	7	0
Three major local public corporations	99	1	0
Financial institutions and Type I financial instruments business operators	3,227	645	25
Corporates	23,296	19,539	781
SMEs and individuals	131	125	5
Mortgage-backed housing loans	—	—	—
Projects including acquisition of real estate properties	2,530	2,530	101
Loans past due for three months or more	866	1,297	51
Cash items in process of collection	—	—	—
Loans guaranteed by Credit Guarantee Association, etc.	—	—	—
Loans guaranteed by Regional Economy Vitalization Corporation of Japan (REVIC), etc.	—	—	—
Equity, etc.	1,043	1,043	41
Securitization exposure (as originating bank)	—	—	—
Rating-based approach	—	—	—
Standardised approach	—	—	—
Risk Weight = 1,250%	—	—	—
Securitization exposure (as investor)	3,238	841	33
Rating-based approach	3,157	807	32
Standardised approach	81	34	1
Risk Weight = 1,250%	—	—	—
Specialized lending	8,546	8,467	338
Exposure relating to funds	6,116	6,856	274
Look-through approach	6,084	6,824	272
Mandate-based approach	32	32	1
250%	—	—	—
400%	—	—	—
Fall-back approach = 1,250%	0	0	0
Amount calculated by dividing equivalent CVA risk amount by 8%	—	613	24
Central counterparty-related	759	69	2
Total of items included in credit risk assets subject to phase-out arrangements	—	—	—
Others	1,647	3,339	133
Total	69,852	45,763	1,830

Notes: 1. Portfolio category Portfolio category is subject to the Notice before applying "Finalisation of the Basel III framework"

2. Securitization exposure There are no securitization transactions sponsored by the Aozora Group.

Disclosure Based on Basel III Capital Accord Pillar III—Market Discipline

(Consolidated)

(100 Million Yen)

Portfolio category	Risk Weight(%)	March 31, 2024	
		Amount of credit risk assets	Amount of capital requirements
1. Cash	0	—	—
2. Japanese central government/bank	0	—	—
3. Foreign central government/bank	0~150	148	5
4. Bank for International Settlements(BIS)	0	—	—
5. Japanese local public bodies	0	—	—
6. Non-central government public sector entities (PSEs) of foreign countries	20~150	203	8
7. Multilateral development banks(MDBs)	0~150	—	—
8. Japan Finance Organization for Municipalities (JFM)	10~20	5	0
9. Organs affiliated with the Japanese government	10~20	14	0
10. Three major local public corporations	20	1	0
11. Banks, type I financial instruments business operators and insurance companies	20~150	888	35
Type I financial instruments business operators and Insurance companies	20~150	239	9
12. Covered bonds	10~100	—	—
13. Corporates (Including Specialised lending)	20~150	23,354	934
Specialised lending	20~150	2,331	93
14. SMEs and individuals	45~100	177	7
Transactors	45	—	—
15. Real estate properties	20~150	4,833	193
Residential mortgages	20~75	3	0
Income producing residential real estates	30~150	11	0
Income producing commercial real estates	70~150	4,367	174
Other real estates	60	—	—
ADC	100~150	450	18
16. Subordinated debt, and other capital, etc.	150	1,936	77
17. Past due loans (excluding Residential mortgages)	50~150	1,530	61
18. Past due Residential mortgages	100	0	0
19. Items in process of collection	20	29	1
20. Loans guaranteed by Credit Guarantee Association, etc.	0~10	—	—
21. Loans guaranteed by Regional Economy Vitalization Corporation of Japan (REVIC), etc.	10	—	—
22. Equity, etc.	250~400	389	15
23. Others	100~1250	2,749	109
Exposure for significant investments	1250	—	—
Exposure for investments in other financials excluding common equity and other TLAC liabilities	250	933	37
Amounts below the thresholds for deduction (subject to 250% risk weight)	250	1,358	54
Investments in other TLAC Liabilities of other financial entities ,where the bank does not own more than 10% of the issued share capital	250	—	—
Investments in other TLAC Liabilities of other financial entities ,where the bank owns more than 10% of the issued share capital	150	166	6
Among other external TLAC liabilities the exposure, which were excluded from regulatory adjustments of Tier 2 capital and other own TLAC liabilities	150	—	—
Others	100	291	11
24. Securitization	—	939	37
STC	—	—	—
Not STC	—	939	37
25. Re-securitization	—	—	—
26. Exposure relating to funds	—	4,563	182
Look-through approach	—	4,508	180
Mandate-based approach	—	54	2
Simple approach(subject to 250% RW)	—	—	—
Simple approach(subject to 400% RW)	—	—	—
Fall-back approach	—	0	0
27. Unsettled transactions	—	—	—
28. The exposures related to the capital instruments of other financial institutions that are not included in the credit risk assets subject to phase-out arrangements	—	—	—
Total	—	41,764	1,670

Notes: 1. Portfolio classification Portfolio classification is subject to the Notice after applying "Finalisation of the Basel III framework" at March 31, 2024.
2. Securitization exposure There are no securitization transactions sponsored by the Aozora Group.

(Consolidated)

(100 Million Yen)

Portfolio category	March 31, 2023		
	Amount of exposure	Amount of credit risk assets	Amount of capital requirements
Cash	46	—	—
Japanese central government/bank	18,973	—	—
Foreign central government/bank	2,832	132	5
Bank for International Settlements (BIS)	—	—	—
Japanese local public bodies	483	—	—
Non-central government public sector entities (PSEs) of foreign countries	1,254	250	10
Multilateral development banks (MDBs)	—	—	—
Japan Finance Organization for Municipalities (JFM)	17	0	0
Organs affiliated with the Japanese government	355	12	0
Three major local public corporations	99	1	0
Financial institutions and Type I financial instruments			
business operators	3,409	681	27
Corporates	23,398	19,631	785
SMEs and individuals	131	98	3
Mortgage-backed housing loans	—	—	—
Projects including acquisition of real estate properties	2,530	2,530	101
Loans past due for three months or more	1,315	1,970	78
Cash items in process of collection	37	7	0
Loans guaranteed by Credit Guarantee Association, etc.	—	—	—
Loans guaranteed by Regional Economy Vitalization Corporation of Japan (REVIC), etc.	—	—	—
Equity, etc.	532	532	21
Securitization exposure (as originating bank)	1	10	0
Rating-based approach	—	—	—
Standardised approach	1	10	0
Risk Weight = 1,250%	—	—	—
Securitization exposure (as investor)	3,238	841	33
Rating-based approach	3,157	807	32
Standardised approach	81	34	1
Risk Weight = 1,250%	—	—	—
Specialized lending	8,546	8,467	338
Exposure relating to funds	5,620	6,179	247
Look-through approach	5,587	6,147	245
Mandate-based approach	32	32	1
250%	—	—	—
400%	—	—	—
Fall-back approach = 1,250%	0	0	0
Amount calculated by dividing equivalent CVA risk amount by 8%	—	613	24
Central counterparty-related	759	69	2
Total of items included in credit risk assets subject to phase-out arrangements	—	—	—
Others	1,790	3,563	142
Total	75,372	45,596	1,823

Notes: 1. Portfolio category
2. Securitization exposure

Portfolio category is subject to the Notice before applying "Finalisation of the Basel III framework"
There are no securitization transactions sponsored by the Aozora Group.

Disclosure Based on Basel III Capital Accord Pillar III—Market Discipline

Exposure to Central Counterparties

(Non-Consolidated)

(100 Million Yen)

Category	March 31, 2024	
	Amount of credit risk assets	Amount of capital requirements
Qualifying central counterparty	9	0
Other central counterparty	—	—
Total	9	0

Note: This section is established newly by applying "Finalisation of the Basel III framework", there are no descriptions at March 31,2023.

(Consolidated)

(100 Million Yen)

Category	March 31, 2024	
	Amount of credit risk assets	Amount of capital requirements
Qualifying central counterparty	9	0
Other central counterparty	—	—
Total	9	0

Note: This section is established newly by applying "Finalisation of the Basel III framework", there are no descriptions at March 31,2023.

Items pertaining to CVA Risk

(Non-Consolidated)

(100 Million Yen)

Reduced BA-CVA	March 31, 2024		
	Amount of components	Amount calculated by dividing equivalent CVA risk amount by 8%	Amount of capital requirements
Aggregation of systematic components of CVA risk	211		
Aggregation of idiosyncratic components of CVA risk	60		
Total		957	38

Notes: 1. Aggregation of systematic components of CVA risk This value is K_{reduced} calculated by assuming ρ as 1. K_{reduced} is defined in Provision 270-3-4 of the Notice.
 2. Aggregation of idiosyncratic components of CVA risk This value is K_{reduced} calculated by assuming ρ as 0. K_{reduced} is defined in Provision 270-3-4 of the Notice.
 3. This section is established newly by applying "Finalisation of the Basel III framework", There are no descriptions at March 31,2023.

(Consolidated)

(100 Million Yen)

Reduced BA-CVA	March 31, 2024		
	Amount of components	Amount calculated by dividing equivalent CVA risk amount by 8%	Amount of capital requirements
Aggregation of systematic components of CVA risk	211		
Aggregation of idiosyncratic components of CVA risk	60		
Total		957	38

Notes: 1. Aggregation of systematic components of CVA risk This value is K_{reduced} calculated by assuming ρ as 1. K_{reduced} is defined in Provision 270-3-4 of the Notice.
 2. Aggregation of idiosyncratic components of CVA risk This value is K_{reduced} calculated by assuming ρ as 0. K_{reduced} is defined in Provision 270-3-4 of the Notice.
 3. This section is established newly by applying "Finalisation of the Basel III framework", There are no descriptions at March 31,2023.

