

FY2024 1st Quarter Financial Results Overview

August 2, 2024

Key Points

**1Q earnings
results in line with
full-year forecast**

Net revenue

20.7 billion yen

3.0 billion yen increase year-on-year
Progress rate*1: 25%

Business-related profit

7.1 billion yen

1.7 billion yen decrease year-on-year
Progress rate*2: 29%

**Profit attributable to
owners of parent**

7.5 billion yen

0.8 billion yen increase year-on-year
Progress rate*1: 42%

*1 Percentage of progress towards full-year earnings forecasts

*2 Percentage of progress towards the full-year plan

Progress on two key balance sheet issues

■ U.S. non-recourse office loans:

The collection of work-out loans progressed, and the number of “In Danger of Bankruptcy borrowers” decreased by 3 borrowers, or US\$116 million, from March 2024 to June 2024, and by an additional 2 borrowers, or US\$55 million, in July 2024

■ Securities portfolio:

Business-related profit from financial market-related business improved due to a decrease in the negative carry on securities as a result of the loss cut implemented in FY2023 in addition to strong trading revenues

Customer-related business

- Customer-related business focused on Aozora’s Strategic Investments Business remained strong, mainly driven by revenue from the timely sale of derivatives together with a weaker yen, LBO and environmental finance as well as equity investments with a primary focus on engagement
- The number of corporate accounts at GMO Aozora Net Bank (GANB) continued to grow and exceeded 140,000, while net interest income also improved. GANB is expected to become profitable on a single month basis during the second half of this fiscal year

Progress on the capital and business alliance with Daiwa Securities Group

- Aozora and Daiwa Securities Group have held approximately 100 planning meetings to date
- Personnel exchange between the two companies is set to begin in August

Daiwa Securities Group Inc.

- Underwriting of new shares through third party allotment: 21,500,000 shares, or approximately 51.9 billion yen
- Additional acquisition of shares from Aozora’s shareholders: 11,556,300 shares* ➡ Ownership ratio: 23.95% (voting rights basis)*
- Appointment of one outside director

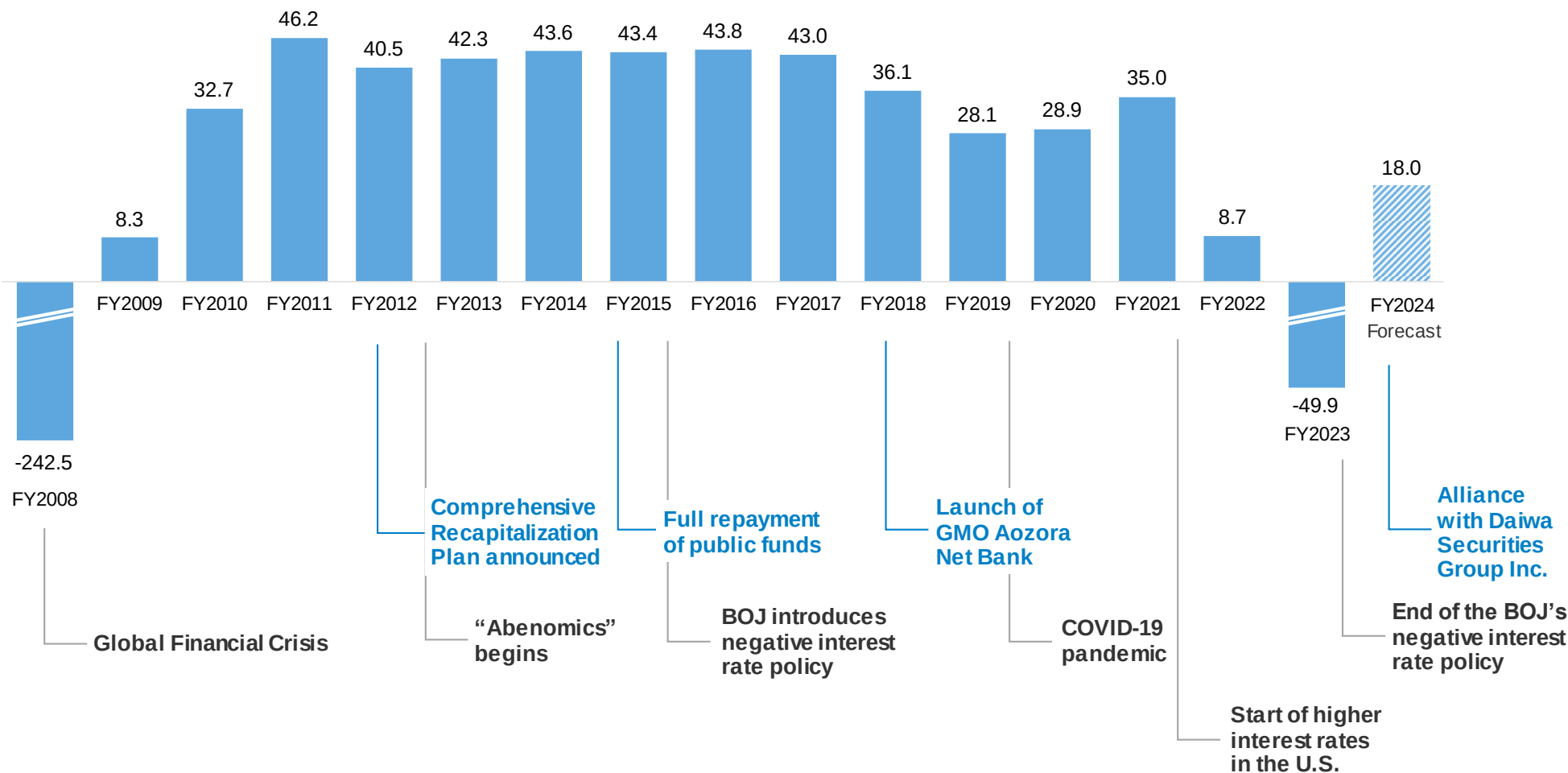
* After the completion of the second phase of share acquisition

1Q dividend: 19 yen per common share (full-year dividend forecast: 76 yen per common share)

Profit attributable to owners of parent

Profit attributable to owners of parent (FY2008–)

(billion yen)



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(Note) “1Q” refers to the period from April to June, “2Q” refers to the period from July to September, “3Q” refers to the period from October to December, and “4Q” refers to the period from January to March.

