Aozora Bank Website

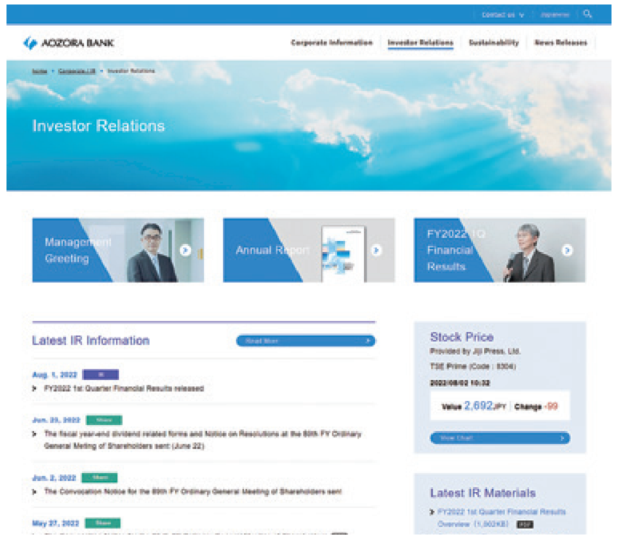
https://www.aozorabank.co.jp/english/

Corporate Information

https://www.aozorabank.co.jp/english/company/

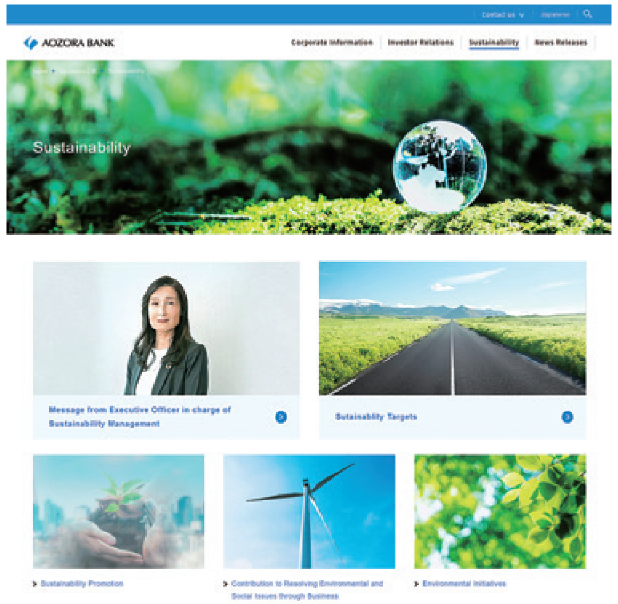
Investor Relations

https://www.aozorabank.co.jp/english/ir/



Sustainability

https://www.aozorabank.co.jp/english/sustainability/



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Corporate Data

Corporate History

April	**1957**	Established as the Nippon Fudosan Bank, Limited (capital: ¥1 billion) in accordance with the Long-Term Credit Bank Law
July	**1964**	Started foreign exchange business as an authorized foreign exchange bank
September		Listed stock on the Tokyo Stock Exchange
February	**1970**	Listed stock on the Osaka Securities Exchange
October	**1977**	Changed name to the Nippon Credit Bank, Ltd.
February	**1994**	Established the Nippon Credit Trust Bank, Ltd. (currently GMO Aozora Net Bank, Ltd.)
December	**1998**	Started special public management and terminated listing of stock on the Tokyo Stock Exchange and the Osaka Securities Exchange
September	**1999**	NCB Servicer Co., Ltd. (currently Aozora Loan Services Co., Ltd.), commenced servicer operations
September	**2000**	Ended special public management
January	**2001**	Changed name to Aozora Bank, Ltd.
June	**2005**	Established a subsidiary, Aozora Asia Pacific Finance Limited, in Hong Kong
July		Established New York Representative Office
April	**2006**	Converted from “Long-Term Credit Bank” to an “Ordinary Bank” 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, 2022)

● **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**

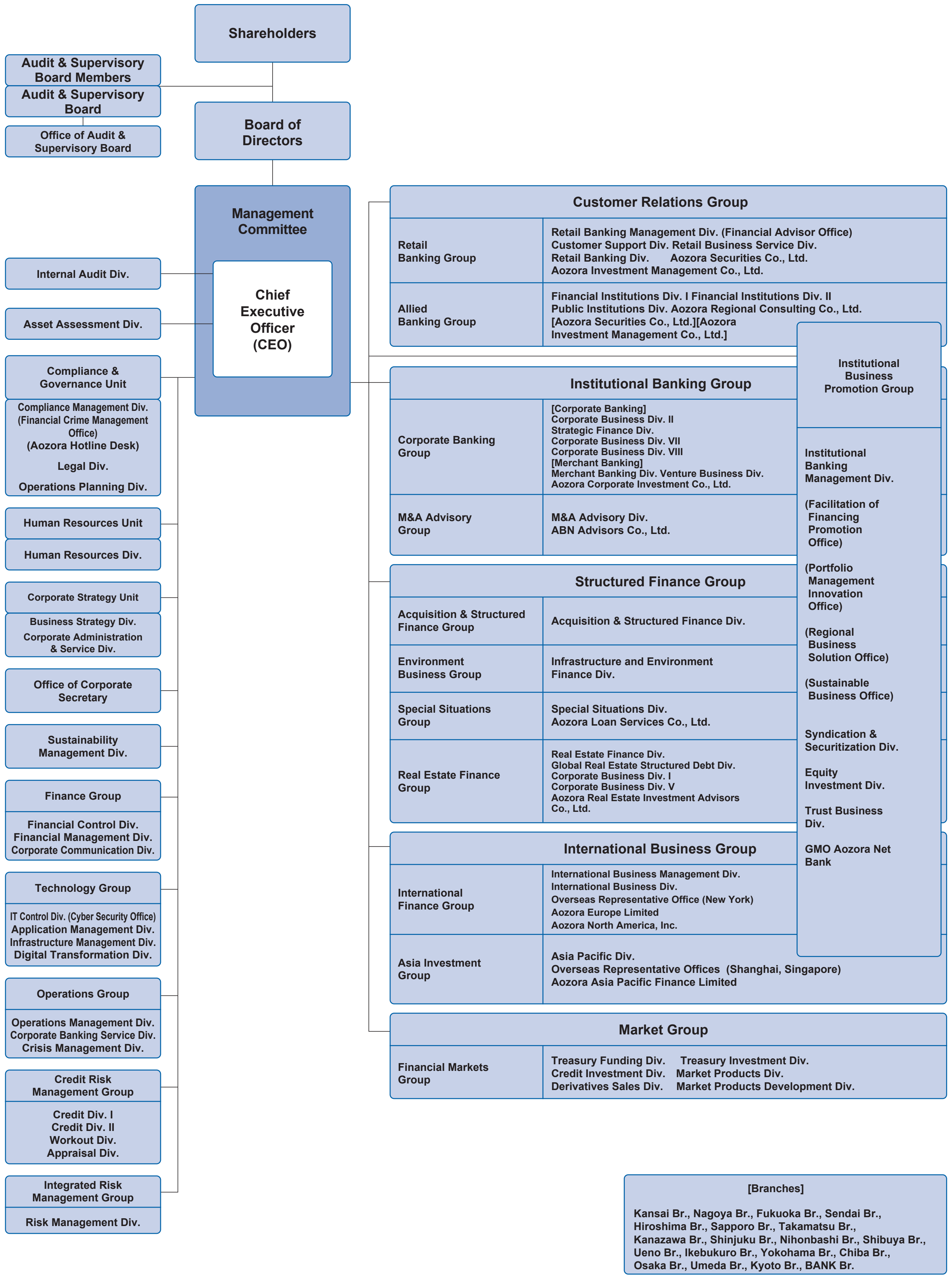
Management of various trust assets including cash, securities, monetary claims and real estate

● **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, 2022)



Directors, Audit & Supervisory Board Members and Executive Officers (As of July 1, 2022)

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	Tomomi Akutagawa*
Directors	Hiroyuki Mizuta Ippei Murakami Tomonori Ito Sakie Tachibana Fukushima
Standing Audit & Supervisory Board Member	Satoshi Hashiguchi
Audit & Supervisory Board Members	Kiyoto Hagiwara Toraki Inoue

*Serving as Executive Officer concurrently

Executive Officers

Senior Managing Executive Officers	Akira Sakai Masayoshi Ohara Fumihiko Hirose Takashi Kato
Managing Executive Officers	Masaki Onuma Tomoyuki Yamada Kazuhiro Yasuda Tetsuji Okuda Jun Shinozaki Akemi Hashimoto
Executive Officers	Toru Takahashi Hiroki Nakazato Hiroshi Suzuki Shu Takahashi Yukiko Morita Naoko Tanaka Takashi Hagio Jun Nakashima Hiroshi Kaneko Shin Kato Mitsuhiro Segawa Mayumi Takada Kouji Igarashi

Staff Profile (As of March 31, 2022)

Number of Employees	Average Age	Average Years of Service	Average Yearly Salary
1,966 (117)	43.3	15.1	8,232 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

Toru Takahashi
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

Tomoyuki Yamada
Managing Executive Officer
Chief Technology Officer (CTO)

Koji Yamakoshi
Representative Director and Deputy President

Hiroshi Suzuki
Executive Officer
Head of Corporate Strategy Unit and in charge of Office of Corporate Secretary

Yukiko Morita
Executive Officer
Head of Operations Group

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

Tomomi Akutagawa
Director, Senior Managing Executive Officer in charge of Sustainability Management

Mayumi Takada
Executive Officer
Deputy in charge of Sustainability Management

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

Masayoshi Ohara
Senior Managing Executive Officer
Chief Risk Officer (CRO)

Customer Relations Group

Takashi Kato
Senior Managing Executive Officer
Head of Allied Banking Group

Naoko Tanaka
Executive Officer
Deputy Head of Allied Banking Group

Jun Nakashima
Executive Officer
Head of Retail Banking Group

Institutional Banking Group

Kazuhiro Yasuda
Managing Executive Officer
Head of Corporate Banking Group [Corporate Banking]

Akemi Hashimoto
Managing Executive Officer
General Manager of Kansai Branch

Jun Shinozaki
Managing Executive Officer
Head of Corporate Banking Group [Merchant Banking]

Shu Takahashi
Executive Officer
Head of M&A Advisory Group

International Business Group

Mitsuhiro Segawa
Head of International Finance Group,
Deputy Head of Asia Investment Group

Shin Kato
Head of Asia Investment Group

Structured Finance Group

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

Fumihiko Hirose
Senior Managing Executive Officer
Head of Real Estate Finance Group

Takashi Hagio
Executive Officer
Head of Special Situations Group

Kouji Igarashi
Executive Officer
Deputy Head of Real Estate Finance Group

Market Group

Tetsuji Okuda
Managing Executive Officer
Head of Financial Markets Group

Corporate Data

Office Directory (As of July 1, 2022)

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

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

Business Network (As of March 31, 2022)

○: 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 Investments LLC	*Investments*
	○ Aozora GMAC Investment Limited	*Investments*
	○ AZB Funding and other 11 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, 2022)

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	17,290 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 Investments LLC	Delaware, USA	Investments	November 22, 2006	485,282 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 11 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

Prolonged COVID-19 pandemic not only gives a significant negative impact on regional economies but also changes the way in which people live their life by a changed work style centered around development of information management society accelerated by digitalization and a shift to teleworking, which in turn significantly affect our customers including SMEs.

Aozora provides financing support to customers that have been impacted by the COVID-19 pandemic in cooperation with public institutions. In addition, Aozora continues to fully leverage Aozora Group's competencies and effectively uses a high degree of expertise and abundant know-how in order to respond to SME customers' business succession and business recovery needs in cooperation with regional financial institutions.

To contribute to our customers' management support and regional economic revitalization, Aozora actively works on the following initiatives:

① Support for customers impacted by the COVID-19 pandemic
② Provide solutions for business succession issues
③ Promotion of business recovery support
④ Solutions for issues of regional financial institutions

① Support for customers impacted by the COVID-19 pandemic

Aozora established a "loan consultation desk" in March 2020 for corporate customers that have been impacted by the prolonged COVID-19 pandemic.
Moreover, to focus on cash management support, we began providing agency services for customers' payments by utilizing trust functions as well as provide optimal solutions to our customers in collaboration mainly with public institutions.
We intend to continuously support customers affected by the prolonged COVID-19 pandemic in their efforts for stabilization of cash management and finances as well as business recovery/restructuring.

② Provide solutions for business succession issues

For business succession issues, Aozora placed "Financial Advisor Office" aimed to provide 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 also in cooperation with regional financial institutions across Japan.

③ 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.

④ Solutions for issues of regional financial institutions

Aozora assists regional financial institutions and their clients in solving sophisticated and diversified issues faced by them by fully leveraging Aozora Group's competencies as a regional finance partner bank.
Aozora has formed alliances with several regional financial institutions to provide solutions to such financial institutions' 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 tailor-maid solutions specifically focused on the business challenges faced by their customers.

Programs and Initiatives for a Better Working Environment

Program	Overview
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 "Kyugyou" 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.

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.
	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 Board of Directors approves the business operations plan proposed by the Management Committee and determines the risks acceptable to the Group in view of the Bank's capital and profit targets to be achieved. The Bank's risk management operations are conducted by the Management Committee, the Asset and Liability Committee, the Integrated Risk Committee, the Credit Committee and the Investment Committee. 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 Governance

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. As the core components of the Group's risk management structure, we have established several risk management committees that have been delegated authority by the Board of Directors to implement risk management activities, and any important matters concerning risk management are determined and responses implemented.

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.

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 is one of our top priorities.

Capital management comprises risk capital management, namely economic capital management and regulatory capital management. The objective of risk capital management is to control the Bank's business size by allocating economic capital 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. Aozora 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 based on our internal ratings transition analyses, non-recovery 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 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).

Aozora is committed to safeguarding its balance sheet against potential problem loans through the accurate identification, measurement and pricing of credit risk as well as the provision of useful financial solutions to our clients.

⑴ 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.

⑵ 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 or external models) 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.

⑶ Quantification of Credit Risk

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

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

(4) Credit Portfolio Management

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

For concentration risk, we manage this by setting guidelines on exposure by country/region or by the rating of borrowers. For example, concentration risk is managed by establishing the credit limit by credit ratings, and establishing additional concentration limits 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

Aozora 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.

Market risk for the entire bank

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

(100 Millions of Yen)

	March 2021				
	Interest rate	Equity	Forex	Others	Total
Trading	2	6	1	0	10
Banking	45	46	0	70	88
Total	47	53	2	70	98

(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

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 2021			
	Average	Maximum	Minimum	as of Mar. 2021
Trading	9	25	6	10
Banking	77	93	58	88

(100 Millions of Yen)

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

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 2021			
Average	Maximum	Minimum	as of Mar. 2021
15	45	9	15

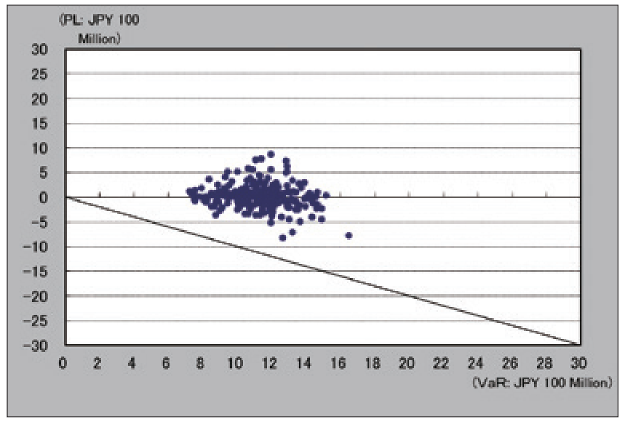
(100 Millions of Yen)

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

(3) 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 244 business days from April 1, 2021 through March 31, 2022. As a result of the back testing, the daily losses did not exceed daily VaR. This result supports the reliability of the Bank's VaR.



(4) Stress Testing

To complement VaR, Aozora 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.

Risk Governance

(5) Amount of Regulatory Capital for Market Risk

In the calculation of the capital adequacy ratio as of March 31, 2021 and March 31, 2022, the regulatory capital for market risk and its breakdown are as follows:

(Millions of Yen)

	March 2021		March 2022	
	Consolidated	Non-Consolidated	Consolidated	Non-Consolidated
Internal Models Approach	13,070	13,070	15,116	15,116
Standardized Approach	1,160	1,142	1,196	1,181
Interest Rate Risk	487	487	515	515
Equity Risk	134	134	211	211
Foreign Exchange Risk	17	0	14	0
Commodities Risk	519	519	454	454
Options Transactions	—	—	—	—
Total	**14,230**	**14,212**	**16,313**	**16,298**

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.

(6) 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.

(7) 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 other management bodies 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 responsible for the comprehensive control of operational risk such as understanding materialized risk, risk assessment and risk measurement.

(1) Comprehensive Management of Operational Risk

The Bank manages operations risk, system risk and other operational risks comprehensively through integrated methods. In addition to the occurrence of realized loss, potential risks are also addressed. 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 done. Any significant loss events must be individually reported to management according to risk management policies. Potential risks 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.

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 making efforts such as utilizing information on external loss incidents.

(2) 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 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 are being discussed and implemented to mitigate human error arising from administrative processes.

(3) 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.

(4) 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.

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.

Risk Governance

The Bank 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.

⑸ Crisis Management

The Aozora Group has consistently developed and improved its crisis management system, so as to secure officers' and employees' safety and minimize impact on business operations and minimize impact on the financial and other key systems even when the Bank's infrastructure, system and human resources are affected by earthquakes, typhoons or other natural disasters, system failures, cyber-attacks, terrorism or armed attacks, radioactive contamination, or spreading infections.

In normal times, the Bank's all business units and Group companies develop business continuity plans (BCP), which describe responses and business continuity processes, by assessing impact from the assumption that the infrastructure, systems and personnel for major operations are not available in crisis times, 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.

The Bank has also strengthened the business continuity framework by preventing COVID-19 in-office and cluster infections. For example, we have promoted basic measures, such as indoor mask-wearing and securing physical distance while facilitating the work-from-home program, Web meetings and split-shift and staggered-commuting arrangements, and conducting the workplace vaccination program.

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 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 polices 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 so that satisfy customers. 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
Contact : JBA Consultation Desk
(Tel : 0570-017109 or 03-5252-3772)
Trust Companies Association of Japan
Contact : Trust Counseling Center
(Tel : 0120-817-335 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" (page 144 in the Reference Part) based on the "Code of Ethics and Conduct" (page 129 in the Reference Part), which incorporates Aozora's management philosophy, 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
- Investment and Lending Policies regarding Environmental & Societal Issues
- Aozora Bank Group Outsourcing Policy
- Aozora Bank Group Basic Policy on the Elimination of Anti-Social Elements
- Aozora Bank Group Basic Policy on Anti-Money Laundering
- Aozora Bank Group Basic Policy on Anti-bribery
- Aozora Bank Group Tax Compliance Policy
- ” Basic Policy on Customer-Oriented Business Management” in the Aozora Bank Group

Aozora Bank Group Code of Ethics and Conduct

Preamble

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

➢ We contribute to the development of society through the creation of new value-added financial services (Aozora Mission (Core Purpose)).

➢ We adapt to a rapidly changing world while remaining a trusted, valued and specialized financial service provider (Aozora Vision (Ideal State)).

Code of Conduct As a Company

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

➢ Recognizing our responsibility to support the financial infrastructure that is indispensable for maintaining society, we strive to establish a system to continue important operations without interruption even in the event of a disaster or cyberattack.

➢ In order to maintain and improve trust, our management takes the initiative in building corporate ethics and strives to permeate and establish it throughout the organization with various initiatives.

➢ After carefully assessing the economic, market, investment and lending targets and customer conditions, we appropriately exercise the financial intermediary function, which is the role of the financial industry, through sound risk taking.

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

➢ As an intermediary in the financial market, we always put the needs and interest of our customers first, and protect their rights from the customer's point of view by fully understanding their financial knowledge, experience, property, purpose, etc., and execute our duties with fairness and integrity.

➢ We improve the convenience of our customers by developing and providing sophisticated financial services that respond to changes in the social and economic environment and the diversification of customer needs, and at the same time, we provide support from financial aspect for efforts on sustainable growth of society and on resolving environmental and social issues.

➢ In the provision and transactions of individual financial services, we provide appropriate information not only on the benefits for customers but also on the risks and costs for customers according to their financial knowledge, experience and proficiency.

➢ We take customer consultations, opinions, requests and complaints seriously and respond to them in good faith.

➢ We strive to ensure fair and impartial business management by appropriately managing transactions performed in Aozora that may cause any conflicts of interest so as not to unduly harm the interests of our customers.

Financial and Corporate Data
Policies

Policies

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
- 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.

Policies

➢ 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.

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 intends to actively contribute to the sustainable development of society by assisting its customers' efforts regarding environmental issues, such as climate change, by providing financial services and reducing the environmental impact of its business activities.

2. Role of Environmental Policy

The Aozora Bank Group recognizes its environmental initiatives as a set of important business challenges. The “Aozora Bank Group Environmental Policy” outlines the Bank's environmental initiatives based on the Bank's “Code of Ethics and Conduct”, in accordance with its management philosophy.

3. Aozora Bank Group Environmental Policy

1) Provide assistance to the Bank's customers in addressing environmental issues including the transition to a low-carbon/decarbonized society, by providing products and services that are able to contribute to the solutions for these issues.
2) Recognize environmental risks while striving to make improvements through dialogue with customers whose businesses may have a negative impact on the environment and work to reduce environmental risks by restricting or prohibiting credit when no improvement can be made.
3) Conduct resource/energy conservation and waste-reduction initiatives as part of the Bank's regular operations.
4) Comply with environment-related laws and regulations.
5) Distribute environmental information within as well as outside the Bank and promote environmental conservation activities.

Policies

Aozora Bank Group Human Rights Policy

1. Basic Philosophy

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

2. Role of Human Rights Policy

The Aozora Bank Group recognizes that its business activities are likely to have a direct impact on the issue of human rights. The "Aozora Bank Group Human Rights Policy" outlines the Bank's initiatives for upholding the sanctity of human rights based on the Bank's "Code of Ethics and Conduct", in accordance with its management philosophy.

3. Aozora Bank Group Human Rights Policy

1) Aozora provides its officers and employees with a workplace free from human rights abuses including discrimination or harassment based on race, ethnicity, religion, nationality, social Identity, gender, age, sexual orientation, or disability, etc.
2) Aozora strives to raise its officers and employee's awareness of human rights issues by providing training sessions regarding diversity, people with disabilities, LGBTQ+ issues, workplace harassment, etc.
3) Furthermore, Aozora has a vested interest in any negative impact on human rights caused by the corporate activities of its customers and suppliers/contractors (supply chain), and in the event that their activities are in conflict with established laws and regulations, the Bank will take necessary countermeasures.

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

(1) **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.

(2) **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 (1) the customer's credit worthiness, (2) the loan's profitability given its level of risk, and (3) 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.

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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]** **Businesses, etc., deemed illegal**

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)
- 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

(1) **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.

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

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

Policies

Aozora Bank Group Outsourcing Policy

1. Basic Philosophy

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

2. Role of Outsourcing Policy

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

3. Aozora Bank Group Outsourcing Policy

1) Fairness in choosing suppliers

●When choosing suppliers, the Aozora Bank Group considers factors such as proper quality and service, adherence to delivery deadlines, economic rationality, compliance with laws and regulations, information management, as well as respect for human rights and the environment. In the case of an ongoing business partnership, including operations subcontracting, the Group will monitor the supplier as necessary.

2) Compliance with laws and regulations

●The Aozora Bank Group conducts outsourcing in compliance with all applicable laws and regulations as well as in adherence with social norms.

●The Aozora Bank Group firmly confronts any antisocial forces that threaten social order and safety, and completely blocks relationships with them.

●The Aozora Bank Group maintains a fair and transparent relationship with its suppliers. To that end, the Group prohibits all officers and employees from giving and receiving corporate hospitality or gifts with suppliers beyond socially-acceptable limits.

3) Consideration of the importance of human rights and the environment

●The Aozora Bank Group strives to respect human rights and reduce its potential impact on environmental factors, such as climate change and biodiversity, when conducting outsourcing activities.

4) Collaboration with Suppliers

●The Aozora Bank Group publically discloses its Outsourcing Policy and communicates closely with suppliers in consideration of environmental and human rights issues in order to develop a mutual understanding between the Group and its suppliers that contributes to the sustainable development of society.

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

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

(1) **Institutional response**

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

(2) **Cooperation with external specialized organizations**

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

(3) **Blocking all relationships (including transactions)**

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

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

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

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Aozora Bank Group Basic Policy on Anti-Money Laundering

The Aozora Bank Group is aware that preventing money laundering and combating the financing of terrorism are two of 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 and the financing of terrorism (hereafter "anti-money laundering").

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

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

(3) **Management policy for correspondent counterparties**
The Aozora Bank Group collects information and performs appropriate evaluations regarding its correspondent counterparties and takes appropriate measures based on their risk-profiles.

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

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

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

Aozora Bank Group Basic Policy on Anti-bribery

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

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

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

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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.

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

With the management philosophy of “contributing to the development of society through the creation of new value-added financial services” as well as “adapting to a rapidly changing world while remaining a trusted, valued and specialized financial service provider”, the Aozora Bank Group has autonomously taken the customer-oriented business attitude with the aim of growing into a new distinctive Partner Bank within Japan, offering its customers with high-quality financial products and services based on ideas drawn from our experienced staff members.

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 attitude recognizing the importance of “helping our customers through specialized financial services that take into consideration of not only asset management needs but also wealth transfer needs and business succession needs 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, we will strengthen our efforts to realize it 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. In addition, we will disclose the status of those efforts every six months.

●The Bank Group is engaged in activities to realize customer-oriented business management aiming to offer sophisticated financial products and services that truly benefit our customers’ asset formation. We will thus review the basic policy on a regular basis for better business management.

2. Pursuit of the best interests of customers

●The Bank works on the following activities to pursue the best interests of its customers by carrying out business in a fair and sincere manner while maintaining its high-level expertise and advanced professional ethics.

・We formulated the “Code of Ethics and Conduct” that stipulates the basic policy of the Bank Group’s Corporate Code of Conduct as well as Principles of Conduct for Officers and Employees. We carry out in-house training to instill the policy, and officers and employees are obliged to submit a "Written Confirmation/Pledge" to ensure compliance.

・We established the “Sales Qualification System” for the sale of financial products, and strive to maintain a high level of expertise by conducting qualification renewal tests every year.

●In order to confirm the realization status of the “best interests of the customers”, the Bank will carry out a “Customer Satisfaction Survey” on a regular basis and will announce the results in the “Status of Activities” as a result index.

