AOZORA BANK

Integrated Report
—Annual Report—
(Financial and Corporate Data Section)

2023

April 1, 2022 – March 31, 2023

Financial and Corporate Data

Please refer to Aozora Bank's Integrated Report (Annual Report Main Section) 2023 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.

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” Established Aozora Securities Co., Ltd.
November		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

Business Activities (As of July 1, 2023)

● **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**

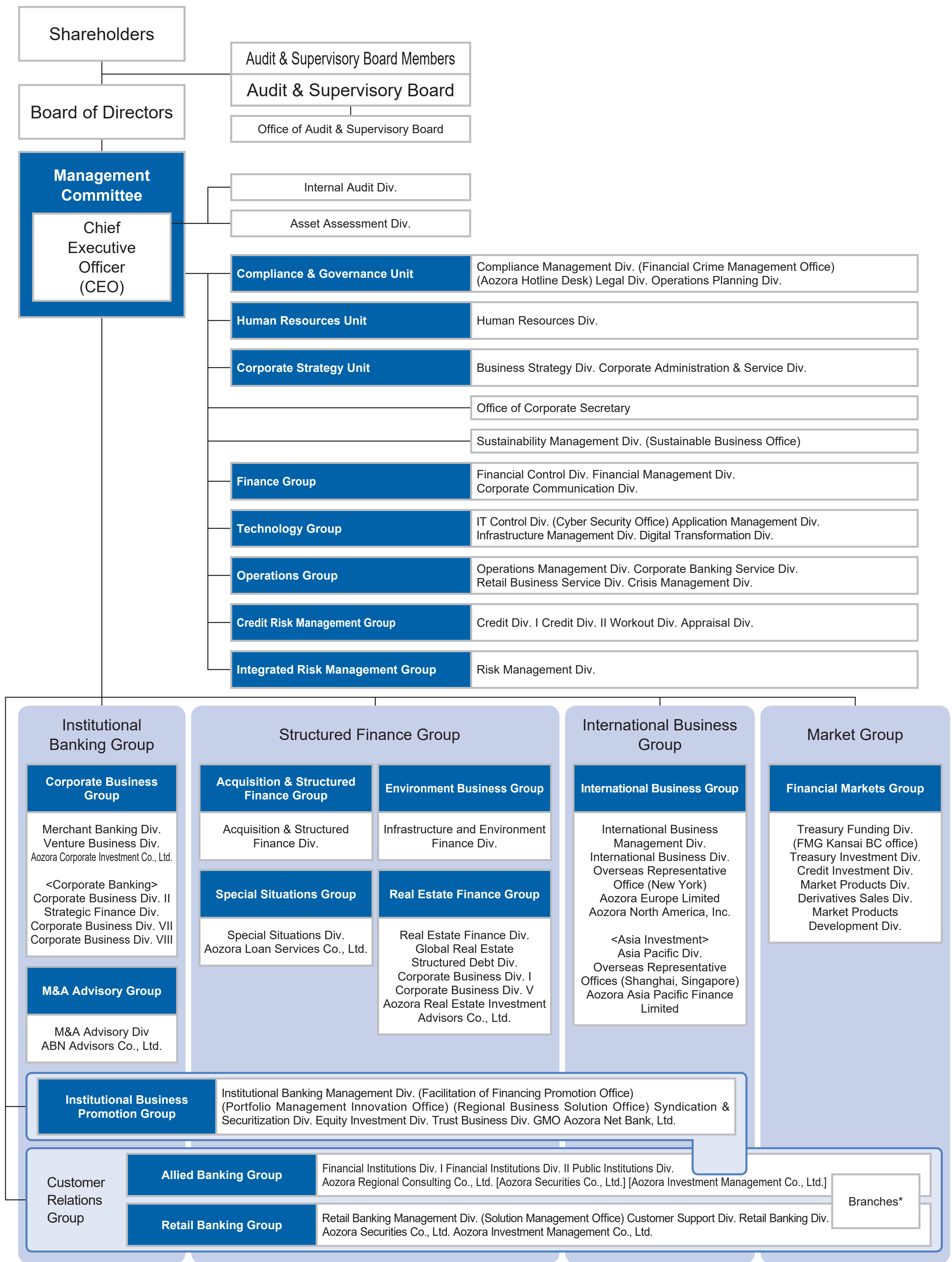
Management of various trust assets including cash, securities, monetary claims and real estate

● **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

Organization Chart (As of July 1, 2023)



*Branches Kansai Br., Nagoya Br., Fukuoka Br., Sendai Br., Hiroshima Br., Sapporo Br., Takamatsu Br., Kanazawa Br., Shinjuku Br., Nihonbashi Br., Shibuya Br., Ueno Br., Ikebukuro Br., Yokohama Br., Chiba Br., Osaka Br., Umeda Br., Kyoto Br., BANK Br.

Directors, Audit & Supervisory Board Members and Executive Officers (As of July 1, 2023)

Directors and Audit & Supervisory Board Members

Representative Director and President
Kei Tanikawa*

Representative Directors and Deputy Presidents
Koji Yamakoshi*
Hideto Oomi*

Director and Senior Managing Executive Officer
Masayoshi Ohara*

Directors
Ippei Murakami
Sakie Tachibana Fukushima
Hideyuki Takahashi
Hideaki Saito

Standing Audit & Supervisory Board Member
Satoshi Hashiguchi

Audit & Supervisory Board Members
Toraki Inoue
Junichi Meda

*Serving as Executive Officer concurrently

Executive Officers

Senior Managing Executive Officers
Akira Sakai
Takashi Kato
Masaki Onuma

Managing Executive Officers
Jun Shinozaki
Kazuhiro Yasuda
Tetsuji Okuda
Akemi Hashimoto
Toru Takahashi
Hiroki Nakazato

Executive Officers
Hiroshi Suzuki
Shu Takahashi
Yukiko Morita
Naoko Tanaka
Takashi Hagio
Jun Nakashima
Hiroshi Kaneko
Mitsuhiro Segawa
Shin Kato
Mayumi Takada
Kouji Igarashi
Kosuke Takai
Chiharu Hirota

Staff Profile (As of March 31, 2023)

Number of Employees	Average Age	Average Years of Service	Average Yearly Salary
1980 (127)	43.8	15.7	8,696 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


Hiroshi Suzuki
Executive Officer
Head of Compliance & Governance Unit


Akira Sakai
Senior Managing Executive Officer
Chief Financial Officer (CFO)


Kei Tanikawa
Representative Director and President,
Chief Executive Officer (CEO)


Hiroshi Kaneko
Executive Officer
Head of Human Resources Unit


Toru Takahashi
Managing Executive Officer
Chief Technology Officer (CTO)


Koji Yamakoshi
Representative Director and Deputy President


Chiharu Hirota
Executive Officer
Deputy Head of Human Resources Unit

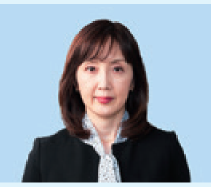

Yukiko Morita
Executive Officer
Head of Operations Group


Hideto Oomi
Representative Director and Deputy President, Head of Institutional Business Promotion Group


Takashi Kato
Senior Managing Executive Officer
Head of Corporate Strategy Unit and in charge of Office of Corporate Secretary


Masaki Onuma
Senior Managing Executive Officer
Chief Credit Risk Officer (CCRO)


Masayoshi Ohara
Representative Director and Senior Managing Executive Officer
Chief Risk Officer (CRO)


Mayumi Takada
Executive Officer
In charge of Sustainability Management


Kosuke Takai
Executive Officer
Deputy Chief Credit Risk Officer

Institutional Banking Group


Jun Shinozaki
Managing Executive Officer
Head of Corporate Business Group


Kazuhiro Yasuda
Managing Executive Officer
Head of Corporate Banking Group


Akemi Hashimoto
Managing Executive Officer
General Manager of Kansai Branch


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


Takashi Hagio
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


Shin Kato
Executive Officer
Head of Asia Investment Group

Market Group


Tetsuji Okuda
Managing Executive Officer
Head of Financial Markets Group

Customer Relations Group


Naoko Tanaka
Executive Officer
Head of Allied Banking Group


Jun Nakashima
Executive Officer
Head of Retail Banking Group

Corporate Data

Office Directory (As of July 1, 2023)

Overseas Network

Representative Offices

New York Representative Office

Chief Representative
Takashi Kometani

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
Shigeru Tanaka

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
4-1-1, Kita Sanjo-nishi,
Chuo-ku, Sapporo 060-0003
Tel: 011-241-8171
(Sapporo Branch will relocate to 4-1-4, Kita Sanjo-nishi, Chuo-ku, Sapporo as of August 21, 2023)

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

Business Network (As of March 31, 2023)

○: Consolidated subsidiaries ◇: Affiliated companies accounted for using the equity method

Aozora Bank, Ltd.
(Banking business
Trust services)

Main affiliates

Banking operations	○ GMO Aozora Net Bank, Ltd.	*Banking business*
	○ Aozora Regional Consulting Co., Ltd.	*Business consulting services*
	○ Aozora Asia Pacific Finance Limited	*Financial services*
	○ Aozora Europe Limited	*Financial services*
	○ Aozora North America, Inc.	*Financial services*
	○ Aozora GMAC Investment Limited	*Investments*
	○ AZB Funding and other 12 companies	*Investment vehicle*
	◇ Orient Commercial Joint Stock Bank	*Banking business*
Other operations	○ Aozora Loan Services Co., Ltd.	*Distressed loan servicing*
	○ Aozora Securities Co., Ltd.	*Financial instruments business*
	○ 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*

Corporate Data

Subsidiaries and Affiliated Companies (As of March 31, 2023)

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	100,000 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	—
Aozora GMAC Investment Limited	London, United Kingdom	Investments	November 6, 2006	30,070 thousands of USD	100.0	—
AZB Funding	Cayman Islands, British West Indies	Investment vehicle	June 1, 2012	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	15,401 billions of VND	15.0	—

Management Support and Efforts for Regional Economic Revitalization

Aozora Bank has prepared to respond appropriately to consultations from customers affected by natural disasters, the epidemic of infectious disease, the recent overseas situation, and soaring resource prices. In addition, Aozora continues to fully leverage the Group's competencies and effectively uses a high degree of expertise and abundant know-how in order to respond to the needs of its customers, including SMEs, in areas including business succession, business recovery, and start-up/growth phases in cooperation with regional financial institutions.

Specifically, to contribute to our customers' management support and regional economic revitalization, Aozora actively works on the following initiatives:
① Provide solutions for business succession issues
② Promotion of business recovery support
③ Solutions for issues of regional financial institutions
④ Support for nurturing start-up companies

① Provide solutions for business succession issues
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.

② Promotion of business recovery support
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.

③ 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.

④ Support for nurturing start-up companies
To support the growth of our promising SME customers, 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 start-up phase.

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. FY2022 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 50 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. Executive MBA program for general managers and managers started in FY2023.
Talent development for equity investments with a primary focus on engagement	Program to foster core talents for Aozora's Strategic Investments Business, which is conducted in cooperation with a private business school.
Digital talents development	Six programs to development bridge talents between businesses and IT, Development of DX promotion leaders, IT literacy enhancement program.
Global talent development	English proficiency enhancement program, such as support for English 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 50,000 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.
Job Return Program	Program to re-employ the Bank's retirees. In FY2023, eligibility criteria was reviewed: Those who retired not only because of childbirth, child-fostering and spouse's transfer to remote areas but also because of private reasons can apply.

<Training>

Area	Contents
Junior Employees Training	Basic training for junior employees during their first three years.
OJT Support	OJT Trainers training, Followers training.
Regional Professional Career Training	Training for Regional Sogo-shoku to clarify their personal strengths and values in order to further demonstrate leadership and rethink about career path.
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.
Sustainability Master development program	Program to foster core talents for CO_2 consulting service to support corporate clients' decarbonization management. Sustainability Master is an internal qualification.

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 in 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.
Staggered Work Hours	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.
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	Leave granted 6 weeks prior and 8 weeks after giving birth.
Childcare Leave	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.
Childcare Leave<Special case>	Paid leave is granted up to 5 days when male employees takes Child Care Leave within 8 weeks after childbirth.
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 "Kyugyo" Leave	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.

Financial and Corporate Data
Programs and Initiatives for a Better Working Environment

Risk Governance

Risk Definition

The 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		Liquidity Risk refers to the risk of losses resulting from the Group's inability to secure sufficient liquid assets for liabilities and to meet repayment obligations caused by an unexpected outflow of funds or due to extremely high funding costs (Funding Liquidity Risk). The other type of Liquidity Risk is the potential for losses caused by the Group's inability to execute market transactions as a result of market turbulence and thin trading and also by our being forced to make transactions at extremely unfavorable prices (Market Liquidity Risk).
Operational Risk		Operational Risk is the risk of losses resulting from inadequate or failed internal procedures, officers and employees or systems, or from external events.
	Legal and Compliance Risk	Legal and Compliance Risk is the risk of the Group incurring losses from the payments of criminal fines/charges, the payments and compensation of settlement packages, fines, forfeits and damages for civil lawsuits, receipt of administrative sanctions as supervisory action or failure to protect the Group's profits caused by (1) illegal conduct arising from fraud or errors committed by officers and employees and violation of legal compliance including the Group's internal rules; (2) breaches/failures of duties and obligations to the Group and third parties including customers resulting from malicious and negligent conduct by officers and employees; (3) the Group's defective or undeveloped internal rules (policies and procedures, etc.) on legal requirements and their procedures or compliance with legal and regulatory requirements; or (4) third parties' illegal activities/errors or breaches of contracts, etc.
	Operations Risk	Operations Risk refers to the risk of losses resulting from the failure of officers and employees to properly conduct administrative work due to human error or processing deficiencies, or as a result of accidents they have caused.
	System Risk	System Risk is the risk of losses due to a breakdown or malfunctioning of the Group's or external computer systems, or a system deficiency, or improper use of the systems by officers, employees or third parties. (including system risk to respond to cyber security)
	Human Risk	Human Risk is the risk of losses caused by claims for damages against the Group arising from labor disputes over matters such as remuneration, benefits or dismissal. It refers to the risk that 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 focus business areas cause a problem to the Aozora Group's business management or sustainable growth through the realization of its business strategy.
	Tangible Asset Risk	Tangible Asset Risk refers to the risk of the Group suffering losses from the retirement of fixed assets or from the failure to capitalize assets due to external factors, such as a natural disasters and third parties, or human error by officers and employees.
	Reputation Risk	Reputation risk refers to the risk of the Aozora Group incurring losses due to inadequate handling by the Group or its directors/officers/employees, risk events that arise in connection with business operations, rumors/negative reputation that are not based on facts or the deterioration of the Group's reputation.

Comprehensive Risk Management

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

Risk management is the process of controlling risks associated with the Bank's business operations within the Bank's capital, as determined by the Board of Directors.

Acknowledging the importance of risk management activities, the Aozora Group has established a basic policy on comprehensive risk management designed to properly identify and control individual and aggregate risks.

The basic policy on comprehensive risk management sets out 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. 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 the improvement in return on capital is one of our top priorities. Capital management comprises risk capital management, namely economic capital management, for the purpose of internal management, and regulatory capital management. The objective of risk capital management is to control the Bank's business size by allocating economic capital for internal management to individual business lines 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. This allocation is also carried out to continuously secure adequate capital commensurate with the risk involved. Regulatory capital management is intended to ensure the minimum required capital for regulatory capital purposes and to conduct comparative verifications against the 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. Our approach to estimating the risk capital for operational risk is based on both an operational risk measurement approach and a loss distribution approach. Among the operational risk measurement approaches, we adopt the Standardized Approach (TSA). Under the loss distribution approach, we estimate the risk capital for operational risk by inferring the frequency and severity of loss events based on actual loss data and scenarios assuming potential risk events. In this approach, we estimate the risk capital with a confidence interval of 99.9% and a one-year holding period.

Risk Governance

<Risk Capital Allocation>
Risk capital is allocated to business groups according to their risk tolerance and expected income with the goal of improving the profitability and efficiency of the Bank as a whole. The Board of Directors initially determines unallocated capital, i.e., the amount of capital required for continued business growth and future capital policies that will not be allocated, and subsequently allocates credit risk capital, market risk capital and operational risk capital (limited to the amount of capital remaining after subtraction of unallocated capital) to business groups in line with management and business strategies. 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 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 Aozora 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, intrasector 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 the credit limit by credit ratings, and 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 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 the Management Committee determine the economic capital allocation for the entire Aozora Group including front-office business units and divisions, commensurate with market risk exposure. Market risk and loss limits are set in accordance with capital allocation. The usage of and compliance with these limits are centrally 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 (P/L) for the trading businesses daily and for the banking businesses on a daily or monthly basis.

The division makes periodic reports to the Chief Risk Officer and the Executive Officers in charge of the front offices, as well as to the Board of Directors, the Management Committee, and the 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's VaR is calculated using an internal model utilizing historical simulation.

Risk Governance

Market risk for the entire bank

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

(100 Millions of Yen)

	March 2022				
	Interest rate	Equity	Forex	Others	Total
Trading	3	8	2	0	13
Banking	57	33	1	26	77
Total	60	41	3	26	91

(100 Millions of Yen)

	March 2023				
	Interest rate	Equity	Forex	Others	Total
Trading	3	4	0	0	8
Banking	7	3	1	2	13
Total	10	8	2	2	22

Notes: 1. "Others" includes hedge funds and credit derivatives, etc.
2. The above figures are based on a 1-day holding period and a 99% confidence level.
3. The figures for total VaR do not represent the sum of individual components, due to correlations.

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

(100 Millions of Yen)

	March 2022			
	Average	Maximum	Minimum	as of Mar. 2022
Trading	11	16	7	13
Banking	74	78	69	77

(100 Millions of Yen)

	March 2023			
	Average	Maximum	Minimum	as of Mar. 2023
Trading	10	15	8	8
Banking	37	74	12	13

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

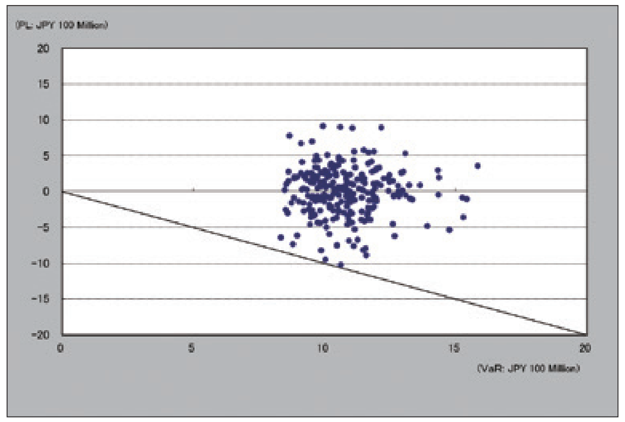
(100 Millions of Yen)

March 2022			
Average	Maximum	Minimum	as of Mar. 2022
17	30	8	30

(100 Millions of Yen)

March 2023			
Average	Maximum	Minimum	as of Mar. 2023
25	43	15	31

⑶ Back Testing
The Bank verifies the reliability of its VaR through back testing that compares its daily VaR and profits/losses. The graph represents the results of back testing for trading businesses with internal models over the 245 business days from April 1, 2022 through March 31, 2023. 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.



⑷ 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.

⑸ Amount of Regulatory Capital for Market Risk
In the calculation of the capital adequacy ratio as of March 31, 2022 and March 31, 2023, the regulatory capital for market risk and its breakdown are as follows:

(Millions of Yen)

	March 2022		March 2023	
	Consolidated	Non-Consolidated	Consolidated	Non-Consolidated
Internal Models Approach	15,116	15,116	17,930	17,930
Standardized Approach	1,196	1,181	1,209	1,186
Interest Rate Risk	515	515	513	513
Equity Risk	211	211	148	146
Foreign Exchange Risk	14	0	20	0
Commodities Risk	454	454	526	526
Options Transactions	—	—	—	—
Total	**16,313**	**16,298**	**19,139**	**19,116**

Note: The calculation methods are as follows:
1. Internal Model Approach
General market risk for the interest rates, foreign exchange (major currencies), equity and CDS trading
2. Standardized Approach
General market risk not applicable to the internal model and specific risk for CDS trading, etc.

⑹ Market Liquidity Risk Management
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 carry out transactions 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.

⑺ Funding Liquidity Risk Management
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 a sufficient level of securities with high liquidity. The Board of Directors and Asset and Liability Management 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.

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal procedures, officers and employees or systems, or from external events. The Bank recognizes the importance of appropriate operational risk management and conducts management operations in compliance with risk management policies approved by the Board of Directors.

Risk management policies include comprehensive management policies for operational risk as well as individual policies for operations risk, system risk, legal and compliance risk, human risk, tangible asset risk, reputation risk and disaster situations. The Bank has established organizational units in relevant divisions responsible for each type of operational risk as well as the Risk Management Division, which is engaged in the comprehensive control of operational risk such as understanding materialized risk, risk assessment and risk measurement.

⑴ Comprehensive Management of Operational Risk
The Bank manages operations risk, system risk and other operational risks comprehensively through integrated methods. 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 monitoring of materialized loss incidents and assessment of risks.

Actual loss events arising from operation errors, compliance incidents, system trouble, disasters/accidents, damage to tangible assets, external fraudulent acts, etc., are monitored by each risk management division. Occurrences of loss events are reported and managed within the system in an integrated fashion, and appropriate analyses/ measures are carried out. Any significant loss events must be individually reported to management according to risk management policies. Potential loss events are identified and assessed through risk mapping and risk control self-assessment (RCSA). Risk mapping is a top-down approach in which risk management divisions assess material risks borne by the Group, as well as its strength in managing such risks, based on survey results from business divisions.

RCSA is a bottom-up approach for risk assessment conducted in all operational units individually to identify/assess the material risks they face and the system to manage such risks. Through these assessments, the Bank's business operation system is checked and reviewed on an ongoing basis.

The Group's operational risk amount is estimated using internal model simulations, based on loss events and scenarios devised based on assessments, and capital is allocated in consideration of this operational risk amount and regulatory capital.

Risk Governance

Operational risks will change in accordance with factors such as the Aozora Group's commitment to new business and changes in the external environment. The Bank strives to maintain an appropriate management system so it is able to handle such changes while utilizing information on external loss incidents.

(2) Securing operational resilience
Operational resilience is a bank's ability to maintain and deliver a minimal level of critical operations in the face of a large-scale natural disasters including earthquakes and typhoons, serious system failures, cyber-attacks, terrorism, armed attacks and pandemic.

In light of recently rapid changes, such as environmental change, we think that it is more difficult to maintain an ability to consistently implement critical financial operations only by establishing a system in order to prevent accidents and failures and developing plans for particular risk events. We, therefore, believe that we need to strengthen the operational resilience policy while expecting that our operations could be suspended even if we full take prevention actions.

Aozora Bank selects 53 high priority operations by considering impacts on financial system and customers, categorizes them into seven areas and sets the minimum level of implementation on them. We have created business continuity procedures of priority operations for anticipated risk events, established a framework to secure organizations and staff members for risk events, and promoted system redundancy. We conduct drills based on the plans and framework, and continue to review them.

We have implemented third party risk management for events, such as system failures and cyber security incidents, which affect not only the Bank but also vendors, in order to strengthen operation resilience.

(3) Operations Risk Management
Aozora Bank has documented operations risk management policy and rules. The Operations Planning Division, which is independent of business divisions, handles operations risks. It strives 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 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) Other Operational Risk management
To manage operational risk comprehensively, the Bank also defines legal and compliance risk, human resource risk, tangible asset risk and reputation risk as operational risks

As for the legal and 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.

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. 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.

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.

The Business Strategy Division analyzes potential reputation risk when planning new business and/or products, and 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 Business Strategy Division, which then reports to management as necessary.

(6) Crisis Management
A part or the whole of the Bank 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 strengthen its crisis management framework to secure officers' and employees' safety and minimize impact on operations. Thus, we will further secured operational resilience to mitigate impact on financial system even when a crisis occurs.

In normal times, we develop business continuity plans (BCP), which describe responses and business continuity processes and establish backup offices, by assessing impact from the assumption that the infrastructure, systems and personnel for major operations are not available in crisis times, and have the latest BCP on hand. The Bank has conducted various drills and training sessions to enhance officers' and employees' awareness on crisis management and their abilities to effectively implement BCP when needed.

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 BCP implementation, information collection and start of restoration processes. The President takes responsibility in decision-making 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.

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.

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

Policies

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

Policies

➢ 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. More 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.

Policies

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.

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.

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Investment and Lending Policies regarding Environmental & Societal Issues

Today's global society is increasingly focused on initiatives designed to respond to environmental issues, protect human rights, eliminate unfair labor practices, and prevent corruption as means to achieve Sustainable Development Goals (SDGs) and become carbon neutral.

Regarding environmental issues, it has become imperative to consider issues of biodiversity, including preventing the destruction of natural ecosystems, as we become more aware of the associated physical risks which arise from the increase in natural disasters resulting from climate change as well as transition risks including the development of new technology and changes in laws and regulations regarding the transition to a carbon neutral society. The need to respond to social issues such as the growing focus on human rights, improving of our basic living infrastructure, as well as providing higher quality education and medical services, is increasing more than ever.

Under these conditions, it is important for corporations to fulfill their responsibilities to the environment and society by focusing not only on their own business activities, but also their involvement in the broader supply-chain network. Financial institutions are expected to contribute to solutions for environmental & social issues across their entire investment and loan portfolios.

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 "climate change," "human rights", and "promoting industrial transition" as key issues (ESG Materiality) in light of social trends, expectations/requests from stakeholders, and the importance of corporate management in the Aozora Bank Group.

In order to contribute to the solutions for these issues, the Aozora Bank Group has established the "Aozora Bank Group Environmental Policy", which defines the Aozora Bank Group's policy towards environmental issues, and the "Aozora Bank Group Human Rights Policy", which defines the Aozora Bank Group's policy towards human rights issues. Based on these policies, the Aozora Bank Group also has established a set of "Investment and Lending Policies regarding Environmental & Societal Issues" as a way to work towards sustainable growth in tandem with its customers through investments and loans that contribute to the sustainable development of society.

The Aozora Bank Group expects these efforts to contribute to the realization of a sustainable society.

1. Basic approach

The Aozora Bank Group will proactively develop various financing initiatives to support its customers' efforts to address environmental and social issues as well as new products and services.

The Aozora Bank Group recognizes environmental and social risks and strives to make improvements through dialogue with customers whose businesses may have a negative impact on the environment and work to reduce environmental and social risks by restricting or prohibiting credit when no improvement can be made.

2. Investment and Lending Policy Governance

⑴ **Governance**

The Aozora Bank Group has established its "Investment and Lending Policies regarding Environmental & Societal Issues" and implements its investment and lending business based on these policies as part of its management philosophy. To better facilitate this goal, the Aozora Bank Group reviews its Policies in response to the demands of the business environment/society and changes in business activity through discussions at Sustainability Committee Meetings following the decisions of the Management Committee.

⑵ **Application to Individual Cases**

The approval of specific loans is made by the Credit Committee or Investment Committee based on the results of a customer hearing that verifies ⑴ the customer's credit worthiness, ⑵ the loan's profitability given its level of risk, and ⑶ its impact on the environment and society (a positive or negative change to the environment or society arising from the investment or loan). For achievement of carbon neutral, the Aozora Bank Group 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

⑴ **Promotion of investments and loans that support initiatives to address environmental & 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 & societal issues through investments and loans as a means to realize environmental sustainability and societal growth.

The Aozora Bank Group categorizes its financing initiatives according to a set of criteria that determines whether an initiative is designed to address environmental or social issues, as well as whether the use of proceeds is specified or unspecified, as seen in the examples below. 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 & social issues.

[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 & unspecified fund usage] Financing for environmental innovations:
Financing for initiatives that aim to reduce environmental load, including the development, implementation, and dissemination of innovative and transition technology, etc., in order to substantially reduce greenhouse gas emissions.

[Society/specified & unspecified 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 & bonds whose stated purpose is consistent with the borrower's sustainability strategy and whose lending conditions can be changed based 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.

⑵ **Initiatives regarding sectors that may have a negative impact on the environment or society**

Regarding business activity that may have a negative impact on the environment or society, the Aozora Bank Group differentiates between "cross-sectoral" and "specific sector" initiatives in its "Investment and Lending Policies regarding Environmental & Societal Issues".

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 implementation of the customer's initiatives to mitigate/avoid such impacts and risks.

①**[Cross-sectoral]** **<u>Businesses, etc., deemed illegal</u>**

The Aozora Bank Group will not provide any investment or loan to any entity involved in the following material risks to or negative impact on the environment or society:

- Illegal acts which violate the laws/regulations of a country to which a customer belongs, acts violating international rules on environmental issues and human rights, customers associated with businesses involving acts against the public order/conventional morality, customers indirectly assisting such acts, as well as anti-social elements
- 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)

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・Businesses which violate the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) (in consideration of the reservation clause of each country).
・Customers that are associated with businesses involved in child labor or forced labor.

②[Cross-sectoral] **Businesses, etc., requiring attention**

As the following cases involve risk to or negative impact on the environment and society, the Aozora Bank Group confirms the implementation of its customers' initiatives to mitigate/avoid these risks and makes deliberate determinations in light of these factors when considering providing loans to customers.

・Businesses which have a negative impact on the regional societies of indigenous peoples
・Businesses that require the expropriation of land leading to the involuntary relocation of inhabitants

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.
Also, when considering providing financing or project finance advisory services for projects which do not fall into the scope of the Equator Principles but are nonetheless considered to have a negative impact on the environment/society, or the risk thereof, as determined by the Principles, the Aozora Bank Group will confirm any initiatives developed by the customer in consideration of environmental and social issues as appropriate.

④[Specific Sector] **Coal-fired Power Generation**

Coal-fired power generation emits more greenhouse gases than other power generation measures, and as such, it draws concerns regarding climate change and air pollution. There are also fears that it may disrupt the smooth transition to a decarbonized society, one of the main goals of the Paris Agreement.
The Aozora Bank Group will not provide financing for the construction of new coal-fired power plants or expansion of coal-fired power generation facilities.
Furthermore, the Group will proactively provide investments and loans to support its customers' initiatives that help contribute to the transition to a decarbonized society, including carbon dioxide capture, usage, and storage technologies.

