

FY2022 Interim Financial Results Overview

November 11, 2022



Interim Financial Highlights

Net revenue	43.3 billion yen (9.1 billion yen decrease year-on-year, progress rate: 42%)
Business profit	15.0 billion yen (10.6 billion yen decrease year-on-year, progress rate: 33%)
Profit attributable to owners of parent	15.3 billion yen (4.0 billion yen decrease year-on-year, progress rate: 43%)

Key points

- Net revenue and business profit for 2Q (July-September) both increased compared to 1Q (April-June)
- For the interim period (April-September), net revenue decreased by 9.1 billion yen and profit attributable to owners of parent decreased by 4.0 billion yen compared to the previous year
 - Customer-related business was strong and net revenue, excluding financial market-related business, increased by 1.1 billion yen compared to the previous year
 - Net revenue from financial market-related business declined by 10.2 billion yen compared to the previous year as the Bank maintained its focus on risk management
- Credit-related expenses were a net expense of 1.1 billion yen in 2Q and a net reversal of 2.0 billion yen for the interim period, in line with the original forecast

Dividend for 2Q: 38 yen per common share

- The full-year earnings forecast remains unchanged. The second quarter dividend is 38 yen, approximately 25% of the full-year dividend forecast of 154 yen

(Note) Unless otherwise stated, all amounts stated have been rounded down to the nearest unit.

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

PL summary

- Net interest income increased by 2.5 billion yen compared to the previous year mainly due to higher loan outstandings as well as the impact of a weaker yen
- While customer-related business was strong, non-interest income decreased by 11.6 billion yen compared to the previous year mainly due to a lower level of earnings from market-related business and the sale of structured bonds
- G&A expenses increased by 1.1 billion yen compared to the previous year, mainly due to increased personnel costs
- Credit-related expenses were a net expense of 1.1 billion yen for 2Q as a result of additional provisions made to general loan loss reserves, mainly due to higher overseas loan outstandings as well as a weaker yen. Credit-related expenses for the interim period were a net reversal of 2.0 billion yen

	FY2021 Interim A	FY2022		Interim B	Change B - A		FY2022 forecast	Progress
		Apr. - Jun.	Jul. - Sep.		Amount	%		
(billion yen)								
Net revenue	52.4	21.4	21.8	43.3	-9.1	-17.4%	103.0	42%
Net interest income	24.6	14.2	12.9	27.2	+2.5			
Non-interest income	27.7	7.2	8.8	16.0	-11.6			
General & administrative expenses	-27.9	-14.4	-14.6	-29.1	-1.1			
Gains/losses on equity method investments	1.2	0.3	0.4	0.8	-0.3			
Business profit	25.7	7.3	7.6	15.0	-10.6	-41.4%	46.0	33%
Credit-related expenses	0.4	3.2	-1.1	2.0	+1.6			
Gains/losses on stock transactions	0.0	-0.0	4.6	4.5	+4.5			
Ordinary profit	26.4	11.3	9.0	20.4	-6.0	-23.0%	49.5	41%
Extraordinary profit/loss	-0.1	-0.0	-0.0	-0.0	+0.1			
Profit before income taxes	26.3	11.3	9.0	20.4	-5.8	-22.4%		
Taxes	-7.6	-3.3	-2.6	-6.0	+1.6			
Gains/losses attributable to non-controlling interests	0.8	0.4	0.5	0.9	+0.1			
Profit attributable to owners of parent	19.4	8.3	7.0	15.3	-4.0	-20.8%	36.0	43%
Excluding financial market-related business*								
Net revenue	38.2	20.2	19.1	39.3	+1.1	+2.9%		

* Management accounting basis

Net interest income

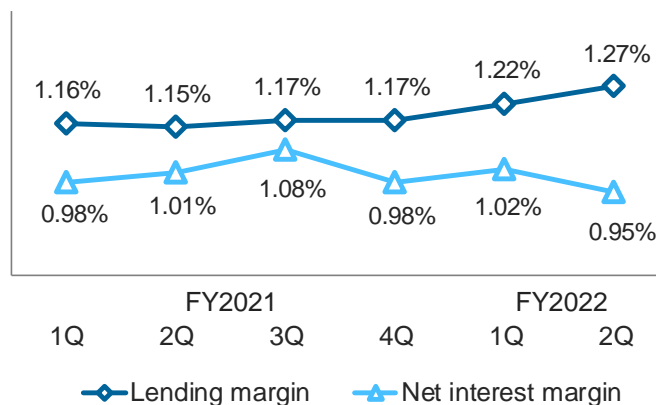
- Net interest income was 27.2 billion yen, an increase of 2.5 billion yen compared to the previous year
 - Net interest income for the interim period increased compared to the previous year due to higher loan outstandings, the impact of a weaker yen, and gains on the cancellation of investment trusts
 - Net interest income in 2Q declined compared to 1Q, mainly due to increased foreign currency funding costs as a result of higher overseas interest rates
- The net interest margin for the interim period remained at almost the same level compared to the previous year
 - The net interest margin contracted in 2Q compared to 1Q, mainly due to a lower yield on securities resulting from a lower level of gains on the cancellation of investment trusts

	FY2021	FY2022		Interim B	Change B - A
	Interim A	Apr. - Jun.	Jul. - Sep.		
(billion yen)					
Net interest income	24.6	14.2	12.9	27.2	+2.5
Interest income	31.8	21.2	26.1	47.4	+15.6
Interest on loans and discounts	21.7	14.4	19.8	34.2	+12.5
Interest and dividends on securities	9.5	6.4	5.7	12.2	+2.7
Incl. gains on cancellation of investment trusts	0.1	0.9	0.1	1.0	+0.9
Other interest income	0.5	0.3	0.5	0.8	+0.2
Interest expenses	-7.1	-7.0	-13.1	-20.1	-13.0
Interest on deposits and NCDs	-2.8	-2.1	-2.7	-4.8	-2.0
Interest on debentures	-1.1	-0.4	-0.4	-0.9	+0.2
Interest on borrowings and rediscounts	-0.6	-0.2	-0.3	-0.6	-0.0
Other interest (repurchase interest, etc.)	-0.3	-0.8	-2.1	-3.0	-2.6
Interest on swaps	-2.0	-3.2	-7.4	-10.7	-8.6

(Note) Decreases in expenses are shown as positive.

	FY2021	FY2022		Interim B	Change B - A
	Interim A	Apr. - Jun.	Jul. - Sep.		
Yield on total investments (A)	1.26%	1.48%	1.78%	1.63%	+0.37%
Yield on loans (B)	1.42%	1.68%	2.10%	1.90%	+0.48%
Yield on securities	1.42%	1.81%	1.63%	1.72%	+0.30%
Yield on funding (C)	0.27%	0.46%	0.83%	0.65%	+0.38%
Net interest margin (A)-(C)	0.99%	1.02%	0.95%	0.98%	-0.01%
Lending margin (B)-(C)	1.15%	1.22%	1.27%	1.25%	+0.10%

Net interest margin and lending margin



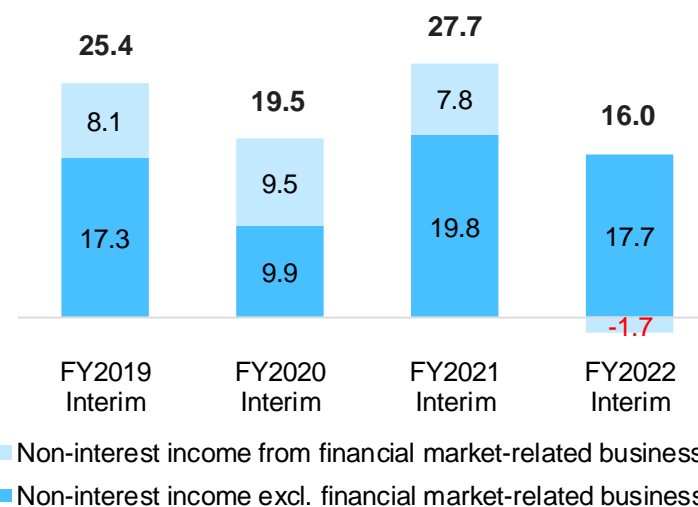
Non-interest income

- Non-interest income was 16.0 billion yen, a decrease of 11.6 billion yen year-on-year
 - Non-interest income, excluding financial market-related business, was 17.7 billion yen, representing steady progress
 - Net trading revenues decreased by 6.1 billion yen compared to the previous year, mainly due to a decrease in earnings from the sale of structured bonds and trading profit
 - No significant gains/losses on bond transactions were recorded in 2Q. The Bank performed risk reduction operations on its securities portfolio and saw increased gains on financial derivatives related to hedging included in net other ordinary income

(billion yen)	FY2021 Interim A	FY2022		Interim B	Change B - A
		Apr.- Jun.	Jul.- Sep.		
Non-interest income	27.7	7.2	8.8	16.0	-11.6
Net fees and commissions	6.7	2.8	2.8	5.7	-1.0
Net trading revenues	8.0	1.6	0.2	1.8	-6.1
Gains/losses on bond transactions	5.4	-2.3	-0.0	-2.3	-7.8
Net other ordinary income excl. gains/losses on bond transactions	7.4	5.1	5.7	10.8	+3.3
Incl. gains from limited partnerships	5.3	3.1	0.9	4.0	-1.2
(Ref.) Ratio of gains/losses on bond transactions to net revenue	10%	-	-	-	-

Non-interest income*

(billion yen)



* Management accounting basis

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

- Net fees and commissions were 5.7 billion yen, a decrease of 1.0 billion yen compared to the previous year. 2Q saw approximately the same level of revenue as 1Q
 - Loan-related fee income decreased by 0.8 billion yen compared to the previous year, reflecting the impact of a specific large loan closed in FY2021, but nonetheless representing steady progress
 - Investment trust AUM balances and investment trust fee income increased, mainly as a result of investment trust products offered by Aozora Investment Management to the retail customers of regional financial institutions
- Net trading revenues were 1.8 billion yen, a decrease of 6.1 billion yen compared to the previous year
 - The Bank continued its policy of restricting the sale of structured bonds. Earnings from the sale of structured bonds were 1.1 billion yen, a decrease of 2.6 billion yen compared to the previous year

