



Summary of the Financial Statements for the First Six Months of FY2022 [JGAAP] (Consolidated)

November 11, 2022

| | | | |
|--|---|-----------------------|---|
| Company name | Aozora Bank, Ltd. | Listed exchange | Tokyo Stock Exchange |
| TSE code | 8304 | URL | https://www.aozorabank.co.jp/ |
| Representative | Kei Tanikawa, President and CEO | | |
| Contact person | Yukie Tajima, Joint General Manager of Financial Control Division | | |
| Scheduled filing date of securities report | Nov. 25, 2022 | Dividend payable date | Dec. 15, 2022 |
| Reference material | Affirmative | Trading accounts | Affirmative |
| Investor meeting | Affirmative | TEL | (03)6752-1111 |

(Unit: JPY millions, rounded down)

1. Business highlights for the first six months of FY2022

(1) Consolidated business results

(Note: Percentages show year-on-year rates of change)

| | Ordinary income | | Ordinary profit | | Profit attributable to owners of parent | |
|--------------------|-----------------|--------|-----------------|--------|---|--------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Six months ended | | | | | | |
| September 30, 2022 | 95,447 | 42.6 | 20,413 | (23.0) | 15,389 | (20.8) |
| September 30, 2021 | 66,955 | (12.5) | 26,495 | 39.9 | 19,440 | 28.5 |

(Note) Comprehensive income JPY (39,028) million –% (Six months ended September 30, 2022)
JPY 34,381 million (39.9)% (Six months ended September 30, 2021)

| | Net income per common share (basic) | Net income per common share (diluted) |
|--------------------|-------------------------------------|---------------------------------------|
| | Yen | Yen |
| Six months ended | | |
| September 30, 2022 | 131.78 | 131.57 |
| September 30, 2021 | 166.53 | 166.23 |

(2) Consolidated financial condition

| | Total assets | Total net assets | Net assets to total assets ratio | Net assets per common share |
|--------------------|-----------------|------------------|----------------------------------|-----------------------------|
| | Millions of yen | Millions of yen | % | Yen |
| September 30, 2022 | 7,157,529 | 438,672 | 6.2 | 3,813.95 |
| March 31, 2022 | 6,728,653 | 487,265 | 7.3 | 4,222.79 |

(Ref.) Total net assets (less Share acquisition rights and Non-controlling interests) JPY 445,398 million (September 30, 2022)
JPY 493,105 million (March 31, 2022)

(Note) Net assets to total assets ratio = (Total net assets - Share acquisition rights - Non-controlling interests) / Total assets

The above Net assets to total assets ratio is different from the capital adequacy ratio prescribed in the notification of the Financial Services Agency.

2. Dividend

| | Annual dividend | | | | |
|----------------------------------|-----------------|--------|--------|----------|--------|
| | 1Q end | 2Q end | 3Q end | Year-end | Annual |
| | Yen | Yen | Yen | Yen | Yen |
| FY2021 (common share) | 32.00 | 32.00 | 40.00 | 45.00 | 149.00 |
| FY2022 (common share) | 38.00 | 38.00 | | | |
| FY2022 (common share) (Forecast) | | | – | – | 154.00 |

(Note) Revision of dividends forecast to the latest announcement None

The dividend payment forecast for FY2022 was calculated by dividing the total dividend amount, which is set at 50% of Profit attributable to owners of parent for forecast FY2022, by the total number of common share issued, excluding treasury shares, as of September 30, 2022. Aozora will continue to pay dividends on a quarterly basis, although dividend payment forecast was announced only on an annual basis.

3. Consolidated earnings forecast for the year ending March 31, 2023 (FY2022)

(Note: Percentages show year-on-year rates of change)

| | Ordinary profit | | Profit attributable to owners of parent | | Net income per common share |
|--------------------|-----------------|-----|---|-----|-----------------------------|
| | Millions of yen | % | Millions of yen | % | Yen |
| FY2022 (Full Year) | 49,500 | 6.9 | 36,000 | 2.8 | 308.26 |

(Note) Revision of consolidated earnings forecast to the latest announcement None

*Notes

- (1) Changes in material subsidiaries during the first six months
(changes in specified subsidiaries which affect the scope of consolidation) None
- (2) Changes in accounting policy, accounting estimates, or retrospective restatements
 - (a) Changes with revisions of accounting standards Affirmative
 - (b) Changes other than (a) above None
 - (c) Changes in accounting estimates None
 - (d) Retrospective restatements None

(3) The number of common shares issued

| | September 30, 2022 | March 31, 2022 |
|--|--------------------|----------------|
| (a) The number of common shares issued (including treasury shares) | 118,289,418 | 118,289,418 |
| (b) The number of treasury shares | 1,508,198 | 1,517,048 |

| | Six months ended September 30, 2022 | Six months ended September 30, 2021 |
|--|--|--|
| (c) The average number of common shares outstanding (6 months) | 116,776,816 | 116,737,806 |

(Summary of non-consolidated financial statements)

1. Business highlights for the first six months of FY2022

(1) Business results

(Note: Percentages show year-on-year rates of change)

| | Ordinary income | | Ordinary profit | | Profit | |
|--|-----------------|--------|-----------------|--------|-----------------|--------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Six months ended September 30, 2022 | 86,946 | 45.8 | 19,062 | (19.5) | 3,424 | (79.8) |
| September 30, 2021 | 59,641 | (21.6) | 23,668 | (0.2) | 16,986 | (6.1) |

| | Net income per common share (basic) |
|--|-------------------------------------|
| Six months ended September 30, 2022 | 29.32 Yen |
| September 30, 2021 | 145.50 |

(2) Financial condition

| | Total assets | Total net assets | Net assets to total assets ratio | Net assets per common share |
|--------------------|-----------------|------------------|----------------------------------|-----------------------------|
| | Millions of yen | Millions of yen | % | Yen |
| September 30, 2022 | 6,785,477 | 412,532 | 6.1 | 3,528.21 |
| March 31, 2022 | 6,446,916 | 480,047 | 7.4 | 4,107.62 |

(Ref.) Total net assets (less Share acquisition rights): JPY 412,028 million (September 30, 2022) JPY 479,657 million (March 31, 2022)

(Note) Net assets to total assets ratio = (Total net assets - Share acquisition rights) / Total assets

The above Net assets to total assets ratio is different from the capital adequacy ratio prescribed in the notification of the Financial Services Agency.

2. Non-consolidated earnings forecast for the year ending March 31, 2023 (FY2022)

(Note: Percentages show year-on-year rates of change)

| | Ordinary profit | | Profit | | Net income per common share |
|-------------------|-----------------|-------|-----------------|-------|-----------------------------|
| | Millions of yen | % | Millions of yen | % | Yen |
| FY2022(Full Year) | 41,000 | (0.0) | 29,000 | (2.9) | 248.32 |

※Summary of the Financial Statements for the First Six Months is out of scope of interim audit (by CPAs or audit firms) .

※Notes and remarks for the proper use of earnings projection

The above earnings forecast involves certain risks and uncertainties since the calculations are based on management's assumptions and beliefs in light of information currently available. This should not be interpreted as a promise or guarantee that the forecast will be achieved. Please be aware that actual results may be materially different from the forecast presented herein due to various factors.

[Attachment]

| | |
|---|----|
| 1. Interim consolidated financial statements and main notes | 2 |
| (1) Interim consolidated balance sheet | 2 |
| (2) Interim consolidated statement of income and Interim consolidated statement of comprehensive income | 3 |
| Interim consolidated statement of income | 3 |
| Interim consolidated statement of comprehensive income | 3 |
| (3) Interim consolidated statement of changes in net assets | 4 |
| (4) Notes to interim consolidated financial statements | 6 |
| (Information on going concern assumption) | 6 |
| (Change in accounting Policy) | 6 |
| (Additional information) | 6 |
| 2. Interim non-consolidated financial statements | 7 |
| (1) Interim non-consolidated balance sheet | 7 |
| (2) Interim non-consolidated statement of income | 9 |
| (3) Interim non-consolidated statement of changes in net assets | 10 |