P/L Summary (1)

P/L

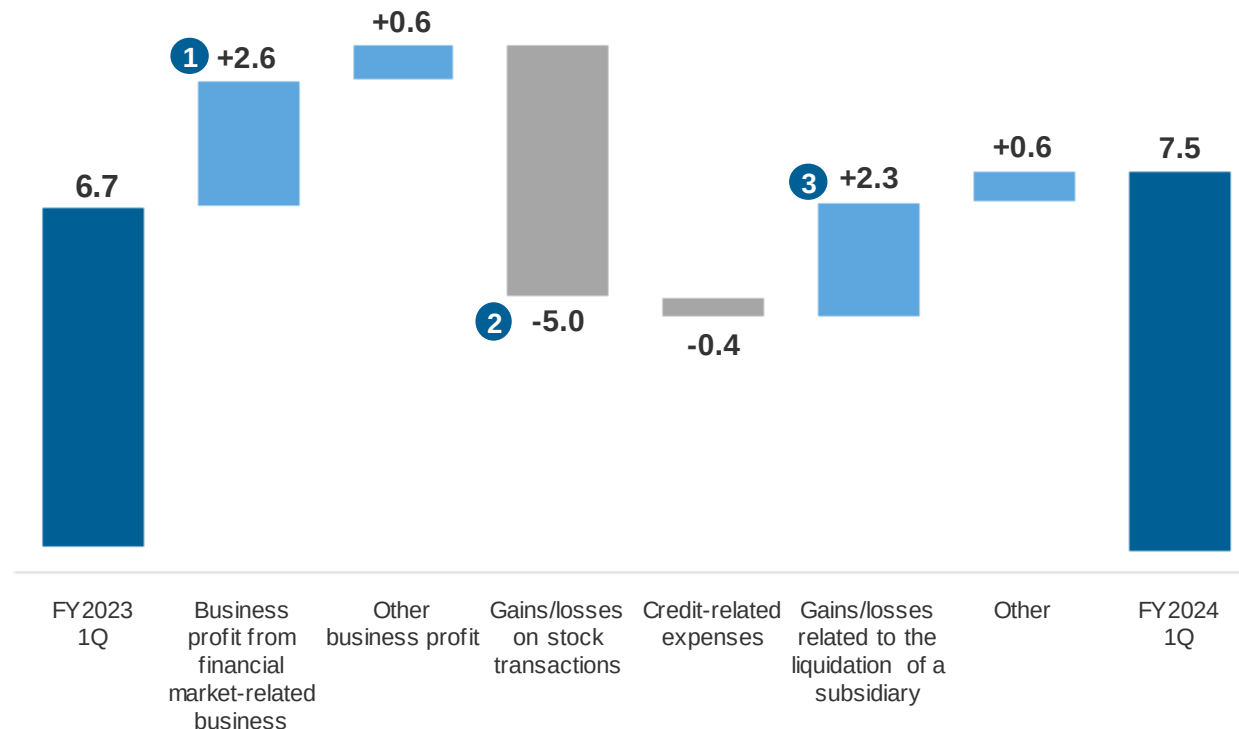
	(billion yen)	FY2023 1Q A	FY2024 1Q B	B - A		FY2024 Forecast	Progress
				Change	%		
Net revenue		17.7	20.7	+3.0	+17.0%	84.0	24.7%
Net interest income		12.0	12.0	+0.0			
Non-interest income		5.7	8.6	+2.9			
General & administrative expenses		-15.0	-14.9	+0.1			
Gains/losses on equity method investments		0.5	0.7	+0.1			
Business profit (A)		3.1	6.4	+3.3	+104.5%	24.0	27.1%
Credit-related expenses		-0.9	-1.3	-0.4			
Gains/losses on stock transactions (B)		5.7	0.7	-5.0			
Ordinary profit		7.3	5.8	-1.4	-20.2%	24.0	24.6%
Extraordinary profit/loss		0.0	3.4	+3.4			
Profit before income taxes		7.3	9.3	+1.9	+25.9%		
Taxes		-1.1	-2.0	-0.8			
Gains/losses attributable to non-controlling interests		0.5	0.2	-0.2			
Profit attributable to owners of parent		6.7	7.5	+0.8	+11.8%	18.0	42.1%
ROE		6.2%	7.9%	+1.6%	-		
FY2024 Plan							
Business-related profit (A)+(B)*		8.9	7.1	-1.7	-19.4%	24.7	29.1%
Customer-related business (excl. financial market-related and retail businesses)		12.7	7.7	-5.0	-39.2%		
Retail business		-1.2	-0.5	+0.6	-		
Financial market-related business		-2.6	-0.0	+2.6	-		

* Business profit + Gains/losses on stock transactions
Management accounting basis

Decrease due to the absence of gains on the sale of equities held solely for investment purposes recorded in 1Q of FY2023

Major factors for changes in profit attributable to owners of parent (FY2023 1Q vs FY2024 1Q)

(billion yen)



- 1** Improvement of trading revenues due to the strong sale of derivatives, and improvement in net interest income excluding gains on the cancellation of investment trusts
- 2** Absence of gains on the sale of equities held solely for investment purposes recoded in 1Q of FY2023
- 3** Extraordinary profit recorded as a result of net foreign exchange gains from the point of investment recognized due to the liquidation of an overseas subsidiary* (net of associated tax)

* Aozora Asia Pacific Finance Limited (Hong Kong)

Results by business segment (1)

P/L

Business-related profit by business segment

(billion yen)	FY2023 1Q A	FY2024 1Q B	Change B - A	FY2024 Plan	Progress
Institutional Banking Group	1.8	1.8	-0.0	6.6	28%
Structured Finance Group	6.2	5.5	-0.6	22.1	25%
International Business Group	4.3	3.4	-0.9	11.5	30%
Market Group	-2.6	-0.0	+2.6	-9.5	-
Customer Relations Group	-1.0	-0.2	+0.8	-2.8	-
Allied Banking Group	0.1	0.3	+0.1	0.9	40%
Retail Banking Group	-1.2	-0.5	+0.6	-3.7	-
Other*	0.0	-3.3	-3.4	-	-
Total	8.9	7.1	-1.7	24.7	29%

- 1 Steady performance supported by revenue from the timely sale of derivatives together with a weaker yen as well as gains on the sale of equity investments with a primary focus on engagement
- 2 Maintained favorable performance in LBO and environmental finance. A year-on-year decline in business-related profit was mainly due to a decrease in gains on the sale of real estate-related equities
- 3 Steady progress compared to plan aided by a weaker yen, in the absence of the gains on the sale of equities held solely for investment purposes recorded in 1Q of FY2023
- 4 Improved business-related profit due to a decrease in the negative carry on securities as a result of the loss cut taken in FY2023 as well as strong trading revenues
- 5 Improved net loss in business-related profit mainly due to strong revenue from investment trust-related business

* (1) Business-related profit not included in the business segments (including G&A expenses not allocated to each business segment)
 (2) Business-related profit in 1Q of FY2023 includes gains (3.2 billion yen) on the sale of equities held solely for investment purposes
 (3) Business-related profit of GANB included

