

FY2022 1st Quarter Financial Results Overview

August 1, 2022



Financial highlights

Reduced risk in the securities portfolio. Progress in profit attributable to owners of parent almost in line with the original plan

Net revenue

21.4 billion yen

(5.3 billion yen decrease year-on-year, progress rate: 21%)

Business profit

7.3 billion yen

(6.0 billion yen decrease year-on-year, progress rate: 16%)

Profit attributable to owners of parent

8.3 billion yen

(3.1 billion yen decrease year-on-year, progress rate: 23%)

Key points

- Net revenue tracked below the original plan as a result of the Bank's large-scale risk reduction actions taken on its securities portfolio in light of market conditions
- Customer-related business, particularly corporate banking, was strong. When excluding financial market-related business, net revenue increased compared to the previous year
- Aozora continued to promote its Strategic Investments Business, resulting in increased LBO loans and environmental finance transactions
- Credit-related expenses were a net reversal mainly due to the improved credit quality of overseas borrowers

Dividend for 1Q: 38 yen per common share (~25% of the full-year dividend forecast of 154 yen)

(Note) Unless otherwise stated, all amounts stated in 1 billion yen have been rounded down to the nearest 0.1 billion yen.

In addition, "1Q" refers to the period from April to June, "2Q" refers to the period from July to September, "3Q" refers to the period from October to December, and "4Q" refers to the period from January to March.

PL summary

- Net interest income increased by 2.3 billion yen compared to the previous year mainly due to higher loan outstandings. Non-interest income decreased by 7.6 billion yen year-on year
- Customer-related business remained strong, particularly LBO finance, environmental finance, and limited partnerships, due to the focus on Aozora's Strategic Investments Business
- G&A expenses increased by 0.5 billion yen compared to the previous year, in line with the original budget, mainly as a result of increased personnel costs

	FY2021 Apr.-Jun. A	FY2022 Apr.-Jun. B	Change B - A		FY2022 forecast	Progress
			Amount	%		
(billion yen)						
Net revenue	26.7	21.4	-5.3	-19.8%	103.0	21%
Net interest income	11.8	14.2	+2.3			
Non-interest income	14.9	7.2	-7.6			
General & administrative expenses	-13.8	-14.4	-0.5			
Gains/losses on equity method investments	0.5	0.3	-0.1			
Business profit	13.4	7.3	-6.0	-45.2%	46.0	16%
Credit-related expenses	2.0	3.2	+1.1			
Gains/losses on stock transactions	0.0	-0.0	-0.0			
Ordinary profit	15.6	11.3	-4.3	-27.7%	49.5	23%
Extraordinary profit/loss	-	-0.0	-0.0			
Profit before income taxes	15.6	11.3	-4.3	-27.7%		
Taxes	-4.4	-3.3	+1.1			
Gains/losses attributable to non-controlling interests	0.3	0.4	+0.0			
Profit attributable to owners of parent	11.5	8.3	-3.1	-27.6%	36.0	23%

Excluding financial market-related business*

Net revenue	19.4	20.0	+0.5	+3.1%
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* Management accounting basis

Net interest income

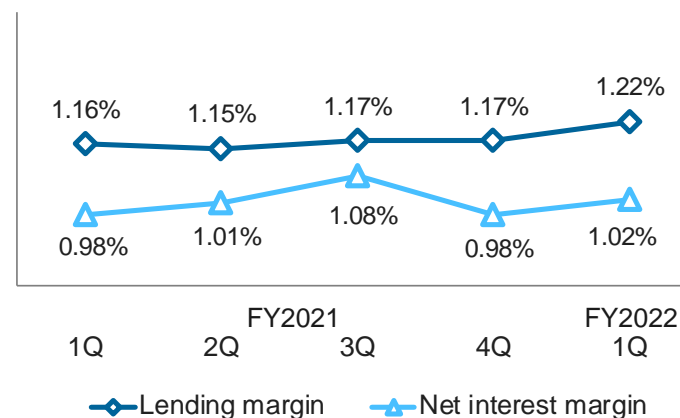
- Net interest income was 14.2 billion yen, an increase of 2.3 billion yen compared to the previous year
 - The net interest margin (yield on total investments – yield on funding) remained at almost the same level compared to the previous year amid higher interest rates in overseas markets. Net interest income increased mainly as a result of yen depreciation and gains on cancellation of investment trusts
- Lending margins (yield on loans – yield on funding) remained steady

(billion yen)	FY2021 Apr.-Jun. A	FY2022 Apr.-Jun. B	Change B - A
Net interest income	11.8	14.2	+2.3
Interest income	15.6	21.2	+5.6
Interest on loans and discounts	10.8	14.4	+3.6
Interest and dividends on securities	4.5	6.4	+1.9
Incl. gains on cancellation of investment trusts	-	0.9	+0.9
Other interest income	0.2	0.3	+0.0
Interest expenses	-3.7	-7.0	-3.3
Interest on deposits and NCDs	-1.4	-2.1	-0.7
Interest on debentures	-0.6	-0.4	+0.1
Interest on borrowings and rediscount	-0.3	-0.2	+0.0
Other interest expenses	-0.2	-0.8	-0.6
Interest on swaps	-1.0	-3.2	-2.1

(Note) Decreases in expenses are shown as positive.

	FY2021 Apr.-Jun. A	FY2022 Apr.-Jun. B	Change B - A
Yield on total investments (A)	1.26%	1.48%	+0.22%
Yield on loans (B)	1.44%	1.68%	+0.24%
Yield on securities	1.32%	1.81%	+0.49%
Yield on funding (C)	0.28%	0.46%	+0.18%
Net interest margin (A)-(C)	0.98%	1.02%	+0.04%
Lending margin (B)-(C)	1.16%	1.22%	+0.06%

Net interest margin and lending margin



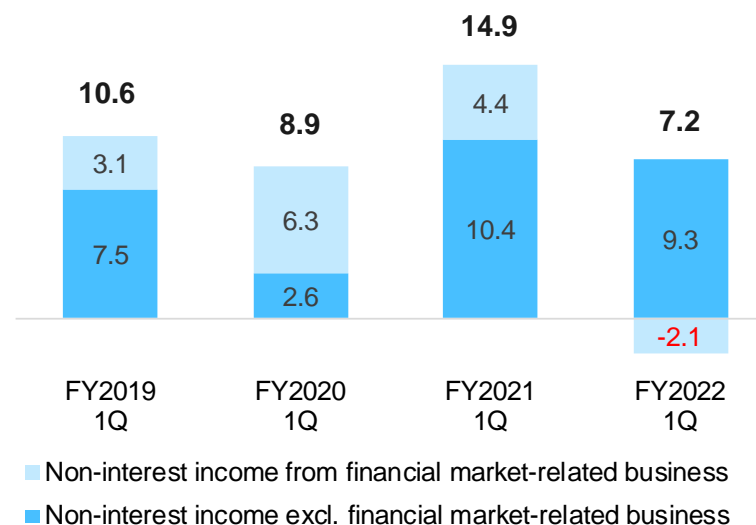
Non-interest income

- Non-interest income was 7.2 billion yen, a decrease of 7.6 billion yen year-on-year
 - Customer-related business revenue, such as loan-related fee income, gains from limited partnerships, and earnings from the sale of foreign exchange derivatives, were strong
 - Net trading revenues decreased by 4.8 billion yen compared to the previous year, mainly due to a 2.1 billion yen decrease in earnings from the sale of structured bonds and a 2.3 billion yen decrease in trading profit
 - The Bank recorded 2.3 billion yen in losses on bond transactions, compared to a gain of 1.5 billion yen in the previous year

(billion yen)	FY2021 Apr.-Jun. A	FY2022 Apr.-Jun. B	Change B - A
Non-interest income	14.9	7.2	-7.6
Net fees and commissions	2.4	2.8	+0.4
Net trading revenues	6.4	1.6	-4.8
Gains/losses on bond transactions	1.5	-2.3	-3.8
Net other ordinary income excl. gains/losses on bond transactions	4.5	5.1	+0.5
Incl. Gains from limited partnerships	3.5	3.1	-0.3
(Ref.) Ratio of gains/losses on bond transactions to net revenue	6%	-	

Non-interest income*

(billion yen)



* Management accounting basis

Non-interest income – Net fees and commissions / Net trading revenues

- Net fees and commissions were 2.8 billion yen, an increase of 0.4 billion yen compared to the previous year. Net trading revenues were a gain of 1.6 billion yen, 4.8 billion yen lower when compared with last year
 - Loan-related fee income was 1.4 billion yen, an increase of 0.4 billion yen year-on-year, representing steady progress
 - Fee income from GMO Aozora Net Bank (GANB) was 0.9 billion yen. This was a slight increase year-on-year and an increase of 0.3 billion yen quarter-on-quarter
 - Earnings from investment product sales to retail customers were a decrease of 2.0 billion yen compared to the previous year, reflecting uncertain market conditions

(billion yen)	FY2021 Apr.-Jun. A	FY2022 Apr.-Jun. B	Change B - A
Net fees and commissions	2.4	2.8	+0.4
Fees and commissions received	3.2	3.8	+0.6
Loan business-related and deposits	1.0	1.4	+0.4
Securities-related and agency	0.7	1.0	+0.2
Other	1.4	1.3	-0.0
Incl. GANB fee income	0.9	0.9	+0.0
Fees and commissions payments	-0.8	-1.0	-0.1
Net trading revenues	6.4	1.6	-4.8