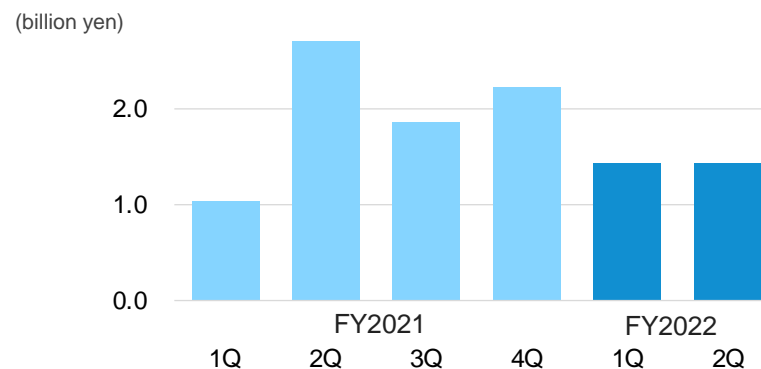
(billion yen)	FY2021 Interim A	FY2022		Interim B	Change B - A
		Apr. - Jun.	Jul. - Sep.		
Net fees and commissions	6.7	2.8	2.8	5.7	-1.0
Fees and commissions	8.5	3.8	3.9	7.8	-0.7
Loan business-related and deposits	3.7	1.4	1.4	2.8	-0.8
Securities-related and agency	1.7	1.0	1.2	2.2	+0.5
Incl. investment trust fee income	0.9	0.5	0.6	1.2	+0.2
Other	3.0	1.3	1.2	2.6	-0.3
Incl. GANB fee income	1.8	0.9	0.8	1.8	+0.0
Fees and commissions payments	-1.7	-1.0	-1.0	-2.1	-0.3
Net trading revenues	8.0	1.6	0.2	1.8	-6.1

Earnings from investment product sales to retail customers*

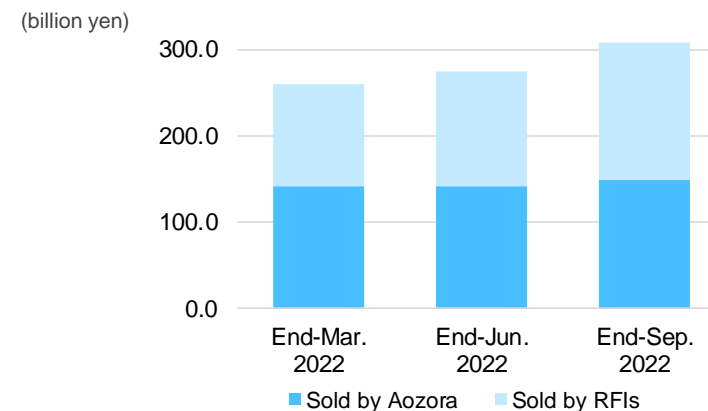
Earnings from investment product sales	4.6	1.0	0.9	1.9	-2.6
Incl. investment trusts	0.7	0.3	0.3	0.7	-0.0
Incl. structured bonds	3.8	0.6	0.5	1.1	-2.6

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

Loan-related fee income



Retail investment trust AUM balances



Non-interest income – Net other ordinary income

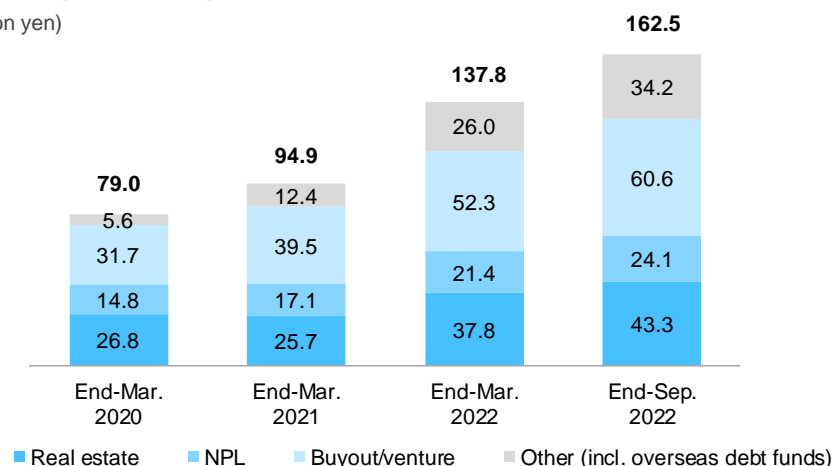
- Gains/losses on bond transactions were a loss of 2.3 billion yen, compared with a gain of 5.4 billion yen during the previous year
 - Risk reduction measures were taken on the securities portfolio in 1Q, and these operations continued into 2Q. No significant gains/losses on bond transactions were recorded in 2Q
- Net other ordinary income (excl. gains/losses on bond transactions) was 10.8 billion yen, an increase of 3.3 billion yen year-on-year
 - Gains on financial derivatives and losses on equity derivatives (not included in net revenue) were a result of the Bank's risk reduction operations performed on its securities portfolio
 - Gains from limited partnerships saw steady progress and limited partnership balances continued to increase mainly as a result of a weaker yen (approximately 40% of this balance increase compared to March 31, 2022 was due to the impact of yen depreciation)
 - Sales of foreign exchange derivatives to our corporate customers remained strong amid higher volatility in the foreign exchange markets (earnings from the sale of foreign exchange derivatives increased by 0.8 billion yen compared to the previous year)

(billion yen)	FY2021 Interim A	FY2022		Interim B	Change B - A
		Apr. - Jun.	Jul. - Sep.		
Gains/losses on bond transactions	5.4	-2.3	-0.0	-2.3	-7.8
Japanese government bonds (JGBs)	0.1	-0.4	0.0	-0.3	-0.5
Foreign government bonds and mortgage bonds	-0.2	-	-	-	+0.2
Other	5.5	-1.9	-0.0	-1.9	-7.4
Incl. private placement investment trusts	3.3	3.7	-0.0	3.6	+0.3
Incl. REITs	1.3	-0.0	0.0	-0.0	-1.3
Incl. foreign currency ETFs	-	-5.2	0.0	-5.2	-5.2
Net other ordinary income excl. gains/losses on bond transactions	7.4	5.1	5.7	10.8	+3.3
Incl. gains/losses on financial derivatives	0.3	-0.1	4.5	4.3	+4.0
Incl. gains from limited partnerships	5.3	3.1	0.9	4.0	-1.2
Real estate-related	0.3	0.4	0.4	0.8	+0.4
Distressed loan-related	2.7	0.4	0.5	1.0	-1.6
Buyout/venture-related	1.7	1.8	-0.4	1.4	-0.3
Other	0.4	0.4	0.3	0.7	+0.3
(Ref.) Gains/losses on equity derivatives*	-	0.6	-1.9	-1.2	-1.2

* Not included in net revenue or gains on stock transactions on the next page

Limited partnership investments*

(billion yen)



* Management accounting basis

Gains/losses on equity method investments/stock transactions

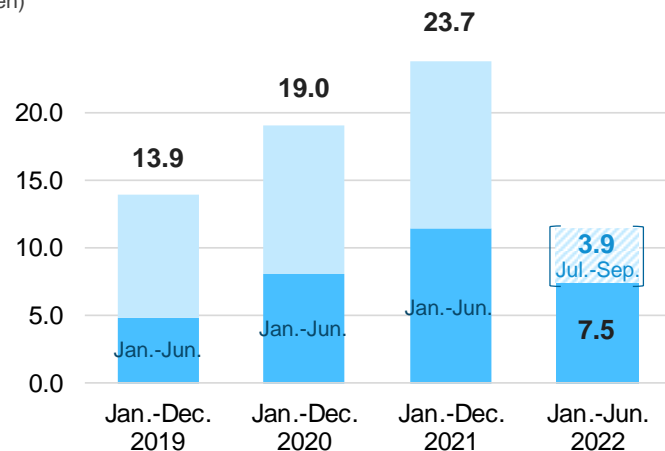
- Gains/losses on equity method investments were a net gain of 0.8 billion yen
 - Orient Commercial Joint Stock Bank's (OCB) results during the April-June period remained approximately the same as during January-March, mainly due to losses recorded on the sale of bonds associated with a reduction in the size of its bond portfolio in response to increased interest rates within Vietnam
- Gains/losses on stock transactions were a gain of 4.5 billion yen
 - Approximately 40% of the gain was due to Aozora's Strategic Investments Business

(billion yen)	FY2021	FY2022		Interim B	Change B - A
	Interim A	Apr. - Jun.	Jul. - Sep.		
Gains/losses on equity method investments	1.2	0.3	0.4	0.8	-0.3
Gains/losses on stock transactions *	0.0	-0.0	4.6	4.5	+4.5

* Not including gains/losses on equity derivatives

OCB Net profit*

(billion yen)



15% of OCB's net profit (including goodwill amortization) for Jan.-Jun. 2022 was included in Aozora's FY2022 interim results