1. Interim consolidated financial statements and main notes

(1) Interim consolidated balance sheet

(Millions of yen)

| | As of March 31, 2022 | As of September 30, 2022 |
|--|----------------------|--------------------------|
| Assets | | |
| Cash and due from banks | 1,141,946 | 971,073 |
| Call loans and bills bought | 122,243 | 74,481 |
| Monetary claims bought | 101,687 | 88,984 |
| Trading account assets | 133,021 | 176,354 |
| Money held in trust | 20,930 | 14,905 |
| Securities | 1,478,178 | 1,420,353 |
| Loans and bills discounted | 3,317,125 | 3,848,781 |
| Foreign exchanges | 63,878 | 97,249 |
| Other assets | 306,215 | 391,733 |
| Tangible fixed assets | 21,785 | 21,086 |
| Intangible fixed assets | 20,140 | 19,685 |
| Retirement benefit asset | 4,964 | 5,224 |
| Deferred tax assets | 31,729 | 56,485 |
| Customers' liabilities for acceptances and guarantees | 14,038 | 15,801 |
| Allowance for loan losses | (48,677) | (44,278) |
| Allowance for investment loss | (553) | (393) |
| Total assets | 6,728,653 | 7,157,529 |
| Liabilities | | |
| Deposits | 4,838,056 | 5,269,160 |
| Negotiable certificates of deposit | 33,500 | 33,000 |
| Call money and bills sold | 16,121 | 17,240 |
| Securities sold under repurchase agreements | 69,876 | 69,617 |
| Cash collateral received for securities lent | 356,956 | 263,431 |
| Trading account liabilities | 129,227 | 171,691 |
| Borrowed money | 432,342 | 500,974 |
| Bonds payable | 168,959 | 125,971 |
| Other liabilities | 166,022 | 237,437 |
| Provision for bonuses | 4,332 | 2,511 |
| Provision for bonuses for directors (and other officers) | 86 | 37 |
| Retirement benefit liability | 10,974 | 11,057 |
| Provision for credit losses on off-balance-sheet instruments | 407 | 437 |
| Provision for contingent loss | 453 | 454 |
| Reserves under special laws | 8 | 8 |
| Deferred tax liabilities | 23 | 25 |
| Acceptances and guarantees | 14,038 | 15,801 |
| Total liabilities | 6,241,387 | 6,718,857 |
| Net assets | | |
| Share capital | 100,000 | 100,000 |
| Capital surplus | 87,476 | 87,481 |
| Retained earnings | 301,700 | 307,398 |
| Treasury shares | (3,117) | (3,099) |
| Total shareholders' equity | 486,060 | 491,779 |
| Valuation difference on available-for-sale securities | 3,985 | (65,297) |
| Deferred gains or losses on hedges | (157) | 7,741 |
| Foreign currency translation adjustment | 3,450 | 11,389 |
| Remeasurements of defined benefit plans | (233) | (214) |
| Total accumulated other comprehensive income | 7,045 | (46,381) |
| Share acquisition rights | 390 | 503 |
| Non-controlling interests | (6,229) | (7,229) |
| Total net assets | 487,265 | 438,672 |
| Total liabilities and net assets | 6,728,653 | 7,157,529 |

(2) Interim consolidated statement of income and Interim consolidated statement of comprehensive income
(Interim consolidated statement of income)

| | (Millions of yen) | |
|--|--|--|
| | Six months ended September 30, 2021 | Six months ended September 30, 2022 |
| Ordinary income | 66,955 | 95,447 |
| Interest income | 31,802 | 47,433 |
| Interest on loans and discounts | 21,765 | 34,298 |
| Interest and dividends on securities | 9,500 | 12,298 |
| Trust fees | 208 | 179 |
| Fees and commissions | 8,330 | 7,642 |
| Gain on trading account transactions | 8,043 | 13,538 |
| Other ordinary income | 15,553 | 18,500 |
| Other income | 3,016 | 8,152 |
| Ordinary expenses | 40,460 | 75,033 |
| Interest expenses | 7,104 | 20,193 |
| Interest on deposits | 2,889 | 4,894 |
| Fees and commissions payments | 1,770 | 2,105 |
| Loss on trading account transactions | — | 11,664 |
| Other ordinary expenses | 2,604 | 10,002 |
| General and administrative expenses | 27,795 | 29,180 |
| Other expenses | 1,185 | 1,888 |
| Ordinary profit | 26,495 | 20,413 |
| Extraordinary losses | 186 | 2 |
| Loss on disposal of non-current assets | — | 2 |
| Impairment losses | 186 | — |
| Profit before income taxes | 26,308 | 20,410 |
| Income taxes - current | 6,069 | 3,634 |
| Income taxes - deferred | 1,607 | 2,376 |
| Total income taxes | 7,676 | 6,011 |
| Profit | 18,632 | 14,399 |
| Loss attributable to non-controlling interests | (808) | (989) |
| Profit attributable to owners of parent | 19,440 | 15,389 |

(Interim consolidated statement of comprehensive income)

| | (Millions of yen) | |
|---|--|--|
| | Six months ended September 30, 2021 | Six months ended September 30, 2022 |
| Profit | 18,632 | 14,399 |
| Other comprehensive income | 15,749 | (53,428) |
| Valuation difference on available-for-sale securities | 15,166 | (69,284) |
| Deferred gains or losses on hedges | (861) | 7,898 |
| Foreign currency translation adjustment | 360 | 3,790 |
| Remeasurements of defined benefit plans, net of tax | (148) | 18 |
| Share of other comprehensive income of entities accounted for using equity method | 1,232 | 4,148 |
| Comprehensive income | 34,381 | (39,028) |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 35,194 | (38,037) |
| Comprehensive income attributable to non-controlling interests | (813) | (991) |

(3) Interim consolidated statement of changes in net assets
For the six months ended September 30, 2021

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 100,000 | 87,412 | 283,464 | (3,260) | 467,615 |
| Cumulative effects of changes in accounting policies | | | (657) | | (657) |
| Restated balance | 100,000 | 87,412 | 282,806 | (3,260) | 466,958 |
| Changes during period | | | | | |
| Dividends of surplus | | | (7,702) | | (7,702) |
| Profit attributable to owners of parent | | | 19,440 | | 19,440 |
| Disposal of treasury shares | | 64 | | 142 | 207 |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | — | 64 | 11,738 | 142 | 11,945 |
| Balance at end of period | 100,000 | 87,476 | 294,544 | (3,117) | 478,903 |

| | Accumulated other comprehensive income | | | | | Share acquisition rights | Non-controlling interests | Total net assets |
|--|---|------------------------------------|---|---|--|--------------------------|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | | |
| Balance at beginning of period | 27,196 | (750) | (971) | 974 | 26,449 | 482 | (4,541) | 490,006 |
| Cumulative effects of changes in accounting policies | | (1) | | | (1) | | | (659) |
| Restated balance | 27,196 | (752) | (971) | 974 | 26,447 | 482 | (4,541) | 489,346 |
| Changes during period | | | | | | | | |
| Dividends of surplus | | | | | | | | (7,702) |
| Profit attributable to owners of parent | | | | | | | | 19,440 |
| Disposal of treasury shares | | | | | | | | 207 |
| Net changes in items other than shareholders' equity | 15,171 | (859) | 1,592 | (148) | 15,756 | (91) | (513) | 15,151 |
| Total changes during period | 15,171 | (859) | 1,592 | (148) | 15,756 | (91) | (513) | 27,097 |
| Balance at end of period | 42,368 | (1,611) | 621 | 826 | 42,203 | 390 | (5,054) | 516,443 |

For the six months ended September 30, 2022

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 100,000 | 87,476 | 301,700 | (3,117) | 486,060 |
| Changes during period | | | | | |
| Dividends of surplus | | | (9,692) | | (9,692) |
| Profit attributable to owners of parent | | | 15,389 | | 15,389 |
| Disposal of treasury shares | | 4 | | 18 | 22 |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | — | 4 | 5,697 | 18 | 5,719 |
| Balance at end of period | 100,000 | 87,481 | 307,398 | (3,099) | 491,779 |

| | Accumulated other comprehensive income | | | | | Share acquisition rights | Non-controlling interests | Total net assets |
|--|---|------------------------------------|---|---|--|--------------------------|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | | |
| Balance at beginning of period | 3,985 | (157) | 3,450 | (233) | 7,045 | 390 | (6,229) | 487,265 |
| Changes during period | | | | | | | | |
| Dividends of surplus | | | | | | | | (9,692) |
| Profit attributable to owners of parent | | | | | | | | 15,389 |
| Disposal of treasury shares | | | | | | | | 22 |
| Net changes in items other than shareholders' equity | (69,283) | 7,898 | 7,939 | 18 | (53,426) | 112 | (999) | (54,313) |
| Total changes during period | (69,283) | 7,898 | 7,939 | 18 | (53,426) | 112 | (999) | (48,593) |
| Balance at end of period | (65,297) | 7,741 | 11,389 | (214) | (46,381) | 503 | (7,229) | 438,672 |

(4) Notes to interim consolidated financial statements

(Information on going concern assumption)

None

(Change in accounting Policy)

(Application of 'Implementation Guidance on Accounting Standard for Fair Value Measurement')

The 'Implementation Guidance on Accounting Standard for Fair Value Measurement' (ASBJ Guidance No.31 June 17, 2021) has been applied from the beginning of the six months ended September 30, 2022. In accordance with the transitional treatment prescribed in Paragraph 27-2 of the guidance, the Bank applies new accounting policies prescribed in the 'Implementation Guidance on Accounting Standard for Fair Value Measurement' prospectively. There is no effect on the interim consolidated financial statements.