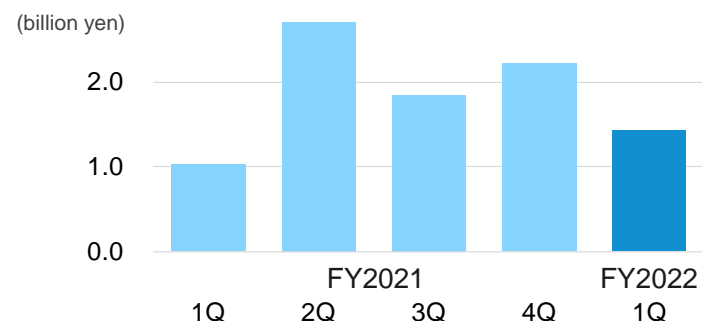
Earnings from investment product sales to retail customers*

Earnings from investment product sales	3.1	1.0	-2.0
Investment trusts	0.3	0.3	+0.0
Structured bonds	2.7	0.6	-2.1

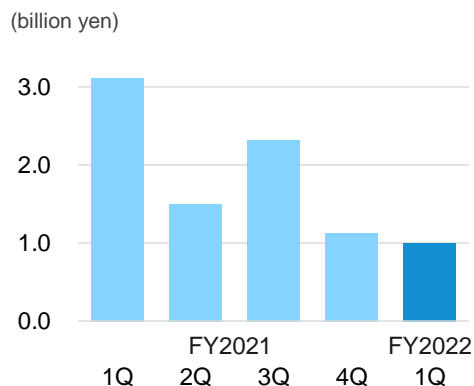
(Note)

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

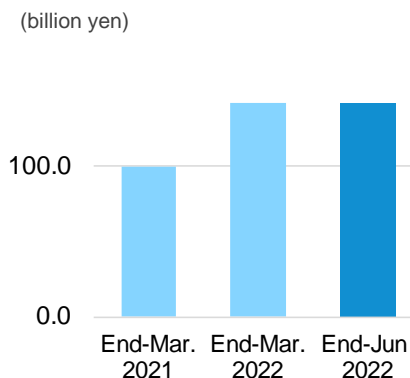
Loan-related fee income



Earnings from investment product sales to retail customers



Retail investment trust AUM balances

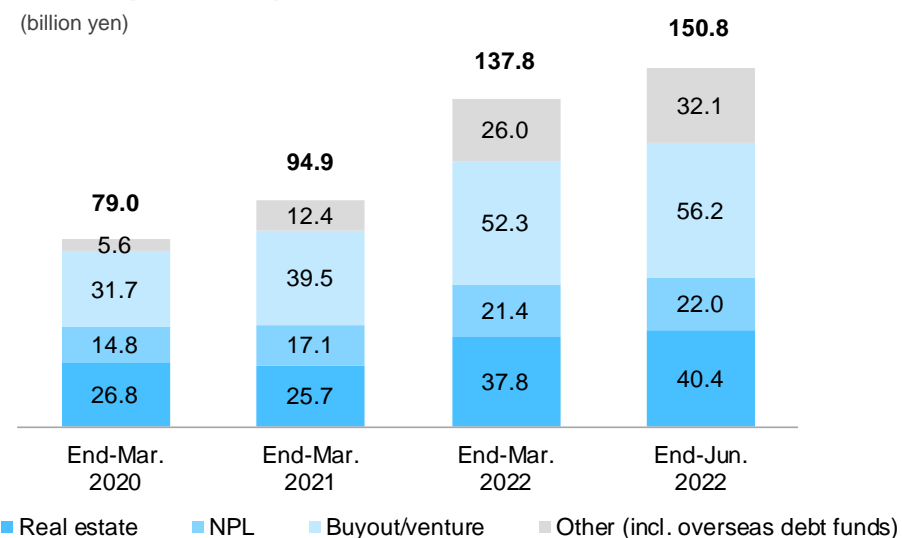


Non-interest income – Net other ordinary income

- Gains/losses on bond transactions were a loss of 2.3 billion yen, compared with a gain of 1.5 billion yen in 1Q FY2021
 - The Bank performed risk reduction operations on its securities portfolio and recorded 5.0 billion yen in gains from the sale of bonds and 7.4 billion yen in losses from the sale/redemption of bonds
- Net other ordinary income (excl. gains/losses on bond transactions) was 5.1 billion yen, an increase of 0.5 billion yen year-on-year
 - Gains from limited partnerships were 3.1 billion yen and remained strong as the Bank promoted its Strategic Investments Business
 - Gains from the sale of foreign exchange derivatives to our corporate customers were 1.3 billion yen (management accounting basis), a strong result achieved by capturing business opportunities under higher volatility in foreign exchange rates

(billion yen)	FY2021 Apr.-Jun. A	FY2022 Apr.-Jun. B	Change B - A
Gains/losses on bond transactions	1.5	-2.3	-3.8
Japanese government bonds (JGBs)	0.0	-0.4	-0.5
Foreign government bonds and mortgage bonds	-1.0	-	+1.0
Other	2.4	-1.9	-4.4
Incl. Private placement investment trusts	1.3	3.7	+2.4
Incl. REITs	0.4	-0.0	-0.5
Incl. Foreign currency ETFs	-	-5.2	-5.2
Net other ordinary income excl. gains/losses on bond transactions	4.5	5.1	+0.5
Incl. gains/losses on financial derivatives	-0.1	-0.1	-0.0
Incl. Gains from limited partnerships	3.5	3.1	-0.3
Real estate-related	0.1	0.4	+0.2
Distressed loan-related	2.0	0.4	-1.6
Buyout/venture-related	1.1	1.8	+0.7
Other	0.2	0.4	+0.2

Limited partnership investments*



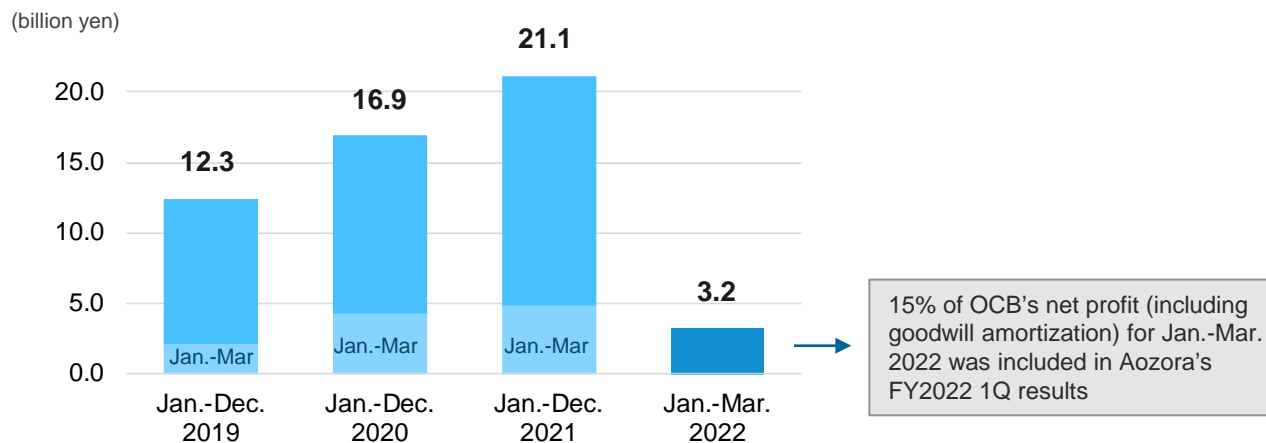
* Management accounting basis

Gains/losses on equity method investments/stock transactions

- Gains/losses on equity method investments were a net gain of 0.3 billion yen
 - Orient Commercial Joint Stock Bank's (OCB) net profit saw a slow start during the January-March period compared to the previous year as a result of market conditions in Vietnam
- No significant gains/losses on stock transactions were recorded in 1Q

(billion yen)	FY2021 Apr.-Jun. A	FY2022 Apr.-Jun. B	Change B - A
Gains/losses on equity method investments	0.5	0.3	-0.1
Gains/losses on stock transactions	0.0	-0.0	-0.0

OCB Net profit*



* Taken from OCB's website. Uses an exchange rate of 0.0048 yen per 1 Vietnamese dong