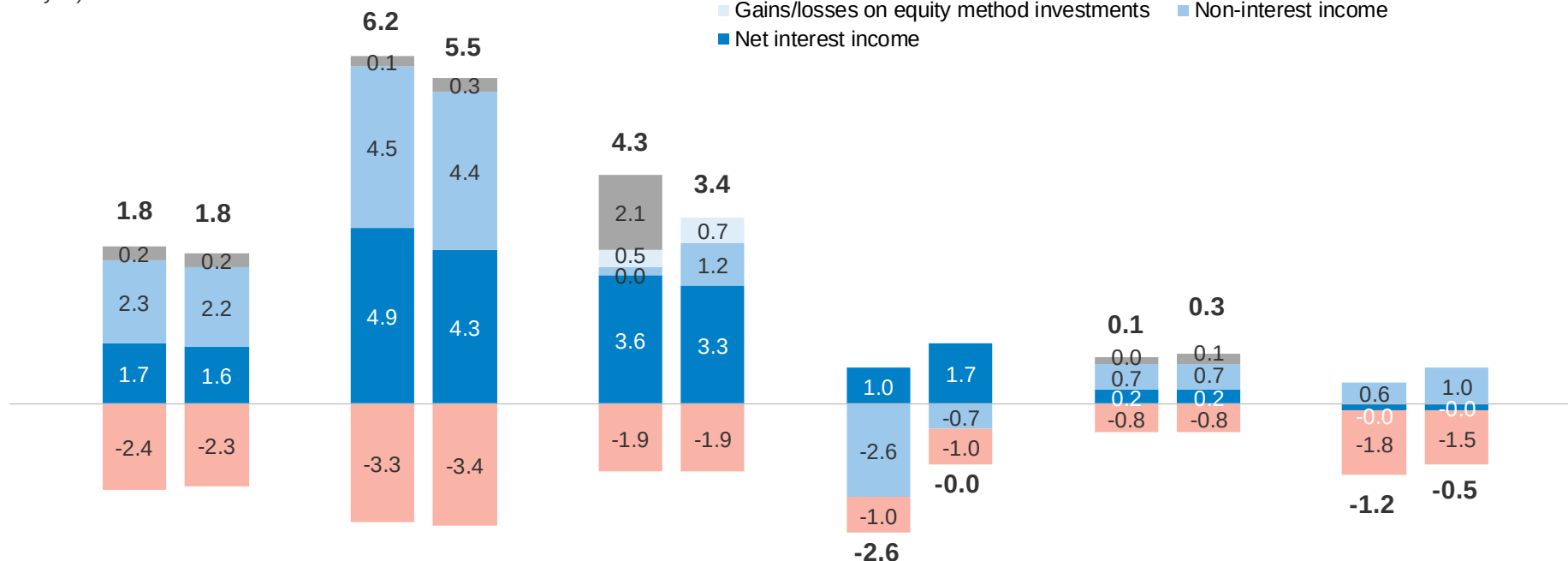
Results by business segment (2)

P/L

Business-related profit breakdown by business segment

(billion yen)

■ G&A expenses
■ Gains/losses on equity method investments
■ Net interest income
■ Gains/losses on stock transactions
■ Non-interest income



FY2023 1Q FY2024 1Q

Institutional Banking Group

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

FY2023 1Q FY2024 1Q

Structured Finance Group

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

FY2023 1Q FY2024 1Q

International Business Group

- ◆ International Business Group

FY2023 1Q FY2024 1Q

Market Group

- ◆ Financial Markets Group

FY2023 1Q FY2024 1Q

Customer Relations Group

- ◆ Allied Banking Group
- ◆ Retail Banking Group

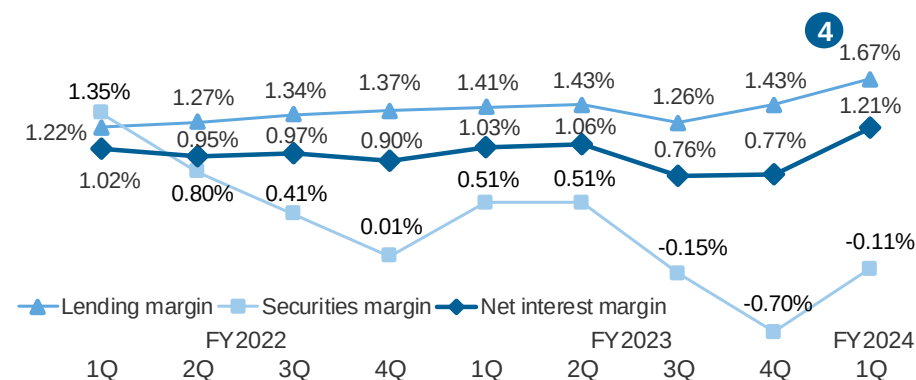
FY2023 1Q FY2024 1Q

(billion yen)	FY2023 1Q A	FY2024 1Q B	Change B - A
Net interest income	12.0	12.0	+0.0
Interest income	40.6	41.4	+0.8
Interest on loans and discounts	31.1	33.9	+2.8
Interest and dividends on securities	7.7	5.1	-2.6
Incl. gains on cancellation of investment trusts	2.0	0.0	-1.9
Interest expenses	-28.6	-29.3	-0.7
Incl. repurchase interest, etc.	-3.8	-4.1	-0.3
Incl. interest on swaps	-19.9	-19.8	+0.0
Average balance of interest-earning assets	5,872.6	5,654.8	-217.8
Yield on interest-earning assets	2.77%	2.94%	+0.17%
Average balance of interest-bearing liabilities	6,584.4	6,799.9	+215.5
Yield on interest-bearing liabilities	1.74%	1.73%	-0.01%
Net interest margin	1.03%	1.21%	+0.18%

Net interest income unchanged while significantly improved excluding one-time factors

- 1 Net interest income, excluding gains on cancellation of investment trusts, increased by 2 billion yen year-on-year and by 2.3 billion yen from the prior quarter (4Q of FY2023)
- 2 Interest on loans and discounts significantly increased overall, due to the impact of a weaker yen on interest on overseas loans and the impact of higher yen interest rates on domestic loans
- 3 - Interest expenses slightly increased mainly due to a weaker yen, partly offset by reduced foreign currency funding costs as a result of the loss cut taken on foreign bonds in FY2023 as well as a decline in foreign currency basis costs
- An increase in yen funding costs is limited at this point (approximately 2 bps year-on-year)
- 4 The net interest margin improved mainly due to higher lending margins (an increase of 26 bps year-on-year)

Net interest margin, lending margin and securities margin



	FY2023 1Q A	FY2024 1Q B	Change B - A
(billion yen)			
Non-interest income	5.7	8.6	+2.9
Net fees and commissions	4.0	5.6	+1.5
Loan-related fee income	1.5	2.4	+0.8
Investment trust fee income	0.7	1.0	+0.2
GANB fee income	0.8	1.3	+0.4
M&A fee income	0.6	0.2	-0.4
Other	0.2	0.5	+0.3
Net trading revenues	-1.7	1.2	+2.9
Net other ordinary income	3.3	1.7	-1.6
Incl. gains/losses on bond transactions	2.7	1.7	-1.0
Incl. gains/losses from limited partnerships	1.1	1.7	+0.6
Incl. gains/losses on financial derivatives	-0.1	0.3	+0.5

Steady progress on net fees and commissions and significant improvement in net trading revenues

- 1 Loan-related fee income was strong mainly in LBO and environmental finance
- 2 GANB fee income increased year-on-year due to the growing number of corporate accounts and transfer transactions
- 3 Net trading revenues improved, driven by the strong sale of derivatives

Equity investments —Aozora's Strategic Investments Business—

P/L

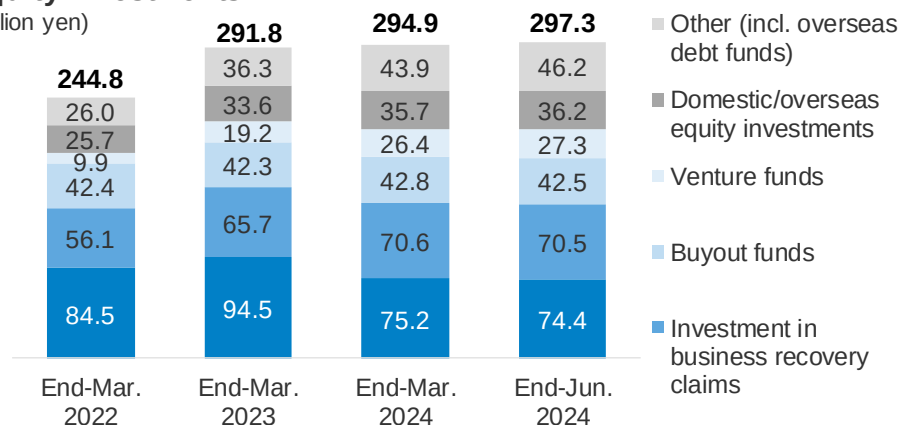
Capital gains and other equity returns*1 (billion yen)	FY2023 1Q A	FY2024 1Q B	Change B - A
Real estate-related equities	2.5	1 0.9	-1.5
Investment in business recovery claims	0.3	0.4	+0.0
Buyout funds	-0.4	2 -0.5	-0.1
Venture funds	-0.2	-0.1	+0.0
Domestic/overseas equity investments	2.6	3 0.7	-1.9
Other (incl. overseas debt funds)	0.1	0.3	+0.2
Total	4.9	1.6	-3.2