(Additional information)

(Accounting estimates related to COVID-19)

The effects of the global novel coronavirus ('COVID-19') pandemic on the economy and corporate activities would continue long term and that certain borrowers' business performance may continue to be affected until the fiscal year ending March 31, 2023.

Based on this general assumption, the allowance for loan losses is provided with consideration of possible future credit deterioration for the borrowers.

The assumption of the period affecting economic and corporate activities was unchanged from the fiscal year ended March 31, 2022.

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.

2. Interim non-consolidated financial statements

(1) Interim non-consolidated balance sheet

(Millions of yen)

| | As of March 31, 2022 | As of September 30, 2022 |
|--|----------------------|--------------------------|
| Assets | | |
| Cash and due from banks | 980,590 | 785,840 |
| Call loans | 122,243 | 74,481 |
| Monetary claims bought | 78,477 | 66,258 |
| Trading account assets | 133,008 | 176,343 |
| Money held in trust | 9,639 | 2,660 |
| Securities | 1,494,578 | 1,425,731 |
| Loans and bills discounted | 3,230,905 | 3,721,757 |
| Foreign exchanges | 63,878 | 97,249 |
| Other assets | 286,308 | 357,008 |
| Other | 286,308 | 357,008 |
| Tangible fixed assets | 21,147 | 20,497 |
| Intangible fixed assets | 12,125 | 11,447 |
| Prepaid pension costs | 5,132 | 5,392 |
| Deferred tax assets | 31,962 | 57,245 |
| Customers' liabilities for acceptances and guarantees | 25,381 | 27,206 |
| Allowance for loan losses | (47,910) | (43,250) |
| Allowance for investment loss | (553) | (393) |
| Total assets | 6,446,916 | 6,785,477 |
| Liabilities | | |
| Deposits | 4,564,081 | 4,929,025 |
| Negotiable certificates of deposit | 33,500 | 33,000 |
| Call money | 16,121 | 17,240 |
| Securities sold under repurchase agreements | 69,876 | 69,617 |
| Cash collateral received for securities lent | 356,956 | 263,431 |
| Trading account liabilities | 129,227 | 171,691 |
| Borrowed money | 432,100 | 500,800 |
| Bonds payable | 168,959 | 125,971 |
| Other liabilities | 155,968 | 221,887 |
| Income taxes payable | 6,525 | 2,459 |
| Lease liabilities | 510 | 389 |
| Asset retirement obligations | 2,022 | 1,898 |
| Other | 146,911 | 217,140 |
| Provision for bonuses | 3,854 | 2,183 |
| Provision for bonuses for directors (and other officers) | 70 | 37 |
| Provision for retirement benefits | 10,367 | 10,429 |
| Provision for credit losses on off-balance-sheet instruments | 403 | 423 |
| Acceptances and guarantees | 25,381 | 27,206 |
| Total liabilities | 5,966,868 | 6,372,945 |

(Millions of yen)

| | As of March 31, 2022 | As of September 30, 2022 |
|---|----------------------|--------------------------|
| Net assets | | |
| Share capital | 100,000 | 100,000 |
| Capital surplus | 87,476 | 87,481 |
| Legal capital surplus | 87,313 | 87,313 |
| Other capital surplus | 163 | 167 |
| Retained earnings | 291,448 | 285,180 |
| Legal retained earnings | 12,686 | 12,686 |
| Other retained earnings | 278,761 | 272,493 |
| Retained earnings brought forward | 278,761 | 272,493 |
| Treasury shares | (3,117) | (3,099) |
| Total shareholders' equity | 475,807 | 469,562 |
| Valuation difference on available-for-sale securities | 4,007 | (65,274) |
| Deferred gains or losses on hedges | (157) | 7,741 |
| Total valuation and translation adjustments | 3,850 | (57,533) |
| Share acquisition rights | 390 | 503 |
| Total net assets | 480,047 | 412,532 |
| Total liabilities and net assets | 6,446,916 | 6,785,477 |

(2) Interim non-consolidated statement of income

(Millions of yen)

| | Six months ended September 30, 2021 | Six months ended September 30, 2022 |
|--|--|--|
| Ordinary income | 59,641 | 86,946 |
| Interest income | 29,158 | 43,706 |
| Interest on loans and discounts | 19,099 | 30,534 |
| Interest and dividends on securities | 9,510 | 12,320 |
| Trust fees | 208 | 181 |
| Fees and commissions | 7,275 | 5,368 |
| Gain on trading account transactions | 7,306 | 13,160 |
| Other ordinary income | 14,860 | 17,541 |
| Other income | 831 | 6,986 |
| Ordinary expenses | 35,972 | 67,884 |
| Interest expenses | 6,907 | 20,146 |
| Interest on deposits | 2,865 | 4,849 |
| Fees and commissions payments | 4,148 | 1,781 |
| Loss on trading account transactions | — | 11,664 |
| Other ordinary expenses | 2,762 | 9,933 |
| General and administrative expenses | 22,145 | 22,890 |
| Other expenses | 8 | 1,467 |
| Ordinary profit | 23,668 | 19,062 |
| Extraordinary losses | 186 | 9,921 |
| Loss on disposal of non-current assets | — | 2 |
| Impairment losses | 186 | — |
| Loss on valuation of shares of subsidiaries and associates | — | 9,919 |
| Profit before income taxes | 23,482 | 9,140 |
| Income taxes - current | 5,172 | 3,305 |
| Income taxes - deferred | 1,324 | 2,410 |
| Total income taxes | 6,496 | 5,715 |
| Profit | 16,986 | 3,424 |

(3) Interim non-consolidated statement of changes in net assets
For the six months ended September 30, 2021

(Millions of yen)

| | Shareholders' equity | | | | | | | | |
|--|----------------------|-----------------------|-----------------------|-----------------------|-------------------------|--|-------------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | | | Retained earnings | | | Treasury shares | Total shareholders' equity |
| | | Legal capital surplus | Other capital surplus | Total capital surplus | Legal retained earnings | Other retained earnings Retained earnings brought forward | Total retained earnings | | |
| Balance at beginning of period | 100,000 | 87,313 | 98 | 87,412 | 12,686 | 265,675 | 278,361 | (3,260) | 462,513 |
| Cumulative effects of changes in accounting policies | | | | | | (657) | (657) | | (657) |
| Restated balance | 100,000 | 87,313 | 98 | 87,412 | 12,686 | 265,017 | 277,703 | (3,260) | 461,855 |
| Changes during period | | | | | | | | | |
| Dividends of surplus | | | | | | (7,702) | (7,702) | | (7,702) |
| Profit | | | | | | 16,986 | 16,986 | | 16,986 |
| Disposal of treasury shares | | | 64 | 64 | | | | 142 | 207 |
| Net changes in items other than shareholders' equity | | | | | | | | | |
| Total changes during period | — | — | 64 | 64 | — | 9,283 | 9,283 | 142 | 9,491 |
| Balance at end of period | 100,000 | 87,313 | 163 | 87,476 | 12,686 | 274,300 | 286,987 | (3,117) | 471,346 |

| | Valuation and translation adjustments | | | Share acquisition rights | Total net assets |
|--|---|------------------------------------|---|--------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Total valuation and translation adjustments | | |
| Balance at beginning of period | 27,195 | (750) | 26,445 | 482 | 489,440 |
| Cumulative effects of changes in accounting policies | | (1) | (1) | | (659) |
| Restated balance | 27,195 | (752) | 26,443 | 482 | 488,780 |
| Changes during period | | | | | |
| Dividends of surplus | | | | | (7,702) |
| Profit | | | | | 16,986 |
| Disposal of treasury shares | | | | | 207 |
| Net changes in items other than shareholders' equity | 15,176 | (859) | 14,316 | (91) | 14,224 |
| Total changes during period | 15,176 | (859) | 14,316 | (91) | 23,716 |
| Balance at end of period | 42,371 | (1,611) | 40,759 | 390 | 512,497 |

For the six months ended Sep. 30, 2022

(Millions of yen)

| | Shareholders' equity | | | | | | | | |
|--|----------------------|-----------------------|-----------------------|-----------------------|-------------------------|-------------------------|-------------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | | | Retained earnings | | | Treasury shares | Total shareholders' equity |
| | | Legal capital surplus | Other capital surplus | Total capital surplus | Legal retained earnings | Other retained earnings | Total retained earnings | | |
| Balance at beginning of period | 100,000 | 87,313 | 163 | 87,476 | 12,686 | 278,761 | 291,448 | (3,117) | 475,807 |
| Changes during period | | | | | | | | | |
| Dividends of surplus | | | | | | (9,692) | (9,692) | | (9,692) |
| Profit | | | | | | 3,424 | 3,424 | | 3,424 |
| Disposal of treasury shares | | | 4 | 4 | | | | 18 | 22 |
| Net changes in items other than shareholders' equity | | | | | | | | | |
| Total changes during period | — | — | 4 | 4 | — | (6,267) | (6,267) | 18 | (6,244) |
| Balance at end of period | 100,000 | 87,313 | 167 | 87,481 | 12,686 | 272,493 | 285,180 | (3,099) | 469,562 |

| | Valuation and translation adjustments | | | Share acquisition rights | Total net assets |
|--|---|------------------------------------|---|--------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Total valuation and translation adjustments | | |
| Balance at beginning of period | 4,007 | (157) | 3,850 | 390 | 480,047 |
| Changes during period | | | | | |
| Dividends of surplus | | | | | (9,692) |
| Profit | | | | | 3,424 |
| Disposal of treasury shares | | | | | 22 |
| Net changes in items other than shareholders' equity | (69,282) | 7,898 | (61,383) | 112 | (61,270) |
| Total changes during period | (69,282) | 7,898 | (61,383) | 112 | (67,515) |
| Balance at end of period | (65,274) | 7,741 | (57,533) | 503 | 412,532 |

**Financial Results
for the First Six Months
of FY2022**



AOZORA BANK, LTD.