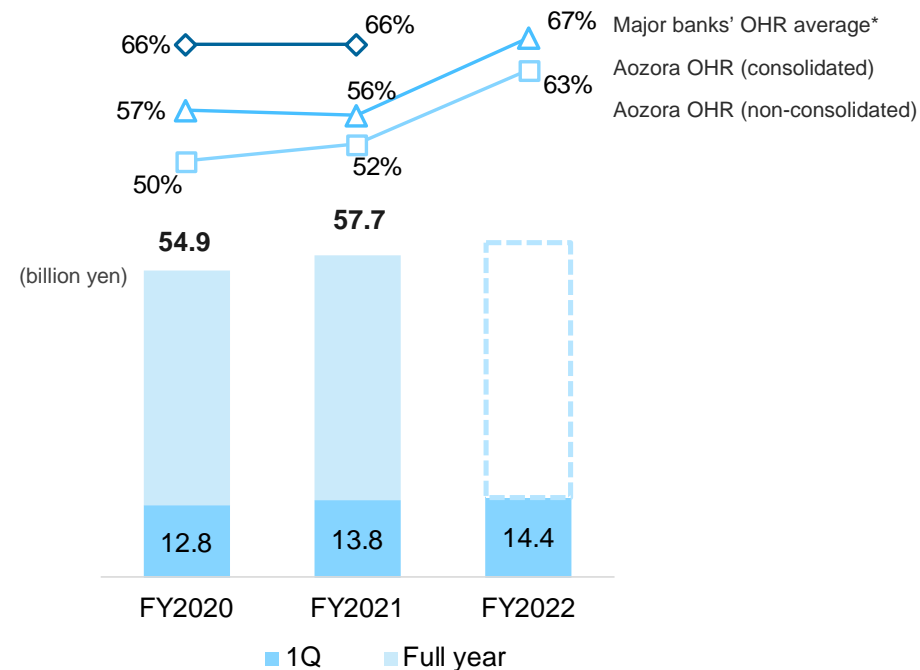
G&A expenses

- G&A expenses were 14.4 billion yen, an increase of 0.5 billion yen year-on-year, representing progress of 24% towards the original budget
 - Personnel expenses increased due to the hiring of additional staff, pay-scale increases, and personnel system reform
- The Overhead Ratio (OHR) was 67% due to the decrease in net revenue (56% on a non-consolidated, core net business profit basis)

G&A expenses breakdown

(billion yen)	FY2021 Apr.-Jun. A	FY2022 Apr.-Jun. B	Change B - A
G&A expenses (A)	13.8	14.4	+0.5
Personnel	6.3	6.8	+0.5
Non-Personnel	6.4	6.6	+0.2
Incl. IT-related	2.5	2.8	+0.2
Tax	1.1	0.9	-0.2
Net revenue (B)	26.7	21.4	
OHR (A) / (B)	52%	67%	
OHR (non-consolidated)	49%	63%	
OHR (non-consolidated, core net business profit)	52%	56%	

G&A expenses and OHR



* Major banks refers to MUFG, SMFG, Mizuho FG, Resona HD, Sumitomo Mitsui Trust HD and Shinsei
Values calculated based on each company's publically-available financial data

Credit-related expenses

- Credit-related expenses were a net reversal of 3.2 billion yen, compared to a net reversal of 2.0 billion yen in the previous year
 - This was mainly due to the reversal of general loan loss reserves of 2.9 billion yen associated with the improved credit quality of mainly overseas borrowers as a result of improved business conditions
 - 1Q saw no significant new credit write-offs. The combined total of write-off of loans, specific loan loss reserves, and recoveries of written-off claims was a net reversal of 0.3 billion yen, compared to a loss of 1.7 billion yen in the previous year
- The ratio of loan loss reserves to total loans declined to 1.17%, but remained at an adequate level
 - The ratio of loan loss reserves to overseas loans was approximately 1.7%

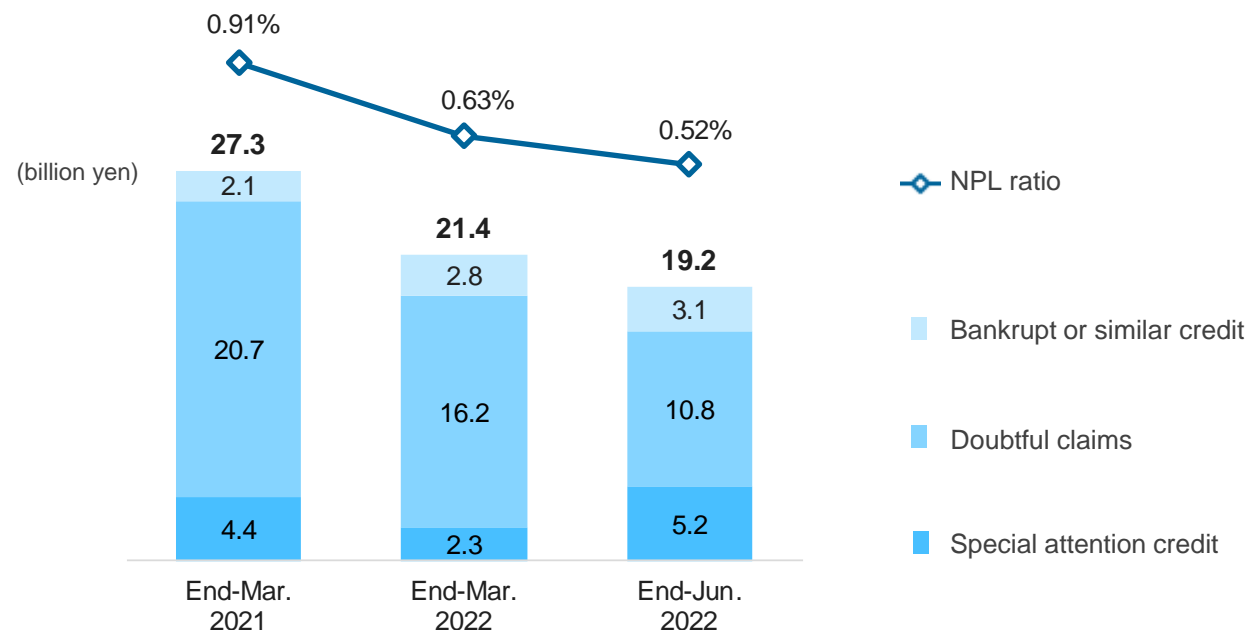
(billion yen)	FY2021 Apr.-Jun. A	FY2022 Apr.-Jun. B	Change B - A
Credit-related expenses	2.0	3.2	+1.1
Write-off of loans	-0.4	-0.0	+0.4
Loan loss reserves	2.3	2.2	-0.1
Specific loan loss reserves	-1.4	-0.6	+0.7
General loan loss reserves	3.8	2.9	-0.8
Gains/losses on disposition of loans	-	-0.0	-0.0
Recoveries of written-off claims	0.1	1.0	+0.9
Reserve for credit losses on off-balance-sheet instruments	-0.0	0.0	+0.0

Ratio of loan loss reserves to total loans

(billion yen)	End - Mar. 2022	End - Jun. 2022
Loan loss reserves (A)	48.6	42.4
General loan loss reserves (B)	38.4	35.5
Total loans (C)	3,317.1	3,600.9
(A) / (C)	1.46%	1.17%
(B) / (C)	1.16%	0.98%
Reserve ratio for need attention credit	5.0%	5.1%
Reserve ratio for normal credit	0.7%	0.5%

Non-performing loans based on the FRA*

- The ratio of NPLs to total claims on a consolidated basis (NPL ratio) was 0.52%, a decrease of 0.11% from March 31, 2022
 - NPLs decreased by 2.1 billion yen compared to March 31, 2022 mainly due to progress in the work-out of non-performing loans



(billion yen)	End-Mar. 2021	End-Mar. 2022	End-Jun. 2022
Total claims	2,994.0	3,367.4	3,656.1
NPLs (A)	27.3	21.4	19.2
Coverage (B)	23.4	19.1	15.1
Reserves	12.8	11.6	9.1
Collateral & guarantees	10.6	7.4	5.9
Coverage ratio (B) / (A)	86%	89%	78%

* Financial Reconstruction Act

Balance sheet summary

- Total assets were 6,985.2 billion yen, an increase of 256.5 billion yen compared to March 31, 2022
- Total net assets were 456.4 billion yen, representing a decrease of 30.7 billion yen from March 31, 2022
 - The valuation difference on available-for-sale securities decreased by 42.1 billion yen compared to March 31, 2022

(billion yen)	End - Mar. 2022 A	End - Jun. 2022 B	Change B - A
Loans and bills discounted	3,317.1	3,600.9	+283.7
Securities	1,478.1	1,361.4	-116.7
Cash and due from banks	1,141.9	1,107.9	-34.0
Trading assets	133.0	155.6	+22.5
Other	658.3	759.2	+100.9
Total assets	6,728.6	6,985.2	+256.5

(billion yen)	End - Mar. 2022 A	End - Jun. 2022 B	Change B - A
Deposits / Negotiable certificates of deposit	4,871.5	5,144.9	+273.3
Bonds□	168.9	166.3	-2.5
Borrowed money	432.3	448.3	+16.0
Payables under securities lending transactions	356.9	273.5	-83.4
Trading liabilities	129.2	170.6	+41.3
Other	282.3	324.9	+42.5
Total liabilities	6,241.3	6,528.7	+287.3
Total net assets	487.2	456.4	-30.7
Total liabilities and net assets	6,728.6	6,985.2	+256.5

Loans – Balance by industry

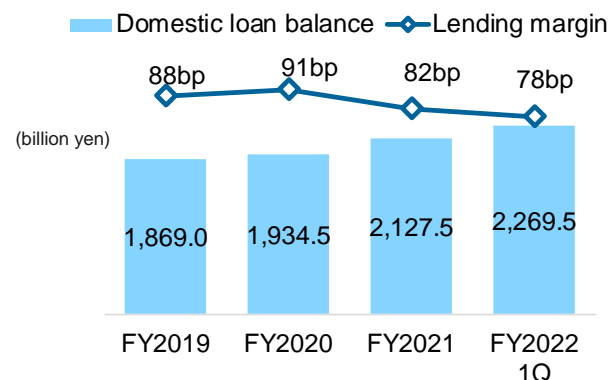
- Loans were 3,600.9 billion yen, an increase of 283.7 billion yen compared to March 31, 2022. Domestic loans increased by 142.0 billion yen
 - Domestic loan origination was mainly focused on environmental finance and LBO loans