<Reference>

Gains/losses on stock transactions*2	5.7	0.7	-5.0
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Equity investments*3

(billion yen)



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

*2 Includes gains/losses on the sale of equities held solely for investment purposes

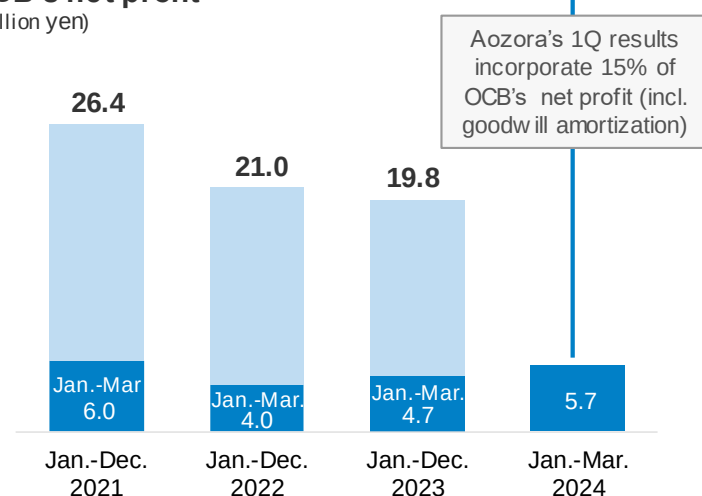
*3 Management accounting basis, customer business-related equity investments on a mark-to-market basis

- 1 Capital gains decreased year-on-year mainly due to the decrease in gains on the sale of domestic unlisted REITs (1.9 billion yen → 0.6 billion yen)
- 2 A net loss due to revaluations of Asian funds
- 3 Capital gains decreased overall due to the absence of gains on the sale of overseas equities (2.1 billion yen) recorded in 1Q of FY2023. Capital gains from equity investments with a primary focus on engagement remained strong

(billion yen)	FY2023 1Q A	FY2024 1Q B	Change B - A
Gains/losses on equity method investments	0.5	0.7	+0.1

OCB's net profit*

(billion yen)



* Uses an exchange rate of 0.0060 yen per 1 Vietnamese dong

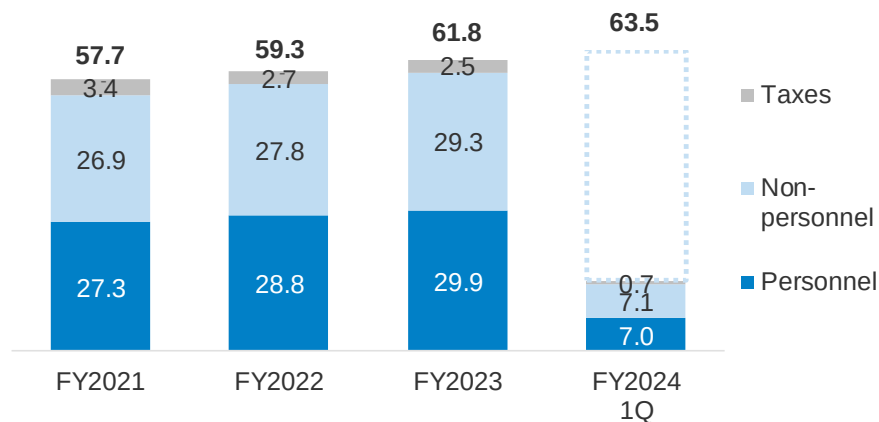
	FY2023 1Q A	FY2024 1Q B	Change B - A
(billion yen)			
G&A expenses	15.0	14.9	-0.1
Personnel	7.2	7.0	-0.2
Non-personnel	7.0	7.1	+0.1
Incl. IT-related	3.0	3.0	+0.0
Taxes	0.7	0.7	-0.0
(million yen)			
Business-related profit per employee	3.3	2.6	-0.6

Maintained cost control while making necessary investments

- 1 G&A expenses represented 24% of the original budget (63.5 billion yen)
- 2 - Aozora continued investments in human resources, including ongoing pay-scale increases (For FY2024, a 3.5% pay-scale increase was implemented in April)
- Overall personnel expenses slightly decreased year-on-year mainly due to a reduction in bonus payments in response to FY2023 financial results

G&A expenses

(billion yen)



(billion yen)	FY2023				FY2024
	1Q	2Q	3Q	4Q	1Q
Credit-related expenses	-0.9	-9.0	-32.9	-3.9	-1.3
Loan loss reserves	-0.6	-9.1	-31.4	-3.3	-1.7
Specific loan loss reserves	-0.3	-7.2	-31.5	-1.6	-0.4
General loan loss reserves	-0.2	-1.9	0.1	-1.7	-1.2
Reserve for credit losses on off-balance-sheet instruments	-0.0	-0.0	-1.5	0.1	0.3
Write-off of loans	-0.0	-0.0	-0.0	-0.5	-0.0
Gains/losses on disposition of loans	-0.3	-0.0	-0.2	-0.2	-0.0
Recoveries of written-off receivables	0.1	0.2	0.2	0.0	0.0

Credit-related expenses were a net expense of 1.3 billion yen mainly due to the impact of a weaker yen

U.S. non-recourse office loans:

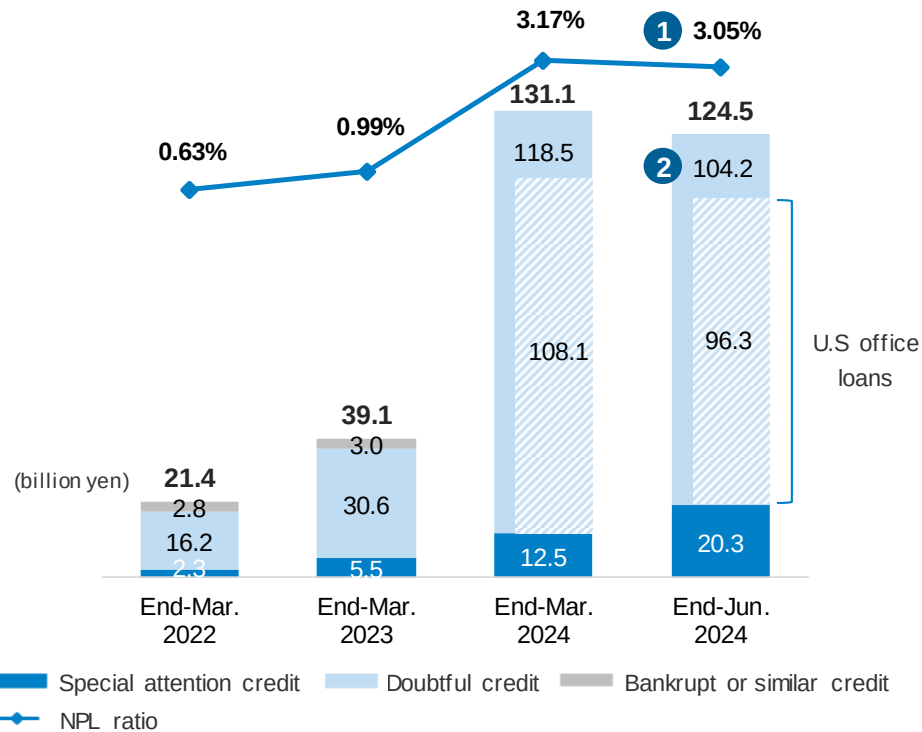
- A net expense of 1.8 billion yen was recorded in 1Q mainly as a result of an increase in general loan loss reserves due to the impact of a weaker yen as well as a revaluation of several properties
- No loans were downgraded to NPL (“In Danger of Bankruptcy borrowers”) during 1Q
- Workouts steadily progressed. Three workouts were fully resolved during 1Q, and a further two workouts in July 2024

Ratio of loan loss reserves to total loans

(billion yen)	End-Mar. 2023	End-Mar. 2024	End-Jun. 2024
Loan loss reserves (A)	44.0	87.9	83.6
General loan loss reserves	33.6	37.4	38.7
Total loans (B)	3,881.3	4,071.2	4,018.4
Loans subject to loss reserves (C)	3,482.8	3,691.3	3,681.0
(A) / (B)	1.13%	2.15%	2.08%
(A) / (C)	1.26%	2.38%	2.27%
Reserve ratio for need attention credit	4.9%	6.8%	6.5%
Reserve ratio for normal credit	0.5%	0.4%	0.4%

Non-performing loans based on the FRA*

P/L



- 1 The ratio of NPLs to total claims (NPL ratio) declined 0.12 percentage points from March 31, 2024
- 2 Doubtful credits decreased by 14.3 billion yen as a result of the collection of U.S. non-recourse loans through the workout process (a decrease of 116 million on a U.S. dollar basis)

(billion yen)	End-Mar. 2022	End-Mar. 2023	End-Mar. 2024	End-Jun. 2024
Total claims	3,367.4	3,936.0	4,127.2	4,077.6
NPLs (A)	21.4	39.1	131.1	124.5
Coverage (B)	19.1	36.5	122.8	111.0
Reserves	11.6	13.2	54.7	51.6
Collateral & guarantees	7.4	23.3	68.1	59.3
Coverage ratio (B) / (A)	89%	93%	94%	89%

* Financial Reconstruction Act

Balance sheet summary

Balance sheet

(billion yen)	End-Mar. 2024 A	End-Jun. 2024 B	Change B - A
Loans and bills discounted	4,071.2	1 4,018.4	-52.8
Securities	1,186.5	1,230.9	+44.3
Cash and due from banks	1,579.7	1,605.4	+25.6
Trading assets	173.7	203.9	+30.2
Deferred tax assets	44.5	43.7	-0.7
Other	547.0	580.5	+33.4
Total assets	7,603.0	7,683.0	+80.0

- 1** The balance of overseas and domestic loans and bills discounted did not change significantly
- 2** Deposits/Negotiable certificates of deposit decreased compared to March 31, 2024 as the Bank returned its liquidity reserves to a more normalized level
- 3** Unrealized losses on the securities portfolio increased due to the impact of a weaker yen

(billion yen)	End-Mar. 2024 A	End-Jun. 2024 B	Change B - A
Deposits / Negotiable certificates of deposit	5,776.3	2 5,705.3	-71.0
Bonds payable	181.3	191.0	+9.6
Borrowed money	563.3	562.8	-0.5
Cash collateral received for securities lent	260.6	292.6	+31.9
Trading liabilities	165.0	193.6	+28.5
Other	265.0	340.0	+74.9
Total liabilities	7,211.9	7,285.4	+73.5
Capital stock / Capital surplus	187.4	187.4	-
Retained earnings	228.4	236.0	+7.5
Valuation difference on available-for-sale securities	-45.8	3 -50.9	-5.1
Deferred gains/losses on hedges	4.3	6.1	+1.8
Foreign currency translation adjustment	10.1	10.2	+0.1
Other	6.4	8.5	+2.1
Total net assets	391.0	397.5	+6.4
Total liabilities and net assets	7,603.0	7,683.0	+80.0

Loans (1) —Summary—

Balance sheet

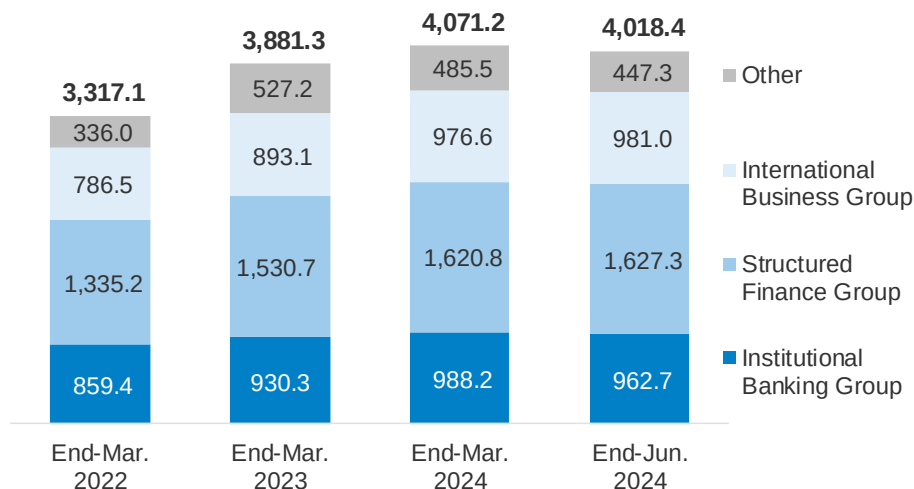
(billion yen)	End-Mar. 2024 A	End-Jun. 2024 B	Change B - A
Total loans (A)	4,071.2	4,018.4	-52.8
Domestic loans	2,598.1	① 2,530.3	-67.8
Overseas loans* (B)	1,473.1	② 1,488.0	+14.9
(B) / (A)	36.2%	37.0%	-

* Overseas loans are with no final risk residing in Japan

- Domestic loans decreased mainly due to a reduction in loan outstandings with a lower spread (including loans to the public sector)
- Overseas loans decreased on a U.S. dollar basis as a result of decreases in both corporate loans and overseas real estate non-recourse loans, while the loan outstandings slightly increased on a yen basis due to the impact of a weaker yen. As a result, the overseas loan ratio increased

Loan outstandings by business segment

(billion yen)