⑤[Specific Sector] **Coal Mining**

The Aozora Bank Group recognizes the need to consider the impact of hazardous waste discharged from coal mines on local ecosystems.
When considering making investments or loans for the development of a new coal mine, the Aozora Bank Group will verify the customer's consideration of environmental and social issues.
The Aozora Bank Group will not make any investment or loan for mountaintop removal (MTR) coal mining which has a substantial impact on the environment.
The Aozora Bank Group will not make any 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 & Gas**

While oil and gas are indispensable sources of energy for society, the Aozora Bank Group needs to carefully consider its impact on climate change via greenhouse gas emissions.
Regarding oil sands, shale oil & gas, oil & gas pipelines, and development in the Arctic Circle (the area 66°33′ north of the equator), the Aozora Bank Group needs to consider soil and water contamination as well as the impact on local ecosystems and indigenous peoples.
When considering making investments or loans for oil sands, shale oil & gas, oil & gas pipelines, and development in the Arctic Circle (the area 66°33′ north of the Equator), the Aozora Bank Group will verify the customer's consideration of environmental and social issues.

⑦[Specific Sector] **Large-scale Hydroelectric Power Generation**

While hydroelectric power generation contributes to the clean energy supply, the Aozora Bank Group needs to take into account the impact of dam construction on regional ecosystems and local residents' living environment.
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 verify the customer's consideration of environmental and social issues.

⑧[Specific Sector] **Deforestation**

Forests are important for the protecting biodiversity and also play an important role in mitigating climate change through their natural ability to capture and store carbon dioxide.
Unregulated and large-scale deforestation will cause substantial negative impact on the environment.
When considering making investments or loans for businesses involved in deforestation, the Aozora Bank Group will verify the customer's consideration of environmental and social issues.

⑨[Specific Sector] **Large-scale agriculture**

Large-scale agriculture may have a negative impact on the environment or society in areas with inadequate legal systems. These risks include deforestation, damage to biodiversity, and water pollution associated with the inappropriate use of agricultural chemicals and fertilizers.
When considering making investments or loans for businesses involved in large-scale agriculture in these areas, the Aozora Bank Group will verify the customer's attitude and efforts to address environmental and social issues.

⑩[Specific Sector] **Palm Oil**

Human rights issues may arise in the production and processing of palm oil, such as infringement on indigenous peoples' rights, child labor, and environmental issues including deforestation, the burning of natural forests, and loss of biodiversity.
When providing investments or loans for the development of palm oil plantations, the Aozora Bank Group requests its customers to make an NDPE (No Deforestation, No Peat, No Exploitation) commitment.
When considering making investments or loans for businesses associated with the distribution, etc., of palm oil, the Aozora Bank Group will verify the customer's consideration of environmental and social issues, including whether they have obtained RSPO (Roundtable on Sustainable Palm Oil) certification.

⑪[Specific Sector] **Tobacco Manufacturing**

The Aozora Bank Group must consider the relevant human rights issues related to the cultivation of tobacco plants, such as the abolishment of child/forced labor.
Moreover, smoking tobacco may cause health issues such as lung cancer and impaired respiratory function.
When considering making investments or loans related to tobacco manufacturing, the Aozora Bank Group will verify the customer's consideration of environmental and social issues, including health hazards as well as child and forced labor.

⑫[Specific Sector] **Inhumane weapons**

Cluster munitions, which are a form of air-dropped explosive weapons that release smaller submunitions over a wide area, and their undetonated submunitions have caused substantial damage to civilians. The international community, as well as 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 on civilians and are recognized within the international community as an important humanitarian concern.
The Aozora Bank Group will not make any investment or loan related to the manufacturing of inhumane weapons such as cluster munitions.

⑬[Specific Sectors] **Nuclear Power**

Fears that nuclear power-related technologies, equipment, and nuclear materials may be diverted for military use as well as concerns arising from the impact of a potential nuclear incident on the environment or society are wide-spread and have a long history.
When considering investments or loans for nuclear power-related businesses, the Aozora Bank Group will gather information regarding the customer's consideration of and stance on addressing environmental and social issues.

⑭[Specific Sectors] Plastics

While plastics contribute to the reduction of food loss, 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.

When considering investments or loans for plastic-related businesses, the Aozora Bank Group will gather information regarding the customer's consideration of and stance on addressing environmental and social issues.

⑮[Specific Sectors] Shipping

While ships emit less CO_2 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.

When considering investments or loans for ship-related businesses, the Aozora Bank Group will gather information regarding the customer's consideration of and stance on addressing environmental and social issues.

⑯[Specific Sectors] Mining

The Aozora Bank Group must consider the impact of the development of mines, such as the effect of deforestation and hazardous waste on local ecosystems, the forced displacement of inhabitants, child and forced labor, and corruption in politically unstable regions.

When considering investments or loans to the mining industry, the Aozora Bank Group will gather information regarding the customer's consideration of and stance on addressing environmental and social issues.

4. Measures to promote these initiatives

⑴ **Internal training**

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

⑵ **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 communicating with its customers (engagement).

⑶ **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's 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.

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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.

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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 filling 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.

Policies

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

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 Bank Group and its staff 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 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 our customers

●In the Bank, 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 believes it will lead to our growth that having many customers deal with us and satisfying the customers by increasing the balance of assets entrusted by them. By practicing Aozora’s Platform Business, we will meet the diverse needs of our 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 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 financial 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 will begin in January 2024.

<Structured Bonds>

Structured bonds are not suitable for customers who aim for long-term stable asset building. There are two types of structured bonds: “complex structured bonds” and “non-complex structured bonds”. Since “complex structured bonds” are complicated products that incorporate options, etc., into bonds, they are not suitable for those who do not have sufficient investment experience or knowledge.

●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 “BANK™” 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 Business Divisions validate whether they are suitable for the target potential customers, and the related business group investigates, analyzes and examines various issues and problems such as product risks and provision systems for customers. Then, the Integrated Risk Committee, the Customer Protection Committee, etc. have discussions as necessary and finally the Group Head decides the introduction.

●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 intension 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.

Financial and Corporate Data
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<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)

	2023	2022	2021	2020	2019
Ordinary income	183,292	134,737	155,755	184,406	160,136
Trust fees	377	444	386	462	372
Ordinary profit	7,356	46,294	38,982	43,330	47,796
Net income attributable to owners of the parent	8,719	35,004	28,972	28,142	36,130
Comprehensive income (loss)	(38,507)	13,611	79,781	(6,437)	30,923
Share capital	100,000	100,000	100,000	100,000	100,000
Total equity	431,119	487,265	490,006	424,758	448,710
Total assets	7,184,070	6,728,653	5,916,866	5,299,815	5,255,048
Debentures and bonds payable	147,773	168,959	198,365	259,935	283,946
Deposits (Note 1)	5,497,352	4,871,556	4,012,506	3,396,899	3,230,731
Loans and bills discounted	3,881,373	3,317,125	2,948,808	2,954,122	2,779,894
Securities	1,278,749	1,478,178	1,393,357	1,073,670	1,240,838
Net assets per share (yen)	3,751.95	4,222.79	4,233.53	3,659.84	3,844.08
Basic net income per share (yen)	74.67	299.81	248.27	241.18	309.67
Diluted net income per share (yen)	74.54	299.38	247.90	240.92	309.42
Consolidated capital adequacy ratio (domestic standard) (%)	9.43	10.37	11.03	10.29	10.27
Net cash provided by (used in) operating activities	(61,382)	253,900	728,732	(286,284)	147,285
Net cash provided by (used in) investing activities	213,939	(23,830)	(223,529)	121,823	(55,862)
Net cash provided by (used in) financing activities	(18,068)	(16,059)	(14,882)	(17,871)	(19,710)
Cash and cash equivalents, end of year	1,196,230	1,061,743	847,732	357,411	539,743
Trust assets (Note 2)	871,414	879,535	730,209	835,481	797,320

Notes: 1. Deposits include negotiable certificates of deposit (NCDs).
2. '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 GMO Aozora Net Bank, Ltd. until September 30, 2018, and the Bank since October 1, 2018.

Consolidated Financial Review

1. Consolidated and Equity-Method Companies

(Number of Companies)

Years Ended March 31	2023	2022	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 numbers of consolidated subsidiaries were 25 as of March 31, 2023 and 2022, respectively.

The numbers of subsidiaries and affiliated companies accounted for using the equity method were 1 as of March 31 2023 and 2022, respectively.

Aozora APF (Ireland) Limited was established and included in the scope of consolidation as subsidiaries.

In addition, Aozora Investments LLC was liquidated and excluded from the scope of consolidation as subsidiaries.

There was no change in subsidiaries and affiliated companies accounted for using the equity method from March 31, 2022.

2. Analysis of Business Results

(1) Income

(Millions of yen)

Years Ended March 31	2023	2022	Change
Total income	**¥183,292**	**¥134,738**	**¥48,554**
Interest income	113,570	66,141	47,429
Interest on loans and discounts	87,355	44,737	42,617
Interest and dividends on securities	23,397	20,283	3,113
Interest on due from banks	765	11	754
Other interest income	2,052	1,109	942
Fees and commissions income (including trust fees)	17,716	17,744	(28)
Gains on trading account transactions	14,832	16,642	(1,809)
Other ordinary income	23,798	28,066	(4,267)
Gains on sales of bonds and other securities	5,914	9,408	(3,493)
Gains on foreign exchange transactions	—	2,961	(2,961)
Gains on derivatives	1,957	1,082	875
Other	15,926	14,614	1,311
Other income	13,374	6,142	7,231
Gains on sales of stocks and other securities	8,576	2,034	6,542
Gains on investments in money held in trust	315	328	(12)
Equity in earnings of associates	2,380	2,620	(240)
Recoveries of written-off receivables	1,199	156	1,042
Reversal of provision for credit losses on off-balance-sheet instruments	—	205	(205)
Gains on disposal of fixed assets	0	0	(0)
Other	902	796	105

・Total income was ¥183.2 billion, an increase of ¥48.5 billion year-on-year
・Interest income was ¥113.5 billion, an increase of ¥47.4 billion year-on-year
- The change was due to increases in both average loan outstandings and interest yield
・Fees and commissions income were ¥17.7 billion, a decrease of ¥0.0 billion year-on-year
- Loan-related fee income was ¥6.1 billion, a decrease of ¥1.6 billion year-on-year mainly due to the delay in the closing of several large-sized transactions (expected fee income of approximately ¥2.0 billion) to 1Q of FY2023
- Investment trust AUM balances and Investment trust fee income (+¥0.5 billion) both increased as sales of investment trust products offered by Aozora Investment Management to the retail customers of regional financial institutions were strong
・Gains on trading account transactions were ¥14.8 billion, a decrease of ¥1.8 billion year-on-year
- Trading revenues decreased due to a lower level of earnings from the sale of structured bonds and trading income
・Other ordinary income was ¥23.7 billion, a decrease of ¥4.2 billion year-on-year

(2) Expenses

(Millions of yen)

Years Ended March 31	2023	2022	Change
Total expenses	**¥175,938**	**¥88,762**	**¥87,176**
Interest expenses	62,490	14,529	47,960
Interest on deposits	11,281	6,183	5,098
Interest on bonds payable	1,517	1,957	(439)
Interest on borrowings and rediscounts	1,452	1,195	256
Interest expenses on interest rate swaps	22,570	2,768	19,802
Other interest expenses	25,668	2,424	23,243
Fees and commissions expenses	4,383	3,720	662
Losses on trading account transactions	10,636	—	10,636
Other ordinary expenses	32,835	7,334	25,500
Amortization of bond issuance costs	144	182	(38)
Losses on foreign exchange transactions	6,885	—	6,885
Losses on sales of bonds and other securities	16,109	4,908	11,201
Losses on redemption of bonds and other securities	590	—	590
Losses on devaluation of bonds and other securities	373	—	373
Other	8,732	2,243	6,488
General and administrative expenses	59,463	57,490	1,973
Other expenses	6,129	5,687	442
Losses on sales of stocks and other securities	—	1	(1)
Losses on devaluation of stocks and other securities	80	—	80
Write-off of loans	176	1,367	(1,190)
Provision of allowance for loan losses	1,110	2,702	(1,592)
Provision of allowance for credit losses on off-balance-sheet instruments	84	—	84
Losses on disposition of loans	1,528	33	1,495
Losses on disposal of fixed assets	2	49	(46)
Losses on impairment of fixed assets	—	269	(269)
Other	3,145	1,264	1,881

・Total expenses were ¥175.9 billion, an increase of ¥87.1 billion year-on-year
・Interest expenses were ¥62.4 billion, an increase of ¥47.9 billion year-on-year
・Other ordinary expenses were ¥32.8 billion, an increase of ¥25.5 billion year-on-year
- Gains/losses on bond transactions were a net loss of ¥11.1 billion, compared to a net gain of ¥4.5 billion in the previous year
- Losses related to risk reduction operations in the securities portfolio, including gains/losses on financial and equity derivatives, in this fiscal year were ¥11.2 billion. Losses recorded in 4Q were ¥7.5 billion mainly due to the sale of foreign bonds and municipal bonds.
・General and administrative expenses were ¥59.4 billion, an increase of ¥1.9 billion year-on-year
- Personnel expenses increased by ¥1.4 billion from the previous year as the Bank has continued to invest in human capital, including pay-scale increases and personnel system reform

(3) Net income

(Millions of yen)

Years Ended March 31	2023	2022	Change
Income before income taxes	**¥7,354**	**¥45,975**	**¥(38,621)**
Income taxes	**698**	**12,937**	**(12,238)**
Current	437	13,110	(12,672)
Deferred	260	(173)	434
Net income	**6,655**	**33,038**	**(26,382)**
Net loss attributable to non-controlling interests	**(2,064)**	**(1,966)**	**(98)**
Net income attributable to owners of the parent	**¥8,719**	**¥35,004**	**¥(26,284)**

・Income before income taxes was ¥7.3 billion, a decrease of ¥38.6 billion year-on-year
・Consolidated net income attributable to owners of the parent was ¥8.7 billion, a decrease of ¥26.2 billion
・Net income per share was ¥74.67

Consolidated Financial Review

3. Analysis of Financial Condition

(1) Loans and bills discounted

(Millions of yen)

Years Ended March 31	2023	2022	Change
Total loans	**¥3,881,373**	**¥3,317,125**	**¥564,247**
Domestic loans	2,510,178	2,127,502	382,676
Overseas loans	1,371,194	1,189,623	181,571
Ratio of overseas loans	**35.3%**	**35.9%**	**(0.6%)**

Breakdown of Loans and Bills Discounted by Industry (Consolidated)

(Millions of yen)

Years Ended March 31	2023	2022
Domestic offices (excluding Japan offshore market accounts)	**¥3,000,048**	**¥2,545,736**
Manufacturing	258,789	236,800
Agriculture, forestry and fisheries	3,119	4,129
Mining, quarry and gravel extraction	—	—
Construction	12,769	10,311
Electricity, gas, heat supply and water	141,507	87,017
Information and communications	105,336	102,695
Transport and postal service	49,774	40,379
Wholesale and retail trade	86,957	77,982
Finance and insurance	342,472	352,055
Real estate	760,426	715,081
Leasing	148,798	100,517
Various services	155,215	153,857
Local government	8,588	16,980
Others	926,292	647,928
Overseas offices (including Japan offshore market accounts)	**881,324**	**771,389**
Government	—	—
Financial institutions	—	—
Others	881,324	771,389
Total	**¥3,881,373**	**¥3,317,125**

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	2023	2022	Change
Bankrupt and similar credit	¥3,039	¥2,822	¥216
Doubtful credit	30,623	16,201	14,422
Special attention credit	5,511	2,392	3,119
Loans overdue for three months or more	—	—	—
Restructured loans	5,511	2,392	3,119
Total	**39,174**	**21,416**	**17,757**
Normal credit	3,896,873	3,346,004	550,869
Total credit	**¥3,936,047**	**¥3,367,420**	**¥568,626**
NPL ratio	**1.0%**	**0.6%**	**0.4%**

・Loans and bills discounted were ¥3,881.3 billion, an increase of ¥564.2 billion compared to March 31, 2022
・Domestic loans increased by ¥382.6 billion
- Environmental finance and loans to borrowers with strong credit ratings (e.g. government, domestic REITs, leasing) contributed to the increase
・Overseas loans were ¥1,371.1 billion, an increase of ¥181.5 billion from March 31, 2022 (an increase of $551 million)
・NPL ratio (consolidated) was 1.0%, an increase of 0.4% from March 31, 2022
- NPLs increased by ¥17.7 billion compared to March 31, 2022, which was mainly due to changes in obligor classification as a result of the conservative evaluation of the overseas real estate non-recourse loan portfolio

(2) Securities

(Millions of yen)

Years Ended March 31	2023	2022	Change
Japanese debt securities	**¥185,327**	**¥413,563**	**¥(228,235)**
Japanese national government bonds	18,381	76,367	(57,986)
Japanese local government bonds	38,985	164,282	(125,296)
Japanese short-term corporate bonds	10,999	34,998	(23,998)
Japanese corporate bonds	116,961	137,915	(20,954)
Japanese stocks	**30,154**	**31,534**	**(1,380)**
Other securities	**1,063,267**	**1,033,080**	**30,187**
Foreign securities	766,533	876,571	(110,037)
Others	296,733	156,508	140,225
Total	**¥1,278,749**	**¥1,478,178**	**¥(199,428)**

・Securities were ¥1,278.7 billion, a decrease of ¥199.4 billion compared to March 31, 2022
- The Bank implemented a loss-cut to a portion of the unrealized losses in the securities portfolio. As result, in addition to a decrease in foreign government bond balances, Japanese national government bonds and local government bonds balances also decreased in order to reduce yen interest rate risk
・Total unrealized losses were a net loss of ¥65.9 billion, an increase of ¥71.8 billion from March 31, 2022

(3) Deposits and bonds payable

(Millions of yen)

Years Ended March 31	2023	2022	Change
Deposits	**¥5,497,352**	**¥4,871,556**	**¥625,796**
Time deposits	2,277,512	2,456,663	(179,150)
Liquid deposits	3,106,338	2,288,275	818,063
Other	113,501	126,618	(13,116)
Bonds payable	**¥147,773**	**¥168,959**	**¥(21,186)**

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

・Total core funding (deposits and bonds payable) was ¥5,645.1 billion, an increase of ¥604.6 billion from March 31, 2022
- The balance of retail deposits increased by ¥491.6 billion compared to March 31, 2022
- The average deposit balance per retail account was approximately ¥4.8 million and approximately 80% of the total retail deposit balance (on a non-consolidated basis) was covered by the Deposit Insurance Corporation of Japan

(4) Equity

・Equity was ¥431.1 billion, a decrease of ¥56.1 billion from March 31, 2022
・Net assets per common share were ¥3,751.95

Consolidated Financial Statements

Consolidated Balance Sheet

Aozora Bank, Ltd. and Consolidated Subsidiaries
March 31, 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
Assets	2023	2022	2023
Cash and cash equivalents (Notes 3 and 27)	¥1,196,230	¥1,061,743	$8,957,847
Due from banks (Note 27)	78,772	80,203	589,883
Call loans and bills bought (Note 27)	78,311	122,243	586,426
Monetary claims bought (Note 27)	75,209	101,687	563,202
Trading account assets (Notes 4, 12, 27 and 28)	151,285	133,021	1,132,882
Money held in trust (Notes 6 and 27)	13,083	20,930	97,976
Securities (Notes 5, 7, 12 and 27)	1,278,749	1,478,178	9,575,778
Loans and bills discounted (Notes 7, 12 and 27)	3,881,373	3,317,125	29,065,249
Foreign exchange (Notes 7, 8, 12 and 27)	76,873	63,878	575,656
Other assets (Notes 7, 12, 16 and 27)	284,650	306,215	2,131,578
Tangible fixed assets (Note 9)	21,617	21,785	161,882
Intangible fixed assets (Note 9)	19,392	20,140	145,219
Retirement benefit asset (Note 17)	3,873	4,964	29,009
Deferred tax assets (Note 25)	53,577	31,729	401,209
Customers' liabilities for acceptances and guarantees (Notes 7 and 10)	18,630	14,038	139,510
Allowance for loan losses (Note 11)	(44,052)	(48,677)	(329,881)
Allowance for investment losses	(3,509)	(553)	(26,280)
Total	**¥7,184,070**	**¥6,728,653**	**$53,797,145**

	Millions of yen		Thousands of U.S. dollars (Note 1)
Liabilities and Equity	2023	2022	2023
Liabilities:			
Deposits (Notes 13 and 27)	¥5,497,352	¥4,871,556	$41,166,336
Call money and bills sold (Note 27)	10,000	16,121	74,884
Securities sold under repurchase agreements (Notes 12 and 27)	48,224	69,876	361,125
Cash collateral received for securities lent (Notes 12 and 27)	215,983	356,956	1,617,371
Trading account liabilities (Notes 4, 27 and 28)	121,877	129,227	912,668
Borrowed money (Notes 12, 15 and 27)	525,613	432,342	3,936,003
Bonds payable (Notes 14 and 27)	147,773	168,959	1,106,583
Other liabilities (Notes 16 and 27)	155,679	170,441	1,165,790
Retirement benefit liability (Note 17)	11,288	10,974	84,532
Provision for credit losses on off-balance-sheet instruments	496	407	3,716
Provision for contingent loss	—	453	—
Reserves under special laws	8	8	62
Deferred tax liabilities (Note 25)	22	23	171
Acceptances and guarantees (Note 10)	18,630	14,038	139,510
Total liabilities	**6,752,951**	**6,241,387**	**50,568,751**
Equity:			
Shareholders' equity:			
Share capital (Note 18)	100,000	100,000	748,839
Capital surplus (Note 18)	87,481	87,476	655,093
Retained earnings (Notes 18 and 33)	291,898	301,700	2,185,852
Treasury stock—at cost (Note 18)	(3,099)	(3,117)	(23,210)
Total	476,280	486,060	3,566,574
Accumulated other comprehensive income (loss):			
Valuation difference on available-for-sale securities	(45,449)	3,985	(340,345)
Deferred gains or losses on hedges	972	(157)	7,284
Foreign currency translation adjustment	7,683	3,450	57,536
Remeasurements of defined benefit plans (Note 17)	(1,328)	(233)	(9,952)
Total	(38,122)	7,045	(285,477)
Share acquisition rights (Notes 18 and 19)	503	390	3,768
Non-controlling interests	(7,541)	(6,229)	(56,471)
Total equity	**431,119**	**487,265**	**3,228,394**
Total	**¥7,184,070**	**¥6,728,653**	**$53,797,145**

See the accompanying notes to consolidated financial statements.

Consolidated Statement of Income

Aozora Bank, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Income:			
Interest income:			
Interest on loans and discounts	¥87,355	¥44,737	$654,150
Interest and dividends on securities	23,397	20,283	175,211
Interest on due from banks	765	11	5,735
Other interest income	2,052	1,109	15,369
Trust fees	377	444	2,830
Fees and commissions income	17,338	17,300	129,836
Gains on trading account transactions	14,832	16,642	111,073
Other ordinary income (Note 20)	23,798	28,066	178,213
Other income (Note 21)	13,374	6,142	100,153
Total income	183,292	134,738	1,372,570
Expenses:			
Interest expenses:			
Interest on deposits	11,281	6,183	84,484
Interest on bonds payable	1,517	1,957	11,364
Interest on borrowings and rediscounts	1,452	1,195	10,874
Interest expenses on interest rate swaps	22,570	2,768	169,019
Other interest expenses	25,668	2,424	192,213
Fees and commissions expenses	4,383	3,720	32,822
Losses on trading account transactions	10,636	—	79,648
Other ordinary expenses (Note 22)	32,835	7,334	245,885
General and administrative expenses (Note 23)	59,463	57,490	445,287
Other expenses (Note 24)	6,129	5,687	45,903
Total expenses	175,938	88,762	1,317,499
Income before income taxes	**7,354**	**45,975**	**55,071**
Income taxes (Note 25):			
Current	437	13,110	3,279
Deferred	260	(173)	1,954
Total income taxes	698	12,937	5,233
Net income	**6,655**	**33,038**	**49,838**
Net loss attributable to non-controlling interests	**(2,064)**	**(1,966)**	**(15,460)**
Net income attributable to owners of the parent	**¥8,719**	**¥35,004**	**$65,298**

	Yen		U.S. dollars (Note 1)
	2023	2022	2023
Per share information:			
Basic net income per share of common stock (Note 30)	¥74.67	¥299.81	$0.56
Diluted net income per share of common stock (Note 30)	74.54	299.38	0.56
Cash dividends applicable to the year:			
Common stock	154.00	149.00	1.15

See the accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Aozora Bank, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Net income	**¥6,655**	**¥33,038**	**$49,838**
Other comprehensive income (loss) (Note 29):			
Valuation difference on available-for-sale securities	(49,430)	(23,233)	(370,156)
Deferred gains or losses on hedges	1,129	593	8,461
Foreign currency translation adjustment	1,515	2,322	11,348
Remeasurements of defined benefit plans	(1,095)	(1,208)	(8,203)
Share of other comprehensive income (loss) in associates	2,717	2,099	20,351
Total other comprehensive income (loss)	(45,163)	(19,427)	(338,199)
Comprehensive income (loss) (Note 29)	**¥(38,507)**	**¥13,611**	**$(288,361)**
Comprehensive income (loss) attributable to:			
Owners of the parent	¥(36,447)	¥15,600	$(272,937)
Non-controlling interests	(2,059)	(1,989)	(15,424)

See the accompanying notes to consolidated financial statements.

Consolidated Financial Statements

Consolidated Statement of Changes in Equity

Aozora Bank, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2023

	Millions of yen												
	Shareholders' equity					Accumulated other comprehensive income (loss)							
	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	Share acquisition rights	Non-controlling interests	Total equity
Balance, April 1, 2021	**¥100,000**	**¥87,412**	**¥283,464**	**¥(3,260)**	**¥467,615**	**¥27,196**	**¥(750)**	**¥(971)**	**¥974**	**¥26,449**	**¥482**	**¥(4,541)**	**¥490,006**
Cumulative effects of accounting change			(657)		(657)		(1)			(1)			(659)
Restated balance	100,000	87,412	282,806	(3,260)	466,958	27,196	(752)	(971)	974	26,447	482	(4,541)	489,346
Net income attributable to owners of the parent			35,004		35,004								35,004
Cash dividends paid			(16,109)		(16,109)								(16,109)
Purchase of treasury stock (Note 18)				(0)	(0)								(0)
Disposal of treasury stock (Note 18)		64		142	207								207
Net changes in items during the year						(23,210)	595	4,421	(1,208)	(19,402)	(91)	(1,688)	(21,182)
Balance, March 31, 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 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**

	Thousands of U.S. dollars (Note 1)												
	Shareholders' equity					Accumulated other comprehensive income (loss)							
	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	Share acquisition rights	Non-controlling interests	Total equity
Balance, March 31, 2022	**$748,839**	**$655,061**	**$2,259,255**	**$(23,346)**	**$3,639,809**	**$29,847**	**$(1,177)**	**$25,836**	**$(1,749)**	**$52,757**	**$2,923**	**$(46,651)**	**$3,648,838**
Net income attributable to owners of the parent			65,298		65,298								65,298
Cash dividends paid			(139,040)		(139,040)								(139,040)
Change in scope of consolidation			339		339								339
Purchase of treasury stock (Note 18)				(0)	(0)								(0)
Disposal of treasury stock (Note 18)		32		136	168								168
Net changes in items during the year						(370,192)	8,461	31,700	(8,203)	(338,234)	845	(9,820)	(347,209)
Balance, March 31, 2023	**$748,839**	**$655,093**	**$2,185,852**	**$(23,210)**	**$3,566,574**	**$(340,345)**	**$7,284**	**$57,536**	**$(9,952)**	**$(285,477)**	**$3,768**	**$(56,471)**	**$3,228,394**

See the accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Aozora Bank, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Cash flows from operating activities:			
Income before income taxes	¥7,354	¥45,975	$55,071
Adjustments for:			
Depreciation and amortization	6,984	6,461	52,301
Losses on impairment of fixed assets	—	269	—
Equity in losses (earnings) of associates	(2,380)	(2,620)	(17,823)
Increase (decrease) in allowance for loan losses	(4,696)	(2,284)	(35,172)
Increase (decrease) in allowance for investment losses	2,956	(121)	22,136
Decrease (increase) in retirement benefit asset	(515)	(904)	(3,857)
Increase (decrease) in retirement benefit liability	340	69	2,552
Increase (decrease) in provision for retirement benefits for directors (and other officers)	—	(4)	—
Increase (decrease) in provision for credit losses on off-balance-sheet instruments	88	(205)	662
Interest income (accrual basis)	(113,570)	(66,141)	(850,464)
Interest expenses (accrual basis)	62,490	14,529	467,954
Losses (gains) on securities	2,662	(6,533)	19,941
Losses (gains) on money held in trust	(315)	(328)	(2,364)
Foreign exchange losses (gains)	(137,868)	(141,148)	(1,032,411)
Losses (gains) on disposal of fixed assets	2	49	20
Net decrease (increase) in trading account assets	(18,263)	21,595	(136,766)
Net increase (decrease) in trading account liabilities	(7,349)	(11,223)	(55,037)
Net decrease (increase) in loans and bills discounted	(497,146)	(301,040)	(3,722,830)
Net increase (decrease) in deposits	625,796	859,049	4,686,206
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	93,271	82,574	698,452
Net decrease (increase) in due from banks (excluding due from the Bank of Japan)	4,330	25,112	32,426
Net decrease (increase) in call loans and bills bought and others	70,409	(108,424)	527,251
Net increase (decrease) in call money and bills sold and others	(27,773)	13,711	(207,981)
Net increase (decrease) in cash collateral received for securities lent	(140,972)	(74,717)	(1,055,656)
Net decrease (increase) in foreign exchange—assets	(14,628)	(6,685)	(109,544)
Increase (decrease) in straight bonds—issuance and redemption	(21,186)	(29,405)	(158,654)
Interest and dividends received (cash basis)	107,336	65,583	803,777
Interest paid (cash basis)	(60,602)	(14,088)	(453,814)
Other, net	8,301	(105,186)	62,165
Subtotal	(54,946)	263,916	(411,459)
Income taxes paid	(6,436)	(10,016)	(48,201)
Net cash provided by (used in) operating activities	(61,382)	253,900	(459,660)
Cash flows from investing activities:			
Purchase of securities	(416,168)	(678,529)	(3,116,434)
Proceeds from sales of securities	383,204	442,358	2,869,589
Proceeds from redemption of securities	244,860	205,959	1,833,612
Increase in money held in trust	(48,963)	(143,232)	(366,655)
Decrease in money held in trust	57,111	155,181	427,670
Purchase of tangible fixed assets	(1,524)	(592)	(11,413)
Purchase of intangible fixed assets	(4,468)	(4,975)	(33,461)
Proceeds from sales of tangible fixed assets	9	0	72
Settlement of asset retirement obligations	(122)	—	(918)
Net cash provided by (used in) investing activities	213,939	(23,830)	1,602,062
Cash flows from financing activities:			
Repayments of lease obligations	(249)	(249)	(1,868)
Proceeds from stock issuance to non-controlling interests	756	304	5,666
Cash dividends paid	(18,567)	(16,109)	(139,040)
Cash dividends paid to non-controlling interests	(8)	(4)	(63)
Purchase of treasury stock	(0)	(0)	(0)
Proceeds from sales of treasury stock	0	0	1
Net cash used in financing activities	(18,068)	(16,059)	(135,304)
Net increase (decrease) in cash and cash equivalents	**134,487**	**214,010**	**1,007,098**
Cash and cash equivalents, beginning of year	**1,061,743**	**847,732**	**7,950,749**
Cash and cash equivalents, end of year (Note 3)	**¥1,196,230**	**¥1,061,743**	**$8,957,847**

See the accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Aozora Bank, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2023

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 International Financial Reporting 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 ¥133.54 to $1.00, the rate of exchange at March 31, 2023. 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, 2023 and 2022, respectively. The number of subsidiaries and affiliated companies accounted for using the equity method was 1 as of March 31, 2023 and 2022, respectively.