●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. We will thus provide financial products and services suitable for its customers. In addition to face-to-face services, we also provide BANK™, a smartphone app-enabled banking service, that is not restricted by time and place.

●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. The positioning of the main products is as follows.

・We propose investment trusts as the core product of diversified investment. In addition, our proposals focus on “Aozora Core Funds”, which are designed to meet the mid-to long-term stable asset management needs.

・Structured bonds are not suitable for customers who aim for long-term stable asset building. We offer structured bonds to customers who accept early redemption with early redemption clauses and customers who accept high risk in order to obtain high yields for the purpose of earning and improving income returns.

●The Bank will not make proposals that do not match the customers’ wishes, or will not make proposals by reviewing products in a short period of time that will not suit the interests of the customers. In addition, a dedicated division at the headquarters monitors whether confirmation of the customer’s intension and explanation to the customer have been properly performed.

●In order to instill the “corporate culture” that aims for the “best interests of customers”, the Bank has discussions at office managers' meetings held every half year and strives to instill it through various training and study sessions at all business offices.

●The Bank will constantly verify and evaluate the results and progress of the above activities, and will announce some of the results in the “Status of Activities”.

3. Appropriate management system for conflict of interest

●To accurately understand the possibility of conflict of interest with customers in transactions and the possibility of conflict of interest when developing and launching products, the Bank set up the Conflicts of Interest Management Control Division, which is independent of the Business Divisions, where we determine and identify whether transactions in which conflict of interest may exist do not unreasonably damage interests of customers, and strive to manage the transactions appropriately 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.

Policies

4. Fees to be borne by customers

●The Bank will consider fees charged for services to 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 fees to be borne by customers 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, ask them to check with the reports and others.

●The Bank will explain in an easy-to-understand manners using materials such as “Aozora Fund Line-up” so that customers can select products that meet their needs. In addition, for the contents of the materials to be used, we will announce them in the “Status of Activities”.

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

●The Bank will explain important information about financial products and services in an easy-to-understand manner in order to propose those suitable for customers. The major “important information” we provide is as follows.

・Risks, returns, and transaction conditions of the products and services we propose
・Attributes of potential customers for sale of the products
・Reasons for selecting the products and services we propose
・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.)

●When providing important information, the Bank will explain in an easy-to-understand manner using the Important Information Sheet, sales materials, legal documents, and materials presenting easy comparison for each product (such as “Aozora Fund Line-up” for investment trusts). In addition, we will also post important information on the Bank's website and BANK app for easy confirmation.

●The Bank will constantly verify and evaluate our activities to provide important information in an easy-to-understand manner, and will announce the results in the “Status of Activities”.

＊Regarding Principle 5 (Note 2) of the "Principles for Customer-Oriented Business Conduct" published by the Financial Services Agency (FSA), the Bank does not implement it as we discontinued the sales of foreign currency denominated single premium policies aimed at asset formation, in March 2021.

6. Providing services suitable for customers

<Maintenance of branches and infrastructure>

●The Bank will provide customers with the same services anytime, anywhere, by combining branches and smartphone application-enabled banking services, and by conducting sales activities beyond the boundaries of branches and areas through the use of shared offices and the introduction of online interview tools.

●At branch locations, the Bank will strive to conduct business management with the highest priority on the health and safety of its customers, in addition to providing services that allow customers to consult in a bright and relaxed atmosphere.

●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 and structured bonds.

●The Bank will also strengthen security to protect our customers' valuable assets.

<Providing comprehensive consulting>

●For providing courteous and specialized consulting, the Bank will develop highly skilled sales personnel through training as well as acquisition of financial planner qualifications, and will offer financial products and continued services that are truly beneficial to its customers’ asset formation.

●By assigning experienced financial planners to each branch and utilizing a dedicated team consisting of certified tax accountants, the Bank will provide extensive consulting services in consideration of not only customers' asset management needs but also wealth transfer needs and business succession needs.

●In order to help protect and pass on our customers’ accumulated assets to the next generation, the Bank will strive to develop and provide products and services that meet the needs of our elderly customers, such as asset management with an eye on the future.

<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. We will also post the product line-up and other information on the Bank's website and BANK app for easy confirmation.

●The Bank has created various information materials to provide basic knowledge about financial transactions according to the customers’ financial knowledge, investment experience, etc. Some of the materials such as the “Basic knowledge of asset management” are available on the Bank's website.

●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, and at the same time, when the Bank Group develops financial products, we will work as a unified group to enhance the product line-up, such as by developing products based on the attributes and needs of customers.

●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.

●When introducing a new financial product, the Bank will announce the target customers for sale of products and the reason for selection of the product on the Bank’s website.

●In preparation for introducing complicated or high-risk financial products to customers or providing information for those with little experience in asset management, the Bank will create solicitation rules such as suitability judgment and solicitation start criteria, and we will thus provide services more carefully. Regarding the sale of investment products, 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 2) of the “Principles for Customer-Oriented Business Conduct” published by the FSA, the Bank does not implement it as we discontinued the sales of foreign currency denominated single premium policies aimed at asset formation, in March 2021. In addition, for (Note 3) in the said Principle 6, it is not applicable to the Bank because we are not a financial business operator involved in the establishment of financial products.

<Detailed follow-up services>

●The Bank will make proposals while giving due consideration to the customer's life stage and 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 also 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.

●For customers who own investment products, the Bank will strive to provide timely and appropriate information when the market conditions are uncertain, and especially when there is a significant impact on the products owned by customers due to sudden changes in the market, we will promptly inform customers of accurate information and give advice on market prospects, etc. We will thus contribute to our customers' asset management decisions paying attention to provide detailed follow-up services. In addition, even in normal times, we will conduct follow-up activities at least once a year for customers who own investment products, and will explain the investment status, merchantability, market conditions, contract details, etc.

●Based on the opinions received from customers through follow-up services, the Bank will review whether the products and services we proposed to our customers are suitable for them, in a bid to make better proposals.

●The Bank will constantly verify and evaluate the results and progress of the above activities, and will announce the results in the “Status of Activities”.

<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. In addition, we will regularly conduct customer satisfaction surveys to understand the diverse needs of our customers.

7. Consultant training policy and appropriate motivational framework

●To appropriately evaluate the customer-oriented sales attitude with highly specialized and courteous consulting services, in the results assessment of offices and the personnel evaluation of sales personnel, the Bank built the assessment framework from the viewpoint of aiming to expand assets under custody and also the framework with a degree of freedom in accordance with the expansion of business areas. We abolished personnel evaluation based on the amount of revenue.

●To instill the customer-oriented sales management, the Bank will develop professional sales personnel with advanced skills by formulating the “Specialized Retail Training Program” that fully considers enhancement of consulting skills and improvement of compliance awareness.

●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. For the implementation status of training, we will announce the results in the “Status of Activities”.

●The Bank introduced the “Skill Chart” to visualize the strengths and weaknesses of respective sales personnel’s skills (response manners to customers, product knowledge, communication, legal compliance status, etc.), and the business group and business office work together on human resource development for sales personnel.

●For realizing highly specialized consulting services, the Bank encourages the acquisition of financial planner qualifications for all sales personnel, and will announce the holding status of qualifications.

Consolidated Business Results

Consolidated Financial Highlights [Five-Year Summary]
Years Ended March 31

(Millions of Yen)

	2022	2021	2020	2019	2018
Ordinary income	134,737	155,755	184,406	160,136	148,819
Trust fees	444	386	462	372	426
Ordinary profit	46,294	38,982	43,330	47,796	57,984
Net income attributable to owners of the parent	35,004	28,972	28,142	36,130	43,064
Comprehensive income (loss)	13,611	79,781	(6,437)	30,923	38,609
Share capital	100,000	100,000	100,000	100,000	100,000
Total equity	487,265	490,006	424,758	448,710	437,234
Total assets	6,728,653	5,916,866	5,299,815	5,255,048	4,912,792
Debentures and Bonds payable	168,959	198,365	259,935	283,946	257,563
Deposits (Note 1)	4,871,556	4,012,506	3,396,899	3,230,731	2,970,938
Loans and bills discounted	3,317,125	2,948,808	2,954,122	2,779,894	2,611,278
Securities	1,478,178	1,393,357	1,073,670	1,240,838	1,139,803
Net assets per share (yen)	4,222.79	4,233.53	3,659.84	3,844.08	3,735.00
Basic net income per share (yen)	299.81	248.27	241.18	309.67	369.16
Diluted net income per share (yen)	299.38	247.90	240.92	309.42	368.89
Consolidated capital adequacy ratio (domestic standard) (%)	10.37	11.03	10.29	10.27	10.39
Net cash provided by (used in) operating activities	253,900	728,732	(286,284)	147,285	227,599
Net cash provided by (used in) investing activities	(23,830)	(223,529)	121,823	(55,862)	(211,578)
Net cash provided by (used in) financing activities	(16,059)	(14,882)	(17,871)	(19,710)	(21,990)
Cash and cash equivalents, end of year	1,061,743	847,732	357,411	539,743	468,031
Trust assets (Note 2)	879,535	730,209	835,481	797,320	760,074

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	2022	2021	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, 2022 and 2021, respectively.

The numbers of subsidiaries and affiliated companies accounted for using the equity method were 1 as of March 31 2022 and 2021, respectively.

There was no change in the numbers of consolidated and equity-method companies from March 31, 2021.

2. Analysis of Business Results

(1) Income

(Millions of Yen)

Years Ended March 31	2022	2021	Change
Total income	**¥134,738**	**¥155,755**	**¥(21,017)**
Interest income	66,141	67,807	(1,665)
Interest on loans and discounts	44,737	45,600	(862)
Interest and dividends on securities	20,283	21,234	(950)
Interest on due from banks	11	29	(17)
Other interest income	1,109	943	165
Fees and commissions income (including trust fees)	17,744	14,938	2,806
Gains on trading account transactions	16,642	32,723	(16,081)
Other ordinary income	28,066	35,495	(7,428)
Gains on sales of bonds and other securities	9,408	18,357	(8,948)
Gains on foreign exchange transactions	2,961	—	2,961
Gains on derivatives	1,082	182	899
Other	14,614	16,955	(2,340)
Other income	6,142	4,790	1,351
Gains on sales of stocks and other securities	2,034	2,400	(366)
Gains on investments in money held in trust	328	513	(185)
Equity in earnings of associates	2,620	1,111	1,509
Recoveries of written-off receivables	156	240	(83)
Reversal of provision for credit losses on off-balance-sheet instruments	205	—	205
Gains on disposal of fixed assets	0	—	0
Other	796	524	272

- Total income was ¥134.7 billion, a decrease of ¥21.0 billion year-on-year
- Interest income was ¥66.1 billion, a decrease of ¥1.6 billion year-on-year
- Fees and commissions income were ¥17.7 billion, an increase of ¥2.8 billion year-on-year
  - Loan-related fee income increased by ¥0.2 billion year-on-year, mainly as a result of buyout finance activity
  - Fee income from the internet banking business of GMO Aozora Net Bank (GANB) was ¥3.2 billion, an increase of ¥1.6 billion year-on-year
- Gains on trading account transactions were ¥16.6 billion, a decrease of ¥16.0 billion year-on-year
  - Earnings from investment product sales to retail customers increased by ¥2.6 billion compared to the previous year
- Other ordinary income was ¥28.0 billion, a decrease of ¥7.4 billion year-on-year
  - Gains from limited partnerships were ¥9.1 billion, an increase of ¥0.8 billion compared to the previous year, representing a continued level of stable gains

Consolidated Financial Review

(2) Expenses

(Millions of Yen)

Years Ended March 31	2022	2021	Change
Total expenses	**¥88,762**	**¥116,778**	**¥(28,015)**
Interest expenses	14,529	17,717	(3,188)
Interest on deposits	6,183	5,655	528
Interest on debentures and bonds payable	1,957	2,285	(328)
Interest on borrowings and rediscounts	1,195	1,779	(583)
Other interest expenses	5,193	7,997	(2,804)
Fees and commissions expenses	3,720	2,457	1,262
Losses on trading account transactions	—	19,322	(19,322)
Other ordinary expenses	7,334	14,920	(7,586)
Amortization of bond issuance costs	182	191	(9)
Losses on foreign exchange transactions	—	477	(477)
Losses on sales of bonds and other securities	4,908	9,340	(4,432)
Losses on redemption of bonds and other securities	—	794	(794)
Losses on devaluation of bonds and other securities	—	68	(68)
Other	2,243	4,048	(1,804)
General and administrative expenses	57,490	56,128	1,362
Other expenses	5,687	6,231	(543)
Losses on sales of stocks and other securities	1	—	1
Losses on devaluation of stocks and other securities	—	25	(25)
Write-off of loans	1,367	174	1,192
Provision of allowance for loan losses	2,702	767	1,935
Provision of allowance for credit losses on off-balance-sheet instruments	—	49	(49)
Losses on disposition of loans	33	3,596	(3,563)
Losses on disposal of fixed assets	49	4	44
Losses on impairment of fixed assets	269	—	269
Other	1,264	1,613	(349)

・Total expenses were ¥88.7 billion, a decrease of ¥28.0 billion year-on-year
・Interest expenses were ¥14.5 billion, a decrease of ¥3.1 billion year-on-year
・Other ordinary expenses were ¥7.3 billion, a decrease of ¥7.5 billion year-on-year
- The Bank recorded ¥1.3 billion in losses on bond transactions in 4Q as a result of rebalancing its U.S. government bond and foreign currency ETF positions in light of current economic conditions

・General and administrative expenses were ¥57.4 billion, an increase of ¥1.3 billion year-on-year
- Personnel expenses increased due to the hiring of additional staff in the Bank's business areas of focus
- IT-related expenses increased mainly for cybersecurity, infrastructure development, and compliance regulations related to the Bank's market operations

(3) Net income

(Millions of Yen)

Years Ended March 31	2022	2021	Change
Income before income taxes	**¥45,975**	**¥38,977**	**¥6,997**
Income taxes	**12,937**	**12,230**	**706**
Current	13,110	13,680	(569)
Deferred	(173)	(1,449)	1,275
Net income	**33,038**	**26,746**	**6,291**
Net loss attributable to non-controlling interests	**(1,966)**	**(2,226)**	**259**
Net income attributable to owners of the parent	**¥35,004**	**¥28,972**	**¥6,031**

・Income before income taxes was ¥45.9 billion, an increase of ¥6.9 billion year-on-year
・Consolidated net income attributable to owners of the parent was ¥35.0 billion, an increase of ¥6.0 billion
・Net income per share was ¥299.81

3. Analysis of Financial Condition

(1) Loans and bills discounted

(Millions of Yen)

Years Ended March 31	2022	2021	Change
Total loans	**¥3,317,125**	**¥2,948,808**	**¥368,317**
Domestic loans	2,127,502	1,934,572	192,929
Overseas loans	1,189,623	1,014,235	175,388
Ratio of overseas loans	**35.9%**	**34.4%**	**1.5%**

Breakdown of Loans and Bills Discounted by Industry (Consolidated)

(Millions of Yen)

Years Ended March 31	2022	2021
Domestic offices (excluding Japan offshore market accounts)	**¥2,545,736**	**¥2,329,336**
Manufacturing	236,800	212,283
Agriculture, forestry and fisheries	4,129	4,501
Mining, quarry and gravel extraction	—	—
Construction	10,311	12,228
Electricity, gas, heat supply and water	87,017	49,788
Information and communications	102,695	113,121
Transport and postal service	40,379	35,778
Wholesale and retail trade	77,982	71,899
Finance and insurance	352,055	363,597
Real estate	715,081	626,079
Leasing	100,517	75,701
Various services	153,857	186,045
Local government	16,980	21,115
Others	647,928	557,195
Overseas offices (including Japan offshore market accounts)	**771,389**	**619,471**
Government	—	—
Financial institutions	—	—
Others	771,389	619,471
Total	**¥3,317,125**	**¥2,948,808**

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.

Disclosed Claims under the Financial Reconstruction Law ("FRL Credit") and Risk-Monitored Loans (Consolidated)

(Millions of Yen)

Years Ended March 31	2022	2021	Change
Bankrupt and similar credit	¥2,822	¥2,145	¥677
Doubtful credit	16,201	20,790	(4,589)
Special attention credit	2,392	4,447	(2,054)
Loans overdue for three months or more	—	1,577	(1,577)
Restructured loans	2,392	2,869	(476)
Total	**21,416**	**27,382**	**(5,966)**
Normal credit	3,346,004	2,966,643	379,360
Total credit	**¥3,367,420**	**¥2,994,026**	**¥373,394**
FRL ratio	**0.6%**	**0.9%**	**(0.3%)**

・Loans and bills discounted were ¥3,317.1 billion, an increase of ¥368.3 billion compared to March 31, 2021
・Domestic loans increased by ¥192.9 billion
・Overseas loans were ¥1,189.6 billion, an increase of ¥175.3 billion from March 31, 2021 (an increase of $556 million)
・The ratio of FRL credit to total credit (consolidated) was 0.6%, a decrease of 0.3% from March 31, 2021
- FRL credit (consolidated) decreased by ¥5.9 billion compared to March 31, 2021 mainly due to progress in the work-out of non-performing loans. FRL credit increased by ¥5.0 billion compared to December 31, 2021

Consolidated Financial Review

(2) Securities

(Millions of Yen)

Years Ended March 31	2022	2021	Change
Japanese debt securities	**¥413,563**	**¥300,750**	**¥112,813**
Japanese national government bonds	76,367	37,775	38,592
Japanese local government bonds	164,282	145,136	19,145
Japanese short-term corporate bonds	34,998	29,998	5,000
Japanese corporate bonds	137,915	87,841	50,074
Japanese stocks	**31,534**	**27,416**	**4,118**
Other securities	**1,033,080**	**1,065,190**	**(32,110)**
Foreign securities	876,571	927,540	(50,968)
Others	156,508	137,650	18,858
Total	**¥1,478,178**	**¥1,393,357**	**¥84,820**

・Securities were ¥1,478.1 billion, an increase of ¥84.8 billion compared to March 31, 2021
- The Bank flexibly managed its U.S. government bond and U.S. mortgage-backed securities positions throughout the fiscal year in response to U.S. interest rate trends
- Limited partnership investments increased due to the promotion of Aozora's Strategic Investments Business

・Total unrealized gains were a net gain of ¥5.8 billion, a decrease of ¥37.5 billion from March 31, 2021

(3) Deposits and bonds payable

(Millions of Yen)

Years Ended March 31	2022	2021	Change
Deposits	**¥4,871,556**	**¥4,012,506**	**¥859,049**
Time deposits	2,456,663	2,406,650	50,012
Liquid deposits	2,288,275	1,484,554	803,720
Other	126,618	121,301	5,316
Bonds payable	**¥168,959**	**¥198,365**	**¥(29,405)**

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

・Total core funding (deposits and bonds payable) was ¥5,040.5 billion, an increase of ¥829.6 billion from March 31, 2021
- The number of customers for our retail internet banking platform, BANK™, almost doubled to approximately 400,000 as of March 31, 2022 (compared to approximately 220,000 in the previous year)

(4) Equity

・Equity was ¥487.2 billion, a decrease of ¥2.7 billion from March 31, 2021

・Net assets per common share were ¥4,222.79

Consolidated Financial Statements

Consolidated Balance Sheet

Aozora Bank, Ltd. and Consolidated Subsidiaries
March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
Assets	2022	2021	2022
Cash and cash equivalents (Notes 3 and 27)	¥1,061,743	¥847,732	$8,672,246
Due from banks (Note 27)	80,203	102,376	655,099
Call loans and bills bought (Note 27)	122,243	41,000	998,473
Monetary claims bought (Note 27)	101,687	74,506	830,576
Trading account assets (Notes 4, 12, 27 and 28)	133,021	154,616	1,086,509
Money held in trust (Notes 6 and 27)	20,930	33,521	170,960
Securities (Notes 5, 7, 12 and 27)	1,478,178	1,393,357	12,073,661
Loans and bills discounted (Notes 7, 12 and 27)	3,317,125	2,948,808	27,094,059
Foreign exchange (Notes 7, 8, 12 and 27)	63,878	58,154	521,752
Other assets (Notes 7, 12, 16 and 27)	306,215	232,409	2,501,146
Tangible fixed assets (Note 9)	21,785	23,311	177,942
Intangible fixed assets (Note 9)	20,140	20,133	164,502
Retirement benefit asset (Note 17)	4,964	5,740	40,550
Deferred tax assets (Note 25)	31,729	16,984	259,163
Customers' liabilities for acceptances and guarantees (Notes 7 and 10)	14,038	15,773	114,667
Allowance for loan losses (Note 11)	(48,677)	(50,886)	(397,596)
Allowance for investment losses	(553)	(674)	(4,521)
Total	**¥6,728,653**	**¥5,916,866**	**$54,959,188**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
Liabilities and Equity	2022	2021	2022
Liabilities:			
Deposits (Notes 13 and 27)	¥4,871,556	¥4,012,506	$39,790,546
Call money and bills sold (Note 27)	16,121	15,536	131,679
Securities sold under repurchase agreements (Notes 12 and 27)	69,876	56,750	570,750
Cash collateral received for securities lent (Notes 12 and 27)	356,956	431,673	2,915,593
Trading account liabilities (Notes 4, 27 and 28)	129,227	140,451	1,055,520
Borrowed money (Notes 12, 15 and 27)	432,342	349,767	3,531,345
Bonds payable (Notes 14 and 27)	168,959	198,365	1,380,052
Other liabilities (Notes 16 and 27)	170,441	194,120	1,392,156
Retirement benefit liability (Note 17)	10,974	10,844	89,639
Provision for retirement benefits for directors (and other officers)	—	4	—
Provision for credit losses on off-balance-sheet instruments	407	612	3,327
Provision for contingent loss	453	421	3,701
Reserves under special laws	8	8	67
Deferred tax liabilities (Note 25)	23	24	190
Acceptances and guarantees (Note 10)	14,038	15,773	114,667
Total liabilities	**6,241,387**	**5,426,859**	**50,979,232**
Equity:			
Shareholders' equity:			
Share capital (Note 18)	100,000	100,000	816,793
Capital surplus (Note 18)	87,476	87,412	714,506
Retained earnings (Notes 18 and 33)	301,700	283,464	2,464,273
Treasury stock—at cost (Note 18)	(3,117)	(3,260)	(25,465)
Total	486,060	467,615	3,970,107
Accumulated other comprehensive income (loss):			
Valuation difference on available-for-sale securities	3,985	27,196	32,555
Deferred gains or losses on hedges	(157)	(750)	(1,284)
Foreign currency translation adjustment	3,450	(971)	28,181
Remeasurements of defined benefit plans (Note 17)	(233)	974	(1,907)
Total	7,045	26,449	57,545
Share acquisition rights (Notes 18 and 19)	390	482	3,188
Non-controlling interests	(6,229)	(4,541)	(50,884)
Total equity	**487,265**	**490,006**	**3,979,956**
Total	**¥6,728,653**	**¥5,916,866**	**$54,959,188**

See the accompanying notes to consolidated financial statements.

Consolidated Financial Statements

Consolidated Statement of Income

Aozora Bank, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
Income:			
Interest income:			
Interest on loans and discounts	¥44,737	¥45,600	$365,413
Interest and dividends on securities	20,283	21,234	165,677
Interest on due from banks	11	29	92
Other interest income	1,109	943	9,061
Trust fees	444	386	3,630
Fees and commissions income	17,300	14,552	141,308
Gains on trading account transactions	16,642	32,723	135,934
Other ordinary income (Note 20)	28,066	35,495	229,244
Other income (Note 21)	6,142	4,790	50,172
Total income	134,738	155,755	1,100,531
Expenses:			
Interest expenses:			
Interest on deposits	6,183	5,655	50,504
Interest on debentures and bonds payable	1,957	2,285	15,988
Interest on borrowings and rediscounts	1,195	1,779	9,767
Other interest expenses	5,193	7,997	42,418
Fees and commissions expenses	3,720	2,457	30,386
Losses on trading account transactions	—	19,322	—
Other ordinary expenses (Note 22)	7,334	14,920	59,909
General and administrative expenses (Note 23)	57,490	56,128	469,579
Other expenses (Note 24)	5,687	6,231	46,457
Total expenses	88,762	116,778	725,008
Income before income taxes	**45,975**	**38,977**	**375,523**
Income taxes (Note 25):			
Current	13,110	13,680	107,087
Deferred	(173)	(1,449)	(1,417)
Total income taxes	12,937	12,230	105,670
Net income	**33,038**	**26,746**	**269,853**
Net loss attributable to non-controlling interests	**(1,966)**	**(2,226)**	**(16,061)**
Net income attributable to owners of the parent	**¥35,004**	**¥28,972**	**$285,914**

	Yen		U.S. Dollars (Note 1)
	2022	2021	2022
Per share information:			
Basic net income per share of common stock (Note 30)	¥299.81	¥248.27	$2.45
Diluted net income per share of common stock (Note 30)	299.38	247.90	2.45
Cash dividends applicable to the year:			
Common stock	149.00	124.00	1.22

See the accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Aozora Bank, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
Net income	**¥33,038**	**¥26,746**	**$269,853**
Other comprehensive income (loss) (Note 29):			
Valuation difference on available-for-sale securities	(23,233)	51,535	(189,770)
Deferred gains or losses on hedges	593	(980)	4,844
Foreign currency translation adjustment	2,322	207	18,967
Remeasurements of defined benefit plans	(1,208)	2,644	(9,868)
Share of other comprehensive income (loss) in associates	2,099	(372)	17,148
Total other comprehensive income (loss)	(19,427)	53,035	(158,679)
Comprehensive income (Note 29)	**¥13,611**	**¥79,781**	**$111,174**
Comprehensive income (loss) attributable to:			
Owners of the parent	¥15,600	¥82,009	$127,421
Non-controlling interests	(1,989)	(2,227)	(16,247)

See the accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Aozora Bank, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2022

	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, 2020	**¥100,000**	**¥87,388**	**¥269,545**	**¥(3,297)**	**¥453,635**	**¥(24,340)**	**¥229**	**¥(806)**	**¥(1,669)**	**¥(26,587)**	**¥444**	**¥(2,734)**	**¥424,758**
Net income attributable to owners of the parent			28,972		28,972								28,972
Cash dividends paid			(15,053)		(15,053)								(15,053)
Purchase of treasury stock (Note 18)				(0)	(0)								(0)
Disposal of treasury stock (Note 18)		23		37	60								60
Net changes in items during the year						51,537	(980)	(164)	2,644	53,036	37	(1,807)	51,267
Balance, March 31, 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**

	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, 2021	**$816,793**	**$713,976**	**$2,315,318**	**$(26,632)**	**$3,819,455**	**$222,140**	**$(6,128)**	**$(7,934)**	**$7,960**	**$216,038**	**$3,937**	**$(37,091)**	**$4,002,339**
Cumulative effects of accounting change			(5,373)		(5,373)		(16)			(16)			(5,389)
Restated balance	816,793	713,976	2,309,945	(26,632)	3,814,082	222,140	(6,144)	(7,934)	7,960	216,022	3,937	(37,091)	3,996,950
Net income attributable to owners of the parent			285,914		285,914								285,914
Cash dividends paid			(131,586)		(131,586)								(131,586)
Purchase of treasury stock (Note 18)				(0)	(0)								(0)
Disposal of treasury stock (Note 18)		530		1,167	1,697								1,697
Net changes in items during the year						(189,585)	4,860	36,115	(9,867)	(158,477)	(749)	(13,793)	(173,019)
Balance, March 31, 2022	**$816,793**	**$714,506**	**$2,464,273**	**$(25,465)**	**$3,970,107**	**$32,555**	**$(1,284)**	**$28,181**	**$(1,907)**	**$57,545**	**$3,188**	**$(50,884)**	**$3,979,956**

See the accompanying notes to consolidated financial statements.