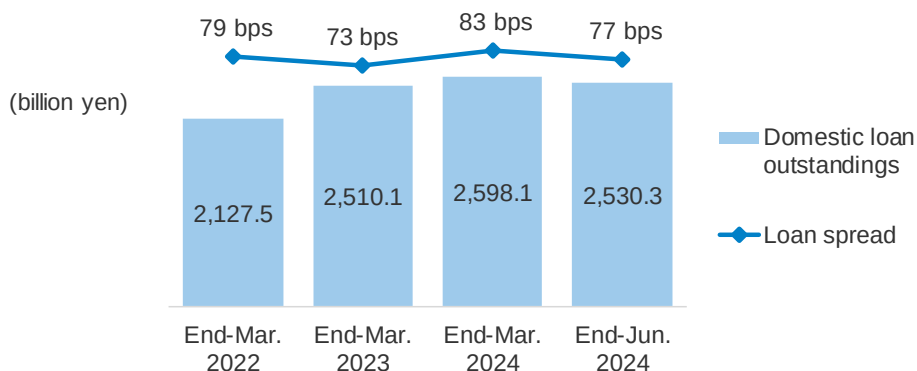
Loans (2) —Domestic—

Balance sheet

Balance by industry (billion yen)	End-Mar. 2024 A	End-Jun. 2024 B	Change B - A	Share
Manufacturing	300.9	304.6	+3.7	12%
Utilities (electric power/gas/ heat supply/water service)	126.0	141.0	+14.9	5%
Information and communications	128.1	120.6	-7.5	5%
Transport, postal services	42.7	42.6	-0.1	2%
Wholesale and retail sale	85.9	68.5	-17.3	3%
Financial and insurance	363.8	351.8	-11.9	14%
Real estate	758.1	735.4	-22.7	29%
Incl. non-recourse loans	427.9	409.3	-18.5	16%
Leasing	183.2	192.6	+9.3	7%
Other services	162.9	170.8	+7.8	7%
Other	445.9	401.8	-44.0	16%
Total *1	2,598.1	2,530.3	-67.8	100%

- 1 Loan exposure to the utilities industry increased due to the origination of new environmental finance transactions
- 2 Aozora reduced its exposure to the real estate industry from a risk control perspective
- 3 Following the end of the BOJ's negative interest rate policy, the Bank gradually decreased lower-spread transactions in which surplus funds have been invested

Domestic loan outstandings and loan spread*2



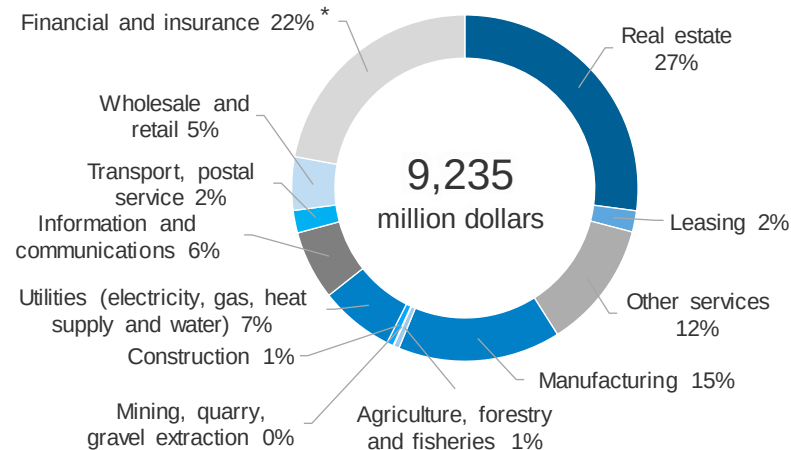
*1 Domestic loans are with final risk residing in Japan

*2 The average loan spread is on non-consolidated and management accounting bases and does not include NPLs

	End-Mar. 2024 A	End-Jun. 2024 B	Change B - A
(billion yen)			
Total loans (A)	4,071.2	4,018.4	-52.8
Overseas loans* (US\$ million)	9,726	9,235	-490
Overseas loans (B)	1,473.1	1,488.0	+14.9
(B) / (A)	36.2%	37.0%	-
Foreign exchange rate (US\$/JPY)	¥151.46	¥161.12	¥9.66

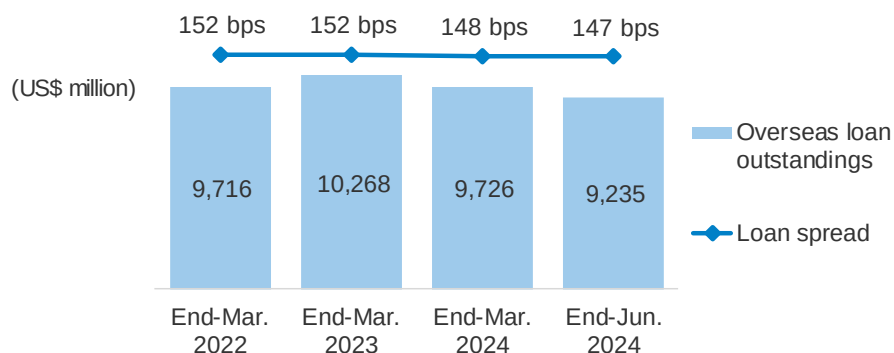
* Overseas loans are with no final risk residing in Japan

By Industry



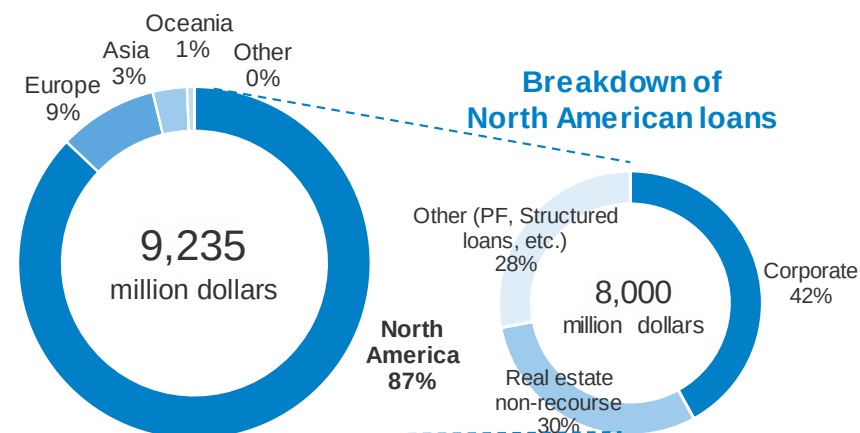
* The majority of "Financial and insurance" consist of the most senior tranche (AAA-rated) of middle-market CLO backed by diversified portfolio of U.S. medium-sized companies.

Overseas loan outstandings and loan spread*



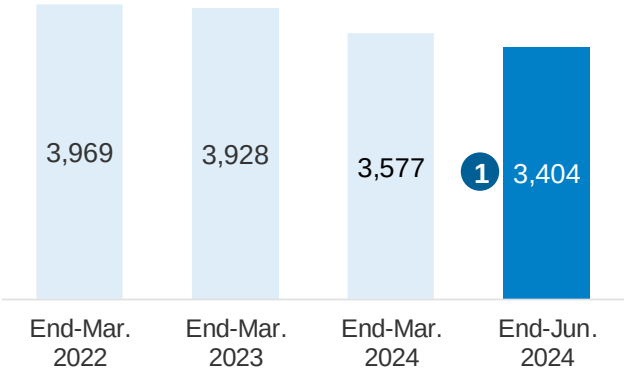
* The average loan spread is on non-consolidated and management accounting bases and does not include NPLs. The cost of forex forwards to which hedge accounting is not applied is included in funding costs.