Aozora APF（Ireland）Limited was established and consolidated in the fiscal year ended March 31, 2023. Aozora Investments LLC was excluded from the scope of consolidation due to liquidation during the fiscal year ended March 31, 2023.

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.

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 International Financial Reporting 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 11 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 ¥25,604 million ($191,734 thousand) and ¥24,065 million at March 31, 2023 and 2022, respectively.

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 three groups of corporate loans in North America/Europe, Asia 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, 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 ('Borrower Ratings') 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.

(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) Provision for Contingent Loss

Provision for contingent loss is maintained for possible losses from contingencies, which are not covered by other reserves.

(15) 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.

(16) 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 (nine years) 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.

(17) 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.

(18) 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.

(19) 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.

(20) 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.

(21) Change in Accounting Policies
(Application of 'Implementation Guidance on Accounting Standard for Fair Value Measurement')
The 'Implementation Guidance on Accounting Standard for Fair Value Measurement' (ASBJ Guidance No.31 June 17, 2021; hereinafter referred to as the 'Implementation Guidance on Accounting Standard for Fair Value Measurement'), has been applied from the beginning of the fiscal year ended March 31, 2023. In accordance with the transitional treatment prescribed in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the Bank applied the new accounting policy as prescribed in the Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively. The application did not have any impact on the consolidated financial statements.

In addition, in accordance with transitional treatment prescribed in Paragraph 27-3 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, comparative information for the current fiscal year of investment trusts concerning fair value of financial instruments and breakdown by level within fair value hierarchy, etc. is not described in Note 27, 'Financial Instruments and Related Disclosures.'

(22) Change in Presentation
(Consolidated Statement of Income)
'Interest expenses on interest rate swaps', which was included in 'Other interest expenses' under 'Interest expenses' until the previous fiscal year, is presented separately in the current fiscal year as the amount became material. In order to reflect this change in the presentation of the financial information, the consolidated financial statements for the previous fiscal year have been retroactively restated.
As a result, 'Other interest expenses' of ¥5,193 million previously presented in the consolidated statement of income for the previous fiscal year have been restated, resulting in the current presentation of 'Interest expenses on interest rate swaps' of ¥2,768 million and 'Other interest expenses' of ¥2,424 million.

(23) Additional Information
(Application of 'Practical Solution on the Accounting and Disclosure under the Group Relief System')
The Bank and certain consolidated subsidiaries located in Japan have transferred from the consolidated taxation system to the group relief system from the beginning of the fiscal year ended March 31, 2023. The accounting and disclosure of corporate tax, local corporate tax and tax effect accounting after the transition is in accordance with the 'Practical Solution on the Accounting and Disclosure under the Group Relief System' (ASBJ PITF No.42 August 12, 2021, hereinafter referred to as 'PITF No.42'). Pursuant to Paragraph 32 (1) of PITF No.42, the change in accounting policy by applying PITF No.42 is considered to have no effect.

(24) Significant Accounting Estimates
Among items recorded in the consolidated financial statements for the year ended March 31, 2023 with accounting estimates, items that significantly affect the consolidated financial statements for the year ending March 31, 2024 are described below:
1) Allowance for loan losses
(a) Amounts recorded in the consolidated financial statements
Allowance for loan losses: ¥44,052 million ($329,881 thousand) and ¥48,677 million at March 31, 2023 and 2022, respectively
(b) Information contributing to understanding of the detail of the significant accounting estimates related to recognized item
(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.'
The Bank assumed that the effects of the global novel coronavirus ('COVID-19') pandemic on the economy and corporate activities would continue long term and that certain borrowers' business performance may continue to be affected until the fiscal year ended March 31, 2023. Based on this general assumption, the allowance for loan losses was provided with consideration of possible future credit deterioration for the borrowers.
As of March 31, 2023, the effects of COVID-19 on the economy and corporate activities have been on a downward trend as the above assumption, and the allowance for loan losses is calculated by reflecting borrower categories based on the latest information available by the end of the fiscal year.
(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 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.
(iii) Effect over the consolidated financial statements for the year ending March 31, 2024
In case the assumptions used for the original estimation changes due to fluctuations in business performance, of individual borrower or fluctuation of figures used for estimation of future cash flows generated from underlying real estate properties of real estate non-recourse loans, the allowance for loan losses can be significantly affected in the consolidated financial statements for the year ending March 31, 2024.
2) Determination regarding 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 '2) Determination regarding recognition of impairment loss of fixed assets'), which is a consolidated subsidiary, as an asset grouping unit, and considers determination of recoverability of GMO Aozora's fixed assets as a significant accounting estimate.
The Bank recorded GMO Aozora's fixed assets of ¥8,821 million ($66,060 thousand) (tangible fixed assets ¥438 million ($3,282 thousand), intangible fixed assets ¥8,383 million ($62,778 thousand)), and no impairment loss of fixed assets was recorded in the consolidated financial statements for the year ended March 31, 2023.
(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 has been in the loss position and GMO Aozora failed to meet the business plan made at the start of the business. However, 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 recoverability of GMO Aozora's fixed assets, undiscounted future cash flows are estimated based

on GMO Aozora's most recent business plan, with the number of corporate accounts, number of exchange transactions, amount of debit card transactions, and number of loan agreements as major assumptions.
(iii) Effect over the consolidated financial statements for the year ending March 31, 2024
If major assumptions in GMO Aozora's business plan change due to changes in financial and economic conditions and the total amount of undiscounted cash flows falls 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, 2023 and 2022, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Cash on hand	¥4,601	¥6,289	$34,459
Due from the Bank of Japan	1,191,629	1,055,453	8,923,388
Total	¥1,196,230	¥1,061,743	$8,957,847

4. Trading Account Assets and Liabilities

Trading account assets and liabilities as of March 31, 2023 and 2022, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Trading account assets:			
Trading securities	¥55	¥12	$418
Trading securities derivatives	7,811	14,392	58,494
Trading account securities derivatives for hedging	4,493	10,570	33,647
Trading account financial derivatives	138,924	108,045	1,040,323
Total	¥151,285	¥133,021	$1,132,882
Trading account liabilities:			
Trading account securities derivatives for hedging	¥14,001	¥14,936	$104,849
Trading account financial derivatives	107,876	114,290	807,819
Total	¥121,877	¥129,227	$912,668

Consolidated Financial Statements

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, 2023 and 2022, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Japanese national government bonds	¥18,381	¥76,367	$137,650
Japanese local government bonds	38,985	164,282	291,937
Japanese short-term corporate bonds	10,999	34,998	82,370
Japanese corporate bonds	116,961	137,915	875,852
Japanese stocks	30,154	31,534	225,805
Foreign bonds	458,787	536,059	3,435,581
Other	604,479	497,020	4,526,583
Total	¥1,278,749	¥1,478,178	$9,575,778

As of March 31, 2023 and 2022, securities included equity investments in unconsolidated subsidiaries and affiliated companies that amounted to ¥62,115 million ($465,142 thousand) and ¥55,974 million, respectively.

The unrealized gains and losses for trading securities as of March 31, 2023 and 2022, were charged to profit or loss for the years then ended as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unrealized gains (losses)	¥4	¥(0)	$35

No held-to-maturity bonds were held as of March 31, 2023 and 2022.

The costs and carrying amounts of available-for-sale securities with fair value as of March 31, 2023 and 2022, were as follows:

	Millions of yen			Thousands of U.S. dollars		
	Carrying amount	Cost	Difference	Carrying amount	Cost	Difference
March 31, 2023						
Carrying amount exceeding cost:						
Japanese stocks	¥24,031	¥10,841	¥13,190	$179,959	$81,182	$98,777
Japanese national government bonds	—	—	—	—	—	—
Japanese local government bonds	5,219	5,191	28	39,089	38,877	212
Japanese short-term corporate bonds	—	—	—	—	—	—
Japanese corporate bonds	37,879	37,426	452	283,657	280,267	3,390
Foreign bonds	43,391	43,080	310	324,930	322,601	2,329
Other	204,266	190,056	14,210	1,529,628	1,423,216	106,412
Subtotal	314,788	286,595	28,192	2,357,263	2,146,143	211,120
Carrying amount not exceeding cost:						
Japanese stocks	3,628	3,936	(308)	27,169	29,478	(2,309)
Japanese national government bonds	18,381	19,683	(1,301)	137,649	147,395	(9,746)
Japanese local government bonds	33,765	33,894	(129)	252,848	253,819	(971)
Japanese short-term corporate bonds	10,999	10,999	—	82,370	82,370	—
Japanese corporate bonds	79,081	80,449	(1,367)	592,195	602,437	(10,242)
Foreign bonds	415,396	478,170	(62,774)	3,110,652	3,580,729	(470,077)
Other	236,868	265,097	(28,229)	1,773,762	1,985,152	(211,390)
Subtotal	798,121	892,231	(94,110)	5,976,645	6,681,380	(704,735)
Total	¥1,112,910	¥1,178,827	¥(65,917)	$8,333,908	$8,827,523	$(493,615)
March 31, 2022						
Carrying amount exceeding cost:						
Japanese stocks	¥27,458	¥6,977	¥20,480			
Japanese national government bonds	20,014	20,012	1			
Japanese local government bonds	12,822	12,761	60			
Japanese short-term corporate bonds	—	—	—			
Japanese corporate bonds	59,625	58,967	658			
Foreign bonds	84,720	83,726	994			
Other	175,186	146,712	28,474			
Subtotal	379,827	329,157	50,670			
Carrying amount not exceeding cost:						
Japanese stocks	982	1,054	(71)			
Japanese national government bonds	56,353	57,098	(744)			
Japanese local government bonds	151,459	152,779	(1,319)			
Japanese short-term corporate bonds	34,998	34,998	—			
Japanese corporate bonds	78,290	78,531	(241)			
Foreign bonds	451,338	480,752	(29,414)			
Other	219,102	231,969	(12,867)			
Subtotal	992,526	1,037,185	(44,658)			
Total	¥1,372,353	¥1,366,342	¥6,011			

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, 2023, the amount that the Group wrote off was ¥404 million ($3,028 thousand) which was ¥30 million ($231 thousand) for-stocks and ¥373 million ($2,797 thousand) for foreign bonds.
For the year ended March 31, 2022, there was no write-off of marketable available-for-sale securities.

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.'

Of securities received under unsecured lending agreements, lending agreements with cash collateral or resale agreements, etc., and securities received as collateral for derivative transactions, which permit borrowers to sell or repledge such securities received, ¥13 million ($101 thousand) and ¥242 million were repledged under such agreements, none were re-loaned under such agreements and none remained undisposed as of March 31, 2023 and 2022, respectively.

Proceeds from sales of available-for-sale securities and the gross realized gains and losses on these sales for the years ended March 31, 2023 and 2022, 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, 2023						
Japanese stocks	¥3,062	¥2,805	¥—	$22,934	$21,009	$—
Japanese national government bonds	39,305	15	650	294,331	120	4,868
Japanese local government bonds	120,349	3	3,474	901,222	27	26,015
Japanese short-term corporate bonds	—	—	—	—	—	—
Japanese corporate bonds	5,372	1	24	40,234	11	186
Foreign bonds	77,488	21	5,016	580,261	164	37,569
Other	126,434	11,370	7,534	946,790	85,150	56,419
Total	¥372,012	¥14,219	¥16,700	$2,785,772	$106,481	$125,057
March 31, 2022						
Japanese stocks	¥1,986	¥1,625	¥—			
Japanese national government bonds	10,021	174	—			
Japanese local government bonds	—	—	—			
Japanese short-term corporate bonds	—	—	—			
Japanese corporate bonds	6,317	317	—			
Foreign bonds	318,271	1,172	3,133			
Other	102,593	8,591	1,775			
Total	¥439,190	¥11,881	¥4,909			

'Valuation difference on available-for-sale securities' stated in the consolidated balance sheet as of March 31, 2023 and 2022, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Net unrealized gains	¥(65,917)	¥6,011	$(493,615)
Available-for-sale securities	(65,917)	6,011	(493,615)
Other money held in trust	—	—	—
(+) Deferred tax assets	20,445	—	153,106
(-) Deferred tax liabilities	—	2,052	—
Valuation difference on available-for-sale securities (before adjustments)	(45,471)	3,959	(340,509)
(-) Non-controlling interests	(21)	(26)	(164)
(+) The Bank's interest in valuation difference on available-for-sale securities held by equity method affiliate	—	—	—
Valuation difference on available-for-sale securities	¥(45,449)	¥3,985	$(340,345)

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, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Carrying amounts	¥13,083	¥20,930	$97,976
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, 2023 and 2022.

7. Loans and Bills Discounted

Loans and bills discounted as of March 31, 2023 and 2022, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Bills discounted	¥7,223	¥5,674	$54,090
Loans on notes	14,034	24,443	105,096
Loans on deeds	3,712,621	3,143,831	27,801,566
Overdrafts	147,480	142,933	1,104,393
Other	13	242	104
Total	¥3,881,373	¥3,317,125	$29,065,249

Non-performing loans ('NPLs') based on the Banking Act and the Financial Reconstruction Act as of March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Bankrupt and similar credit	¥3,039	¥2,822	$22,760
Doubtful credit	30,623	16,201	229,318
Special attention credit	5,511	2,392	41,274
Loans overdue for three months or more	—	—	—
Restructured loans	5,511	2,392	41,274
NPL credit	39,174	21,416	293,352
Normal credit	3,896,873	3,346,004	29,181,319
Total credit	¥3,936,047	¥3,367,420	$29,474,671

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

Non-performing loans (‘NPLs’) 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 a 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 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 ¥560,665 million ($4,198,481 thousand) and ¥550,256 million as of March 31, 2023 and 2022, respectively. ¥480,109 million ($3,595,247 thousand) and ¥461,747 million of these amounts relate to contracts with residual contractual terms of one year or less as of March 31, 2023 and 2022, 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, 2023 and 2022, were ¥7,223 million ($54,090 thousand) and ¥5,674 million, respectively.

8. Foreign Exchange

Foreign exchange as of March 31, 2023 and 2022, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Assets:			
Due from foreign banks	¥76,873	¥63,878	$575,656
Total	¥76,873	¥63,878	$575,656

9. Tangible Fixed Assets and Intangible Fixed Assets

Tangible fixed assets as of March 31, 2023 and 2022, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Buildings	¥9,837	¥10,322	$73,668
Land	9,235	9,235	69,159
Lease assets	247	478	1,854
Other	2,297	1,749	17,201
Total	¥21,617	¥21,785	$161,882
Accumulated depreciation	¥26,369	¥26,364	$197,466

Intangible fixed assets as of March 31, 2023 and 2022, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Software	¥19,325	¥20,072	$144,716
Other	67	67	503
Total	¥19,392	¥20,140	$145,219

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, 2023 and 2022, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
General allowance	¥33,693	¥38,489	$252,307
Specific allowance	10,359	10,188	77,574
Total	¥44,052	¥48,677	$329,881

12. Pledged Assets and Collateralized Debts

The carrying amounts of assets pledged as collateral and collateralized debts as of March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Assets pledged as collateral:			
Securities	¥278,693	¥440,268	$2,086,970
Loans and bills discounted	389,081	174,285	2,913,594
Total	¥667,775	¥614,553	$5,000,564
Collateralized debts:			
Securities sold under repurchase agreements	¥48,224	¥69,876	$361,125
Cash collateral received for securities lent	215,983	356,956	1,617,371
Borrowed money	100,000	59,800	748,839
Total	¥364,208	¥486,632	$2,727,335

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, 2023 and 2022:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Securities	¥33,493	¥48,473	$250,814
Loans and bills discounted	1,557	—	11,660
Foreign exchange	13,354	12,243	100,000
Other assets:			
Margin deposits for futures transactions	962	962	7,205
Cash collateral paid for financial instruments	81,238	143,846	608,345
Guarantee deposits	45,784	29,396	342,853
Total	¥176,389	¥234,920	$1,320,877

13. Deposits

Deposits as of March 31, 2023 and 2022, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Current deposits	¥33,457	¥32,708	$250,545
Ordinary deposits	3,022,098	2,222,218	22,630,662
Saving deposits	49,846	32,352	373,271
Deposits at notice	935	995	7,005
Time deposits	2,243,512	2,423,163	16,800,305
Negotiable certificates of deposit	34,000	33,500	254,605
Other	113,501	126,618	849,943
Total	¥5,497,352	¥4,871,556	$41,166,336

14. Bonds Payable

Bonds payable as of March 31, 2023 and 2022, consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2023	2022	2023	Interest rates
Three-year unsecured straight bond issued by the Bank	¥40,000	¥60,000	$299,536	0.10% - 0.35%
Five-year unsecured straight bond issued by the Bank	3,000	19,000	22,465	0.18% - 0.19%
Three-year unsecured straight bond issued by the Bank in U.S. dollars	86,745	73,431	649,582	1.05% - 5.90%
Three-year unsecured domestic straight bond issued by the Bank in U.S. dollars	11,350	10,406	85,000	1.06%
Five-year unsecured domestic straight bond issued by the Bank in U.S. dollars	6,677	6,121	50,000	1.70%
Total	¥147,773	¥168,959	$1,106,583	

Annual maturities of bonds payable as of March 31, 2023, were as follows:

Years Ending March 31	Millions of yen	Thousands of U.S. dollars
2024	¥34,350	$257,233
2025	50,048	374,779
2026	63,374	474,571
2027	—	—
2028	—	—
Total	¥147,773	$1,106,583

15. Borrowed Money

The weighted-average annual interest rates applicable to borrowed money were 0.49% and 0.46% as of March 31, 2023 and 2022, respectively.

Borrowed money does not include subordinated borrowings as of March 31, 2023 and 2022.

Annual maturities of borrowed money as of March 31, 2023, were as follows:

Years Ending March 31	Millions of yen	Thousands of U.S. dollars
2024	¥106,513	$797,618
2025	5,500	41,186
2026	10,300	77,130
2027	13,000	97,349
2028	2,500	18,721
2029 and thereafter	387,800	2,903,999
Total	¥525,613	$3,936,003

Apart from borrowed money, lease obligations are included in ‘Other liabilities.’ Annual maturities of lease obligations as of March 31, 2023, were as follows:

Years Ending March 31	Millions of yen	Thousands of U.S. dollars
2024	¥240	$1,801
2025	20	150
2026	—	—
2027	—	—
Total	¥260	$1,951

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.

16. Other Assets and Liabilities

Other assets and liabilities as of March 31, 2023 and 2022, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Other assets:			
Accrued income	¥13,528	¥8,095	$101,306
Accounts receivable	32,546	30,323	243,722
Financial derivatives	74,697	53,380	559,367
Cash collateral paid for financial instruments	81,238	143,846	608,345
Guarantee deposits	45,784	29,396	342,853
Other	36,855	41,173	275,985
Total	¥284,650	¥306,215	$2,131,578
Other liabilities:			
Income taxes payable	¥428	¥6,847	$3,212
Accrued expenses	6,712	4,687	50,267
Accounts payable	22,292	21,114	166,938
Financial derivatives	78,431	101,576	587,329
Cash collateral received for financial instruments	21,386	7,239	160,153
Asset retirement obligations	2,104	2,206	15,757
Other	24,322	26,770	182,134
Total	¥155,679	¥170,441	$1,165,790

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, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Defined retirement benefit obligation at the beginning of fiscal year	¥42,047	¥42,188	$314,867
Service cost	1,711	1,692	12,817
Interest cost	164	165	1,233
Actuarial losses (gains)	123	352	924
Benefits paid	(2,102)	(2,350)	(15,744)
Defined retirement benefit obligation at the end of fiscal year	¥41,944	¥42,047	$314,097

Changes in plan assets for the years ended March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Fair value of plan assets at the beginning of fiscal year	¥36,037	¥37,084	$269,863
Expected return on plan assets	900	927	6,747
Actuarial gains (losses)	(1,510)	(1,042)	(11,309)
Contributions from employer	457	468	3,428
Benefits paid	(1,356)	(1,399)	(10,155)
Fair value of plan assets at the end of fiscal year	¥34,529	¥36,037	$258,574

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, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Funded defined retirement benefit obligation	¥30,656	¥31,072	$229,565
Plan assets	(34,529)	(36,037)	(258,574)
	(3,873)	(4,964)	(29,009)
Unfunded defined retirement benefit obligation	11,288	10,974	84,532
Net liability (asset) arising from defined retirement benefit obligation	¥7,414	¥6,009	$55,523
Retirement benefit liability	¥11,288	¥10,974	$84,532
Retirement benefit asset	(3,873)	(4,964)	(29,009)
Net liability (asset) arising from defined retirement benefit obligation	¥7,414	¥6,009	$55,523

Components of net periodic retirement benefit costs for the years ended March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Service cost	¥1,711	¥1,692	$12,817
Interest cost	164	165	1,233
Expected return on plan assets	(900)	(927)	(6,747)
Recognized actuarial losses	54	(263)	410
Amortization of prior-service cost	—	(81)	—
Other	7	13	56
Net periodic defined retirement benefit costs	¥1,037	¥598	$7,769

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

The breakdown of ‘Remeasurements of defined benefit plans’ in Other comprehensive income (loss), before adjusting for tax effects, for the years ended March 31, 2023 and 2022, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Amortization of prior-service cost	¥—	¥(81)	$—
Recognized actuarial gains (losses)	(1,578)	(1,659)	(11,823)
Total	¥(1,578)	¥(1,741)	$(11,823)

The breakdown of 'Remeasurements of defined benefit plans' in Accumulated other comprehensive income (loss), before adjusting for tax effects, as of March 31, 2023 and 2022, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unrecognized prior-service cost	¥—	¥—	$—
Unrecognized actuarial losses	(1,915)	(336)	(14,344)
Total	¥(1,915)	¥(336)	$(14,344)

Plan assets

(1) Asset allocation of plan assets as of March 31, 2023 and 2022, was as follows:

	2023	2022
Bonds	50.2%	47.9%
Stocks	20.9	21.9
Cash and deposits	13.2	16.6
Other	15.7	13.6
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, 2023 and 2022, were as follows:

	2023	2022
Discount rate	0.4%	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, 2023 and 2022.

Changes in the number of issued shares of common stock and treasury stock for the years ended March 31, 2023 and 2022, consisted of the following:

	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

	Thousands			
	Number of shares			
	As of April 1, 2021	Increase	Decrease	As of March 31, 2022
Issued stock				
Common stock	118,289	—	—	118,289
Treasury stock				
Common stock (Note)	1,586	0	69	1,517

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, 2023 and 2022, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2023	2022	2023
Share acquisition rights as stock options	¥503	¥390	$3,768

Cash dividends

Cash dividends paid during the years ended March 31, 2023 and 2022, 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, 2023				
(Record date: December 31, 2022) (Note 1)				
Common stock	¥4,437	¥38.00	$33,231	$0.28
(Record date: September 30, 2022) (Note 2)				
Common stock	¥4,437	¥38.00	$33,231	$0.28
(Record date: June 30, 2022) (Note 3)				
Common stock	¥4,437	¥38.00	$33,229	$0.28
(Record date: March 31, 2022) (Note 4)				
Common stock	¥5,254	¥45.00	$39,350	$0.34
Year ended March 31, 2022				
(Record date: December 31, 2021 (Note 5)				
Common stock	¥4,670	¥40.00		
(Record date: September 30, 2021) (Note 6)				
Common stock	¥3,736	¥32.00		
(Record date: June 30, 2021) (Note 7)				
Common stock	¥3,734	¥32.00		
(Record date: March 31, 2021) (Note 8)				
Common stock	¥3,967	¥34.00		

Notes: 1. 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.
2. 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.
3. 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.
4. Year-end cash dividends applicable to the fiscal year ended March 31, 2022, were approved at the Board of Directors' meeting held on May 16, 2022.
5. Cash dividends applicable to the three-month period ended December 31, 2021, were approved at the Board of Directors' meeting held on January 31, 2022.
6. Cash dividends applicable to the three-month period ended September 30, 2021, were approved at the Board of Directors' meeting held on November 12, 2021.
7.Cash dividends applicable to the three-month period ended June 30, 2021, were approved at the Board of Directors' meeting held on August 2, 2021.
8. Year-end cash dividends applicable to the fiscal year ended March 31, 2021, were approved at the Board of Directors' meeting held on May 13, 2021.

(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.

19. Stock Options

(1) Expenses for stock options as of March 31, 2023, and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
General and administrative expenses	¥135	¥115	$1,012

(2) Outline, volume and changes in stock options

The outline of stock options was as follows:

	Stock options for FY2022	Stock options for FY2021	Stock options for FY2020
Title and number of eligible persons	4 directors of the Bank 23 executive officers of the Bank	4 directors of the Bank 20 executive officers of the Bank	4 directors of the Bank 18 executive officers of the Bank
Number of stock options by share class (Note)	56,420 shares of common stock	51,540 shares of common stock	64,110 shares of common stock
Grant date	July 8, 2022	July 12, 2021	July 10, 2020
Condition for vesting	None	None	None
Requisite service period	None	None	None
Exercise period	From July 9, 2022 to July 8, 2052	From July 13, 2021 to July 12, 2051	From July 11, 2020 to July 10, 2050

	Stock options for FY2019	Stock options for FY2018	Stock options for FY2017
Title and number of eligible persons	4 directors of the Bank 18 executive officers of the Bank	4 directors of the Bank 17 executive officers of the Bank	4 directors of the Bank 17 executive officers of the Bank
Number of stock options by share class (Note)	47,420 shares of common stock	25,540 shares of common stock	26,540 shares of common stock
Grant date	July 11, 2019	July 13, 2018	July 13, 2017
Condition for vesting	None	None	None
Requisite service period	None	None	None
Exercise period	From July 12, 2019 to July 11, 2049	From July 14, 2018 to July 13, 2048	From July 14, 2017 to July 13, 2047

	Stock options for FY2016	Stock options for FY2015
Title and number of eligible persons	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)	34,330 shares of common stock	22,970 shares of common stock
Grant date	July 15, 2016	July 14, 2015
Condition for vesting	None	None
Requisite service period	None	None
Exercise period	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 FY2022	Stock options for FY2021	Stock options for FY2020	Stock options for FY2019	Stock options for FY2018	Stock options for FY2017
Before vested						
At the beginning of fiscal year	—	—	—	—	—	—
Granted	56,420 shares	—	—	—	—	—
Forfeited	—	—	—	—	—	—
Vested	56,420 shares	—	—	—	—	—
Outstanding	—	—	—	—	—	—
After vested						
At the beginning of fiscal year	—	51,540 shares	48,970 shares	28,640 shares	13,010 shares	9,090 shares
Vested	56,420 shares	—	—	—	—	—
Exercised	—	2,010 shares	2,370 shares	1,690 shares	970 shares	800 shares
Forfeited	—	—	—	—	—	—
Exercisable	56,420 shares	49,530 shares	46,600 shares	26,950 shares	12,040 shares	8,290 shares

	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	8,410 shares	3,880 shares
Vested	—	—
Exercised	960 shares	—
Forfeited	—	—
Exercisable	7,450 shares	3,880 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 FY2022	Stock options for FY2021	Stock options for FY2020	Stock options for FY2019	Stock options for FY2018	Stock options for FY2017
Exercise price	¥1	¥1	¥1	¥1	¥1	¥1
Average stock price when exercised	—	2,614	2,614	2,614	2,614	2,614
Fair value on grant date	¥2,396	¥2,248	¥1,537	¥2,352	¥3,832	¥3,980

	Stock options for FY2016	Stock options for FY2015
Exercise price	¥1	¥1
Average stock price when exercised	2,614	—
Fair value on grant date	¥3,420	¥4,380

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

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

Stock options for FY2022 granted in the fiscal year ended March 31, 2023 were valued using the Black-Scholes option pricing model.