【 INDEX 】

I . Overviews of the Financial Results for the Six Months Ended Sep. 30, 2022

| | | | | |
|-----|--|----------------------|----------------------|---|
| 1. | Summary of Revenue and Expenses | 【 Consolidated 】 | | 1 |
| | | 【 Non-consolidated 】 | | 2 |
| 2. | Profit Margins | 【 Non-consolidated 】 | | 3 |
| 3. | Business Profit | 【 Non-consolidated 】 | | |
| 4. | ROE | 【 Non-consolidated 】 | | |
| 5. | Gains (losses) on Securities Transactions | 【 Non-consolidated 】 | | |
| 6. | Investments and Funding | 【 Consolidated 】 | 【 Non-consolidated 】 | 4 |
| 7. | Unrealized Gains and Losses on Securities | 【 Consolidated 】 | 【 Non-consolidated 】 | 5 |
| 8. | Sales of investment trusts and annuity insurance to retail customers | 【 Non-consolidated 】 | | |
| 9. | Employees' Retirement Benefits | 【 Consolidated 】 | 【 Non-consolidated 】 | 6 |
| 10. | Capital Adequacy Ratio (under Japanese domestic standards) | 【 Consolidated 】 | 【 Non-consolidated 】 | 7 |

II . Status of Loans, etc.

| | | | | |
|----|---|----------------------|----------------------|-----|
| 1. | Non-performing loans (NPLs) based on the Banking Act and the Financial Reconstruction Act, and coverage | 【 Consolidated 】 | 【 Non-consolidated 】 | 8 |
| 2. | Allowance for Loan Losses | 【 Consolidated 】 | 【 Non-consolidated 】 | 9 |
| 3. | Coverage for FRL Credit by Borrowers' Category | 【 Consolidated 】 | | 1 0 |
| 4. | Off-Balancing of FRL Credit | 【 Non-consolidated 】 | | 1 1 |
| 5. | Breakdown of Loans and Bills Discounted Classified by Industry | 【 Consolidated 】 | | 1 3 |

| | | |
|----------------------------------|-------|-----|
| III . Deferred Tax Assets | | 1 4 |
|----------------------------------|-------|-----|

I . Overviews of the Financial Results for the Six Months Ended Sep. 30, 2022

1 . Summary of Revenue and Expenses

[Consolidated]

(Millions of yen)

| | For the six months ended Sep. 30, 2022 | | For the six months ended Sep. 30, 2021 |
|---|--|----------|--|
| | (A) | (A)-(B) | (B) |
| Consolidated net revenue ※1 | 43,329 | (9,129) | 52,459 |
| Net interest income | 27,240 | 2,542 | 24,698 |
| Net fees and commissions | 5,717 | (1,051) | 6,768 |
| Net gains on trading account transactions | 1,873 | (6,169) | 8,043 |
| Net other ordinary income | 8,497 | (4,450) | 12,948 |
| General and administrative expenses | (29,106) | (1,140) | (27,965) |
| Gains (losses) on equity method investments | 827 | (384) | 1,211 |
| Business profit ※2 | 15,050 | (10,654) | 25,705 |
| Credit-related expenses | 2,096 | 1,621 | 475 |
| Written-off of loans | (23) | 674 | (697) |
| Provision of specific allowance for loan losses | (178) | 988 | (1,166) |
| Provision of general allowance for loan losses | 1,298 | (866) | 2,165 |
| Provision of allowance for loans to restructuring countries | - | - | - |
| Loss on disposition of loans | (99) | (99) | (0) |
| Recoveries of written-off receivables | 1,129 | 1,003 | 125 |
| Provision of reserve for credit losses on off-balance-sheet instruments | (29) | (79) | 49 |
| Gains (losses) on stock transactions | 4,569 | 4,549 | 20 |
| Other | (1,303) | (1,598) | 294 |
| Ordinary profit | 20,413 | (6,082) | 26,495 |
| Extraordinary profit (loss) | (2) | 184 | (186) |
| Profit before income taxes and non-controlling interests | 20,410 | (5,897) | 26,308 |
| Income taxes-current | (3,634) | 2,434 | (6,069) |
| Income taxes-deferred | (2,376) | (769) | (1,607) |
| Profit | 14,399 | (4,232) | 18,632 |
| Loss attributable to non-controlling interests | 989 | 181 | 808 |
| Profit attributable to owners of parent | 15,389 | (4,051) | 19,440 |

※1 Consolidated net revenue = (Interest income - Interest expenses)
+ (Trust fees + Fees and commissions - Fees and commissions payments)
+ (Gain on trading account transactions - Loss on trading account transactions)
+ (Other ordinary income - Other ordinary expenses)

※2 Business profit = Consolidated net revenue - General and administrative expenses + Gains (losses) on equity method investments

(Note) The amounts are rounded down to the nearest million yen.

(Scope of Consolidation and Equity-Method Application)

(Number of companies)

| | For the six months ended Sep. 30, 2022 | | For the six months ended Sep. 30, 2021 |
|--|--|---------|--|
| | (A) | (A)-(B) | (B) |
| Consolidated subsidiaries | 25 | 0 | 25 |
| Subsidiaries and affiliated companies applying equity-method | 1 | 0 | 1 |

【Non-consolidated】

(Millions of yen)

| | For the six months ended Sep. 30, 2022 | | For the six months ended Sep. 30, 2021 |
|---|--|----------|--|
| | (A) | (A)-(B) | (B) |
| Net revenue | 36,437 | (8,557) | 44,994 |
| (Excluding gains (losses) on bond transactions) | 38,789 | (741) | 39,530 |
| Net interest income | 23,564 | 1,310 | 22,254 |
| Net fees and commissions ※ | 3,769 | 433 | 3,335 |
| Net gains on trading account transactions | 1,496 | (5,810) | 7,306 |
| Net other ordinary income | 7,607 | (4,490) | 12,098 |
| (Gains (losses) on bond transactions) | (2,352) | (7,816) | 5,464 |
| General and administrative expenses | (22,816) | (500) | (22,315) |
| Personnel | (11,449) | (792) | (10,656) |
| Property and equipment | (10,050) | 8 | (10,058) |
| Taxes | (1,316) | 283 | (1,600) |
| Core net business profit | 13,621 | (9,058) | 22,679 |
| Core net business profit excluding gains(losses) on bonds | 15,973 | (1,242) | 17,215 |
| Core net business profit excluding gains(losses) on bonds and cancellation on investment trusts | 14,926 | (2,157) | 17,083 |
| Credit-related expenses | 2,202 | 1,537 | 665 |
| Written-off of loans | (95) | (95) | - |
| Provision of specific allowance for loan losses | (53) | 1,112 | (1,166) |
| Provision of general allowance for loan losses | 1,305 | (367) | 1,672 |
| Provision of allowance for loans to restructuring countries | - | - | - |
| Loss on disposition of loans | - | - | - |
| Recoveries of written-off receivables | 1,067 | 956 | 110 |
| Provision of reserve for credit losses on off-balance-sheet instruments | (20) | (68) | 48 |
| Gains (losses) on stock transactions | 4,569 | 4,549 | 20 |
| Other | (1,331) | (1,635) | 303 |
| Ordinary profit | 19,062 | (4,606) | 23,668 |
| Extraordinary profit (loss) | (9,921) | (9,735) | (186) |
| Profit before income taxes | 9,140 | (14,342) | 23,482 |
| Income taxes-current | (3,305) | 1,866 | (5,172) |
| Income taxes-deferred | (2,410) | (1,086) | (1,324) |
| Profit | 3,424 | (13,561) | 16,986 |
| Business profit | 13,601 | (9,078) | 22,679 |

※ Trust fees are included.

(Note) The amounts are rounded down to the nearest million yen.