(billion yen)	End - Mar. 2022 A	End - Jun. 2022 B	Change B - A
Total loans (A)	3,317.1	3,600.9	+283.7
Domestic loans	2,127.5	2,269.5	+142.0
Overseas loans* (B)	1,189.6	1,331.4	+141.7
(B) / (A)	35.9%	37.0%	-

* With no final risk residing in Japan□

				Share
Loans by domestic offices (excl. Japan offshore market accounts)	2,545.7	2,742.3	+196.5	76%
Manufacturing	236.8	236.0	-0.7	7%
Utilities (electric power/gas/heat supply/water service)	87.0	120.3	+33.3	3%
Information and communications	102.6	103.4	+0.7	3%
Transport, postal services	40.3	40.1	-0.2	1%
Wholesale and retail sale	77.9	82.8	+4.8	2%
Financial and insurance	352.0	337.4	-14.6	9%
Real estate	715.0	716.7	+1.6	20%
Incl. Non-recourse loans	380.8	388.7	+7.9	11%
Leasing	100.5	97.6	-2.8	3%
Other services	153.8	159.0	+5.2	4%
Other	679.3	848.5	+169.2	24%
Incl. Overseas (HQ booked)	439.2	492.1	+52.9	14%
Loans by overseas offices incl. Japan offshore market accounts	771.3	858.6	+87.2	24%
Total	3,317.1	3,600.9	+283.7	100%

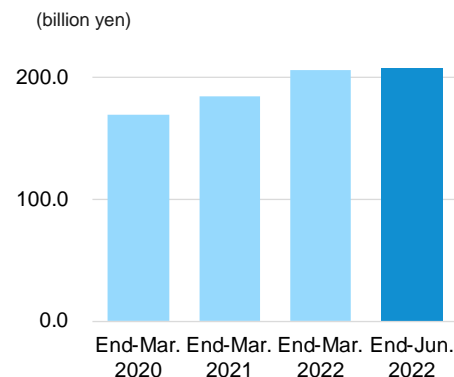
Domestic loan balance and lending margin*



* Management accounting basis

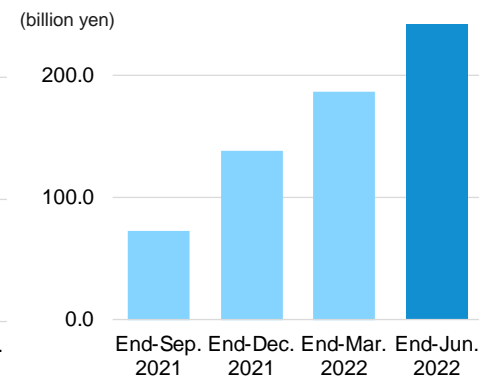
Loan balances are presented as of the end of the relevant fiscal period

LBO loan balances (non-consolidated)*



* Management accounting basis

Environmental finance balances (non-consolidated)*



* Management accounting basis
Including corporate bonds and equities

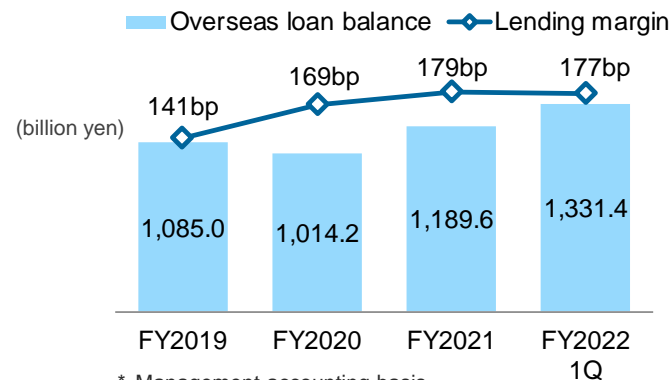
Loans – Overseas

- Overseas loans were 1,331.4 billion yen, an increase of 141.7 billion yen from March 31, 2022 (an increase of 28 million on a U.S. dollar-basis)
 - The Bank continued its disciplined and selective origination of loans with favorable risk-return profiles

(billion yen)	End - Mar. 2022 A	End - Jun. 2022 B	Change B - A
Total loans (A)	3,317.1	3,600.9	+283.7
Overseas loans* (B)	1,189.6	1,331.4	+141.7
(B) / (A)	35.9%	37.0%	-
U.S. dollar basis (\$ million)	9,716	9,745	+28
Foreign exchange rate (US\$/JPY)	¥122.43	¥136.62	¥14.19

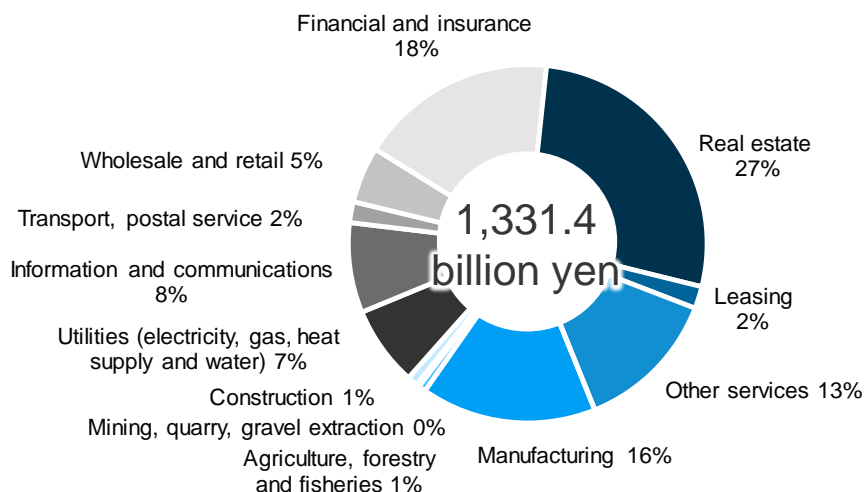
* With no final risk residing in Japan

Overseas loan balance and lending margin*

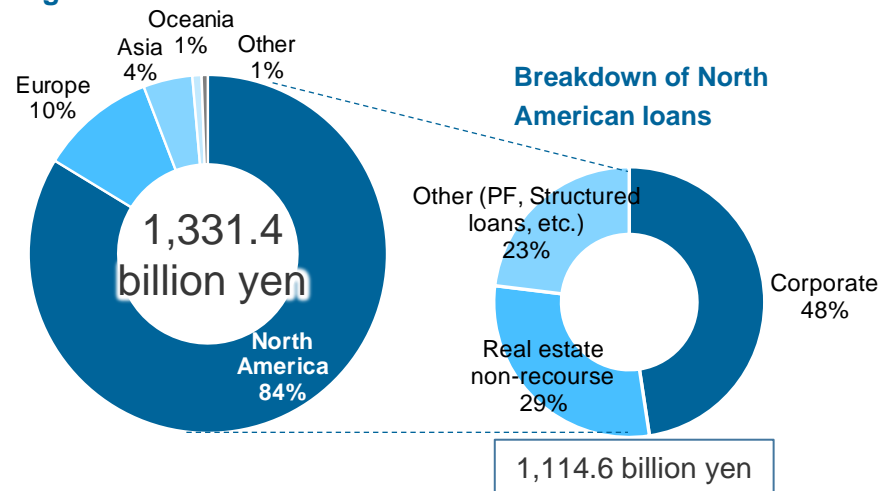


* Management accounting basis.
Loan balances are presented as of the end of the relevant fiscal period

By industry



By region

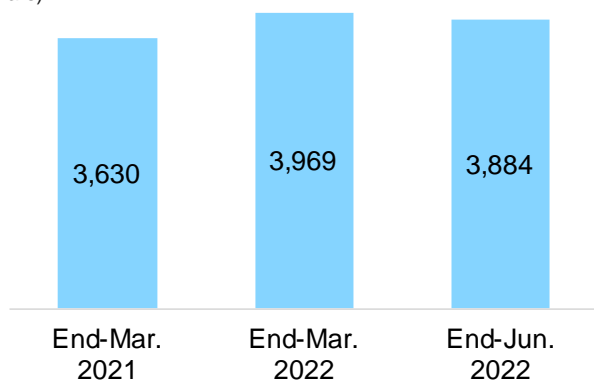


Loans – North American corporate loans

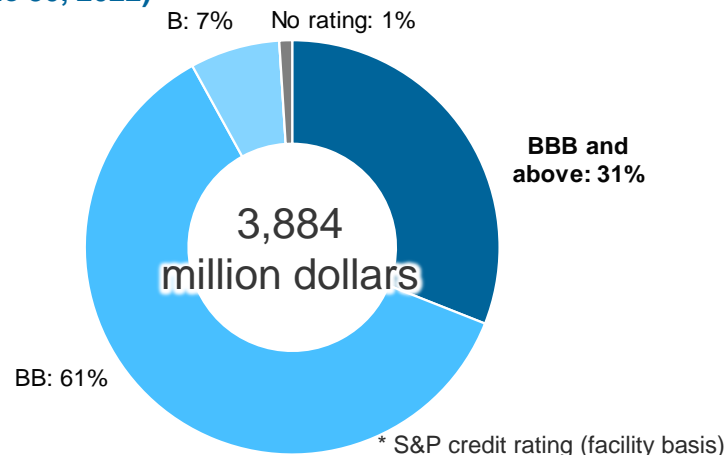
- The Bank’s North American corporate loan balances totaled 3,884 million on a U.S. dollar-basis, a decrease of 85 million dollars compared to March 31, 2022
 - The average bid price of Aozora’s loan portfolio outperformed the market index
 - In 1Q, activity in the loan market was significantly slower due to rising volatility across the financial markets. Aozora’s North American corporate loan balances remained stable compared to March 31, 2022