* Uses an exchange rate of 0.0054 yen per 1 Vietnamese dong

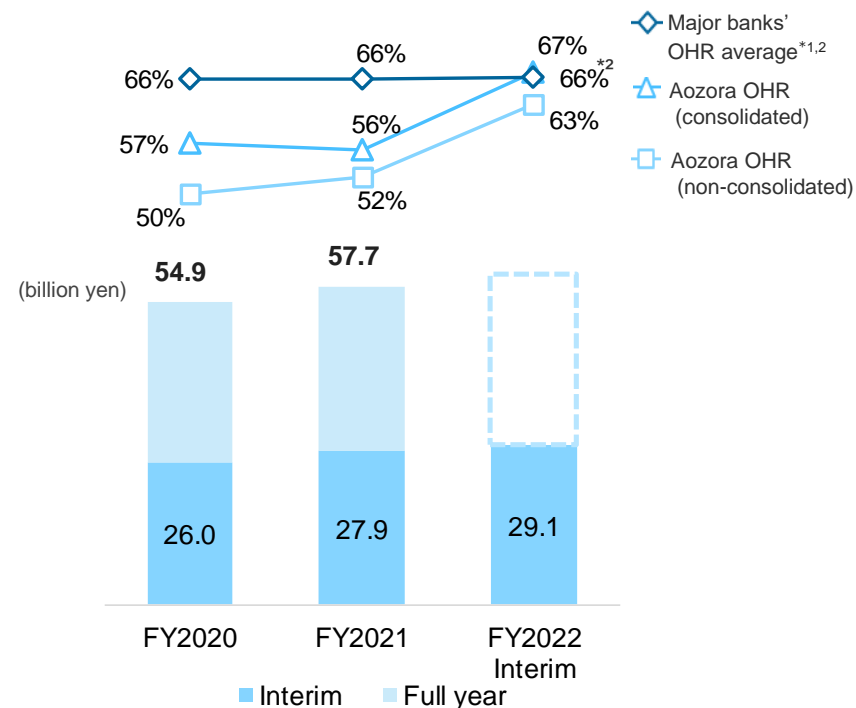
G&A expenses

- G&A expenses were 29.1 billion yen, an increase of 1.1 billion yen year-on-year, representing progress of 49% towards the original forecast as the Bank maintained its focus on cost-control
 - Personnel expenses increased by 1.0 billion yen, mainly due to the hiring of additional staff, pay-scale increases, and personnel system reform
- The Overhead Ratio (OHR) was 67% due to the decrease in net revenue

G&A expenses breakdown

	FY2021 Interim A	FY2022		Interim B	Change B - A
		Apr. - Jun.	Jul. - Sep.		
(billion yen)					
G&A expenses (A)	27.9	14.4	14.6	29.1	+1.1
Personnel	13.1	6.8	7.2	14.1	+1.0
Non-Personnel	12.9	6.6	6.7	13.3	+0.4
Incl. IT-related	5.3	2.8	2.8	5.7	+0.3
Taxes	1.9	0.9	0.6	1.6	-0.2
Net revenue (B)	52.4	21.4	21.8	43.3	
OHR (A) / (B)	53%	67%	67%	67%	
OHR (non-consolidated)	50%	63%	62%	63%	
OHR (non-consolidated, core net business profit)	56%	56%	62%	59%	

G&A expenses and OHR



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

*2 FY2022 1Q

Credit-related expenses

- Credit-related expenses in 2Q were a net expense of 1.1 billion yen (a net reversal of 2.0 billion yen for the interim period)
 - The net expense for 2Q was a result of additional provisions made to general loan loss reserves, mainly due to higher overseas loan outstandings on the back of a weaker yen
- The ratio of loan loss reserves to total loans remained adequate at 1.15%
 - The ratio of loan loss reserves to overseas loans was approximately 1.7%, the same level compared to June 30, 2022

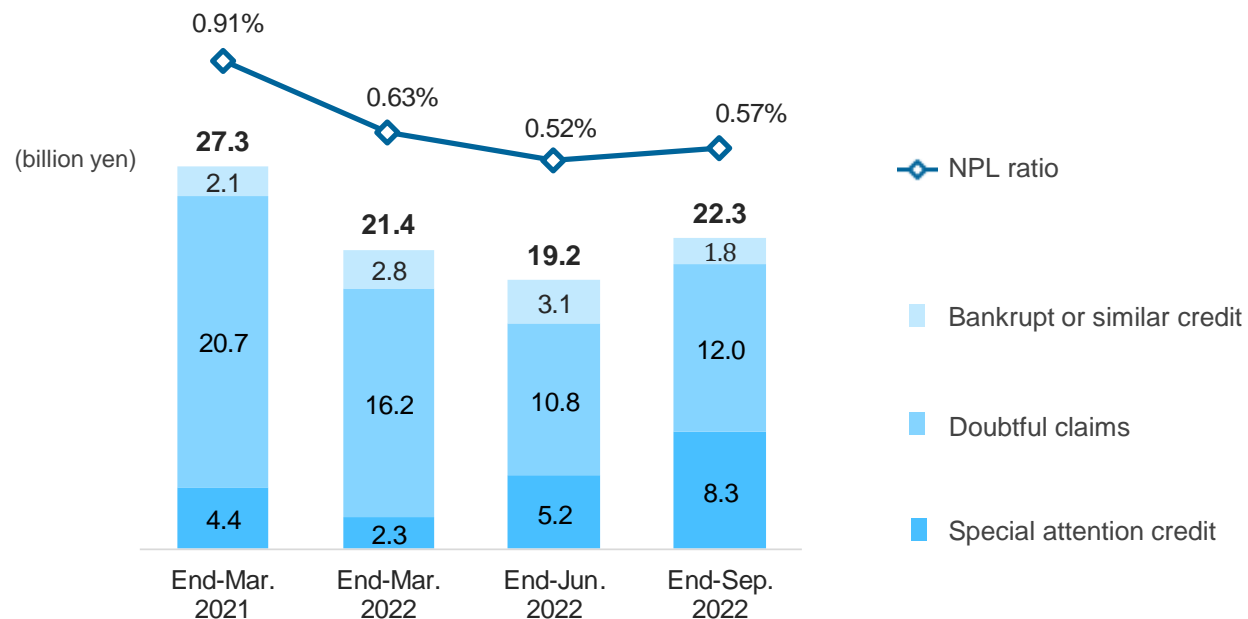
(billion yen)	FY2021	FY2022		Interim B	Change B - A
	Interim A	Apr. - Jun.	Jul. - Sep.		
Credit-related expenses	0.4	3.2	-1.1	2.0	+1.6
Write-off of loans	-0.6	-0.0	-0.0	-0.0	+0.6
Loan loss reserves	0.9	2.2	-1.1	1.1	+0.1
Specific loan loss reserves	-1.1	-0.6	0.4	-0.1	+0.9
General loan loss reserves	2.1	2.9	-1.6	1.2	-0.8
Gains/losses on disposition of loans	-0.0	-0.0	-0.0	-0.0	-0.0
Recoveries of written off receivables	0.1	1.0	0.1	1.1	+1.0
Reserve for credit losses on off-balance-sheet instruments	0.0	0.0	-0.0	-0.0	-0.0

Ratio of loan loss reserves to total loans

(billion yen)	End - Mar. 2022	End - Jun. 2022	End - Sep. 2022
Loan loss reserves (A)	48.6	42.4	44.2
General loan loss reserves (B)	38.4	35.5	37.2
Total loans (C)	3,317.1	3,600.9	3,848.7
(A) / (C)	1.46%	1.17%	1.15%
(B) / (C)	1.16%	0.98%	0.96%
Reserve ratio for need attention credit	5.0%	5.1%	4.9%
Reserve ratio for normal credit	0.7%	0.5%	0.5%

Non-performing loans based on the FRA*

- The ratio of NPLs to total claims on a consolidated basis (NPL ratio) was 0.57%, a decrease of 0.06% from March 31, 2022
 - NPLs increased by 0.9 billion yen compared to March 31, 2022



(billion yen)	End-Mar. 2021	End-Mar. 2022	End-Jun. 2022	End-Sep. 2022
Total claims	2,994.0	3,367.4	3,656.1	3,907.2
NPLs (A)	27.3	21.4	19.2	22.3
Coverage (B)	23.4	19.1	15.1	17.8
Reserves	12.8	11.6	9.1	10.8
Collateral & guarantees	10.6	7.4	5.9	6.9
Coverage ratio (B) / (A)	86%	89%	78%	80%

* Financial Reconstruction Act

Balance sheet summary

- Total assets were 7,157.5 billion yen, an increase of 428.8 billion yen compared to March 31, 2022
- Total net assets were 438.6 billion yen, representing a decrease of 48.5 billion yen from March 31, 2022
 - The valuation difference on available-for-sale securities decreased by 69.2 billion yen compared to March 31, 2022 as a result of increased unrealized losses in the Bank's securities portfolio

(billion yen)	End - Mar. 2022 A	End - Jun. 2022	End - Sep. 2022 B	Change B - A
Loans and bills discounted	3,317.1	3,600.9	3,848.7	+531.6
Securities	1,478.1	1,361.4	1,420.3	-57.8
Cash and due from banks	1,141.9	1,107.9	971.0	-170.8
Trading assets	133.0	155.6	176.3	+43.3
Other	658.3	759.2	740.9	+82.5
Total assets	6,728.6	6,985.2	7,157.5	+428.8

(billion yen)	End - Mar. 2022 A	End - Jun. 2022	End - Sep. 2022 B	Change B - A
Deposits / Negotiable certificates of deposit	4,871.5	5,144.9	5,302.1	+430.6
Bonds payable	168.9	166.3	125.9	-42.9
Borrowed money	432.3	448.3	500.9	+68.6
Cash collateral received for securities lent	356.9	273.5	263.4	-93.5
Trading liabilities	129.2	170.6	171.6	+42.4
Other	282.3	324.9	354.6	+72.2
Total liabilities	6,241.3	6,528.7	6,718.8	+477.4
Capital stock / Capital surplus	187.4	187.4	187.4	+0.0
Retained earnings	301.7	304.8	307.3	+5.6
Valuation difference on available-for-sale securities	3.9	-38.2	-65.2	-69.2
Foreign currency translation adjustment	3.4	8.4	11.3	+7.9
Other	-9.3	-6.0	-2.2	+7.0
Total net assets	487.2	456.4	438.6	-48.5
Total liabilities and net assets	6,728.6	6,985.2	7,157.5	+428.8