2. Profit Margins [Non-consolidated]

(Total)

| | For the six months ended Sep. 30, 2022 | | For the six months ended Sep. 30, 2021 |
|--|--|---------|--|
| | (A) | (A)-(B) | (B) |
| (1) Yield on total investments (A) | 1.57% | 0.39% | 1.18% |
| Yield on loans (B) | 1.76% | 0.51% | 1.25% |
| Yield on securities | 1.71% | 0.33% | 1.38% |
| (2) Rate of funding cost (including general and administrative expenses) (C) | 1.45% | 0.31% | 1.14% |
| Cost of deposits & certificates of deposit (including general and administrative expenses) (D) | 1.13% | (0.10%) | 1.23% |
| Yield on deposits & certificates of deposit (E) | 0.20% | 0.06% | 0.14% |
| Yield on borrowings | 0.28% | 0.05% | 0.23% |
| (3) Profit margins (A) - (C) | 0.12% | 0.08% | 0.04% |
| (4) Loan margin (B) - (D) | 0.63% | 0.61% | 0.02% |
| (5) Yield spread (B) - (E) | 1.56% | 0.45% | 1.11% |

(Note) The figures are calculated in the method specified in 'Kessan Jokyohyo.'

(Domestic operations)

| | For the six months ended Sep. 30, 2022 | | For the six months ended Sep. 30, 2021 |
|--|--|---------|--|
| | (A) | (A)-(B) | (B) |
| (1) Yield on total investments (A) | 0.58% | (0.05%) | 0.63% |
| Yield on loans (B) | 0.93% | (0.02%) | 0.95% |
| Yield on securities | 0.91% | (0.11%) | 1.02% |
| (2) Rate of funding cost (including general and administrative expenses) (C) | 0.98% | (0.08%) | 1.06% |
| Cost of deposits & certificates of deposit (including general and administrative expenses) (D) | 1.05% | (0.12%) | 1.17% |
| Yield on deposits & certificates of deposit (E) | 0.16% | 0.03% | 0.13% |
| Yield on borrowings | 0.26% | 0.03% | 0.23% |
| (3) Profit margins (A) - (C) | (0.40%) | 0.03% | (0.43%) |
| (4) Loan margin (B) - (D) | (0.12%) | 0.10% | (0.22%) |
| (5) Yield spread (B) - (E) | 0.77% | (0.05%) | 0.82% |

(Note) The figures are calculated in the method specified in 'Kessan Jokyohyo.'

3. Business Profit [Non-consolidated]

(Millions of yen)

| | For the six months ended Sep. 30, 2022 | | For the six months ended Sep. 30, 2021 |
|-----------------------------|--|---------|--|
| | (A) | (A)-(B) | (B) |
| Core net business profit | 13,621 | (9,058) | 22,679 |
| per employee (thousand yen) | 6,743 | (4,613) | 11,356 |

4. ROE [Non-consolidated]

| | For the six months ended Sep. 30, 2022 | | For the six months ended Sep. 30, 2021 |
|--------------------------------|--|---------|--|
| | (A) | (A)-(B) | (B) |
| Core net business profit basis | 6.09% | (2.94%) | 9.03% |
| Profit basis | 1.53% | (5.23%) | 6.76% |

$$\text{ROE} = \frac{\text{Profit} \times 365 \div \text{number of days elapsed}}{\{(\text{Total net assets at beginning of term} - \text{Share acquisition rights}) + (\text{Total net assets at end of term} - \text{Share acquisition rights})\} \div 2}$$

5. Gains (losses) on Securities Transactions [Non-consolidated]

(Millions of yen)

| | For the six months ended Sep. 30, 2022 | | For the six months ended Sep. 30, 2021 |
|--|--|---------|--|
| | (A) | (A)-(B) | (B) |
| Gains (losses) on bond transactions | (2,352) | (7,816) | 5,464 |
| Gain on sale of bonds | 5,411 | (1,505) | 6,917 |
| Gain on redemption of bonds | - | - | - |
| Loss on sale of bonds | (7,660) | (6,207) | (1,452) |
| Loss on redemption of bonds | (103) | (103) | - |
| Loss on devaluation of bonds | - | - | - |
| Gains (losses) on stock transactions | 4,569 | 4,549 | 20 |
| Gain on sale of equity securities | 4,619 | 4,598 | 21 |
| Loss on sale of equity securities | - | 1 | (1) |
| Loss on devaluation of equity securities | (49) | (49) | - |

6. Investments and Funding

【Consolidated】

(Total)

(Millions of yen)

| | For the six months ended Sep. 30, 2022 | | | | For the six months ended Sep. 30, 2021 | |
|--|--|-------|-----------------|---------|--|---------|
| | (A) | | (A) - (B) | | (B) | |
| | Average balance | Yield | Average balance | Yield | Average balance | Yield |
| Total investments | 5,773,713 | 1.63% | 755,649 | 0.37% | 5,018,064 | 1.26% |
| Due from banks | 56,883 | 0.68% | (6,935) | 0.65% | 63,819 | 0.03% |
| Call loans and bills bought | 446,107 | 0.03% | 49,801 | 0.04% | 396,306 | (0.01%) |
| Securities purchased under resale agreements | - | - | - | - | - | - |
| Cash collateral provided for securities borrowed | - | - | - | - | - | - |
| Securities | 1,420,032 | 1.72% | 87,142 | 0.30% | 1,332,890 | 1.42% |
| Loans and bills discounted | 3,593,965 | 1.90% | 541,638 | 0.48% | 3,052,326 | 1.42% |
| Total funding | 6,167,031 | 0.65% | 923,603 | 0.38% | 5,243,427 | 0.27% |
| Deposits | 5,098,568 | 0.19% | 924,450 | 0.06% | 4,174,117 | 0.13% |
| Negotiable certificates of deposit | 33,008 | 0.01% | (1,884) | 0.00% | 34,892 | 0.01% |
| Call money and bills sold | 16,669 | 0.79% | 878 | 0.66% | 15,791 | 0.13% |
| Securities sold under repurchase agreements | 68,178 | 1.55% | 7,052 | 1.45% | 61,125 | 0.10% |
| Cash collateral received for securities lent | 323,250 | 1.37% | (65,654) | 1.25% | 388,904 | 0.12% |
| Borrowed money | 461,396 | 0.26% | 108,468 | (0.07%) | 352,928 | 0.33% |
| Bonds payable | 162,274 | 1.11% | (25,913) | (0.11%) | 188,187 | 1.22% |

【Non-consolidated】

(Total)

(Millions of yen)

| | For the six months ended Sep. 30, 2022 | | | | For the six months ended Sep. 30, 2021 | |
|--|--|-------|-----------------|---------|--|---------|
| | (A) | | (A) - (B) | | (B) | |
| | Average balance | Yield | Average balance | Yield | Average balance | Yield |
| Total investments | 5,537,586 | 1.57% | 640,606 | 0.39% | 4,896,979 | 1.18% |
| Due from banks | 25,317 | 1.39% | 409 | 1.30% | 24,907 | 0.09% |
| Call loans | 380,373 | 0.04% | 35,336 | 0.05% | 345,037 | (0.01%) |
| Securities purchased under resale agreements | - | - | - | - | - | - |
| Cash collateral provided for securities borrowed | - | - | - | - | - | - |
| Securities | 1,434,960 | 1.71% | 70,201 | 0.33% | 1,364,759 | 1.38% |
| Loans and bills discounted | 3,463,116 | 1.75% | 449,699 | 0.49% | 3,013,417 | 1.26% |
| Total funding | 5,855,826 | 0.68% | 793,932 | 0.41% | 5,061,894 | 0.27% |
| Deposits | 4,787,591 | 0.20% | 794,749 | 0.06% | 3,992,841 | 0.14% |
| Negotiable certificates of deposit | 33,008 | 0.01% | (1,884) | 0.00% | 34,892 | 0.01% |
| Call money | 16,669 | 0.79% | 878 | 0.66% | 15,791 | 0.13% |
| Securities sold under repurchase agreements | 68,178 | 1.55% | 7,052 | 1.45% | 61,125 | 0.10% |
| Cash collateral received for securities lent | 323,250 | 1.37% | (65,654) | 1.25% | 388,904 | 0.12% |
| Borrowed money | 461,169 | 0.26% | 108,497 | 0.02% | 352,671 | 0.24% |
| Bonds payable | 162,274 | 1.11% | (25,913) | (0.11%) | 188,187 | 1.22% |

(Domestic operations)