(2) Amount of Capital Required to cover Credit Risk related to Exposure held in Funds:

This item is described in 'Exposure relating to funds' of (1).

(3) Amount calculated by dividing equivalent CVA risk amount by 8% and Amount of capital requirements for CVA risk, as well as the amount according to each method used by the Bank.

This item is described in 'Items pertaining to CVA Risk' of (1).

(4) Amount derived by dividing the sum of market risk equivalents by 8%, amount of capital required to cover market risk and amounts presented by each method used by the Consolidated Group:

This information is described in the Risk Management section of this annual report under the heading 'Market Risk Management.'

(5) Risk assets derived from operational risk equivalents and amount of capital required to cover operational risk, and amount of BI and BIC

Business Indicator and subcomponents

(Non-Consolidated)

(Millions of Yen)

	March 31, 2024	March 31, 2023	March 31, 2022
ILDC	39,944		
Interest and lease income	147,237	95,832	51,206
Interest and lease expense	124,978	62,495	14,186
Interest earning assets	6,072,266	5,875,894	5,579,141
Dividend income	9,250	9,316	8,651
SC	15,723		
Fee and commission income	15,793	11,919	15,419
Fee and commission expense	2,094	2,841	7,324
Other operating income	795	1,349	1,894
Other operating expense	494	394	411
FC	18,542		
Net P&L on the trading book	1,386	3,682	15,432
Net P&L on the banking book	-13,878	-2,248	18,997
BI	74,210		
BIC	8,905		
BI gross of excluded divested activities	74,210		
Reduction in BI due to excluded divested activities	-		

For the year ended March 31, 2023, the figures of BI and BIC are not calculated as it is before the application of the finalised Basel III framework.

(Consolidated)

(Millions of Yen)

	March 31, 2024	March 31, 2023	March 31, 2022
ILDC	48,255		
Interest and lease income	157,218	104,271	57,498
Interest and lease expense	124,362	62,490	14,529
Interest earning assets	6,652,664	6,269,344	5,873,926
Dividend income	9,217	9,299	8,643
SC	22,768		
Fee and commission income	25,817	17,423	17,565
Fee and commission expense	5,744	4,383	3,720
Other operating income	1,807	2,542	3,147
Other operating expense	493	462	349
FC	17,974		
Net P&L on the trading book	1,633	4,196	16,642
Net P&L on the banking book	-11,099	-726	19,625
BI	88,998		
BIC	10,679		
BI gross of excluded divested activities	88,998		
Reduction in BI due to excluded divested activities	-		

For the year ended March 31, 2023, the figures of BI and BIC are not calculated as it is before the application of the finalised Basel III framework.

Disclosure Based on Basel III Capital Accord Pillar III—Market Discipline

Minimum required operational risk capital
(Non-Consolidated)

(Millions of yen *excluding ILM)

	March 31, 2024
BIC	8,905
ILM	1
Minimum required operational risk capital(ORC)	8,905
Operational risk RWA	111,316

This section is established newly by applying "Finalisation of the Basel III framework", There are no descriptions at March 31, 2023

(Consolidated)

(Millions of yen *excluding ILM)

	March 31, 2024
BIC	10,679
ILM	1
Minimum required operational risk capital(ORC)	10,679
Operational risk RWA	133,497

This section is established newly by applying "Finalisation of the Basel III framework", There are no descriptions at March 31, 2023

(6) Total capital requirements:

This information is described in 'Composition of Capital Disclosure.'

3. Items pertaining to Credit Risk

(1) Breakdown of year-end Credit Risk Exposure Balance by Area, Industry and Residual Period, as well as Category:

Breakdown of Exposure by Area

(Non-Consolidated)

(100 Million Yen)

Area	March 31, 2024				March 31, 2023			
	Loans, etc.	Securities	Derivatives	Total	Loans, etc.	Securities	Derivatives	Total
Japan	41,479	4,270	764	46,515	38,953	5,155	966	45,074
Overseas	15,960	7,802	611	24,374	15,954	8,137	685	24,777
Total	57,440	12,073	1,375	70,889	54,907	13,292	1,652	69,852

Notes: 1. Loans, etc. include on-balance and off-balance-sheet exposure such as loans and commitment lines, other than securities and derivatives.

2. Disclosure of the average balance is not made because there is no significant difference between the average risk position of the exposure for the term and the balance at the term-end.

(Consolidated)

(100 Million Yen)

Area	March 31, 2024				March 31, 2023			
	Loans, etc.	Securities	Derivatives	Total	Loans, etc.	Securities	Derivatives	Total
Japan	49,541	3,921	764	54,227	45,109	4,657	966	50,732
Overseas	16,019	7,741	611	24,371	16,015	7,937	685	24,639
Total	65,560	11,663	1,375	78,599	61,125	12,595	1,652	75,372

Notes: 1. Loans, etc. include on-balance and off-balance-sheet exposure such as loans and commitment lines, other than securities and derivatives.

2. Disclosure of the average balance is not made because there is no significant difference between the average risk position of the exposure for the term and the balance at the term-end.

Breakdown of Exposure by Industry Sector

(Non-Consolidated)

(100 Million Yen)

Industry sector	March 31, 2024				March 31, 2023			
	Loans, etc.	Securities	Derivatives	Total	Loans, etc.	Securities	Derivatives	Total
Sovereign	15,395	4,849	1	20,247	13,932	4,459	0	18,392
Financial institution	2,264	256	826	3,347	2,397	428	612	3,437
Manufacturing	5,540	500	80	6,121	5,068	502	104	5,674
Agriculture/forestry/fisheries	73	—	—	73	113	—	—	113
Mining	0	—	—	0	12	—	—	12
Construction	297	11	0	308	253	11	0	264
Utilities (electric power/gas/ heat supply/water service)	2,206	429	95	2,731	2,317	305	98	2,721
Information & telecommunications	2,508	78	0	2,587	2,280	73	0	2,354
Transport	758	184	40	983	748	177	37	963
Wholesale/retail	1,909	93	94	2,096	1,697	123	143	1,965
Other financial business (moneylending, leasing)	10,230	4,622	218	15,071	9,785	5,978	633	16,398
Real estate	11,073	1,002	11	12,087	11,147	1,189	14	12,351
Various services (excluding leasing)	3,475	39	5	3,520	3,340	33	6	3,380
Others	1,705	5	0	1,711	1,813	8	—	1,821
Total	57,440	12,073	1,375	70,889	54,907	13,292	1,652	69,852

Notes: 1. Loans, etc. include on-balance and off-balance sheet exposure such as loans and commitment lines, other than securities and derivatives.

2. Disclosure of the average balance is not made because there is no significant difference between the average risk position of the exposure for the term and the balance at the term-end.

(Consolidated)

(100 Million Yen)

Industry sector	March 31, 2024				March 31, 2023			
	Loans, etc.	Securities	Derivatives	Total	Loans, etc.	Securities	Derivatives	Total
Sovereign	22,566	5,161	1	27,729	19,249	4,755	0	24,006
Financial institution	2,250	123	826	3,200	2,579	134	612	3,325
Manufacturing	5,540	500	80	6,121	5,067	502	104	5,674
Agriculture/forestry/fisheries	73	—	—	73	113	—	—	113
Mining	0	—	—	0	12	—	—	12
Construction	297	11	0	308	253	11	0	264
Utilities (electric power/gas/ heat supply/water service)	2,206	429	95	2,731	2,317	305	98	2,721
Information & telecommunications	2,509	78	0	2,588	2,282	73	0	2,356
Transport	758	184	40	983	748	191	37	977
Wholesale/retail	1,909	93	94	2,096	1,697	123	143	1,965
Other financial business (moneylending, leasing)	10,233	4,037	218	14,489	9,766	5,269	633	15,669
Real estate	11,073	1,002	11	12,087	11,147	1,189	14	12,351
Various services (excluding leasing)	3,470	35	5	3,511	3,336	29	6	3,372
Others	2,669	5	0	2,675	2,552	8	—	2,561
Total	65,560	11,663	1,375	78,599	61,125	12,595	1,652	75,372

Notes: 1. Loans, etc. include on-balance and off-balance sheet exposure such as loans and commitment lines, other than securities and derivatives.

2. Disclosure of the average balance is not made because there is no significant difference between the average risk position of the exposure for the term and the balance at the term-end.

Disclosure Based on Basel III Capital Accord Pillar III—Market Discipline

Breakdown of Exposure by Residual Period

(Non-Consolidated)

(100 Million Yen)

Residual period	March 31, 2024				March 31, 2023			
	Loans, etc.	Securities	Derivatives	Total	Loans, etc.	Securities	Derivatives	Total
< 1 year	6,916	523	224	7,663	8,639	217	392	9,249
≥ 1 year < 5 years	21,001	1,426	389	22,817	18,129	1,367	559	20,056
≥ 5 years	29,522	10,123	762	40,408	28,138	11,707	700	40,546
Total	57,440	12,073	1,375	70,889	54,907	13,292	1,652	69,852

Notes: 1. Loans, etc. include on-balance and off-balance-sheet exposure such as loans and commitment lines, other than securities and derivatives.

2. Exposure with a residual period of ≥ 5 years also include the transactions for which no maturity period is stipulated.

3. Disclosure of the average balance is not made because there is no significant difference between the average risk position of the exposure for the term and the balance at the term-end.