Consolidated Financial Statements

Consolidated Statement of Cash Flows

Aozora Bank, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
Cash flows from operating activities:			
Income before income taxes	¥45,975	¥38,977	$375,523
Adjustments for:			
Depreciation and amortization	6,461	5,827	52,775
Losses on impairment of fixed assets	269	—	2,205
Equity in losses (earnings) of associates	(2,620)	(1,111)	(21,405)
Increase (decrease) in allowance for loan losses	(2,284)	(2,933)	(18,658)
Increase (decrease) in allowance for investment losses	(121)	275	(990)
Decrease (increase) in retirement benefit asset	(904)	441	(7,390)
Increase (decrease) in retirement benefit liability	69	632	569
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(4)	0	(33)
Increase (decrease) in provision for credit losses on off-balance-sheet instruments	(205)	49	(1,678)
Interest income (accrual basis)	(66,141)	(67,807)	(540,243)
Interest expenses (accrual basis)	14,529	17,717	118,678
Losses (gains) on securities	(6,533)	(10,529)	(53,369)
Losses (gains) on money held in trust	(328)	(513)	(2,681)
Foreign exchange losses (gains)	(141,148)	(36,174)	(1,152,892)
Losses (gains) on disposal of fixed assets	49	4	403
Net decrease (increase) in trading account assets	21,595	104,761	176,391
Net increase (decrease) in trading account liabilities	(11,223)	(70,772)	(91,675)
Net decrease (increase) in loans and bills discounted	(301,040)	18,850	(2,458,880)
Net increase (decrease) in deposits	859,049	615,607	7,016,660
Net increase (decrease) in debentures	—	(44,660)	—
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	82,574	(77,842)	674,464
Net decrease (increase) in due from banks (excluding due from the Bank of Japan)	25,112	5,159	205,115
Net decrease (increase) in call loans and bills bought and others	(108,424)	22,283	(885,602)
Net increase (decrease) in call money and bills sold and others	13,711	5,800	111,995
Net increase (decrease) in cash collateral received for securities lent	(74,717)	150,347	(610,291)
Net decrease (increase) in foreign exchange—assets	(6,685)	8,094	(54,607)
Increase (decrease) in straight bonds—issuance and redemption	(29,405)	(16,909)	(240,186)
Interest and dividends received (cash basis)	65,583	69,772	535,683
Interest paid (cash basis)	(14,088)	(19,164)	(115,075)
Other, net	(105,186)	36,225	(859,153)
Subtotal	263,916	752,410	2,155,653
Income taxes paid	(10,016)	(23,677)	(81,813)
Net cash provided by (used in) operating activities	253,900	728,732	2,073,840
Cash flows from investing activities:			
Purchase of securities	(678,529)	(1,154,429)	(5,542,183)
Proceeds from sales of securities	442,358	783,026	3,613,152
Proceeds from redemption of securities	205,959	160,234	1,682,262
Increase in money held in trust	(143,232)	(111,959)	(1,169,917)
Decrease in money held in trust	155,181	106,194	1,267,515
Purchase of tangible fixed assets	(592)	(1,596)	(4,841)
Purchase of intangible fixed assets	(4,975)	(4,842)	(40,638)
Proceeds from sales of tangible fixed assets	0	0	0
Settlement of asset retirement obligations	—	(157)	—
Net cash provided by (used in) investing activities	(23,830)	(223,529)	(194,650)
Cash flows from financing activities:			
Repayments of lease obligations	(249)	(249)	(2,038)
Proceeds from stock issuance to non-controlling interests	304	427	2,488
Cash dividends paid	(16,109)	(15,053)	(131,586)
Cash dividends paid to non-controlling interests	(4)	(6)	(34)
Purchase of treasury stock	(0)	(0)	(0)
Proceeds from sales of treasury stock	0	0	1
Net cash provided by (used in) financing activities	(16,059)	(14,882)	(131,169)
Net increase (decrease) in cash and cash equivalents	**214,010**	**490,320**	**1,748,021**
Cash and cash equivalents, beginning of year	**847,732**	**357,411**	**6,924,225**
Cash and cash equivalents, end of year (Note 3)	**¥1,061,743**	**¥847,732**	**$8,672,246**

See the accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Aozora Bank, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2022

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 ¥122.43 to $1.00, the rate of exchange at March 31, 2022. 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, 2022 and 2021, respectively. The number of subsidiaries and affiliated companies accounted for using the equity method was 1 as of March 31, 2022 and 2021, respectively.

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.

Financial and Corporate Data
Consolidated Financial Statements

Consolidated Financial Statements

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

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

In accordance with PITF No. 18, ‘Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements,’ foreign subsidiaries’ financial statements prepared in accordance with either 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 partly 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 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 Stock Price Risk
The Bank designates available-for-sale securities (stock, etc.) 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 within three business days 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 ¥24,065 million ($196,569 thousand) and ¥19,107 million at March 31, 2022 and 2021, 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 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 'Accounting Standard for Revenue Recognition', and other guidance)

The 'Accounting Standard for Revenue Recognition' (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the 'Accounting Standard for Revenue Recognition'), and other guidance have been applied from the beginning of the fiscal year ended March 31, 2022. The Group recognizes revenue at the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer hence revenues from certain transactions are recorded net of related expenses.

The Group has applied this in accordance with the transitional treatment prescribed in the proviso of Paragraph 84 of the Accounting Standards for Revenue Recognition. The cumulative effect of applying the new accounting policy retrospectively prior to the beginning of the fiscal year ended March 31, 2022 was added to or subtracted from retained earnings at the beginning of the fiscal year ended March 31, 2022, and the new accounting policy was applied from the beginning balance of the current fiscal year.

As a result, total income and total expenses for the fiscal year ended March 31, 2022 decreased by ¥1,659 million ($13,551 thousand). There is no effect on the balance of retained earnings at the beginning of the fiscal year.

In accordance with the transitional treatment stipulated in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, comparative information for the current fiscal year is not described in Note 31, 'Segment Information' which includes detailed information on revenue recognition.

(Application of 'Accounting Standard for Fair Value Measurement', and other standards and guidance)
The 'Accounting Standard for Fair Value Measurement' (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the 'Accounting Standard for Fair Value Measurement') and other standards and guidance have been applied from the beginning of the fiscal year ended March 31, 2022. In accordance with Paragraph 8 of the Accounting Standard for Fair Value Measurement, the Group has revised its fair value adjustment method for calculating the fair value of derivative transactions to a method that maximizes the use of observable inputs estimated from derivatives traded in the market. This revision is due to the application of Accounting Standard for Fair Value Measurement, and other standards and guidance, hence in accordance with the transitional treatment prescribed in the Paragraph 20 of the Accounting Standard for Fair Value Measurement, the cumulative effect of retrospectively applying the new accounting policy prior to the beginning of the fiscal year ended March 31, 2022 has been reflected in retained earnings at the beginning of the current fiscal year. As a result, retained earnings at the beginning of the fiscal year ended March 31, 2022 decreased by ¥657 million ($5,374 thousand), Trading account assets increased by ¥350 million ($2,863 thousand), Other assets decreased by ¥14 million ($122 thousand), Deferred tax assets increased by less than ¥1 million ($7 thousand), Trading account liabilities increased by ¥873 million ($7,138 thousand), Other liabilities increased by ¥122 million ($1,000 thousand), and Deferred gains or losses on hedges decreased by ¥1 million ($16 thousand).

In addition, in Note 27, 'Financial Instruments and Related Disclosures,' the Group has described matters concerning fair value of financial instruments and breakdown by level within fair value hierarchy, etc. However, in accordance with the transitional treatment prescribed in Paragraph 7-4 of the 'Implementation Guidance on Disclosures about Fair Value of Financial Instruments' (ASBJ Guidance No.19, issued on March 31, 2020), comparative information for the current fiscal year is not described in Note 27, 'Financial Instruments and Related Disclosures.'

(22) Significant Accounting Estimates
Among items recorded in the consolidated financial statements for the year ended March 31, 2022 with accounting estimates, items significantly affect the consolidated financial statements for the year ending March 31, 2023 are described below:
1) Allowance for loan losses
The loan portfolio is a major asset class representing nearly the majority of the total assets in the consolidated financial statements. Since the allowance for loan losses relate to credit risk of the loans significantly affects financial condition or performance of the Group, the estimate of the allowance for loan losses is deemed to be important in accounting.
(a) Amounts recorded in the consolidated financial statements
Allowance for loan losses: ¥48,677 million ($397,596 thousand) and ¥50,886 million at March 31, 2022 and 2021, 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.'

For certain borrowers that are expected to have a long-term impact from the global novel coronavirus ("COVID-19"), the allowance for loan losses is provided with consideration of possible future credit deterioration.
(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. 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 are 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 of COVID-19
The effect of 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 year ending March 31, 2023. Based on this general assumption, on an individual borrower level, the Group evaluated the estimated period of time where the business performance of borrowers may be impacted by COVID-19 in consideration of the business sector, region and individual characteristics of each borrower.

The assumption of the period affecting economic and corporate activities was not revised from the year ended March 31, 2021.
(iii) Effect over the consolidated financial statements for the year ending March 31, 2023
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, 2023.

As the allowance for loan losses in consideration of an effect of COVID-19, in case the assumption used for the original estimation is changed due to fluctuation of containment status, containment and economic assistance measures of each country and countermeasures of each borrower to COVID-19, the allowance for loan losses can be significantly affected in the consolidated financial statements for the year ending March 31, 2023. Since the relevant assumption has a high degree of uncertainty, the loss amount can be increased or decreased in the future depending on the situation.

3. Cash and Cash Equivalents
Cash and cash equivalents as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Cash on hand	¥6,289	¥6,148	$51,370
Due from the Bank of Japan	1,055,453	841,584	8,620,876
Total	¥1,061,743	¥847,732	$8,672,246

4. Trading Account Assets and Liabilities
Trading account assets and liabilities as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Trading account assets:			
Trading securities	¥12	¥5	$104
Trading securities derivatives	14,392	3,624	117,558
Trading account securities derivatives for hedging	10,570	5,907	86,339
Trading account financial derivatives	108,045	145,080	882,508
Total	¥133,021	¥154,616	$1,086,509
Trading account liabilities:			
Trading securities derivatives	¥—	¥74	$—
Trading account securities derivatives for hedging	14,936	11,000	121,999
Trading account financial derivatives	114,290	129,376	933,521
Total	¥129,227	¥140,451	$1,055,520

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, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Japanese national government bonds	¥76,367	¥37,775	$623,766
Japanese local government bonds	164,282	145,136	1,341,845
Japanese short-term corporate bonds	34,998	29,998	285,863
Japanese corporate bonds	137,915	87,841	1,126,488
Japanese stocks	31,534	27,416	257,571
Foreign bonds	536,059	600,550	4,378,495
Other	497,020	464,639	4,059,633
Total	¥1,478,178	¥1,393,357	$12,073,661

As of March 31, 2022 and 2021, securities included equity investments in unconsolidated subsidiaries and affiliated companies that amounted to ¥55,974 million ($457,193 thousand) and ¥37,958 million, respectively.

The unrealized gains and losses for trading securities as of March 31, 2022 and 2021, were charged to profit or loss for the years then ended as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Unrealized gains (losses)	¥(0)	¥0	$(5)

No held-to-maturity bonds were held as of March 31, 2022 and 2021.

The costs and carrying amounts of available-for-sale securities with fair value as of March 31, 2022 and 2021, were as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	Carrying amount	Cost	Difference	Carrying amount	Cost	Difference
March 31, 2022						
Carrying amount exceeding cost:						
Japanese stocks	¥27,458	¥6,977	¥20,480	$224,278	$56,994	$167,284
Japanese national government bonds	20,014	20,012	1	163,473	163,457	16
Japanese local government bonds	12,822	12,761	60	104,731	104,237	494
Japanese short-term corporate bonds	—	—	—	—	—	—
Japanese corporate bonds	59,625	58,967	658	487,015	481,639	5,376
Foreign bonds	84,720	83,726	994	691,994	683,869	8,125
Other	175,186	146,712	28,474	1,430,913	1,198,338	232,575
Subtotal	379,827	329,157	50,670	3,102,404	2,688,534	413,870
Carrying amount not exceeding cost:						
Japanese stocks	982	1,054	(71)	8,028	8,613	(585)
Japanese national government bonds	56,353	57,098	(744)	460,294	466,378	(6,084)
Japanese local government bonds	151,459	152,779	(1,319)	1,237,114	1,247,892	(10,778)
Japanese short-term corporate bonds	34,998	34,998	—	285,863	285,863	—
Japanese corporate bonds	78,290	78,531	(241)	639,473	641,442	(1,969)
Foreign bonds	451,338	480,752	(29,414)	3,686,500	3,926,757	(240,257)
Other	219,102	231,969	(12,867)	1,789,615	1,894,713	(105,098)
Subtotal	992,526	1,037,185	(44,658)	8,106,887	8,471,658	(364,771)
Total	¥1,372,353	¥1,366,342	¥6,011	$11,209,291	$11,160,192	$49,099
March 31, 2021						
Carrying amount exceeding cost:						
Japanese stocks	¥23,777	¥3,314	¥20,462			
Japanese national government bonds	29,773	29,480	293			
Japanese local government bonds	29,549	29,415	133			
Japanese short-term corporate bonds	—	—	—			
Japanese corporate bonds	71,344	70,362	981			
Foreign bonds	181,080	175,202	5,877			
Other	235,527	206,705	28,822			
Subtotal	571,051	514,480	56,570			
Carrying amount not exceeding cost:						
Japanese stocks	78	86	(7)			
Japanese national government bonds	8,001	8,002	(0)			
Japanese local government bonds	115,587	116,038	(451)			
Japanese short-term corporate bonds	29,998	29,998	—			
Japanese corporate bonds	16,496	16,547	(50)			
Foreign bonds	419,470	429,922	(10,451)			
Other	162,126	164,256	(2,130)			
Subtotal	751,759	764,851	(13,092)			
Total	¥1,322,811	¥1,279,332	¥43,478			

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, 2022, there was no write-off of marketable available-for-sale securities. For the year ended March 31, 2021, the Group wrote off foreign bonds included in marketable available-for-sale securities in the amount of ¥68 million.

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, ¥242 million ($1,979 thousand) and ¥214 million were repledged under such agreements, none were re-loaned under such agreements and none remained undisposed as of March 31, 2022 and 2021, 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, 2022 and 2021, 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, 2022						
Japanese stocks	¥1,986	¥1,625	¥—	$16,226	$13,281	$—
Japanese national government bonds	10,021	174	—	81,852	1,422	—
Japanese local government bonds	—	—	—	—	—	—
Japanese short-term corporate bonds	—	—	—	—	—	—
Japanese corporate bonds	6,317	317	—	51,601	2,594	—
Foreign bonds	318,271	1,172	3,133	2,599,622	9,575	25,597
Other	102,593	8,591	1,775	837,974	70,173	14,502
Total	¥439,190	¥11,881	¥4,909	$3,587,275	$97,045	$40,099
March 31, 2021						
Japanese stocks	¥202	¥119	¥—			
Japanese national government bonds	24,486	—	458			
Japanese local government bonds	—	—	—			
Japanese short-term corporate bonds	—	—	—			
Japanese corporate bonds	501	1	—			
Foreign bonds	540,510	11,783	4,127			
Other	223,823	8,994	5,578			
Total	¥789,524	¥20,899	¥10,165			

'Valuation difference on available-for-sale securities' stated in the consolidated balance sheet as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Net unrealized gains	¥6,011	¥43,478	$49,099
Available-for-sale securities	6,011	43,478	49,099
Other money held in trust	—	—	—
(-) Deferred tax liabilities	2,052	16,286	16,762
Valuation difference on available-for-sale securities (before adjustments)	3,959	27,192	32,337
(-) Non-controlling interests	(26)	(3)	(218)
(+) The Bank's interest in valuation difference on available-for-sale securities held by equity method affiliate	—	—	—
Valuation difference on available-for-sale securities	¥3,985	¥27,196	$32,555

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, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Carrying amounts	¥20,930	¥33,521	$170,960
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, 2022 and 2021.

7. Loans and Bills Discounted

Loans and bills discounted as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Bills discounted	¥5,674	¥4,633	$46,352
Loans on notes	24,443	15,960	199,651
Loans on deeds	3,143,831	2,779,600	25,678,600
Overdrafts	142,933	148,349	1,167,475
Other	242	264	1,981
Total	¥3,317,125	¥2,948,808	$27,094,059

Disclosed claims under the Financial Reconstruction Law ('FRL Credit') and Risk-Monitored Loans as of March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Bankrupt and similar credit	¥2,822	¥2,145	$23,057
Doubtful credit	16,201	20,790	132,329
Special attention credit	2,392	4,447	19,542
Loans overdue for three months or more	—	1,577	—
Restructured loans	2,392	2,869	19,542
Total	21,416	27,382	174,928
Normal credit	3,346,004	2,966,643	27,329,938
Total credit	¥3,367,420	¥2,994,026	$27,504,866

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

FRL Credit and Risk-Monitored Loans 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.

(Changes in presentation)

Following 'Cabinet Office Order to Amend the Ordinance for Enforcement of the Banking Act, etc.' (Cabinet Office Ordinance No. 3, January 24, 2020) effective on March 31, 2022, the classification, etc. of risk-monitored loans under 'Banking Act' is presented in accordance with the classification, etc. under 'Act on Emergency Measures for the Revitalization of the Financial Functions.

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 ¥550,256 million ($4,494,460 thousand) and ¥560,116 million as of March 31, 2022 and 2021, respectively. ¥461,747 million ($3,771,521 thousand) and ¥465,239 million of these amounts relate to contracts with residual contractual terms of one year or less as of March 31, 2022 and 2021,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, 2022 and 2021, were ¥5,674 million ($46,352 thousand) and ¥4,633 million, respectively.

8. Foreign Exchange

Foreign exchange as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Assets:			
Due from foreign banks	¥63,878	¥58,154	$521,752
Total	¥63,878	¥58,154	$521,752

9. Tangible Fixed Assets and Intangible Fixed Assets

Tangible fixed assets as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Buildings	¥10,322	¥11,251	$84,312
Land	9,235	9,235	75,435
Lease assets	478	709	3,909
Construction in progress	—	0	—
Other	1,749	2,114	14,286
Total	¥21,785	¥23,311	$177,942
Accumulated depreciation	¥26,364	¥25,443	$215,346

Intangible fixed assets as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Software	¥20,072	¥20,065	$163,952
Other	67	67	550
Total	¥20,140	¥20,133	$164,502

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.

11. Allowance for Loan Losses

Allowance for loan losses as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
General allowance	¥38,489	¥40,123	$314,377
Specific allowance	10,188	10,763	83,219
Total	¥48,677	¥50,886	$397,596

12. Pledged Assets and Collateralized Debts

The carrying amounts of assets pledged as collateral and collateralized debts as of March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Assets pledged as collateral:			
Securities	¥440,268	¥505,528	$3,596,084
Loans and bills discounted	174,285	120,274	1,423,550
Total	¥614,553	¥625,802	$5,019,634
Collateralized debts:			
Securities sold under repurchase agreements	¥69,876	¥56,750	$570,750
Cash collateral received for securities lent	356,956	431,673	2,915,593
Borrowed money	59,800	12,403	488,442
Total	¥486,632	¥500,828	$3,974,785

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, 2022 and 2021:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Securities	¥48,473	¥7,501	$395,925
Foreign exchange	12,243	11,072	100,000
Other assets:			
Margin deposits for futures transactions	962	962	7,859
Cash collateral paid for financial instruments	143,846	91,590	1,174,925
Guarantee deposits	29,396	20,422	240,105
Total	¥234,920	¥131,549	$1,918,814

13. Deposits

Deposits as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Current deposits	¥32,708	¥31,121	$267,162
Ordinary deposits	2,222,218	1,440,848	18,150,930
Saving deposits	32,352	11,490	264,253
Deposits at notice	995	1,095	8,131
Time deposits	2,423,163	2,372,650	19,792,234
Negotiable certificates of deposit	33,500	34,000	273,626
Other	126,618	121,301	1,034,210
Total	¥4,871,556	¥4,012,506	$39,790,546

14. Bonds Payable

Bonds payable as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars	
	2022	2021	2022	Interest Rates
Three-year unsecured straight bond issued by the Bank	¥60,000	¥92,000	$490,076	0.10% - 0.15%
Five-year unsecured straight bond issued by the Bank	19,000	25,000	155,191	0.08% - 0.19%
Three-year unsecured straight bond issued by the Bank in U.S. dollars	73,431	66,418	599,785	1.05% - 3.81%
Three-year unsecured domestic straight bond issued by the Bank in U.S. dollars	10,406	9,411	85,000	1.06%
Five-year unsecured domestic straight bond issued by the Bank in U.S. dollars	6,121	5,536	50,000	1.70%
Total	¥168,959	¥198,365	$1,380,052	

Annual maturities of bonds payable as of March 31, 2022, were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2023	¥82,724	$675,689
2024	33,406	272,862
2025	46,707	381,501
2026	6,121	50,000
2027	—	—
Total	¥168,959	$1,380,052

15. Borrowed Money

The weighted-average annual interest rates applicable to borrowed money were 0.46% and 0.52% as of March 31, 2022 and 2021, respectively.

Borrowed money does not include subordinated borrowings as of March 31, 2022 and 2021.

Annual maturities of borrowed money as of March 31, 2022, were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2023	¥65,042	$531,263
2024	6,500	53,091
2025	5,500	44,924
2026	10,300	84,130
2027	13,000	106,183
2028 and thereafter	332,000	2,711,754
Total	¥432,342	$3,531,345

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Apart from borrowed money, lease obligations are included in 'Other liabilities.' Annual maturities of lease obligations as of March 31, 2022, were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2023	¥249	$2,038
2024	240	1,965
2025	20	163
2026	—	—
Total	¥510	$4,166

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, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Other assets:			
Accrued income	¥8,095	¥6,979	$66,128
Accounts receivable	30,323	23,481	247,682
Financial derivatives	53,380	56,043	436,007
Cash collateral paid for financial instruments	143,846	91,590	1,174,925
Guarantee deposits	29,396	20,422	240,105
Other	41,173	33,892	336,299
Total	¥306,215	¥232,409	$2,501,146
Other liabilities:			
Income taxes payable	¥6,847	¥3,481	$55,927
Accrued expenses	4,687	4,311	38,288
Accounts payable	21,114	20,158	172,463
Financial derivatives	101,576	91,503	829,666
Cash collateral received for financial instruments	7,239	34,826	59,131
Asset retirement obligations	2,206	2,096	18,021
Other	26,770	37,741	218,660
Total	¥170,441	¥194,120	$1,392,156

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, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Defined retirement benefit obligation at the beginning of fiscal year	¥42,188	¥41,824	$344,589
Service cost	1,692	1,664	13,824
Interest cost	165	164	1,349
Actuarial losses (gains)	352	405	2,880
Benefits paid	(2,350)	(1,870)	(19,202)
Defined retirement benefit obligation at the end of fiscal year	¥42,047	¥42,188	$343,440

Changes in plan assets for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Fair value of plan assets at the beginning of fiscal year	¥37,084	¥33,983	$302,903
Expected return on plan assets	927	849	7,573
Actuarial gains (losses)	(1,042)	3,115	(8,518)
Contributions from employer	468	466	3,826
Benefits paid	(1,399)	(1,330)	(11,432)
Fair value of plan assets at the end of fiscal year	¥36,037	¥37,084	$294,352

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, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Funded defined retirement benefit obligation	¥31,072	¥31,344	$253,802
Plan assets	(36,037)	(37,084)	(294,352)
	(4,964)	(5,740)	(40,550)
Unfunded defined retirement benefit obligation	10,974	10,844	89,639
Net liability (asset) arising from defined retirement benefit obligation	¥6,009	¥5,103	$49,089
Retirement benefit liability	¥10,974	¥10,844	$89,639
Retirement benefit asset	(4,964)	(5,740)	(40,550)
Net liability (asset) arising from defined retirement benefit obligation	¥6,009	¥5,103	$49,089

Components of net periodic retirement benefit costs for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Service cost	¥1,692	¥1,664	$13,824
Interest cost	165	164	1,349
Expected return on plan assets	(927)	(849)	(7,573)
Recognized actuarial losses	(263)	1,429	(2,156)
Amortization of prior-service cost	(81)	(327)	(669)
Other	13	—	112
Net periodic defined retirement benefit costs	¥598	¥2,081	$4,887

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, 2022 and 2021, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Amortization of prior-service cost	¥(81)	¥(327)	$(669)
Recognized actuarial gains (losses)	(1,659)	4,139	(13,554)
Total	¥(1,741)	¥3,811	$(14,223)

The breakdown of 'Remeasurements of defined benefit plans' in Accumulated other comprehensive income (loss), before adjusting for tax effects, as of March 31, 2022 and 2021, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Unrecognized prior-service cost	¥—	¥81	$—
Unrecognized actuarial losses	(336)	1,322	(2,749)
Total	¥(336)	¥1,404	$(2,749)

Plan assets

(1) Asset allocation of plan assets as of March 31, 2022 and 2021, was as follows:

	2022	2021
Bonds	47.9%	51.4%
Stocks	21.9	20.6
Cash and deposits	16.6	20.1
Other	13.6	7.9
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, 2022 and 2021, were as follows:

	2022	2021
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, 2022 and 2021, respectively.

Changes in the number of issued shares of common stock and treasury stock for the years ended March 31, 2022 and 2021, consisted of the following:

	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

	Thousands			
	Number of shares			
	As of April 1, 2020	Increase	Decrease	As of March 31, 2021
Issued stock				
Common stock	118,289	—	—	118,289
Treasury stock				
Common stock (Note)	1,604	0	18	1,586

Note: The increase is due to buybacks of shares constituting less than one trade unit, and the decrease is due to a transfer of shares upon exercise of stock option rights.