The principal parameters and estimation methods were as follows:

	Stock options for FY2022
Expected volatility (Note 1)	23.4%
Average expected life (Note 2)	2 years
Expected dividends (Note 3)	¥149 ($1.1) per share
Risk-free interest rate (Note 4)	0.07% negative

Notes: 1. Expected volatility is calculated based on the actual price of common stock of the Bank on each trading day from June 29, 2020 to July 4, 2022.
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 fiscal year ended March 31, 2022.
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, 2023 and 2022, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Gains on foreign exchange transactions	¥—	¥2,961	$—
Gains on sales of bonds and other securities	5,914	9,408	44,293
Gains on derivatives	1,957	1,082	14,659
Other	15,926	14,614	119,261
Total	¥23,798	¥28,066	$178,213

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

21. Other Income

Other income for the years ended March 31, 2023 and 2022, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Gains on sales of stocks and other securities	¥8,576	¥2,034	$64,226
Gains on investments in money held in trust	315	328	2,365
Recoveries of written-off receivables	1,199	156	8,981
Reversal of provision for credit losses on off-balance-sheet instruments	—	205	—
Equity in earnings of associates	2,380	2,620	17,823
Gains on disposal of fixed assets	0	0	0
Other	902	796	6,758
Total	¥13,374	¥6,142	$100,153

22. Other Ordinary Expenses

Other ordinary expenses for the years ended March 31, 2023 and 2022, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Amortization of bond issuance costs	¥144	¥182	$1,079
Losses on foreign exchange transactions	6,885	—	51,561
Losses on sales of bonds and other securities	16,109	4,908	120,632
Losses on redemption of bonds and other securities	590	—	4,424
Losses on devaluation of bonds and other securities	373	—	2,797
Other	8,732	2,243	65,392
Total	¥32,835	¥7,334	$245,885

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, 2023 and 2022, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Salaries and related expenses	¥23,615	¥22,649	$176,845
Other	35,847	34,841	268,442
Total	¥59,463	¥57,490	$445,287

24. Other Expenses

Other expenses for the years ended March 31, 2023 and 2022, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Losses on sales of stocks and other securities	¥—	¥1	$—
Losses on devaluation of stocks and other securities	80	—	606
Losses on investments in money held in trust	0	—	1
Write-off of loans	176	1,367	1,325
Provision of allowance for loan losses	1,110	2,702	8,318
Provision of allowance for credit losses on off-balance-sheet instruments	84	—	631
Losses on disposition of loans	1,528	33	11,445
Losses on disposal of fixed assets	2	49	21
Losses on impairment of fixed assets	—	269	—
Other	3,145	1,264	23,556
Total	¥6,129	¥5,687	$45,903

25. Income Taxes

The Bank and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 30.6% for the years ended March 31, 2023 and 2022.

The Bank and certain consolidated subsidiaries located in Japan have applied the group relief system from the fiscal year ended March 31, 2023. The accounting and disclosure of corporate tax, local corporate tax and tax effect accounting is accordance with the 'Practical Solution on the Accounting and Disclosure under the Group Relief System' (ASBJ PITF No.42 August 12, 2021).

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Deferred tax assets:			
Tax loss carryforwards(Note 1)	¥24,237	¥20,937	$181,502
Allowance for loan losses	14,228	15,342	106,551
Devaluation of securities	728	1,120	5,458
Valuation difference on available-for-sale securities	21,378	413	160,088
Deferred gains or losses on hedges	—	69	—
Difference related to investment in consolidated subsidiaries	16,304	16,749	122,097
Write-off of loans	75	75	564
Other	14,540	13,545	108,886
Total of tax loss carryforwards and temporary differences	91,494	68,252	685,146
Less valuation allowance for tax loss carryforwards	(23,519)	(20,883)	(176,126)
Less valuation allowance for temporary differences	(11,808)	(12,918)	(88,430)
Total valuation allowance	(35,328)	(33,802)	(264,556)
Total deferred tax assets	56,165	34,450	420,590
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(366)	(659)	(2,744)
Deferred gains or losses on hedges	(429)	—	(3,215)
Other	(1,815)	(2,085)	(13,593)
Total deferred tax liabilities	(2,610)	(2,744)	(19,552)
Net deferred tax assets	¥53,554	¥31,706	$401,038

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

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 1)	¥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 2) ¥717

	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 1)	$7	$—	$667	$2,454	$38	$178,336	$181,502
Less valuation allowance for tax loss carryforwards	(7)	—	(667)	(2,449)	(6)	(172,997)	(176,126)
Net deferred tax assets related to tax loss carryforwards	$—	$—	$—	$5	$32	$5,339	(Note 2) $5,376

Year ended March 31, 2022

	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 1)	¥—	¥3	¥8	¥91	¥328	¥20,504	¥20,937
Less valuation allowance for tax loss carryforwards	—	(3)	(8)	(91)	(328)	(20,451)	(20,883)
Net deferred tax assets related to tax loss carryforwards	¥—	¥—	¥—	¥—	¥0	¥52	(Note 3) ¥53

Notes: 1. The amount of tax loss carryforwards is multiplied by the normal effective statutory tax rate.

2. Of the tax loss carryforward of the ¥24,237 million ($181,502 thousand) (multiplied by the effective statutory tax rate), the Group recorded deferred tax assets of ¥717 million ($5,376 thousand) as of March 31, 2023. Valuation allowances are provided for the portion of tax loss carryforwards that are judged not to be recoverable.
3. Of the tax loss carryforward of the ¥20,937 million (multiplied by the effective statutory tax rate), the Group recorded deferred tax assets of ¥53 million as of March 31, 2022. Valuation allowances are provided for the portion of tax loss carryforwards that are judged not to be recoverable.

Reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the years ended March 31, 2023 and 2022, were as follows:

	2023	2022
Normal effective statutory tax rate	30.6%	30.6%
Valuation allowance	6.0	(1.9)
Tax loss carryforwards of subsidiaries	(17.1)	(0.9)
Expenses not deductible for income tax purposes	0.8	0.3
Reversal of corporate income tax for prior periods at overseas subsidiary	(6.3)	—
Other—net	(4.5)	—
Actual effective tax rate	9.5%	28.1%

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, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Due one year or less	¥2,233	¥2,119	$16,728
Due after one year	4,583	6,152	34,326
Total	¥6,817	¥8,272	$51,054

Consolidated Financial Statements

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 12% and 10% of the total outstanding balance of loans as of March 31, 2023 and 2022, 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 Group is composed of 'Obligor Rating', 'Facility Rating' and 'Expected Loss Grade.' 'Obligor Rating' is given, in principle, to all customers for whom the Group 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.

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 Group 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 is managed by establishing exposure guidelines by credit ratings of borrowers, countries or regions. For the real estate portfolio, the Group establishes additional concentration limits to control such risk.

(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 1-day holding period, a 99% confidence interval, an observation period of 2 years for the trading account, and 5 years for the banking account in principle. 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 ¥883 million ($6,613 thousand) and ¥1,398 million as of March 31, 2023 and 2022, 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 245 business days from April 1, 2022 to March 31, 2023, and the 244 business days from April 1, 2021 to March 31, 2022, 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 ¥1,363 million ($10,208 thousand) and ¥7,790 million as of March 31, 2023 and 2022, 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 (P/L) 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 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 as well as a drill to confirm response procedures.

(d) Operational risk management

The Group recognizes operations risk, legal and compliance risk and system risk in handling financial instruments as operational risk, and manages it in a comprehensive manner through uniform method and indicators. 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. Operational risk of the Group is estimated using internal model simulations, based on actual loss events and conceived risk scenarios, and capital is allocated to cover the estimated risk within the internal capital allocation system.

(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 measures credit risk, market risk and operational 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, 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.

(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, 2023 and 2022

	Millions of yen				Thousands of U.S. dollars			
	2023				2023			
	Carrying Amount				Carrying Amount			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥—	¥—	¥31,597	¥31,597	$—	$—	$236,618	$236,618
Trading account assets	—	—	55	55	—	—	418	418
Securities								
Available-for-sale	319,197	648,558	48,328	1,016,084	2,390,277	4,856,659	361,901	7,608,837
Japanese stocks	26,034	1,625	—	27,659	194,953	12,175	—	207,128
Japanese national government bonds	18,381	—	—	18,381	137,650	—	—	137,650
Japanese local government bonds	—	38,985	—	38,985	—	291,936	—	291,936
Japanese short-term corporate bonds	—	—	10,999	10,999	—	—	82,370	82,370
Japanese corporate bonds	—	100,826	16,135	116,961	—	755,027	120,825	875,852
Foreign bonds	146,464	291,129	21,193	458,787	1,096,785	2,180,090	158,706	3,435,581
Other (Note 1)	128,317	215,991	0	344,308	960,889	1,617,431	0	2,578,320
Assets total	¥319,197	¥648,558	¥79,982	¥1,047,737	$2,390,277	$4,856,659	$598,937	$7,845,873
Derivatives (Notes 3 and 4)								
Interest rate contracts	¥—	¥34,692	¥9	¥34,702	$—	$259,794	$69	$259,863
Foreign exchange contracts	—	(8,610)	—	(8,610)	—	(64,482)	—	(64,482)
Equity contracts	(9,987)	—	7,811	(2,176)	(74,792)	—	58,494	(16,298)
Bond contracts	(223)	(683)	—	(906)	(1,671)	(5,117)	—	(6,788)
Commodity derivatives	—	305	0	305	—	2,287	0	2,287
Credit derivatives	—	1,786	—	1,786	—	13,378	—	13,378
Derivatives total	¥(10,210)	¥27,490	¥7,820	¥25,100	$(76,463)	$205,860	$58,563	$187,960

	Millions of yen			
	2022			
	Carrying Amount			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥—	¥—	¥50,805	¥50,805
Trading account assets	—	—	12	12
Securities				
Available-for-sale	318,482	594,160	77,669	990,311
Japanese stocks	28,005	435	—	28,441
Japanese national government bonds	76,367	—	—	76,367
Japanese local government bonds	—	164,282	—	164,282
Japanese short-term corporate bonds	—	—	34,998	34,998
Japanese corporate bonds	—	119,114	18,800	137,915
Foreign bonds	207,318	304,870	23,870	536,059
Other (Note 2)	6,789	5,457	0	12,247
Assets total	¥318,482	¥594,160	¥128,487	¥1,041,129
Derivatives (Notes 3, 4 and 5)				
Interest rate contracts	¥—	¥32,221	¥0	¥32,221
Foreign exchange contracts	—	(89,185)	—	(89,185)
Equity contracts	(4,804)	(92)	14,392	9,495
Bond contracts	492	—	—	492
Commodity derivatives	—	196	0	196
Credit derivatives	—	2,264	—	2,264
Derivatives total	¥(4,311)	¥(54,594)	¥14,393	¥(44,513)

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. The carrying amounts of investment trusts to which the treatment in Paragraph 24-3 and 24-9 are applied are ¥4,043 million ($30,277 thousand) and ¥54,184 million ($405,756 thousand) as of March 31, 2023.

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

Millions of yen							
As of April 1, 2022	Included in earnings of the period (Note i)	Included in other comprehensive income (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

Thousands of U.S. dollars							
As of April 1, 2022	Included in earnings of the period (Note i)	Included in other comprehensive income (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
$349,441	$6,784	$(1,901)	$51,432	$—	$—	$405,756	$4,824

Notes: i. Included in 'Other ordinary income' in the consolidated statement of income.
ii. Included in 'Valuation difference on available-for-sale securities' under 'Other comprehensive income' 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, 2023.

2. In accordance with the Paragraph 26 of the 'Implementation Guidance on Accounting Standard for Fair Value Measurement' (ASBJ Guidance No. 31, issued on July 4, 2019), investment trusts to which transitional treatment were applied are not included in the balance of the above table. The carrying amount of such investment trusts were ¥322,236 million as of March 31, 2022.
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.
4. As for derivative transactions for which hedge accounting is applied, negative ¥9,667 million (negative $72,394 thousand) and negative ¥79,441 million are recorded on the carrying amounts as of March 31, 2023 and 2022, respectively.
5. Derivative transactions for which hedge accounting is applied 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.

Of these hedging relationships, the 'Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR' (ASBJ Practical Issues Task Force No. 40, issued on March 17, 2022) is applied to all hedging relationships included in the scope of application of it.

2) Assets and liabilities of financial instruments not measured at fair value as of March 31, 2023 and 2022

'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					
	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

	Thousands of U.S. dollars					
	2023					
	Fair Value				Carrying Amount	Difference
	Level 1	Level 2	Level 3	Total		
Monetary claims bought (Note 1)	$—	$—	$373,736	$373,736	$326,249	$47,487
Money held in trust	—	27,958	84,055	112,013	97,976	14,037
Loans and bills discounted (Note 2)	—	4,495,580	25,002,327	29,497,907	28,740,169	757,738
Assets total	$—	$4,523,538	$25,460,118	$29,983,656	$29,164,394	$819,262
Deposits (excluding negotiable certificates of deposit)	$—	$23,403,240	$17,539,570	$40,942,810	$40,911,731	$31,079
Borrowed money	—	—	3,935,687	3,935,687	3,936,003	(316)
Bonds payable	—	1,084,377	—	1,084,377	1,106,583	(22,206)
Liabilities total	$—	$24,487,617	$21,475,257	$45,962,874	$45,954,317	$8,557

	Millions of yen					
	2022					
	Fair Value				Carrying Amount	Difference
	Level 1	Level 2	Level 3	Total		
Monetary claims bought (Note 1)	¥—	¥—	¥56,751	¥56,751	¥50,834	¥5,917
Money held in trust	—	5,871	17,040	22,912	20,930	1,981
Loans and bills discounted (Note 2)	—	571,022	2,777,124	3,348,146	3,269,215	78,931
Assets total	¥—	¥576,893	¥2,850,917	¥3,427,811	¥3,340,980	¥86,830
Deposits (excluding negotiable certificates of deposit)	¥—	¥2,337,650	¥2,506,374	¥4,844,025	¥4,838,056	¥5,968
Borrowed money	—	—	432,618	432,618	432,342	275
Bonds payable	—	166,246	—	166,246	168,959	(2,713)
Liabilities total	¥—	¥2,503,897	¥2,938,992	¥5,442,890	¥5,439,358	¥3,531

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 ¥43,411 million ($325,080 thousand) and ¥47,910 million as of March 31, 2023 and 2022, respectively.

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 market price provided by information vendors is classified as Level 2.

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

	March 31, 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%	—

	March 31, 2022			
	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	55.0%	55.0%
Trading account assets	Option pricing model	Correlation between stock price indices	29.7%—47.0%	35.4%
		Correlation between stock price index and foreign exchange rate	5.7%—19.6%	10.3%
Securities	Discounted cash flow method	Probability of default	0.0%—10.7%	2.1%
		Credit Spread	0.2%—0.3%	0.3%
		Recovery rate	55.0%	55.0%
Derivatives				
Interest rate contracts	Option pricing model	Correlation between interest rates	5.8%	—
		Correlation between interest rate and foreign exchange rate	(1.5%)—9.0%	—
Equity contracts	Option pricing model	Correlation between stock price indices	29.7%—47.0%	—
		Correlation between stock price index and foreign exchange rate	5.7%—19.6%	—
Commodity derivatives	Option pricing model	Correlation between commodity price and foreign exchange rate	(8.8%)—14.4%	—

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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							
	2023							
	As of April 1,2022	Included in earnings of the period (Note 1)	Included in other comprehensive income (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 4)								
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

	Thousands of U.S. dollars							
	2023							
	As of April 1,2022	Included in earnings of the period (Note 1)	Included in other comprehensive income (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	$380,448	$—	$(706)	$(143,124)	$—	$—	$236,618	$—
Trading account assets	96	39	—	283	—	—	418	39
Securities								
Available-for-sale								
Japanese short-term corporate bonds	262,081	53	—	(179,764)	—	—	82,370	—
Japanese corporate bonds	140,789	1	1,453	(21,418)	—	—	120,825	—
Foreign bonds	178,748	—	(947)	(19,095)	—	—	158,706	—
Other	0	—	—	0	—	—	0	—
Derivatives (Note 4)								
Interest rate contracts	$1	$68	$—	$—	$—	$—	$69	$67
Equity contracts	107,777	(83,498)	—	34,215	—	—	58,494	(75,270)
Commodity derivatives	2	18	—	(20)	—	—	0	20

	Millions of yen							
	2022							
	As of April 1,2021	Included in earnings of the period (Note 1)	Included in other comprehensive income (Note 2)	Net amount of purchase, sale, issuance and settlement	Transfers into Level 3	Transfers out of Level 3 (Note 3)	As of March 31,2022	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	¥30,642	¥—	¥120	¥20,042	¥—	¥—	¥50,805	¥—
Trading account assets	5	(0)	—	8	—	—	12	(0)
Securities								
Available-for-sale								
Japanese local government bonds	22	—	(0)	(2)	—	(19)	—	—
Japanese short-term corporate bonds	29,998	7	—	4,992	—	—	34,998	—
Japanese corporate bonds	17,978	0	(55)	877	—	—	18,800	—
Foreign bonds	35,259	41	(171)	(10,259)	—	(1,000)	23,870	—
Other	0	—	—	0	—	—	0	—
Derivatives (Note 4)								
Interest rate contracts	¥(60)	¥60	¥—	¥—	¥—	¥—	¥0	¥60
Equity contracts	3,550	7,576	—	3,265	—	—	14,392	10,112
Commodity derivatives	0	0	—	—	—	—	0	0

Notes: 1. Included in consolidated statement of income.
2. Included in 'Valuation difference on available-for-sale securities' under 'Other comprehensive income' in the consolidated statement of comprehensive income.
3. These transfers are from Level 3 to Level 2, since observable inputs become available for measuring fair value of private placement bonds, etc. The transfer was made at the end of the fiscal year ended March 31, 2022.
4. 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.

(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.'

	Carrying amount 2023	
	Millions of yen	Thousands of U.S. dollars
Non-marketable equity securities (Notes 1 and 3)	¥10,606	$79,426
Investments in partnerships (Note 2)	166,095	1,243,792

	Carrying amount 2022
	Millions of yen
Non-marketable equity securities (Notes 1 and 3)	¥8,861
Investments in partnerships (Note 2)	134,131

Notes: 1. Non-marketable equity securities include unlisted stocks 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 ¥49 million ($374 thousand) during the fiscal year ended March 31, 2023. There was no write-off of unlisted stocks, etc. during the fiscal year ended March 31, 2022.

Maturity analysis for claims and securities with contractual maturities as of March 31, 2023 and 2022

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

	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	$9,513,271	$—	$—	$—	$—	$—
Call loans and bills bought	586,426	—	—	—	—	—
Securities purchased under resale agreements	—	—	—	—	—	—
Cash collateral provided for securities borrowed	—	—	—	—	—	—
Monetary claims bought (Note 1)	147,118	124,082	33,899	2,683	79,541	—
Securities:						
Available-for-sale securities with fixed maturity	262,385	830,302	632,246	317,142	823,712	1,957,604
Loans and bills discounted (Note 2)	8,264,828	7,040,974	6,607,323	4,001,130	1,156,497	1,742,722
Total	$18,774,028	$7,995,358	$7,273,468	$4,320,955	$2,059,750	$3,700,326

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 ($175,878 thousand) 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 ($251,774 thousand) as of March 31, 2023, is not included in the table. There are no loans that do not have fixed maturity amounted.

Year ended March 31, 2022

	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	¥1,135,657	¥—	¥—	¥—	¥—	¥—
Call loans and bills bought	122,243	—	—	—	—	—
Securities purchased under resale agreements	—	—	—	—	—	—
Cash collateral provided for securities borrowed	—	—	—	—	—	—
Monetary claims bought (Note 1)	33,796	19,830	11,095	894	8,205	4,653
Securities:						
Available-for-sale securities with fixed maturity	101,781	94,654	170,141	57,566	225,259	300,219
Loans and bills discounted (Note 2)	901,820	781,882	842,561	493,090	152,501	126,289
Total	¥2,295,299	¥896,367	¥1,023,798	¥551,550	¥385,966	¥431,163

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 ¥23,210 million as of March 31, 2022, 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 ¥18,979 million as of March 31, 2022, is not included in the table. There are no loans that do not have fixed maturity amounted.

Maturity analysis for interest-bearing liabilities as of March 31, 2023 and 2022

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

	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)	$31,926,854	$2,608,337	$1,421,312	$611,150	$1,420,766	$2,923,312
Negotiable certificates of deposit	254,605	—	—	—	—	—
Call money and bills sold	74,884	—	—	—	—	—
Securities sold under repurchase agreements	361,125	—	—	—	—	—
Cash collateral received for securities lent	1,617,371	—	—	—	—	—
Borrowed money	797,618	118,317	116,070	325,745	1,071,589	1,506,665
Bonds payable	257,233	849,350	—	—	—	—
Total	$35,289,690	$3,576,004	$1,537,382	$936,895	$2,492,355	$4,429,977

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

Year ended March 31, 2022

	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)	¥3,720,735	¥365,043	¥108,839	¥60,324	¥185,887	¥397,226
Negotiable certificates of deposit	33,500	—	—	—	—	—
Call money and bills sold	16,121	—	—	—	—	—
Securities sold under repurchase agreements	69,876	—	—	—	—	—
Cash collateral received for securities lent	356,956	—	—	—	—	—
Borrowed money	65,042	12,000	23,300	27,000	93,500	211,500
Bonds payable	82,724	80,113	6,121	—	—	—
Total	¥4,344,957	¥457,157	¥138,260	¥87,324	¥279,387	¥608,726

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, 2023 and 2022:

	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, 2023								
Bond contracts:								
Futures sold	¥23,485	¥–	¥(394)	¥(394)	$175,868	$–	$(2,955)	$(2,955)
Futures bought	14,204	–	193	193	106,372	–	1,449	1,449
Futures options written	6,677	–	(50)	(2)	50,000	–	(375)	(20)
Futures options purchased	6,677	–	28	(12)	50,000	–	211	(94)
Equity contracts:								
Index futures sold	11,960	–	(350)	(350)	89,563	–	(2,628)	(2,628)
Index futures bought	99,039	–	2,422	2,422	741,649	–	18,141	18,141
Index options written	349,307	147,431	(13,936)	6,702	2,615,752	1,104,025	(104,362)	50,190
Index options purchased	69,419	30,896	1,877	(1,668)	519,844	231,366	14,057	(12,495)
March 31, 2022								
Bond contracts:								
Futures sold	¥41,268	¥–	¥524	¥524				
Futures bought	9,839	–	(83)	(83)				
Futures options written	6,121	–	(1)	27				
Futures options purchased	61,215	–	53	(94)				
Equity contracts:								
Index futures sold	6,145	–	54	54				
Index futures bought	97,463	–	4,937	4,937				
Index options written	416,768	137,852	(14,652)	6,547				
Index options purchased	210,128	27,629	4,856	(4,230)				

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.

The Group had the following derivative contracts, which were not listed on exchanges, outstanding as of March 31, 2023 and 2022:

	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, 2023								
Interest rate contracts:								
Interest rate swaps:								
Receive fixed and pay floating	¥2,771,179	¥2,511,526	¥(33,957)	¥(33,957)	$20,751,684	$18,807,301	$(254,284)	$(254,284)
Receive floating and pay fixed	3,105,590	2,877,829	71,900	71,900	23,255,881	21,550,316	538,419	538,419
Receive floating and pay floating	433,464	365,031	1,880	1,880	3,245,954	2,733,503	14,079	14,079
Other contracts sold	2,248,280	1,827,720	(7,414)	(7,414)	16,836,011	13,686,693	(55,524)	(55,524)
Other contracts bought	839,786	538,311	2,293	2,293	6,288,648	4,031,084	17,172	17,172
Foreign exchange contracts:								
Currency swaps	784,527	359,176	(3,864)	(3,864)	5,874,852	2,689,658	(28,938)	(28,938)
Forward exchange contracts sold	795,609	78,838	(12,420)	(12,420)	5,957,834	590,376	(93,008)	(93,008)
Forward exchange contracts bought	340,086	141,549	22,810	22,810	2,546,705	1,059,980	170,814	170,814
Options written	794,779	561,850	(40,861)	(7,077)	5,951,619	4,207,357	(305,987)	(52,998)
Options purchased	764,100	534,848	32,812	4,203	5,721,884	4,005,156	245,713	31,476
Commodity derivatives:								
Commodity swaps:								
Receive fixed and pay floating	16,884	4,754	(543)	(543)	126,439	35,604	(4,073)	(4,073)
Receive floating and pay fixed	16,575	4,620	849	849	124,123	34,600	6,360	6,360
Options written	55	–	(2)	(2)	415	–	(17)	(17)
Options purchased	55	–	2	2	415	–	17	17
Credit derivatives:								
CDS sold	160,540	129,540	2,423	2,423	1,202,187	970,046	18,151	18,151
CDS bought	144,020	118,670	(637)	(637)	1,078,478	888,648	(4,773)	(4,773)
Equity index swaps:								
Receive equity index and pay interest rate	123,053	99,966	7,811	7,811	921,473	748,585	58,494	58,494
Internal transactions:								
Interest rate swaps:								
Receive fixed and pay floating	387,086	387,086	(4,266)	(4,266)	2,898,658	2,898,658	(31,951)	(31,951)
Currency swaps	746,000	322,900	5,949	5,949	5,586,341	2,418,002	44,549	44,549
March 31, 2022								
Interest rate contracts:								
Interest rate swaps:								
Receive fixed and pay floating	¥2,197,449	¥1,978,431	¥7,906	¥7,906				
Receive floating and pay fixed	2,266,866	1,964,368	27,091	27,091				
Receive floating and pay floating	1,516,130	333,679	819	819				
Other contracts sold	2,192,356	1,822,346	(2,131)	(2,131)				
Other contracts bought	822,270	625,135	(1,464)	(1,464)				
Foreign exchange contracts:								
Currency swaps	630,053	256,049	582	582				
Forward exchange contracts sold	544,328	62,962	(32,397)	(32,397)				
Forward exchange contracts bought	337,548	122,543	26,649	26,649				
Options written	662,740	437,555	(31,214)	(359)				
Options purchased	635,884	441,008	26,437	(374)				
Commodity derivatives:								
Commodity swaps:								
Receive fixed and pay floating	14,229	4,342	(7,616)	(7,616)				
Receive floating and pay fixed	14,020	4,225	7,812	7,812				
Options written	1,019	–	(380)	(380)				
Options purchased	1,019	–	380	380				
Credit derivatives:								
CDS sold	149,725	127,475	3,340	3,340				
CDS bought	121,890	100,390	(1,075)	(1,075)				
Equity index swaps:								
Receive equity index and pay interest rate	116,346	115,829	14,392	14,392				
Internal transactions:								
Interest rate swaps:								
Receive fixed and pay floating	–	–	–	–				
Currency swaps	549,326	216,500	182	182				

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 gain of ¥214 million ($1,604 thousand) and a loss of ¥76 million as of March 31, 2023 and 2022, respectively, are excluded from 'Fair Value' and 'Valuation gain/(loss)' shown above.
5. Commodity derivatives are mainly related to oil and non-ferrous metal.
6. CDS is the abbreviation for credit default swaps.
7. '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, 2023 and 2022:

	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, 2023						
Interest rate contracts						
Interest rate swaps						
Receive floating and pay fixed	¥387,086	¥387,086	¥4,266	$2,898,658	$2,898,658	$31,951
Bond contracts						
Total return swaps	60,759	–	(683)	454,992	–	(5,117)
Equity contracts:						
Total return swaps	–	–	–	–	–	–
Foreign exchange contracts:						
Currency swaps	748,556	324,274	(5,949)	5,605,487	2,428,293	(44,549)
Forward exchange contracts	790,589	–	(5,206)	5,920,245	–	(38,990)
March 31, 2022						
Interest rate contracts						
Interest rate swaps						
Receive floating and pay fixed	¥–	¥–	¥–			
Bond contracts						
Total return swaps	–	–	–			
Equity contracts						
Total return swaps	3,540	3,540	(92)			
Foreign exchange contracts:						
Currency swaps	590,471	227,582	(182)			
Forward exchange contracts	642,446	–	(37,731)			

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 ¥2,095 million ($15,690 thousand) and a loss of ¥41,434 million as of March 31, 2023 and 2022, respectively, are excluded from 'Fair Value' shown above.

29. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2023 and 2022, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Reclassification and tax effect related to comprehensive income			
Valuation difference on available-for-sale securities:			
Difference arising during the year	¥(75,030)	¥(30,972)	$(561,854)
Reclassification adjustment to profit or loss	3,101	(6,495)	23,225
Amount before income tax effect	(71,928)	(37,467)	(538,629)
Income tax effect	22,497	14,234	168,473
Valuation difference on available-for-sale securities	(49,430)	(23,233)	(370,156)
Deferred gains or losses on hedges:			
Gains (losses) arising during the year	(37,044)	(3,840)	(277,401)
Reclassification adjustment to profit or loss	38,672	4,695	289,596
Amount before income tax effect	1,628	854	12,195
Income tax effect	(498)	(261)	(3,734)
Deferred gains or losses on hedges	1,129	593	8,461
Foreign currency translation adjustment:			
Adjustments arising during the year	1,515	2,322	11,348
Reclassification adjustment to profit or loss	—	—	—
Amount before income tax effect	1,515	2,322	11,348
Income tax effect	—	—	—
Foreign currency translation adjustment	1,515	2,322	11,348
Remeasurements of defined benefit plans:			
Adjustments arising during the year	(1,633)	(1,395)	(12,233)
Reclassification adjustment to profit or loss	54	(345)	410
Amount before income tax effect	(1,578)	(1,741)	(11,823)
Income tax effect	483	533	3,620
Remeasurements of defined benefit plans	(1,095)	(1,208)	(8,203)
Share of other comprehensive income (loss) in associates:			
Adjustments arising during the year	2,717	2,099	20,351
Reclassification adjustment to profit or loss	—	—	—
Amount before income tax effect	2,717	2,099	20,351
Income tax effect	—	—	—
Share of other comprehensive income (loss) in associates	2,717	2,099	20,351
Other comprehensive income total	¥(45,163)	¥(19,427)	$(338,199)

30. Per Share Information

The reconciliation of differences between basic and diluted net income per share (EPS) for the years ended March 31, 2023 and 2022, was as follows:

	Millions of yen	Thousands of Shares	Yen	U.S. dollars
	Net Income	Weighted-Average Number of Shares	EPS	
Year Ended March 31, 2023				
Basic EPS—Net income available to common stockholders (Net income attributable to owners of the parent)	¥8,719	116,779	¥74.67	$0.56
Effect of dilutive securities— Share acquisition rights to shares	—	199		
Diluted EPS—Net income for computation	¥8,719	116,978	¥74.54	$0.56
Year Ended March 31, 2022				
Basic EPS—Net income available to common stockholders (Net income attributable to owners of the parent)	¥35,004	116,755	¥299.81	
Effect of dilutive securities— Share acquisition rights to shares	—	167		
Diluted EPS—Net income for computation	¥35,004	116,923	¥299.38	

Net assets per share of common stock as of March 31, 2023 and 2022, were as follows:

	Yen		U.S. dollars
	2023	2022	2023
Net assets per share of common stock	¥3,751.95	¥4,222.79	$28.10

Net assets per share of common stock as of March 31, 2023 and 2022, were calculated based on the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Total equity	¥431,119	¥487,265	$3,228,394
Deductions from total equity:			
Non-controlling interests	(7,541)	(6,229)	(56,471)
Share acquisition rights	503	390	3,768
Net assets attributable to common stock at the end of the year	¥438,157	¥493,105	$3,281,097
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)	116,781	116,772	

31. Segment Information

(1) Segment information

Segment information for the years ended March 31, 2023 and 2022, was as follows:

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) Changes in reportable segments

In order to flexibly allocate and optimize the resources of the entire Aozora Group and strive to increase transparency regarding the progress of each of its business areas, as well as promote 'Aozora's Strategic Investments Business,' the Bank reorganized its Business Groups and changed revenues management methods from the beginning of the year ended March 31, 2023.