(Millions of yen)

| | For the six months ended Sep. 30, 2022 | | | | For the six months ended Sep. 30, 2021 | |
|--|--|---------|-----------------|---------|--|---------|
| | (A) | | (A) - (B) | | (B) | |
| | Average balance | Yield | Average balance | Yield | Average balance | Yield |
| Total investments | 4,878,126 | 0.58% | 670,810 | (0.05%) | 4,207,315 | 0.63% |
| Due from banks | 596 | 0.00% | 114 | (0.00%) | 481 | 0.00% |
| Call loans | 367,240 | (0.01%) | 30,994 | 0.00% | 336,245 | (0.01%) |
| Securities purchased under resale agreements | - | - | - | - | - | - |
| Cash collateral provided for securities borrowed | - | - | - | - | - | - |
| Securities | 505,233 | 0.91% | 29,939 | (0.11%) | 475,294 | 1.02% |
| Loans and bills discounted | 2,108,755 | 0.94% | 172,531 | (0.02%) | 1,936,224 | 0.96% |
| Total funding | 5,221,471 | 0.18% | 826,341 | 0.04% | 4,395,130 | 0.14% |
| Deposits | 4,643,025 | 0.16% | 771,337 | 0.03% | 3,871,688 | 0.13% |
| Negotiable certificates of deposit | 33,008 | 0.01% | (1,884) | 0.00% | 34,892 | 0.01% |
| Call money | 10,000 | 0.01% | - | (0.00%) | 10,000 | 0.01% |
| Securities sold under repurchase agreements | - | - | - | - | - | - |
| Cash collateral received for securities lent | 2,770 | 0.00% | (1,837) | 0.00% | 4,608 | 0.00% |
| Borrowed money | 461,169 | 0.26% | 110,304 | 0.02% | 350,864 | 0.24% |
| Bonds payable | 70,579 | 0.13% | (37,349) | 0.01% | 107,928 | 0.12% |

7. Unrealized Gains and Losses on Securities

【Consolidated】

(Millions of yen)

| | September 30, 2022 | | | | March 31, 2022 | | |
|-------------------------------|-----------------------------|-----------|--------|---------|-----------------------------|--------|--------|
| | Unrealized gains and losses | | | | Unrealized gains and losses | | |
| | (A) | (A)-(B) | gains | losses | (B) | gains | losses |
| Held-to-maturity bonds | - | - | - | - | - | - | - |
| Available-for-sale securities | (94,449) | (100,460) | 33,648 | 128,098 | 6,011 | 50,670 | 44,658 |
| Japanese stocks | 13,921 | (6,487) | 14,216 | 295 | 20,408 | 20,480 | 71 |
| Japanese debt securities | (3,256) | (1,671) | 603 | 3,860 | (1,584) | 720 | 2,305 |
| Other | (105,114) | (92,301) | 18,827 | 123,942 | (12,812) | 29,468 | 42,281 |

(Note) A portion of beneficial interests in investment trust within 'Monetary claims bought' is included in the table above.

【Non-consolidated】

(Millions of yen)

| | September 30, 2022 | | | | March 31, 2022 | | |
|-------------------------------|-----------------------------|-----------|--------|---------|-----------------------------|--------|--------|
| | Unrealized gains and losses | | | | Unrealized gains and losses | | |
| | (A) | (A)-(B) | gains | losses | (B) | gains | losses |
| Held-to-maturity bonds | - | - | - | - | - | - | - |
| Available-for-sale securities | (94,401) | (100,460) | 33,637 | 128,039 | 6,058 | 50,668 | 44,609 |
| Japanese stocks | 13,921 | (6,487) | 14,216 | 295 | 20,408 | 20,480 | 71 |
| Japanese debt securities | (3,208) | (1,671) | 593 | 3,801 | (1,537) | 718 | 2,255 |
| Other | (105,114) | (92,301) | 18,827 | 123,942 | (12,812) | 29,468 | 42,281 |

(Note) A portion of beneficial interests in investment trust within 'Monetary claims bought' is included in the table above.

8. Sales of investment trusts and annuity insurance to retail customers 【Non-consolidated】

(Sales Total)

(Billions of yen)

| | For the six months ended Sep. 30, 2022 | | For the six months ended Sep. 30, 2021 |
|-------------------|--|---------|--|
| | (A) | (A)-(B) | (B) |
| Investment trusts | 31.1 | (4.8) | 35.9 |
| Annuity insurance | 0.4 | (0.3) | 0.7 |

9. Employees' Retirement Benefits

① Provision for retirement benefits

【Consolidated】 (Millions of yen)

| | | September 30, 2022 | | March 31, 2022 | |
|--|---|--------------------|-----------|----------------|----------|
| | | (A) | (A) - (B) | (B) | |
| | Defined retirement benefit obligation | (A) | (41,857) | 189 | (42,047) |
| | Fair value of plan assets | (B) | 36,024 | (12) | 36,037 |
| | Unfunded retirement benefit obligation | (C)=(A)+(B) | (5,832) | 177 | (6,009) |
| | Retirement benefit asset | (D) | 5,224 | 259 | 4,964 |
| | Retirement benefit liability | (C)-(D) | (11,057) | (82) | (10,974) |
| | Unrecognized actuarial losses | (E) | (309) | 27 | (336) |
| | Unrecognized prior-service cost | (F) | - | - | - |
| | Remeasurements of defined benefit plans (before income tax effect) | (E)+(F) | (309) | 27 | (336) |

【Non-consolidated】

(Millions of yen)

| | | September 30, 2022 | | March 31, 2022 | |
|--|--|--------------------|-----------|----------------|----------|
| | | (A) | (A) - (B) | (B) | |
| | Defined retirement benefit obligation | (A) | (41,370) | 238 | (41,608) |
| | Fair value of plan assets | (B) | 36,024 | (12) | 36,037 |
| | Unfunded retirement benefit obligation | (C)=(A)+(B) | (5,345) | 225 | (5,571) |
| | Unrecognized actuarial losses | (D) | 309 | (27) | 336 |
| | Unrecognized prior-service cost | (E) | - | - | - |
| | Net liability recognized | (F)=(C)+(D)+(E) | (5,036) | 198 | (5,234) |
| | Prepaid pension costs | (G) | 5,392 | 260 | 5,132 |
| | Provision for retirement benefits | (F)-(G) | (10,429) | (61) | (10,367) |

② Net periodic retirement benefit costs

【Consolidated】 (Millions of yen)

| | For the six months ended Sep. 30, 2022 | | For the six months ended Sep. 30, 2021 |
|---|---|-----------|---|
| | (A) | (A) - (B) | (B) |
| Net periodic retirement benefit costs regarding defined benefit pension plans | 521 | 259 | 261 |

【Non-consolidated】

(Millions of yen)

| | For the six months ended Sep. 30, 2022 | | For the six months ended Sep. 30, 2021 |
|---------------------------------------|---|-----------|---|
| | (A) | (A) - (B) | (B) |
| Net periodic retirement benefit costs | 448 | 244 | 204 |
| Service cost | 782 | (3) | 785 |
| Interest cost | 82 | (0) | 82 |
| Expected return on plan assets | (450) | 13 | (463) |
| Amortization of prior-service cost | - | 81 | (81) |
| Recognized actuarial losses | 27 | 159 | (131) |
| Other | 7 | (6) | 13 |

10. Capital Adequacy Ratio (under Japanese domestic standards)

■Basel III

【Consolidated】

(Millions of yen)

| | September 30, 2022 | | | March 31, 2022 (B) | September 30, 2021 (C) |
|--|--------------------|-----------|-----------|-----------------------|---------------------------|
| | preliminary (A) | (A) - (B) | (A) - (C) | | |
| (1) Capital adequacy ratio (4)/(5) | 9.79% | (0.58%) | (1.15%) | 10.37% | 10.94% |
| (2) Core capital: instruments and reserves | 537,077 | 13,371 | 21,061 | 523,706 | 516,015 |
| (3) Core capital: regulatory adjustments | 23,761 | 425 | (550) | 23,335 | 24,311 |
| (4) Regulatory capital (2)-(3) | 513,316 | 12,946 | 21,612 | 500,370 | 491,704 |
| (5) Risk-weighted assets | 5,242,466 | 421,451 | 751,930 | 4,821,014 | 4,490,536 |
| (6) Total required capital (5)*4% | 209,698 | 16,858 | 30,077 | 192,840 | 179,621 |

【Non-consolidated】

(Millions of yen)

| | September 30, 2022 | | | March 31, 2022 (B) | September 30, 2021 (C) |
|--|--------------------|-----------|-----------|-----------------------|---------------------------|
| | preliminary (A) | (A) - (B) | (A) - (C) | | |
| (1) Capital adequacy ratio (4)/(5) | 9.40% | (0.93%) | (1.58%) | 10.33% | 10.98% |
| (2) Core capital: instruments and reserves | 503,009 | (6,599) | (3,159) | 509,609 | 506,169 |
| (3) Core capital: regulatory adjustments | 11,854 | (260) | (302) | 12,115 | 12,156 |
| (4) Regulatory capital (2)-(3) | 491,155 | (6,339) | (2,857) | 497,494 | 494,012 |
| (5) Risk-weighted assets | 5,223,400 | 407,632 | 725,413 | 4,815,768 | 4,497,987 |
| (6) Total required capital (5)*4% | 208,936 | 16,305 | 29,016 | 192,630 | 179,919 |