Share acquisition rights

Share acquisition rights as of March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Share acquisition rights as stock options	¥390	¥482	$3,188

Cash dividends

Cash dividends paid during the years ended March 31, 2022 and 2021, 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, 2022				
(Record date: December 31, 2021) (Note 1)				
Common stock	¥4,670	¥40.00	$38,152	$0.33
(Record date: September 30, 2021) (Note 2)				
Common stock	¥3,736	¥32.00	$30,521	$0.26
(Record date: June 30, 2021) (Note 3)				
Common stock	¥3,734	¥32.00	$30,503	$0.26
(Record date: March 31, 2021) (Note 4)				
Common stock	¥3,967	¥34.00	$32,410	$0.28
Year ended March 31, 2021				
(Record date: December 31, 2020 (Note 5)				
Common stock	¥3,501	¥30.00		
(Record date: September 30, 2020) (Note 6)				
Common stock	¥3,501	¥30.00		
(Record date: June 30, 2020) (Note 7)				
Common stock	¥3,500	¥30.00		
(Record date: March 31, 2020) (Note 8)				
Common stock	¥4,550	¥39.00		

Notes: 1. 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.
2. 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.
3. 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.
4. 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.
5. Cash dividends applicable to the three-month period ended December 31, 2020, were approved at the Board of Directors' meeting held on February 1, 2021.
6. Cash dividends applicable to the three-month period ended September 30, 2020, were approved at the Board of Directors' meeting held on November 16, 2020.
7.Cash dividends applicable to the three-month period ended June 30, 2020, were approved at the Board of Directors' meeting held on July 31, 2020.
8. Year-end cash dividends applicable to the fiscal year ended March 31, 2020, were approved at the Board of Directors' meeting held on May 14, 2020.

(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, 2022, and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
General and administrative expenses	¥115	¥98	$946

(2) Outline, volume and changes in stock options

The outline of stock options was as follows:

	Stock options for FY2021	Stock options for FY2020	Stock options for FY2019
Title and number of eligible persons	4 directors of the Bank 20 executive officers of the Bank	4 directors of the Bank 18 executive officers of the Bank	4 directors of the Bank 18 executive officers of the Bank
Number of stock options by share class(Note)	51,540 shares of common stock	64,110 shares of common stock	47,420 shares of common stock
Grant date	July 12, 2021	July 10, 2020	July 11, 2019
Condition for vesting	None	None	None
Requisite service period	None	None	None
Exercise period	From July 13, 2021 to July 12, 2051	From July 11, 2020 to July 10, 2050	From July 12, 2019 to July 11, 2049

	Stock options for FY2018	Stock options for FY2017	Stock options for FY2016
Title and number of eligible persons	4 directors of the Bank 17 executive officers of the Bank	4 directors of the Bank 17 executive officers of the Bank	4 directors of the Bank 18 executive officers of the Bank
Number of stock options by share class(Note)	25,540 shares of common stock	26,540 shares of common stock	34,330 shares of common stock
Grant date	July 13, 2018	July 13, 2017	July 15, 2016
Condition for vesting	None	None	None
Requisite service period	None	None	None
Exercise period	From July 14, 2018 to July 13, 2048	From July 14, 2017 to July 13, 2047	From July 16, 2016 to July 15, 2046

	Stock options for FY2015	Stock options for FY2014
Title and number of eligible persons	4 directors of the Bank 16 executive officers of the Bank	4 directors of the Bank
Number of stock options by share class(Note)	22,970 shares of common stock	25,350 shares of common stock
Grant date	July 14, 2015	August 1, 2014
Condition for vesting	None	None
Requisite service period	None	None
Exercise period	From July 15, 2015 to July 14, 2045	From August 2, 2014 to August 1, 2044

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 FY2021	Stock options for FY2020	Stock options for FY2019	Stock options for FY2018	Stock options for FY2017	Stock options for FY2016
Before vested						
At the beginning of fiscal year	–	–	–	–	–	–
Granted	51,540 shares	–	–	–	–	–
Forfeited	–	–	–	–	–	–
Vested	51,540 shares	–	–	–	–	–
Outstanding	–	–	–	–	–	–
After vested						
At the beginning of fiscal year	–	64,110 shares	42,110 shares	21,620 shares	17,530 shares	17,470 shares
Vested	51,540 shares	–	–	–	–	–
Exercised	–	15,140 shares	13,470 shares	8,610 shares	8,440 shares	9,060 shares
Forfeited	–	–	–	–	–	–
Exercisable	51,540 shares	48,970 shares	28,640 shares	13,010 shares	9,090 shares	8,410 shares

	Stock options for FY2015	Stock options for FY2014
Before vested		
At the beginning of fiscal year	–	–
Granted	–	–
Forfeited	–	–
Vested	–	–
Outstanding	–	–
After vested		
At the beginning of fiscal year	10,220 shares	8,450 shares
Vested	–	–
Exercised	6,340 shares	8,450 shares
Forfeited	–	–
Exercisable	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 FY2021	Stock options for FY2020	Stock options for FY2019	Stock options for FY2018	Stock options for FY2017	Stock options for FY2016
Exercise price	¥1	¥1	¥1	¥1	¥1	¥1
Average stock price when exercised	–	2,488	2,488	2,488	2,488	2,488
Fair value on grant date	¥2,248	¥1,537	¥2,352	¥3,832	¥3,980	¥3,420

	Stock options for FY2015	Stock options for FY2014
Exercise price	¥1	¥1
Average stock price when exercised	2,488	2,488
Fair value on grant date	¥4,380	¥3,230

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 FY2021 granted in the fiscal year ended March 31, 2022 were valued using the Black-Scholes option pricing model.

The principal parameters and estimation methods were as follows:

	Stock options for FY2021
Expected volatility (Note 1)	39.4%
Average expected life (Note 2)	2 years
Expected dividends (Note 3)	¥124 ($1.0) per share
Risk-free interest rate (Note 4)	0.12% negative

Notes: 1. Expected volatility is calculated based on the actual price of common stock of the Bank on each trading day from July 8, 2019 to July 5, 2021.
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, 2021.
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, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Gains on foreign exchange transactions	¥2,961	¥—	$24,186
Gains on sales of bonds and other securities	9,408	18,357	76,850
Gains on derivatives	1,082	182	8,838
Other	14,614	16,955	119,370
Total	¥28,066	¥35,495	$229,244

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

21. Other Income

Other income for the years ended March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Gains on sales of stocks and other securities	¥2,034	¥2,400	$16,618
Gains on investments in money held in trust	328	513	2,681
Recoveries of written-off receivables	156	240	1,282
Reversal of provision for credit losses on off-balance-sheet instruments	205	—	1,678
Equity in earnings of associates	2,620	1,111	21,405
Gains on disposal of fixed assets	0	—	0
Other	796	524	6,508
Total	¥6,142	¥4,790	$50,172

22. Other Ordinary Expenses

Other ordinary expenses for the years ended March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Amortization of bond issuance costs	¥182	¥191	$1,491
Losses on foreign exchange transactions	—	477	—
Losses on sales of bonds and other securities	4,908	9,340	40,089
Losses on redemption of bonds and other securities	—	794	—
Losses on devaluation of bonds and other securities	—	68	—
Other	2,243	4,048	18,329
Total	¥7,334	¥14,920	$59,909

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, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Salaries and related expenses	¥22,649	¥21,329	$185,000
Other	34,841	34,798	284,579
Total	¥57,490	¥56,128	$469,579

24. Other Expenses

Other expenses for the years ended March 31, 2022 and 2021, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Losses on sales of stocks and other securities	¥1	¥—	$10
Losses on devaluation of stocks and other securities	—	25	—
Write-off of loans	1,367	174	11,166
Provision of allowance for loan losses	2,702	767	22,077
Provision of allowance for credit losses on off-balance-sheet instruments	—	49	—
Losses on disposition of loans	33	3,596	270
Losses on disposal of fixed assets	49	4	404
Losses on impairment of fixed assets	269	—	2,205
Other	1,264	1,613	10,325
Total	¥5,687	¥6,231	$46,457

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, 2022 and 2021.

The Bank files a tax return under the consolidated corporate tax system which allows the Bank to base tax payments on the combined profits or losses of the Bank and certain wholly owned domestic subsidiaries.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Deferred tax assets:			
Tax loss carryforwards(Note 1)	¥20,937	¥19,195	$171,013
Allowance for loan losses	15,342	15,340	125,320
Devaluation of securities	1,120	1,127	9,148
Valuation difference on available-for-sale securities	413	—	3,381
Deferred gains or losses on hedges	69	331	566
Difference related to investment in consolidated subsidiaries	16,749	16,937	136,806
Write-off of loans	75	75	616
Other	13,545	14,055	110,635
Total of tax loss carryforwards and temporary differences	68,252	67,063	557,485
Less valuation allowance for tax loss carryforwards	(20,883)	(19,024)	(170,575)
Less valuation allowance for temporary differences	(12,918)	(13,891)	(105,518)
Total valuation allowance	(33,802)	(32,916)	(276,093)
Total deferred tax assets	34,450	34,147	281,392
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(659)	(14,854)	(5,383)
Other	(2,085)	(2,332)	(17,036)
Total deferred tax liabilities	(2,744)	(17,187)	(22,419)
Net deferred tax assets	¥31,706	¥16,960	$258,973

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

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 2) ¥53

	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)	$—	$32	$67	$751	$2,686	$167,477	$171,013
Less valuation allowance for tax loss carryforwards	—	(32)	(67)	(751)	(2,681)	(167,045)	(170,576)
Net deferred tax assets related to tax loss carryforwards	$—	$—	$—	$—	$5	$432	(Note 2) $437

Year ended March 31, 2021

	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	¥—	¥12	¥8	¥91	¥19,079	¥19,195
Less valuation allowance for tax loss carryforwards	(3)	—	(12)	(8)	(91)	(18,908)	(19,024)
Net deferred tax assets related to tax loss carryforwards	¥—	¥—	¥—	¥—	¥—	¥170	(Note 3) ¥170

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 ¥20,937 million ($171,013 thousand) (multiplied by the effective statutory tax rate), the Group recorded deferred tax assets of ¥53 million ($437 thousand) as of March 31, 2022. 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 ¥19,195 million (multiplied by the effective statutory tax rate), the Group recorded deferred tax assets of ¥170 million as of March 31, 2021. 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, 2022 and 2021, were as follows:

	2022	2021
Normal effective statutory tax rate	30.6%	30.6%
Valuation allowance	(1.9)	(8.0)
Tax loss carryforwards of subsidiaries	(0.9)	5.7
Expenses not deductible for income tax purposes	0.3	0.1
Other—net	—	3.0
Actual effective tax rate	28.1%	31.4%

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, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Due within one year	¥2,119	¥1,373	$17,314
Due after one year	6,152	1,631	50,252
Total	¥8,272	¥3,004	$67,566

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 10% and 12% of the total outstanding balance of loans as of March 31, 2022 and 2021, 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, such as interest rate swaps, etc., the Bank uses the deferral method of hedge accounting, specifying derivatives as hedging instruments and deposits or loans, etc., as hedged items, 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, March 17, 2022). The effectiveness of hedging for the purpose of offsetting market fluctuations is assessed as follows: the Bank specifies hedged items, such as deposits or loans, and hedging instruments such as interest rate swaps, and divides them into groups by remaining tenures to maturity and evaluates each of the groups.

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). 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.

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.

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 BOD. 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 BOD, 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 or external models) 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 measured by Value at Risk (VaR) according to our internal model, etc., and the measured result is regularly reported to the BOD, 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 measured 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) Measurement 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 4 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 ¥1,398 million ($11,416 thousand) and ¥1,025 million as of March 31, 2022 and 2021, respectively. Market risk in the financial instruments held for trading purposes by certain consolidated subsidiaries is immaterial.

The back testing of the VaR calculated with internal models over the 244 business days from April 1, 2021 to March 31, 2022, and the 245 business days from April 1, 2020 to March 31, 2021, 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 ¥7,790 million ($63,631 thousand) and ¥8,849 million as of March 31, 2022 and 2021, 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 BOD, 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 manages funding liquidity risk for both Japanese yen and foreign currencies. The Financial Management Division also plans for the sources and uses of funds both annually and monthly, and reports the liquidity status directly to senior management on a daily basis. The Group maintains a sufficient liquidity buffer in order to prepare for funding liquidity risk and to meet various contractual obligations, by holding an adequate level of marketable securities with high liquidity.

(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, 2022 and 2021

	Millions of Yen				Thousands of U.S. Dollars			
	2022				2022			
	Carrying Amount				Carrying Amount			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Monetary claims bought	¥—	¥—	¥50,805	¥50,805	$—	$—	$414,973	$414,973
Trading account assets	—	—	12	12	—	—	104	104
Securities								
Available-for-sale	318,482	594,160	77,669	990,311	2,601,340	4,853,062	634,397	8,088,799
Japanese stocks	28,005	435	—	28,441	228,746	3,560	—	232,306
Japanese national government bonds	76,367	—	—	76,367	623,767	—	—	623,767
Japanese local government bonds	—	164,282	—	164,282	—	1,341,845	—	1,341,845
Japanese short-term corporate bonds	—	—	34,998	34,998	—	—	285,863	285,863
Japanese corporate bonds	—	119,114	18,800	137,915	—	972,923	153,565	1,126,488
Foreign bonds	207,318	304,870	23,870	536,059	1,693,367	2,490,159	194,969	4,378,495
Other (Note 1)	6,789	5,457	0	12,247	55,460	44,575	0	100,035
Assets total	¥318,482	¥594,160	¥128,487	¥1,041,129	$2,601,340	$4,853,062	$1,049,474	$8,503,876
Derivatives (Notes 2, 3 and 4)								
Interest rate contracts	¥—	¥32,221	¥0	¥32,221	$—	$263,185	$1	$263,186
Foreign exchange contracts	—	(89,185)	—	(89,185)	—	(728,461)	—	(728,461)
Equity contracts	(4,804)	(92)	14,392	9,495	(39,245)	(753)	117,557	77,559
Bond contracts	492	—	—	492	4,026	—	—	4,026
Commodity derivatives	—	196	0	196	—	1,601	3	1,604
Credit derivatives	—	2,264	—	2,264	—	18,500	—	18,500
Derivatives total	¥(4,311)	¥(54,594)	¥14,393	¥(44,513)	$(35,219)	$(445,928)	$117,561	$(363,586)

	Millions of Yen
	2021
	Carrying Amount
Monetary claims bought	¥30,642
Trading account assets	5
Securities	
Available-for-sale	936,681
Japanese stocks	23,855
Japanese national government bonds	37,775
Japanese local government bonds	145,136
Japanese short-term corporate bonds	29,998
Japanese corporate bonds	87,841
Foreign bonds	600,550
Other (Note 1)	11,523
Assets total	¥967,328
Derivatives (Notes 2 and 3)	
Interest rate contracts	¥30,162
Foreign exchange contracts	(52,194)
Equity contracts	(1,830)
Bond contracts	149
Commodity derivatives	228
Credit derivatives	2,164
Derivatives total	¥(21,319)

Notes: 1. In accordance with the Paragraph 26 of '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 amounts of such investment trusts were ¥322,236 million ($2,632,009 thousand) and ¥340,487 million as of March 31, 2022 and 2021, respectively.

2. 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. As for derivative transactions for which hedge accounting is applied, negative ¥79,441 million (negative $648,871 thousand) and negative ¥42,379 million are recorded on the carrying amounts as of March 31, 2022 and 2021, respectively.

4. 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, 2022 and 2021

'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					
	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

	Thousands of U.S. Dollars					
	2022					
	Fair Value				Carrying Amount	Difference
	Level 1	Level 2	Level 3	Total		
Monetary claims bought (Note 1)	$—	$—	$463,546	$463,546	$415,214	$48,332
Money held in trust	—	47,958	139,189	187,147	170,960	16,187
Loans and bills discounted (Note 2)	—	4,664,070	22,683,369	27,347,439	26,702,733	644,706
Assets total	$—	$4,712,028	$23,286,104	$27,998,132	$27,288,907	$709,225
Deposits (excluding negotiable certificates of deposit)	$—	$19,093,773	$20,471,898	$39,565,671	$39,516,920	$48,751
Borrowed money	—	—	3,533,597	3,533,597	3,531,345	2,252
Bonds payable	—	1,357,892	—	1,357,892	1,380,052	(22,160)
Liabilities total	$—	$20,451,665	$24,005,495	$44,457,160	$44,428,317	$28,843

	Millions of Yen		
	2021		
	Fair Value	Carrying Amount	Difference
Monetary claims bought (Note 1)	¥50,691	¥43,790	¥6,901
Money held in trust	35,736	33,521	2,214
Loans and bills discounted (Note 2)	2,975,124	2,898,629	76,495
Assets total	¥3,061,552	¥2,975,941	¥85,610
Deposits (excluding negotiable certificates of deposit)	¥3,981,716	¥3,978,506	¥3,210
Borrowed money	350,647	349,767	879
Bonds payable	199,591	198,365	1,225
Liabilities total	¥4,531,956	¥4,526,640	¥5,315

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 ¥47,910 million ($391,326 thousand) and ¥50,178 million as of March 31, 2022 and 2021, 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.

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 with no materiality, 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

	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%	−

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

	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

	Thousands of U.S. Dollars							
	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	$250,282	$−	$988	$163,703	$−	$−	$414,973	$−
Trading account assets	41	(6)	−	69	−	−	104	(5)
Securities								
Available-for-sale								
Japanese local government bonds	182	−	(3)	(22)	−	(157)	−	−
Japanese short-term corporate bonds	245,022	64	−	40,777	−	−	285,863	−
Japanese corporate bonds	146,845	3	(450)	7,167	−	−	153,565	−
Foreign bonds	287,999	339	(1,402)	(83,799)	−	(8,168)	194,969	−
Other	0	−	−	0	−	−	0	−
Derivatives (Note 4)								
Interest rate contracts	$(496)	$497	$−	$−	$−	$−	$1	$497
Equity contracts	28,999	61,887	−	26,672	−	−	117,558	82,601
Commodity derivatives	1	2	−	−	−	−	3	2

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	
	2022	
	Millions of Yen	Thousands of U.S. Dollars
Non-marketable equity securities (Notes 1 and 3)	¥8,861	$72,378
Investments in partnerships (Note 2)	134,131	1,095,578

	Carrying amount
	2021
	Millions of Yen
Non-marketable equity securities (Notes 1 and 3)	¥6,996
Investments in partnerships (Note 2)	91,274

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 27 of 'Implementation Guidance on Accounting Standard for Fair Value Measurement' (ASBJ Guidance No. 31, issued on July 4, 2019).
3. There was no write-off of unlisted stocks, etc. during the fiscal year ended March 31, 2022. The Group wrote off unlisted stocks, etc. in the amount of ¥25 million during the fiscal year ended March 31, 2021.

Maturity analysis for claims and securities with contractual maturities as of March 31, 2022 and 2021

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

	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	$9,275,975	$—	$—	$—	$—	$—
Call loans and bills bought	998,473	—	—	—	—	—
Securities purchased under resale agreements	—	—	—	—	—	—
Cash collateral provided for securities borrowed	—	—	—	—	—	—
Monetary claims bought (Note 1)	276,051	161,977	90,629	7,303	67,025	38,012
Securities:						
Available-for-sale securities with fixed maturity	831,345	773,133	1,389,703	470,199	1,839,901	2,452,177
Loans and bills discounted (Note 2)	7,366,009	6,386,361	6,881,987	4,027,527	1,245,623	1,031,526
Total	$18,747,853	$7,321,471	$8,362,319	$4,505,029	$3,152,549	$3,521,715

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 ($189,578 thousand) 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 ($155,026 thousand) as of March 31, 2022, is not included in the table. There are no loans that do not have fixed maturity amounted.

Year ended March 31, 2021

	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	¥943,961	¥—	¥—	¥—	¥—	¥—
Call loans and bills bought	41,000	—	—	—	—	—
Securities purchased under resale agreements	—	—	—	—	—	—
Cash collateral provided for securities borrowed	—	—	—	—	—	—
Monetary claims bought (Note 1)	15,494	17,274	6,088	695	3,870	6,046
Securities:						
Available-for-sale securities with fixed maturity	57,617	51,520	185,475	67,797	222,085	316,804
Loans and bills discounted (Note 2)	859,226	690,099	733,334	433,641	129,582	80,016
Total	¥1,917,298	¥758,894	¥924,898	¥502,135	¥355,539	¥402,867

Notes: 1. Of monetary claims bought, the portion whose collection is unforeseeable, such as loans to 'Bankrupt' borrowers, loans to 'De facto bankrupt' borrowers and loans to 'In danger of bankruptcy' borrowers, amounting to ¥25,035 million as of March 31, 2021, 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 ¥22,907 million as of March 31, 2021, 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, 2022 and 2021

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

	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)	$30,390,718	$2,981,654	$888,992	$492,724	$1,518,316	$3,244,516
Negotiable certificates of deposit	273,626	—	—	—	—	—
Call money and bills sold	131,679	—	—	—	—	—
Securities sold under repurchase agreements	570,750	—	—	—	—	—
Cash collateral received for securities lent	2,915,593	—	—	—	—	—
Borrowed money	531,263	98,015	190,313	220,534	763,702	1,727,518
Bonds payable	675,689	654,363	50,000	—	—	—
Total	$35,489,318	$3,734,032	$1,129,305	$713,258	$2,282,018	$4,972,034

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

Year ended March 31, 2021

	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)	¥2,938,703	¥315,828	¥152,880	¥40,207	¥139,408	¥391,479
Negotiable certificates of deposit	34,000	—	—	—	—	—
Call money and bills sold	15,536	—	—	—	—	—
Securities sold under repurchase agreements	56,750	—	—	—	—	—
Cash collateral received for securities lent	431,673	—	—	—	—	—
Borrowed money	16,167	11,500	15,800	18,500	54,800	233,000
Bonds payable	81,216	111,613	5,536	—	—	—
Total	¥3,574,047	¥438,941	¥174,216	¥58,707	¥194,208	¥624,479

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, 2022 and 2021:

	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, 2022								
Interest rate contacts;								
Futures sold	¥—	¥—	¥—	¥—	$—	$—	$—	$—
Futures bought	–	–	–	–	–	–	–	–
Options purchased	–	–	–	–	–	–	–	–
Bond contracts:								
Futures sold	41,268	–	524	524	337,078	–	4,286	4,286
Futures bought	9,839	–	(83)	(83)	80,370	–	(682)	(682)
Futures options written	6,121	–	(1)	27	50,000	–	(16)	223
Futures options purchased	61,215	–	53	(94)	500,000	–	438	(770)
Equity contracts:								
Index futures sold	6,145	–	54	54	50,194	–	445	445
Index futures bought	97,463	–	4,937	4,937	796,072	–	40,325	40,325
Index options written	416,768	137,852	(14,652)	6,547	3,404,135	1,125,974	(119,682)	53,483
Index options purchased	210,128	27,629	4,856	(4,230)	1,716,312	225,675	39,666	(34,558)
March 31, 2021								
Interest rate contacts;								
Futures sold	¥24,853	¥24,853	¥13	¥13				
Futures bought	24,747	24,747	(29)	(29)				
Options purchased	55,360	–	1	(6)				
Bond contracts:								
Futures sold	8,222	–	20	20				
Futures bought	67,283	–	(47)	(47)				
Futures options written	553	–	(5)	(0)				
Futures options purchased	111,384	–	182	87				
Equity contracts:								
Index futures sold	2,088	–	0	0				
Index futures bought	58,575	–	952	952				
Index options written	367,975	128,231	(10,820)	4,396				
Index options purchased	357,503	61,803	4,798	(2,847)				

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, 2022 and 2021:

	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, 2022								
Interest rate contracts:								
Interest rate swaps:								
Receive fixed and pay floating	¥2,197,449	¥1,978,431	¥7,906	¥7,906	$17,948,617	$16,159,693	$64,578	$64,578
Receive floating and pay fixed	2,266,866	1,964,368	27,091	27,091	18,515,612	16,044,832	221,285	221,285
Receive floating and pay floating	1,516,130	333,679	819	819	12,383,652	2,725,473	6,695	6,695
Other contracts sold	2,192,356	1,822,346	(2,131)	(2,131)	17,907,022	14,884,805	(17,407)	(17,407)
Other contracts bought	822,270	625,135	(1,464)	(1,464)	6,716,246	5,106,061	(11,964)	(11,964)
Foreign exchange contracts:								
Currency swaps	630,053	256,049	582	582	5,146,231	2,091,394	4,755	4,755
Forward exchange contracts sold	544,328	62,962	(32,397)	(32,397)	4,446,036	514,277	(264,619)	(264,619)
Forward exchange contracts bought	337,548	122,543	26,649	26,649	2,757,069	1,000,925	217,669	217,669
Options written	662,740	437,555	(31,214)	(359)	5,413,221	3,573,927	(254,955)	(2,937)
Options purchased	635,884	441,008	26,437	(374)	5,193,861	3,602,126	215,937	(3,060)
Commodity derivatives:								
Commodity swaps:								
Receive fixed and pay floating	14,229	4,342	(7,616)	(7,616)	116,223	35,468	(62,215)	(62,215)
Receive floating and pay fixed	14,020	4,225	7,812	7,812	114,522	34,513	63,816	63,816
Options written	1,019	–	(380)	(380)	8,325	–	(3,106)	(3,106)
Options purchased	1,019	–	380	380	8,325	–	3,109	3,109
Credit derivatives:								
CDS sold	149,725	127,475	3,340	3,340	1,222,944	1,041,207	27,288	27,288
CDS bought	121,890	100,390	(1,075)	(1,075)	995,589	819,979	(8,788)	(8,788)
Equity index swap:								
Receive equity index and pay interest rate	116,346	115,829	14,392	14,392	950,306	946,083	117,558	117,558
Internal transactions:								
Currency swaps	549,326	216,500	182	182	4,486,858	1,768,357	1,495	1,495
Forward exchange contracts sold	–	–	–	–	–	–	–	–
Forward exchange contracts bought	–	–	–	–	–	–	–	–
March 31, 2021								
Interest rate contracts:								
Interest rate swaps:								
Receive fixed and pay floating	¥5,163,851	¥4,205,578	¥87,275	¥87,275				
Receive floating and pay fixed	5,151,144	4,149,728	(55,583)	(55,583)				
Receive floating and pay floating	409,404	365,604	164	164				
Other contracts sold	2,305,458	1,926,422	2,177	2,177				
Other contracts bought	933,725	772,216	(3,856)	(3,856)				
Foreign exchange contracts:								
Currency swaps	540,230	171,442	(228)	(228)				
Forward exchange contracts sold	498,921	83,010	(32,212)	(32,212)				
Forward exchange contracts bought	382,985	94,200	18,807	18,807				
Options written	911,660	458,724	(33,231)	34,954				
Options purchased	903,061	446,770	35,904	(23,924)				
Commodity derivatives:								
Commodity swaps:								
Receive fixed and pay floating	15,410	7,942	(2,180)	(2,180)				
Receive floating and pay fixed	15,181	7,810	2,409	2,409				
Options written	2,840	921	(121)	(121)				
Options purchased	2,840	921	121	121				
Credit derivatives:								
CDS sold	143,750	115,750	3,109	3,109				
CDS bought	117,550	86,500	(945)	(945)				
Equity index swap:								
Receive equity index and pay interest rate	60,732	60,732	3,550	3,550				
Internal transactions:								
Currency swaps	482,501	128,526	898	898				
Forward exchange contracts sold	9	–	(0)	(0)				
Forward exchange contracts bought	9	–	0	0				

Notes: 1. The contracts or notional amounts of derivatives which are shown in the above table do not necessarily represent the amounts exchanged by the parties and do not measure the exposure of the Group to credit or market risk.
2. Derivative transactions shown above are stated at fair value in the accompanying consolidated financial statements.
3. Other contracts sold and bought of 'Interest rate contracts' were mainly swaptions.
4. Foreign exchange profit/loss generated from the notional amount exposure of currency swaps, amounting to a loss of ¥76 million ($626 thousand) and a loss of ¥64 million as of March 31, 2022 and 2021, 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, 2022 and 2021:

	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, 2022						
Equity contracts:						
Total return swaps	¥3,540	¥3,540	¥(92)	$28,919	$28,919	$(753)
Foreign exchange contracts:						
Currency swaps	590,471	227,582	(182)	4,822,928	1,858,880	(1,495)
Forward exchange contracts	642,446	–	(37,731)	5,247,459	–	(308,192)
March 31, 2021						
Equity contracts:						
Total return swaps	¥4,438	¥4,438	¥(311)			
Foreign exchange contracts:						
Currency swaps	499,293	132,853	(898)			
Forward exchange contracts	577,607	–	(24,610)			

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 ¥41,434 million ($338,432 thousand) and a loss of ¥16,558 million as of March 31, 2022 and 2021, respectively, are excluded from 'Fair Value' shown above.

29. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2022 and 2021, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Reclassification and tax effect related to comprehensive income			
Valuation difference on available-for-sale securities:			
Difference arising during the year	¥(30,972)	¥71,750	$(252,982)
Reclassification adjustment to profit or loss	(6,495)	(9,634)	(53,051)
Amount before income tax effect	(37,467)	62,116	(306,033)
Income tax effect	14,234	(10,580)	116,263
Valuation difference on available-for-sale securities	(23,233)	51,535	(189,770)
Deferred gains or losses on hedges:			
Gains (losses) arising during the year	(3,840)	(7,452)	(31,368)
Reclassification adjustment to profit or loss	4,695	6,039	38,350
Amount before income tax effect	854	(1,412)	6,982
Income tax effect	(261)	432	(2,138)
Deferred gains or losses on hedges	593	(980)	4,844
Foreign currency translation adjustment:			
Adjustments arising during the year	2,322	207	18,967
Reclassification adjustment to profit or loss	—	—	—
Amount before income tax effect	2,322	207	18,967
Income tax effect	—	—	—
Foreign currency translation adjustment	2,322	207	18,967
Remeasurements of defined benefit plans:			
Adjustments arising during the year	(1,395)	2,709	(11,398)
Reclassification adjustment to profit or loss	(345)	1,101	(2,825)
Amount before income tax effect	(1,741)	3,811	(14,223)
Income tax effect	533	(1,167)	4,355
Remeasurements of defined benefit plans	(1,208)	2,644	(9,868)
Share of other comprehensive income (loss) in associates:			
Adjustments arising during the year	2,099	(372)	17,148
Reclassification adjustment to profit or loss	—	—	—
Amount before income tax effect	2,099	(372)	17,148
Income tax effect	—	—	—
Share of other comprehensive income (loss) in associates	2,099	(372)	17,148
Other comprehensive income total	¥(19,427)	¥53,035	$(158,679)

30. Per Share Information

The reconciliation of differences between basic and diluted net income per share (EPS) for the years ended March 31, 2022 and 2021, 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, 2022				
Basic EPS—Net income available to common stockholders (Net income attributable to owners of the parent)	¥35,004	116,755	¥299.81	$2.45
Effect of dilutive securities— Share acquisition rights to shares	—	167		
Diluted EPS—Net income for computation	¥35,004	116,923	¥299.38	$2.45
Year Ended March 31, 2021				
Basic EPS—Net income available to common stockholders (Net income attributable to owners of the parent)	¥28,972	116,698	¥248.27	
Effect of dilutive securities— Share acquisition rights to shares	—	169		
Diluted EPS—Net income for computation	¥28,972	116,868	¥247.90	

Net assets per share of common stock as of March 31, 2022 and 2021, were as follows:

	Yen		U.S. Dollars
	2022	2021	2022
Net assets per share of common stock	¥4,222.79	¥4,233.53	$34.49

Net assets per share of common stock as of March 31, 2022 and 2021, were calculated based on the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Total equity	¥487,265	¥490,006	$3,979,956
Deductions from total equity:			
Non-controlling interests	(6,229)	(4,541)	(50,884)
Share acquisition rights	390	482	3,188
Net assets attributable to common stock at the end of the year	¥493,105	¥494,065	$4,027,652
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)	116,772	116,702	

31. Segment Information

(1) Segment information

Segment information for the years ended March 31, 2022 and 2021, 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: Retail Banking Group ('RBG'), Institutional Banking Group ('IBG'), Allied Banking Group ('ABG'), Specialty Finance Group ('SFG'), International Finance Group ('IFG'), and Financial Markets Group ('FMG'). 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

RBG offers financial services to retail customers. RBG's major services are the sale of investment products, including deposits, investment trusts and insurance, and other financial services.

IBG offers financial services to corporate customers and public sector customers. Major services offered by IBG are loans and deposits, sale of financial products, financing through securitization, privately placed bonds, M&A advisory, private equity operations, acquisition finance, and other financial services.

ABG offers financial services to financial institutions. Major services offered by ABG are loans and deposits, sale of financial products, and other financial services.

SFG offers financial services that require specialized expertise such as corporate restructuring finance and real estate finance.

IFG offers financial services that require specialized expertise such as overseas loans and investments.

FMG offers derivatives and foreign exchange products to customers, trading derivatives and foreign exchange products, as well as ALM operations.

2) Methods of measurement for the amounts of revenues, profit (loss), assets and liabilities by reportable segments

Revenues, profit (loss), assets and liabilities of reportable segments are recognized and measured mainly in accordance with accounting policies applied to consolidated financial statements.

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.

Changes in the method of calculating the amount of revenues, profit (loss) by reportable segments

In response to changes in the overall business environment as well as the Bank's financing structure, the Bank changed its methods for calculating the profits and losses of reportable segments starting in the year ended March 31, 2022.

Regarding the profit and loss of financing transaction in each reportable segment, the Bank changed from the calculation method by revenue allocation ratio decided based on the compensation of financing activities to the calculation method by expense allocation ratio decided based on the expenses of financing 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. The information regarding reportable segments for the year ended March 31, 2021, has been updated to reflect these new calculation methods.

3) Revenues, profit (loss), assets and liabilities by reportable segment

Year ended March 31, 2022

	Millions of Yen						
	RBG	IBG	ABG	SFG	IFG	FMG	Total
Consolidated net revenue	¥8,041	¥25,647	¥4,570	¥21,350	¥15,345	¥25,981	¥100,936
General and administrative expenses	8,767	12,463	3,537	9,511	6,570	4,924	45,775
Segment profit (loss)	(725)	15,804	1,032	11,838	8,775	21,056	57,781
Segment assets	15,244	1,434,530	124,284	1,180,066	919,697	2,418,046	6,091,869
Segment liabilities	3,173,848	536,439	1,209,971	50,686	57	902,517	5,873,521

	Thousands of U.S. Dollars						
	RBG	IBG	ABG	SFG	IFG	FMG	Total
Consolidated net revenue	$65,685	$209,487	$37,328	$174,386	$125,339	$212,214	$824,439
General and administrative expenses	71,611	101,805	28,894	77,689	53,665	40,227	373,891
Segment profit (loss)	(5,926)	129,087	8,434	96,697	71,674	171,987	471,953
Segment assets	124,516	11,717,146	1,015,148	9,638,704	7,512,029	19,750,439	49,757,982
Segment liabilities	25,923,780	4,381,600	9,882,969	414,006	468	7,371,702	47,974,525

Notes: 1. Due to the nature of the banking business, the Bank uses 'Consolidated net revenue' as a substitute for 'Sales' as would be used by non-financial service companies. 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. The Bank oversees its revenue by reportable segment using consolidated net revenue. The Bank offsets interest income and interest expense for the management purposes, 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 ($52,775 thousand).
3. Segment profit of IBG includes equity in earnings of associates of ¥2,620 million ($21,405 thousand) and segment assets of IBG include investments in entities applying equity methods of ¥22,637 million ($184,898 thousand).

Year ended March 31, 2021

	Millions of Yen						
	RBG	IBG	ABG	SFG	IFG	FMG	Total
Consolidated net revenue	¥5,749	¥22,474	¥5,148	¥22,088	¥12,143	¥29,832	¥97,435
General and administrative expenses	8,325	11,854	2,892	9,523	6,959	4,300	43,855
Segment profit (loss)	(2,575)	11,730	2,256	12,565	5,183	25,531	54,691
Segment assets	27,665	1,309,235	133,588	1,063,949	759,944	2,181,466	5,475,850
Segment liabilities	2,515,153	553,616	1,060,031	53,518	57	946,684	5,129,062

Notes: 1. Due to the nature of the banking business, the Bank uses 'Consolidated net revenue' as a substitute for 'Sales' as would be used by non-financial service companies. 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. The Bank oversees its revenue by reportable segment using consolidated net revenue. The Bank offsets interest income and interest expense for the management purposes, 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 ¥5,827 million.
3. Segment profit of IBG includes equity in earnings of associates of ¥1,111 million and segment assets of IBG include investments in entities applying equity methods of ¥17,917 million.

4) Reconciliation between total segment amounts and the consolidated financial statements

(a) Reconciliation between total consolidated net revenue of reportable segments and the consolidated net revenue in the consolidated statement of income for the years ended March 31, 2022 and 2021, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Total consolidated net revenue of reportable segments	¥100,936	¥97,435	$824,439
Variances resulting from profit or loss not covered by reportable segments or differences in the basis of revenue and expense recognition and measurement	2,074	(889)	16,948
Net revenue derived from the consolidated statement of income	¥103,011	¥96,546	$841,387

(b) Reconciliation between total segment profits and income before income taxes in the consolidated statement of income for the years ended March 31, 2022 and 2021, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Total segment profits	¥57,781	¥54,691	$471,953
Variances resulting from profit or loss not covered by reportable segments or differences in the basis of revenue and expense recognition and measurement	(9,942)	(12,022)	(81,207)
Amortization of actuarial differences on retirement benefit plans, etc.	302	(1,139)	2,467
Credit-related expenses, etc.	(3,740)	(4,348)	(30,553)
Gains (losses) on stock transactions	2,033	2,375	16,608
Others, including net extraordinary income (losses)	(458)	(579)	(3,745)
Income before income taxes in the consolidated statement of income	¥45,975	¥38,977	$375,523

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, 2022 and 2021, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Total segment assets	¥6,091,869	¥5,475,850	$49,757,982
Allowance for loan losses	(38,489)	(40,123)	(314,377)
Assets not allocated to reportable segments	675,273	481,139	5,515,583
Total assets in the consolidated balance sheet	¥6,728,653	¥5,916,866	$54,959,188

Note: As of March 31, 2022, assets not allocated to reportable segments include foreign exchange of ¥63,878 million ($521,752 thousand), other assets of ¥252,834 million ($2,065,139 thousand), fixed assets of ¥41,925 million ($342,445 thousand) and deferred tax assets of ¥31,729 million ($259,163 thousand). As of March 31, 2021, assets not allocated to reportable segments include foreign exchange of ¥58,154 million, other assets of ¥176,366 million, fixed assets of ¥43,444 million and deferred tax assets of ¥16,984 million.

(d) Reconciliation between total segment liabilities and total liabilities in the consolidated balance sheet as of March 31, 2022 and 2021, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Total segment liabilities	¥5,873,521	¥5,129,062	$47,974,525
Liabilities not allocated to reportable segments	367,866	297,797	3,004,707
Total liabilities in the consolidated balance sheet	¥6,241,387	¥5,426,859	$50,979,232

Note: As of March 31, 2022, liabilities not allocated to reportable segments include other liabilities of ¥64,446 million ($526,396 thousand) and retirement benefit liability of ¥10,974 million ($89,639 thousand). As of March 31, 2021, liabilities not allocated to reportable segments include other liabilities of ¥98,530 million and retirement benefit liability of ¥10,844 million.

(e) Detailed information on revenues from contracts with customers

	Millions of Yen	Thousands of U.S. Dollars
	2022	2022
Fees and commissions income (including trust fees)	¥17,744	$144,938
Loan business and deposit related	7,844	64,072
Securities and agency related	3,996	32,647
Others	5,903	48,219

Note: Of fees and commissions income (including trust fees), revenues from loan business and deposit related are mainly recorded in IBG, and revenues from securities and agency related are mainly recorded in RBG.
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, 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

	Thousands of U.S. Dollars				
	Lending	Securities investment	Derivatives, etc.	Others	Total
Ordinary income from external customers	$433,374	$405,819	$73,007	$188,331	$1,100,531

Year ended March 31, 2021

	Millions of Yen				
	Lending	Securities investment	Derivatives, etc.	Others	Total
Ordinary income from external customers	¥53,737	¥52,115	¥32,906	¥16,996	¥155,755

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, 2022 and 2021.

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, 2022

The description is omitted because it is immaterial.

For the year ended March 31, 2021

Not applicable.

(4) Segment information on amortization and unamortized portion of goodwill by reportable segment

Not applicable.

(5) Segment information on profit on negative goodwill by reportable segment

Not applicable.

32. Related-Party Transactions

There were no material related party transactions to be disclosed for the years ended March 31, 2022 and 2021.

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, 2022, was approved at the Board of Directors' meeting held on May 16, 2022:

	Millions of Yen	Thousands of U.S. Dollars
Year-end dividends:		
Common stock, ¥45.00 ($0.37) per share	¥5,254	$42,920

The following distribution of retained earnings to the stockholders of record as of June 30, 2022, was approved at the Board of Directors' meeting held on August 1, 2022:

	Millions of Yen	Thousands of U.S. Dollars
Dividends applicable to the three-month period ended June 30, 2022:		
Common stock, ¥38.00 ($0.31) per share	¥4,437	$36,244

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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, 2022, 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, 2022, 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 Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was 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 the matter.

Member of
Deloitte Touche Tohmatsu Limited

Independent Auditor's Report

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 48.6 billion yen against the loans of 3,317.1 billion yen and other accounts receivables in its consolidated financial statements as of March 31, 2022. 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 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 determined by the aforementioned process. The allowance for loan losses depends on the borrowers' financial conditions, the value of collateral held, forecasts related to economic trends, as well as other factors. 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" (22) "Significant Accounting Estimates" 1) "Allowance for loan losses" to the consolidated financial statements, the following areas involve a high degree of uncertainty. As the determination of the allowance for loan losses is particularly significant to our audit of the consolidated financial statements for the year ended March 31, 2022, we have identified it as a key audit matter. • 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 22% of total loans as of March 31, 2022. 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. • In developing accounting estimates, the Group 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 through the year ending March 31, 2023. Based on this general assumption, on an individual borrower level, the Group examined and evaluated the estimated period of time where the business performance of borrowers may be impacted by COVID-19 considering the business sector, region and individual characteristics of each borrower. As such, the determination of the borrower categories on this assumption and determination of allowance for loan losses require consideration of potential future credit deterioration and involve significant judgment in estimation.	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. • We tested the effectiveness of the control in which the division in charge of asset assessment evaluated the determination of the borrower categories based on the effects of COVID-19 and the determination of the allowance for loan losses considering the possibility of future credit deterioration. (Substantive procedures) • For significant borrowers that require consideration of the valuation of goodwill in determining the borrower categories, we evaluated the rationale of the estimation by examining business condition forecasts, cash flow projections and other information that served as the bases for the valuation of goodwill based on the status of the borrowers and the acquired businesses as well as the information included in reports from external agencies. • 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 adjusting them from the actual or market rates due to 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. • We evaluated the assumption that the effects of the COVID-19 pandemic on the economy and corporate activities would continue long term and that a certain portion of the borrowers may continue to be affected through the year ending March 31, 2023 by examining the Group's credit portfolio status, the industry specific information on the ongoing effects of COVID-19 published by external agencies as well as other analyses to determine whether the assumption fell within a reasonable range. In addition, we evaluated the rationale of the estimates, regarding the borrower categories for significant borrowers and the allowance for loan losses determined based on that assumption by inspecting relevant documents, evaluating the effects of COVID-19 prepared by management, and examining the expected ongoing effect of COVID-19 by industry through inspection of published information by external agencies as well as other analyses.

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.

Independent Auditor's Report

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.

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

August 5, 2022

Income Analysis (Consolidated)

Interest-Earning Assets and Interest-Bearing Liabilities

Years Ended March 31

(Millions of Yen, %)

	Average balance			Interest income/expenses			Return/rates		
	2022	2021	Change	2022	2021	Change	2022	2021	Change
Interest-earning assets	**5,177,712**	**4,615,337**	**562,375**	**66,141**	**67,807**	**(1,665)**	**1.27**	**1.46**	**(0.19)**
Due from banks	61,777	66,226	(4,449)	11	29	(17)	0.01	0.04	(0.03)
Call loans and bills bought	448,869	158,540	290,329	(54)	(31)	(22)	(0.01)	(0.01)	0.00
Securities purchased under resale agreements	4	142,350	(142,346)	(0)	(142)	142	(0.09)	(0.09)	0.00
Cash collateral provided for securities borrowed	—	—	—	—	—	—	—	—	—
Securities	1,344,391	1,157,287	187,104	20,283	21,234	(950)	1.50	1.83	(0.33)
Loans and bills discounted	3,136,496	2,911,611	224,885	44,792	45,631	(839)	1.42	1.56	(0.14)
Interest-bearing liabilities	**5,413,570**	**4,784,351**	**629,219**	**14,518**	**17,698**	**(3,179)**	**0.26**	**0.36**	**(0.10)**
Deposits	4,365,996	3,627,441	738,555	6,179	5,650	528	0.14	0.15	(0.01)
Negotiable certificates of deposit	34,272	39,574	(5,302)	3	4	(0)	0.01	0.01	(0.00)
Call money and bills sold	15,925	18,921	(2,995)	24	34	(10)	0.15	0.18	(0.03)
Securities sold under repurchase agreements	62,819	43,279	19,540	82	107	(25)	0.13	0.24	(0.11)
Cash collateral received for securities lent	364,118	348,299	15,818	356	1,513	(1,157)	0.09	0.43	(0.34)
Borrowed money	370,250	462,705	(92,454)	1,171	1,744	(573)	0.31	0.37	(0.06)
Bonds payable	180,593	198,383	(17,789)	1,957	2,230	(273)	1.08	1.12	(0.04)

Note: Interest expenses are shown after deduction of amounts of assumed cost of funding money held in trust .

Fees and Commissions

Years Ended March 31

(Millions of Yen)

	2022	2021	Change
Net fees and commissions	**14,024**	**12,481**	**1,543**
Fees and commissions income (including trust fees)	**17,744**	**14,938**	**2,806**
Deposits and loan operations	7,844	7,561	282
Foreign exchange operations	1,638	1,032	606
Securities-related operations	3,098	2,237	860
Agency services	898	945	(47)
Guarantee operations	111	151	(39)
Fees and commissions expenses	**3,720**	**2,457**	**1,262**
Foreign exchange operations	713	484	229

Gains on trading account transactions

Years Ended March 31

(Millions of Yen)

	2022	2021	Change
Net gains on trading account transactions	**16,642**	**13,401**	**3,241**
Gains on trading account transactions	**16,642**	**32,723**	**(16,081)**
Gains on trading securities	8,786	—	8,786
Gains on trading account securities	2,251	26,378	(24,126)
Gains on trading account financial derivatives	5,604	6,345	(741)
Gains on other trading account transactions	—	—	—
Losses on trading account transactions	**—**	**19,322**	**(19,322)**
Losses on trading securities	—	19,322	(19,322)
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)

	2022	2021	Change
Net other ordinary income	**20,731**	**20,574**	**157**
Other ordinary income	**28,066**	**35,495**	**(7,428)**
Gains on foreign exchange transactions	2,961	—	2,961
Gains on sales of bonds and other securities	9,408	18,357	(8,948)
Gains on redemption of bonds and other securities	—	—	—
Gains on derivatives	1,082	182	899
Other	14,614	16,955	(2,340)
Other ordinary expenses	**7,334**	**14,920**	**(7,586)**
Losses on foreign exchange transactions	—	477	(477)
Losses on sales of bonds and other securities	4,908	9,340	(4,432)
Losses on redemption of bonds and other securities	—	794	(794)
Losses on devaluation of bonds and other securities	—	68	(68)
Amortization of bond issuance costs	182	191	(9)
Losses on derivatives	—	—	—
Other	2,243	4,048	(1,804)

Non-Consolidated Business Results

Non-Consolidated Financial Highlights [Five-Year Summary]

Years Ended March 31

(Millions of Yen)

	2022	2021	2020	2019	2018
Ordinary income	119,899	149,454	176,858	156,829	143,932
Trust fees (Note 4)	444	386	462	189	—
Ordinary profit	41,014	41,473	45,342	51,335	56,948
Net income	29,854	29,526	28,669	38,043	42,015
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	480,047	489,440	424,309	443,611	429,092
Total assets	6,446,916	5,735,238	5,212,668	5,205,876	4,907,226
Debentures and Bonds payable	168,959	198,365	259,935	283,946	257,563
Deposits (Note 1)	4,597,581	3,855,140	3,325,989	3,196,659	2,980,351
Loans and bills discounted	3,230,905	2,918,317	2,937,508	2,782,131	2,624,742
Securities	1,494,578	1,445,782	1,151,561	1,314,968	1,209,919
Net assets per share (yen)	4,107.62	4,189.77	3,632.56	3,798.95	3,675.35
Common stock dividends per share (yen) (Note 2)	149.00	124.00	156.00	154.00	184.00
1st quarter end	(32.00)	(30.00)	(39.00)	(40.00)	(4.00)
2nd quarter end	(32.00)	(30.00)	(39.00)	(40.00)	(4.00)
3rd quarter end	(40.00)	(30.00)	(39.00)	(40.00)	(50.00)
Year end	(45.00)	(34.00)	(39.00)	(34.00)	(54.00)
Basic net income per share (yen)	255.69	253.01	245.70	326.06	360.17
Diluted net income per share (yen)	255.33	252.65	245.43	325.80	359.90
Dividend payout ratio (%)	58.27	49.00	63.49	47.23	51.08
Capital adequacy ratio (domestic standard) (%)	10.33	11.13	10.26	10.19	10.25
Number of employees (Note 3)	1,966	1,933	1,928	1,878	1,787
Trust assets (Note 4)	879,535	730,209	835,481	797,320	—
Loans and bills discounted (Trust account) (Note 4)	38,790	28,116	43,312	40,981	—
Securities (Trust account) (Note 4)	184,418	176,573	163,390	175,292	—
Rights represented by securities transferred and recorded electronically (Trust account)	—	—			

Notes:1. Deposits include negotiable certificates of deposit (NCDs).
2. The Bank consolidated every ten common shares into one common share on October 1, 2017. 'Common stock dividends per share' of FY2017 (184 yen) is presented as if the share consolidation was effective at the beginning of the fiscal year ended March 31, 2018. The dividend payments for the 1st quarter end and the 2nd quarter end of FY2017 are actual amounts before the share consolidation, and those for the 3rd quarter end and year-end are actual amounts after the share consolidation.
3. Number of employees includes executive officers and locally hired overseas staff, but excludes the Bank's employees seconded to other firms.
4. Due to the transfer of the trust business operations from GMO Aozora Net Bank, Ltd., to the Bank on October 1, 2018, 'Trust fees', 'Trust assets', 'Loans and bills discounted (Trust account)' and 'Securities (Trust account)' are added from the fiscal year ended March 31, 2019, going forward. '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, 2022

	Millions of Yen		Thousands of U.S. Dollars
Assets	2022	2021	2022
Cash and cash equivalents	¥948,606	¥758,637	$7,748,154
Due from banks	31,984	59,466	261,244
Call loans	122,243	41,000	998,473
Monetary claims bought	78,477	49,470	640,998
Trading account assets	133,008	154,611	1,086,405
Money held in trust	9,639	4,975	78,736
Securities	1,494,578	1,445,782	12,207,618
Loans and bills discounted	3,230,905	2,918,317	26,389,822
Foreign exchange	63,878	58,154	521,752
Other assets	286,308	222,907	2,338,550
Tangible fixed assets	21,147	22,596	172,727
Intangible fixed assets	12,125	12,461	99,040
Prepaid pension costs	5,132	4,227	41,922
Deferred tax assets	31,962	17,262	261,070
Customers' liabilities for acceptances and guarantees	25,381	16,083	207,315
Allowance for loan losses	(47,910)	(50,043)	(391,328)
Allowance for investment losses	(553)	(674)	(4,521)
Total	**¥6,446,916**	**¥5,735,238**	**$52,657,977**

	Millions of Yen		Thousands of U.S. Dollars
Liabilities and Equity	2022	2021	2022
Liabilities:			
Deposits	¥4,597,581	¥3,855,140	$37,552,733
Call money	16,121	15,536	131,679
Securities sold under repurchase agreements	69,876	56,750	570,750
Cash collateral received for securities lent	356,956	431,673	2,915,593
Trading account liabilities	129,227	140,451	1,055,520
Borrowed money	432,100	349,503	3,529,364
Bonds payable	168,959	198,365	1,380,052
Other liabilities	159,893	171,299	1,306,001
Provision for retirement benefits	10,367	10,383	84,680
Provision for credit losses on off-balance-sheet instruments	403	609	3,292
Acceptances and guarantees	25,381	16,083	207,315
Total liabilities	**5,966,868**	**5,245,797**	**48,736,979**
Equity:			
Share capital	100,000	100,000	816,793
Capital surplus			
Legal capital surplus	87,313	87,313	713,170
Other capital surplus	163	98	1,335
Retained earnings			
Legal retained earnings	12,686	12,686	103,626
Other retained earnings	278,761	265,675	2,276,902
Treasury stock-at cost	(3,117)	(3,260)	(25,465)
Valuation difference on available-for-sale securities	4,007	27,195	32,733
Deferred gains or losses on hedges	(157)	(750)	(1,284)
Share acquisition rights	390	482	3,188
Total equity	**480,047**	**489,440**	**3,920,998**
Total	**¥6,446,916**	**¥5,735,238**	**$52,657,977**

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 ¥122.43 to $1.00, the approximate rate of exchange at March 31, 2022.