(Consolidated)

(100 Million Yen)

Residual period	March 31, 2024				March 31, 2023			
	Loans, etc.	Securities	Derivatives	Total	Loans, etc.	Securities	Derivatives	Total
< 1 year	8,743	638	224	9,606	10,312	315	392	11,020
≥ 1 year < 5 years	20,751	1,623	389	22,764	18,137	1,579	559	20,276
≥ 5 years	36,065	9,401	762	46,228	32,675	10,699	700	44,075
Total	65,560	11,663	1,375	78,599	61,125	12,595	1,652	75,372

Notes: 1. Loans, etc. include on-balance and off-balance-sheet exposure such as loans and commitment lines, other than securities and derivatives.

2. Exposure with a residual period of ≥ 5 years also include the transactions for which no maturity period is stipulated.

3. Disclosure of the average balance is not made because there is no significant difference between the average risk position of the exposure for the term and the balance at the term-end.

(2) Balance of year-end Past Due Exposure, Breakdown by Area and Industry:
Breakdown of Past Due Exposure by Area

(Non-Consolidated)

(100 Million Yen)

Area	March 31, 2024			
	Loans, etc.	Securities	Derivatives	Total
Japan	64	—	—	64
Overseas	747	—	—	747
Total	811	—	—	811

Notes: 1. This section indicates items which is subject to Provision 71 and 72 of the Notice after applying "Finalisation of the Basel III framework".
2. Loans, etc. include on-balance and off-balance sheet exposure such as loans and commitment lines, other than securities and derivatives.

(100 Million Yen)

Area	March 31, 2023			
	Loans, etc.	Securities	Derivatives	Total
Japan	37	—	—	37
Overseas	800	28	—	828
Total	838	28	—	866

Notes: 1. This section indicates items which is subject to Provision 71 and 72 of the Notice before applying "Finalisation of the Basel III framework".
Exposures include an external rating applied risk weight of 150% before taking into consideration of write-off/reserve.
2. Loans, etc. include on-balance and off-balance sheet exposure such as loans and commitment lines, other than securities and derivatives.

(Consolidated)

(100 Million Yen)

Area	March 31, 2024			
	Loans, etc.	Securities	Derivatives	Total
Japan	528	—	—	528
Overseas	747	—	—	747
Total	1,275	—	—	1,275

Notes: 1. This section indicates items which is subject to Provision 71 and 72 of the Notice after applying "Finalisation of the Basel III framework".
2. Loans, etc. include on-balance and off-balance sheet exposure such as loans and commitment lines, other than securities and derivatives.

(100 Million Yen)

Area	March 31, 2023			
	Loans, etc.	Securities	Derivatives	Total
Japan	485	—	—	485
Overseas	800	28	—	829
Total	1,286	28	—	1,315

Notes: 1. This section indicates items which is subject to Provision 71 and 72 of the Notice before applying "Finalisation of the Basel III framework".
Exposures include an external rating applied risk weight of 150% before taking into consideration of write-off/reserve.
2. Loans, etc. include on-balance and off-balance sheet exposure such as loans and commitment lines, other than securities and derivatives.

Disclosure Based on Basel III Capital Accord Pillar III—Market Discipline

Breakdown of Past Due Exposure by Industry Sector

(Non-Consolidated)

(100 Million Yen)

Industry sector	March 31, 2024			
	Loans, etc.	Securities	Derivatives	Total
Sovereign	—	—	—	—
Financial institution	—	—	—	—
Manufacturing	59	—	—	59
Agriculture/forestry/fisheries	0	—	—	0
Mining	—	—	—	—
Construction	—	—	—	—
Utilities (electric power/gas/ heat supply/water service)	—	—	—	—
Information & telecommunications	—	—	—	—
Transport	—	—	—	—
Wholesale/retail	—	—	—	—
Other financial business (moneylending, leasing)	8	—	—	8
Real estate	742	—	—	742
Various services (excluding leasing)	0	—	—	0
Others	0	—	—	0
Total	811	—	—	811

Notes: 1. This section indicates items which is subject to Provision 71 and 72 of the Notice after applying "Finalisation of the Basel III framework".
2. Loans, etc. include on-balance and off-balance sheet exposure such as loans and commitment lines, other than securities and derivatives.

(100 Million Yen)

Industry sector	March 31, 2023			
	Loans, etc.	Securities	Derivatives	Total
Sovereign	—	—	—	—
Financial institution	—	—	—	—
Manufacturing	316	—	—	316
Agriculture/forestry/fisheries	33	—	—	33
Mining	—	—	—	—
Construction	14	—	—	14
Utilities (electric power/gas/ heat supply/water service)	11	23	—	34
Information & telecommunications	164	—	—	164
Transport	39	—	—	39
Wholesale/retail	112	—	—	112
Other financial business (moneylending, leasing)	—	5	—	5
Real estate	4	—	—	4
Various services (excluding leasing)	141	—	—	141
Others	0	—	—	0
Total	838	28	—	866

Notes: 1. This section indicates items which is subject to Provision 71 and 72 of the Notice before applying "Finalisation of the Basel III framework".
Exposures include an external rating applied risk weight of 150% before taking into consideration of write-off/reserve.
2. Loans, etc. include on-balance and off-balance sheet exposure such as loans and commitment lines, other than securities and derivatives.

(Consolidated)

(100 Million Yen)

Industry sector	March 31, 2024			
	Loans, etc.	Securities	Derivatives	Total
Sovereign	—	—	—	—
Financial institution	—	—	—	—
Manufacturing	59	—	—	59
Agriculture/forestry/fisheries	0	—	—	0
Mining	—	—	—	—
Construction	—	—	—	—
Utilities (electric power/gas/ heat supply/water service)	—	—	—	—
Information & telecommunications	—	—	—	—
Transport	—	—	—	—
Wholesale/retail	—	—	—	—
Other financial business (moneylending, leasing)	8	—	—	8
Real estate	742	—	—	742
Various services (excluding leasing)	0	—	—	0
Others	463	—	—	463
Total	1,275	—	—	1,275

Notes: 1. This section indicates items which is subject to Provision 71 and 72 of the Notice after applying "Finalisation of the Basel III framework".

2. Loans, etc. include on-balance and off-balance sheet exposure such as loans and commitment lines, other than securities and derivatives.

(100 Million Yen)

Industry sector	March 31, 2023			
	Loans, etc.	Securities	Derivatives	Total
Sovereign	—	—	—	—
Financial institution	—	—	—	—
Manufacturing	316	—	—	316
Agriculture/forestry/fisheries	33	—	—	33
Mining	—	—	—	—
Construction	14	—	—	14
Utilities (electric power/gas/ heat supply/water service)	11	23	—	34
Information & telecommunications	164	—	—	164
Transport	39	—	—	39
Wholesale/retail	112	—	—	112
Other financial business (moneylending, leasing)	—	5	—	5
Real estate	4	—	—	4
Various services (excluding leasing)	141	—	—	141
Others	447	—	—	447
Total	1,286	28	—	1,315

Notes: 1. This section indicates items which is subject to Provision 71 and 72 of the Notice before applying "Finalisation of the Basel III framework".

Exposures include an external rating applied risk weight of 150% before taking into consideration of write-off/reserve.

2. Loans, etc. include on-balance and off-balance sheet exposure such as loans and commitment lines, other than securities and derivatives.

Disclosure Based on Basel III Capital Accord Pillar III—Market Discipline

(3) Year-end balances and year-on-year changes for general allowance for loan losses, specific allowance for loan losses and allowance for loans to restructuring countries:

Breakdown of Allowance by Area (Non-Consolidated)

(100 Million Yen)

Area	March 31, 2024	March 31, 2023	Difference
General allowance	371	336	35
Specific allowance	501	95	405
Japan	11	15	(4)
Overseas	490	80	410
Allowance for loans to restructuring countries	—	—	—
Total	873	432	441

Breakdown of Allowance by Area (Consolidated)

(100 Million Yen)

Area	March 31, 2024	March 31, 2023	Difference
General allowance	374	336	37
Specific allowance	504	103	400
Japan	14	16	(1)
Overseas	490	87	402
Allowance for loans to restructuring countries	—	—	—
Total	879	440	438

Breakdown of Allowance by Industry Sector (Non-Consolidated)

(100 Million Yen)

Industry sector	March 31, 2024	March 31, 2023	Difference
General allowance	371	336	35
Specific allowance	501	95	405
Sovereign	—	—	—
Financial institution	—	—	—
Manufacturing	9	2	7
Agriculture/forestry/fisheries	0	0	(0)
Mining	—	—	—
Construction	—	—	—
Utilities (electric power/gas/heat supply/water service)	—	—	—
Information & telecommunications	—	—	—
Transport	—	—	—
Wholesale/retail	1	1	(0)
Other financial business (moneylending, leasing)	8	8	0
Real estate	481	72	409
Various services (excluding leasing)	0	11	(11)
Others	—	—	—
Allowance for loans to restructuring countries	—	—	—
Total	873	432	441

Breakdown of Allowance by Industry Sector (Consolidated)

(100 Million Yen)

Industry sector	March 31, 2024	March 31, 2023	Difference
General allowance	374	336	37
Specific allowance	504	103	400
Sovereign	—	—	—
Financial institution	—	—	—
Manufacturing	9	9	(0)
Agriculture/forestry/fisheries	0	0	(0)
Mining	—	—	—
Construction	0	0	0
Utilities (electric power/gas/heat supply/water service)	0	—	0
Information & telecommunications	0	0	0
Transport	0	0	0
Wholesale/retail	1	1	0
Other financial business (moneylending, leasing)	8	8	0
Real estate	481	72	409
Various services (excluding leasing)	1	11	(10)
Others	—	—	—
Allowance for loans to restructuring countries	—	—	—
Total	879	440	438

(4) Write-offs by industry sector:

Breakdown of Write-Offs by Industry Sector (Non-Consolidated)

(100 Million Yen)

Industry sector	March 31, 2024	March 31, 2023	Difference
Sovereign	—	—	—
Financial institution	—	—	—
Manufacturing	0	0	(0)
Agriculture/forestry/fisheries	—	—	—
Mining	—	—	—
Construction	—	—	—
Utilities (electric power/gas/heat supply/water service)	—	—	—
Information & telecommunications	7	13	(6)
Transport	—	—	—
Wholesale/retail	4	—	4
Other financial business (moneylending, leasing)	—	—	—
Real estate	—	—	—
Various services (excluding leasing)	—	—	—
Others	0	0	(0)
Total	12	14	(2)

Note: The table shows the breakdown of the write-off of loans in the Statement of Operations.