The 'Composition of Capital Disclosure' is available on our website at
<https://www.aozorabank.co.jp/english/ir/library/results/>

II. Status of Loans, etc.

1. Non-performing loans (NPLs) based on the Banking Act and the Financial Reconstruction Act, and coverage

After partial and direct written-off

[Consolidated]

(Millions of yen)

| | September 30, 2022 | | | March 31, 2022 (B) | September 30, 2021 (C) |
|------------------------------------|--------------------|-----------|-----------|-----------------------|---------------------------|
| | (A) | (A) - (B) | (A) - (C) | | |
| Bankrupt and similar credit | 1,839 | (982) | 1,735 | 2,822 | 104 |
| Doubtful credit | 12,099 | (4,101) | (4,373) | 16,201 | 16,473 |
| Special attention credit | 8,399 | 6,007 | 6,007 | 2,392 | 2,392 |
| Loans overdue for 3 months or more | 2,888 | 2,888 | 2,888 | - | - |
| Restructured loans | 5,511 | 3,119 | 3,119 | 2,392 | 2,392 |
| NPL Credit (a) | 22,339 | 922 | 3,368 | 21,416 | 18,970 |
| Normal credit | 3,884,929 | 538,925 | 710,826 | 3,346,004 | 3,174,103 |
| Total credit (b) | 3,907,269 | 539,848 | 714,195 | 3,367,420 | 3,193,073 |
| NPL ratio (a/b) | 0.6% | (0.0%) | (0.0%) | 0.6% | 0.6% |

| | September 30, 2022 | | | March 31, 2022 (B) | September 30, 2021 (C) |
|-------------------------------------|--------------------|-----------|-----------|-----------------------|---------------------------|
| | (A) | (A) - (B) | (A) - (C) | | |
| Allowance & Coverage (c) | 17,834 | (1,297) | (228) | 19,131 | 18,062 |
| Allowance for loan losses (d) | 10,835 | (809) | (1,198) | 11,645 | 12,034 |
| Collateral / guarantee coverage (e) | 6,998 | (487) | 969 | 7,485 | 6,028 |
| Coverage Ratio (c/a) | 79.8% | (9.5%) | (15.4%) | 89.3% | 95.2% |
| Allowance Ratio (d/(a-e)) | 70.6% | (13.0%) | (22.4%) | 83.6% | 93.0% |

(Note) Allowance for loan losses (d) is the sum of specific allowance and general allowance for NPL Credit (a).

After partial and direct written-off

[Non-consolidated]

(Millions of yen)

| | September 30, 2022 | | | March 31, 2022 (B) | September 30, 2021 (C) |
|------------------------------------|--------------------|-----------|-----------|-----------------------|---------------------------|
| | (A) | (A) - (B) | (A) - (C) | | |
| Bankrupt and similar credit | 1,839 | (982) | 1,839 | 2,822 | - |
| Doubtful credit | 11,273 | (4,210) | (5,154) | 15,483 | 16,428 |
| Special attention credit | 8,399 | 6,007 | 6,007 | 2,392 | 2,392 |
| Loans overdue for 3 months or more | 2,888 | 2,888 | 2,888 | - | - |
| Restructured loans | 5,511 | 3,119 | 3,119 | 2,392 | 2,392 |
| NPL Credit (a) | 21,513 | 814 | 2,692 | 20,698 | 18,820 |
| Normal credit | 3,773,074 | 500,765 | 658,810 | 3,272,308 | 3,114,263 |
| Total credit (b) | 3,794,587 | 501,579 | 661,502 | 3,293,007 | 3,133,084 |
| NPL ratio (a/b) | 0.6% | (0.0%) | (0.0%) | 0.6% | 0.6% |

| | September 30, 2022 | | | March 31, 2022 (B) | September 30, 2021 (C) |
|-------------------------------------|--------------------|-----------|-----------|-----------------------|---------------------------|
| | (A) | (A) - (B) | (A) - (C) | | |
| Allowance & Coverage (c) | 17,008 | (1,405) | (905) | 18,413 | 17,913 |
| Allowance for loan losses (d) | 10,065 | (1,037) | (1,968) | 11,103 | 12,034 |
| Collateral / guarantee coverage (e) | 6,942 | (367) | 1,063 | 7,310 | 5,879 |
| Coverage Ratio (c/a) | 79.1% | (9.9%) | (16.1%) | 89.0% | 95.2% |
| Allowance Ratio (d/(a-e)) | 69.1% | (13.8%) | (23.9%) | 82.9% | 93.0% |

(Note) Allowance for loan losses (d) is the sum of specific allowance and general allowance for NPL Credit (a).

2. Allowance for Loan Losses After partial and direct written-off

【Consolidated】

(Millions of yen)

| | September 30, 2022 | | | March 31, 2022 | September 30, 2021 |
|--|--------------------|-----------|-----------|----------------|--------------------|
| | (A) | (A) - (B) | (A) - (C) | (B) | (C) |
| Allowance for loan losses | 44,278 | (4,399) | (4,225) | 48,677 | 48,503 |
| General allowance | 37,216 | (1,273) | (738) | 38,489 | 37,954 |
| Specific allowance | 7,061 | (3,126) | (3,487) | 10,188 | 10,549 |
| Allowance for loans to restructuring countries | - | - | - | - | - |

 After partial and direct written-off

【Non-consolidated】

(Millions of yen)

| | September 30, 2022 | | | March 31, 2022 | September 30, 2021 |
|--|--------------------|-----------|-----------|----------------|--------------------|
| | (A) | (A) - (B) | (A) - (C) | (B) | (C) |
| Allowance for loan losses | 43,250 | (4,659) | (4,906) | 47,910 | 48,157 |
| General allowance | 36,959 | (1,305) | (649) | 38,264 | 37,608 |
| Specific allowance | 6,291 | (3,354) | (4,257) | 9,646 | 10,549 |
| Allowance for loans to restructuring countries | - | - | - | - | - |

3. Coverage for FRL Credit by Borrowers' Category

After partial and direct written-off

[Consolidated]

(Billions of yen)

| Borrower categories for self-assessment | FRL Credit | | Allowance & Coverage | Allowance Ratio | Coverage Ratio |
|---|------------------------------------|------------------------------|---|-----------------|----------------|
| | Loans | other | | | |
| Bankrupt borrowers | Bankrupt and similar credit 1.8 | | Collateral / Guarantee coverage 1.8 | 100.0% | 100.0% |
| De facto bankrupt borrowers | | | | | |
| In Danger of Bankruptcy borrowers | Doubtful credit 12.0 | | Collateral / Guarantee coverage 5.0 Allowance 7.0 Estimated collections - | 100.0% | 100.0% |
| Need Attention borrowers | | | | | |
| Normal borrowers | Special attention credit 8.3 | (Normal credit) (3,884.9) | Collateral / Guarantee coverage 0.1 Allowance 3.7 Estimated collections 4.5 | 45.6% | 46.4% |

| | | | |
|-------------------------------|--|--|---|
| FRL Credit, total 22.3 | Collateral / Guarantee coverage 6.9 Allowance 10.8 Estimated collections 4.5 | FRL Credit Allowance Ratio 70.6% | FRL Credit Coverage Ratio 79.8% |
|-------------------------------|--|--|---|

| | | |
|-------------------------|-------------------------|---|
| Total credit 3,907.2 | Total allowance 44.2 | Allowance Ratio = Allowance / (Credit – Collateral, Guarantees, etc.) Coverage Ratio = (Collateral, Guarantees + Allowance) / Credit |
|-------------------------|-------------------------|---|

| | |
|---|-------|
| The reserve ratio for the non-secured portion of special attention credit | 45.6% |
| The reserve ratio for the need attention credit | 4.9% |
| The reserve ratio for the normal credit | 0.5% |

(Note) The amounts are rounded down to the nearest billions of yen.