North American corporate loan balances

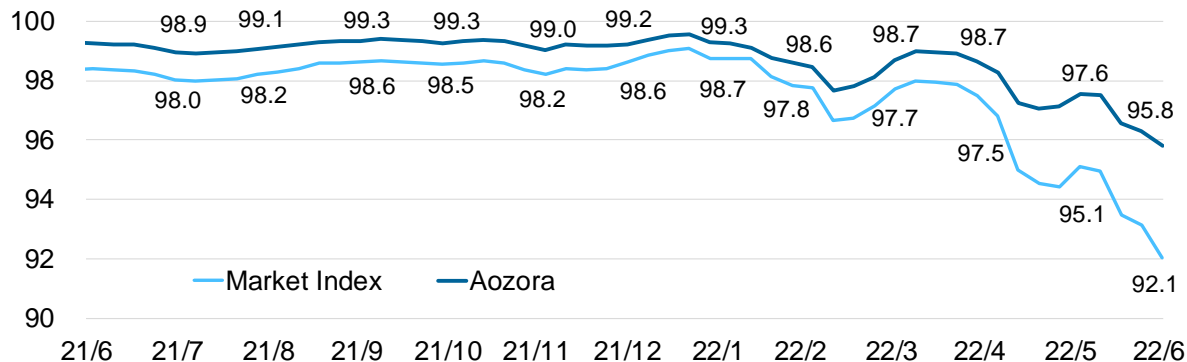
(million U.S. dollars)



North American corporate loans by credit rating* (as of June 30, 2022)



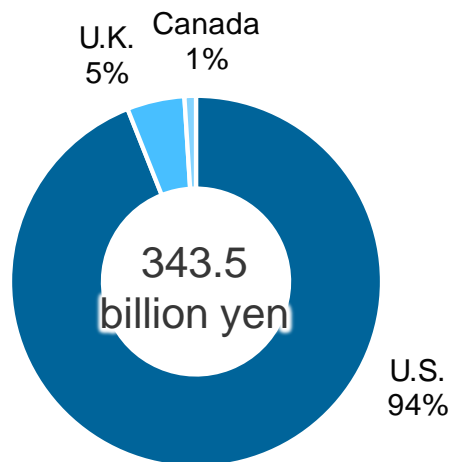
Average bid price



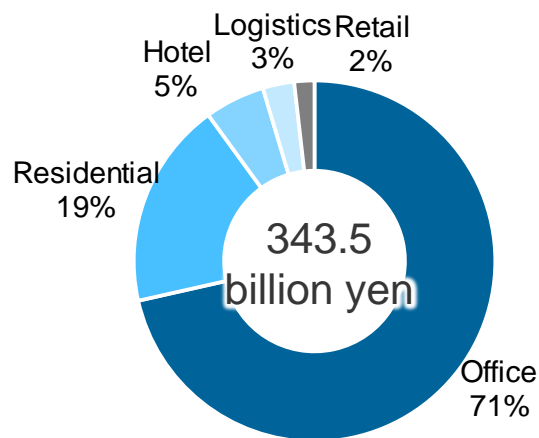
Loans – Overseas real estate non-recourse loans (NRLs)

- Overseas real estate non-recourse loan outstandings were 343.5 billion yen, an increase of 46.9 billion yen compared to March 31, 2022 (an increase of 92 million on a U.S. dollar-basis)
 - Office loans decreased by 7% compared to March 31, 2022 while the percentage of residential and logistics loans increased during the same period

By region



By sector



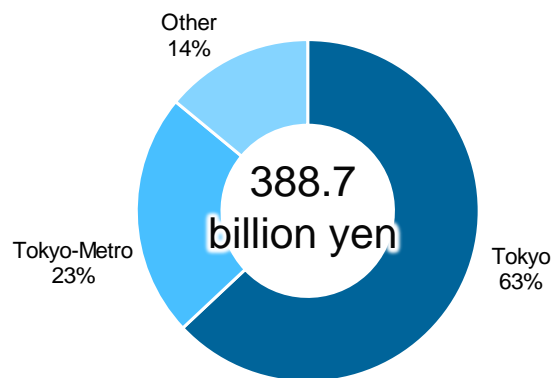
U.S. real estate non-recourse loan market conditions

- The logistics and residential sectors of the U.S. real estate market were relatively strong. As demand for office space remained somewhat weak, each individual property faced a somewhat unique situation
- REIT indices have declined approximately 20% since the start of the year due to the impact of rising interest rates on the securities and capital markets. Aozora closely monitors the extent to which movements in the financial markets impact physical real estate valuations
- The loan refinancing market has become more selective in terms of loan quality based on property condition and sponsor quality. Aozora selectively originated high-quality loans under these conditions

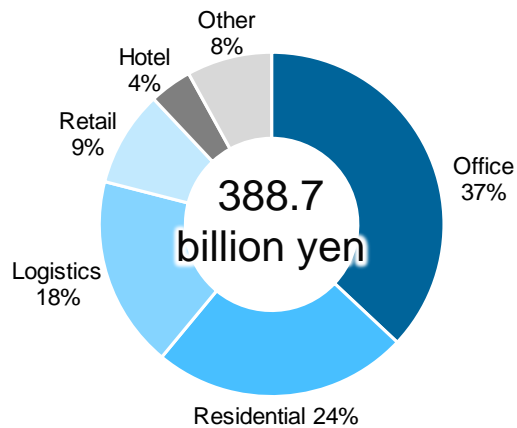
Loans – Domestic real estate non-recourse loans (NRLs)

- The Bank’s domestic real estate non-recourse loan balance was 388.7 billion yen, an increase of 7.9 billion yen compared to March 31, 2022
 - No significant changes in the distribution by region or by sector compared to March 31, 2022

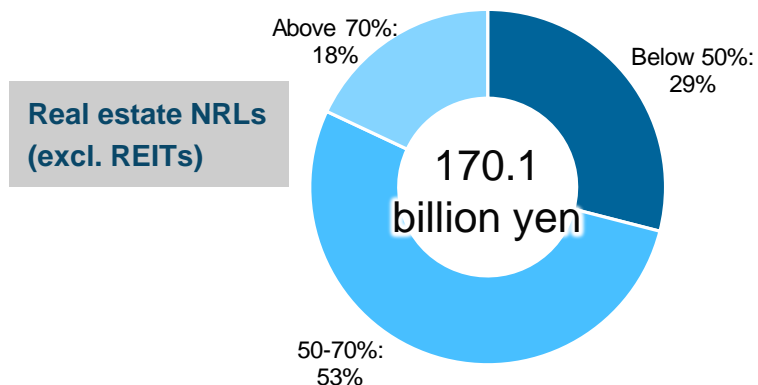
By region



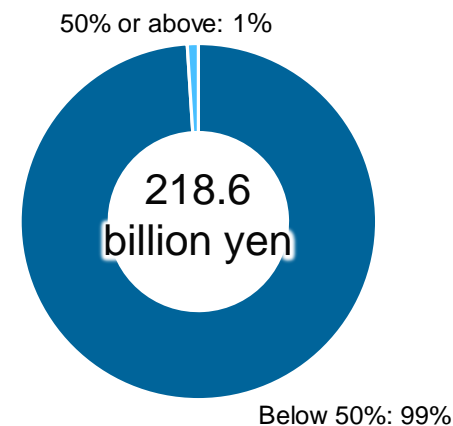
By sector



LTV



REITs



Securities

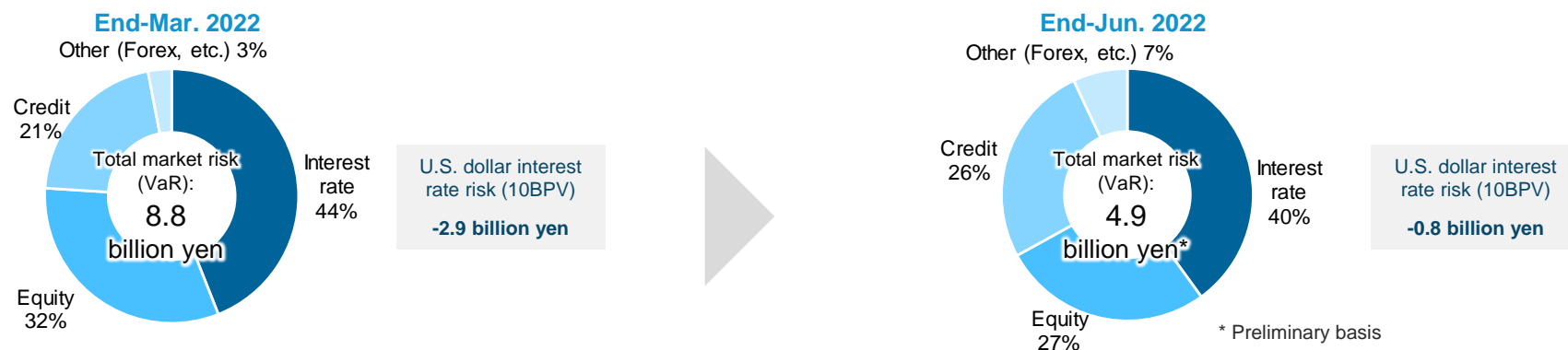
- Securities were 1,361.4 billion yen, a decrease of 116.7 billion yen compared to March 31, 2022
 - The decrease was mainly the result of the sale of Japanese government bonds, municipal bonds, ETFs, REITs, and investment trusts as the Bank performed risk reduction operations
- Unrealized gains/losses, including unrealized gains/losses on hedging instruments, were a net loss of 51.6 billion yen, a decrease of 56.8 billion yen from March 31, 2022