Breakdown of Write-Offs by Industry Sector (Consolidated)

(100 Million Yen)

Industry sector	March 31, 2024	March 31, 2023	Difference
Sovereign	—	—	—
Financial institution	—	—	—
Manufacturing	—	—	—
Agriculture/forestry/fisheries	—	—	—
Mining	—	—	—
Construction	—	—	—
Utilities (electric power/gas/heat supply/water service)	—	—	—
Information & telecommunications	—	—	—
Transport	—	—	—
Wholesale/retail	3	—	3
Other financial business (moneylending, leasing)	—	—	—
Real estate	—	—	—
Various services (excluding leasing)	—	—	—
Others	3	1	1
Total	6	1	5

Notes: 1. The table shows the breakdown of the write-off of loans in the Statement of Operations.

2. The 'Write-offs' include write-offs made by Aozora Loan Services Co., Ltd., which are shown on the 'Others' line.

Disclosure Based on Basel III Capital Accord Pillar III—Market Discipline

(5) Breakdown of Exposure by Portfolio Category

(Non-Consolidated)

(100 Million Yen)

Portfolio category	March 31, 2024					
	Exposure before CCF and CRM		Exposure after CCF and CRM			RWA density
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	
1. Cash	35	—	35	—	—	0%
2. Japanese central government/bank	13,983	2,688	13,983	1,693	—	0%
3. Foreign central government/bank	3,220	—	3,220	—	148	5%
4. Bank for International Settlements (BIS)	—	—	—	—	—	—
5. Japanese local public bodies	134	—	134	—	—	0%
6. Non-central government public sector entities (PSEs) of foreign countries	1,018	—	1,018	—	203	20%
7. Multilateral development banks (MDBs)	—	—	—	—	—	—
8. Japan Finance Organization for Municipalities (JFM)	17	500	17	50	5	7%
9. Organs affiliated with the Japanese government	84	300	84	30	10	9%
10. Three major local public corporations	8	—	8	—	1	16%
11. Banks, type I financial instruments business operators and insurance companies	2,626	5,987	2,626	786	983	29%
Type I financial instruments business operators and Insurance companies	434	3,364	434	471	259	29%
12. Covered bonds	—	—	—	—	—	—
13. Corporates (Including Specialised lending)	28,025	2,323	27,936	1,113	23,156	80%
Specialised lendings	2,200	149	2,200	87	2,331	102%
14. SMEs and individuals	92	—	92	—	106	115%
Transactors	—	—	—	—	—	—
15. Real estate properties	4,826	189	4,826	70	4,833	99%
Residential mortgages	4	—	4	—	3	75%
Income producing residential real estates	7	—	7	—	11	150%
Income producing commercial real estates	4,559	73	4,559	24	4,367	95%
Other real estates	—	—	—	—	—	—
ADC	253	115	253	46	450	150%
16. Subordinated debt, and other capital, etc.	1,922	—	1,922	—	1,936	101%
17. Past due loans (excluding Residential mortgages)	809	28	808	1	835	103%
18. Past due Residential mortgages	0	—	0	—	0	100%
19. Items in process of collection	—	—	—	—	—	—
20. Loans guaranteed by Credit Guarantee Association, etc.	—	—	—	—	—	—
21. Loans guaranteed by Regional Economy Vitalization Corporation of Japan (REVIC), etc.	—	—	—	—	—	—
22. Equity, etc.	601	—	601	—	601	100%
Total	57,407	12,015	57,317	3,744	32,821	54%

Note: This section is established newly by applying "Finalisation of the Basel III framework". There are no descriptions at March 31, 2023.

(Consolidated)

(100 Million Yen)

Portfolio category	March 31, 2024					
	Exposure before CCF and CRM		Exposure after CCF and CRM			RWA density
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	
1. Cash	35	—	35	—	—	0%
2. Japanese central government/bank	19,307	4,635	19,307	3,639	—	0%
3. Foreign central government/bank	3,220	—	3,220	—	148	5%
4. Bank for International Settlements (BIS)	—	—	—	—	—	—
5. Japanese local public bodies	302	—	302	—	—	0%
6. Non-central government public sector entities (PSEs) of foreign countries	1,018	—	1,018	—	203	20%
7. Multilateral development banks (MDBs)	—	—	—	—	—	—
8. Japan Finance Organization for Municipalities (JFM)	17	500	17	50	5	7%
9. Organs affiliated with the Japanese government	128	300	128	30	14	9%
10. Three major local public corporations	8	—	8	—	1	16%
11. Banks, type I financial instruments business operators and insurance companies	2,831	3,027	2,831	421	888	27%
Type I financial instruments business operators and Insurance companies	439	2,964	439	416	239	28%
12. Covered bonds	—	—	—	—	—	—
13. Corporates (Including Specialised lending)	28,154	2,578	28,066	1,180	23,354	80%
Specialised lendings	2,200	149	2,200	87	2,331	102%
14. SMEs and individuals	236	—	236	—	177	75%
Transactors	—	—	—	—	—	—
15. Real estate properties	4,826	189	4,826	70	4,833	99%
Residential mortgages	4	—	4	—	3	75%
Income producing residential real estates	7	—	7	—	11	150%
Income producing commercial real estates	4,559	73	4,559	24	4,367	95%
Other real estates	—	—	—	—	—	—
ADC	253	115	253	46	450	150%
16. Subordinated debt, and other capital, etc.	1,922	—	1,922	—	1,936	101%
17. Past due loans (excluding Residential mortgages)	1,273	28	1,272	1	1,530	120%
18. Past due Residential mortgages	0	—	0	—	0	100%
19. Items in process of collection	145	—	145	—	29	20%
20. Loans guaranteed by Credit Guarantee Association, etc.	—	—	—	—	—	—
21. Loans guaranteed by Regional Economy Vitalization Corporation of Japan (REVIC), etc.	—	—	—	—	—	—
22. Equity, etc.	389	—	389	—	389	100%
Total	63,818	11,258	63,729	5,393	33,512	48%

Note: This section is established newly by applying "Finalisation of the Basel III framework", There are no descriptions at March 31,2023.

Disclosure Based on Basel III Capital Accord Pillar III—Market Discipline

(6) Breakdown of Exposure by Portfolio Category and Risk Weight

(Non-Consolidated)

(100 Million Yen)

Portfolio category	March 31, 2024													
	Exposure after CCF and CRM													
	0%	20%		50%		100%		150%		Others		Total		
Japanese central government/bank	15,676	—		—		—		—		—		15,676		
Foreign central government/bank	2,654	448		117		—		—		—		3,220		
Bank for International Settlements (BIS)	—	—		—		—		—		—		—		
	0%	10%	20%		50%		100%		150%		Others	Total		
Japanese local public bodies	134	—		—		—		—		—		134		
Non-central government public sector entities (PSEs) of foreign countries	—	—		1,018		—		—		—		1,018		
Japan Finance Organization for Municipalities (JFM)	17	50		—		—		—		—		67		
Organs affiliated with the Japanese government	13	100		—		—		—		—		114		
Three major local public corporations	1	—		6		—		—		—		8		
	0%	20%		30%		50%		100%		150%		Others	Total	
Multilateral development banks (MDBs)	—	—		—		—		—		—		—	—	
	20%	30%	40%		50%		75%		100%		150%	Others	Total	
Banks, type I financial instruments business operators and insurance companies	1,011	1,839	518		43		—		0		—		3,412	
Type I financial instruments business operators and Insurance companies	309	452	106		37		—		—		—		906	
	10%	15%	20%		25%		35%		50%		100%		Others	Total
Covered bonds	—	—		—		—		—		—		—		—
	0%	20%	30%	50%	75%	80%	85%	100%	130%	150%	Others	Total		
Corporates (Including Specialised lending)	7	4,555	—	4,208	2,763	365	467	14,926	812	916	26	29,050		
Specialised lendings	—	143	—	—	45	365	—	920	812	—	—	2,287		
	100%		150%		250%			400%			Others		Total	
Subordinated debt, and other capital, etc.	—		1,917		—			—			5		1,922	
Equity, etc.	—		—		584			16			—		601	
	45%			75%			100%			Others			Total	
SMEs and individuals	—			—			0			92			92	
Transactors	—			—			—			—			—	
	20%	25%	30%	40%	50%	70%	75%	Others		Total				
Real estate properties (Residential mortgages)	—	—	—	—	—	—	4	—		4				
	30%	35%	45%	60%	75%	105%	150%	Others		Total				
Real estate properties (Income producing real estates)	—	—	—	—	—	—	7	—		7				
	70%		90%		110%		112.5%		150%		Others		Total	
Real estate properties (Commercial real estates)	677		2,253		1,532		—		119		—		4,583	
	60%					Others					Total			
Real estate properties (Other real estates)	—					—					—			
	100%			150%			Others			Total				
Real estate properties (ADC)	—			300			—			300				
	50%		100%			150%			Others			Total		
Past due loans (excluding Residential mortgages)	140		479			190			0			810		
Past due Residential mortgages	—		0			—			—			0		
	0%		10%			20%			Others			Total		
Cash	35		—			—			—			35		
Items in process of collection	—		—			—			—			—		
Loans guaranteed by Credit Guarantee Association, etc.	—		—			—			—			—		
Loans guaranteed by Regional Economy Vitalization Corporation of Japan (REVIC), etc.	—		—			—			—			—		

Notes: 1. As for "Subordinated debt, and other capital, etc." and "Equity, etc.", the amount of exposure is stated in the category of fully phased-in risk weight.
2. This section is established newly by applying "Finalisation of the Basel III framework". There are no descriptions at March 31, 2023.