Loans – Balance by industry

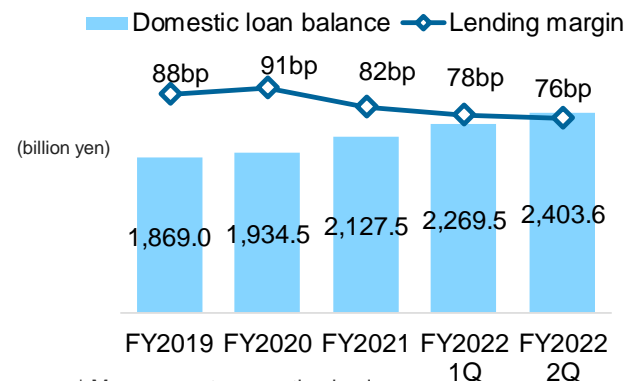
- Loans were 3,848.7 billion yen, an increase of 531.6 billion yen compared to March 31, 2022. Domestic loans increased by 276.1 billion yen
 - Domestic loan origination was mainly focused on environmental finance and borrowers with strong credit ratings

(billion yen)	End - Mar. 2022 A	End - Jun. 2022	End - Sep. 2022 B	Change B - A
Total loans (A)	3,317.1	3,600.9	3,848.7	+531.6
Domestic loans	2,127.5	2,269.5	2,403.6	+276.1
Overseas loans* (B)	1,189.6	1,331.4	1,445.1	+255.5
(B) / (A)	35.9%	37.0%	37.5%	-

* With no final risk residing in Japan

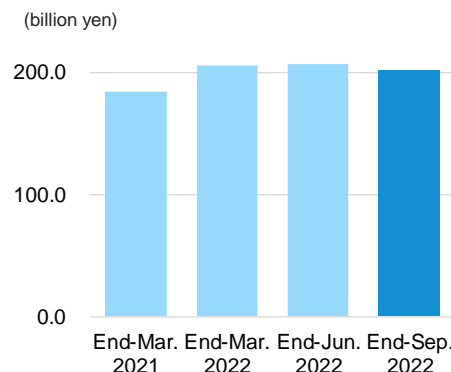
					Share
Loans by domestic offices (excl. Japan offshore market accounts)	2,545.7	2,742.3	2,915.2	+369.5	76%
Manufacturing	236.8	236.0	242.6	+5.8	6%
Utilities (electric power/gas/heat supply/water service)	87.0	120.3	111.0	+24.0	3%
Information and communications	102.6	103.4	105.1	+2.4	3%
Transport, postal services	40.3	40.1	42.0	+1.6	1%
Wholesale and retail sale	77.9	82.8	82.7	+4.7	2%
Financial and insurance	352.0	337.4	356.0	+3.9	9%
Real estate	715.0	716.7	724.9	+9.8	19%
Incl. non-recourse loans	380.8	388.7	393.1	+12.2	10%
Leasing	100.5	97.6	123.5	+23.0	3%
Other services	153.8	159.0	165.1	+11.3	4%
Other	679.3	848.5	961.9	+282.5	25%
Incl. overseas (HQ booked)	439.2	492.1	532.3	+93.1	14%
Loans by overseas offices incl. Japan offshore market accounts	771.3	858.6	933.4	+162.1	24%
Total	3,317.1	3,600.9	3,848.7	+531.6	100%

Domestic loan balance and lending margin*



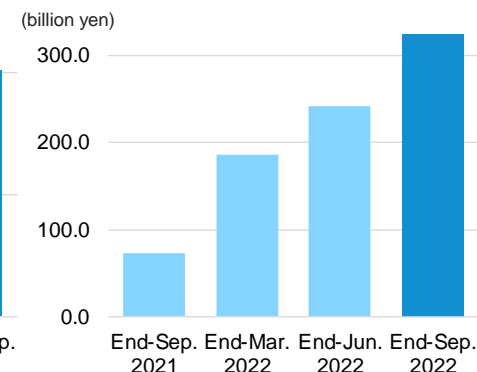
* Management accounting basis
Loan balances are presented as of the end of the relevant fiscal period

LBO loan balances (non-consolidated)*



* Management accounting basis

Environmental finance balances (non-consolidated)*



* Management accounting basis
Including corporate bonds and equities

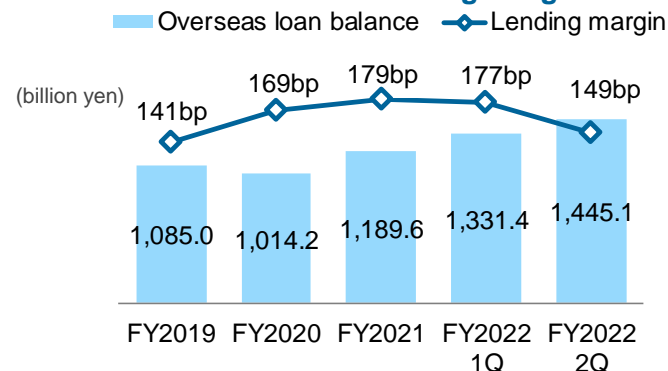
Loans – Overseas

- Overseas loans were 1,445.1 billion yen, an increase of 255.5 billion yen mainly due to the impact of yen depreciation, and a 2.7% increase of 262 million on a U.S. dollar-basis from March 31, 2022
 - The Bank continued its disciplined portfolio management in light of market trends as well as careful and selective origination of loans with favorable risk-return profiles
 - Overseas lending margins contracted due to the overall increase in foreign currency funding costs

(billion yen)	End - Mar. 2022 A	End - Jun. 2022	End - Sep. 2022 B	Change B - A
Total loans (A)	3,317.1	3,600.9	3,848.7	+531.6
Overseas loans* (B)	1,189.6	1,331.4	1,445.1	+255.5
(B) / (A)	35.9%	37.0%	37.5%	-
U.S. dollar basis (\$ million)	9,716	9,745	9,979	+262
Foreign exchange rate (US\$/JPY)	¥122.43	¥136.62	¥144.81	¥22.38

* With no final risk residing in Japan

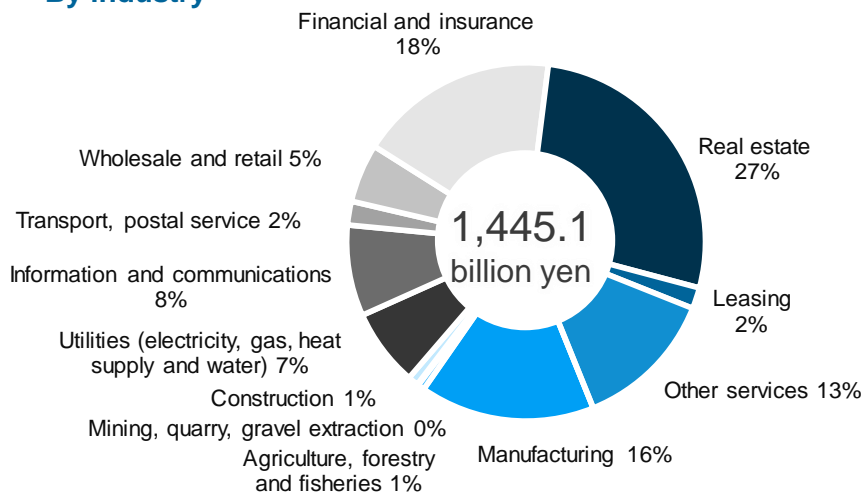
Overseas loan balance and lending margin*



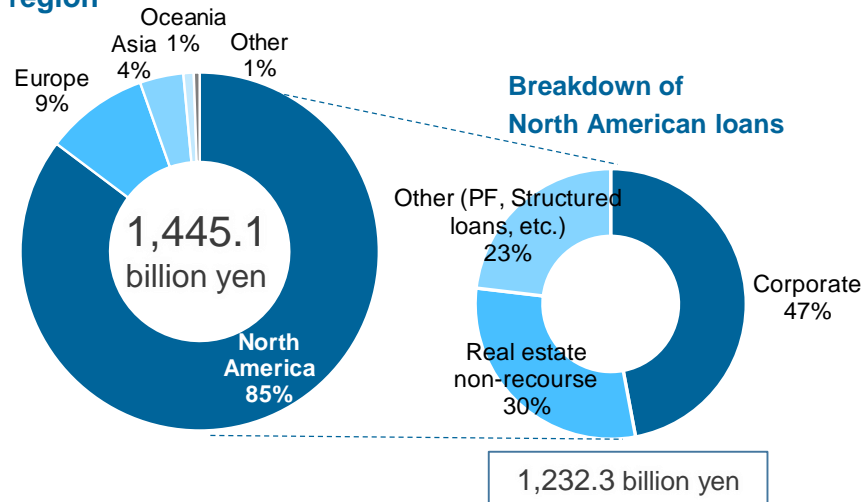
* Management accounting basis.