Non-Consolidated Financial Statements

Non-Consolidated Statement of Income (Unaudited)

Aozora Bank, Ltd.
Year Ended March 31, 2022

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Income:			
Interest income:			
Interest on loans and discounts	¥38,429	¥39,813	$313,889
Interest and dividends on securities	20,298	21,251	165,794
Interest on due from banks	22	27	186
Other interest income	1,107	910	9,045
Trust fees	444	386	3,630
Fees and commissions income	14,975	14,563	122,318
Gain on trading account transactions	15,432	32,723	126,056
Other ordinary income	26,537	37,008	216,753
Other income	2,652	2,768	21,664
Total income	119,900	149,454	979,335
Expenses:			
Interest expenses:			
Interest on deposits	6,133	5,611	50,100
Interest on debentures and bonds payable	1,957	2,285	15,988
Interest on borrowings and rediscounts	902	1,816	7,373
Other interest expenses	5,193	7,996	42,416
Fees and commissions expenses	7,324	4,623	59,824
Loss on trading account transactions	–	20,851	–
Other ordinary expenses	7,498	14,084	61,247
General and administrative expenses	45,684	45,488	373,147
Other expenses	4,510	5,227	36,841
Total expenses	79,204	107,986	646,936
Income before income taxes	**40,695**	**41,468**	**332,399**
Income taxes:			
Current	11,569	12,645	94,499
Deferred	(728)	(704)	(5,946)
Total income taxes	10,841	11,941	88,553
Net income	**¥29,854**	**¥29,526**	**$243,846**

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 ¥122.43 to $1.00, the approximate rate of exchange at March 31, 2022.

Non-Consolidated Statement of Changes in Equity (Unaudited)

Aozora Bank, Ltd.
Year Ended March 31, 2022

	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, 2020	**¥100,000**	**¥87,313**	**¥74**	**¥12,686**	**¥251,201**	**¥(3,297)**	**¥(24,343)**	**¥229**	**¥444**	**¥424,309**
Net income					29,526					29,526
Cash dividends paid					(15,053)					(15,053)
Purchase of treasury stock						(0)				(0)
Disposal of treasury stock			23			37				60
Net changes in items during the year							51,539	(980)	37	50,596
Balance, March 31, 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**

	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, 2021	**$816,793**	**$713,170**	**$806**	**$103,626**	**$2,170,016**	**$(26,632)**	**$222,131**	**$(6,128)**	**$3,937**	**$3,997,719**
Cumulative effects of accounting change					(5,374)			(16)		(5,390)
Restated balance	816,793	713,170	806	103,626	2,164,642	(26,632)	222,131	(6,144)	3,937	3,992,329
Net income					243,846					243,846
Cash dividends paid					(131,586)					(131,586)
Purchase of treasury stock						(0)				(0)
Disposal of treasury stock			529			1,167				1,696
Net changes in items during the year							(189,398)	4,860	(749)	(185,287)
Balance, March 31, 2022	**$816,793**	**$713,170**	**$1,335**	**$103,626**	**$2,276,902**	**$(25,465)**	**$32,733**	**$(1,284)**	**$3,188**	**$3,920,998**

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 ¥122.43 to $1.00, the approximate rate of exchange at March 31, 2022.

Income Analysis (Non-Consolidated)

Net Revenue, Business Profit

(Millions of Yen)

	2022			2021		
	Total	Domestic operations	International operations	Total	Domestic operations	International operations
Net interest income	**45,681**	**20,070**	**25,611**	**44,311**	**20,245**	**24,065**
Interest income	59,857	26,814 [2,023]	35,066	62,003	26,765 [2,134]	37,372
Interest expenses	14,175	6,744	9,455 [2,023]	17,692	6,520	13,306 [2,134]
Trust fees	**444**	**444**	**—**	**386**	**386**	**—**
Net fees and commissions	**7,651**	**6,905**	**745**	**9,939**	**8,152**	**1,787**
Fees and commissions (income)	14,975	13,303	1,671	14,563	12,054	2,508
Fees and commissions (expenses)	7,324	6,397	926	4,623	3,901	721
Net trading income	**15,432**	**10,416**	**5,016**	**11,872**	**(11,039)**	**22,912**
Gain on trading account transactions	15,432	10,416	5,016	32,723	9,813	22,910
Loss on trading account transactions	—	—	—	20,851	20,852	(1)
Net other ordinary income	**19,038**	**9,100**	**9,937**	**22,924**	**7,498**	**15,425**
Other ordinary income	26,537	10,771	15,765	37,008	10,578	26,430
Other ordinary expenses	7,498	1,670	5,827	14,084	3,079	11,004
Net revenue	**88,249**	**46,938**	**41,310**	**89,434**	**25,243**	**64,191**
Net revenue ratio (%)	**1.75**	**1.07**	**1.98**	**1.95**	**0.65**	**3.13**
Business profit	**43,278**	—	—	**45,364**	—	—
Core net business profit	**42,262**	—	—	**45,085**	—	—
Core net business profit excluding gains (losses) on bonds	**37,762**	—	—	**36,931**	—	—
Core net business profit excluding gains (losses) on bonds and cancellation on investment trusts	**37,324**	—	—	**36,790**	—	—

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 banking accounts are included under international operations.
2. Interest expenses are shown after deduction of amounts equivalent to interest expenses on money held in trust (¥10 million for the fiscal year ended March 31, 2022 and ¥19 million for the fiscal year ended March 31, 2021).
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

(%)

	2022	2021
Ordinary profit to total assets	0.71	0.78
Ordinary profit to equity	8.46	9.07
Net income to total assets	0.51	0.56
Net income to equity	6.15	6.46

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

(%)

	2022			2021		
	Total	Domestic operations	International operations	Total	Domestic operations	International operations
Yield on interest-earning assets	1.18	0.61	1.68	1.35	0.69	1.82
Interest rate on interest-bearing liabilities	1.15	1.06	0.64	1.32	1.17	0.85
Net yield/interest rate	0.03	(0.45)	1.04	0.03	(0.48)	0.97

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

(Millions of Yen)

		2022			2021		
		Total	Domestic operations	International operations	Total	Domestic operations	International operations
Balance of interest-earning assets	**Average balance**	**5,041,038**	**4,373,314 [1,418,347]**	**2,086,071**	**4,573,685**	**3,837,272 [1,309,900]**	**2,046,313**
	Interest income/expense	**59,857**	**26,814 [2,023]**	**35,066**	**62,003**	**26,765 [2,134]**	**37,372**
	Return/rates (%)	**1.18**	**0.61**	**1.68**	**1.35**	**0.69**	**1.82**
Due from banks	Average balance	23,530	71	23,459	37,398	144	37,253
	Interest income/expense	22	0	22	27	0	27
	Return/rates (%)	0.09	0.00	0.09	0.07	0.04	0.07
Call loans	Average balance	398,294	389,019	9,275	139,689	139,345	344
	Interest income/expense	(34)	(44)	9	(23)	(24)	0
	Return/rates (%)	(0.00)	(0.01)	0.10	(0.01)	(0.01)	0.08
Securities purchased under resale agreements	Average balance	4	4	—	142,350	142,350	—
	Interest income/expense	(0)	(0)	—	(142)	(142)	—
	Return/rates (%)	(0.09)	(0.09)	—	(0.10)	(0.10)	—
Cash collateral provided for securities borrowed	Average balance	—	—	—	—	—	—
	Interest income/expense	—	—	—	—	—	—
	Return/rates (%)	—	—	—	—	—	—
Securities	Average balance	1,376,034	504,569	871,464	1,213,757	366,328	847,428
	Interest income/expense	20,298	4,891	15,406	21,251	4,645	16,605
	Return/rates (%)	1.47	0.96	1.76	1.75	1.26	1.95
Loans and bills discounted	Average balance	3,080,017	1,966,508	1,113,508	2,883,214	1,808,727	1,074,486
	Interest income/expense	38,463	18,907	19,556	39,837	19,207	20,629
	Return/rates (%)	1.24	0.96	1.75	1.38	1.06	1.91
Balance of interest-bearing liabilities	**Average balance**	**5,201,659**	**4,558,041**	**2,061,965 [1,418,347]**	**4,676,466**	**3,973,485**	**2,012,881 [1,309,900]**
	Interest income/expense	**14,175**	**6,744**	**9,455 [2,023]**	**17,692**	**6,520**	**13,306 [2,134]**
	Return/rates (%)	**0.27**	**0.14**	**0.45**	**0.37**	**0.16**	**0.66**
Deposits	Average balance	4,154,323	4,031,799	122,523	3,519,794	3,401,395	118,399
	Interest income/expense	6,130	5,747	382	5,607	4,931	676
	Return/rates (%)	0.14	0.14	0.31	0.15	0.14	0.57
Negotiable certificates of deposit	Average balance	34,272	34,272	—	39,574	39,574	—
	Interest income/expense	3	3	—	4	4	—
	Return/rates (%)	0.01	0.01	—	0.01	0.01	—
Debentures	Average balance	—	—	—	20,925	20,925	—
	Interest income/expense	—	—	—	55	55	—
	Return/rates (%)	—	—	—	0.26	0.26	—
Call money	Average balance	15,925	10,000	5,925	18,921	15,164	3,756
	Interest income/expense	24	1	23	34	(0)	35
	Return/rates (%)	0.15	0.01	0.39	0.18	(0.00)	0.93
Securities sold under repurchase agreements	Average balance	62,819	—	62,819	43,279	—	43,279
	Interest income/expense	82	—	82	107	—	107
	Return/rates (%)	0.13	—	0.13	0.24	—	0.24
Cash collateral received for securities lent	Average balance	364,118	4,904	359,213	348,299	969	347,330
	Interest income/expense	356	—	356	1,513	—	1,513
	Return/rates (%)	0.09	—	0.09	0.43	—	0.43
Borrowed money	Average balance	370,013	369,104	908	462,466	347,536	114,930
	Interest income/expense	878	876	2	1,782	1,392	390
	Return/rates (%)	0.23	0.23	0.26	0.38	0.40	0.33
Bonds payable	Average balance	180,593	98,509	82,083	198,383	133,863	64,520
	Interest income/expense	1,957	125	1,832	2,230	155	2,075
	Return/rates (%)	1.08	0.12	2.23	1.12	0.11	3.21

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.

Income Analysis (Non-Consolidated)

Analysis of Interest Income and Interest Expenses

(Millions of Yen)

		2022			2021		
		Total	Domestic operations	International operations	Total	Domestic operations	International operations
Interest income	**Volume-related increase (decrease)**	**6,335**	**3,738**	**726**	**3,963**	**1,082**	**(6,154)**
	Rate-related increase (decrease)	**(8,480)**	**(3,689)**	**(3,031)**	**(34,735)**	**(1,449)**	**(24,915)**
	Net increase (decrease)	**(2,145)**	**49**	**(2,305)**	**(30,771)**	**(366)**	**(31,070)**
Due from banks	Volume-related increase (decrease)	(10)	(0)	(10)	(31)	(0)	(28)
	Rate-related increase (decrease)	5	(0)	5	(644)	0	(648)
	Net increase (decrease)	(5)	(0)	(5)	(676)	(0)	(676)
Call loans	Volume-related increase (decrease)	(44)	(43)	7	75	38	7
	Rate-related increase (decrease)	33	23	1	(99)	(62)	(7)
	Net increase (decrease)	(10)	(19)	9	(24)	(24)	0
Securities purchased under resale agreements	Volume-related increase (decrease)	142	142	—	(141)	(141)	—
	Rate-related increase (decrease)	0	0	—	0	0	—
	Net increase (decrease)	142	142	—	(140)	(140)	—
Cash collateral provided for securities borrowed	Volume-related increase (decrease)	—	—	—	—	—	—
	Rate-related increase (decrease)	—	—	—	—	—	—
	Net increase (decrease)	—	—	—	—	—	—
Securities	Volume-related increase (decrease)	2,841	1,753	470	(1,615)	1,044	(3,575)
	Rate-related increase (decrease)	(3,794)	(1,507)	(1,670)	(8,521)	(1,178)	(6,427)
	Net increase (decrease)	(953)	246	(1,199)	(10,137)	(134)	(10,003)
Loans and bills discounted	Volume-related increase (decrease)	2,719	1,675	749	68	729	(2,390)
	Rate-related increase (decrease)	(4,092)	(1,975)	(1,822)	(19,186)	383	(17,840)
	Net increase (decrease)	(1,373)	(299)	(1,073)	(19,117)	1,112	(20,230)
Interest expenses	**Volume-related increase (decrease)**	**1,986**	**959**	**324**	**2,159**	**379**	**(4,982)**
	Rate-related increase (decrease)	**(5,503)**	**(734)**	**(4,176)**	**(31,004)**	**(92)**	**(24,816)**
	Net increase (decrease)	**(3,516)**	**224**	**(3,851)**	**(28,845)**	**287**	**(29,798)**
Deposits	Volume-related increase (decrease)	1,010	913	23	822	558	145
	Rate-related increase (decrease)	(488)	(97)	(317)	(2,445)	(459)	(1,867)
	Net increase (decrease)	522	816	(293)	(1,622)	99	(1,722)
Negotiable certificates of deposit	Volume-related increase (decrease)	(0)	(0)	—	(3)	(3)	—
	Rate-related increase (decrease)	(0)	(0)	—	0	0	—
	Net increase (decrease)	(0)	(0)	—	(2)	(2)	—
Debentures	Volume-related increase (decrease)	(55)	(55)	—	(80)	(80)	—
	Rate-related increase (decrease)	—	—	—	(2)	(2)	—
	Net increase (decrease)	(55)	(55)	—	(83)	(83)	—
Call money	Volume-related increase (decrease)	(5)	0	20	(392)	0	(533)
	Rate-related increase (decrease)	(4)	1	(32)	(205)	0	(65)
	Net increase (decrease)	(10)	1	(11)	(598)	0	(598)
Securities sold under repurchase agreements	Volume-related increase (decrease)	48	—	48	(546)	—	(546)
	Rate-related increase (decrease)	(74)	—	(74)	(872)	—	(872)
	Net increase (decrease)	(25)	—	(25)	(1,418)	—	(1,418)
Cash collateral received for securities lent	Volume-related increase (decrease)	68	—	51	(2,261)	(0)	(1,739)
	Rate-related increase (decrease)	(1,225)	—	(1,208)	(5,710)	(0)	(6,233)
	Net increase (decrease)	(1,157)	—	(1,157)	(7,972)	(0)	(7,972)
Borrowed money	Volume-related increase (decrease)	(356)	86	(387)	406	52	2,249
	Rate-related increase (decrease)	(547)	(602)	(0)	305	393	(1,983)
	Net increase (decrease)	(904)	(515)	(388)	712	446	266
Bonds payable	Volume-related increase (decrease)	(200)	(41)	564	(470)	(28)	(520)
	Rate-related increase (decrease)	(73)	10	(807)	35	6	106
	Net increase (decrease)	(273)	(30)	(242)	(435)	(21)	(414)

Note: Changes due to a combination of volume- and rate-related increases (decreases) have been included in rate-related increase (decrease).

Fees and Commissions

(Millions of Yen)

	2022			2021		
	Total	Domestic operations	International operations	Total	Domestic operations	International operations
Net fees and commissions	**7,651**	**6,905**	**745**	**9,939**	**8,152**	**1,787**
Fees and commissions income	**14,975**	**13,303**	**1,671**	**14,563**	**12,054**	**2,508**
Deposits and loan operations	7,646	7,134	512	7,419	7,113	305
Foreign exchange operations	196	187	8	198	182	16
Securities-related operations	1,382	1,382	—	938	938	—
Agency services	4,467	3,451	1,015	5,105	2,986	2,119
Guarantee operations	123	72	51	152	96	55
Fees and commissions expenses	**7,324**	**6,397**	**926**	**4,623**	**3,901**	**721**
Foreign exchange operations	158	89	69	153	108	44

Trading Income

(Millions of Yen)

	2022			2021		
	Total	Domestic operations	International operations	Total	Domestic operations	International operations
Net trading income	**15,432**	**10,416**	**5,016**	**11,872**	**(11,039)**	**22,912**
Gain on trading account transactions	**15,432**	**10,416**	**5,016**	**32,723**	**9,813**	**22,910**
Net gain on trading securities	7,576	7,576	—	—	—	—
Net gain on trading account securities	2,251	(1,302)	3,554	26,378	7,963	18,415
Net gain on trading account financial derivatives	5,604	4,142	1,461	6,345	1,850	4,495
Net gain on other trading account transactions	—	—	—	—	—	—
Loss on trading account transactions	**—**	**—**	**—**	**20,851**	**20,852**	**(1)**
Net loss on trading securities	—	—	—	20,851	20,852	(1)
Net loss on trading account securities	—	—	—	—	—	—
Net loss on trading account financial derivatives	—	—	—	—	—	—
Net loss on other trading account transactions	—	—	—	—	—	—

Financial and Corporate Data
Income Analysis (Non-Consolidated)

Income Analysis (Non-Consolidated)

Other Ordinary Income

(Millions of Yen)

	2022			2021		
	Total	Domestic operations	International operations	Total	Domestic operations	International operations
Net other ordinary income	**19,038**	**9,100**	**9,937**	**22,924**	**7,498**	**15,425**
Other ordinary income	**26,537**	**10,771**	**15,765**	**37,008**	**10,578**	**26,430**
Gains on foreign exchange transactions	2,583	—	2,583	—	—	—
Gains on sales of bonds and other securities	9,408	3,133	6,275	18,357	1,449	16,908
Gains on redemption of bonds and other securities	—	—	—	—	—	—
Gains on derivatives	1,082	—	1,082	182	—	182
Other	13,462	7,638	5,824	18,468	9,129	9,339
Other ordinary expenses	**7,498**	**1,670**	**5,827**	**14,084**	**3,079**	**11,004**
Losses on foreign exchange transactions	—	—	—	527	—	527
Losses on sales of bonds and other securities	4,908	220	4,687	9,340	1,055	8,285
Losses on redemption of bonds and other securities	—	—	—	794	173	621
Losses on devaluation of bonds and other securities	—	—	—	68	—	68
Amortization of bond issuance costs	214	131	82	233	166	67
Losses on derivatives	—	—	—	—	—	—
Other	2,375	1,318	1,057	3,118	1,684	1,434

General and Administrative Expenses

(Millions of Yen)

	2022	2021
General and administrative expenses	**45,684**	**45,488**
Salaries and allowances	18,332	17,571
Retirement benefit expenses	551	2,031
Welfare expenses	574	542
Depreciation	4,923	4,521
Rent and lease expenses	3,054	3,112
Building and maintenance expenses	225	257
Supplies expenses	269	294
Utilities expenses	308	301
Traveling expenses	122	85
Communication expenses	759	696
Advertising expenses	460	766
Taxes and dues	2,901	2,639
Other	13,197	12,667

Deposit Operations (Non-Consolidated)

Balance of Deposits

(Millions of Yen, %)

			2022			2021		
			Total	Domestic operations	International operations	Total	Domestic operations	International operations
Deposits								
Liquid deposits		**Average balance**	**1,663,531**	**1,663,531**	—	**1,023,087**	**1,023,087**	—
		(%)	**(40.04)**	**(41.26)**	—	**(29.07)**	**(30.08)**	—
		Term-end balance	**2,042,534**	**2,042,534**	—	**1,346,894**	**1,346,894**	—
		(%)	**(44.75)**	**(46.10)**	—	**(35.25)**	**(36.45)**	—
	Interest-bearing deposits	Average balance	1,628,751	1,628,751	—	989,770	989,770	—
		(%)	(39.21)	(40.40)	—	(28.12)	(29.10)	—
		Term-end balance	2,005,751	2,005,751	—	1,310,418	1,310,418	—
		(%)	(43.95)	(45.27)	—	(34.29)	(35.46)	—
Time deposits (in general)		**Average balance**	**2,366,907**	**2,366,907**	—	**2,377,594**	**2,377,594**	—
		(%)	**(56.97)**	**(58.71)**	—	**(67.55)**	**(69.90)**	—
		Term-end balance	**2,386,837**	**2,386,837**	—	**2,346,518**	**2,346,518**	—
		(%)	**(52.30)**	**(53.87)**	—	**(61.41)**	**(63.50)**	—
	Deregulated interest rate time deposits (fixed)	Average balance	1,586,944	1,586,944	—	1,692,262	1,692,262	—
		(%)	(38.20)	(39.36)	—	(48.08)	(49.75)	—
		Term-end balance	1,523,999	1,523,999	—	1,623,119	1,623,119	—
		(%)	(33.39)	(34.40)	—	(42.48)	(43.92)	—
	Deregulated interest rate time deposits (floating)	Average balance	779,963	779,963	—	685,332	685,332	—
		(%)	(18.77)	(19.35)	—	(19.47)	(20.15)	—
		Term-end balance	862,837	862,837	—	723,398	723,398	—
		(%)	(18.90)	(19.47)	—	(18.93)	(19.58)	—
Others		**Average balance**	**123,884**	**1,360**	**122,523**	**119,112**	**712**	**118,399**
		(%)	**(2.99)**	**(0.03)**	**(100.00)**	**(3.38)**	**(0.02)**	**(100.00)**
		Term-end balance	**134,709**	**1,443**	**133,266**	**127,727**	**1,989**	**125,738**
		(%)	**(2.95)**	**(0.03)**	**(100.00)**	**(3.34)**	**(0.05)**	**(100.00)**
Subtotal		**Average balance**	**4,154,323**	**4,031,799**	**122,523**	**3,519,794**	**3,401,395**	**118,399**
		(%)	**(100.00)**	**(100.00)**	**(100.00)**	**(100.00)**	**(100.00)**	**(100.00)**
		Term-end balance	**4,564,081**	**4,430,814**	**133,266**	**3,821,140**	**3,695,402**	**125,738**
		(%)	**(100.00)**	**(100.00)**	**(100.00)**	**(100.00)**	**(100.00)**	**(100.00)**
Negotiable certificates of deposit		**Average balance**	**34,272**	**34,272**	—	**39,574**	**39,574**	—
		Term-end balance	**33,500**	**33,500**	—	**34,000**	**34,000**	—
Total		**Average balance**	**4,188,595**	**4,066,072**	**122,523**	**3,559,369**	**3,440,970**	**118,399**
		Term-end balance	**4,597,581**	**4,464,314**	**133,266**	**3,855,140**	**3,729,402**	**125,738**

Notes: 1. Liquid deposits = Current deposits + ordinary deposits + savings deposits + deposits at notice
2. Time deposits (in general) = Time deposits
Deregulated interest rate time deposits (fixed) = Deregulated interest rate time deposits for which the interest up to the due date is determined when the deposits are made.
Deregulated interest rate time deposits (floating) = Deregulated interest rate time deposits for which the interest varies according to changes in market interest rates during the period of deposit.

Deposit Operations (Non-Consolidated)

Balance of Time Deposits by Residual Period

Years Ended March 31

(Millions of Yen)

	2022			2021		
	Total	Deregulated interest rate (fixed)	Deregulated interest rate (floating)	Total	Deregulated interest rate (fixed)	Deregulated interest rate (floating)
Less than 3 months	366,366	358,216	8,150	388,530	378,880	9,650
3–6 months	336,971	336,471	500	344,039	343,539	500
6 months–1 year	549,822	513,305	36,517	558,512	558,512	—
1–2 years	213,566	146,498	67,067	204,886	146,687	58,199
2–3 years	167,791	131,916	35,875	126,300	86,502	39,797
More than 3 years	752,319	37,590	714,728	724,249	108,997	615,252
Total	**2,386,837**	**1,523,999**	**862,837**	**2,346,518**	**1,623,119**	**723,398**

Balance of Deposits by Depositor

Years Ended March 31

(Millions of Yen, %)

	2022		2021	
	Balance	Share	Balance	Share
Corporate	674,658	14.78	655,853	17.16
Retail	3,026,240	66.31	2,388,661	62.51
Public sector	58,345	1.28	53,345	1.40
Financial institutions	804,836	17.63	723,279	18.93
Total	**4,564,081**	**100.00**	**3,821,140**	**100.00**

Note: The above balance does not include negotiable certificates of deposit in offshore market accounts.

Deposits per Office

Years Ended March 31

(Number of Offices, Millions of Yen)

	2022			2021		
	Total	Domestic offices	Overseas offices	Total	Domestic offices	Overseas offices
Number of offices	20	20	—	20	20	—
Deposits per office	229,879	229,879	—	192,757	192,757	—

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)

	2022			2021		
	Total	Domestic offices	Overseas offices	Total	Domestic offices	Overseas offices
Number of employees	1,987	1,987	—	1,955	1,955	—
Deposits per employee	2,313	2,313	—	1,971	1,971	—

Notes: 1. Deposits include negotiable certificates of deposit.
2. Number of employees represents the average number of employees in each fiscal year. The number of employees in domestic offices includes head office staff.

Loan Operations (Non-Consolidated)

Balance of Loans

Years Ended March 31

(Millions of Yen)

		2022			2021		
		Total	Domestic operations	International operations	Total	Domestic operations	International operations
Loans on deeds	Average balance	2,856,970	1,743,461	1,113,508	2,691,707	1,617,220	1,074,486
	Term-end balance	3,057,969	1,813,101	1,244,868	2,749,373	1,667,864	1,081,509
Loans on bills	Average balance	35,791	35,791	—	12,456	12,456	—
	Term-end balance	24,443	24,443	—	15,960	15,960	—
Overdrafts	Average balance	181,461	181,461	—	176,518	176,518	—
	Term-end balance	142,817	142,817	—	148,349	148,349	—
Bills discounted	Average balance	5,794	5,794	—	2,532	2,532	—
	Term-end balance	5,674	5,674	—	4,633	4,633	—
Total	**Average balance**	**3,080,017**	**1,966,508**	**1,113,508**	**2,883,214**	**1,808,727**	**1,074,486**
	Term-end balance	**3,230,905**	**1,986,037**	**1,244,868**	**2,918,317**	**1,836,808**	**1,081,509**

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)

	2022			2021		
	Total	Fixed interest	Floating interest	Total	Fixed interest	Floating interest
Less than 1 year	1,476,622			1,314,189		
1–3 years	578,459	239,407	339,051	565,946	221,229	344,717
3–5 years	610,656	218,206	392,449	561,529	198,664	362,865
5–7 years	335,100	78,661	256,439	268,927	60,888	208,038
Over 7 years	230,066	81,019	149,047	207,725	70,612	137,112
Indefinite period	—	—	—	—	—	—
Total	**3,230,905**			**2,918,317**		

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 less than 1 year.