By region



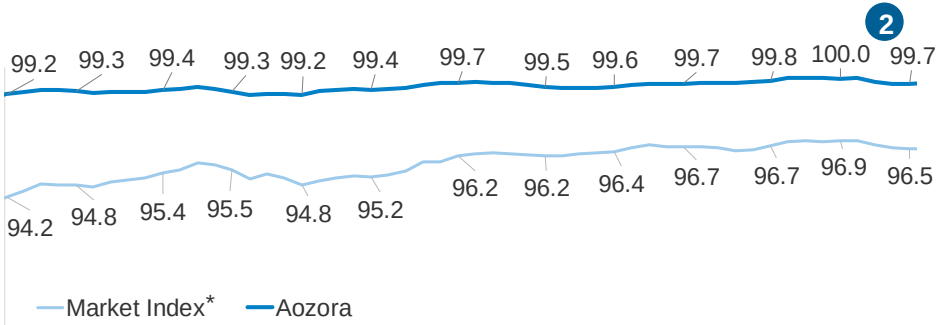
North American corporate loan outstandings

(US\$ million)



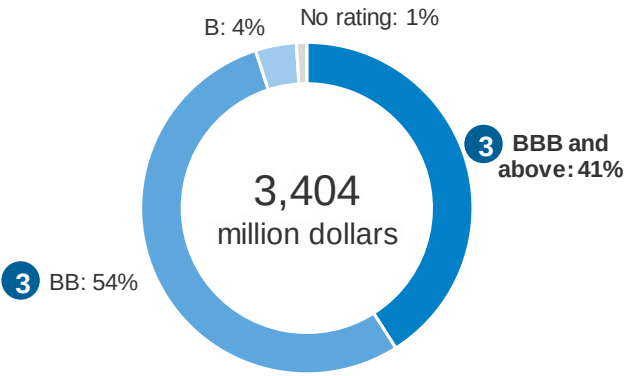
- 1 Aozora continued selective origination while taking into consideration exposure control on a yen basis. North American corporate loan outstandings on a U.S. dollar basis also declined
- 2 The average bid price of the Bank's loan portfolio continued to outperform the market index
- 3 The percentage of loans rated BB or higher remained high at 95%, which reflects the high quality of the Bank's loan portfolio

Average bid price



* Source: Leveraged Commentary & Data

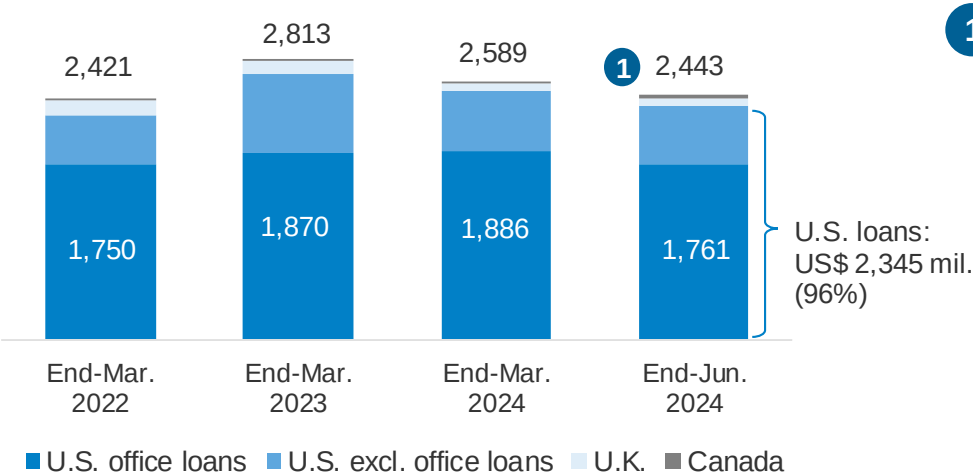
North American corporate loans by credit rating*



* S&P credit rating (facility basis)

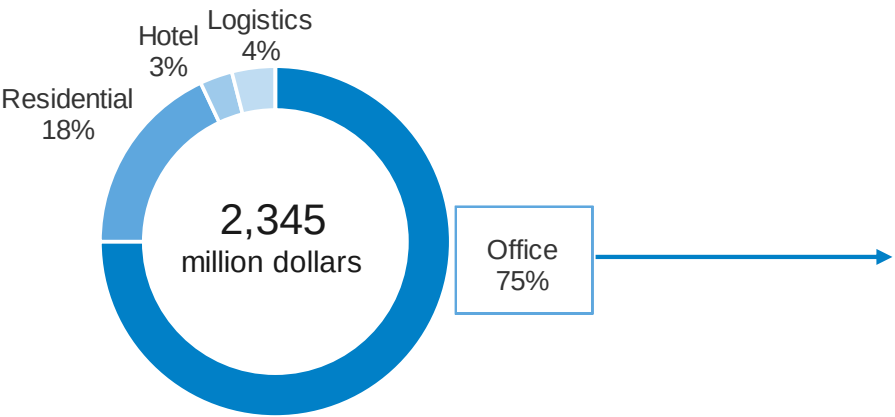
Overseas real estate non-recourse loan outstandings

(US\$ million)

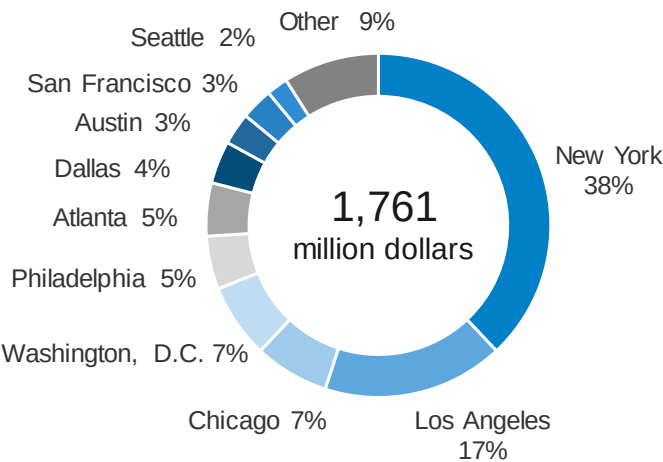


1 Aozora placed a hold on the origination of any new overseas real estate non-recourse loans based on its policy to prioritize recovery. Loan exposure decreased on a U.S. dollar basis mainly as a result of steady progress on workouts for the U.S. non-recourse office loan portfolio

By U.S. sector — Total



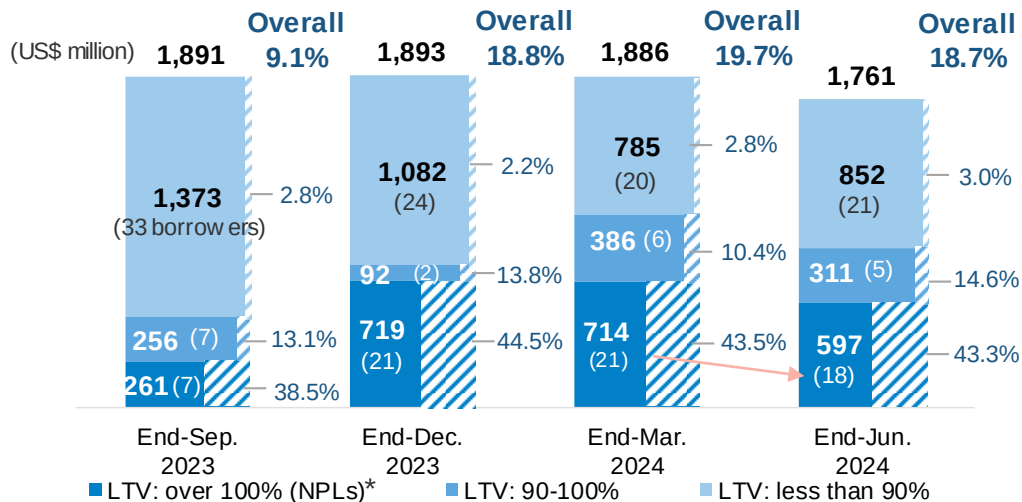
By U.S. city — Office loans only



Loans (6) —U.S. non-recourse office loans—

Balance sheet

Aozora's U.S. office loan portfolio (balance and reserve ratio)



* U.S. office loans with an LTV of over 100% are classified as NPLs in principle.