As a result, the Bank has also changed its method for classifying reportable segments. Specifically, the Bank switched from using six operating segments (Retail Banking Group, Institutional Banking Group, Allied Banking Group, Specialty Finance Group, International Finance Group, and Financial Markets Group) to five operating segments (Institutional Banking Group, Structured Finance Group, International Business Group, Market Group, and Customer Relations Group).

In addition, the Bank changed 'Revenues, profit (loss) by reportable segment' into 'Business revenue and profit (loss) by reportable segment.' Business revenue includes 'Consolidated net revenue,' 'Equity in earnings of associates,' and 'Gains (losses) on stock transactions.'

The information regarding reportable segments for the year ended March 31, 2022, has been updated to reflect these new operating segments and revenue management methods.

4) Business revenue, profit (loss), assets and liabilities by reportable segment

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
Segment 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

	Thousands of U.S. dollars					
	Institutional Banking	Structured Finance	International Business	Market	Customer Relations	Total
Consolidated net revenue	$94,789	$236,340	$126,027	$(94,624)	$57,296	$419,828
Equity in earnings of associates	—	—	17,823	—	—	17,823
Gains (losses) on stock transactions	(544)	—	30,091	—	13,063	42,610
Business revenue	94,245	236,340	173,941	(94,624)	70,359	480,261
General and administrative expenses	71,529	94,733	55,957	36,982	88,700	347,901
Segment profit (loss)	22,716	141,607	117,984	(131,606)	(18,341)	132,360
Segment assets	7,954,139	13,254,994	7,497,985	18,059,275	1,451,235	48,217,628
Segment liabilities	2,171,287	644,352	68	5,408,798	38,486,275	46,710,780

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 segment 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 ($52,301 thousand).
3. Segment assets of International Business Group include investments in entities applying equity methods of ¥27,734 million ($207,689 thousand).

Year ended March 31, 2022

	Millions of yen					
	Institutional Banking	Structured Finance	International Business	Market	Customer Relations	Total
Consolidated net revenue	¥14,795	¥32,428	¥14,811	¥25,981	¥12,919	¥100,936
Equity in earnings of associates	—	—	2,620	—	—	2,620
Gains (losses) on stock transactions	618	55	305	51	—	1,031
Business revenue	15,414	32,483	17,737	26,033	12,919	104,588
General and administrative expenses	9,523	12,219	7,043	4,924	12,365	46,076
Segment profit (loss)	5,891	20,264	10,694	21,108	553	58,511
Segment assets	989,094	1,563,738	887,302	2,418,046	233,688	6,091,869
Segment liabilities	319,258	80,368	23	902,517	4,571,352	5,873,521

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 segment 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 ¥6,461 million.
3. Segment assets of International Business Group include investments in entities applying equity methods of ¥22,637 million.

5) 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, 2023 and 2022, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Total business revenue of reportable segments	¥64,134	¥104,588	$480,261
Variances resulting from profit or loss not covered by reportable segments or differences in the basis of revenue and expense recognition and measurement	6,314	3,076	47,289
Business revenue derived from the consolidated statement of income	¥70,449	¥107,664	$527,550

(b) Reconciliation between total segment profits and income before income taxes in the consolidated statement of income for the years ended March 31, 2023 and 2022, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Total segment profits	¥17,675	¥58,511	$132,360
Variances resulting from profit or loss not covered by reportable segments or differences in the basis of revenue and expense recognition and measurement	(6,588)	(8,639)	(49,337)
Amortization of actuarial differences on retirement benefit plans, etc.	(101)	302	(760)
Credit-related expenses, etc.	(1,700)	(3,740)	(12,737)
Others, including net extraordinary income (losses)	(1,930)	(458)	(14,455)
Income before income taxes in the consolidated statement of income	¥7,354	¥45,975	$55,071

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, 2023 and 2022, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Total segment assets	¥6,438,982	¥6,091,869	$48,217,628
Allowance for loan losses	(33,693)	(38,489)	(252,307)
Assets not allocated to reportable segments	778,781	675,273	5,831,824
Total assets in the consolidated balance sheet	¥7,184,070	¥6,728,653	$53,797,145

Note: As of March 31, 2023, assets not allocated to reportable segments include foreign exchange of ¥76,873 million ($575,656 thousand), other assets of ¥209,953 million ($1,572,211 thousand), fixed assets of ¥41,010 million ($307,101 thousand) and deferred tax assets of ¥53,577 million ($401,209 thousand). As of March 31, 2022, assets not allocated to reportable segments include foreign exchange of ¥63,873 million, other assets of ¥252,834 million, fixed assets of ¥41,925 million and deferred tax assets of ¥31,729 million.

(d) Reconciliation between total segment liabilities and total liabilities in the consolidated balance sheet as of March 31, 2023 and 2022, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Total segment liabilities	¥6,237,757	¥5,873,521	$46,710,780
Liabilities not allocated to reportable segments	515,194	367,866	3,857,971
Total liabilities in the consolidated balance sheet	¥6,752,951	¥6,241,387	$50,568,751

Note: As of March 31, 2023, liabilities not allocated to reportable segments include other liabilities of ¥72,848 million ($545,516 thousand) and retirement benefit liability of ¥11,288 million ($84,532 thousand). As of March 31, 2022, liabilities not allocated to reportable segments include other liabilities of ¥64,446 million and retirement benefit liability of ¥10,974 million.

(e) Detailed information on revenues from contracts with customers

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Fees and commissions income (including trust fees)	¥17,716	¥17,744	$132,667
Loan business and deposit related	6,145	7,844	46,020
Securities and agency related	4,634	3,996	34,707
Others	6,935	5,903	51,939

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, 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

	Thousands of U.S. dollars				
	Lending	Securities investment	Derivatives, etc.	Others	Total
Ordinary income from external customers	$705,872	$372,489	$129,698	$164,511	$1,372,570

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, 2022

	Millions of yen				
	Lending	Securities investment	Derivatives, etc.	Others	Total
Ordinary income from external customers	¥53,057	¥49,684	¥8,938	¥23,057	¥134,737

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, 2023 and 2022.

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.

(3) Segment information on impairment losses on fixed assets by reportable segment
For the year ended March 31, 2023
Not applicable

For the year ended March 31, 2022
The description is omitted because it is immaterial.

(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, 2023 and 2022.

Information on the parent company (including entities similar to partnerships) is as follows:
Not applicable

33. Subsequent Events

(1) Appropriation of retained earnings
The following distribution of retained earnings to the stockholders of record as of March 31, 2023, was approved at the Board of Directors' meeting held on May 17, 2023:

	Millions of yen	Thousands of U.S. dollars
Year-end dividends:		
Common stock, ¥40.00 ($0.30) per share	¥4,671	$34,980

Deloitte.

Deloitte Touche Tohmatsu LLC
Marunouchi Nijubashi Building
3-2-3 Marunouchi, Chiyoda-ku
Tokyo 100-8360
Japan
Tel: +81 (3) 6213 1000
Fax: +81 (3) 6213 1005
www.deloitte.com/jp/en

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Aozora Bank, Ltd.:

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, 2023, and the consolidated statement of income, 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, 2023, 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.

In the audit for the consolidated financial statements for the year ended March 31, 2023, we identified following matters as key audit matters:

- Write-off of loans and determination of allowance for loan losses
- Determination regarding the recognition of impairment loss of fixed assets at GMO Aozora Net Bank, Ltd.

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For the year ended March 31, 2022, the effects of the global novel coronavirus ("COVID-19") pandemic were considered as part of the key audit matter "Write-off of loans and determination of allowance for loan losses." However, we did not identify the determination of the borrower categories and allowance for loan losses on the assumption related to the COVID-19 as a separate key audit matter for the year ended March 31, 2023, for the following reasons:

- In the year ended March 31, 2022, the Group assumed that the effects of the COVID-19 pandemic on the economy and corporate activities would continue long term and that certain borrowers' business performance may continue to be affected through the year ended March 31, 2023. Based on that assumption, the Group provided allowance for loan losses considering potential future credit deterioration to certain borrowers.
- As of March 31, 2023, the effects of the COVID-19 pandemic on the economy and corporate activities have been on a downward trend as the above assumption, and the allowance for loan losses was calculated by reflecting borrower categories based on the latest information available by the end of the year ended March 31, 2023.

Write-off of loans and determination of allowance for loan losses	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
The Group recorded allowance for loan losses of 44.0 billion yen against the loans of 3,881.3 billion yen and other accounts receivables in the consolidated financial statements as of March 31, 2023. 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, 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 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. 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.	We performed the following audit procedures, among others, to examine the Group's write-off of loans and allowance for loan losses. (Evaluation of controls) • We tested the effectiveness of the control in which the division in charge of asset assessment evaluated the judgment to determine whether the borrower categories of loans, including the valuation of goodwill, conformed with the internal self-assessment standard and other guidance. • We tested the effectiveness of the control in which 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.
The allowance for loan losses depends on the borrowers' financial conditions, the value of collateral held, and the effect of external environment, such as COVID-19, interest rates, foreign exchange rates or inflations. As such, the determination of the allowance for loan losses requires significant judgment made by management. As described in Note 2 "Summary of Significant Accounting Policies" (24) "Significant Accounting Estimates" 1) "Allowance for loan losses" to the consolidated financial statements, the following areas involve a high degree of uncertainty. We have identified the determination of the allowance for loan losses as a key audit matter as it is particularly significant to our audit of the consolidated financial statements for the year ended March 31, 2023 and for the following: • Loans of the Group include those to borrowers raising funds for the purpose of business acquisitions or other arrangements. To determine the borrower categories for such loans based on the financial conditions, the valuation of goodwill based on expected excess earnings of the acquired business becomes a significant factor. To evaluate the valuation of goodwill, the Group individually examines and evaluates the feasibility of the estimated cash flows generated from the acquired business and is required to make significant judgment. • 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) accounted for approximately 21% of total loans as of March 31, 2023. The estimated future cash flows generated from the underlying real estate properties are a significant element in determining the borrower categories for real estate non-recourse loans. Therefore, the Group individually examines and evaluates rents, vacancy rates, discount rates or other factors, which are bases for the valuation of the underlying real estate properties. Such valuation of the real estate properties requires significant judgment in estimation, specifically in cases when adjustments are required for actual or market rates regarding rents, vacancy rates, discount rates or other factors to reflect the individual characteristics of the real estate properties.	(Substantive procedures) • For significant borrowers that require consideration of the valuation of goodwill in determining the borrower categories, we examined the effect of external environment, such as COVID-19, interest rates, foreign exchange rates or inflations, the status of the borrowers and the acquired businesses or, external information and others, and evaluated the rationale of the estimation regarding business condition forecasts, cash flows projections and other information that served as the bases for the valuation of goodwill. • For the valuation of real estate properties related to real estate non-recourse loans, based on quantitative analysis on the changes in appraised values or other factors and inspection of self-assessment documents, we identified significant real estate properties for which related rents, vacancy rates, discount rates or other factors were determined by making adjustments to the actual or market rates considering the individual characteristics of the real estate properties. With the assistance of our valuation specialists, we evaluated the reasonableness of rents, vacancy rates, discount rates or other factors used in the valuation of the real estate properties.

Independent Auditor's Report

Determination regarding recognition of impairment loss of fixed assets at GMO Aozora Net Bank, Ltd.	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As described in Note 2 "Summary of Significant Accounting Policies" (24) "Significant Accounting Estimates" 2) "Determination regarding recognition of impairment loss of fixed assets" to the consolidated financial statements, the Group recorded fixed assets of 8,821 million yen, including tangible fixed assets of 438 million yen and intangible fixed assets of 8,383 million yen, such as software owned by its consolidated subsidiary, GMO Aozora Net Bank, Ltd. (hereafter referred to as "GMO Aozora"). 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 has been in the loss position since the start of the Internet banking business, and GMO Aozora failed to meet the business plan developed at the start of the business. 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 was recorded as an impairment loss. 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. The undiscounted future cash flows are estimated based on the GMO Aozora's most recent business plan revised in the year ended March 31, 2023 considering the differences between the previous business plan and actual financial results, and the estimation requires significant judgment by management. Especially, key assumptions used in the estimation of the future cash flows, such as number of corporate accounts, number of exchange transactions, amount of debit card transactions, and the number of loan agreements, involve a high degree of uncertainty and significant judgment. 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, 2023, and identified it as a key audit matter.	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: (Evaluation of controls) • We tested the effectiveness of the controls in which the division in charge of asset assessment evaluated the results of the assessment of impairment loss recognition at GMO Aozora, including the estimation of the future cash flows. (Substantive procedures) • For the business plan of GMO Aozora, which is the basis for the estimation of the future cash flows used for determination regarding recognition of impairment loss, we inquired of management about the outline of the plan and the underlying business environment, and inspected minutes of the board of directors' meetings and related materials. • For exchange transactions, debit card transactions or loan agreements, which are the major factors in the estimation of the future cash flows, we compared them with historical data to assess the accuracy of management's estimation and the degree of uncertainty of the future cash flows. • To assess the reasonableness of key assumptions in the estimation of the future cash flows, we performed the following procedures among others: —For the number of corporate accounts, we disaggregated into the number of applications and the percentage of accounts opened, inquired of personnel in the department in charge, inspected related materials, compared with past performance, and examined the consistency with various sales activities and external information. —For the number of exchange transactions, as its estimation assumed an increase in the number of corporate accounts, we inquired of personnel in the department in charge, inspected related materials, and examined the consistency with the assumption of the number of corporate accounts.
	—For the amount of debit card transactions, we examined it by classifying into high monetary value customers and the others. With regard to the amounts of transactions by high monetary value customers, we inquired of personnel in the department in charge, inspected related materials, compared with past performance, and examined the consistency with various sales activities and external information. For other customers, as its estimation assumed an increase in the number of corporate accounts, we inquired of personnel in the department in charge, inspected related materials, and examined the consistency with the assumption of the number of corporate accounts. —For the number of loan agreements, we inquired of personnel in the department in charge, inspected related materials, compared with past performance, and examined the consistency with various sales activities and external information.

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. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will 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 identified above when it becomes available 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.

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.

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.

Independent Auditor's Report

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, related safeguards.

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.

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

July 6, 2023

Income Analysis (Consolidated)

Interest-Earning Assets and Interest-Bearing Liabilities

Years Ended March 31

(Millions of yen, %)

	Average balance			Interest income/expenses			Return/rates		
	2023	2022	Change	2023	2022	Change	2023	2022	Change
Interest-earning assets	**5,824,833**	**5,177,712**	**647,120**	**113,570**	**66,141**	**47,429**	**1.94**	**1.27**	**0.67**
Due from banks	56,531	61,777	(5,246)	765	11	754	1.35	0.01	1.34
Call loans and bills bought	286,996	448,869	(161,873)	348	(54)	403	0.12	(0.01)	0.13
Securities purchased under resale agreements	—	4	(4)	—	(0)	0	—	(0.09)	0.09
Cash collateral provided for securities borrowed	—	—	—	—	—	—	—	—	—
Securities	1,432,846	1,344,391	88,454	23,397	20,283	3,113	1.63	1.50	0.13
Loans and bills discounted	3,771,517	3,136,496	635,020	87,006	44,792	42,214	2.30	1.42	0.88
Interest-bearing liabilities	**6,289,698**	**5,413,570**	**876,127**	**62,483**	**14,518**	**47,964**	**0.99**	**0.26**	**0.73**
Deposits	5,241,142	4,365,996	875,145	11,278	6,179	5,099	0.21	0.14	0.07
Negotiable certificates of deposit	28,563	34,272	(5,709)	3	3	(0)	0.01	0.01	0.00
Call money and bills sold	19,996	15,925	4,070	184	24	159	0.92	0.15	0.77
Securities sold under repurchase agreements	61,179	62,819	(1,640)	1,654	82	1,572	2.70	0.13	2.57
Cash collateral received for securities lent	287,040	364,118	(77,078)	7,058	356	6,702	2.45	0.09	2.36
Borrowed money	485,000	370,250	114,749	1,268	1,171	96	0.26	0.31	(0.05)
Bonds payable	146,251	180,593	(34,341)	1,517	1,957	(439)	1.03	1.08	(0.05)

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)

	2023	2022	Change
Net fees and commissions	**13,333**	**14,024**	**(691)**
Fees and commissions income (including trust fees)	**17,716**	**17,744**	**(28)**
Deposits and loan operations	6,145	7,844	(1,698)
Foreign exchange operations	2,088	1,638	450
Securities-related operations	3,584	3,098	486
Agency services	1,050	898	151
Guarantee operations	119	111	7
Fees and commissions expenses	**4,383**	**3,720**	**662**
Foreign exchange operations	783	713	69

Gains on trading account transactions

Years Ended March 31

(Millions of yen)

	2023	2022	Change
Net gains on trading account transactions	**4,196**	**16,642**	**(12,445)**
Gains on trading account transactions	**14,832**	**16,642**	**(1,809)**
Gains on trading securities	—	8,786	(8,786)
Gains on trading account securities	10,943	2,251	8,692
Gains on trading account financial derivatives	3,888	5,604	(1,715)
Gains on other trading account transactions	—	—	—
Losses on trading account transactions	**10,636**	**—**	**10,636**
Losses on trading securities	10,636	—	10,636
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)

	2023	2022	Change
Net other ordinary income	**(9,036)**	**20,731**	**(29,768)**
Other ordinary income	**23,798**	**28,066**	**(4,267)**
Gains on foreign exchange transactions	—	2,961	(2,961)
Gains on sales of bonds and other securities	5,914	9,408	(3,493)
Gains on redemption of bonds and other securities	—	—	—
Gains on derivatives	1,957	1,082	875
Other	15,926	14,614	1,311
Other ordinary expenses	**32,835**	**7,334**	**25,500**
Losses on foreign exchange transactions	6,885	—	6,885
Losses on sales of bonds and other securities	16,109	4,908	11,201
Losses on redemption of bonds and other securities	590	—	590
Losses on devaluation of bonds and other securities	373	—	373
Amortization of bond issuance costs	144	182	(38)
Losses on derivatives	—	—	—
Other	8,732	2,243	6,488

Non-Consolidated Business Results

Non-Consolidated Financial Highlights [Five-Year Summary]

Years Ended March 31

(Millions of yen)

	2023	2022	2021	2020	2019
Ordinary income	164,564	119,899	149,454	176,858	156,829
Trust fees (Note 5)	379	444	386	462	189
Ordinary profit	3,180	41,014	41,473	45,342	51,335
Net income (loss) (Note 2)	(8,127)	29,854	29,526	28,669	38,043
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	405,177	480,047	489,440	424,309	443,611
Total assets	6,767,805	6,446,916	5,735,238	5,212,668	5,205,876
Debentures and Bonds payable	147,773	168,959	198,365	259,935	283,946
Deposits (Note 1)	5,115,374	4,597,581	3,855,140	3,325,989	3,196,659
Loans and bills discounted	3,710,072	3,230,905	2,918,317	2,937,508	2,782,131
Securities	1,319,450	1,494,578	1,445,782	1,151,561	1,314,968
Net assets per share (yen)	3,465.23	4,107.62	4,189.77	3,632.56	3,798.95
Common stock dividends per share (yen)	154.00	149.00	124.00	156.00	154.00
1st quarter end	(38.00)	(32.00)	(30.00)	(39.00)	(40.00)
2nd quarter end	(38.00)	(32.00)	(30.00)	(39.00)	(40.00)
3rd quarter end	(38.00)	(40.00)	(30.00)	(39.00)	(40.00)
Year end	(40.00)	(45.00)	(34.00)	(39.00)	(34.00)
Basic net income (loss) per share (yen)	(69.60)	255.69	253.01	245.70	326.06
Diluted net income per share (yen) (Note 3)	—	255.33	252.65	245.43	325.80
Dividend payout ratio (%)	(221.26)	58.27	49.00	63.49	47.23
Capital adequacy ratio (domestic standard) (%)	8.99	10.33	11.13	10.26	10.19
Number of employees (Note 4)	1,980	1,966	1,933	1,928	1,878
Trust assets (Note 5)	871,414	879,535	730,209	835,481	797,320
Loans and bills discounted (Trust account) (Note 5)	35,642	38,790	28,116	43,312	40,981
Securities (Trust account) (Note 5)	173,256	184,418	176,573	163,390	175,292
Crypto-assets and performance-guarantee crypto-assets (Trust account) (Note 5)	—				
Rights represented by securities transferred and recorded electronically (Trust account) (Note 5)	—	—	—		

Notes:1. Deposits include negotiable certificates of deposit (NCDs).
2. For the fiscal year ended March 31, 2023, the Bank recorded a net loss as a result of an extraordinary loss of ¥11,018 million for a loss on valuation on shares of its consolidated subsidiary, GMO Aozora Net Bank, Ltd.
3. Diluted net income per share for the fiscal year ended March 31, 2023 is not described in the above table, because of net loss per share although there are diluted shares.
4. Number of employees includes executive officers and locally hired overseas staff, but excludes the Bank's employees seconded to other firms.
5. The Bank transferred the trust business operations from GMO Aozora Net Bank, Ltd. on October 1, 2018. '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, 2023

	Millions of yen		Thousands of U.S. dollars
Assets	2023	2022	2023
Cash and cash equivalents	¥1,025,849	¥948,606	$7,681,964
Due from banks	30,602	31,984	229,165
Call loans	78,311	122,243	586,426
Monetary claims bought	51,723	78,477	387,324
Trading account assets	151,229	133,008	1,132,464
Money held in trust	4,517	9,639	33,829
Securities	1,319,450	1,494,578	9,880,560
Loans and bills discounted	3,710,072	3,230,905	27,782,484
Foreign exchange	76,873	63,878	575,656
Other assets	249,721	286,308	1,870,013
Tangible fixed assets	21,026	21,147	157,457
Intangible fixed assets	10,896	12,125	81,600
Prepaid pension costs	5,647	5,132	42,291
Deferred tax assets	53,595	31,962	401,345
Customers' liabilities for acceptances and guarantees	25,004	25,381	187,240
Allowance for loan losses	(43,206)	(47,910)	(323,549)
Allowance for investment losses	(3,509)	(553)	(26,280)
Total	**¥6,767,805**	**¥6,446,916**	**$50,679,989**

	Millions of yen		Thousands of U.S. dollars
Liabilities and Equity	2023	2022	2023
Liabilities:			
Deposits	¥5,115,374	¥4,597,581	$38,305,937
Call money	10,000	16,121	74,884
Securities sold under repurchase agreements	48,224	69,876	361,125
Cash collateral received for securities lent	215,983	356,956	1,617,371
Trading account liabilities	121,877	129,227	912,668
Borrowed money	525,600	432,100	3,935,899
Bonds payable	147,773	168,959	1,106,583
Other liabilities	141,666	159,893	1,060,855
Provision for retirement benefits	10,609	10,367	79,451
Provision for credit losses on off-balance-sheet instruments	514	403	3,849
Acceptances and guarantees	25,004	25,381	187,240
Total liabilities	**6,362,628**	**5,966,868**	**47,645,862**
Equity:			
Share capital	100,000	100,000	748,839
Capital surplus			
Legal capital surplus	87,313	87,313	653,837
Other capital surplus	167	163	1,256
Retained earnings			
Legal retained earnings	12,686	12,686	95,004
Other retained earnings	252,065	278,761	1,887,568
Treasury stock-at cost	(3,099)	(3,117)	(23,210)
Valuation difference on available-for-sale securities	(45,432)	4,007	(340,219)
Deferred gains or losses on hedges	972	(157)	7,284
Share acquisition rights	503	390	3,768
Total equity	**405,177**	**480,047**	**3,034,127**
Total	**¥6,767,805**	**¥6,446,916**	**$50,679,989**

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 ¥133.54 to $1.00, the approximate rate of exchange at March 31, 2023.

Non-Consolidated Financial Statements

Non-Consolidated Statement of Operations (Unaudited)

Aozora Bank, Ltd.
Year Ended March 31, 2023

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Income:			
Interest income:			
Interest on loans and discounts	¥78,926	¥38,429	$591,036
Interest and dividends on securities	23,424	20,298	175,415
Interest on due from banks	693	22	5,196
Other interest income	2,102	1,107	15,745
Trust fees	379	444	2,842
Fees and commissions income	11,539	14,975	86,414
Gains on trading account transactions	14,832	15,432	111,073
Other ordinary income	22,672	26,537	169,779
Other income	9,992	2,652	74,827
Total income	164,564	119,900	1,232,327
Expenses:			
Interest expenses:			
Interest on deposits	11,289	6,133	84,539
Interest on bonds payable	1,517	1,957	11,364
Interest on borrowings and rediscounts	1,449	902	10,855
Interest expenses on interest rate swaps	22,570	2,768	169,019
Other interest expenses	25,668	2,424	192,212
Fees and commissions expenses	2,841	7,324	21,280
Losses on trading account transactions	11,150	–	83,498
Other ordinary expenses	33,759	7,498	252,801
General and administrative expenses	46,105	45,684	345,258
Other expenses	16,053	4,510	120,212
Total expenses	172,405	79,204	1,291,038
Income (loss) before income taxes	**(7,840)**	**40,695**	**(58,712)**
Income taxes:			
Current	(78)	11,569	(588)
Deferred	366	(728)	2,740
Total income taxes	287	10,841	2,152
Net income (loss)	**¥(8,127)**	**¥29,854**	**$(60,864)**

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 ¥133.54 to $1.00, the approximate rate of exchange at March 31, 2023.

Non-Consolidated Statement of Changes in Equity (Unaudited)

Aozora Bank, Ltd.
Year Ended March 31, 2023

	Millions of yen									
		Capital surplus		Retained earnings						
	Share capital	Legal capital surplus	Other capital surplus	Legal retained earnings	Other retained earnings	Treasury stock-at cost	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Share acquisition rights	Total equity
Balance, April 1, 2021	**¥100,000**	**¥87,313**	**¥98**	**¥12,686**	**¥265,675**	**¥(3,260)**	**¥27,195**	**¥(750)**	**¥482**	**¥489,440**
Cumulative effects of accounting change					(657)			(1)		(659)
Restated balance	100,000	87,313	98	12,686	265,017	(3,260)	27,195	(752)	482	488,780
Net income					29,854					29,854
Cash dividends paid					(16,109)					(16,109)
Purchase of treasury stock						(0)				(0)
Disposal of treasury stock			64			142				207
Net changes in items during the year							(23,188)	595	(91)	(22,684)
Balance, March 31, 2022	**¥100,000**	**¥87,313**	**¥163**	**¥12,686**	**¥278,761**	**¥(3,117)**	**¥4,007**	**¥(157)**	**¥390**	**¥480,047**
Net 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**

	Thousands of U.S. dollars (Note)									
		Capital surplus		Retained earnings						
	Share capital	Legal capital surplus	Other capital surplus	Legal retained earnings	Other retained earnings	Treasury stock-at cost	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Share acquisition rights	Total equity
Balance, March 31, 2022	**$748,839**	**$653,837**	**$1,224**	**$95,004**	**$2,087,473**	**$(23,346)**	**$30,010**	**$(1,177)**	**$2,923**	**$3,594,787**
Net loss					(60,864)					(60,864)
Cash dividends paid					(139,041)					(139,041)
Purchase of treasury stock						(0)				(0)
Disposal of treasury stock			32			136				168
Net changes in items during the year							(370,229)	8,461	845	(360,923)
Balance, March 31, 2023	**$748,839**	**$653,837**	**$1,256**	**$95,004**	**$1,887,568**	**$(23,210)**	**$(340,219)**	**$7,284**	**$3,768**	**$3,034,127**

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 ¥133.54 to $1.00, the approximate rate of exchange at March 31, 2023.