Ratio of Loans and Bills Discounted to Deposits

(Millions of Yen, %)

	2022			2021		
	Total	Domestic operations	International operations	Total	Domestic operations	International operations
Loans and bills discounted (A)	3,230,905	1,986,037	1,244,868	2,918,317	1,836,808	1,081,509
Deposits (B)	4,597,581	4,464,314	133,266	3,855,140	3,729,402	125,738
Ratio(A)/(B)	70.27	44.48	934.12	75.69	49.25	860.12
Average during the year	73.53	48.36	908.81	80.53	52.24	907.50

Notes: 1. Deposits include negotiable certificates of deposit.
2. The above 'Average during the year' for the year ended of March 31,2021 is calculated as the ratio of Loans to the total amounts of Deposits and Debentures.

Loans per Office

(Number of Offices, Millions of Yen)

	2022			2021		
	Total	Domestic offices	Overseas offices	Total	Domestic offices	Overseas offices
Number of offices	20	20	—	20	20	—
Loans per office	161,545	161,545	—	145,915	145,915	—

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

Loan Operations (Non-Consolidated)

Loans per Employee

(Number of Employees, Millions of Yen)

	2022			2021		
	Total	Domestic offices	Overseas offices	Total	Domestic offices	Overseas offices
Number of employees	1,987	1,987	—	1,955	1,955	—
Loans per employee	1,626	1,626	—	1,492	1,492	—

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)

(Number of Borrowers, Millions of Yen, %)

	2022		2021	
	Number of borrowers	Value	Number of borrowers	Value
Total loans and bills discounted (A)	1,001	3,230,905	1,048	2,918,317
Loans to small and medium-sized enterprises(SMEs) (B)	779	2,517,539	823	2,240,369
(B)/(A)	77.82	77.92	78.53	76.76

Notes: 1. In this table, the balance of loans and bills discounted does not include offshore banking 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

(Millions of Yen)

	2022	2021
Consumer loans	**1,192**	**1,385**
Housing loans	801	979
Others	391	405

Note: Consumer loans outstanding includes personal housing loans, as well as personal loans for general spending purposes and tax payments, and does not include business loans to sole proprietorships or their owners.

Breakdown of Loans and Bills Discounted by Industry

Years Ended March 31

(Millions of Yen, %)

	2022		2021	
	Balance of loans	Share	Balance of loans	Share
Domestic offices	**3,230,905**	**100.00**	**2,918,317**	**100.00**
(excluding Japan offshore market accounts)				
Manufacturing	236,793	7.33	212,283	7.27
Agriculture, forestry and fisheries	4,129	0.13	4,501	0.15
Mining, quarry and gravel extraction	—	—	—	—
Construction	10,286	0.32	12,228	0.42
Electricity, gas, heat supply and water	87,017	2.69	49,788	1.71
Information and communications	102,637	3.18	113,118	3.88
Transport and postal service	40,375	1.25	35,778	1.23
Wholesale and retail trade	77,922	2.41	71,898	2.46
Finance and insurance	351,254	10.87	361,798	12.40
Real estate	715,063	22.13	626,079	21.45
Leasing	100,517	3.11	75,701	2.59
Other services	153,686	4.76	186,041	6.38
Local government	16,980	0.53	21,115	0.72
Others	1,334,241	41.29	1,147,982	39.34
Overseas offices	**—**	**—**	**—**	**—**
(including Japan offshore market accounts)				
Government	—	—	—	—
Financial institutions	—	—	—	—
Others	—	—	—	—
Total	**3,230,905**		**2,918,317**	

Note: Domestic offices refer to the Bank's head office and branch offices; overseas offices refer to the Bank's overseas branch offices.

Risk-Monitored Loans by Industry

Years Ended March 31

(Millions of Yen)

	2022	2021
Domestic offices	**20,698**	**25,751**
(excluding Japan offshore market accounts)		
Manufacturing	7,801	2,905
Agriculture, forestry and fisheries	4,161	4,501
Mining, quarry and gravel extraction	—	—
Construction	—	—
Electricity, gas, heat supply and water	—	—
Information and communications	—	—
Transport and postal service	—	—
Wholesale and retail trade	1,961	2,025
Finance and insurance	—	—
Real estate	2,139	2,273
Leasing	—	861
Other services	1,300	1,405
Local government	—	—
Others	3,334	11,779
Overseas offices	**—**	**—**
(including Japan offshore market accounts)		
Government	—	—
Financial institutions	—	—
Others	—	—
Total	**20,698**	**25,751**

Note: Risk monitored loans include accrued interest and suspense payments in other assets and customers' liabilities for acceptances and guarantees.

Loan Operations (Non-Consolidated)

Balance of Loans and Bills Discounted, Classified by Purpose

(Millions of Yen, %)

	2022		2021	
	Balance of loans	Share	Balance of loans	Share
Funds for capital investment	436,681	13.52	400,627	13.73
Funds for working capital	2,794,224	86.48	2,517,689	86.27
Total	**3,230,905**	**100.00**	**2,918,317**	**100.00**

Breakdown of Balance of Acceptances and Guarantees

(Millions of Yen)

	2022	2021
Acceptances of bills	—	—
Letters of credit	14,522	3,565
Guarantees	10,859	12,517
Total	**25,381**	**16,083**

Breakdown of Loans and Bills Discounted by Collateral

(Millions of Yen)

	2022	2021
Securities	10,284	9,634
Claims	36,517	42,061
Merchandise	—	—
Real estate	170,149	164,681
Others	8,132	13,920
Subtotal	**225,084**	**230,298**
Guaranteed	86,734	102,025
Unsecured	2,919,087	2,585,993
Total	**3,230,905**	**2,918,317**

Breakdown of Collateral for Customers' Liabilities for Acceptances and Guarantees

(Millions of Yen)

	2022	2021
Securities	—	—
Claims	—	—
Real estate	—	—
Others	5	25
Subtotal	**5**	**25**
Guaranteed	5,853	361
Unsecured	19,523	15,697
Total	**25,381**	**16,083**

Write-Off of Loans

(Millions of Yen)

	2022	2021
Write-off of loans	1,062	3,020

Allowance for Loan Losses

Years Ended March 31

(Millions of Yen)

	2022					2021				
			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	39,280	38,264	—	39,280	38,264	39,612	39,280	—	39,612	39,280
Specific allowance	[-264] 11,027	9,646	5,245	5,782	9,646	[101] 13,470	10,763	3,610	9,859	10,763
Related to non-residents	[-254] 4,004	40	3,391	613	40	[101] 4,789	3,749	3,151	1,637	3,749
Allowance for loans to restructuring countries	—	—	—	—	—	—	—	—	—	—

Note: Figures in parentheses for balance at beginning of year indicate translation difference due to foreign exchange fluctuations.

Country Risk Reserve

None.

Financial and Corporate Data
Loan Operations (Non-Consolidated)

Loan Operations (Non-Consolidated)

Disclosed Claims under Financial Reconstruction Law ("FRL Credit") and Risk-Monitored Loans

Years Ended March 31

Non-consolidated

(Billions of Yen)

	2022	2021
Disclosed claims under Financial Reconstruction Law ("FRL Credit") and Risk-Monitored Loans		
Bankrupt and similar credit	2.8	2.1
Doubtful credit	15.4	20.7
Special attention credit	2.3	2.8
Loans overdue for three months or more	—	—
Restructured loans	2.3	2.8
Subtotal (A)	20.6	25.7
Normal credit	3,272.3	2,938.5
Total credit (B)	3,293.0	2,964.2
(A/B)	0.62%	0.86%

Consolidated

(Billions of Yen)

	2022	2021
Disclosed claims under Financial Reconstruction Law ("FRL Credit") and Risk-Monitored Loans		
Bankrupt and similar credit	2.8	2.1
Doubtful credit	16.2	20.7
Special attention credit	2.3	4.4
Loans overdue for three months or more	—	1.5
Restructured loans	2.3	2.8
Subtotal (A)	21.4	27.3
Normal credit	3,346.0	2,966.6
Total credit (B)	3,367.4	2,994.0
(A/B)	0.63%	0.91%

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

Years Ended March 31

Non-consolidated

(%)

Definition of Borrower Categories	2022	2021
Normal	0.7	0.8
Need attention:		
Other need attention borrowers	5.0	5.0
Special attention borrowers (Ratio of reserve to unsecured)	60.9	52.5
In danger of bankruptcy (Ratio of reserve to unsecured)	87.7	87.7
De facto bankrupt and bankrupt (Ratio of reserve to unsecured)	100.0	100.0

Asset-Assessment, Disclosed Claims, Write-Offs and Reserves

(After Partial and Direct Write-Offs, Non-Consolidated Basis) as of March 31, 2022

(Billions of Yen)

Borrower categories for self-assessment	Disclosed credit under the FRL (Loans / Other)	Reserve and coverage for claims under the FRL	Reserve to unsecured credit ratio	Reserve and coverage ratio for claims under the FRL
Bankrupt borrowers De facto bankrupt borrowers	Bankrupt and similar credit 2.8	Collateral/Guarantee coverage 2.8 Reserve —	100.0%	100.0%
In danger of bankruptcy borrowers	Doubtful credit 15.4	Collateral/Guarantee coverage 4.4 Reserve 9.6 Estimated collections 1.3	87.7%	91.3%
Need attention borrowers	Special attention credit 2.3	Collateral/Guarantee coverage — Reserve 1.4 Estimated collections 0.9	60.9%	60.9%
Normal borrowers	Normal credit 3,272.3			
	Disclosed claims under the FRL 20.6	Collateral/Guarantee coverage 7.3 Reserve 11.1 Estimated collections 2.2	Reserve ratio for disclosed claims under the FRL 82.9%	Reserve and coverage ratio for disclosed claims under the FRL 89.0%
	Total credit 3,293.0	Total reserve 47.9		

FRL: Financial Reconstruction Law
Reserve to unsecured credit ratio = Reserve ÷ (Claims – Collateral, guarantees, etc.)
Reserve and coverage ratio = (Collateral, guarantees, etc. + Reserve) ÷ Claims

<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 Reserve Provision 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 Disclosed Claims under the Financial Reconstruction Law · Risk-Monitored Loans>

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	Special attention refers to loans in arrears for more than three months or with mitigated conditions.
Loans overdue for three months or more	Loans overdue for three 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 three months.
Restructured loans	Restructured loans refer to those loans, excluding 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 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.

Financial and Corporate Data
Loan Operations (Non-Consolidated)

Securities (Non-Consolidated)

Balance of Securities Held

(Millions of Yen, %)

		2022			2021		
		Total	Domestic operations	International operations	Total	Domestic operations	International operations
Total	**Average balance**	**1,376,034**	**504,569**	**871,464**	**1,213,757**	**366,328**	**847,428**
	(%)	**(100.00)**	**(100.00)**	**(100.00)**	**(100.00)**	**(100.00)**	**(100.00)**
	Term-end balance	**1,494,578**	**603,561**	**891,017**	**1,445,782**	**499,076**	**946,705**
	(%)	**(100.00)**	**(100.00)**	**(100.00)**	**(100.00)**	**(100.00)**	**(100.00)**
Japanese national government bonds	Average balance	30,999	30,999	–	10,400	10,400	–
	(%)	(2.25)	(6.14)	–	(0.86)	(2.84)	–
	Term-end balance	51,352	51,352	–	29,773	29,773	–
	(%)	(3.44)	(8.51)	–	(2.06)	(5.97)	–
Japanese local government bonds	Average balance	132,506	132,506	–	72,149	72,149	–
	(%)	(9.63)	(26.26)	–	(5.94)	(19.70)	–
	Term-end balance	133,452	133,452	–	128,971	128,971	–
	(%)	(8.93)	(22.11)	–	(8.92)	(25.84)	–
Japanese short-term corporate bonds	Average balance	369	369	–	191	191	–
	(%)	(0.03)	(0.07)	–	(0.02)	(0.05)	–
	Term-end balance	34,998	34,998	–	29,998	29,998	–
	(%)	(2.34)	(5.80)	–	(2.07)	(6.01)	–
Japanese corporate bonds	Average balance	135,630	135,630	–	79,694	79,694	–
	(%)	(9.86)	(26.88)	–	(6.57)	(21.75)	–
	Term-end balance	129,837	129,837	–	82,401	82,401	–
	(%)	(8.69)	(21.51)	–	(5.70)	(16.51)	–
Japanese stocks	Average balance	41,783	41,783	–	36,654	36,654	–
	(%)	(3.04)	(8.28)	–	(3.02)	(10.01)	–
	Term-end balance	65,525	65,525	–	58,219	58,219	–
	(%)	(4.38)	(10.86)	–	(4.03)	(11.67)	–
Others	Average balance	1,034,744	163,280	871,464	1,014,666	167,237	847,428
	(%)	(75.19)	(32.37)	(100.00)	(83.59)	(45.65)	(100.00)
	Term-end balance	1,079,411	188,394	891,017	1,116,418	169,712	946,705
	(%)	(72.22)	(31.21)	(100.00)	(77.22)	(34.00)	(100.00)

Note: Total for 'Others' is the sum of domestic operations for 'Others' and international operations.

Balance of Securities by Residual Period

(Millions of Yen)

	2022						2021					
	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	–	3,127	34,998	15,205		15,599	–	3,473	29,998	1,068		11,313
1–3 years	–	9,015	–	3,439		70,791	–	7,973	–	705		24,999
3–5 years	–	17,564	–	25,140		107,773	–	11,063	–	14,820		159,591
5–7 years	–	5,849	–	11,678		40,038	–	8,868	–	10,169		48,759
7–10 years	29,723	97,895	–	2,103		95,536	10,009	97,592	–	4,225		110,258
Over 10 years	21,629	–	–	72,270		206,320	19,764	–	–	51,411		245,628
Indefinite period	–	–	–	–	65,525	543,352	–	–	–	–	58,219	515,867
Total	**51,352**	**133,452**	**34,998**	**129,837**	**65,525**	**1,079,411**	**29,773**	**128,971**	**29,998**	**82,401**	**58,219**	**1,116,418**

Ratio of Securities to Deposits

(Millions of Yen, %)

	2022			2021		
	Total	Domestic operations	International operations	Total	Domestic operations	International operations
Securities (A)	1,494,578	603,561	891,017	1,445,782	499,076	946,705
Deposits (B)	4,597,581	4,464,314	133,266	3,855,140	3,729,402	125,738
Ratio (A)/(B)	32.50	13.51	668.59	37.50	13.38	752.91
Average during the year	32.85	12.40	711.26	33.90	10.58	715.73

Notes: 1.Deposits include negotiable certificates of deposit.
2.The above 'Average during the year' for the year ended of March 31,2021 is calculated as the ratio of Securities to the total amounts of Deposits and Debentures.

Securities Business (Non-Consolidated)

Underwriting of Public Bonds

(Millions of Yen)

	2022	2021
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)

	2022	2021
Japanese national government bonds	–	–
Japanese local government bonds and government-guaranteed bonds	–	–
Total	**–**	**–**
Securities investment trusts	72,953	37,138

International Operations (Non-Consolidated)

Foreign Exchange Transactions

Years Ended March 31

(Millions of U.S. Dollars)

		2022	2021
Outward exchange:	Foreign bills sold	2,990	6,328
	Foreign bills bought	—	—
Incoming exchange:	Foreign bills payable	809	2,519
	Foreign bills receivable	—	—
Total		**3,800**	**8,848**

Balance of Assets in International Operations

(Millions of Yen)

	2022			2021		
	Total	Domestic offices	Overseas offices	Total	Domestic offices	Overseas offices
Balance of assets in international operations	2,394,312	2,394,312	—	2,268,277	2,268,277	—

Trust Business Operations (Non-Consolidated)

Statement of Trust Assets and Liabilities

(Millions of Yen)

Account	2022	2021
(Assets)		
Loans and bills discounted	**38,790**	**28,116**
Loans on deeds	38,790	28,116
Securities	**184,418**	**176,573**
Government bonds	6,785	7,788
Local government bonds	9,075	9,075
Corporate bonds	24,843	26,849
Foreign securities	143,714	132,860
Beneficiary rights	**5,359**	**3,625**
Securities held in custody accounts	**216,451**	**217,707**
Money claims	**238,606**	**117,676**
Money claims on home mortgage	1,353	1,664
Other money claims	237,253	116,011
Tangible fixed assets	**111,044**	**98,136**
Real estate	111,044	98,136
Other claims	**5,362**	**8,683**
Cash and due from banks	**79,502**	**79,690**
Due from banks	79,502	79,690
Assets Total	**879,535**	**730,209**
(Liabilities)		
Money trusts	**198,475**	**192,267**
Money entrusted, other than money trusts	**123,055**	**106,790**
Securities trusts	**216,632**	**217,890**
Monetary claims trusts	**49,116**	**7,004**
Composite trusts	**292,255**	**206,257**
Liabilities Total	**879,535**	**730,209**

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

(Millions of Yen)

Type	2022	2021
Money trusts	198,475	192,267
Total	**198,475**	**192,267**

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

Trust Business Operations (Non-Consolidated)

Balance of Securities Related to Money Trusts

(Millions of Yen, %)

Type	2022		2021	
	Balance	Percentage	Balance	Percentage
Government bonds	6,785	3.68	6,785	3.87
Local government bond	9,075	4.92	9,075	5.17
Short-term corporate bonds	—	—	—	—
Corporate bonds	24,843	13.47	26,849	15.29
Stocks	—	—	—	—
Other securities	143,714	77.93	132,860	75.67
Total	**184,418**	**100.00**	**175,570**	**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

(Millions of Yen)

Type	2022	2021
Money trusts		
Less than 1 year	363	607
1-2 years	10,000	10,290
2-5 years	1,046	793
Over 5 years	1,045	1,223
Others	—	—
Total	**12,455**	**12,915**

Note: There are no balances for loan trusts.

Balance of Loans and Securities Held in Money Trust by Type

(Millions of Yen)

Type	2022	2021
Money trusts		
Loans	—	—
Securities	184,418	175,570
Money trusts Total	**184,418**	**175,570**
Total Loans	**—**	**—**
Total Securities	**184,418**	**175,570**
Total Loans and Securities	**184,418**	**175,570**

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."

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, 2022)

	Number of shares held	Percentage of total outstanding shares
The Master Trust Bank of Japan, Ltd. (Trust Account)	18,224 Thousands	15.41%
Custody Bank of Japan, Ltd. (Trust Account)	5,263	4.45
The Nomura Trust and Banking Co., Ltd. (Trust Account 2052255)	5,000	4.23
SMBC Nikko Securities Inc.	2,676	2.26
JP MORGAN CHASE BANK 385781	1,548	1.31
Aozora Bank, Ltd.	1,517	1.28
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	1,445	1.22
STATE STREET BANK WEST CLIENT – TREATY 505234	1,326	1.12
BNYM AS AGT/CLTS NON TREATY JASDEC	1,250	1.06
MSIP CLIENT SECURITIES	993	0.84
GOLDMAN SACHS JAPAN CO.,LTD. BNYM	905	0.77
Others	78,138	66.05
Total	118,289	100.00

Notes: The above table was compiled based on the Bank's Shareholder Registry as of March 31, 2022.

Ownership and Distribution of Shares

(As of March 31, 2022)

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		Individuals and others	Total	
					Other than individuals	Individuals			
Number of shareholders	—	58	42	736	307	168	85,193	86,504	—
Number of shares held (*tangen*)	—	342,734	58,598	45,939	209,693	1,415	523,705	1,182,084	81,018
Percentage of total number of shares	—	28.99	4.96	3.89	17.74	0.12	44.30	100.00	—

Notes: 1. Treasury stock of 1,517,048 shares comprises 15,170 *tangen* units under Individuals and others and 48 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.

Composition of Capital Disclosure

Composition of Capital Disclosure (Consolidated)

(Basel III)

(Millions of Yen)

Items	March 31, 2022	March 31, 2021
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	481,017	463,856
of which: capital and capital surplus	187,476	187,412
of which: retained earnings	301,914	283,674
of which: treasury stock (–)	3,117	3,260
of which: national specific regulatory adjustments (earnings to be distributed) (–)	5,256	3,969
of which: other than above	—	—
Accumulated other comprehensive income included in Core capital	3,216	3
of which: foreign currency translation adjustment	3,450	(971)
of which: remeasurements of defined benefit plans	(233)	974
Subscription rights to common shares and preferred shares with mandatory conversion clause	390	482
Adjusted non-controlling interests (amount allowed in group Core capital)	—	—
Total of general allowance for loan losses and eligible provisions included in Core capital	38,896	40,697
of which: general allowance for loan losses	38,896	40,697
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	185	272
Core capital: instruments and reserves (A)	523,706	505,311
Core capital: regulatory adjustments (2)		
Total intangible assets (net of related tax liability, excluding those relating to mortgage servicing rights)	19,696	19,642
of which: goodwill (including those equivalent)	3,965	3,761
of which: other intangibles other than goodwill and mortgage servicing rights	15,731	15,881
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	53	170
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	133	—
Defined-benefit pension fund net assets (prepaid pension costs)	3,444	3,982
Investments in own shares (excluding those reported in the Net assets section)	8	10
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)	—	—

(Millions of Yen)

Items	March 31, 2022	March 31, 2021
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)	23,335	23,806
Regulatory capital		
Regulatory capital ((A)–(B)) (C)	500,370	481,505
Risk-weighted assets (3)		
Credit risk assets	4,245,714	3,853,572
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	407,830	355,759
Risk assets derived from operational risk equivalents	167,469	152,219
Adjustments to credit risk assets	—	—
Adjustments to operational risk equivalents	—	—
Total risk-weighted assets (D)	4,821,014	4,361,551
Consolidated capital adequacy ratio		
Consolidated capital adequacy ratio ((C)/(D))	10.37%	11.03%

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, 2022	March 31, 2021
Total required capital		192,840	174,462
Credit risk	Standardized approach	169,828	154,142
Market risk equivalents	Internal models approach and Standardized approach	16,313	14,230
Operational risk equivalents	Standardized approach	6,698	6,088

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

Composition of Capital Disclosure (Non-Consolidated)

(Basel III)

(Millions of Yen)

Items	March 31, 2022	March 31, 2021
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	470,552	458,545
of which: capital and capital surplus	187,476	187,412
of which: retained earnings	291,448	278,361
of which: treasury stock (–)	3,117	3,260
of which: national specific regulatory adjustments (earnings to be distributed) (–)	5,254	3,967
of which: other than above	—	—
Subscription rights to common shares and preferred shares with mandatory conversion clause	390	482
Total of general allowance for loan losses and eligible provisions included in Core capital	38,667	39,852
of which: general allowance for loan losses	38,667	39,852
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)	509,609	498,879
Core capital: regulatory adjustments (2)		
Total intangible assets (net of related tax liability, excluding those relating to mortgage servicing rights)	8,412	8,645
of which: goodwill (including those equivalent)	—	—
of which: other intangibles other than goodwill and mortgage servicing rights	8,412	8,645
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	—	—
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	133	—
Defined-benefit pension fund net assets (prepaid pension costs)	3,560	2,933
Investments in own shares (excluding those reported in the Net assets section)	8	10
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)	12,115	11,589
Regulatory capital		
Regulatory capital ((A)–(B)) (C)	497,494	487,290

(Millions of Yen)

Items	March 31, 2022	March 31, 2021
Risk-weighted assets (3)		
Credit risk assets	4,254,514	3,881,639
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	407,465	355,315
Risk assets derived from operational risk equivalents	153,788	141,139
Adjustments to credit risk assets	—	—
Adjustments to operational risk equivalents	—	—
Total risk-weighted assets (D)	4,815,768	4,378,094
Non-consolidated capital adequacy ratio		
Non-consolidated capital adequacy ratio ((C)/(D))	10.33%	11.13%

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, 2022	March 31, 2021
Total required capital		192,630	175,123
Credit risk	Standardized approach	170,180	155,265
Market risk equivalents	Internal models approach and Standardized approach	16,298	14,212
Operational risk equivalents	Standardized approach	6,151	5,645

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

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)

(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.	755	242	financial services
AHT Investments	11	11	financial services
Tokyo Recovery	15	2	financial services
Aozora Recovery Acquisition 1	4,089	4	financial services
Momiji Recovery	2	2	financial services
Chiba-Musashino Partner	315	3	financial services
Shinkumi Recovery Co., Ltd.	540	3	financial services
Aozora Recovery Support Co., Ltd.	1,418	2	financial services
AL3 Co., Ltd.	43	2	financial services
AL4 Co., Ltd.	1	1	financial services
Aozora Asset Co., Ltd.	503	2	financial services
Fukushima Recovery Co., Ltd.	226	218	financial services
Aozora Chiiki Saisei Co., Ltd.	4,630	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

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, 2022)

Item	Common Stock
Issuing entity	Aozora Bank
Amounts included in core capital	¥187,476 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, 2022.

(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, 2022.

(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, 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. Maturity dates of core deposits are set monthly by equal amount to the maximum maturity of 5 years for whichever is the lowest amount over the past 1 year among the following three criteria: (1) the minimum balance over the past 5 years, (2) the balance delivered by subtracting the largest annual outflow over the past 5 years from the current balance or (3) 50% of the current balance. The maximum maturity set to liquid deposits is 5 years, and the average maturity is 0.5 years on a non-consolidated basis and 0.4 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’.