(Consolidated)

(100 Million Yen)

Portfolio category	March 31, 2024												
	Exposure after CCF and CRM												
	0%	20%		50%		100%		150%		Others		Total	
Japanese central government/bank	22,947	—		—		—		—		—		22,947	
Foreign central government/bank	2,654	448		117		—		—		—		3,220	
Bank for International Settlements (BIS)	—	—		—		—		—		—		—	
	0%	10%	20%	50%	100%	150%	Others		Total				
Japanese local public bodies	302	—	—	—	—	—	—		302				
Non-central government public sector entities (PSEs) of foreign countries	—	—	1,018	—	—	—	—		1,018				
Japan Finance Organization for Municipalities (JFM)	17	50	—	—	—	—	—		67				
Organs affiliated with the Japanese government	13	144	—	—	—	—	—		158				
Three major local public corporations	1	—	6	—	—	—	—		8				
	0%	20%	30%	50%	100%	150%	Others		Total				
Multilateral development banks (MDBs)	—	—	—	—	—	—	—		—				
	20%	30%	40%	50%	75%	100%	150%	Others	Total				
Banks, type I financial instruments business operators and insurance companies	1,148	1,876	179	47	—	0	—	—	3,252				
Type I financial instruments business operators and Insurance companies	309	452	51	41	—	—	—	—	856				
	10%	15%	20%	25%	35%	50%	100%	Others	Total				
Covered bonds	—	—	—	—	—	—	—	—	—				
	0%	20%	30%	50%	75%	80%	85%	100%	130%	150%	Others	Total	
Corporates (Including Specialised lending)	7	4,555	—	4,208	2,765	365	462	15,123	812	916	29	29,246	
Specialised lendings	—	143	—	—	45	365	—	920	812	—	—	2,287	
	100%	150%		250%		400%		Others		Total			
Subordinated debt, and other capital, etc.	—	1,917		—		—		5		1,922			
Equity, etc.	—	—		372		16		—		389			
	45%		75%		100%		Others		Total				
SMEs and individuals	—		235		0		—		236				
Transactors	—		—		—		—		—				
	20%	25%	30%	40%	50%	70%	75%	Others	Total				
Real estate properties (Residential mortgages)	—	—	—	—	—	—	4	—	4				
	30%	35%	45%	60%	75%	105%	150%	Others	Total				
Real estate properties (Income producing real estates)	—	—	—	—	—	—	7	—	7				
	70%		90%		110%		112.5%		150%	Others	Total		
Real estate properties (Commercial real estates)	677		2,253		1,532		—		119	—	4,583		
	60%				Others				Total				
Real estate properties (Other real estates)	—				—				—				
	100%			150%			Others			Total			
Real estate properties (ADC)	—			300			—			300			
	50%		100%		150%		Others		Total				
Past due loans (excluding Residential mortgages)	140		479		654		—		1,273				
Past due Residential mortgages	—		0		—		—		0				
	0%		10%		20%		Others		Total				
Cash	35		—		—		—		35				
Items in process of collection	—		—		145		—		145				
Loans guaranteed by Credit Guarantee Association, etc.	—		—		—		—		—				
Loans guaranteed by Regional Economy Vitalization Corporation of Japan (REVIC), etc.	—		—		—		—		—				

Notes: 1. As for "Subordinated debt, and other capital, etc." and "Equity, etc.", the amount of exposure is stated in the category of fully phased-in risk weight.
2. This section is established newly by applying "Finalisation of the Basel III framework", There are no descriptions at March 31, 2023.

Disclosure Based on Basel III Capital Accord Pillar III—Market Discipline

(7) Outstanding Exposure after Credit Risk Mitigation by Risk Weight:

(Non-Consolidated)

(100 Million Yen)

Risk Weight	March 31, 2024			
	Exposure before CCF and CRM		CCF density	Exposure after CCF and CRM
	On-balance sheet amount	Off-balance sheet amount		
< 40%	25,284	6,446	35%	27,571
> 40% ≤ 70%	5,053	3,897	17%	5,706
75%	2,645	234	56%	2,768
80%	365	—	—	365
85%	466	7	40%	467
> 90% ≤ 100%	17,260	1,035	45%	17,660
> 105% ≤ 130%	2,289	154	37%	2,345
150%	3,316	239	56%	3,451
250%	584	—	—	584
400%	16	—	—	16
1,250%	—	—	—	—
Others	123	—	—	123
Total	57,407	12,015	31%	61,062

Notes: 1. As for "Subordinated debt, and other capital, etc." and "Equity, etc.", the amount of exposure is stated in the category of fully phased-in risk weight.
2. By applying "Finalisation of the Basel III framework", form above is changed.

(Non-Consolidated)

(100 Million Yen)

Risk Weight	March 31, 2023	
	Amount of exposure	
		Application of external rating
0%	16,566	2,328
> 0% ≤ 10%	1,977	116
> 10% ≤ 20%	10,241	9,360
> 20% ≤ 50%	4,608	4,510
> 50% ≤ 75%	892	144
> 75% ≤ 100%	30,439	8,609
> 100% ≤ 150%	2,946	923
> 150% < 1,250%	1,948	—
1,250%	68	—
Total	69,690	25,993

Note: In the 'Application of external rating' section, the exposure to which an external rating is applied in the calculation of risk weight are included.

(Consolidated)

(100 Million Yen)

Risk Weight	March 31, 2024			
	Exposure before CCF and CRM		CCF density	Exposure after CCF and CRM
	On-balance sheet amount	Off-balance sheet amount		
< 40%	31,140	8,493	50%	35,373
> 40% ≤ 70%	5,084	937	32%	5,372
75%	2,883	234	56%	3,005
80%	365	—	—	365
85%	462	7	40%	462
> 90% ≤ 100%	17,391	1,191	45%	17,857
> 105% ≤ 130%	2,289	154	37%	2,345
150%	3,780	239	56%	3,915
250%	372	—	—	372
400%	16	—	—	16
1,250%	—	—	—	—
Others	34	—	—	34
Total	63,818	11,258	48%	69,122

Notes: 1. As for "Subordinated debt, and other capital, etc." and "Equity, etc.", the amount of exposure is stated in the category of fully phased-in risk weight.
2. By applying "Finalisation of the Basel III framework", form above is changed.

(Consolidated)

(100 Million Yen)

Risk Weight	March 31, 2023	
	Amount of exposure	
		Application of external rating
0%	22,128	2,328
> 0% ≤ 10%	2,027	116
> 10% ≤ 20%	10,497	9,556
> 20% ≤ 50%	4,602	4,510
> 50% ≤ 75%	891	144
> 75% ≤ 100%	30,047	8,610
> 100% ≤ 150%	2,931	924
> 150% < 1,250%	2,015	—
1,250%	68	—
Total	75,211	26,192

Note: In the 'Application of external rating' section, the exposure to which an external rating is applied in the calculation of risk weight are included.

4. Items pertaining to Credit Risk Mitigation Techniques

Breakdown of Exposure for which Credit Risk Mitigations are Applied

(Non-Consolidated)

(100 Million Yen)

Credit risk mitigation	March 31, 2024	March 31, 2023
Eligible financial collateral	66	67
Cash and deposits with Aozora	57	58
Debt securities	—	—
Equities	9	9
Others	—	—
Guarantees and credit derivatives	1,151	1,124
Guarantees	1,151	1,124
Credit derivatives	—	—
Total	1,217	1,192

Note: The exposure above does not include the amount for which a credit risk mitigation is recognized through netting between loans and deposits with the Bank under the netting agreement (Provision 117 of the Notice) and the repo and the derivative transactions, etc.

Disclosure Based on Basel III

Capital Accord Pillar III—Market Discipline

(Consolidated)

(100 Million Yen)

Credit risk mitigation	March 31, 2024	March 31, 2023
Eligible financial collateral	66	67
Cash and deposits with Aozora	57	58
Debt securities	—	—
Equities	9	9
Others	—	—
Guarantees and credit derivatives	1,151	1,124
Guarantees	1,151	1,124
Credit derivatives	—	—
Total	1,217	1,192

Note: The exposure above does not include the amount for which a credit risk mitigation is recognized through netting between loans and deposits with the Bank under the netting agreement (Provision 117 of the Notice) and the repo and the derivative transactions, etc.