	Book value			Unrealized gains/losses		
	End - Mar. 2022 A	End - Jun. 2022 B	Change B - A	End - Mar. 2022 C	End - Jun. 2022 D	Change D - C
(billion yen)						
JGBs	76.3	53.5	-22.8	-0.7	-1.1	-0.3
Municipal bonds	164.2	126.8	-37.4	-1.2	-1.4	-0.2
Corporate bonds / short-term corporate bonds	172.9	170.2	-2.6	0.4	0.3	-0.1
Equities	31.5	28.0	-3.4	20.4	15.0	-5.3
Foreign bonds	536.0	560.9	+24.9	-28.4	-57.4	-29.0
Foreign government bonds	264.1	279.8	+15.6	-13.3	-25.5	-12.2
MBS	171.9	174.1	+2.2	-15.6	-27.6	-12.0
Other	99.9	107.0	+7.0	0.5	-4.1	-4.7
Other securities	497.0	421.7	-75.3	15.4	-10.7	-26.2
ETFs	153.0	126.7	-26.3	-11.4	-23.6	-12.2
Investments in limited partnerships	137.8	150.8	+13.0	2.4	1.8	-0.6
REITs	76.0	45.8	-30.1	7.7	6.8	-0.8
Investment trusts	93.0	58.9	-34.1	10.4	-1.3	-11.8
Other	36.9	39.2	+2.2	6.2	5.5	-0.6
Total	1,478.1	1,361.4	-116.7	5.8	-55.4	-61.3
Unrealized gains, incl. unrealized gains/losses on hedging instruments				5.2	-51.6	-56.8

Securities operations

- The Bank performed risk reduction operations in its securities portfolio in light of growing concerns over a possible recession as a result of rising global interest rates and inflation
 - Securities portfolio net exposure and level of risk were reduced compared to March 31, 2022, through a combination of selling the securities or using derivatives (futures, swaps, etc.) under our policy to reduce aggregate exposure while maintaining a target balance amongst the various risks. Market risk (VaR) was 4.9 billion yen as of June 30, 2022, a significant decline compared to 8.8 billion yen as of March 31, 2022
 - Equity and credit risk exposures were reduced by the sale of foreign currency-denominated ETFs and investment trusts. As a result, gains/losses on bond transactions were a loss of 2.3 billion yen (gross loss of 7.4 billion)

Market risk (VaR)



ALM/securities operations

		Balance* ^{1, 2}		Net balance after hedging* ^{1, 2}		Realized gains* ³ (gains from sale)	Realized losses* ³ (losses from sale/redemption)	Net gains/losses* ³
		End-Mar. 2022	End-Jun. 2022					
JGBs, municipal bonds	(billion yen)	195.5	134.0	134.0	(billion yen)	0.0	-0.7	-0.7
US government bonds	(US\$ million)	1,800.0	1,800.0	650.0	(billion yen)	-	-	-
European government bonds	(EUR million)	440.0	440.0	310.0	(billion yen)	-	-	-
MBS	(US\$ million)	1,483.0	1,430.0	0.0	(billion yen)	-	-	-
ETFs	(US\$ million)	1,344.0	1,101.0	265.0	(billion yen)	-	-5.2	-5.2
REITs	(billion yen)	42.6	8.4	8.4	(billion yen)	1.7	-1.1	0.6
Investment trusts	(billion yen)	67.3	44.3	16.3	(billion yen)	4.1	-0.2	3.9

	Apr.-Jun. 2022	
Gains/losses on financial derivatives	(billion yen)	-0.1
Gains/losses on equity derivatives	(billion yen)	0.6

Note: Assets managed under the ALM securities portfolio. Non-consolidated, internal management accounting basis

*1 Under balance and net balance after hedging, bonds are calculated based on face value, all others are calculated based on book value

*2 Foreign currency-denominated REITs and investment trusts converted to yen. Other categories stated in original currency

*3 All realized gains/losses converted to yen. Includes 0.9 billion yen in gains on the cancellation of investment trusts recorded as net interest income

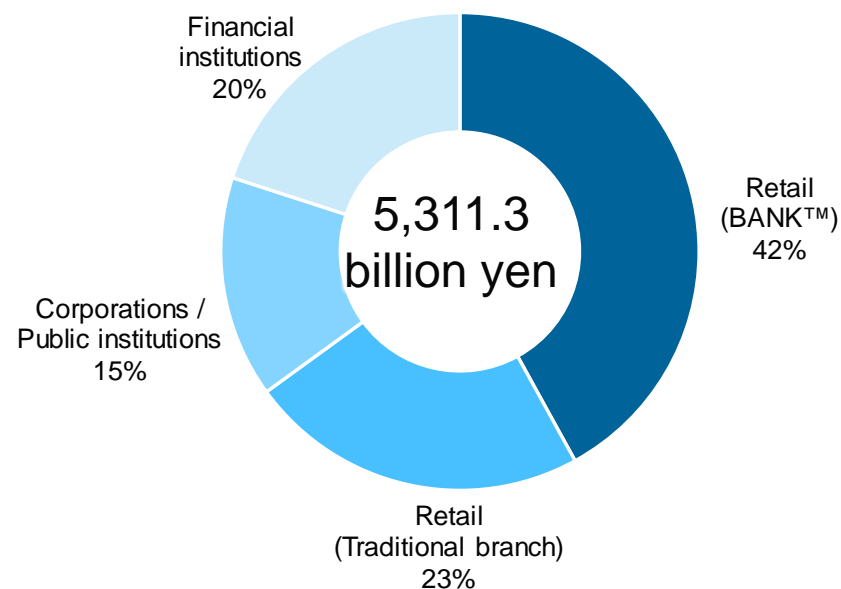
Funding

- Total core funding (deposits, negotiable certificates of deposit, and bonds) was 5,311.3 billion yen, an increase of 270.7 billion yen from March 31, 2022

(billion yen)	End - Mar. 2022 A	End - Jun. 2022 B	Change B - A
Total core funding	5,040.5	5,311.3	+270.7
Deposits / NCDs	4,871.5	5,144.9	+273.3
Bonds	168.9	166.3	-2.5
Retail funding ratio *	64%	65%	
Loan-to-deposit ratio incl. NCDs	68%	70%	

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

Funding by customer segment



Mid-term KPIs

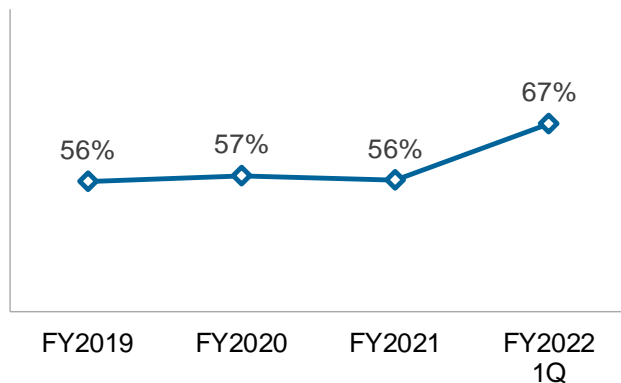
	FY2021 Results	FY2022 1Q Results	Mid-term Plan Targets (FY2020-FY2022)	(Ref.) FY2021 Major Banks' Average ^{*3}
Overhead Ratio (OHR)	56%	67%	Below 55%	66%
Business Profit ^{*1} ROA	0.8%	0.4% ^{*2}	1%	0.4%
ROE	7.2%	7.1% ^{*2}	8% or higher	5.1%

* 1 Including gains/losses on equity method investments

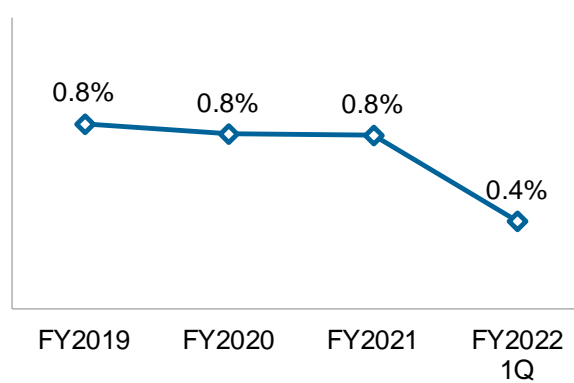
* 2 Annualized basis

* 3 Major banks refers to MUFG, SMFG, Mizuho FG, Resona HD, Sumitomo Mitsui Trust HD, and Shinsei.
Values calculated based on each company's publicly-available financial data