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

By industry



By region

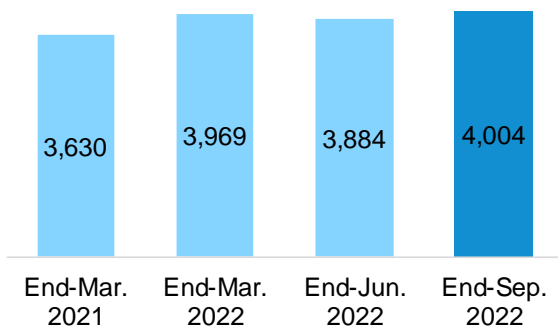


Loans – North American corporate loans

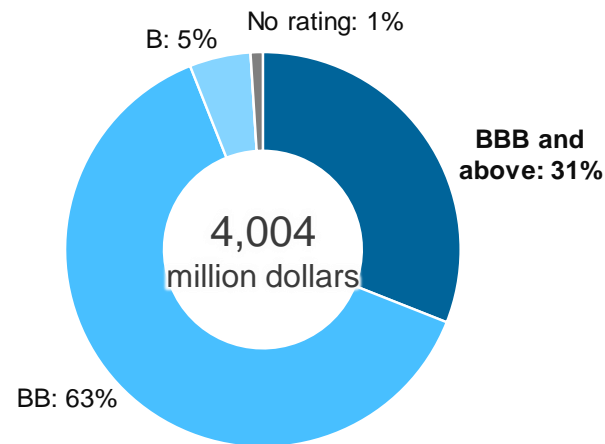
- The Bank’s North American corporate loan balances remained stable, totaling 4,004 million on a U.S. dollar-basis, an increase of 34 million dollars compared to March 31, 2022
 - The average bid price of Aozora’s loan portfolio continued to outperform the market index
 - The Bank continued to selectively originate high-quality loans amidst the unclear market environment

North American corporate loan balances

(million U.S. dollars)

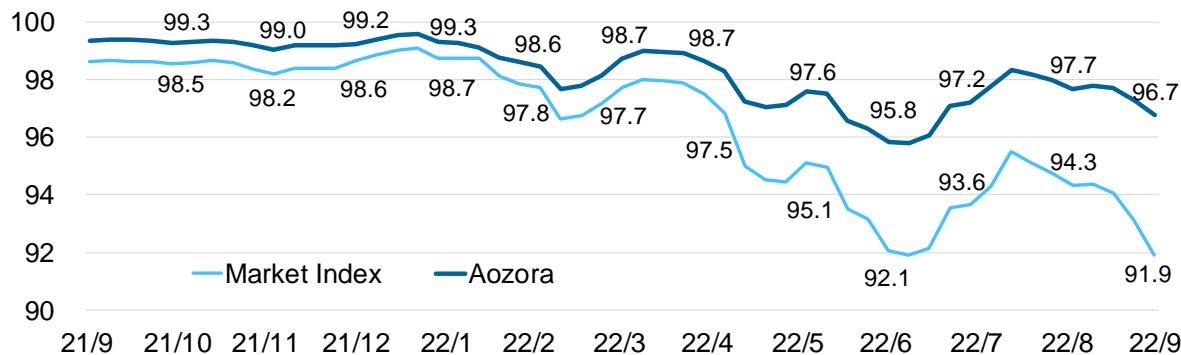


North American corporate loans by credit rating*



* S&P credit rating (facility basis)

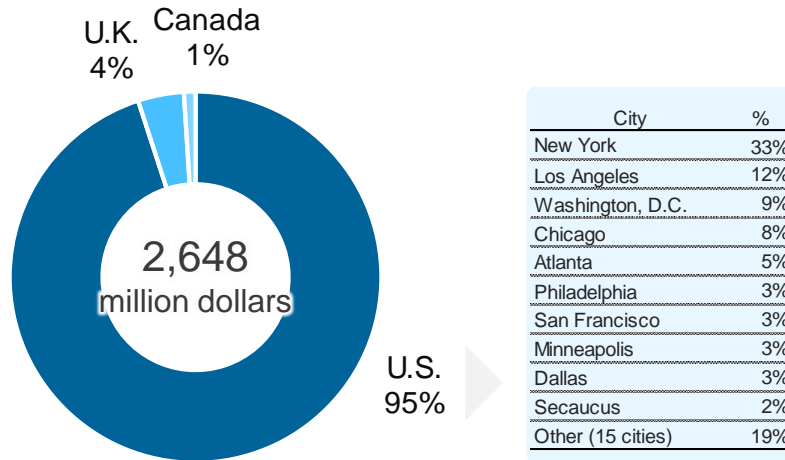
Average bid price



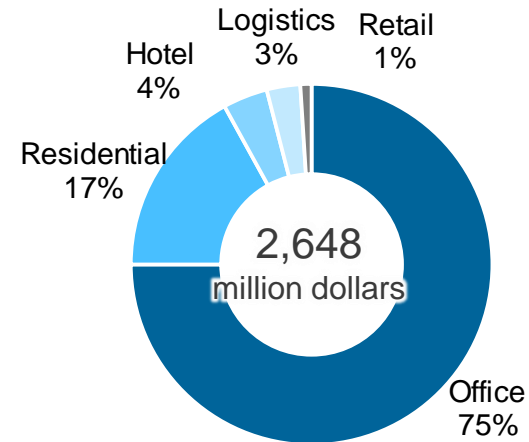
Loans – Overseas real estate non-recourse loans (NRLs)

- Overseas real estate non-recourse loan outstandings were 2,648 million on a U.S. dollar-basis, an increase of 226 million compared to March 31, 2022
 - Office loans decreased by 3% compared to March 31, 2022 while the percentage of residential and logistics loans increased during the same period

By region

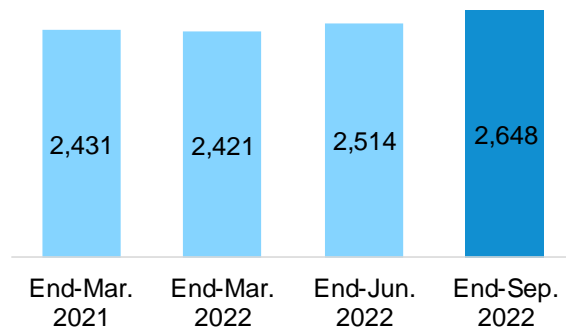


By sector



Overseas real estate non-recourse loans balances

(million U.S. dollars)



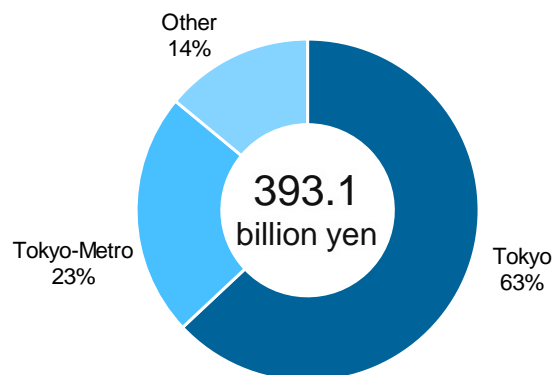
U.S. real estate non-recourse loan market conditions

- Financing needs in the loan market are high due to the lower level of activity in the CMBS markets
- The financial markets are experiencing a higher level of volatility, which has led to tighter financing conditions. Office loans have been polarized based on local market conditions, and Aozora selectively originated financing under these conditions while paying closer attention to U.S. economic activity
- The Bank selectively originated mainly multifamily loans with stable cash flows via sponsors with strong track records

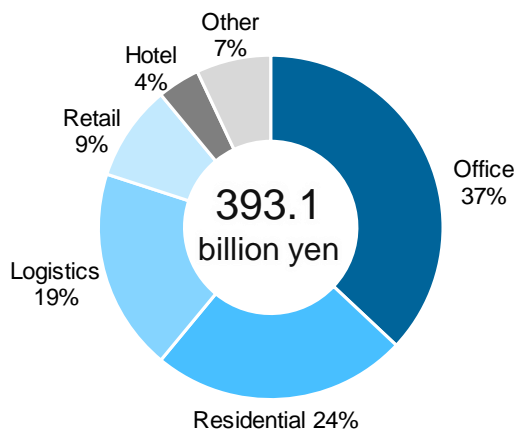
Loans – Domestic real estate non-recourse loans (NRLs)

- The Bank's domestic real estate non-recourse loan balance remained stable, totaling 393.1 billion yen, an increase of 12.2 billion yen compared to March 31, 2022
 - The Bank continued its policy of selectively originating new NRL loans, mainly logistics, that are in high demand. No significant changes in the distribution by region or by sector compared to March 31, 2022

By region

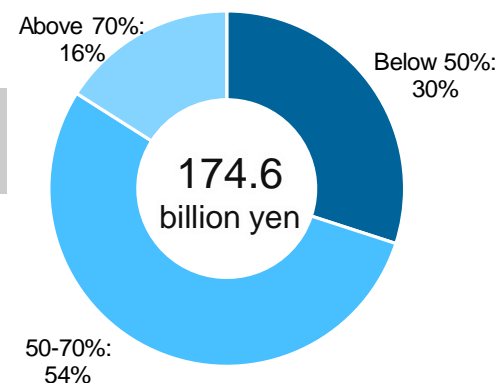


By sector

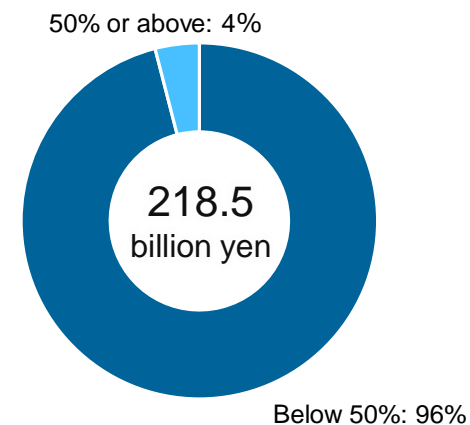


LTV

Real estate NRLs (excl. REITs)



REITs



Securities

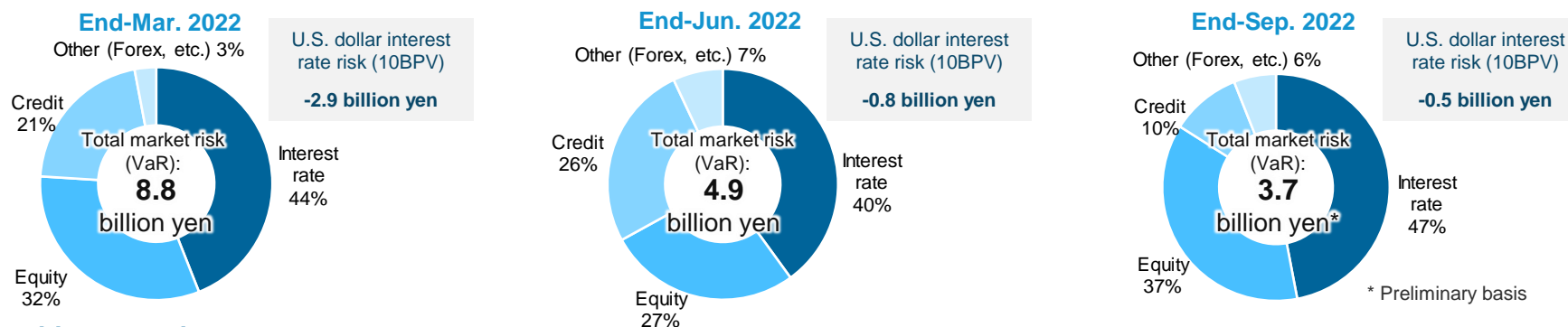
- Securities were 1,420.3 billion yen, a decrease of 57.8 billion yen compared to March 31, 2022
 - Japanese government bonds, municipal bonds, ETFs, and REITs decreased as the Bank performed risk reduction operations
- Unrealized gains/losses, including unrealized gains/losses on hedging instruments, were a net loss of 80.7 billion yen