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, 2022 and 2021)

Not applicable

2. Items pertaining to capital adequacy

(1) Breakdown by Portfolio (Non-Consolidated)

(100 Million Yen)

Category	March 31, 2022			March 31, 2021		
	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	62	—	—	61	—	—
Claims on Japanese government/bank	12,091	—	—	9,588	—	—
Claims on foreign central government/bank	3,412	123	4	3,779	85	3
Claims on Bank for International Settlements (BIS)	—	—	—	—	—	—
Claims on Japanese local public bodies	1,625	—	—	1,509	—	—
Claims on non-central government public sector entities (PSEs) of foreign countries	1,249	249	9	1,320	264	10
Claims on multilateral development banks (MDBs)	—	—	—	—	—	—
Claims on Japan Finance Organization for Municipalities (JFM)	29	0	0	29	0	0
Claims on organs affiliated with the Japanese government	322	20	0	182	8	0
Claims on three major local public corporations	104	1	0	92	1	0
Claims on financial institutions and Type I financial instruments business operators	3,985	797	31	3,268	653	26
Claims on corporates	21,996	18,578	743	20,125	17,436	697
Claims on SMEs and individuals	—	—	—	—	—	—
Mortgage-backed housing loans	—	—	—	6	2	0
Claims on projects including acquisition of real estate properties	2,301	2,301	92	1,966	1,966	78
Loans overdue for three months or more	1,034	1,509	60	982	1,411	56
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.	1,272	1,272	50	1,179	1,179	47
Securitization exposure	2,795	803	32	2,162	742	29
Rating-based approach	2,649	747	29	2,040	687	27
Standardized approach	146	56	2	121	54	2
Risk weight = 1,250%	—	—	—	—	—	—
Specialized lending	7,038	6,911	276	6,353	6,207	248
Exposures relating to funds	4,452	6,124	244	3,997	5,026	201
Look-through approach	4,419	6,091	243	3,963	4,992	199
Mandate-based approach	32	32	1	33	33	1
250%	—	—	—	—	—	—
400%	—	—	—	—	—	—
Fall-back approach = 1,250%	—	—	—	—	—	—
Amount calculated by dividing equivalent CVA risk amount by 8%	—	596	23	—	650	26
Central counterparty-related	945	61	2	698	67	2
Total of items included in risk-weighted assets subject to phase-out arrangements	—	—	—	—	—	—
Other	1,506	3,193	127	1,438	3,111	124
Total	**66,228**	**42,545**	**1,701**	**58,744**	**38,816**	**1,552**

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 originated or 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.

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

Breakdown by Portfolio (Consolidated)

(100 Million Yen)

Category	March 31, 2022			March 31, 2021		
	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	62	—	—	61	—	—
Claims on Japanese government/bank	15,086	—	—	11,412	—	—
Claims on foreign central government/bank	3,412	123	4	3,779	85	3
Claims on Bank for International Settlements (BIS)	—	—	—	—	—	—
Claims on Japanese local public bodies	1,934	—	—	1,671	—	—
Claims on non-central government public sector entities (PSEs) of foreign countries	1,249	249	9	1,320	264	10
Claims on multilateral development banks (MDBs)	—	—	—	—	—	—
Claims on Japan Finance Organization for Municipalities (JFM)	29	0	0	29	0	0
Claims on organs affiliated with the Japanese government	387	26	1	209	11	0
Claims on three major local public corporations	104	1	0	92	1	0
Claims on financial institutions and Type I financial instruments business operators	3,979	795	31	3,504	700	28
Claims on corporates	22,358	18,980	759	20,401	17,746	709
Claims on SMEs and individuals	—	—	—	—	—	—
Mortgage-backed housing loans	—	—	—	6	2	0
Claims on projects including acquisition of real estate properties	2,301	2,301	92	1,966	1,966	78
Loans overdue for three months or more	1,338	1,955	78	1,300	1,888	75
Cash items in process of collection	21	4	0	11	2	0
Loans guaranteed by Credit Guarantee Association, etc.	—	—	—	—	—	—
Loans guaranteed by Regional Economy Vitalization Corporation of Japan (REVIC), etc.	—	—	—	—	—	—
Equity, etc.	731	731	29	669	669	26
Securitization exposure	2,799	805	32	2,172	746	29
Rating-based approach	2,652	748	29	2,050	691	27
Standardized approach	146	56	2	121	54	2
Risk weight = 1,250%	—	—	—	—	—	—
Specialized lending	7,038	6,911	276	6,353	6,207	248
Exposures relating to funds	4,011	5,535	221	3,559	4,420	176
Look-through approach	3,978	5,502	220	3,525	4,386	175
Mandate-based approach	32	32	1	33	33	1
250%	—	—	—	—	—	—
400%	—	—	—	—	—	—
Fall-back approach = 1,250%	0	0	0	0	0	0
Amount calculated by dividing equivalent CVA risk amount by 8%	—	596	23	—	650	26
Central counterparty-related	945	61	2	698	67	2
Total of items included in risk-weighted assets subject to phase-out arrangements	—	—	—	—	—	—
Other	1,798	3,378	135	1,561	3,103	124
Total	**69,589**	**42,457**	**1,698**	**60,784**	**38,535**	**1,541**

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 originated or sponsored by the Aozora Group.

(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' and in the Risk Governance section of this annual report under the heading 'Operational Risk Management.'

(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	March 31, 2022				March 31, 2021			
	Loans, etc.	Securities	Derivatives	Total	Loans, etc.	Securities	Derivatives	Total
Japan	35,849	5,690	1,140	42,680	31,482	4,626	1,028	37,137
Overseas	13,905	8,712	929	23,547	12,039	8,887	679	21,606
Total	**49,754**	**14,403**	**2,070**	**66,228**	**43,521**	**13,514**	**1,708**	**58,744**

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	March 31, 2022				March 31, 2021			
	Loans, etc.	Securities	Derivatives	Total	Loans, etc.	Securities	Derivatives	Total
Japan	39,384	5,547	1,140	46,072	34,026	4,167	1,028	39,222
Overseas	14,073	8,513	929	23,516	12,193	8,688	679	21,561
Total	**53,457**	**14,060**	**2,070**	**69,589**	**46,220**	**12,855**	**1,708**	**60,784**

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.

Financial and Corporate Data
Disclosure Based on Basel III Capital Accord Pillar III—Market Discipline

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

Breakdown of Exposure by Industry Sector (Non-Consolidated)

(100 Million Yen)

Industry sector	March 31, 2022				March 31, 2021			
	Loans, etc.	Securities	Derivatives	Total	Loans, etc.	Securities	Derivatives	Total
Sovereign	12,061	6,662	4	18,728	9,707	6,772	25	16,505
Financial institution	2,570	674	920	4,166	2,086	593	653	3,333
Manufacturing	4,599	487	56	5,143	4,173	368	63	4,605
Agriculture/forestry/fisheries	107	—	—	107	67	—	1	68
Mining	34	—	—	34	59	—	—	59
Construction	315	11	11	337	274	11	6	291
Utilities (electric power/gas/ heat supply/water service)	1,562	241	73	1,877	1,278	179	76	1,535
Information & telecommunications	2,152	54	—	2,206	2,141	112	0	2,254
Transport	645	174	25	844	594	53	38	686
Wholesale/retail	1,510	115	90	1,717	1,313	103	92	1,509
Other financial business (moneylending, leasing)	9,021	4,568	859	14,449	7,181	4,107	700	11,988
Real estate	10,057	1,379	20	11,456	9,498	1,196	25	10,721
Various services (excluding leasing)	3,501	24	7	3,533	3,561	4	24	3,590
Others	1,614	9	—	1,624	1,583	10	0	1,594
Total	**49,754**	**14,403**	**2,070**	**66,228**	**43,521**	**13,514**	**1,708**	**58,744**

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	March 31, 2022				March 31, 2021			
	Loans, etc.	Securities	Derivatives	Total	Loans, etc.	Securities	Derivatives	Total
Sovereign	13,674	7,286	4	20,965	10,559	7,041	25	17,626
Financial institution	2,562	351	920	3,834	2,316	307	653	3,277
Manufacturing	4,616	487	56	5,160	4,189	368	63	4,621
Agriculture/forestry/fisheries	126	—	—	126	86	—	1	87
Mining	34	—	—	34	59	—	—	59
Construction	315	11	11	337	297	11	6	314
Utilities (electric power/gas/ heat supply/water service)	1,633	241	73	1,948	1,349	179	76	1,606
Information & telecommunications	2,189	54	—	2,244	2,185	112	0	2,298
Transport	645	188	25	858	594	73	38	706
Wholesale/retail	1,527	115	90	1,734	1,328	103	92	1,524
Other financial business (moneylending, leasing)	9,044	3,915	859	13,819	7,228	3,450	700	11,378
Real estate	10,057	1,379	20	11,456	9,498	1,196	25	10,721
Various services (excluding leasing)	3,533	20	7	3,562	3,582	0	24	3,607
Others	3,495	9	—	3,505	2,942	10	0	2,952
Total	**53,457**	**14,060**	**2,070**	**69,589**	**46,220**	**12,855**	**1,708**	**60,784**

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	March 31, 2022				March 31, 2021			
	Loans, etc.	Securities	Derivatives	Total	Loans, etc.	Securities	Derivatives	Total
< 1 year	7,729	661	648	9,040	6,444	450	306	7,201
≧1 year < 5 years	16,579	1,972	706	19,259	15,632	1,744	428	17,805
≧5 years	25,445	11,769	714	37,928	21,444	11,318	973	33,737
Total	**49,754**	**14,403**	**2,070**	**66,228**	**43,521**	**13,514**	**1,708**	**58,744**

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	March 31, 2022				March 31, 2021			
	Loans, etc.	Securities	Derivatives	Total	Loans, etc.	Securities	Derivatives	Total
< 1 year	8,283	990	648	9,922	6,681	567	306	7,556
≧1 year < 5 years	16,746	2,283	706	19,737	15,828	1,923	428	18,180
≧5 years	28,427	10,786	714	39,929	23,710	10,364	973	35,048
Total	**53,457**	**14,060**	**2,070**	**69,589**	**46,220**	**12,855**	**1,708**	**60,784**

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	March 31, 2022				March 31, 2021			
	Loans, etc.	Securities	Derivatives	Total	Loans, etc.	Securities	Derivatives	Total
Japan	50	—	—	50	45	—	1	47
Overseas	956	27	—	984	929	5	—	935
Total	**1,007**	**27**	**—**	**1,034**	**975**	**5**	**1**	**982**

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	March 31, 2022				March 31, 2021			
	Loans, etc.	Securities	Derivatives	Total	Loans, etc.	Securities	Derivatives	Total
Japan	333	—	—	333	347	—	1	348
Overseas	977	27	—	1,005	945	5	—	951
Total	**1,310**	**27**	**—**	**1,338**	**1,293**	**5**	**1**	**1,300**

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	March 31, 2022				March 31, 2021			
	Loans, etc.	Securities	Derivatives	Total	Loans, etc.	Securities	Derivatives	Total
Sovereign	—	—	—	—	—	—	—	—
Financial institution	—	—	—	—	—	—	—	—
Manufacturing	329	—	—	329	286	—	—	286
Agriculture/forestry/fisheries	46	—	—	46	21	—	1	22
Mining	—	—	—	—	—	—	—	—
Construction	13	—	—	13	—	—	—	—
Utilities (electric power/gas/ heat supply/water service)	0	22	—	22	29	—	—	29
Information & telecommunications	157	—	—	157	150	—	—	150
Transport	—	—	—	—	0	5	—	5
Wholesale/retail	154	—	—	154	159	—	—	159
Other financial business (moneylending, leasing)	30	5	—	35	—	—	—	—
Real estate	4	—	—	4	26	—	—	26
Various services (excluding leasing)	270	—	—	270	301	—	—	301
Others	0	—	—	0	0	—	—	0
Total	**1,007**	**27**	**—**	**1,034**	**975**	**5**	**1**	**982**

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	March 31, 2022				March 31, 2021			
	Loans, etc.	Securities	Derivatives	Total	Loans, etc.	Securities	Derivatives	Total
Sovereign	—	—	—	—	—	—	—	—
Financial institution	—	—	—	—	—	—	—	—
Manufacturing	336	—	—	336	286	—	—	286
Agriculture/forestry/fisheries	46	—	—	46	37	—	1	38
Mining	—	—	—	—	—	—	—	—
Construction	13	—	—	13	—	—	—	—
Utilities (electric power/gas/ heat supply/water service)	0	22	—	22	29	—	—	29
Information & telecommunications	171	—	—	171	150	—	—	150
Transport	—	—	—	—	0	5	—	5
Wholesale/retail	154	—	—	154	159	—	—	159
Other financial business (moneylending, leasing)	30	5	—	35	—	—	—	—
Real estate	4	—	—	4	26	—	—	26
Various services (excluding leasing)	270	—	—	270	301	—	—	301
Others	282	—	—	282	301	—	—	301
Total	**1,310**	**27**	**—**	**1,338**	**1,293**	**5**	**1**	**1,300**

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.

(3) Year-end balances and year-on-year changes for general allowance for loan losses, specific allowance for loan losses and country risk allowance:

Breakdown of Allowance by Area (Non-Consolidated)

(100 Million Yen)

Area	Mar. 2022	Mar. 2021	Difference
General allowance	382	392	(10)
Specific allowance	96	107	(11)
Japan	96	70	25
Overseas	0	37	(37)
Allowance for loans to restructuring countries	—	—	—
Total	**479**	**500**	**(21)**

Breakdown of Allowance by Area (Consolidated)

(100 Million Yen)

Area	Mar. 2022	Mar. 2021	Difference
General allowance	384	401	(16)
Specific allowance	101	107	(5)
Japan	96	70	25
Overseas	5	37	(31)
Allowance for loans to restructuring countries	—	—	—
Total	**486**	**508**	**(22)**

Breakdown of Allowance by Industry Sector (Non-Consolidated)

(100 Million Yen)

Industry sector	Mar. 2022	Mar. 2021	Difference
General allowance	382	392	(10)
Specific allowance	96	107	(11)
Sovereign	—	—	—
Financial institution	—	—	—
Manufacturing	41	1	40
Agriculture/forestry/fisheries	22	32	(9)
Mining	—	—	—
Construction	—	—	—
Utilities (electric power/gas/heat supply/water service)	—	—	—
Information & telecommunications	—	—	—
Transport	—	—	—
Wholesale/retail	19	20	(0)
Other financial business (moneylending, leasing)	—	23	(23)
Real estate	0	17	(17)
Various services (excluding leasing)	11	11	(0)
Others	—	0	(0)
Allowance for loans to restructuring countries	—	—	—
Total	**479**	**500**	**(21)**

Breakdown of Allowance by Industry Sector (Consolidated)

(100 Million Yen)

Industry sector	Mar. 2022	Mar. 2021	Difference
General allowance	384	401	(16)
Specific allowance	101	107	(5)
Sovereign	—	—	—
Financial institution	—	—	—
Manufacturing	47	1	45
Agriculture/forestry/fisheries	22	32	(9)
Mining	—	—	—
Construction	0	—	0
Utilities (electric power/gas/heat supply/water service)	—	—	—
Information & telecommunications	0	—	0
Transport	0	—	0
Wholesale/retail	19	20	(0)
Other financial business (moneylending, leasing)	0	23	(23)
Real estate	0	17	(17)
Various services (excluding leasing)	11	11	0
Others	—	0	(0)
Allowance for loans to restructuring countries	—	—	—
Total	**486**	**508**	**(22)**

(4) Write-offs by industry sector:

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

(100 Million Yen)

Industry sector	Mar. 2022	Mar. 2021	Difference
Sovereign	—	—	—
Financial institution	—	—	—
Manufacturing	0	10	(10)
Agriculture/forestry/fisheries	2	—	2
Mining	—	—	—
Construction	—	—	—
Utilities (electric power/gas/heat supply/water service)	—	—	—
Information & telecommunications	—	—	—
Transport	—	4	(4)
Wholesale/retail	—	7	(7)
Other financial business (moneylending, leasing)	7	—	7
Real estate	—	—	—
Various services (excluding leasing)	—	7	(7)
Others	0	—	0
Total	**10**	**30**	**(19)**

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. 2022	Mar. 2021	Difference
Sovereign	—	—	—
Financial institution	—	—	—
Manufacturing	—	0	(0)
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	3	1	1
Total	**13**	**1**	**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.

(5) Outstanding exposure after credit risk mitigation by risk weight:

(Non-Consolidated)

(100 Million Yen)

Risk weight	March 31, 2022		March 31, 2021	
	Amount of exposure	Application of external rating	Amount of exposure	Application of external rating
0%	16,966	2,942	14,809	3,527
> 0% ≦ 10%	1,118	55	749	19
> 10% ≦ 20%	9,504	8,825	7,533	7,476
> 20% ≦ 50%	4,392	4,247	3,516	3,390
> 50% ≦ 75%	997	232	1,073	332
> 75% ≦ 100%	27,807	7,480	26,126	6,904
> 100% ≦ 150%	3,392	1,147	3,122	1,039
> 150% < 1,250%	1,842	—	1,504	—
1,250%	17	—	37	—
Total	**66,040**	**24,930**	**58,474**	**22,690**

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	March 31, 2022		March 31, 2021	
	Amount of exposure	Application of external rating	Amount of exposure	Application of external rating
0%	20,263	2,942	16,789	3,527
> 0% ≦ 10%	1,183	55	776	19
> 10% ≦ 20%	9,707	8,833	7,923	7,733
> 20% ≦ 50%	4,391	4,255	3,524	3,408
> 50% ≦ 75%	980	232	1,073	332
> 75% ≦ 100%	27,587	7,627	25,756	7,053
> 100% ≦ 150%	3,408	1,161	3,154	1,039
> 150% < 1,250%	1,753	—	1,478	—
1,250%	17	—	37	—
Total	**69,401**	**25,107**	**60,514**	**23,114**

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	March 31, 2022	March 31, 2021
Eligible financial collateral	2,053	1,434
Cash and deposits at Aozora	1,898	1,423
Debt securities	145	—
Equities	9	10
Others	—	—
Guarantees and credit derivatives	1,096	850
Guarantees	1,096	850
Credit derivatives	—	—
Total	**3,150**	**2,284**

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	March 31, 2022	March 31, 2021
Eligible financial collateral	2,053	1,434
Cash and deposits at Aozora	1,898	1,423
Debt securities	145	—
Equities	9	10
Others	—	—
Guarantees and credit derivatives	1,096	850
Guarantees	1,096	850
Credit derivatives	—	—
Total	**3,150**	**2,284**

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)

	March 31, 2022	March 31, 2021
Replacement cost(RC)	1,296	651
Potential future exposures(PFE)	1,442	1,280
Credit-equivalent amount(RC + PFE) x 1.4	3,834	2,704
Amount of credit risk assets	490	514
Collateral used in this transaction		
Received collateral	1,964	1,287
Cash and deposits at Aozora	1,818	1,287
Debt securities	145	0
Posted collateral	1,195	589
Cash and deposits at Aozora	1,195	589
Debt securities	—	—

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

(100 Million Yen)

	March 31, 2022	March 31, 2021
Replacement cost(RC)	1,296	651
Potential future exposures(PFE)	1,442	1,280
Credit-equivalent amount(RC + PFE) x 1.4	3,834	2,704
Amount of credit risk assets	490	514
Collateral used in this transaction		
Received collateral	1,964	1,287
Cash and deposits at Aozora	1,818	1,287
Debt securities	145	0
Posted collateral	1,195	589
Cash and deposits at Aozora	1,195	589
Debt securities	—	—

Breakdown of Credit Derivative Transactions (Non-Consolidated)

(100 Million Yen)

Type of transaction	Purchase or supply of guarantee	March 31, 2022	March 31, 2021
		Notional principal	Notional principal
Transactions subject to the calculation of credit-equivalent amount		2,716	2,613
Credit derivatives (credit reference asset of single organization)	Purchase	1,218	1,175
	Supply	1,497	1,437
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	March 31, 2022	March 31, 2021
		Notional principal	Notional principal
Transactions subject to the calculation of credit-equivalent amount		2,716	2,613
Credit derivatives (credit reference asset of single organization)	Purchase	1,218	1,175
	Supply	1,497	1,437
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.

Financial and Corporate Data
Disclosure Based on Basel III Capital Accord Pillar III—Market Discipline

6. Items pertaining to securitization transactions

(1) Securitization transactions originated by the Aozora Group

As of March 31, 2021 and 2022, there were no securitization transactions originated by the Aozora Group.

(2) Securitization transactions in which the Aozora Group invests

Securitization Exposure Held by the Group (Non-Consolidated)

(100 Million Yen)

	March 31, 2022					
	Securitization exposure		Resecuritization exposure		Total	
Category of underlying assets	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**

(100 Million Yen)

	March 31, 2021					
	Securitization exposure		Resecuritization exposure		Total	
Category of underlying assets	On-Balance	Off-Balance	On-Balance	Off-Balance	On-Balance	Off-Balance
Corporate exposures	1,067	50	—	—	1,067	50
Retail exposures	1,027	16	—	—	1,027	16
Residential loan receivables	—	—	—	—	—	—
Lease receivables	—	—	—	—	—	—
Others	—	—	—	—	—	—
Total	**2,095**	**66**	**—**	**—**	**2,095**	**66**

Securitization Exposure Held by the Group (Consolidated)

(100 Million Yen)

	March 31, 2022					
	Securitization exposure		Resecuritization exposure		Total	
Category of underlying assets	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**

(100 Million Yen)

	March 31, 2021					
	Securitization exposure		Resecuritization exposure		Total	
Category of underlying assets	On-Balance	Off-Balance	On-Balance	Off-Balance	On-Balance	Off-Balance
Corporate exposures	1,067	50	—	—	1,067	50
Retail exposures	1,037	16	—	—	1,037	16
Residential loan receivables	—	—	—	—	—	—
Lease receivables	—	—	—	—	—	—
Others	—	—	—	—	—	—
Total	**2,105**	**66**	**—**	**—**	**2,105**	**66**

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

(100 Million Yen)

	March 31, 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**	**—**	**—**	**—**	**—**

(100 Million Yen)

	March 31, 2021							
	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%	1,519	11	50	0	—	—	—	—
> 20%≦50%	134	2	—	—	—	—	—	—
> 50%≦100%	337	8	—	—	—	—	—	—
> 100% < 1,250%	103	5	16	0	—	—	—	—
1,250%	—	—	—	—	—	—	—	—
Total	**2,095**	**28**	**66**	**1**	**—**	**—**	**—**	**—**

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

(100 Million Yen)

	March 31, 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**	**—**	**—**	**—**	**—**

(100 Million Yen)

	March 31, 2021							
	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%	1,519	11	50	0	—	—	—	—
> 20%≦50%	144	2	—	—	—	—	—	—
> 50%≦100%	337	8	—	—	—	—	—	—
> 100% < 1,250%	103	5	16	0	—	—	—	—
1,250%	—	—	—	—	—	—	—	—
Total	**2,105**	**28**	**66**	**1**	**—**	**—**	**—**	**—**

Securitization Exposure Calculated By Risk Weight of 1,250% (Non-Consolidated)

(100 Million Yen)

Category of underlying assets	March 31, 2022 Amount of exposure	March 31, 2021 Amount of exposure
Corporate exposures	—	—
Retail exposures	—	—
Residential loan receivables	—	—
Lease receivables	—	—
Others	—	—
Total	—	—

Securitization Exposure Calculated By Risk Weight of 1,250% (Consolidated)

(100 Million Yen)

Category of underlying assets	March 31, 2022 Amount of exposure	March 31, 2021 Amount of exposure
Corporate exposures	—	—
Retail exposures	—	—
Residential loan receivables	—	—
Lease receivables	—	—
Others	—	—
Total	—	—

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, 2021 and 2022, 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, 2021 and 2022.

(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, 2021 and 2022.

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, 2021 and 2022.

8. Items pertaining to equity exposures in the banking book

(1) Balance sheet amount

(Millions of Yen)

	March 31, 2022		March 31, 2021	
	Non-consolidated	Consolidated	Non-consolidated	Consolidated
Balance sheet amount	148,071	93,904	150,691	99,711
Listed stock exposures	93,168	93,168	98,671	98,671
Other	54,903	736	52,020	1,040

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

(Millions of Yen)

	FY2021		FY2020	
	Non-consolidated	Consolidated	Non-consolidated	Consolidated
Gains on sales	3,707	3,707	1,567	1,567
Losses on sales	409	409	669	669
Write-off	—	—	0	0

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

(Millions of Yen)

	March 31, 2022		March 31, 2021	
	Non-consolidated	Consolidated	Non-consolidated	Consolidated
Unrealized gains (losses)	20,038	20,038	22,986	22,986

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

(As of March 31, 2022 and 2021)

Consolidated: Not applicable

Non-consolidated: Not applicable

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

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, 2022	March 31, 2021	March 31, 2022	March 31, 2021
1	Parallel up	80,721	81,003	△8,457	△5,438
2	Parallel down	18	25	6,614	△3,318
3	Steepener	47,168	52,438		
4	Flattener				
5	Short-term interest rate up				
6	Short-term interest rate down				
7	Maximum	80,721	81,003	6,614	△3,318
		e		f	
		March 31 2022		March 31 2021	
8	Regulatory capital	497,494		487,290	

・Consolidated

(Millions of Yen)

IRRBB1：Interest rate risk

Item No.		a	b	c	d
		⊿EVE		⊿NII	
		March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
1	Parallel up	88,373	85,779	△15,788	△10,071
2	Parallel down	5	5	14,962	6,201
3	Steepener	47,193	52,387		
4	Flattener				
5	Short-term interest rate up				
6	Short-term interest rate down				
7	Maximum	88,373	85,779	14,962	6,201
		e		f	
		March 31 2022		March 31 2021	
8	Regulatory capital	500,370		481,505	

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 2022
Meetings of NRC	6

The sum of individual remunerations of NRC members is not stated as it is difficult to calculate how much of an individual NRC member's total remuneration corresponds to remuneration paid for NRC-related duties.

Disclosure Related to Remuneration

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 24, 2021 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, 2021 to March 31, 2022)

(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	394	280	70	43		
'Employees' (including executive officers)	18	786	467	196	53	68	

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 2022 is as follows:
Remuneration to directors: 341 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 24, 2021.
3. Performance based (Bonus) refers to the provision amount allocated for bonuses (70 million yen) during FY2021. The actual amount of bonuses was decided by the NRC on May 23, 2022, and the amount paid in June 2022 to four directors (which excludes Outside Directors) in recognition of their services rendered during FY2021 was 105 million yen.
4. 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.
5. There is no deferred bonus to be paid in subsequent years as of this fiscal year.
6. 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 First Equity Compensation Type Stock Options	As from August 2, 2014 through August 1, 2044	0
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	28
The Fourth Equity Compensation Type Stock Options	As from July 14, 2017 through July 13, 2047	36
The Fifth Equity Compensation Type Stock Options	As from July 14, 2018 through July 13, 2048	49
The Sixth Equity Compensation Type Stock Options	As from July 12, 2019 through July 11, 2049	67
The Seventh Equity Compensation Type Stock Options	As from July 11, 2020 through July 10, 2050	75
The Eighth Equity Compensation Type Stock Options	As from July 13, 2021 through July 12, 2051	115

7. A payment of compensation with an extraordinary nature was not applicable during the fiscal year ended March 2022 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, 2022)

Fiscal year	From April 1 to March 31
Ordinary General Shareholders' Meeting	Held in June
Record date for determination of dividends	March 31, June 30, September 30 and December 31
Record date	Ordinary General Shareholders' Meeting: 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
Manager of register of shareholders and administrator of the 'special account'	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Manager of register of shareholders' location	Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo
(Mailing address)	Stock Transfer Agency Business Planning Dept., 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.

AOZORA BANK, LTD.

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