Financial and Corporate Data
Non-Consolidated Financial Statements

Income Analysis (Non-Consolidated)

Net Revenue, Business Profit

Years Ended March 31

(Millions of yen)

	2023			2022		
	Total	Domestic operations	International operations	Total	Domestic operations	International operations
Net interest income	**42,660**	**19,258**	**23,401**	**45,681**	**20,070**	**25,611**
Interest income	105,148	28,890 [3,680]	79,938	59,857	26,814 [2,023]	35,066
Interest expenses	62,488	9,631	56,536 [3,680]	14,175	6,744	9,455 [2,023]
Trust fees	**379**	**379**	**—**	**444**	**444**	**—**
Net fees and commissions	**8,697**	**6,947**	**1,750**	**7,651**	**6,905**	**745**
Fees and commissions (income)	11,539	8,737	2,802	14,975	13,303	1,671
Fees and commissions (expenses)	2,841	1,790	1,051	7,324	6,397	926
Net gains on trading account transactions	**3,682**	**(3,817)**	**7,500**	**15,432**	**10,416**	**5,016**
Gains on trading account transactions	14,832	7,332	7,500	15,432	10,416	5,016
Losses on trading account transactions	11,150	11,150	—	—	—	—
Net other ordinary income	**(11,086)**	**(2,213)**	**(8,872)**	**19,038**	**9,100**	**9,937**
Other ordinary income	22,672	7,855	14,816	26,537	10,771	15,765
Other ordinary expenses	33,759	10,069	23,689	7,498	1,670	5,827
Net revenue	**44,333**	**20,553**	**23,779**	**88,249**	**46,938**	**41,310**
Net revenue ratio (%)	**0.79**	**0.41**	**0.95**	**1.75**	**1.07**	**1.98**
Business profit	**2,870**	**—**	**—**	**43,278**	**—**	**—**
Core net business profit	**(1,671)**	**—**	**—**	**42,262**	**—**	**—**
Core net business profit excluding gains (losses) on bonds	**9,487**	**—**	**—**	**37,762**	**—**	**—**
Core net business profit excluding gains (losses) on bonds and cancellation on investment trusts	**8,159**	**—**	**—**	**37,324**	**—**	**—**

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 fiscal year ended March 31, 2023 and ¥10 million for the fiscal year ended March 31, 2022).
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

(%)

	2023	2022
Ordinary profit to total assets	0.04	0.71
Ordinary profit to equity	0.71	8.46
Net income to total assets	(0.12)	0.51
Net income to equity	(1.83)	6.15

Notes: 1. Return on assets, as calculated using ordinary profit or net income $= \frac{\text{ordinary profit or net income}}{\text{(average balance of total assets – customers' liabilities for acceptances and guarantees)}} \times 100$
2. Return on equity, as calculated using ordinary profit or net income $= \frac{\text{ordinary profit or net income}}{\text{(equity, beginning of year + equity, end of year)} \div 2} \times 100$

Yield on Interest-Earning Assets, Interest Rate on Interest-Bearing Liabilities, Net Yield/Interest Rate

Years Ended March 31

(%)

	2023			2022		
	Total	Domestic operations	International operations	Total	Domestic operations	International operations
Yield on interest-earning assets	1.88	0.58	3.19	1.18	0.61	1.68
Interest rate on interest-bearing liabilities	1.81	0.96	2.43	1.15	1.06	0.64
Net yield/interest rate	0.07	(0.38)	0.76	0.03	(0.45)	1.04

Income Analysis (Non-Consolidated)

Average Balance of Interest-Earning Assets and Interest-Bearing Liabilities

Years Ended March 31

(Millions of yen)

		2023			2022		
		Total	Domestic operations	International operations	Total	Domestic operations	International operations
Balance of interest-earning assets	**Average balance**	**5,569,132**	**4,953,746 [1,883,055]**	**2,498,442**	**5,041,038**	**4,373,314 [1,418,347]**	**2,086,071**
	Interest income/expense	**105,148**	**28,890 [3,680]**	**79,938**	**59,857**	**26,814 [2,023]**	**35,066**
	Return/rates (%)	**1.88**	**0.58**	**3.19**	**1.18**	**0.61**	**1.68**
Due from banks	Average balance	26,431	1,266	25,165	23,530	71	23,459
	Interest income/expense	693	1	692	22	0	22
	Return/rates (%)	2.62	0.08	2.75	0.09	0.00	0.09
Call loans	Average balance	210,419	196,287	14,131	398,294	389,019	9,275
	Interest income/expense	385	(22)	408	(34)	(44)	9
	Return/rates (%)	0.18	(0.01)	2.89	(0.00)	(0.01)	0.10
Securities purchased under resale agreements	Average balance	—	—	—	4	4	—
	Interest income/expense	—	—	—	(0)	(0)	—
	Return/rates (%)	—	—	—	(0.09)	(0.09)	—
Cash collateral provided for securities borrowed	Average balance	—	—	—	—	—	—
	Interest income/expense	—	—	—	—	—	—
	Return/rates (%)	—	—	—	—	—	—
Securities	Average balance	1,453,629	527,300	926,328	1,376,034	504,569	871,464
	Interest income/expense	23,424	4,463	18,961	20,298	4,891	15,406
	Return/rates (%)	1.61	0.84	2.04	1.47	0.96	1.76
Loans and bills discounted	Average balance	3,624,917	2,212,375	1,412,542	3,080,017	1,966,508	1,113,508
	Interest income/expense	78,541	20,221	58,319	38,463	18,907	19,556
	Return/rates (%)	2.16	0.91	4.12	1.24	0.96	1.75
Balance of interest-bearing liabilities	**Average balance**	**5,948,059**	**5,356,816**	**2,474,298 [1,883,055]**	**5,201,659**	**4,558,041**	**2,061,965 [1,418,347]**
	Interest income/expense	**62,488**	**9,631**	**56,536 [3,680]**	**14,175**	**6,744**	**9,455 [2,023]**
	Return/rates (%)	**1.05**	**0.17**	**2.28**	**0.27**	**0.14**	**0.45**
Deposits	Average balance	4,899,671	4,757,613	142,057	4,154,323	4,031,799	122,523
	Interest income/expense	11,286	7,845	3,440	6,130	5,747	382
	Return/rates (%)	0.23	0.16	2.42	0.14	0.14	0.31
Negotiable certificates of deposit	Average balance	28,563	28,563	—	34,272	34,272	—
	Interest income/expense	3	3	—	3	3	—
	Return/rates (%)	0.01	0.01	—	0.01	0.01	—
Debentures	Average balance	—	—	—	—	—	—
	Interest income/expense	—	—	—	—	—	—
	Return/rates (%)	—	—	—	—	—	—
Call money	Average balance	19,996	13,942	6,053	15,925	10,000	5,925
	Interest income/expense	184	(1)	185	24	1	23
	Return/rates (%)	0.92	(0.01)	3.06	0.15	0.01	0.39
Securities sold under repurchase agreements	Average balance	61,179	—	61,179	62,819	—	62,819
	Interest income/expense	1,654	—	1,654	82	—	82
	Return/rates (%)	2.70	—	2.70	0.13	—	0.13
Cash collateral received for securities lent	Average balance	287,040	1,389	285,650	364,118	4,904	359,213
	Interest income/expense	7,058	—	7,058	356	—	356
	Return/rates (%)	2.45	—	2.47	0.09	—	0.09
Borrowed money	Average balance	484,832	484,832	—	370,013	369,104	908
	Interest income/expense	1,265	1,265	—	878	876	2
	Return/rates (%)	0.26	0.26	—	0.23	0.23	0.26
Bonds payable	Average balance	146,251	66,435	79,815	180,593	98,509	82,083
	Interest income/expense	1,517	98	1,418	1,957	125	1,832
	Return/rates (%)	1.03	0.14	1.77	1.08	0.12	2.23

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)

		2023			2022		
		Total	Domestic operations	International operations	Total	Domestic operations	International operations
Interest income	**Volume-related increase (decrease)**	**6,270**	**3,558**	**6,931**	**6,335**	**3,738**	**726**
	Rate-related increase (decrease)	**39,019**	**(1,483)**	**37,939**	**(8,480)**	**(3,689)**	**(3,031)**
	Net increase (decrease)	**45,290**	**2,075**	**44,871**	**(2,145)**	**49**	**(2,305)**
Due from banks	Volume-related increase (decrease)	2	0	1	(10)	(0)	(10)
	Rate-related increase (decrease)	668	1	668	5	(0)	5
	Net increase (decrease)	671	1	670	(5)	(0)	(5)
Call loans	Volume-related increase (decrease)	16	21	5	(44)	(43)	7
	Rate-related increase (decrease)	403	(0)	393	33	23	1
	Net increase (decrease)	420	21	398	(10)	(19)	9
Securities purchased under resale agreements	Volume-related increase (decrease)	0	0	—	142	142	—
	Rate-related increase (decrease)	—	—	—	0	0	—
	Net increase (decrease)	0	0	—	142	142	—
Cash collateral provided for securities borrowed	Volume-related increase (decrease)	—	—	—	—	—	—
	Rate-related increase (decrease)	—	—	—	—	—	—
	Net increase (decrease)	—	—	—	—	—	—
Securities	Volume-related increase (decrease)	1,144	220	969	2,841	1,753	470
	Rate-related increase (decrease)	1,982	(648)	2,585	(3,794)	(1,507)	(1,670)
	Net increase (decrease)	3,126	(428)	3,555	(953)	246	(1,199)
Loans and bills discounted	Volume-related increase (decrease)	6,804	2,363	5,251	2,719	1,675	749
	Rate-related increase (decrease)	33,272	(1,049)	33,511	(4,092)	(1,975)	(1,822)
	Net increase (decrease)	40,077	1,314	38,763	(1,373)	(299)	(1,073)
Interest expenses	**Volume-related increase (decrease)**	**2,034**	**1,181**	**1,890**	**1,986**	**959**	**324**
	Rate-related increase (decrease)	**46,278**	**1,705**	**45,190**	**(5,503)**	**(734)**	**(4,176)**
	Net increase (decrease)	**48,312**	**2,887**	**47,081**	**(3,516)**	**224**	**(3,851)**
Deposits	Volume-related increase (decrease)	1,099	1,034	61	1,010	913	23
	Rate-related increase (decrease)	4,056	1,063	2,996	(488)	(97)	(317)
	Net increase (decrease)	5,155	2,098	3,057	522	816	(293)
Negotiable certificates of deposit	Volume-related increase (decrease)	(0)	(0)	—	(0)	(0)	—
	Rate-related increase (decrease)	0	0	—	(0)	(0)	—
	Net increase (decrease)	(0)	(0)	—	(0)	(0)	—
Debentures	Volume-related increase (decrease)	—	—	—	(55)	(55)	—
	Rate-related increase (decrease)	—	—	—	—	—	—
	Net increase (decrease)	—	—	—	(55)	(55)	—
Call money	Volume-related increase (decrease)	6	0	0	(5)	0	20
	Rate-related increase (decrease)	153	(2)	161	(4)	1	(32)
	Net increase (decrease)	159	(2)	162	(10)	1	(11)
Securities sold under repurchase agreements	Volume-related increase (decrease)	(2)	—	(2)	48	—	48
	Rate-related increase (decrease)	1,574	—	1,574	(74)	—	(74)
	Net increase (decrease)	1,572	—	1,572	(25)	—	(25)
Cash collateral received for securities lent	Volume-related increase (decrease)	(75)	—	(72)	68	—	51
	Rate-related increase (decrease)	6,777	—	6,775	(1,225)	—	(1,208)
	Net increase (decrease)	6,702	—	6,702	(1,157)	—	(1,157)
Borrowed money	Volume-related increase (decrease)	272	274	(2)	(356)	86	(387)
	Rate-related increase (decrease)	114	114	—	(547)	(602)	(0)
	Net increase (decrease)	387	389	(2)	(904)	(515)	(388)
Bonds payable	Volume-related increase (decrease)	(372)	(40)	(50)	(200)	(41)	564
	Rate-related increase (decrease)	(67)	14	(363)	(73)	10	(807)
	Net increase (decrease)	(439)	(26)	(413)	(273)	(30)	(242)

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)

	2023			2022		
	Total	Domestic operations	International operations	Total	Domestic operations	International operations
Net fees and commissions	**8,697**	**6,947**	**1,750**	**7,651**	**6,905**	**745**
Fees and commissions income	**11,539**	**8,737**	**2,802**	**14,975**	**13,303**	**1,671**
Deposits and loan operations	5,767	4,674	1,092	7,646	7,134	512
Foreign exchange operations	207	186	20	196	187	8
Securities-related operations	1,032	1,032	—	1,382	1,382	—
Agency services	3,518	1,905	1,613	4,467	3,451	1,015
Guarantee operations	137	82	54	123	72	51
Fees and commissions expenses	**2,841**	**1,790**	**1,051**	**7,324**	**6,397**	**926**
Foreign exchange operations	139	68	70	158	89	69

Gains on trading account transactions

Years Ended March 31

(Millions of yen)

	2023			2022		
	Total	Domestic operations	International operations	Total	Domestic operations	International operations
Net gains on trading account transactions	**3,682**	**(3,817)**	**7,500**	**15,432**	**10,416**	**5,016**
Gains on trading account transactions	**14,832**	**7,332**	**7,500**	**15,432**	**10,416**	**5,016**
Gains on trading securities	—	—	—	7,576	7,576	—
Gains on trading account securities	10,943	5,381	5,562	2,251	(1,302)	3,554
Gains on trading account financial derivatives	3,888	1,951	1,937	5,604	4,142	1,461
Gains on other trading account transactions	—	—	—	—	—	—
Losses on trading account transactions	**11,150**	**11,150**	—	—	—	—
Losses on trading securities	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)

	2023			2022		
	Total	Domestic operations	International operations	Total	Domestic operations	International operations
Net other ordinary income	**(11,086)**	**(2,213)**	**(8,872)**	**19,038**	**9,100**	**9,937**
Other ordinary income	**22,672**	**7,855**	**14,816**	**26,537**	**10,771**	**15,765**
Gains on foreign exchange transactions	—	—	—	2,583	—	2,583
Gains on sales of bonds and other securities	5,914	1,372	4,542	9,408	3,133	6,275
Gains on redemption of bonds and other securities	—	—	—	—	—	—
Gains on derivatives	1,957	—	1,957	1,082	—	1,082
Other	14,799	6,483	8,316	13,462	7,638	5,824
Other ordinary expenses	**33,759**	**10,069**	**23,689**	**7,498**	**1,670**	**5,827**
Losses on foreign exchange transactions	7,810	—	7,810	—	—	—
Losses on sales of bonds and other securities	16,109	5,142	10,966	4,908	220	4,687
Losses on redemption of bonds and other securities	590	103	487	—	—	—
Losses on devaluation of bonds and other securities	373	—	373	—	—	—
Amortization of bond issuance costs	165	95	70	214	131	82
Losses on derivatives	—	—	—	—	—	—
Other	8,709	4,728	3,981	2,375	1,318	1,057

General and Administrative Expenses

Years Ended March 31

(Millions of yen)

	2023	2022
General and administrative expenses	**46,105**	**45,684**
Salaries and allowances	18,956	18,332
Retirement benefit expenses	983	551
Welfare expenses	594	574
Depreciation	5,095	4,923
Rent and lease expenses	3,035	3,054
Building and maintenance expenses	185	225
Supplies expenses	284	269
Utilities expenses	387	308
Traveling expenses	214	122
Communication expenses	618	759
Advertising expenses	575	460
Taxes and dues	2,125	2,901
Other	13,049	13,197

Crypto Assets (Non-Consolidated)

None.

Financial and Corporate Data
Income Analysis (Non-Consolidated)

Deposit Operations (Non-Consolidated)

Balance of Deposits

Years Ended March 31

(Millions of yen, %)

			2023			2022		
			Total	Domestic operations	International operations	Total	Domestic operations	International operations
Deposits								
Liquid deposits		**Average balance**	**2,443,568**	**2,443,568**	**—**	**1,663,531**	**1,663,531**	**—**
		(%)	**(49.87)**	**(51.36)**	**—**	**(40.04)**	**(41.26)**	**—**
		Term-end balance	**2,714,796**	**2,714,796**	**—**	**2,042,534**	**2,042,534**	**—**
		(%)	**(53.43)**	**(54.84)**	**—**	**(44.75)**	**(46.10)**	**—**
	Interest-bearing deposits	Average balance	2,410,546	2,410,546	—	1,628,751	1,628,751	—
		(%)	(49.20)	(50.67)	—	(39.21)	(40.40)	—
		Term-end balance	2,680,396	2,680,396	—	2,005,751	2,005,751	—
		(%)	(52.75)	(54.15)	—	(43.95)	(45.27)	—
Time deposits (in general)		**Average balance**	**2,312,556**	**2,312,556**	**—**	**2,366,907**	**2,366,907**	**—**
		(%)	**(47.20)**	**(48.61)**	**—**	**(56.97)**	**(58.71)**	**—**
		Term-end balance	**2,232,558**	**2,232,558**	**—**	**2,386,837**	**2,386,837**	**—**
		(%)	**(43.94)**	**(45.10)**	**—**	**(52.30)**	**(53.87)**	**—**
	Deregulated interest rate time deposits (fixed)	Average balance	1,414,913	1,414,913	—	1,586,944	1,586,944	—
		(%)	(28.88)	(29.74)	—	(38.20)	(39.36)	—
		Term-end balance	1,298,492	1,298,492	—	1,523,999	1,523,999	—
		(%)	(25.55)	(26.23)	—	(33.39)	(34.40)	—
	Deregulated interest rate time deposits (floating)	Average balance	897,643	897,643	—	779,963	779,963	—
		(%)	(18.32)	(18.87)	—	(18.77)	(19.35)	—
		Term-end balance	934,065	934,065	—	862,837	862,837	—
		(%)	(18.38)	(18.87)	—	(18.90)	(19.47)	—
Others		**Average balance**	**143,546**	**1,488**	**142,057**	**123,884**	**1,360**	**122,523**
		(%)	**(2.93)**	**(0.03)**	**(100.00)**	**(2.99)**	**(0.03)**	**(100.00)**
		Term-end balance	**134,020**	**2,961**	**131,058**	**134,709**	**1,443**	**133,266**
		(%)	**(2.63)**	**(0.06)**	**(100.00)**	**(2.95)**	**(0.03)**	**(100.00)**
Subtotal		**Average balance**	**4,899,671**	**4,757,613**	**142,057**	**4,154,323**	**4,031,799**	**122,523**
		(%)	**(100.00)**	**(100.00)**	**(100.00)**	**(100.00)**	**(100.00)**	**(100.00)**
		Term-end balance	**5,081,374**	**4,950,316**	**131,058**	**4,564,081**	**4,430,814**	**133,266**
		(%)	**(100.00)**	**(100.00)**	**(100.00)**	**(100.00)**	**(100.00)**	**(100.00)**
Negotiable certificates of deposit		**Average balance**	**28,563**	**28,563**	**—**	**34,272**	**34,272**	**—**
		Term-end balance	**34,000**	**34,000**	**—**	**33,500**	**33,500**	**—**
Total		**Average balance**	**4,928,234**	**4,786,176**	**142,057**	**4,188,595**	**4,066,072**	**122,523**
		Term-end balance	**5,115,374**	**4,984,316**	**131,058**	**4,597,581**	**4,464,314**	**133,266**

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.

Balance of Time Deposits by Residual Period

Years Ended March 31

(Millions of yen)

	2023			2022		
	Total	Deregulated interest rate (fixed)	Deregulated interest rate (floating)	Total	Deregulated interest rate (fixed)	Deregulated interest rate (floating)
Less than 3 months	284,540	275,971	8,569	366,366	358,216	8,150
3–6 months	327,295	297,799	29,496	336,971	336,471	500
6 months–1 year	418,830	378,726	40,104	549,822	513,305	36,517
1–2 years	214,232	173,158	41,074	213,566	146,498	67,067
2–3 years	135,975	56,696	79,279	167,791	131,916	35,875
More than 3 years	851,682	116,140	735,541	752,319	37,590	714,728
Total	**2,232,558**	**1,298,492**	**934,065**	**2,386,837**	**1,523,999**	**862,837**

Balance of Deposits by Depositor

Years Ended March 31

(Millions of yen, %)

	2023		2022	
	Balance	Share	Balance	Share
Corporate	676,142	13.30	674,658	14.78
Retail	3,480,205	68.49	3,026,240	66.31
Public sector	65,363	1.29	58,345	1.28
Financial institutions	859,663	16.92	804,836	17.63
Total	**5,081,374**	**100.00**	**4,564,081**	**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)

	2023			2022		
	Total	Domestic offices	Overseas offices	Total	Domestic offices	Overseas offices
Number of offices	20	20	—	20	20	—
Deposits per office	255,768	255,768	—	229,879	229,879	—

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)

	2023			2022		
	Total	Domestic offices	Overseas offices	Total	Domestic offices	Overseas offices
Number of employees	2,007	2,007	—	1,987	1,987	—
Deposits per employee	2,548	2,548	—	2,313	2,313	—

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.

Financial and Corporate Data
Deposit Operations (Non-Consolidated)

Loan Operations (Non-Consolidated)

Balance of Loans

Years Ended March 31

(Millions of yen)

		2023			2022		
		Total	Domestic operations	International operations	Total	Domestic operations	International operations
Loans on deeds	Average balance	3,424,020	2,011,478	1,412,542	2,856,970	1,743,461	1,113,508
	Term-end balance	3,543,033	2,116,094	1,426,938	3,057,969	1,813,101	1,244,868
Loans on notes	Average balance	15,740	15,740	—	35,791	35,791	—
	Term-end balance	14,034	14,034	—	24,443	24,443	—
Overdrafts	Average balance	178,350	178,350	—	181,461	181,461	—
	Term-end balance	145,781	145,781	—	142,817	142,817	—
Bills discounted	Average balance	6,806	6,806	—	5,794	5,794	—
	Term-end balance	7,223	7,223	—	5,674	5,674	—
Total	**Average balance**	**3,624,917**	**2,212,375**	**1,412,542**	**3,080,017**	**1,966,508**	**1,113,508**
	Term-end balance	**3,710,072**	**2,283,134**	**1,426,938**	**3,230,905**	**1,986,037**	**1,244,868**

Note: The Bank carries out partial and direct write-off of loans. This also applies to the table shown below.

Balance of Loans by Residual Period

Years Ended March 31

(Millions of yen)

	2023			2022		
	Total	Fixed interest	Floating interest	Total	Fixed interest	Floating interest
1 year or less	1,725,853			1,476,622		
1–3 years	744,786	258,733	486,052	578,459	239,407	339,051
3–5 years	620,077	203,487	416,590	610,656	218,206	392,449
5–7 years	330,052	77,067	252,985	335,100	78,661	256,439
Over 7 years	289,301	99,111	190,190	230,066	81,019	149,047
Indefinite period	—	—	—	—	—	—
Total	**3,710,072**			**3,230,905**		

Notes: 1. Maturity is based on scheduled final maturity dates.
2. No distinction has been made between fixed interest and floating interest for loans with a residual period of 1 year or less.

Ratio of Loans and Bills Discounted to Deposits

Years Ended March 31

(Millions of yen, %)

	2023			2022		
	Total	Domestic operations	International operations	Total	Domestic operations	International operations
Loans and bills discounted (A)	3,710,072	2,283,134	1,426,938	3,230,905	1,986,037	1,244,868
Deposits (B)	5,115,374	4,984,316	131,058	4,597,581	4,464,314	133,266
Ratio(A)/(B)	72.52	45.80	1,088.78	70.27	44.48	934.12
Average during the year	73.55	46.22	994.34	73.53	48.36	908.81

Note: Deposits include negotiable certificates of deposit.

Loans per Office

Years Ended March 31

(Number of offices, Millions of yen)

	2023			2022		
	Total	Domestic offices	Overseas offices	Total	Domestic offices	Overseas offices
Number of offices	20	20	—	20	20	—
Loans per office	185,503	185,503	—	161,545	161,545	—

Note: Number of offices does not include domestic sub-branches and overseas representative offices.

Loans per Employee

Years Ended March 31

(Number of employees, Millions of yen)

	2023			2022		
	Total	Domestic offices	Overseas offices	Total	Domestic offices	Overseas offices
Number of employees	2,007	2,007	—	1,987	1,987	—
Loans per employee	1,848	1,848	—	1,626	1,626	—

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 to Small and Medium-Sized Enterprises (SMEs)

Years Ended March 31

(Number of borrowers, Millions of yen, %)

	2023		2022	
	Number of borrowers	Value	Number of borrowers	Value
Total loans and bills discounted (A)	10,235	3,710,072	1,001	3,230,905
Loans to small and medium-sized enterprises (SMEs) (B)	10,004	2,791,937	779	2,517,539
(B)/(A)	97.74	75.25	77.82	77.92

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)

	2023	2022
Consumer loans	**14,213**	**1,192**
Housing loans	615	801
Others	13,598	391

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.

Loan Operations (Non-Consolidated)

Breakdown of Loans and Bills Discounted by Industry

Years Ended March 31

(Millions of yen, %)

	2023		2022	
	Balance of loans	Share	Balance of loans	Share
Domestic offices	**3,710,072**	**100.00**	**3,230,905**	**100.00**
(excluding Japan offshore market accounts)				
Manufacturing	258,712	6.97	236,793	7.33
Agriculture, forestry and fisheries	3,112	0.08	4,129	0.13
Mining, quarry and gravel extraction	—	—	—	—
Construction	12,149	0.33	10,286	0.32
Electricity, gas, heat supply and water	141,463	3.81	87,017	2.69
Information and communications	105,001	2.83	102,637	3.18
Transport and postal service	49,659	1.34	40,375	1.25
Wholesale and retail trade	86,506	2.33	77,922	2.41
Finance and insurance	342,450	9.23	351,254	10.87
Real estate	760,187	20.49	715,063	22.13
Leasing	148,797	4.01	100,517	3.11
Various services	154,173	4.16	153,686	4.76
Local government	8,588	0.23	16,980	0.53
Others	1,639,270	44.19	1,334,241	41.29
Overseas offices	—	—	—	—
(including Japan offshore market accounts)				
Government	—	—	—	—
Financial institutions	—	—	—	—
Others	—	—	—	—
Total	**3,710,072**		**3,230,905**	

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)

	2023	2022
Domestic offices	**38,391**	**20,698**
(excluding Japan offshore market accounts)		
Manufacturing	5,692	7,801
Agriculture, forestry and fisheries	3,144	4,161
Mining, quarry and gravel extraction	—	—
Construction	—	—
Electricity, gas, heat supply and water	—	—
Information and communications	—	—
Transport and postal service	—	—
Wholesale and retail trade	122	1,961
Finance and insurance	—	—
Real estate	—	2,139
Leasing	—	—
Various services	1,293	1,300
Local government	—	—
Others	28,139	3,334
Overseas offices	—	—
(including Japan offshore market accounts)		
Government	—	—
Financial institutions	—	—
Others	—	—
Total	**38,391**	**20,698**

Note: NPLs based on the Financial Reconstruction Act include accrued interest and suspense payments in other assets and customers' liabilities for acceptances and guarantees.

Balance of Loans and Bills Discounted, Classified by Purpose

Years Ended March 31

(Millions of yen, %)

	2023		2022	
	Balance of loans	Share	Balance of loans	Share
Funds for capital investment	442,548	11.93	436,681	13.52
Funds for working capital	3,267,524	88.07	2,794,224	86.48
Total	**3,710,072**	**100.00**	**3,230,905**	**100.00**

Breakdown of Balance of Acceptances and Guarantees

Years Ended March 31

(Millions of yen)

	2023	2022
Acceptances of bills	—	—
Letters of credit	10,602	14,522
Guarantees	14,401	10,859
Total	**25,004**	**25,381**

Breakdown of Loans and Bills Discounted by Collateral

Years Ended March 31

(Millions of yen)

	2023	2022
Securities	10,630	10,284
Claims	34,472	36,517
Merchandise	—	—
Real estate	191,239	170,149
Others	7,883	8,132
Subtotal	**244,225**	**225,084**
Guaranteed	110,915	86,734
Unsecured	3,354,932	2,919,087
Total	**3,710,072**	**3,230,905**

Breakdown of Collateral for Customers' Liabilities for Acceptances and Guarantees

Years Ended March 31

(Millions of yen)

	2023	2022
Securities	—	—
Claims	—	—
Real estate	—	—
Others	—	5
Subtotal	—	**5**
Guaranteed	5,553	5,853
Unsecured	19,450	19,523
Total	**25,004**	**25,381**

Write-Off of Loans

Years Ended March 31

(Millions of yen)

	2023	2022
Write-off of loans	1,482	1,062

Financial and Corporate Data

Loan Operations (Non-Consolidated)

Loan Operations (Non-Consolidated)

Allowance for Loan Losses

Years Ended March 31

(Millions of yen)

	2023					2022				
			Reduction during year					Reduction during year		
	Balance at beginning of year	Provision	Used for specific purpose	Other	Balance at end of year	Balance at beginning of year	Provision	Used for specific purpose	Other	Balance at end of year
General allowance	38,264	33,611	—	38,264	33,611	39,280	38,264	—	39,280	38,264
Specific allowance	[196] 9,449	9,595	5,596	3,852	9,595	[-264] 11,027	9,646	5,245	5,782	9,646
Related to non-residents	[196] (156)	8,016	—	(156)	8,016	[-254] 4,004	40	3,391	613	40
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.