	Book value				Unrealized gains/losses				
	End - Mar. 2022 A	End - Jun. 2022	End - Sep. 2022 B	Change B - A	End - Mar. 2022 C	End - Jun. 2022 D	End - Sep. 2022 E	Change E - C	Change E - D
(billion yen)									
JGBs	76.3	53.5	43.3	-33.0	-0.7	-1.1	-1.3	-0.6	-0.2
Municipal bonds	164.2	126.8	119.5	-44.7	-1.2	-1.4	-1.6	-0.4	-0.1
Corporate bonds / short-term corporate bonds	172.9	170.2	168.0	-4.8	0.4	0.3	-0.2	-0.6	-0.5
Equities	31.5	28.0	26.8	-4.6	20.4	15.0	13.9	-6.4	-1.1
Foreign bonds	536.0	560.9	554.4	+18.3	-28.4	-57.4	-85.4	-57.0	-27.9
Foreign government bonds	264.1	279.8	280.0	+15.8	-13.3	-25.5	-39.8	-26.5	-14.2
MBS	171.9	174.1	167.4	-4.4	-15.6	-27.6	-40.5	-24.8	-12.8
Other	99.9	107.0	107.0	+7.0	0.5	-4.1	-5.0	-5.5	-0.8
Other securities	497.0	421.7	508.1	+11.0	15.4	-10.7	-19.7	-35.2	-8.9
ETFs	153.0	126.7	127.6	-25.4	-11.4	-23.6	-31.8	-20.3	-8.1
Investments in limited partnerships	137.8	150.8	162.5	+24.7	2.4	1.8	1.9	-0.4	+0.1
REITs	76.0	45.8	46.5	-29.4	7.7	6.8	6.9	-0.7	+0.0
Investment trusts	93.0	58.9	126.3	+33.2	10.4	-1.3	-3.0	-13.5	-1.7
Other	36.9	39.2	44.9	+8.0	6.2	5.5	6.1	-0.1	+0.5
Total	1,478.1	1,361.4	1,420.3	-57.8	5.8	-55.4	-94.5	-100.3	-39.0
Unrealized gains/losses, incl. unrealized gains/losses on hedging instruments					5.2	-51.6	-80.7	-86.0	-29.1

Securities operations

- The Bank performed risk reduction operations on its securities portfolio in 1Q and reduced the level of risk (VaR) in its portfolio by half from 8.8 billion yen as of March 31, 2022 to 4.9 billion yen as of June 30, 2022. We continued these operations into 2Q and further reduced the level of risk from 4.9 billion yen to 3.7 billion yen
- Further hedging continued into October, and currently all of the Bank's U.S. government bonds and 90% of its mortgage-backed securities are hedged
- In 2Q, Aozora flexibly managed its hedging position in line with market trends. Unrealized losses grew to approximately 30.0 billion yen compared to June 30, 2022 due to higher than expected interest rates

Market risk (VaR)



ALM/securities operations

		Balance*1, 2			Net balance after hedging*1, 2		Realized gains*3 (gains from sale)	Realized losses*3 (losses from sale/redemption)	Net gains/losses*3
		End-Mar. 2022	End-Jun. 2022	End-Sep. 2022					
JGBs, municipal bonds	(billion yen)	195.5	134.0	121.1	121.1	(billion yen)	0.0	-0.8	-0.7
US government bonds	(US\$ million)	1,800	1,800	1,800	650	(billion yen)	-	-	-
European government bonds	(EUR million)	440	440	440	353	(billion yen)	-	-	-
MBS	(US\$ million)	1,483	1,430	1,390	528	(billion yen)	-	-	-
ETFs	(US\$ million)	1,344	1,101	1,101	662	(billion yen)	-	-5.2	-5.2
REITs	(billion yen)	42.6	8.4	9.0	9.0	(billion yen)	1.8	-1.1	0.7
Investment trusts	(billion yen)	67.3	44.3	45.5	40.7	(billion yen)	4.5	-0.5	3.9
Total						Total	6.3	-7.6	-1.3

		Apr.-Sep. 2022
Gains/losses on financial derivatives	(billion yen)	4.3
Gains/losses on equity derivatives	(billion yen)	-1.2
Total	(billion yen)	3.0

Note: Assets managed under the ALM securities portfolio. Non-consolidated, internal management accounting basis (risk basis)
*1 Under "balance" and "net balance after hedging", bonds are calculated based on face value, all others are calculated based on book value
*2 Foreign currency-denominated REITs and investment trusts converted to yen. Other categories stated in original currency
*3 All realized gains/losses converted to yen. Includes 1.0 billion yen in gains on the cancellation of investment trusts recorded as net interest income

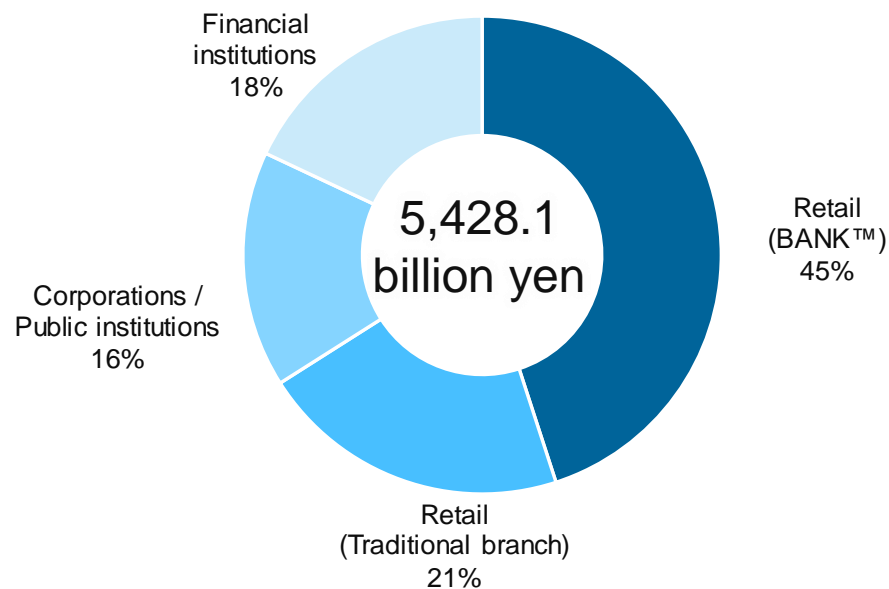
Funding

- Total core funding (deposits, negotiable certificates of deposit, and bonds) was 5,428.1 billion yen, an increase of 387.6 billion yen from March 31, 2022

(billion yen)	End - Mar. 2022 A	End - Jun. 2022	End - Sep. 2022 B	Change B - A
Total core funding	5,040.5	5,311.3	5,428.1	+387.6
Deposits / NCDs	4,871.5	5,144.9	5,302.1	+430.6
Bonds	168.9	166.3	125.9	-42.9
Retail funding ratio *	64%	65%	66%	
Loan-to-deposit ratio incl. NCDs	68%	70%	73%	

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

Funding by customer segment



Mid-term KPIs

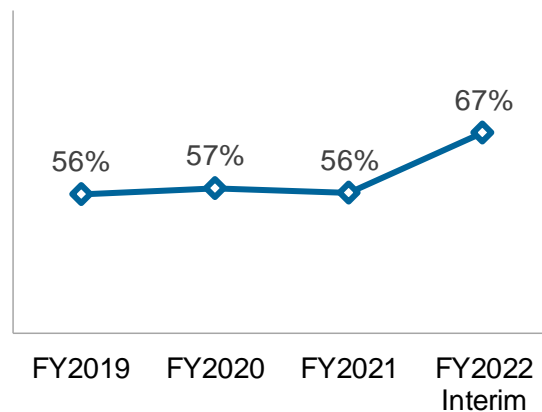
	FY2021 Results	FY2022 Interim Results	Mid-term Plan Targets (FY2020-FY2022)	(Ref.) FY2022 1Q Major Banks' Average ^{*3}
Overhead Ratio (OHR)	56%	67%	Below 55%	66%
Business Profit ROA	0.8%	0.4% ^{*2}	1%	0.5% ^{*2}
ROE	7.2%	6.6% ^{*2}	8% or higher	5.0% ^{*2}

* 1 Including gains/losses on equity method investments

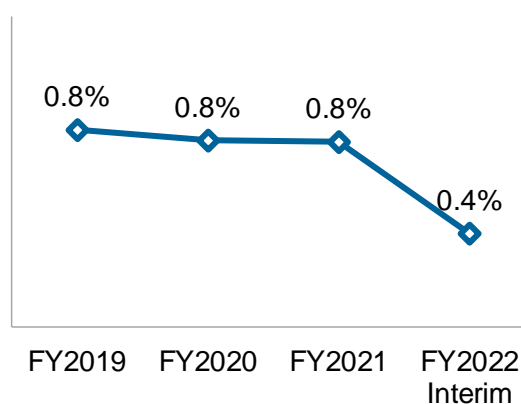
* 2 Annualized basis

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

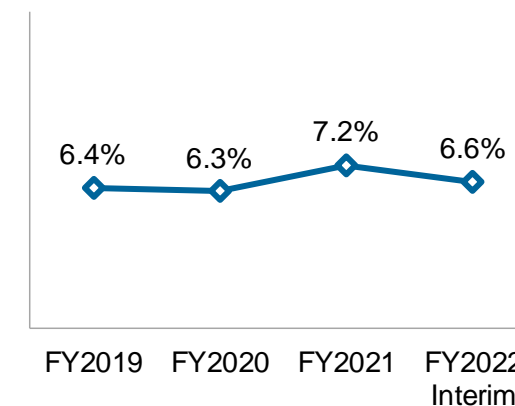
Overhead Ratio (OHR)