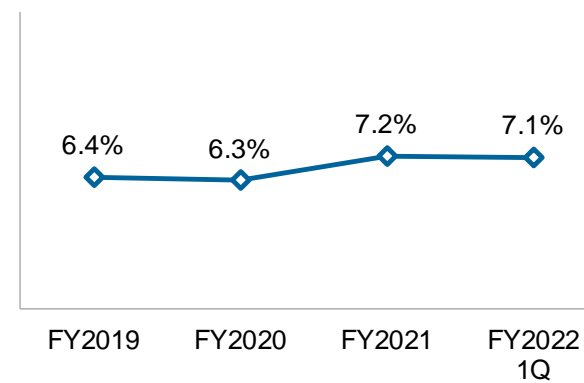
Overhead Ratio (OHR)



Business Profit ROA



ROE



Progress of Aozora's Sustainability Targets

Promoting Aozora's Strategic Investments Business

Realizing "Financial Inclusion"

◆ Growth Support for Venture Companies

	FY2021-FY2030 Targets	Results as of June 30, 2022
Number of Venture-related Investments:	100 transactions	16 (+4)
GMO Aozora Net Bank Small businesses & start-ups:	200,000 account openings	Progress in line with plan

◆ Contributing to Regional Communities through Business Recovery

	FY2021-FY2025 Targets	Results as of June 30, 2022
Number of Business Recovery Fund-based transactions:	100 transactions	23 (+2)

Promoting "Industrial Transition"

◆ Investments Designed to Support Structural Transformation

	FY2021-FY2025 Targets	Results as of June 30, 2022
Number of equity investments with a primary focus on engagement:	100 transactions	43 (+10)

(Note) Parentheses denotes results during 1Q FY2022

Response to Climate Change

◆ Sustainable Financing Amount

	FY2021-FY2030 Targets	Results as of June 30, 2022
Total: 1 trillion yen		219.0 billion yen (+70.5 billion yen)
Includes Environmental Financing of 700 billion yen		208.2 billion yen (+70.5 billion yen)

◆ CO2 Emissions as a Business Entity

By FY2030 Targets	By FY2050* Targets	FY2021 Results
↓ 50% reduction (compared to FY2020)	0 (net zero) *Or as early as possible	21% reduction

◆ Amount of Project Financing for Coal-fired Power Plants

By FY2040 Targets	Results as of June 30, 2022
0 (zero)	28.8 billion yen (-0.4 billion yen)

Protecting and Providing for the Next Generation

◆ Business/Asset Succession Consulting

	FY2021-FY2025 Targets	Results as of June 30, 2022
Number of Consulting contracts:	1,800	374 (+60)

Aozora's Strategic Investments Business - Equity investments -

- Equity investments increased by 17.2 billion yen compared to March 31, 2022, mainly due to increases in real estate-related equity funds and buyout/venture equity funds
- Acquired 5 new equity investments with a primary focus on engagement (“domestic/overseas equity investments”)

	Equity investments* ¹			Realized capital gains and other equity returns* ²		
	(billion yen)	End - Mar. 2022 A	End - Jun. 2022 B	Change B - A	2021 Apr.-Jun.	2022 Apr.-Jun.
Investment in business recovery claims		56.1	54.0	-2.0	2.0	0.3
Real estate-related equities		84.5	92.6	+8.1	0.4	0.6
Buyout/venture (Private equity funds, etc.)		52.3	56.2	+3.8	1.0	1.7
Domestic/overseas equity investments		25.7	27.0	+1.3	0.0	0.3
Other (incl. overseas debt funds)		26.0	32.0	+6.0	0.2	0.3
Total		244.8	262.0	+17.2	3.7	3.4

*¹ Management accounting basis, customer business-related equity investment balances on a mark-to-market basis

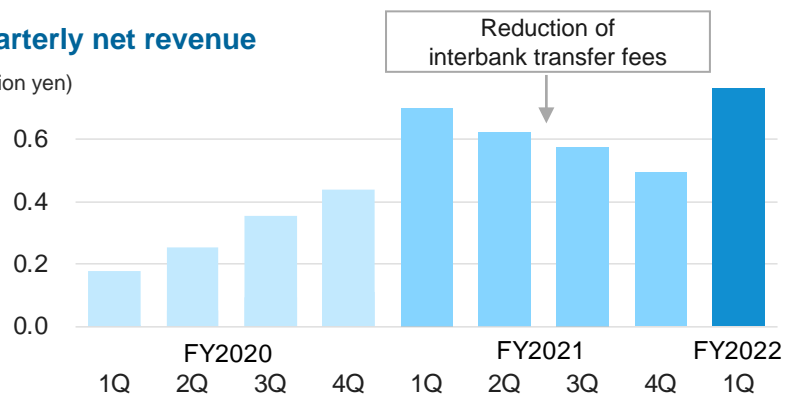
*² Management accounting basis, including gains/losses on stock transactions, gains/losses from limited partnerships, and interest and dividends on securities

GMO Aozora Net Bank (GANB)

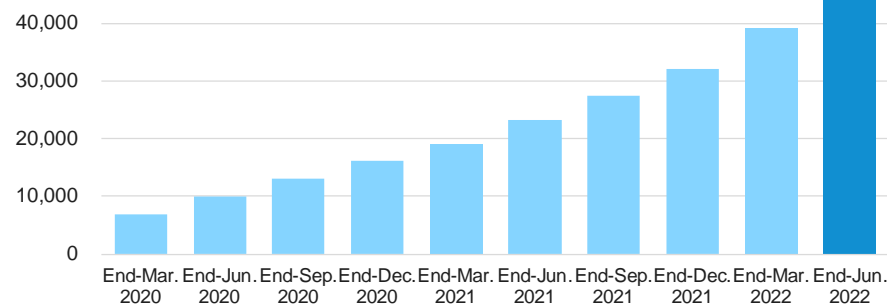
- Net revenue in 1Q increased compared to the previous year as well as compared to the prior quarter as a result of increases in both the number of transfer transactions and revenue from debit card payments
- The number of corporate accounts and “Simple Embedded Financial Services” contracts continued to increase as the customer base steadily expanded. GANB plans to attain profitability during FY2022

Quarterly net revenue

(billion yen)

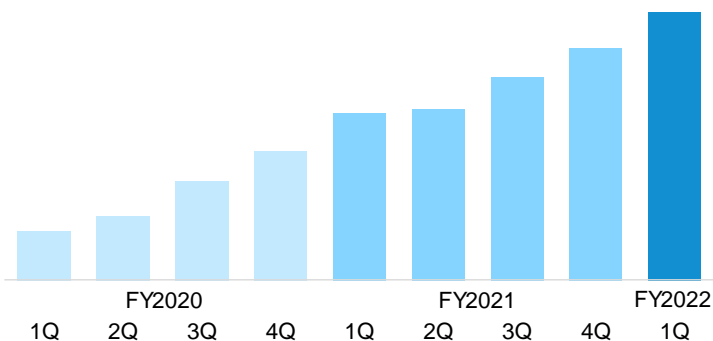


Number of corporate accounts

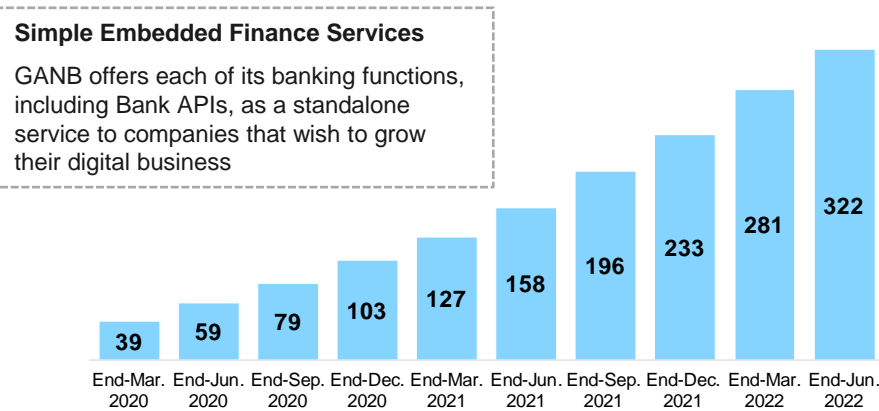


Business profit	FY2020	FY2021	FY2022
	-4.4	-3.7	-0.8

Number of transfer transactions



Number of “Simple Embedded Finance Services” contracts



Simple Embedded Finance Services
GANB offers each of its banking functions, including Bank APIs, as a standalone service to companies that wish to grow their digital business

Dividends

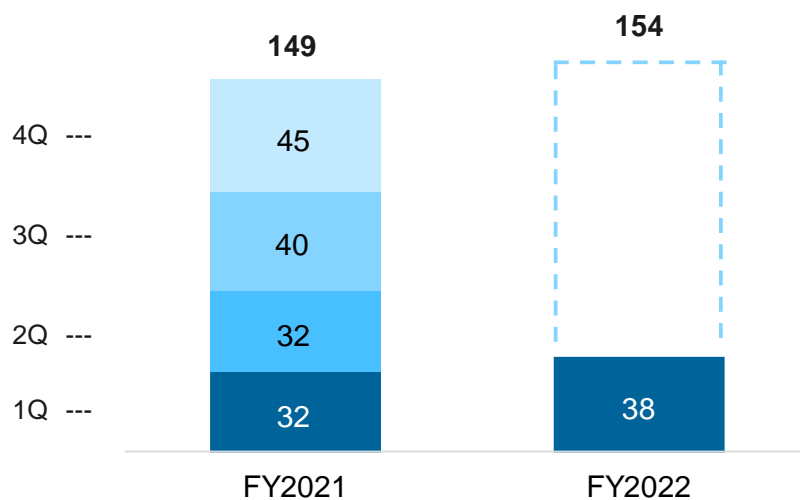
- The first quarter dividend is 38 yen per common share, approximately 25% of the full-year dividend forecast of 154 yen

Dividend per common share

	1st quarter	2nd quarter	3rd quarter	4th quarter	Full-year
Current forecast (FY2022)		-	-	-	154 yen
Dividend payment (FY2022)	38 yen				

Dividend payments

(yen)



(Note) Aozora's mid- to long-term dividend policy is based on a target dividend payout ratio of 50% of net earnings.