4. Off-Balancing of FRL Credit [Non-consolidated]

① Balance of doubtful credit, and bankrupt and similar credit

(Billions of yen)

| Newly added within: | As of Mar. 31, 2019 | As of Sep. 30, 2019 | As of Mar. 31, 2020 | As of Sep. 30, 2020 | As of Mar. 31, 2021 | As of Sep. 30, 2021 | As of Mar. 31, 2022 (B) | As of | |
|--------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|----------------------------------|-----------------------------------|-------------------------|
| | | | | | | | | increase (decrease) (A)-(B) | Sep. 30, 2022 (A) |
| -Mar. 31, 2019 | | | | | | | | | |
| Bankrupt and similar credit | - | - | - | - | - | - | - | - | - |
| Doubtful credit | 14.2 | 6.8 | 5.8 | 4.3 | 3.2 | 3.1 | 3.1 | (1.8) | 1.2 |
| subtotal | 14.2 | 6.8 | 5.8 | 4.3 | 3.2 | 3.1 | 3.1 | (1.8) | 1.2 |
| Apr. 1, 2019 -Sep. 30, 2019 | | | | | | | | | |
| Bankrupt and similar credit | - | 3.2 | 4.3 | - | - | - | 1.8 | - | 1.8 |
| Doubtful credit | - | 9.1 | 7.8 | 4.7 | 4.6 | 4.6 | 2.4 | (0.0) | 2.4 |
| subtotal | - | 12.4 | 12.1 | 4.7 | 4.6 | 4.6 | 4.2 | (0.0) | 4.2 |
| Oct. 1, 2019 -Mar. 31, 2020 | | | | | | | | | |
| Bankrupt and similar credit | - | - | 0.0 | 0.2 | 0.0 | - | - | - | - |
| Doubtful credit | - | - | 7.9 | 0.1 | - | - | - | - | - |
| subtotal | - | - | 8.0 | 0.3 | 0.0 | - | - | - | - |
| Apr. 1, 2020 -Sep. 30, 2020 | | | | | | | | | |
| Bankrupt and similar credit | - | - | - | 1.8 | 2.0 | - | - | - | - |
| Doubtful credit | - | - | - | 7.4 | 6.3 | 2.1 | 2.3 | 0.4 | 2.7 |
| subtotal | - | - | - | 9.3 | 8.4 | 2.1 | 2.3 | 0.4 | 2.7 |
| Oct. 1, 2020 -Mar. 31, 2021 | | | | | | | | | |
| Bankrupt and similar credit | - | - | - | - | 0.0 | - | 0.9 | (0.9) | 0.0 |
| Doubtful credit | - | - | - | - | 6.4 | 6.4 | 2.1 | (2.1) | 0.0 |
| subtotal | - | - | - | - | 6.5 | 6.4 | 3.1 | (3.1) | 0.0 |
| Apr. 1, 2021 -Sep. 30, 2021 | | | | | | | | | |
| Bankrupt and similar credit | - | - | - | - | - | - | - | - | - |
| Doubtful credit | - | - | - | - | - | - | - | - | - |
| subtotal | - | - | - | - | - | - | - | - | - |
| Oct. 1, 2021 -Mar. 31, 2022 | | | | | | | | | |
| Bankrupt and similar credit | - | - | - | - | - | - | - | - | - |
| Doubtful credit | - | - | - | - | - | - | 5.3 | (5.3) | - |
| subtotal | - | - | - | - | - | - | 5.3 | (5.3) | - |
| Apr. 1, 2022 -Sep. 30, 2022 | | | | | | | | | |
| Bankrupt and similar credit | - | - | - | - | - | - | - | - | - |
| Doubtful credit | - | - | - | - | - | - | - | 4.7 | 4.7 |
| subtotal | - | - | - | - | - | - | - | 4.7 | 4.7 |

(Note1) The amounts are rounded down to the nearest billions of yen.

(Note2) Balance as of September 30, 2022 includes those borrowers (1.8 billion yen) for whom measures are undertaken which will lead to eventual off-balancing.

② Off-balancing of doubtful credit, and bankrupt and similar credit

(Billions of yen)

| Newly added within: | -Mar. 31, 2019 | Apr. 1, 2019 -Sep. 30, 2019 | Oct. 1, 2019 -Mar. 31, 2020 | Apr. 1, 2020 -Sep. 30, 2020 | Oct. 1, 2020 -Mar. 31, 2021 | Apr. 1, 2021 -Sep. 30, 2021 | Oct. 1, 2021 -Mar. 31, 2022 |
|--------------------------------|----------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Liquidation-type disposition | - | - | - | - | - | - | - |
| Restructuring-type disposition | - | - | - | - | - | - | (2.2) |
| Loan liquidations | (1.5) | - | - | - | - | - | - |
| Direct written-off | (0.5) | 0.0 | - | - | 0.5 | - | - |
| Other | 0.2 | (0.0) | - | 0.4 | (3.6) | - | (3.1) |
| Total | (1.8) | (0.0) | - | 0.4 | (3.1) | - | (5.3) |

(Note1) The amounts are rounded down to the nearest billions of yen.

(Note2) Liquidation-type disposition : debt waiver in event of bankruptcy or special liquidation

Restructuring-type disposition : debt waiver in event of restructuring-type proceedings, such as corporate reorganization, civil rehabilitation, composition and winding-up; or debt forgiveness

Other : collection by disposition of collateral, business improvement of debtor, etc.

(Note3) If legal proceedings such as debt waiver, forgiveness, collection and so on, occur after direct written-off of book cost, relevant amounts are reentered in 'Liquidation-type disposition', 'Restructuring-type disposition' or 'Other' where appropriate and subtracted from 'Direct written-off.'

5. Breakdown of Loans and Bills Discounted Classified by Industry [Consolidated]

□ After partial and direct written-off

① Loans and Bills Discounted Classified by Industry

(Millions of yen)

| | September 30, 2022 | March 31, 2022 |
|---|--------------------|------------------|
| Loans by domestic offices (excluding Japan offshore market accounts) | 2,915,286 | 2,545,736 |
| Manufacturing | 242,690 | 236,800 |
| Agriculture, forestry and fisheries | 4,096 | 4,129 |
| Mining, quarry and gravel extraction | - | - |
| Construction | 14,082 | 10,311 |
| Electricity, gas, heat supply and water | 111,092 | 87,017 |
| Information and communications | 105,108 | 102,695 |
| Transport and postal service | 42,032 | 40,379 |
| Wholesale and retail trade | 82,705 | 77,982 |
| Finance and insurance | 356,039 | 352,055 |
| Real estate | 724,951 | 715,081 |
| Leasing | 123,564 | 100,517 |
| Other services | 165,167 | 153,857 |
| Local government | 10,899 | 16,980 |
| Others | 932,855 | 647,928 |
| Loans by overseas offices (including Japan offshore market accounts) | 933,495 | 771,389 |
| Government | - | - |
| Financial institutions | - | - |
| Others | 933,495 | 771,389 |
| Total | 3,848,781 | 3,317,125 |

② Risk Monitored Loans Classified by Industry

(Millions of yen)

| | September 30, 2022 | March 31, 2022 |
|---|--------------------|----------------|
| Loans by domestic offices (excluding Japan offshore market accounts) | 16,770 | 19,739 |
| Manufacturing | 5,521 | 7,801 |
| Agriculture, forestry and fisheries | 4,128 | 4,161 |
| Mining, quarry and gravel extraction | - | - |
| Construction | 1 | 1 |
| Electricity, gas, heat supply and water | - | - |
| Information and communications | 12 | 7 |
| Transport and postal service | 0 | 0 |
| Wholesale and retail trade | 3,012 | 1,962 |
| Finance and insurance | - | 0 |
| Real estate | 1 | 2,139 |
| Leasing | - | - |
| Other services | 1,302 | 1,300 |
| Local government | - | - |
| Others | 2,789 | 2,364 |
| Loans by overseas offices (including Japan offshore market accounts) | 5,568 | 1,677 |
| Government | - | - |
| Financial institutions | - | - |
| Others | 5,568 | 1,677 |
| Total | 22,339 | 21,416 |

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

III. Deferred Tax Assets

1. Judgement for Recoverability of Deferred Tax Asset

We have categorized the Bank under Category 2 of 'Guidance on Recoverability of Deferred Tax Assets' (ASBJ Guidance on Corporate Accounting Standard No.26) and have calculated recoverable deferred tax assets based on a scheduling of the reversals of temporary differences.

Reference) Past Taxable income

(Billions of yen)

| | FY 2019 | FY 2020 | FY 2021 |
|--|---------|---------|---------|
| Taxable income (before offsetting of tax loss carryforwards) | 59.4 | 38.5 | 36.6 |

2. Temporary Differences and Loss Carryforwards 【Non-consolidated】

(Billions of yen)

| | September 30, 2022 | | March 31, 2022 |
|---|--------------------|-----------|----------------|
| | (A) | (A) - (B) | (B) |
| Deferred tax assets | 63.3 | 28.6 | 34.6 |
| Provision of allowance for loan losses | 13.4 | (1.4) | 14.9 |
| Provision for retirement benefits | 3.1 | 0.0 | 3.1 |
| Write-offs for securities | 21.7 | 2.5 | 19.1 |
| Valuation difference on available-for-sale securities | 31.0 | 30.6 | 0.3 |
| Tax loss carryforwards | — | — | — |
| Other | 8.7 | (0.4) | 9.2 |
| Subtotal | 78.2 | 31.2 | 46.9 |
| Less valuation allowance | (14.8) | (2.6) | (12.2) |
| Deferred tax liabilities | 6.1 | 3.3 | 2.7 |
| Valuation difference on available-for-sale securities | 0.5 | (0.1) | 0.6 |
| Net deferred tax assets | 57.2 | 25.2 | 31.9 |