Business Profit ROA



ROE



Progress of Aozora's Sustainability Targets

Promoting Aozora's Strategic Investments Business

Realizing "Financial Inclusion"

◆ Growth Support for Venture Companies

	FY2021-FY2030 Targets	Results as of Sept. 30, 2022
Number of Venture-related Investments:	100 transactions	26 (+14)
GMO Aozora Net Bank Small businesses & start-ups:	200,000 account openings	Progress in line with plan

◆ Contributing to Regional Communities through Business Recovery

	FY2021-FY2025 Targets	Results as of Sept. 30, 2022
Number of Business Recovery Fund-based transactions:	100 transactions	27 (+6)

Promoting "Industrial Transition"

◆ Investments Designed to Support Structural Transformation

	FY2021-FY2025 Targets	Results as of Sept. 30, 2022
Number of equity investments with a primary focus on engagement:	100 transactions	56 (+23)

Response to Climate Change

◆ Sustainable Financing Amount

	FY2021-FY2030 Targets	Results as of Sept. 30, 2022
Total:	1 trillion yen	309.8 billion yen (+161.3 billion yen)
Includes Environmental Financing of	700 billion yen	276.4 billion yen (+138.7 billion yen)

◆ CO2 Emissions as a Business Entity

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

◆ Amount of Project Financing for Coal-fired Power Plants

	By FY2040 Targets	Results as of Sept. 30, 2022
	0 (zero)	28.6 billion yen (-0.6 billion yen)

Protecting and Providing for the Next Generation

◆ Business/Asset Succession Consulting

	FY2021-FY2025 Targets	Results as of Sept. 30, 2022
Number of Consulting contracts:	1,800	451 (+137)

(Note) Results recorded starting from April 2021. Parentheses denotes results during the first half of FY2022

Aozora's Strategic Investments Business - Equity investments -

- Equity investments increased by 33.9 billion yen compared to March 31, 2022 as a result of the impact of yen depreciation in addition to increases in real estate-related equity funds and buyout/venture equity funds
- Realized capital gains and other equity returns increased compared to the previous year due to exit transactions on domestic equities in addition to strong performance from real estate-related equities and buyout-related investments

	Equity investments* ¹			Realized capital gains and other equity returns* ²		
	(billion yen)	End - Mar. 2022 A	End - Sep. 2022 B	Change B - A	FY2021 Interim	FY2022 Interim
Investment in business recovery claims		56.1	56.9	+0.8	2.6	0.8
Real estate-related equities		84.5	96.0	+11.5	1.1	1.4
Buyout/venture (Private equity funds, etc.)		52.3	60.7	+8.3	1.7	1.1
Domestic/overseas equity investments		25.7	30.7	+5.0	0.1	2.2
Other (incl. overseas debt funds)		26.0	34.2	+8.1	0.3	0.4
Total		244.8	278.7	+33.9	5.9	6.2

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

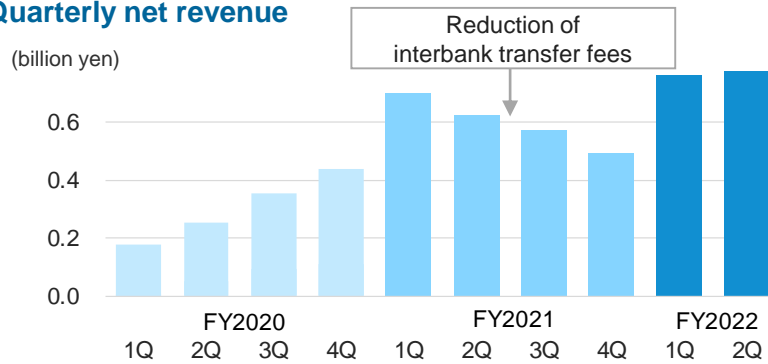
*² Management accounting basis, including gains/losses on stock transactions, gains/losses from limited partnerships, and interest and dividends on securities

GMO Aozora Net Bank (GANB)

- While the number of corporate accounts increased significantly, net revenue for 2Q increased only slightly compared to 1Q as the number of transfer transactions and revenue from debit card payments fell below planned levels
- In light of this, GANB developed a new Mid-term Plan and now plans to attain profitability during FY2024. In addition, a capital increase through a shareholder allocation of approximately 8.7 billion yen was underwritten by Aozora, GMO Internet Group, Inc., and GMO Financial Holdings, Inc.
- The Bank recorded an extraordinary loss of 9.9 billion yen as losses on the valuation of equities of subsidiaries and affiliates (with no impact on the Bank's consolidated results) as it implemented impairment accounting related to GANB's stock in its FY2022 2Q Non-consolidated Financial Statement

Quarterly net revenue

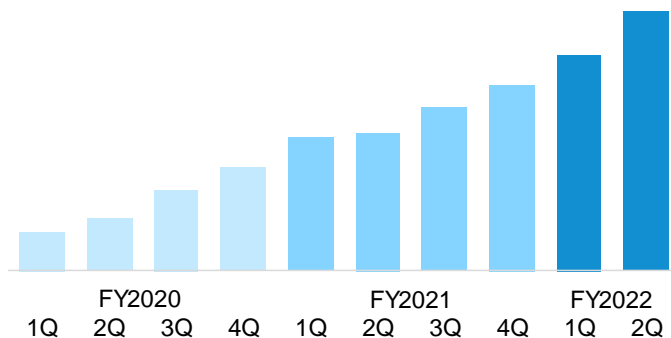
(billion yen)



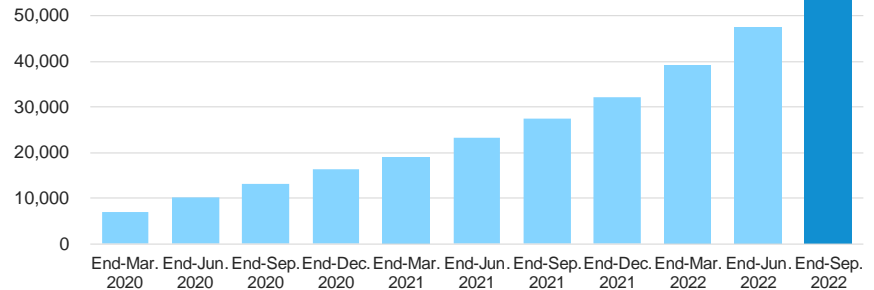
Reduction of interbank transfer fees

Business profit	FY2020	FY2021	FY2022
	-4.4	-3.7	-1.8

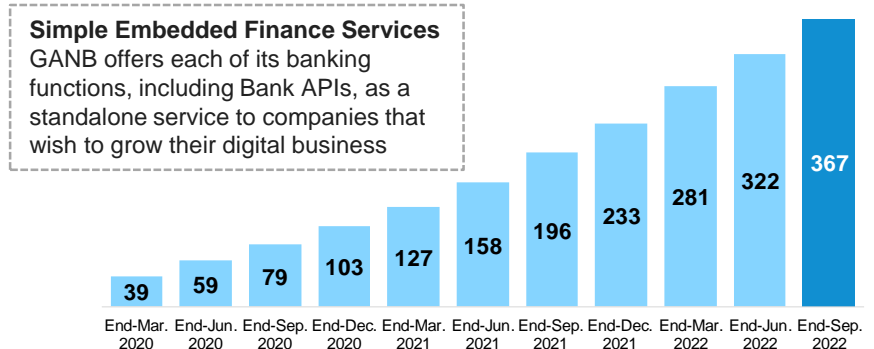
Number of transfer transactions



Number of corporate accounts



Number of "Simple Embedded Finance Services" contracts



Simple Embedded Finance Services

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

GMO Aozora Net Bank (GANB)

New Mid-term Plan (FY2023-2025)

■ Preserve the three mid- to long-term strategies

01 **Nō.1** bank
among small businesses and start-ups

02 **Nō.1**
embedded finance services

03 **Nō.1**
tech-first banking services

■ Strengthen core business through online marketing

Core business



Domestic transfers

- ◆ Transfer fees for transfers to other banks:
145 yen per transfer



Debit card

- ◆ **Maximum 1%** cashback



Corporate loans

- ◆ **Anshin 100,000 yen**: Corporate bank account with **100,000 yen** overdraft protection
- ◆ **Anshin Wide**: **Up to 10 million yen** credit facility with online processing

Accelerate expansion of corporate customer base through online marketing

- Strengthen measures to attract customers by focusing on online marketing with the support of GMO Internet Group, Inc.
- Frequent and ongoing fine-tuning of the website and online banking system, leading to greater appeal to customers
- Implement effective, data-driven policies