5. Items pertaining to Counterparty Risk on Derivative Transactions and Long-Settlement Transactions

(1) Credit-equivalent Amount of Derivative Transactions and Long-Settlement Transactions

(Non-Consolidated)

(100 Million Yen)

	March 31, 2024	March 31, 2023
Replacement cost(RC)	341	1,166
Potential future exposure(PFE)	640	1,475
Credit-equivalent amount(RC + PFE) x 1.4	1,375	3,697
Amount of credit risk assets	580	540
Collateral used in this transaction		
Received collateral	2,178	2,321
Cash and deposits with Aozora	2,060	2,235
Debt securities	118	86
Posted collateral	1,194	524
Cash and deposits with Aozora	1,194	524
Debt securities	—	—

(Consolidated)

(100 Million Yen)

	March 31, 2024	March 31, 2023
Replacement cost(RC)	341	1,166
Potential future exposure(PFE)	640	1,475
Credit-equivalent amount(RC + PFE) x 1.4	1,375	3,697
Amount of credit risk assets	580	540
Collateral used in this transaction		
Received collateral	2,178	2,321
Cash and deposits with Aozora	2,060	2,235
Debt securities	118	86
Posted collateral	1,194	524
Cash and deposits with Aozora	1,194	524
Debt securities	—	—

(2) Breakdown of Credit Derivative Transactions

(Non-Consolidated)

(100 Million Yen)

Type of transaction	Purchase or supply of guarantee	March 31, 2024	March 31, 2023
		Notional principal	Notional principal
Transactions subject to the calculation of credit-equivalent amount		2,849	3,045
Credit derivatives (credit reference asset of single organization)	Purchase	1,376	1,440
	Supply	1,472	1,605
First-to-default type	Purchase	—	—
	Supply	—	—
Second-to-default type	Purchase	—	—
	Supply	—	—
Transactions not subject to the calculation of credit-equivalent amount	Purchase	—	—

Note: The transactions not subject to the calculation of credit-equivalent amount are figures used for credit risk mitigations.

(Consolidated)

(100 Million Yen)

Type of transaction	Purchase or supply of guarantee	March 31, 2024	March 31, 2023
		Notional principal	Notional principal
Transactions subject to the calculation of credit-equivalent amount		2,849	3,045
Credit derivatives (credit reference asset of single organization)	Purchase	1,376	1,440
	Supply	1,472	1,605
First-to-default type	Purchase	—	—
	Supply	—	—
Second-to-default type	Purchase	—	—
	Supply	—	—
Transactions not subject to the calculation of credit-equivalent amount	Purchase	—	—

Note: The transactions not subject to the calculation of credit-equivalent amount are figures used for credit risk mitigations.

Disclosure Based on Basel III Capital Accord Pillar III—Market Discipline

6. Items pertaining to Securitization Transactions

(1) Securitization Transactions originated by the Aozora Group

Amount and Category of Underlying Assets.

All underlying assets are asset transfer-type securitizations.

(Non-Consolidated)

(100 Million Yen)

Category of underlying assets	March 31, 2024	March 31, 2023
Corporate exposure	—	—
Retail exposure	—	—
Residential loan receivable	—	—
Lease receivable	—	—
Others	—	—
Total	—	—

(Consolidated)

(100 Million Yen)

Category of underlying assets	March 31, 2024	March 31, 2023
Corporate exposure	—	—
Retail exposure	11	17
Residential loan receivable	—	—
Lease receivable	—	—
Others	—	—
Total	11	17

Past due Exposure or Default and Losses during the Year

(Non-Consolidated)

(100 Million Yen)

Category of underlying assets	March 31, 2024		March 31, 2023	
	Past due or default	Losses during the year	Past due or default	Losses during the year
Corporate exposure	—	—	—	—
Retail exposure	—	—	—	—
Residential loan receivable	—	—	—	—
Lease receivable	—	—	—	—
Others	—	—	—	—
Total	—	—	—	—

(Consolidated)

(100 Million Yen)

Category of underlying assets	March 31, 2024		March 31, 2023	
	Past due or default	Losses during the year	Past due or default	Losses during the year
Corporate exposure	—	—	—	—
Retail exposure	—	—	—	—
Residential loan receivable	—	—	—	—
Lease receivable	—	—	—	—
Others	—	—	—	—
Total	—	—	—	—

Amount of Assets Held for the Purpose of Securitizations

As of March 31, 2023 and 2024, there are no assets held for the purpose of securitization.

Summary of Exposure Securitized during the Year

It is securitization of loan receivables.

(Non-Consolidated)

(100 Million Yen)

Category of underlying assets	March 31, 2024	March 31, 2023
Corporate exposure	—	—
Retail exposure	—	—
Residential loan receivable	—	—
Lease receivable	—	—
Others	—	—
Total	—	—

(Consolidated)

(100 Million Yen)

Category of underlying assets	March 31, 2024	March 31, 2023
Corporate exposure	—	—
Retail exposure	—	22
Residential loan receivable	—	—
Lease receivable	—	—
Others	—	—
Total	—	22

Amount of Gain (Loss) Recognized for the Period in Connection with Securitization Transactions

(Non-Consolidated)

(100 Million Yen)

Category of underlying assets	March 31, 2024	March 31, 2023
Corporate exposure	—	—
Retail exposure	—	—
Residential loan receivable	—	—
Lease receivable	—	—
Others	—	—
Total	—	—

(Consolidated)

(100 Million Yen)

Category of underlying assets	March 31, 2024	March 31, 2023
Corporate exposure	—	—
Retail exposure	—	0
Residential loan receivable	—	—
Lease receivable	—	—
Others	—	—
Total	—	0

Disclosure Based on Basel III

Capital Accord Pillar III—Market Discipline

Securitization Exposure Held by the Aozora Group

(Non-Consolidated)

As of March 31, 2023 and 2024, there are no assets held by the group.

(Consolidated)

(100 Million Yen)

Category of underlying assets	March 31, 2024					
	Securitization exposure		Re-securitization exposure		Total	
	On-Balance	Off-Balance	On-Balance	Off-Balance	On-Balance	Off-Balance
Corporate exposure	—	—	—	—	—	—
Retail exposure	1	—	—	—	1	—
Residential loan receivable	—	—	—	—	—	—
Lease receivable	—	—	—	—	—	—
Others	—	—	—	—	—	—
Total	1	—	—	—	1	—

(100 Million Yen)

Category of underlying assets	March 31, 2023					
	Securitization exposure		Re-securitization exposure		Total	
	On-Balance	Off-Balance	On-Balance	Off-Balance	On-Balance	Off-Balance
Corporate exposure	—	—	—	—	—	—
Retail exposure	1	—	—	—	1	—
Residential loan receivable	—	—	—	—	—	—
Lease receivable	—	—	—	—	—	—
Others	—	—	—	—	—	—
Total	1	—	—	—	1	—

Outstanding Securitization Exposure by Risk Weight and Capital Requirement Thereof

(Non-Consolidated)

As of March 31, 2023 and 2024, there are no exposure.

(Consolidated)

(100 Million Yen)

Risk Weight	March 31, 2024							
	Securitization exposure				Re-securitization exposure			
	On-Balance		Off-Balance		On-Balance		Off-Balance	
	Outstanding	Capital requirement	Outstanding	Capital requirement	Outstanding	Capital requirement	Outstanding	Capital requirement
0%	—	—	—	—	—	—	—	—
> 0% ≤ 20%	—	—	—	—	—	—	—	—
> 20% ≤ 50%	—	—	—	—	—	—	—	—
> 50% ≤ 100%	—	—	—	—	—	—	—	—
> 100% < 1,250%	1	0	—	—	—	—	—	—
1,250%	—	—	—	—	—	—	—	—
Total	1	0	—	—	—	—	—	—

(100 Million Yen)

Risk Weight	March 31, 2023							
	Securitization exposure				Re-securitization exposure			
	On-Balance		Off-Balance		On-Balance		Off-Balance	
	Outstanding	Capital requirement	Outstanding	Capital requirement	Outstanding	Capital requirement	Outstanding	Capital requirement
0%	—	—	—	—	—	—	—	—
> 0% ≤ 20%	—	—	—	—	—	—	—	—
> 20% ≤ 50%	—	—	—	—	—	—	—	—
> 50% ≤ 100%	—	—	—	—	—	—	—	—
> 100% < 1,250%	1	0	—	—	—	—	—	—
1,250%	—	—	—	—	—	—	—	—
Total	1	0	—	—	—	—	—	—

Capital Increase due to Securitization Transactions

As of March 31, 2023 and 2024, there are no capital increase due to securitization transactions.

Securitization Exposure calculated by Risk Weight of 1,250%

As of March 31, 2023 and 2024, there are no securitization exposure calculated by risk weight of 1,250%.

Securitization Exposure subject to early Amortization Provisions

As of March 31, 2023 and 2024, there are no securitization exposure subject to early amortization provisions.

Presence/Absence of Method applied to Reduce Credit Risk to Resecuritization Exposure in which the Aozora Group hold as an originator and Breakdown of Risk-Weight Categories Applied to Guarantors

As of March 31, 2023 and 2024, there are no resecuritization exposure held by the group as an originator.