The FY2022 full-year dividend target of 154 yen per common share will be flexibly managed on a quarterly basis in light of Aozora's financial results.

The current FY2022 dividend forecast per common share is based on the total dividend amount, which is 50% of the consolidated net earnings forecast of 36.0 billion yen.

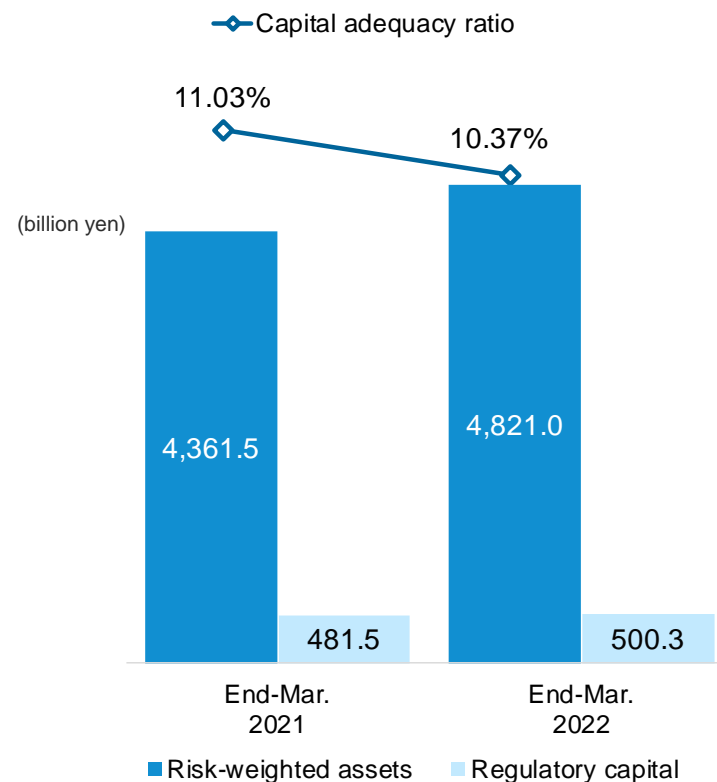
While only the full-year dividend forecast is shown here, the Bank intends to continue quarterly dividend payments.

Reference: Capital adequacy ratio (as of March 31, 2022)

- The consolidated capital adequacy ratio (domestic standard) will be announced in Mid-August 2022 and is expected to remain at an adequate level

Domestic standard

(billion yen)	End-Mar. 2021 A	End-Mar. 2022 B	Change B - A
Capital adequacy ratio	11.03%	10.37%	-0.66 %
Regulatory capital (A - B)	481.5	500.3	+18.8
Instruments and reserves (A)	505.3	523.7	+18.3
Shareholders' equity	463.8	481.0	+17.1
Other	41.4	42.6	+1.2
Regulatory adjustment (B)	23.8	23.3	-0.4
Risk-weighted assets	4,361.5	4,821.0	+459.4
Credit risk assets	3,853.5	4,245.7	+392.1
Market risk assets	355.7	407.8	+52.0
Operational risk assets	152.2	167.4	+15.2



Reference: Aozora Group companies

(billion yen)	Apr.-Jun. 2021			Apr.-Jun. 2022		
	Net revenue	Business profit	Net income	Net revenue	Business profit	Net income
Aozora Bank (non-consolidated)	22.7	11.5	10.1	18.2	6.8	7.8
GMO Aozora Net Bank	0.7	-0.7	-0.8	0.7	-0.8	-0.8
Aozora Loan Services	0.4	0.0	0.0	0.2	-0.0	-0.0
Aozora Securities	1.7	1.3	0.9	0.3	0.0	0.0
Aozora Investment Management	0.1	0.0	0.0	0.2	0.1	0.0
Aozora Real Estate Investment Advisors	0.0	-0.0	-0.0	0.0	-0.0	-0.0
ABN Advisors	0.0	0.0	0.0	0.0	-0.0	-0.0
Aozora Corporate Investment	0.0	0.0	0.0	0.0	0.0	0.0
Aozora Asia Pacific Finance	0.2	0.1	-0.4	0.2	0.0	0.1
Other subsidiaries	1.3	0.8	0.7	1.6	1.1	0.9
Total of subsidiaries	4.6	1.7	0.4	3.6	0.4	0.2

Consolidated, non-consolidated difference

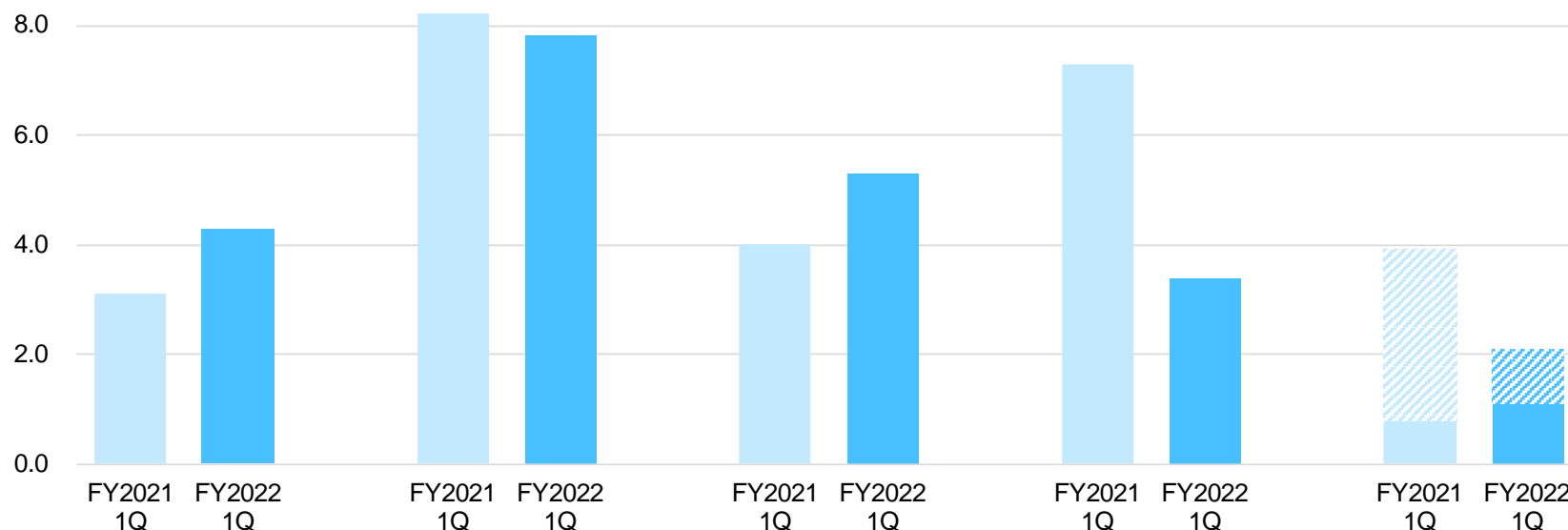
(billion yen)		
Profit attributable to owners of parent	11.5	8.3
Non-consolidated net income	10.1	7.8
Difference	1.4	0.5

Reference: Results by business segment

- Starting in 1Q, Aozora reorganized its Business Groups in order to flexibly allocate and optimize the resources of the entire Aozora Group and strives to increase transparency regarding the progress of each of its business areas
- While customer-related business was strong in 1Q, business revenue decreased year-on-year in the Market Group as a result of the risk reduction operations performed on the Bank's securities portfolio and in the Retail Banking Group due to lower earnings from investment product sales to retail customers

Business revenue (total of net revenue, gains/losses on equity method investments and stock transactions)

(billion yen)



Institutional Banking Group

- ◆ Corporate Banking Group
- ◆ M&A Advisory Group

Structured Finance Group

- ◆ Acquisition & Structured Finance Group
- ◆ Environment Business Group
- ◆ Special Situations Group
- ◆ Real Estate Finance Group

International Business Group

- ◆ International Finance Group
- ◆ Asia Investment Group

Market Group

- ◆ Financial Markets Group

Customer Relations Group

- ◆ Allied Banking Group
- ◆ Retail Banking Group

Contact

AOZORA BANK, LTD.

Corporate Communication Division

TEL: 03-6752-1218

URL: <https://www.aozorabank.co.jp/english/>

Mr. Masaharu Matsuura m.matsuura@aozorabank.co.jp

Mr. Hiroyuki Kajitani h.kajitani@aozorabank.co.jp

Ms. Yumi Adachi y2.adachi@aozorabank.co.jp

Mr. Shota Kamegi s.kamegi@aozorabank.co.jp

This presentation 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 including the effects of changes in general economic conditions, changes in interest rates, stock markets and foreign currency, and any ensuing decline in the value of our securities portfolio, incurrence of significant credit-related cost and the effectiveness of our operational, legal and other risk management policies