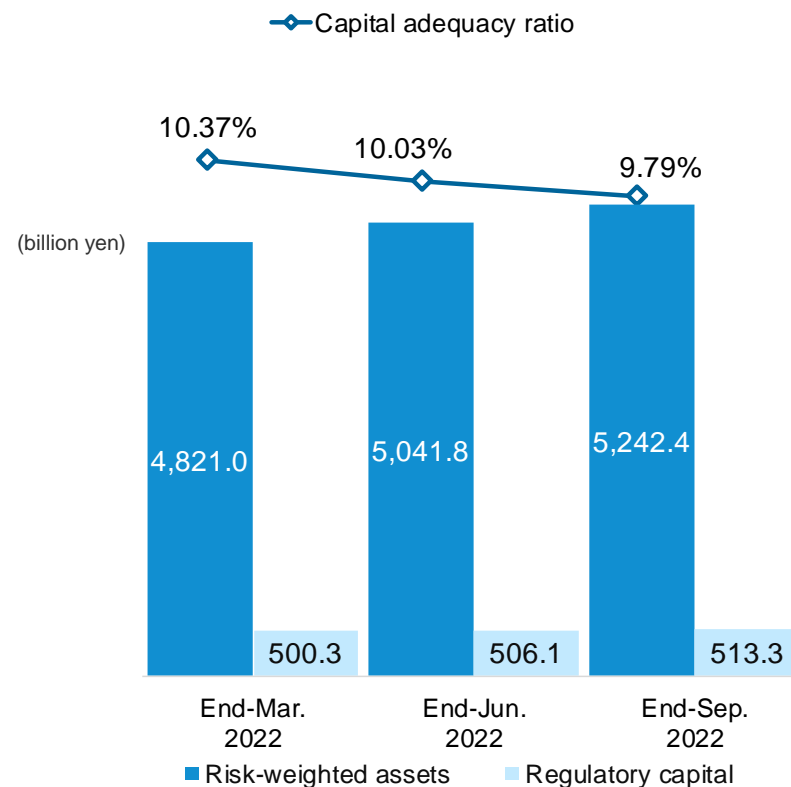
Become profitable in FY2024

Reference: Capital adequacy ratio (preliminary)

- The consolidated capital adequacy ratio (domestic standard) remained adequate at 9.79% (preliminary basis)
 - The CET1 ratio (Tier 1 Common Capital Ratio) was approximately 7.3%

Domestic standard

(billion yen)	End-Mar. 2022 A	End-Jun. 2022	End-Sep. 2022 B	Change B - A
Capital adequacy ratio	10.37%	10.03%	9.79%	-0.58 %
Regulatory capital (A - B)	500.3	506.1	513.3	+12.9
Instruments and reserves (A)	523.7	529.6	537.0	+13.3
Shareholders' equity	481.0	484.9	487.5	+6.5
Other	42.6	44.7	49.5	+6.8
Regulatory adjustment (B)	23.3	23.4	23.7	+0.4
Risk-weighted assets	4,821.0	5,041.8	5,242.4	+421.4
Credit risk assets	4,245.7	4,418.8	4,627.7	+381.9
Market risk assets	407.8	455.5	443.7	+35.9
Operational risk assets	167.4	167.4	170.9	+3.5



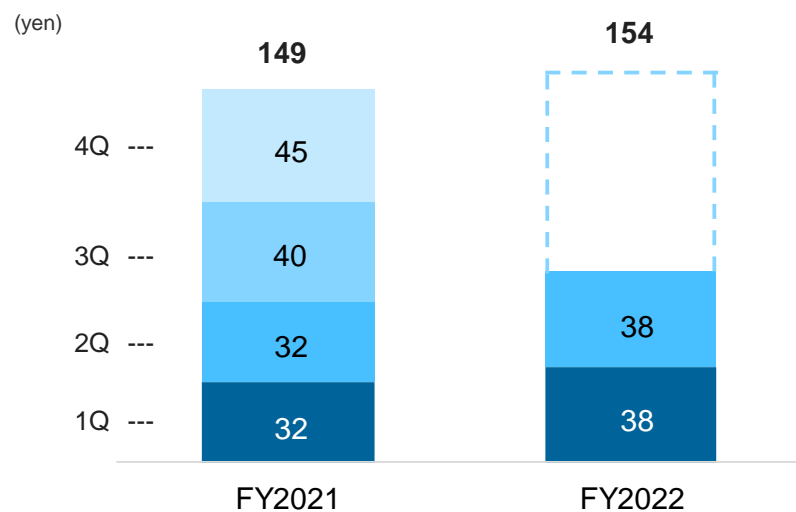
Dividends

- The full-year earnings forecast remains unchanged. The second quarter dividend is 38 yen per common share, approximately 25% of the full-year dividend forecast of 154 yen

Dividend per common share

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

Dividend payments



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

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

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

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

Reference: Aozora Group companies

(billion yen)	FY2021 Interim			FY2022 Interim		
	Net revenue	Business profit	Net income	Net revenue	Business profit	Net income
Aozora Bank (non-consolidated)	44.9	22.6	16.9	36.4	13.6	3.4*
GMO Aozora Net Bank	1.3	-1.6	-1.6	1.5	-1.8	-1.9
Aozora Loan Services	0.9	0.2	0.1	0.5	-0.1	0.0
Aozora Securities	2.5	1.8	1.2	0.7	0.0	-0.0
Aozora Investment Management	0.2	0.0	0.0	0.5	0.2	0.1
Aozora Real Estate Investment Advisors	0.0	-0.0	-0.0	0.0	-0.0	-0.0
ABN Advisors	0.2	0.0	0.0	0.0	-0.1	-0.1
Aozora Corporate Investment	0.0	0.0	0.0	0.0	0.0	0.0
Aozora Asia Pacific Finance	0.4	0.1	-0.4	0.4	0.1	0.1
Other subsidiaries	2.6	1.6	1.4	3.0	2.0	1.6
Total of subsidiaries	8.4	2.3	0.7	6.9	0.2	-0.0

Consolidated, non-consolidated difference

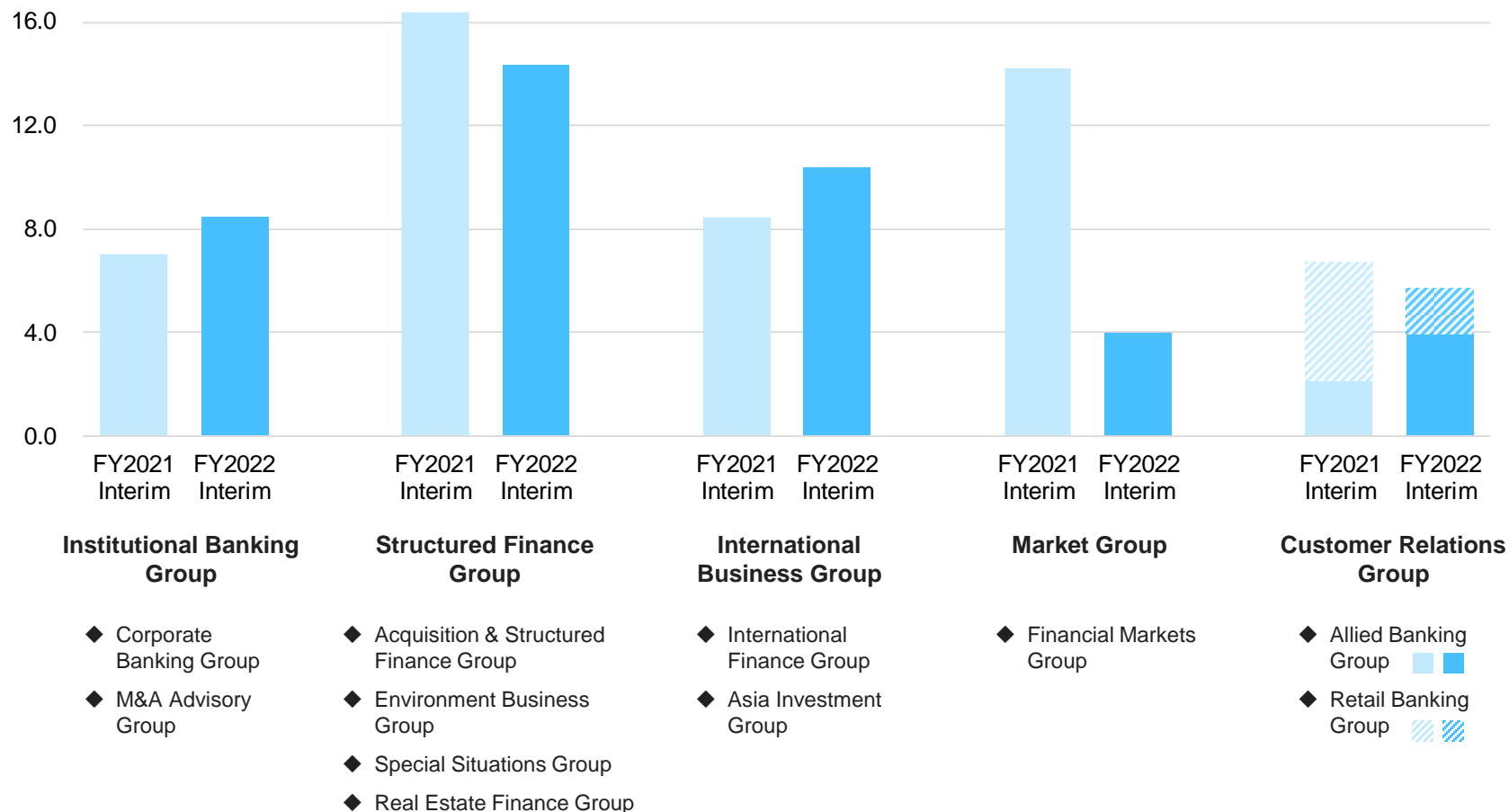
(billion yen)		
Profit attributable to owners of parent	19.4	15.3
Non-consolidated net income	16.9	3.4
Difference	2.4	11.9

*The Bank recorded an extraordinary loss of 9.9 billion yen as losses on the valuation of equities of subsidiaries and affiliates in its FY2022 2Q Non-consolidated Financial Statement

Reference: Results by business segment

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

(billion yen)



* Management accounting basis

Contact

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This presentation contains forward-looking statements regarding the Bank's financial condition and results of operations. These forward-looking statements, which include the Bank's views and assumptions with respect to future events, involve certain risks and uncertainties. Actual results may differ from forecasts due to changes in economic conditions and other factors including the effects of changes in general economic conditions, changes in interest rates, stock markets and foreign currency, and any ensuing decline in the value of our securities portfolio, incurrence of significant credit-related cost and the effectiveness of our operational, legal and other risk management policies