Disclosure Based on Basel III Capital Accord Pillar III—Market Discipline

(2) Securitization Transactions in which the Aozora Group invests

Securitization Exposure held by the Group

(Non-Consolidated)

(100 Million Yen)

Category of underlying assets	March 31, 2024					
	Securitization exposure		Re-securitization exposure		Total	
	On-Balance	Off-Balance	On-Balance	Off-Balance	On-Balance	Off-Balance
Corporate exposure	2,727	—	—	—	2,727	—
Retail exposure	739	—	—	—	739	—
Residential loan receivable	—	—	—	—	—	—
Lease receivable	—	—	—	—	—	—
Others	—	—	—	—	—	—
Total	3,467	—	—	—	3,467	—

(100 Million Yen)

Category of underlying assets	March 31, 2023					
	Securitization exposure		Re-securitization exposure		Total	
	On-Balance	Off-Balance	On-Balance	Off-Balance	On-Balance	Off-Balance
Corporate exposure	2,238	—	—	—	2,238	—
Retail exposure	899	100	—	—	899	100
Residential loan receivable	—	—	—	—	—	—
Lease receivable	—	—	—	—	—	—
Others	—	—	—	—	—	—
Total	3,138	100	—	—	3,138	100

(Consolidated)

(100 Million Yen)

Category of underlying assets	March 31, 2024					
	Securitization exposure		Re-securitization exposure		Total	
	On-Balance	Off-Balance	On-Balance	Off-Balance	On-Balance	Off-Balance
Corporate exposure	2,727	—	—	—	2,727	—
Retail exposure	739	—	—	—	739	—
Residential loan receivable	—	—	—	—	—	—
Lease receivable	—	—	—	—	—	—
Others	—	—	—	—	—	—
Total	3,467	—	—	—	3,467	—

(100 Million Yen)

Category of underlying assets	March 31, 2023					
	Securitization exposure		Re-securitization exposure		Total	
	On-Balance	Off-Balance	On-Balance	Off-Balance	On-Balance	Off-Balance
Corporate exposure	2,238	—	—	—	2,238	—
Retail exposure	899	100	—	—	899	100
Residential loan receivable	—	—	—	—	—	—
Lease receivable	—	—	—	—	—	—
Others	—	—	—	—	—	—
Total	3,138	100	—	—	3,138	100

Outstanding Securitization Exposure by Risk Weight and Capital Requirement Thereof

(Non-Consolidated)

(100 Million Yen)

Risk Weight	March 31, 2024							
	Securitization exposure				Re-securitization exposure			
	On-Balance		Off-Balance		On-Balance		Off-Balance	
	Outstanding	Capital requirement	Outstanding	Capital requirement	Outstanding	Capital requirement	Outstanding	Capital requirement
0%	—	—	—	—	—	—	—	—
> 0% ≤ 20%	3,023	23	—	—	—	—	—	—
> 20% ≤ 50%	109	1	—	—	—	—	—	—
> 50% ≤ 100%	236	7	—	—	—	—	—	—
> 100% < 1,250%	98	4	—	—	—	—	—	—
1,250%	—	—	—	—	—	—	—	—
Total	3,467	37	—	—	—	—	—	—

(100 Million Yen)

Risk Weight	March 31, 2023							
	Securitization exposure				Re-securitization exposure			
	On-Balance		Off-Balance		On-Balance		Off-Balance	
	Outstanding	Capital requirement	Outstanding	Capital requirement	Outstanding	Capital requirement	Outstanding	Capital requirement
0%	—	—	—	—	—	—	—	—
> 0% ≤ 20%	2,818	22	0	0	—	—	—	—
> 20% ≤ 50%	181	2	—	—	—	—	—	—
> 50% ≤ 100%	34	0	100	2	—	—	—	—
> 100% < 1,250%	103	5	—	—	—	—	—	—
1,250%	—	—	—	—	—	—	—	—
Total	3,138	31	100	2	—	—	—	—

(Consolidated)

(100 Million Yen)

Risk Weight	March 31, 2024							
	Securitization exposure				Re-securitization exposure			
	On-Balance		Off-Balance		On-Balance		Off-Balance	
	Outstanding	Capital requirement	Outstanding	Capital requirement	Outstanding	Capital requirement	Outstanding	Capital requirement
0%	—	—	—	—	—	—	—	—
> 0% ≤ 20%	3,023	23	—	—	—	—	—	—
> 20% ≤ 50%	109	1	—	—	—	—	—	—
> 50% ≤ 100%	236	7	—	—	—	—	—	—
> 100% < 1,250%	98	4	—	—	—	—	—	—
1,250%	—	—	—	—	—	—	—	—
Total	3,467	37	—	—	—	—	—	—

(100 Million Yen)

Risk Weight	March 31, 2023							
	Securitization exposure				Re-securitization exposure			
	On-Balance		Off-Balance		On-Balance		Off-Balance	
	Outstanding	Capital requirement	Outstanding	Capital requirement	Outstanding	Capital requirement	Outstanding	Capital requirement
0%	—	—	—	—	—	—	—	—
> 0% ≤ 20%	2,818	22	0	0	—	—	—	—
> 20% ≤ 50%	181	2	—	—	—	—	—	—
> 50% ≤ 100%	34	0	100	2	—	—	—	—
> 100% < 1,250%	103	5	—	—	—	—	—	—
1,250%	—	—	—	—	—	—	—	—
Total	3,138	31	100	2	—	—	—	—

Disclosure Based on Basel III Capital Accord Pillar III—Market Discipline

Securitization Exposure calculated by Risk Weight of 1,250%

As of March 31, 2023 and 2024, there are no securitization exposure calculated by risk weight of 1,250%.

Presence/Absence of Method applied to Reduce Credit Risk to Re-securitization Exposure in which the Aozora Group invests and Breakdown of Risk-Weight Categories Applied to Guarantors

As of March 31, 2023 and 2024, there are no Re-securitization exposure to which methods to reduce credit risk have been applied.

(3) Securitization exposure in which Aozora Group invests that is subject to the calculation of the market risk amount

There was no securitization exposure in which Aozora Group invests that was subject to the calculation of the market risk amount as of March 31, 2023 and 2024.

(4) Securitization exposure originated by Aozora Group that is subject to the calculation of the market risk amount

There was no securitization exposure originated by Aozora Group that was subject to the calculation of the market risk amount as of March 31, 2023 and 2024.

7. Items pertaining to market risk

This information is described in the Risk Management section of this annual report under the heading 'Market Risk Management.'

8. Items pertaining to equity exposures in the banking book

(1) Balance sheet amount

(Millions of Yen)

	March 31, 2024		March 31, 2023	
	Non-consolidated	Consolidated	Non-consolidated	Consolidated
Balance sheet amount	47,546	26,368	108,080	57,005
Listed stock exposures	22,971	22,971	53,631	53,631
Other	24,575	3,397	54,448	3,373

(2) Gains and losses on sales, and write-offs of equity exposure

(Millions of Yen)

	March 31, 2024		March 31, 2023	
	Non-consolidated	Consolidated	Non-consolidated	Consolidated
Gains on sales	8,444	8,444	4,078	4,078
Losses on sales	8,423	336	1,138	1,138
Write-off	450	455	80	80

(3) Unrealized gains/losses recognized on the balance sheet but not recognized on the statement of income

(Millions of Yen)

	March 31, 2024		March 31, 2023	
	Non-consolidated	Consolidated	Non-consolidated	Consolidated
Unrealized gains (losses)	11,481	11,481	5,552	5,552

(4) Unrealized gains/losses not recognized on the balance sheet or the statement of income

(As of March 31, 2024 and 2023)

Consolidated: Not applicable

Non-consolidated: Not applicable

Disclosure Based on Basel III Capital Accord Pillar III—Market Discipline

9. Amount of Exposure held in Funds

Amount of Exposure held in Funds

(Non-Consolidated)

(100 Million Yen)

Calculation approach	March 31, 2024	March 31, 2023
Look-through approach	4,827	6,084
Mandate-based approach	54	32
250%	—	—
400%	—	—
Fall-back approach = 1,250%	0	0
Total	4,881	6,116

(Consolidated)

(100 Million Yen)

Calculation approach	March 31, 2024	March 31, 2023
Look-through approach	4,317	5,587
Mandate-based approach	54	32
250%	—	—
400%	—	—
Fall-back approach = 1,250%	0	0
Total	4,371	5,620

10. Items pertaining to interest rate risk

• Non-consolidated

(Millions of Yen)

IRRBB1 : Interest rate risk					
Item No.		a	b	c	d
		Δ EVE		Δ NII	
		March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
1	Parallel up	1,534	5,218	3,595	Δ 5,377
2	Parallel down	24,650	21,371	7,237	11,420
3	Steepener	9,213	12,778	/	/
4	Flattener	/	/	/	/
5	Short-term interest rate up	/	/	/	/
6	Short-term interest rate down	/	/	/	/
7	Maximum	24,650	21,371	7,237	11,420
		e		f	
		March 31, 2024		March 31, 2023	
8	Regulatory capital	398,635		466,952	

• Consolidated

(Millions of Yen)

IRRBB1 : Interest rate risk					
Item No.		a	b	c	d
		Δ EVE		Δ NII	
		March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
1	Parallel up	3,952	9,905	Δ 27	Δ 17,481
2	Parallel down	16,373	16,676	10,280	22,700
3	Steepener	10,216	12,751	/	/
4	Flattener	/	/	/	/
5	Short-term interest rate up	/	/	/	/
6	Short-term interest rate down	/	/	/	/
7	Maximum	16,373	16,676	10,280	22,700
		e		f	
		March 31, 2024		March 31, 2023	
8	Regulatory capital	429,013		490,096	

Disclosure Related to Remuneration

This section describes the information consistent with FSA Notice Number 11, items pertaining to remuneration, issued on March 14, 2018 in accordance with Articles 19-2.1.6, 19-3.4, and 34-26-1-5 of the Ordinance for the Enforcement of the Banking Act.

1. Items pertaining to the framework of remuneration for officers and employees of the Aozora Group

(1) Scope of 'officers and employees' covered herein

As stated in the remuneration notice, the scope of 'officers' and 'employees' ('officers and employees' together) covered herein, subject to disclosure, is as follows:

(a) Scope of 'officers' covered herein

'Officers' refers to the Bank's directors, including outside directors and members of the Audit & Supervisory Board.

(b) Scope of 'employees' covered herein

'Employees' refers to Bank employees and those of its main consolidated subsidiaries who receive high remuneration and who also have a significant influence on the execution of business of the Bank and its main consolidated subsidiaries or on its assets.

(i) Scope of 'main consolidated subsidiaries' covered herein

A 'main consolidated subsidiary' is defined as one in which the ratio of its total assets exceeds 2% of the total consolidated assets of the Bank.

(ii) Scope of 'Receivers of high remuneration' covered herein

'Receivers of high remuneration' refers to those who are remunerated above 'the average level of remuneration for officers' which is calculated by dividing the total remuneration amount by the number of officers, which are both stated in the Bank's Securities Report.