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)

	2023	2022
NPLs based on the Banking Act and the FRA		
Bankrupt and similar credit	3.0	2.8
Doubtful credit	29.8	15.4
Special attention credit	5.5	2.3
Loans overdue for 3 months or more	—	—
Restructured loans	5.5	2.3
Subtotal (A)	38.3	20.6
Normal credit	3,737.4	3,272.3
Total credit (B)	3,775.8	3,293.0
(A/B)	1.01%	0.62%

Consolidated

(Billions of Yen)

	2023	2022
NPLs based on the Banking Act and the FRA		
Bankrupt and similar credit	3.0	2.8
Doubtful credit	30.6	16.2
Special attention credit	5.5	2.3
Loans overdue for 3 months or more	—	—
Restructured loans	5.5	2.3
Subtotal (A)	39.1	21.4
Normal credit	3,896.8	3,346.0
Total credit (B)	3,936.0	3,367.4
(A/B)	0.99%	0.63%

Allowance Ratios for Each Category of Borrower, Based on Asset-Assessments

Years Ended March 31

Non-consolidated

(%)

Definition of Borrower Categories	2023	2022
Normal	0.5	0.7
Need attention:		
Other need attention borrowers	4.9	5.0
Special attention borrowers (Allowance Ratio to unsecured)	52.9	60.9
In danger of bankruptcy (Allowance Ratio to unsecured)	100.0	87.7
De facto bankrupt and bankrupt (Allowance Ratio to unsecured)	100.0	100.0

Loan Operations (Non-Consolidated)

Asset-Assessment, NPLs based on the FRA, Write-Offs and Allowance

(After partial and direct write-off, Non-Consolidated Basis) as of March 31, 2023

(Billions of Yen)

Borrower categories for self-assessment	NPLs based on the FRA (Loans / other)	Allowance & Coverage	Allowance Ratio	Coverage Ratio
Bankrupt borrowers De facto bankrupt borrowers	Bankrupt and similar credit 3.0	Collateral/Guarantee coverage 3.0 Allowance —	100.0%	100.0%
In Danger of Bankruptcy borrowers	Doubtful credit 29.8	Collateral/Guarantee coverage 20.2 Allowance 9.5 Estimated collections —	100.0%	100.0%
Need Attention borrowers	Special attention credit 5.5	Collateral/Guarantee coverage — Allowance 2.9 Estimated collections 2.5	53.0%	53.0%
Normal borrowers	Normal credit 3,737.4			
	NPL Credit 38.3	Collateral/Guarantee coverage 23.2 Allowance 12.5 Estimated collections 2.5	NPLs based on the FRA Allowance Ratio 82.9%	NPLs based on the FRA Coverage Ratio 93.3%
	Total credit 3,775.8	Total allowance 43.2		

Allowance Ratio = Allowance / (NPL Credit – Collateral, Guarantees, etc.)
Coverage Ratio = (Collateral, Guarantees + Allowance) / NPL Credit

<Definitions of Borrower Categories>

Normal Business performance is strong and no special financial problems exist.

Need attention Borrowers that need to be monitored carefully because of weak business fundamentals, financial problems or problematic lending conditions.

In danger of bankruptcy Borrowers that are not currently bankrupt but are highly likely to become bankrupt.

De facto bankrupt Borrowers that are substantially bankrupt but are not legally or practically bankrupt yet.

Bankrupt Borrowers that are legally or practically bankrupt.

<Definitions of Asset Classifications>

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.

<Definitions of NPLs based on the Banking Act and the FRA>

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.

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.

Special attention credit Loans overdue for 3 months or more and Restructured loans.

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.

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.

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.

Securities (Non-Consolidated)

Balance of Securities Held

Years Ended March 31

(Millions of yen, %)

		2023			2022		
		Total	Domestic operations	International operations	Total	Domestic operations	International operations
Total	**Average balance**	**1,453,629**	**527,300**	**926,328**	**1,376,034**	**504,569**	**871,464**
	(%)	**(100.00)**	**(100.00)**	**(100.00)**	**(100.00)**	**(100.00)**	**(100.00)**
	Term-end balance	**1,319,450**	**543,568**	**775,881**	**1,494,578**	**603,561**	**891,017**
	(%)	**(100.00)**	**(100.00)**	**(100.00)**	**(100.00)**	**(100.00)**	**(100.00)**
Japanese national government bonds	Average balance	31,053	31,053	–	30,999	30,999	–
	(%)	(2.14)	(5.89)	–	(2.25)	(6.14)	–
	Term-end balance	18,381	18,381	–	51,352	51,352	–
	(%)	(1.39)	(3.38)	–	(3.44)	(8.51)	–
Japanese local government bonds	Average balance	77,773	77,773	–	132,506	132,506	–
	(%)	(5.35)	(14.75)	–	(9.63)	(26.26)	–
	Term-end balance	14,336	14,336	–	133,452	133,452	–
	(%)	(1.09)	(2.64)	–	(8.93)	(22.11)	–
Japanese short-term corporate bonds	Average balance	361	361	–	369	369	–
	(%)	(0.02)	(0.07)	–	(0.03)	(0.07)	–
	Term-end balance	10,999	10,999	–	34,998	34,998	–
	(%)	(0.83)	(2.02)	–	(2.34)	(5.80)	–
Japanese corporate bonds	Average balance	148,569	148,569	–	135,630	135,630	–
	(%)	(10.22)	(28.18)	–	(9.86)	(26.88)	–
	Term-end balance	110,616	110,616	–	129,837	129,837	–
	(%)	(8.38)	(20.35)	–	(8.69)	(21.51)	–
Japanese stocks	Average balance	51,203	51,203	–	41,783	41,783	–
	(%)	(3.52)	(9.71)	–	(3.04)	(8.28)	–
	Term-end balance	61,053	61,053	–	65,525	65,525	–
	(%)	(4.63)	(11.23)	–	(4.38)	(10.86)	–
Others	Average balance	1,144,666	218,337	926,328	1,034,744	163,280	871,464
	(%)	(78.75)	(41.40)	(100.00)	(75.19)	(32.37)	(100.00)
	Term-end balance	1,104,062	328,181	775,881	1,079,411	188,394	891,017
	(%)	(83.68)	(60.38)	(100.00)	(72.22)	(31.21)	(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)

	2023						2022					
	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	–	2,465	10,999	221		11,530	–	3,127	34,998	15,205		15,599
1–3 years	–	3,935	–	6,448		90,088	–	9,015	–	3,439		70,791
3–5 years	–	2,957	–	23,097		47,609	–	17,564	–	25,140		107,773
5–7 years	–	2,262	–	6,905		33,183	–	5,849	–	11,678		40,038
7–10 years	–	2,715	–	342		106,940	29,723	97,895	–	2,103		95,536
Over 10 years	18,381	–	–	73,600		169,436	21,629	–	–	72,270		206,320
Indefinite period	–	–	–	–	61,053	645,275	–	–	–	–	65,525	543,352
Total	**18,381**	**14,336**	**10,999**	**110,616**	**61,053**	**1,104,062**	**51,352**	**133,452**	**34,998**	**129,837**	**65,525**	**1,079,411**

Ratio of Securities to Deposits

Years Ended March 31

(Millions of yen, %)

	2023			2022		
	Total	Domestic operations	International operations	Total	Domestic operations	International operations
Securities (A)	1,319,450	543,568	775,881	1,494,578	603,561	891,017
Deposits (B)	5,115,374	4,984,316	131,058	4,597,581	4,464,314	133,266
Ratio (A)/(B)	25.79	10.90	592.01	32.50	13.51	668.59
Average during the year	29.49	11.01	652.07	32.85	12.40	711.26

Notes: Deposits include negotiable certificates of deposit.

Securities Business (Non-Consolidated)

Underwriting of Public Bonds

(Millions of Yen)

	2023	2022
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)

	2023	2022
Japanese national government bonds	—	—
Japanese local government bonds and government-guaranteed bonds	—	—
Total	—	—
Securities investment trusts	72,658	72,953

International Operations (Non-Consolidated)

Foreign Exchange Transactions

Years Ended March 31

(Millions of U.S. dollars)

		2023	2022
Outward exchange:	Foreign bills sold	3,417	2,990
	Foreign bills bought	—	—
Incoming exchange:	Foreign bills payable	737	809
	Foreign bills receivable	—	—
Total		**4,155**	**3,800**

Balance of Assets in International Operations

Years Ended March 31

(Millions of yen)

	2023			2022		
	Total	Domestic offices	Overseas offices	Total	Domestic offices	Overseas offices
Balance of assets in international operations	2,463,371	2,463,371	—	2,394,312	2,394,312	—

Trust Business Operations (Non-Consolidated)

Statement of Trust Assets and Liabilities

Years Ended March 31

(Millions of yen)

Account	2023	2022
(Assets)		
Loans and bills discounted	**35,642**	**38,790**
Loans on deeds	35,642	38,790
Securities	**173,256**	**184,418**
Government bonds	5,764	6,785
Local government bonds	9,075	9,075
Corporate bonds	19,802	24,843
Foreign securities	138,614	143,714
Beneficiary rights	**5,083**	**5,359**
Securities held in custody accounts	**220,168**	**216,451**
Money claims	**231,970**	**238,606**
Money claims on home mortgage	1,005	1,353
Other money claims	230,964	237,253
Tangible fixed assets	**109,934**	**111,044**
Real estate	109,934	111,044
Other claims	**2,384**	**5,362**
Cash and cash equivalents	**92,974**	**79,502**
Due from banks	92,974	79,502
Total assets	**871,414**	**879,535**
(Liabilities)		
Money trusts	**199,429**	**198,475**
Money entrusted, other than money trusts	**115,653**	**123,055**
Securities trusts	**220,348**	**216,632**
Monetary claims trusts	**59,306**	**49,116**
Composite trusts	**276,676**	**292,255**
Total liabilities	**871,414**	**879,535**

Notes: 1. 'Beneficiary rights,' which the Bank acquired from a trust where the Bank acts as entrustor and entrustee, 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	2023	2022
Money trusts	199,429	198,475
Total	**199,429**	**198,475**

Note: There are no balances for pension trusts, asset formation benefit trusts or loan trusts.

Balance of Securities Related to Money Trusts

Years Ended March 31

(Millions of yen, %)

Type	2023		2022	
	Balance	Percentage	Balance	Percentage
Government bonds	5,764	3.33	6,785	3.68
Local government bond	9,075	5.24	9,075	4.92
Short-term corporate bonds	—	—	—	—
Corporate bonds	19,802	11.43	24,843	13.47
Stocks	—	—	—	—
Other securities	138,614	80.00	143,714	77.93
Total	**173,256**	**100.00**	**184,418**	**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	2023	2022
Money trusts		
Less than 1 year	0	363
1-2 years	21,300	10,000
2-5 years	1,330	1,046
Over 5 years	810	1,045
Others	—	—
Total	**23,441**	**12,455**

Note: There are no balances for loan trusts.

Operational Status of Money Trusts by Type

Years Ended March 31

(Millions of yen)

Type	2023	2022
Money trusts		
Loans	—	—
Securities	173,256	184,418
Crypto assets	—	—
Money trusts Total	**173,256**	**184,418**
Total Loans	**—**	**—**
Total Securities	**173,256**	**184,418**
Total Crypto assets	**—**	**—**
Total Loans, Securities and Crypto assets	**173,256**	**184,418**

Note: There are no balances for pension trusts, asset formation benefit trusts or loan trusts.

The followings are not applicable.
1. Balance of guaranteed trust (including trust assets entrusted to other banks for asset management) by type.
2. Balance of loans held in money trusts by type.
3. Balance of loans related to money trusts by category (loans on deeds, loans on bills and bills discounted).
4. Balance of loans related to money trusts by contract term.
5. Balance of loans related to money trusts by type of collateral (securities, claims, commodities, real estate, guarantees and unsecured).
6. Balance of loans related to money trusts by purpose of use (capital spending and working capital).
7. Balance of loans related to money trusts by industry and ratios to total loans.
8. Balance of loans to Small and Medium-Sized Enterprises (SMEs) related to money trusts and ratios to total loans.
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.
9. Balance of Loans 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.'
10. Balance of crypto assets by type.

Financial and Corporate Data | Trust Business Operations (Non-Consolidated)

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, 2023)

	Number of shares held	Percentage of total outstanding shares
The Master Trust Bank of Japan, Ltd. (Trust Account)	14,093 Thousands	11.91%
The Nomura Trust and Banking Co., Ltd. (Trust Account 2052255)	5,000	4.23
Custody Bank of Japan, Ltd. (Trust Account)	3,038	2.57
Aozora Bank, Ltd.	1,508	1.28
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	1,367	1.16
STATE STREET BANK WEST CLIENT – TREATY 505234	969	0.82
GMO Internet Group, Inc.	800	0.68
SMBC Nikko Securities Inc.	755	0.64
Nomura Securities Co., Ltd. (Proprietary Account)	625	0.53
Yoshitoki Ishii	450	0.38
Custody Bank of Japan, Ltd. (Trust Account 4)	444	0.38
Others	89,236	75.42
Total	118,289	100.00

Note: The above table was compiled based on the Bank's Shareholder Registry as of March 31, 2023.

Ownership and Distribution of Shares

(As of March 31, 2023)

Classification	Stock Status (1 *tangen* unit = 100 shares)								Fractional shares of common stock
	National and municipal governments	Financial institutions	Financial instruments firms	Other domestic companies	Foreign Investors: Other than individuals	Foreign Investors: Individuals	Individuals and others	Total	
Number of shareholders	–	54	29	963	276	313	117,637	119,272	–
Number of shares held (*tangen*)	–	258,036	39,152	54,488	90,398	2,188	736,733	1,180,995	189,918
Percentage of total number of shares	–	21.85	3.32	4.61	7.65	0.19	62.38	100.00	–

Notes: 1. Treasury stock of 1,508,199 shares comprises 15,081 *tangen* units under Individuals and others and 99 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, 2023	March 31, 2022
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	471,826	481,017
of which: capital and capital surplus	187,481	187,476
of which: retained earnings	292,117	301,914
of which: treasury stock (–)	3,099	3,117
of which: national specific regulatory adjustments (earnings to be distributed) (–)	4,672	5,256
of which: other than above	–	–
Accumulated other comprehensive income included in Core capital	6,354	3,216
of which: foreign currency translation adjustment	7,683	3,450
of which: remeasurements of defined benefit plans	(1,328)	(233)
Subscription rights to common shares and preferred shares with mandatory conversion clause	503	390
Adjusted non-controlling interests (amount allowed in group Core capital)	–	–
Total of general allowance for loan losses and eligible provisions included in Core capital	34,189	38,896
of which: general allowance for loan losses	34,189	38,896
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	95	185
Core capital: instruments and reserves (A)	512,968	523,706

Disclosure Based on Basel III Capital Accord Pillar III—Market Discipline

(Millions of Yen)

Items	March 31, 2023	March 31, 2022
Core capital: regulatory adjustments (2)		
Total intangible assets (net of related tax liability, excluding those relating to mortgage servicing rights)	19,258	19,696
of which: goodwill (including those equivalent)	4,200	3,965
of which: other intangibles other than goodwill and mortgage servicing rights	15,058	15,731
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	717	53
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	207	133
Defined-benefit pension fund net assets (prepaid pension costs)	2,687	3,444
Investments in own shares (excluding those reported in the Net assets section)	0	8
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)	22,872	23,335
Regulatory capital		
Regulatory capital ((A)–(B)) (C)	490,096	500,370
Risk-weighted assets (3)		
Credit risk assets	4,559,602	4,245,714
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	478,496	407,830
Risk assets derived from operational risk equivalents	157,787	167,469
Adjustments to credit risk assets	—	—
Adjustments to operational risk equivalents	—	—
Total risk-weighted assets (D)	5,195,885	4,821,014
Consolidated capital adequacy ratio		
Consolidated capital adequacy ratio ((C)/(D))	9.43%	10.37%

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.

Methods used to calculate risk-weighted assets and amounts of required capital for each risk are as follows:

(Millions of Yen)

	Methods	March 31, 2023	March 31, 2022
Total required capital		207,835	192,840
Credit risk	Standardized approach	182,384	169,828
Market risk equivalents	Internal models approach and Standardized approach	19,139	16,313
Operational risk equivalents	Standardized approach	6,311	6,698

Composition of Capital Disclosure (Non-Consolidated)

(Basel III)

(Millions of Yen)

Items	March 31, 2023	March 31, 2022
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	444,463	470,552
of which: capital and capital surplus	187,481	187,476
of which: retained earnings	264,752	291,448
of which: treasury stock (–)	3,099	3,117
of which: national specific regulatory adjustments (earnings to be distributed) (–)	4,671	5,254
of which: other than above	—	—
Subscription rights to common shares and preferred shares with mandatory conversion clause	503	390
Total of general allowance for loan losses and eligible provisions included in Core capital	34,125	38,667
of which: general allowance for loan losses	34,125	38,667
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)	479,091	509,609
Core capital: regulatory adjustments (2)		
Total intangible assets (net of related tax liability, excluding those relating to mortgage servicing rights)	7,560	8,412
of which: goodwill (including those equivalent)	—	—
of which: other intangibles other than goodwill and mortgage servicing rights	7,560	8,412
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	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	207	133
Defined-benefit pension fund net assets (prepaid pension costs)	3,918	3,560
Investments in own shares (excluding those reported in the Net assets section)	0	8
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)	12,138	12,115
Regulatory capital		
Regulatory capital ((A)–(B)) (C)	466,952	497,494

(Millions of Yen)

Items	March 31, 2023	March 31, 2022
Risk-weighted assets (3)		
Credit risk assets	4,576,363	4,254,514
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	477,916	407,465
Risk assets derived from operational risk equivalents	138,165	153,788
Adjustments to credit risk assets	—	—
Adjustments to operational risk equivalents	—	—
Total risk-weighted assets (D)	5,192,445	4,815,768
Non-consolidated capital adequacy ratio		
Non-consolidated capital adequacy ratio ((C)/(D))	8.99%	10.33%

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, 2023	March 31, 2022
Total required capital		207,697	192,630
Credit risk	Standardized approach	183,054	170,180
Market risk equivalents	Internal models approach and Standardized approach	19,116	16,298
Operational risk equivalents	Standardized approach	5,526	6,151

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.	425	243	financial services
AHT Investments	11	11	financial services
Tokyo Recovery	26	3	financial services
Aozora Recovery Acquisition 1	4,191	4	financial services
Momiji Recovery	1	1	financial services
Chiba-Musashino Partner	279	3	financial services
Shinkumi Recovery Co., Ltd.	829	3	financial services
Aozora Recovery Support Co., Ltd.	2,873	2	financial services
AL3 Co., Ltd.	42	3	financial services
AL4 Co., Ltd.	1	1	financial services
Aozora Asset Co., Ltd.	4,620	2	financial services
Fukushima Recovery Co., Ltd.	231	223	financial services
Aozora Chiiki Saisei Co., Ltd.	5,067	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, 2023)

Item	Common Stock
Issuing entity	Aozora Bank
Amounts included in core capital	¥187,481 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 secure sufficient capital to 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 an approximately monthly basis.

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 Governance section 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 judgment 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 semiannually according to the credit strength of the borrower.	In the calculation of risk-weighted assets, we do not use such collateral as credit risk mitigation.
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	We individually judge the creditworthiness of the guarantor or the necessity of obtaining a proof thereof. We use a guarantee transaction as a credit risk mitigation contingent on the following: 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	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. 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.

(Offsetting/Netting)

	Policy/procedures/type of transaction/scope
Loan and deposit at Aozora Bank (On-balance-sheet netting)	(Policy) 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. (Type and scope of transactions) Claim against which the balance on the deposit account is offset: Loans Claims used to offset a loan: Time deposits (Procedures) 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.
Derivatives	(Policy) 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. (Type and scope of transactions) Interest derivatives, foreign exchange derivatives, credit derivatives, equity derivatives, commodity derivatives, and other various derivatives. (Procedures) 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.
Repo-style transactions	(Policy) We apply netting for repo-style transactions subject to a legally enforceable netting agreement. (Type and scope of transactions) Repo-style transactions (Procedures) 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.

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 Governance section,’ ‘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 Governance section’ 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, 2023.

(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, 2023.

(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 market risk

(1) Summary of risk management policies and procedures
(2) Methods used to calculate market risk equivalents
(3) Techniques used to accurately assess value according to transaction characteristics, given such factors as assumed holding period and the probability of an extended holding period
(4) Outline of models applied to market risk and explanations about back testing and stress tests
(5) Assumptions on and evaluation techniques for assessing the level of capital reinforcement required to cover market risk

These items are described in the Risk Governance section of this annual report under the heading ‘Market Risk Management.’

9. Items pertaining to operational risk

(1) Summary of risk management policies and procedures
(2) Methods used to calculate operational risk equivalents

These items are described in this document under the heading ‘Composition of Capital Disclosure’ and in the Risk Governance section of this annual report under the heading ‘Operational Risk Management.’

10. Summary of policies and procedures for risk management related to equity exposures

Policies and procedures are described under ‘Risk Governance 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.

11. 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 ⊿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 1.0 years on a non-consolidated basis and 0.9 years on a consolidated basis. For the aggregation of interest rate risk amount calculated per currency, ⊿EVE is calculate by adding only the currencies with positive ⊿EVE and ⊿NII is calculated by simply adding up ⊿NII of each currency. Also, spreads are considered in cash flows.

Other items are described in the Risk Governance 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, 2023 and 2022)

Not applicable

2. Items pertaining to capital adequacy

(1) Breakdown by Portfolio (Non-Consolidated)

(100 Million Yen)

Category	Mar. 2023			Mar. 2022		
	Amount of exposure	Amount of credit risk assets	Amount of capital requirements	Amount of exposure	Amount of credit risk assets	Amount of capital requirements
Cash	46	—	—	62	—	—
Claims on Japanese government/bank	13,656	—	—	12,091	—	—
Claims on foreign central government/bank	2,832	132	5	3,412	123	4
Claims on Bank for International Settlements (BIS)	—	—	—	—	—	—
Claims on Japanese local public bodies	236	—	—	1,625	—	—
Claims on non-central government public sector entities (PSEs) of foreign countries	1,254	250	10	1,249	249	9
Claims on multilateral development banks (MDBs)	—	—	—	—	—	—
Claims on Japan Finance Organization for Municipalities (JFM)	17	0	0	29	0	0
Claims on organs affiliated with the Japanese government	305	7	0	322	20	0
Claims on three major local public corporations	99	1	0	104	1	0
Claims on financial institutions and Type I financial instruments business operators	3,227	645	25	3,985	797	31
Claims on corporates	23,311	19,539	781	21,996	18,578	743
Claims on SMEs and individuals	131	125	5	—	—	—
Mortgage-backed housing loans	—	—	—	—	—	—
Claims on projects including acquisition of real estate properties	2,530	2,530	101	2,301	2,301	92
Loans overdue for three months or more	867	1,297	51	1,034	1,509	60
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	1,272	1,272	50
Securitization exposure (as originating bank)	—	—	—	—	—	—
Rating-based approach	—	—	—	—	—	—
Standardised approach	—	—	—	—	—	—
Risk weight = 1,250%	—	—	—	—	—	—
Securitization exposure (as investor)	3,238	841	33	2,795	803	32
Rating-based approach	3,157	807	32	2,649	747	29
Standardised approach	81	34	1	146	56	2
Risk weight = 1,250%	—	—	—	—	—	—
Specialized lending	8,626	8,467	338	7,038	6,911	276
Exposures relating to funds	6,151	6,856	274	4,452	6,124	244
Look-through approach	6,119	6,824	272	4,419	6,091	243
Mandate-based approach	32	32	1	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	—	596	23
Central counterparty-related	759	69	2	945	61	2
Total of items included in risk-weighted assets subject to phase-out arrangements	—	—	—	—	—	—
Other	1,647	3,339	133	1,506	3,193	127
Total	**69,983**	**45,763**	**1,830**	**66,228**	**42,545**	**1,701**

Notes: 1. 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 are not subject to the deduction.
• 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).
2. Amount of credit risk assets • After credit risk mitigation.
3. Amount of capital requirements • As the Bank is subject to domestic standards, the amount is calculated as 'credit risk assets ×4%.'
4. Securitization exposure • There were no securitization transactions sponsored by the Aozora Group.
5. Indication method after the decimal point • The amount is rounded down to the whole number. The same applies to the following charts.

Breakdown by Portfolio (Consolidated)

(100 Million Yen)

Category	Mar. 2023			Mar. 2022		
	Amount of exposure	Amount of credit risk assets	Amount of capital requirements	Amount of exposure	Amount of credit risk assets	Amount of capital requirements
Cash	46	—	—	62	—	—
Claims on Japanese government/bank	18,973	—	—	15,086	—	—
Claims on foreign central government/bank	2,832	132	5	3,412	123	4
Claims on Bank for International Settlements (BIS)	—	—	—	—	—	—
Claims on Japanese local public bodies	483	—	—	1,934	—	—
Claims on non-central government public sector entities (PSEs) of foreign countries	1,254	250	10	1,249	249	9
Claims on multilateral development banks (MDBs)	—	—	—	—	—	—
Claims on Japan Finance Organization for Municipalities (JFM)	17	0	0	29	0	0
Claims on organs affiliated with the Japanese government	355	12	0	387	26	1
Claims on three major local public corporations	99	1	0	104	1	0
Claims on financial institutions and Type I financial instruments business operators	3,409	681	27	3,979	795	31
Claims on corporates	23,413	19,631	785	22,358	18,980	759
Claims on SMEs and individuals	131	98	3	—	—	—
Mortgage-backed housing loans	—	—	—	—	—	—
Claims on projects including acquisition of real estate properties	2,530	2,530	101	2,301	2,301	92
Loans overdue for three months or more	1,323	1,970	78	1,338	1,955	78
Cash items in process of collection	37	7	0	21	4	0
Loans guaranteed by Credit Guarantee Association, etc.	—	—	—	—	—	—
Loans guaranteed by Regional Economy Vitalization Corporation of Japan (REVIC), etc.	—	—	—	—	—	—
Equity, etc.	532	532	21	731	731	29
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	2,799	805	32
Rating-based approach	3,157	807	32	2,652	748	29
Standardised approach	81	34	1	146	56	2
Risk weight = 1,250%	—	—	—	—	—	—
Specialized lending	8,626	8,467	338	7,038	6,911	276
Exposures relating to funds	5,655	6,179	247	4,011	5,535	221
Look-through approach	5,622	6,147	245	3,978	5,502	220
Mandate-based approach	32	32	1	32	32	1
250%	—	—	—	—	—	—
400%	—	—	—	—	—	—
Fall-back approach = 1,250%	0	0	0	0	0	0
Amount calculated by dividing equivalent CVA risk amount by 8%	—	613	24	—	596	23
Central counterparty-related	759	69	2	945	61	2
Total of items included in risk-weighted assets subject to phase-out arrangements	—	—	—	—	—	—
Other	1,790	3,563	142	1,798	3,378	135
Total	**75,511**	**45,596**	**1,823**	**69,589**	**42,457**	**1,698**

Notes: 1. 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 are not subject to the deduction.
• 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).
2. Amount of credit risk assets • After credit risk mitigation.
3. Amount of capital requirements • As the Bank is subject to domestic standards, the amount is calculated as 'credit risk assets ×4%.'
4. Securitization exposure • There were no securitization transactions sponsored by the Aozora Group.

Disclosure Based on Basel III Capital Accord Pillar III—Market Discipline

(2) Amount of capital required to cover credit risk related to exposures held in funds:
This item is described in 'Exposures relating to funds' of (1).

(3) 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 Governance section of this annual report under the heading 'Market Risk Management.'

(4) Amount of capital required to cover operational risk and amounts presented by each method used by the Consolidated Group:
This information is described in this document under the heading 'Composition of Capital Disclosure'.

(5) 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	Mar. 2023				Mar. 2022			
	Loans, etc.	Securities	Derivatives	Total	Loans, etc.	Securities	Derivatives	Total
Japan	38,968	5,183	966	45,118	35,849	5,690	1,140	42,680
Overseas	16,034	8,143	685	24,864	13,905	8,712	929	23,547
Total	**55,003**	**13,327**	**1,652**	**69,983**	**49,754**	**14,403**	**2,070**	**66,228**

Notes: 1. Loans, etc. include on-balance and off-balance-sheet exposures such as loans and commitment lines, other than securities and derivatives above.
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 Area (Consolidated)

(100 Million Yen)

Area	Mar. 2023				Mar. 2022			
	Loans, etc.	Securities	Derivatives	Total	Loans, etc.	Securities	Derivatives	Total
Japan	45,125	4,685	966	50,777	39,384	5,547	1,140	46,072
Overseas	16,103	7,944	685	24,733	14,073	8,513	929	23,516
Total	**61,228**	**12,630**	**1,652**	**75,511**	**53,457**	**14,060**	**2,070**	**69,589**

Notes: 1. Loans, etc. include on-balance and off-balance-sheet exposures such as loans and commitment lines, other than securities and derivatives above.
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	Mar. 2023				Mar. 2022			
	Loans, etc.	Securities	Derivatives	Total	Loans, etc.	Securities	Derivatives	Total
Sovereign	13,932	4,459	0	18,392	12,061	6,662	4	18,728
Financial institution	2,397	428	612	3,437	2,570	674	920	4,166
Manufacturing	5,070	502	104	5,676	4,599	487	56	5,143
Agriculture/forestry/fisheries	114	—	—	114	107	—	—	107
Mining	12	—	—	12	34	—	—	34
Construction	253	11	0	264	315	11	11	337
Utilities (electric power/gas/ heat supply/water service)	2,317	305	98	2,721	1,562	241	73	1,877
Information & telecommunications	2,280	73	0	2,354	2,152	54	—	2,206
Transport	748	177	37	963	645	174	25	844
Wholesale/retail	1,698	123	143	1,966	1,510	115	90	1,717
Other financial business (moneylending, leasing)	9,793	6,013	633	16,441	9,021	4,568	859	14,449
Real estate	11,219	1,189	14	12,423	10,057	1,379	20	11,456
Various services (excluding leasing)	3,352	33	6	3,392	3,501	24	7	3,533
Others	1,813	8	—	1,821	1,614	9	—	1,624
Total	**55,003**	**13,327**	**1,652**	**69,983**	**49,754**	**14,403**	**2,070**	**66,228**

Note: Loans, etc. include on-balance and off-balance-sheet exposures such as loans and commitment lines, other than securities and derivatives above.

Breakdown of Exposure by Industry Sector (Consolidated)

(100 Million Yen)

Industry sector	Mar. 2023				Mar. 2022			
	Loans, etc.	Securities	Derivatives	Total	Loans, etc.	Securities	Derivatives	Total
Sovereign	19,249	4,755	0	24,006	13,674	7,286	4	20,965
Financial institution	2,579	134	612	3,325	2,562	351	920	3,834
Manufacturing	5,077	502	104	5,683	4,616	487	56	5,160
Agriculture/forestry/fisheries	114	—	—	114	126	—	—	126
Mining	12	—	—	12	34	—	—	34
Construction	253	11	0	264	315	11	11	337
Utilities (electric power/gas/ heat supply/water service)	2,317	305	98	2,721	1,633	241	73	1,948
Information & telecommunications	2,282	73	0	2,356	2,189	54	—	2,244
Transport	748	191	37	977	645	188	25	858
Wholesale/retail	1,698	123	143	1,966	1,527	115	90	1,734
Other financial business (moneylending, leasing)	9,774	5,304	633	15,713	9,044	3,915	859	13,819
Real estate	11,219	1,189	14	12,423	10,057	1,379	20	11,456
Various services (excluding leasing)	3,347	29	6	3,384	3,533	20	7	3,562
Others	2,552	8	—	2,561	3,495	9	—	3,505
Total	**61,228**	**12,630**	**1,652**	**75,511**	**53,457**	**14,060**	**2,070**	**69,589**

Note: Loans, etc. include on-balance and off-balance-sheet exposures such as loans and commitment lines, other than securities and derivatives above.