(iii) Scope of 'those who have a significant influence on the execution of business of the Bank and its main consolidated subsidiaries or on its assets' covered herein

'Those who have a significant influence on the execution of business of the Bank and its main consolidated subsidiaries or on its assets' refers to those who have a significant influence on the execution of business of the Bank and its main consolidated subsidiaries when engaged in transactions or matters of management, or those who have a significant influence on its assets when losses are incurred as a result of transactions. Specifically, this refers to executive officers, general managers, and any other such persons to which this definition applies.

(2) Determination of remuneration for officers and employees covered herein

(a) Determination of remuneration for officers covered herein

The Bank has established a Nomination and Remuneration Committee (NRC) which is delegated authority by the Board of Directors (BoD) for the purpose of complementing the BoD's supervisory function over its directors. The NRC comprises mainly outside directors and in order to ensure the sound management and suitable business execution of the Bank, the NRC, which is independent from business promotion groups, discusses and determines the amounts of remuneration for individual directors in line with the basic policies for determining remuneration as stipulated by the BoD.

The remuneration for individual members of the Audit & Supervisory Board is determined based on discussions among the members of the Audit & Supervisory Board in accordance with Article 387-2 of the Companies Act and based on deliberations and recommendations by NRC.

(b) Determination of remuneration for employees covered herein

The remuneration of employees in the Aozora Group is determined and paid according to the basic policy stated in the Bank's 'Human Resource Master Policy.' Remuneration of the Bank's employees is determined in accordance with the policy on HR rules developed and documented by the HR Division independently from business promotion groups. Individual remuneration amounts for executive officers are discussed and determined by the NRC.

Individual remuneration amounts of certain employees that exceeds a certain level will be reported to the NRC. The remuneration for managers with a certain level of responsibility is determined upon approval from the President and Deputy Presidents of the Bank. In the Bank's consolidated subsidiaries, the HR or related divisions establish the remuneration policy and develop the remuneration framework independently from business promotion groups. The consolidated subsidiaries regularly submit a report on their remuneration policy and related matters to the Bank's HR Division.

(c) Determination of remuneration for overseas officers and employees

Remuneration for overseas officers and employees is determined based on prior discussions held between overseas subsidiaries and the relevant divisions of the Bank or HR Division in accordance with local rules, regulations and employment practices. The remuneration amounts of individual employees which exceed a certain level will be reported to the NRC.

(3) Total remuneration paid to members of the NRC and the total number of meetings held

	No. of meetings held during the year ended March 31, 2024
Meetings of NRC	6

The sum of individual remunerations of NRC members is not stated as it is difficult to calculate how much of an individual NRC member's total remuneration corresponds to remuneration paid for NRC-related duties.

2. Items pertaining to assessing the validity of the design and implementation of the remuneration framework for Aozora Group's 'officers and employees'

Remuneration policy

(a) Remuneration policy for 'officers' covered herein

The remuneration for officers basically consists of the base remuneration (fixed remuneration), bonus and Equity Compensation Type Stock Options for internal directors (full-time directors) and solely of base remuneration (fixed remuneration) for outside directors as well as ASB members. The base remuneration is determined by checking the appropriate level based on the research data obtained by engaging a dedicated third-party institution. The amount of bonus is determined based on achieved performance and the standard amounts set per position and responsibilities. The value granted as Equity Compensation Type Stock Options are determined at an appropriate level by the NRC and BoD based on discussions on the proportion of cash remuneration, bonus and equity compensation type stock options so as to function as sound incentives towards sustainable growth.

(b) Remuneration policy for 'employees' covered herein

Remuneration for the Bank's employees and its main consolidated subsidiaries' officers and employees is determined based on an evaluation of their performance which reflects their contribution to the business results.

The Bank's HR Division confirms that the Bank and its main consolidated subsidiaries do not depend too heavily on 'pay for performance' in the remuneration of the Bank's employees and its main consolidated subsidiaries' officers and employees, by checking the remuneration framework, performance evaluation status and actual remunerations.

3. Items pertaining to the consistency between the remuneration framework for officers and employees and risk management in the Aozora Group, and the link between remuneration and business performance

As for the directors, the ceiling amount of 600 million yen has been approved at the 82nd general shareholders' meeting held on June 26, 2015 as the base remuneration and bonus for directors, including those for external directors, and the ceiling of remuneration for ASB members, including external ASB members, was approved in the amount not more than 60 million yen at the 73rd general shareholders' meeting held on June 23, 2006.

As to stock acquisition rights as the Equity Compensation Type Stock Options, allotments to internal directors (full-time directors) were approved at the 88th general shareholders' meeting held on June 26, 2014 in the total annual value up to 150 million yen (and up to 7,500 units) in addition to the base remuneration and bonus.

In determining the remuneration of employees of the Aozora Group, including those who fall under the scope of 'employees,' a budget is drawn up after considering the financial status of the Group. In addition to the authorized quota for those to be granted to full-time directors, Equity Compensation Type Stock Options are also granted to executive officers of the Bank based on decisions made by NRC and BoD.

4. Items pertaining to remuneration type, total amounts and method of payment for Aozora Group's officers and employees

Total remuneration amounts for those who fall under the scope of 'officers' and 'employees' (from April 1, 2023 to March 31, 2024)
(Number of Persons, Millions of Yen)

Classification	Number of persons	Total remuneration	Basic remuneration	Bonus	Stock options	Provision for retirement allowance	Others
'Officers' (including external officers)	15	333	287	-	45	-	-
'Employees' (including executive officers)	30	1,131	751	188	85	106	-

Notes: 1. The 'officers' listed above are the Bank's directors (including outside directors) and members of the Audit & Supervisory Board.

The breakdown of the Total Remuneration for officers for the year ended March 31, 2024 is as follows:

Remuneration to directors: 279 million yen
Remuneration to the members of the Audit and Supervisory Board ("ASB"): 53 million yen
of which remuneration to outside directors and external members of ASB: 80 million yen

2. The above table includes one director, two outside directors and one outside ASB Member who retired at the close of the 90 General Meeting of Shareholders on June 22, 2023.

3. Because there are no 'employees' subject to disclosure in the Bank's major consolidated subsidiaries, the above 'employees' are the only ones among the Bank's employees, including the Bank's executive officers, to whom this applies.

4. There is no deferred bonus to be paid in subsequent years as of this fiscal year.

5. The exercise periods of stock options (Compensation Type Stock Acquisition Rights) are as follows. As per the Agreement for Allotment of Stock Options, the exercise is deferred until the holder ceases to be both an executive officer and a director of the Bank even during the exercise period.

Name of Stock Option Issuance	Exercise Periods	Amount Outstanding (millions of yen)
The Second Equity Compensation Type Stock Options	As from July 15, 2015 through July 14, 2045	10
The Third Equity Compensation Type Stock Options	As from July 16, 2016 through July 15, 2046	18
The Fourth Equity Compensation Type Stock Options	As from July 14, 2017 through July 13, 2047	21
The Fifth Equity Compensation Type Stock Options	As from July 14, 2018 through July 13, 2048	35
The Sixth Equity Compensation Type Stock Options	As from July 12, 2019 through July 11, 2049	47
The Seventh Equity Compensation Type Stock Options	As from July 11, 2020 through July 10, 2050	56
The Eighth Equity Compensation Type Stock Options	As from July 13, 2021 through July 12, 2051	94
The Ninth Equity Compensation Type Stock Options	As from July 9, 2022 through July 8, 2052	116
The Tenth Equity Compensation Type Stock Options	As from July 11, 2023 through July 10, 2053	131

6. A payment of compensation with an extraordinary nature was not applicable during the year ended March 31, 2024 such as a guaranteed bonus, sign-on bonus and additional retirement allowance on involuntary separation among 'officer' and 'employees'.

5. Other items pertaining to the framework of the Bank's 'officers and employees'

There are no specific items to be stated here other than the ones already stated above.

Share Procedure Information

(As of July 1, 2024)

- **Fiscal Year** From April 1 to March 31
- **Ordinary General Meeting of Shareholders** Held in June
- **Record Date for Determination of Dividends** March 31, June 30, September 30 and December 31
- **Record Date** Ordinary General Meeting of Shareholders : March 31 (also to be held in other cases as deemed necessary, whereby the record date will be set and advance notice given)
- **Public Notifications** Electronic public notice via the Internet. In the event that public notice cannot be made via the Internet, the Nihon Keizai Shimbun will be used.
- **Listed on** The Prime Market Segment of the Tokyo Stock Exchange
- **Securities Code** 8304
- **Number of Shares Constituting One Unit (tangen)** 100 shares
- **Shareholder Registry Administrator and Special Account Management Institution** Sumitomo Mitsui Trust Bank, Limited
4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo
- Handling Office of Shareholder Registry Administrator** Stock Transfer Agency Business Planning Department,
Sumitomo Mitsui Trust Bank, Limited
4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo
- (Mailing address)** Stock Transfer Agency Business Planning Department,
Sumitomo Mitsui Trust Bank, Limited
8-4, Izumi 2-chome, Suginami-ku, Tokyo, 168-0063
- (Contact number)** 0120-782-031 (toll free only if calling from Japan)
- **Inquiries regarding shares and notification of changes**
We ask that shareholders direct all inquiries, including change of address, to their securities company. For those shareholders who do not have an account with a securities firm, inquiries should be directed to the agent above.
- **Regarding the 'special account'**
Prior to the implementation of the electronic share certificate system in Japan, an account was established with Sumitomo Mitsui Trust Bank, Limited, for shareholders who did not use JASDEC's hofuri system. Such shareholders should direct all matters related to change of address and other inquiries to the agent above.