Breakdown of Exposure by Residual Period (Non-Consolidated)

(100 Million Yen)

Residual period	Mar. 2023				Mar. 2022			
	Loans, etc.	Securities	Derivatives	Total	Loans, etc.	Securities	Derivatives	Total
< 1 year	8,689	217	392	9,299	7,729	661	648	9,040
≧1 year < 5 years	18,144	1,367	559	20,071	16,579	1,972	706	19,259
≧5 years	28,169	11,742	700	40,612	25,445	11,769	714	37,928
Total	**55,003**	**13,327**	**1,652**	**69,983**	**49,754**	**14,403**	**2,070**	**66,228**

Notes: 1. Loans, etc. include on-balance and off-balance-sheet exposures such as loans and commitment lines, other than securities and derivatives above.
2. Exposures with a residual period of ≧5 years also include the transactions for which no maturity period is stipulated.

Breakdown of Exposure by Residual Period (Consolidated)

(100 Million Yen)

Residual period	Mar. 2023				Mar. 2022			
	Loans, etc.	Securities	Derivatives	Total	Loans, etc.	Securities	Derivatives	Total
< 1 year	10,362	315	392	11,070	8,283	990	648	9,922
≧1 year < 5 years	18,152	1,579	559	20,291	16,746	2,283	706	19,737
≧5 years	32,713	10,734	700	44,149	28,427	10,786	714	39,929
Total	**61,228**	**12,630**	**1,652**	**75,511**	**53,457**	**14,060**	**2,070**	**69,589**

Notes: 1. Loans, etc. include on-balance and off-balance-sheet exposures such as loans and commitment lines, other than securities and derivatives above.
2. Exposures with a residual period of ≧5 years also include the transactions for which no maturity period is stipulated.

(2) Balance of year-end exposure overdue for three months or more and breakdown by area and industry:

Breakdown of Exposure Overdue for Three Months or More by Area (Non-Consolidated)

(100 Million Yen)

Area	Mar. 2023				Mar. 2022			
	Loans, etc.	Securities	Derivatives	Total	Loans, etc.	Securities	Derivatives	Total
Japan	38	—	—	38	50	—	—	50
Overseas	800	28	—	828	956	27	—	984
Total	**838**	**28**	**—**	**867**	**1,007**	**27**	**—**	**1,034**

Notes: 1. Loans, etc. include on-balance and off-balance-sheet exposures such as loans and commitment lines, other than securities and derivatives above.
2. 'Exposures Overdue for Three Months or More' shows assets which have 150% of risk weight that is before write-off/reserve by Provision 71 of the Notice.

Breakdown of Exposure Overdue for Three Months or More by Area (Consolidated)

(100 Million Yen)

Area	Mar. 2023				Mar. 2022			
	Loans, etc.	Securities	Derivatives	Total	Loans, etc.	Securities	Derivatives	Total
Japan	486	—	—	486	333	—	—	333
Overseas	808	28	—	837	977	27	—	1,005
Total	**1,294**	**28**	**—**	**1,323**	**1,310**	**27**	**—**	**1,338**

Notes: 1. Loans, etc. include on-balance and off-balance-sheet exposures such as loans and commitment lines, other than securities and derivatives above.
2. 'Exposures Overdue for Three Months or More' shows assets which have 150% of risk weight that is before write-off/reserve by Provision 71 of the Notice.

Breakdown of Exposure Overdue for Three Months or More by Industry Sector (Non-Consolidated)

(100 Million Yen)

Industry sector	Mar. 2023				Mar. 2022			
	Loans, etc.	Securities	Derivatives	Total	Loans, etc.	Securities	Derivatives	Total
Sovereign	—	—	—	—	—	—	—	—
Financial institution	—	—	—	—	—	—	—	—
Manufacturing	316	—	—	316	329	—	—	329
Agriculture/forestry/fisheries	34	—	—	34	46	—	—	46
Mining	—	—	—	—	—	—	—	—
Construction	14	—	—	14	13	—	—	13
Utilities (electric power/gas/ heat supply/water service)	11	23	—	34	0	22	—	22
Information & telecommunications	164	—	—	164	157	—	—	157
Transport	39	—	—	39	—	—	—	—
Wholesale/retail	112	—	—	112	154	—	—	154
Other financial business (moneylending, leasing)	—	5	—	5	30	5	—	35
Real estate	4	—	—	4	4	—	—	4
Various services (excluding leasing)	141	—	—	141	270	—	—	270
Others	0	—	—	0	0	—	—	0
Total	**838**	**28**	**—**	**867**	**1,007**	**27**	**—**	**1,034**

Notes: 1. Loans, etc. include on-balance and off-balance-sheet exposures such as loans and commitment lines, other than securities and derivatives above.
2. 'Exposures Overdue for Three Months or More' shows assets which have 150% of risk weight that is before write-off/reserve by Provision 71 of the Notice.

Breakdown of Exposure Overdue for Three Months or More by Industry Sector (Consolidated)

(100 Million Yen)

Industry sector	Mar. 2023				Mar. 2022			
	Loans, etc.	Securities	Derivatives	Total	Loans, etc.	Securities	Derivatives	Total
Sovereign	—	—	—	—	—	—	—	—
Financial institution	—	—	—	—	—	—	—	—
Manufacturing	323	—	—	323	336	—	—	336
Agriculture/forestry/fisheries	34	—	—	34	46	—	—	46
Mining	—	—	—	—	—	—	—	—
Construction	14	—	—	14	13	—	—	13
Utilities (electric power/gas/ heat supply/water service)	11	23	—	34	0	22	—	22
Information & telecommunications	164	—	—	164	171	—	—	171
Transport	39	—	—	39	—	—	—	—
Wholesale/retail	112	—	—	112	154	—	—	154
Other financial business (moneylending, leasing)	—	5	—	5	30	5	—	35
Real estate	4	—	—	4	4	—	—	4
Various services (excluding leasing)	141	—	—	141	270	—	—	270
Others	447	—	—	447	282	—	—	282
Total	**1,294**	**28**	**—**	**1,323**	**1,310**	**27**	**—**	**1,338**

Notes: 1. Loans, etc. include on-balance and off-balance-sheet exposures such as loans and commitment lines, other than securities and derivatives above.
2. 'Exposures Overdue for Three Months or More' shows assets which have 150% of risk weight that is before write-off/reserve by Provision 71 of the Notice.

Financial and Corporate Data
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	Mar. 2023	Mar. 2022	Difference
General allowance	336	382	(46)
Specific allowance	95	96	(0)
Japan	15	96	(80)
Overseas	80	0	79
Allowance for loans to restructuring countries	—	—	—
Total	**432**	**479**	**(47)**

Breakdown of Allowance by Area (Consolidated)

(100 Million Yen)

Area	Mar. 2023	Mar. 2022	Difference
General allowance	336	384	(47)
Specific allowance	103	101	1
Japan	16	96	(79)
Overseas	87	5	81
Allowance for loans to restructuring countries	—	—	—
Total	**440**	**486**	**(46)**

Breakdown of Allowance by Industry Sector (Non-Consolidated)

(100 Million Yen)

Industry sector	Mar. 2023	Mar. 2022	Difference
General allowance	336	382	(46)
Specific allowance	95	96	(0)
Sovereign	—	—	—
Financial institution	—	—	—
Manufacturing	2	41	(39)
Agriculture/forestry/fisheries	0	22	(22)
Mining	—	—	—
Construction	—	—	—
Utilities (electric power/gas/heat supply/water service)	—	—	—
Information & telecommunications	—	—	—
Transport	—	—	—
Wholesale/retail	1	19	(18)
Other financial business (moneylending, leasing)	8	—	8
Real estate	72	0	71
Various services (excluding leasing)	11	11	(0)
Others	—	—	—
Allowance for loans to restructuring countries	—	—	—
Total	**432**	**479**	**(47)**

Breakdown of Allowance by Industry Sector (Consolidated)

(100 Million Yen)

Industry sector	Mar. 2023	Mar. 2022	Difference
General allowance	336	384	(47)
Specific allowance	103	101	1
Sovereign	—	—	—
Financial institution	—	—	—
Manufacturing	9	47	(37)
Agriculture/forestry/fisheries	0	22	(22)
Mining	—	—	—
Construction	0	0	0
Utilities (electric power/gas/heat supply/water service)	—	—	—
Information & telecommunications	0	0	0
Transport	0	0	0
Wholesale/retail	1	19	(18)
Other financial business (moneylending, leasing)	8	0	8
Real estate	72	0	71
Various services (excluding leasing)	11	11	0
Others	—	—	—
Allowance for loans to restructuring countries	—	—	—
Total	**440**	**486**	**(46)**

(4) Write-offs by industry sector:

Breakdown of Write-Offs by Industry Sector (Non-Consolidated)

(100 Million Yen)

Industry sector	Mar. 2023	Mar. 2022	Difference
Sovereign	—	—	—
Financial institution	—	—	—
Manufacturing	0	0	0
Agriculture/forestry/fisheries	—	2	(2)
Mining	—	—	—
Construction	—	—	—
Utilities (electric power/gas/heat supply/water service)	—	—	—
Information & telecommunications	13	—	13
Transport	—	—	—
Wholesale/retail	—	—	—
Other financial business (moneylending, leasing)	—	7	(7)
Real estate	—	—	—
Various services (excluding leasing)	—	—	—
Others	0	0	0
Total	**14**	**10**	**4**

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	Mar. 2023	Mar. 2022	Difference
Sovereign	—	—	—
Financial institution	—	—	—
Manufacturing	—	—	—
Agriculture/forestry/fisheries	—	2	(2)
Mining	—	—	—
Construction	—	—	—
Utilities (electric power/gas/heat supply/water service)	—	—	—
Information & telecommunications	—	—	—
Transport	—	—	—
Wholesale/retail	—	—	—
Other financial business (moneylending, leasing)	—	7	(7)
Real estate	—	—	—
Various services (excluding leasing)	—	—	—
Others	1	3	(1)
Total	**1**	**13**	**(11)**

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) Outstanding exposure after credit risk mitigation by risk weight:

(Non-Consolidated)

(100 Million Yen)

Risk weight	Mar. 2023 Amount of exposure	Mar. 2023 Application of external rating	Mar. 2022 Amount of exposure	Mar. 2022 Application of external rating
0%	16,566	2,328	16,966	2,942
> 0% ≦ 10%	1,977	116	1,118	55
> 10% ≦ 20%	10,241	9,360	9,504	8,825
> 20% ≦ 50%	4,609	4,510	4,392	4,247
> 50% ≦ 75%	892	144	997	232
> 75% ≦ 100%	30,530	8,609	27,807	7,480
> 100% ≦ 150%	2,951	923	3,392	1,147
> 150% < 1,250%	1,983	—	1,842	—
1,250%	68	—	17	—
Total	**69,821**	**25,993**	**66,040**	**24,930**

Note: In the 'Application of external rating' section, the exposures to which an external rating is applied in the calculation of risk weight are included.

(Consolidated)

(100 Million Yen)

Risk weight	Mar. 2023 Amount of exposure	Mar. 2023 Application of external rating	Mar. 2022 Amount of exposure	Mar. 2022 Application of external rating
0%	22,128	2,328	20,263	2,942
> 0% ≦ 10%	2,027	116	1,183	55
> 10% ≦ 20%	10,497	9,556	9,707	8,833
> 20% ≦ 50%	4,610	4,510	4,391	4,255
> 50% ≦ 75%	891	144	980	232
> 75% ≦ 100%	30,137	8,610	27,587	7,627
> 100% ≦ 150%	2,936	924	3,408	1,161
> 150% < 1,250%	2,050	—	1,753	—
1,250%	68	—	17	—
Total	**75,349**	**26,192**	**69,401**	**25,107**

Note: In the 'Application of external rating' section, the exposures 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	Mar. 2023	Mar. 2022
Eligible financial collateral	2,389	2,053
Cash and deposits at Aozora	2,294	1,898
Debt securities	86	145
Equities	9	9
Others	—	—
Guarantees and credit derivatives	1,124	1,096
Guarantees	1,124	1,096
Credit derivatives	—	—
Total	**3,514**	**3,150**

Note: The exposure above does not include the amount for which a credit risk mitigation is recognized through netting between loans and deposits at the Bank under the netting agreement (Provision 117 of the Notice) and the repo transactions etc.

Breakdown of Exposure for Which Credit Risk Mitigations Are Applied (Consolidated)

(100 Million Yen)

Credit risk mitigation	Mar. 2023	Mar. 2022
Eligible financial collateral	2,389	2,053
Cash and deposits at Aozora	2,294	1,898
Debt securities	86	145
Equities	9	9
Others	—	—
Guarantees and credit derivatives	1,124	1,096
Guarantees	1,124	1,096
Credit derivatives	—	—
Total	**3,514**	**3,150**

Note: The exposure above does not include the amount for which a credit risk mitigation is recognized through netting between loans and deposits at the Bank under the netting agreement (Provision 117 of the Notice) and the repo transactions etc.

5. Items pertaining to counterparty risk on derivative transactions and long-settlement transactions

Credit-equivalent amount of Derivative Transactions and Long-Settlement Transactions (Non-Consolidated)

(100 Million Yen)

	Mar. 2023	Mar. 2022
Replacement cost(RC)	1,166	1,296
Potential future exposures(PFE)	1,475	1,442
Credit-equivalent amount(RC + PFE) x 1.4	3,697	3,834
Amount of credit risk assets	540	490
Collateral used in this transaction		
Received collateral	2,321	1,964
Cash and deposits at Aozora	2,235	1,818
Debt securities	86	145
Posted collateral	524	1,195
Cash and deposits at Aozora	524	1,195
Debt securities	—	—

Credit-equivalent amount of Derivative Transactions and Long-Settlement Transactions (Consolidated)

(100 Million Yen)

	Mar. 2023	Mar. 2022
Replacement cost(RC)	1,166	1,296
Potential future exposures(PFE)	1,475	1,442
Credit-equivalent amount(RC + PFE) x 1.4	3,697	3,834
Amount of credit risk assets	540	490
Collateral used in this transaction		
Received collateral	2,321	1,964
Cash and deposits at Aozora	2,235	1,818
Debt securities	86	145
Posted collateral	524	1,195
Cash and deposits at Aozora	524	1,195
Debt securities	—	—

Breakdown of Credit Derivative Transactions (Non-Consolidated)

(100 Million Yen)

Type of transaction	Purchase or supply of guarantee	Mar. 2023 Notional principal	Mar. 2022 Notional principal
Transactions subject to the calculation of credit-equivalent amount		3,045	2,716
Credit derivatives (credit reference asset of single organization)	Purchase	1,440	1,218
	Supply	1,605	1,497
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.

Breakdown of Credit Derivative Transactions (Consolidated)

(100 Million Yen)

Type of transaction	Purchase or supply of guarantee	Mar. 2023 Notional principal	Mar. 2022 Notional principal
Transactions subject to the calculation of credit-equivalent amount		3,045	2,716
Credit derivatives (credit reference asset of single organization)	Purchase	1,440	1,218
	Supply	1,605	1,497
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.

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 securitiztions.

(Non-Consolidated)

(100 Million Yen)

Category of underlying assets	Mar. 2023	Mar. 2022
Corporate exposures	—	—
Retail exposures	—	—
Residential loan receivables	—	—
Lease receivables	—	—
Others	—	—
Total	—	—

(Consolidated)

(100 Million Yen)

Category of underlying assets	Mar. 2023	Mar. 2022
Corporate exposures	—	—
Retail exposures	17	—
Residential loan receivables	—	—
Lease receivables	—	—
Others	—	—
Total	17	—

Exposures Overdue Three Months or More, or Default and Losses During the Year

(Non-Consolidated)

(100 Million Yen)

Category of underlying assets	Mar. 2023		Mar. 2022	
	Overdue or defalut	Losses during the year	Overdue or defalut	Losses during the year
Corporate exposures	—	—	—	—
Retail exposures	—	—	—	—
Residential loan receivables	—	—	—	—
Lease receivables	—	—	—	—
Others	—	—	—	—
Total	—	—	—	—

(Consolidated)

(100 Million Yen)

Category of underlying assets	Mar. 2023		Mar. 2022	
	Overdue or defalut	Losses during the year	Overdue or defalut	Losses during the year
Corporate exposures	—	—	—	—
Retail exposures	—	—	—	—
Residential loan receivables	—	—	—	—
Lease receivables	—	—	—	—
Others	—	—	—	—
Total	—	—	—	—

Amount of Assets Held for the Purpose of Securitizations

As of March 31, 2022 and 2023, there were no assets held for the purpose of securitizations.

Summary of Exposures Securitized During the Year

It is securitization of loan receivables.

(Non-Consolidated)

(100 Million Yen)

Category of underlying assets	Mar. 2023	Mar. 2022
Corporate exposures	—	—
Retail exposures	—	—
Residential loan receivables	—	—
Lease receivables	—	—
Others	—	—
Total	**—**	**—**

(Consolidated)

(100 Million Yen)

Category of underlying assets	Mar. 2023	Mar. 2022
Corporate exposures	—	—
Retail exposures	22	—
Residential loan receivables	—	—
Lease receivables	—	—
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	Mar. 2023	Mar. 2022
Corporate exposures	—	—
Retail exposures	—	—
Residential loan receivables	—	—
Lease receivables	—	—
Others	—	—
Total	**—**	**—**

(Consolidated)

(100 Million Yen)

Category of underlying assets	Mar. 2023	Mar. 2022
Corporate exposures	—	—
Retail exposures	0	—
Residential loan receivables	—	—
Lease receivables	—	—
Others	—	—
Total	**0**	**—**

Securitization Exposure Held by the Group

(Non-Consolidated)

As of March 31, 2022 and 2023, there were no assets held by the group.

(Consolidated)

(100 Million Yen)

	Mar. 2023					
	Securitization exposure		Resecuritization exposure		Total	
Category of underlying assets	On-Balance	Off-Balance	On-Balance	Off-Balance	On-Balance	Off-Balance
Corporate exposures	—	—	—	—	—	—
Retail exposures	1	—	—	—	1	—
Residential loan receivables	—	—	—	—	—	—
Lease receivables	—	—	—	—	—	—
Others	—	—	—	—	—	—
Total	**1**	**—**	**—**	**—**	**1**	**—**

(100 Million Yen)

	Mar. 2022					
	Securitization exposure		Resecuritization exposure		Total	
Category of underlying assets	On-Balance	Off-Balance	On-Balance	Off-Balance	On-Balance	Off-Balance
Corporate exposures	—	—	—	—	—	—
Retail exposures	—	—	—	—	—	—
Residential loan receivables	—	—	—	—	—	—
Lease receivables	—	—	—	—	—	—
Others	—	—	—	—	—	—
Total	**—**	**—**	**—**	**—**	**—**	**—**

Outstanding Securitization Exposure by Risk Weight and Capital Requirement Thereof

(Non-Consolidated)

As of March 31, 2022 and 2023, there were no exposures.

(Consolidated)

(100 Million Yen)

Risk weight	Mar. 2023							
	Securitization exposure				Resecuritization 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	Mar. 2022							
	Securitization exposure				Resecuritization 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%	—	—	—	—	—	—	—	—
1,250%	—	—	—	—	—	—	—	—
Total	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**

Capital Increase Due to Securitization Transactions

As of March 31, 2022 and 2023, there were no capital increase due to securitization transactions.

Securitization Exposure Calculated By Risk Weight of 1,250%

As of March 31, 2022 and 2023, there were no securitization exposure calculated by risk weight of 1,250%.

Securitization exposures subject to early amortization provisions

As of March 31, 2022 and 2023, there were no securitization exposures subject to early amortization provisions.

Presence/Absence of Method Applied to Reduce Credit Risk to Resecuritization Exposures in Which the Aozora Group held as an originator and Breakdown of Risk-Weight Categories Applied to Guarantors

As of March 31, 2022 and 2023, there were no resecuritization exposure held by the group as an originator.

(2) Securitization transactions in which the Aozora Group invests

Securitization Exposure Held by the Group (Non-Consolidated)

(100 Million Yen)

Category of underlying assets	Mar. 2023					
	Securitization exposure		Resecuritization exposure		Total	
	On-Balance	Off-Balance	On-Balance	Off-Balance	On-Balance	Off-Balance
Corporate exposures	2,238	—	—	—	2,238	—
Retail exposures	899	100	—	—	899	100
Residential loan receivables	—	—	—	—	—	—
Lease receivables	—	—	—	—	—	—
Others	—	—	—	—	—	—
Total	**3,138**	**100**	**—**	**—**	**3,138**	**100**

(100 Million Yen)

Category of underlying assets	Mar. 2022					
	Securitization exposure		Resecuritization exposure		Total	
	On-Balance	Off-Balance	On-Balance	Off-Balance	On-Balance	Off-Balance
Corporate exposures	1,588	50	—	—	1,588	50
Retail exposures	1,157	0	—	—	1,157	0
Residential loan receivables	—	—	—	—	—	—
Lease receivables	—	—	—	—	—	—
Others	—	—	—	—	—	—
Total	**2,745**	**50**	**—**	**—**	**2,745**	**50**

Securitization Exposure Held by the Group (Consolidated)

(100 Million Yen)

Category of underlying assets	Mar. 2023					
	Securitization exposure		Resecuritization exposure		Total	
	On-Balance	Off-Balance	On-Balance	Off-Balance	On-Balance	Off-Balance
Corporate exposures	2,238	—	—	—	2,238	—
Retail exposures	899	100	—	—	899	100
Residential loan receivables	—	—	—	—	—	—
Lease receivables	—	—	—	—	—	—
Others	—	—	—	—	—	—
Total	**3,138**	**100**	**—**	**—**	**3,138**	**100**

(100 Million Yen)

Category of underlying assets	Mar. 2022					
	Securitization exposure		Resecuritization exposure		Total	
	On-Balance	Off-Balance	On-Balance	Off-Balance	On-Balance	Off-Balance
Corporate exposures	1,588	50	—	—	1,588	50
Retail exposures	1,160	0	—	—	1,160	0
Residential loan receivables	—	—	—	—	—	—
Lease receivables	—	—	—	—	—	—
Others	—	—	—	—	—	—
Total	**2,749**	**50**	**—**	**—**	**2,749**	**50**

Outstanding Securitization Exposure by Risk Weight and Capital Requirement Thereof (Non-Consolidated)

(100 Million Yen)

	Mar. 2023							
	Securitization exposure				Resecuritization exposure			
	On-Balance		Off-Balance		On-Balance		Off-Balance	
Risk weight	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**	**—**	**—**	**—**	**—**

(100 Million Yen)

	Mar. 2022							
	Securitization exposure				Resecuritization exposure			
	On-Balance		Off-Balance		On-Balance		Off-Balance	
Risk weight	Outstanding	Capital requirement	Outstanding	Capital requirement	Outstanding	Capital requirement	Outstanding	Capital requirement
0%	—	—	—	—	—	—	—	—
> 0% ≦20%	2,238	17	50	0	—	—	—	—
> 20%≦50%	180	3	—	—	—	—	—	—
> 50%≦100%	222	5	—	—	—	—	—	—
> 100% < 1,250%	104	5	—	—	—	—	—	—
1,250%	—	—	—	—	—	—	—	—
Total	**2,745**	**31**	**50**	**0**	**—**	**—**	**—**	**—**

Outstanding Securitization Exposure by Risk Weight and Capital Requirement Thereof (Consolidated)

(100 Million Yen)

	Mar. 2023							
	Securitization exposure				Resecuritization exposure			
	On-Balance		Off-Balance		On-Balance		Off-Balance	
Risk weight	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**	**—**	**—**	**—**	**—**

(100 Million Yen)

	Mar. 2022							
	Securitization exposure				Resecuritization exposure			
	On-Balance		Off-Balance		On-Balance		Off-Balance	
Risk weight	Outstanding	Capital requirement	Outstanding	Capital requirement	Outstanding	Capital requirement	Outstanding	Capital requirement
0%	—	—	—	—	—	—	—	—
> 0% ≦20%	2,238	17	50	0	—	—	—	—
> 20%≦50%	183	3	—	—	—	—	—	—
> 50%≦100%	222	5	—	—	—	—	—	—
> 100% < 1,250%	104	5	—	—	—	—	—	—
1,250%	—	—	—	—	—	—	—	—
Total	**2,749**	**31**	**50**	**0**	**—**	**—**	**—**	**—**

Securitization Exposure Calculated By Risk Weight of 1,250%

As of March 31, 2022 and 2023, there were no securitization exposure calculated by risk weight of 1,250%.

Presence/Absence of Method Applied to Reduce Credit Risk to Resecuritization Exposures in Which the Aozora Group Invests and Breakdown of Risk-Weight Categories Applied to Guarantors

As of March 31, 2022 and 2023, there were no resecuritization exposures 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, 2022 and 2023.

(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, 2022 and 2023.

Disclosure Based on Basel III
Capital Accord Pillar III—Market Discipline

7. Items pertaining to market risk

(1) The Value at Risk (VaR) number at year-end as well as the highest, lowest and average VaR numbers during the disclosure period

(2) The Stressed Value at Risk (Stressed VaR) amount at term-end, and the highest, lowest and average Stressed VaR amounts during the disclosure period

(3) Back-testing results and explanations in the event actual losses strayed significantly downward from VaR numbers

These items are described in the Risk Governance section of this annual report under the heading 'Market Risk Management.'

(4) Amount of required capital for additional and comprehensive risk at term-end and the highest, lowest and average capital requirements during the disclosure period

There was no applicable required capital amount as of March 31, 2022 and 2023.

8. Items pertaining to equity exposures in the banking book

(1) Balance sheet amount

(Millions of Yen)

	March 31, 2023		March 31, 2022	
	Non-consolidated	Consolidated	Non-consolidated	Consolidated
Balance sheet amount	108,080	57,005	148,071	93,904
Listed stock exposures	53,631	53,631	93,168	93,168
Other	54,448	3,373	54,903	736

(2) Gains and losses on sales, and write-offs of equity exposure

(Millions of Yen)

	FY2022		FY2021	
	Non-consolidated	Consolidated	Non-consolidated	Consolidated
Gains on sales	4,078	4,078	3,707	3,707
Losses on sales	1,138	1,138	409	409
Write-off	80	80	—	—

(3) Unrealized gains/losses recognized on the balance sheet but not recognized on the statement of income

(Millions of Yen)

	March 31, 2023		March 31, 2022	
	Non-consolidated	Consolidated	Non-consolidated	Consolidated
Unrealized gains (losses)	5,552	5,552	20,038	20,038

(4) Unrealized gains/losses not recognized on the balance sheet or the statement of income

(As of March 31, 2023 and 2022)

Consolidated: Not applicable

Non-consolidated: Not applicable

9. Amount of exposures held in funds

This item is described in 'Exposures relating to funds' of 2.(1).

10. Items pertaining to interest rate risk

・Non-consolidated

(Millions of Yen)

IRRBB1：Interest rate risk

Item No.		a	b	c	d
		⊿EVE		⊿NII	
		March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
1	Parallel up	5,218	80,721	△5,377	△8,457
2	Parallel down	21,371	18	11,420	6,614
3	Steepener	12,778	47,168	／	／
4	Flattener	／	／	／	／
5	Short-term interest rate up	／	／	／	／
6	Short-term interest rate down	／	／	／	／
7	Maximum	21,371	80,721	11,420	6,614
		e		f	
		March 31 2023		March 31 2022	
8	Regulatory capital	466,952		497,494	

・Consolidated

(Millions of Yen)

IRRBB1：Interest rate risk

Item No.		a	b	c	d
		⊿EVE		⊿NII	
		March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
1	Parallel up	9,905	88,373	△17,481	△15,788
2	Parallel down	16,676	5	22,700	14,962
3	Steepener	12,751	47,193	／	／
4	Flattener	／	／	／	／
5	Short-term interest rate up	／	／	／	／
6	Short-term interest rate down	／	／	／	／
7	Maximum	16,676	88,373	22,700	14,962
		e		f	
		March 31 2023		March 31 2022	
8	Regulatory capital	490,096		500,370	

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 FY ending March 2023
Meetings of NRC	7

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, 2022 to March 31, 2023)

(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)	12	345	292	7	46		
‘Employees’ (including executive officers)	24	1,010	635	196	79	100	

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 fiscal year ended March 2023 is as follows:
Remuneration to directors: 292 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. One member of the Board of Directors is included in the above ’officers’ who resigned at the Ordinary General Meeting of Shareholders on June 22, 2022.
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	16
The Third Equity Compensation Type Stock Options	As from July 16, 2016 through July 15, 2046	25
The Fourth Equity Compensation Type Stock Options	As from July 14, 2017 through July 13, 2047	32
The Fifth Equity Compensation Type Stock Options	As from July 14, 2018 through July 13, 2048	46
The Sixth Equity Compensation Type Stock Options	As from July 12, 2019 through July 11, 2049	63
The Seventh Equity Compensation Type Stock Options	As from July 11, 2020 through July 10, 2050	71
The Eighth Equity Compensation Type Stock Options	As from July 13, 2021 through July 12, 2051	111
The Ninth Equity Compensation Type Stock Options	As from July 9, 2022 through July 8, 2052	135

6. A payment of compensation with an extraordinary nature was not applicable during the fiscal year ended March 2023 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, 2023)

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.

Published: September 2023
Corporate Communication Division
Aozora Bank, Ltd.
6-1-1, Kojimachi, Chiyoda-ku, Tokyo 102-8660, Japan
Telephone: +81-3-6752-1111

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This report is printed with vegetable oil ink.