Breakdown of Aozora's U.S. office loan portfolio by region (as of June 30, 2024)

	Number of transactions	Total outstandings (US\$ million)	Average LTV *2	% of valuation decline
New York		81	154%	-51%
Washington, D.C.		-	-	-
Chicago		118	210%	-68%
Los Angeles		127	176%	-59%
San Francisco		49	147%	-62%
Other*1		220	163%	-56%
Total NPLs	18	597	173%	-59%
Total Normal Loans	26	1,164	80%	-18%
Total	44	1,761		

*1 Including NPLs in the following seven cities/county: Atlanta, Arlington, Austin, Philadelphia, Orange County, Minneapolis and Seattle

*2 Taking into account the risk of price declines over the period ending FY2025 for NPLs

	End-Sep. 2023			End-Dec. 2023			End-Mar. 2024			End-Jun. 2024		
	Balance	Reserves	Reserve ratio*	Balance	Reserves	Reserve ratio*	Balance	Reserves	Reserve ratio*	Balance	Reserves	Reserve ratio*
LTV: less than 90%	1,373	37	2.8%	1,082	23	2.2%	785	22	2.8%	852	25	3.0%
LTV: 90-100%	256	33	13.1%	92	12	13.8%	386	40	10.4%	311	45	14.6%
LTV: over 100% (NPLs)	261	100	38.5%	719	320	44.5%	714	310	43.5%	597	258	43.3%
Total	1,891	172	9.1%	1,893	357	18.8%	1,886	373	19.7%	1,761	330	18.7%

* Total exposure basis

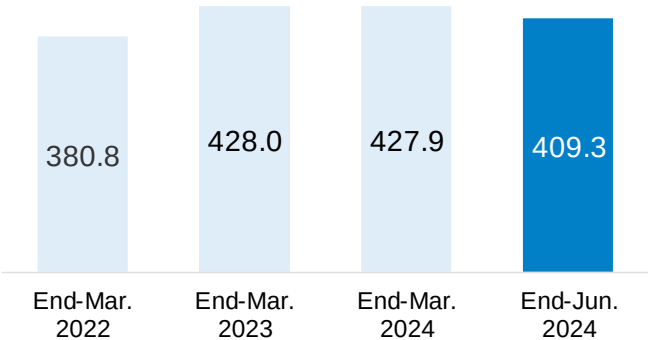
Provisioning standards for U.S. non-recourse office loans

1. We reviewed property valuations while taking into account the risk of price declines over the period ending FY2025
2. Following the above valuations, we downgraded borrowers of loans with an LTV of over 100% (and a high possibility of going into a workout process over the period ending FY2025) to NPLs, in principle, while taking into consideration factors including the specific characteristics of the property and regions
3. We also applied a stress case scenario taking into account the impact of market volatility on the NPL borrowers and made additional provisions to loan loss reserves, accordingly

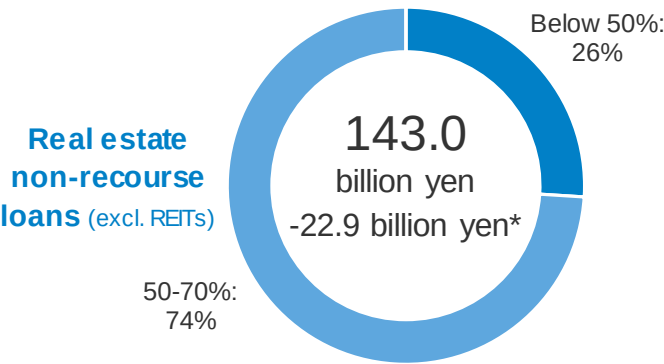
(Note) NPLs refer to loans to "In Danger of Bankruptcy borrowers"

Loans (7) —Domestic real estate non-recourse loans—

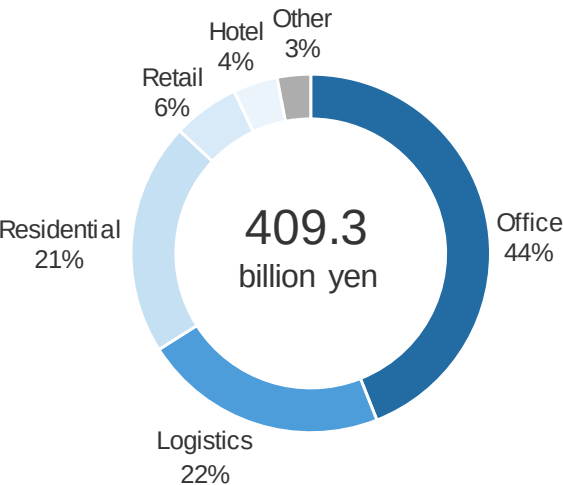
Domestic real estate non-recourse loan outstandings
(billion yen)



LTV



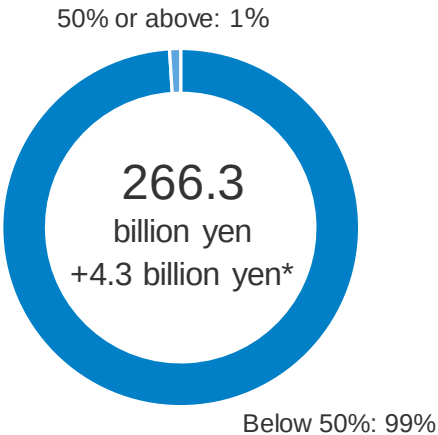
By sector



By region

Proportion by region	Metropolitan		Other
		Incl. Tokyo	
	85%	65%	15%

REITs



* Compared to March 31, 2024

	(billion yen)	Book value			Unrealized gains/losses		
		End-Mar. 2024 A	End-Jun. 2024 B	Change B - A	End-Mar. 2024 C	End-Jun. 2024 D	Change D - C
JGBs		52.5	58.9	+6.4	-2.1	-3.1	-0.9
Municipal bonds		29.0	30.6	+1.5	-0.2	-0.3	-0.1
Corporate bonds / short-term corporate bonds		107.5	110.3	+2.8	-0.4	-0.7	-0.3
Equities		31.1	33.3	+2.2	14.7	16.8	+2.1
Foreign bonds		493.9	508.4	+14.5	-60.6	-66.6	-5.9
Foreign government bonds		262.6	277.7	+15.1	-32.1	-35.4	-3.3
MBS		99.2	102.4	+3.2	-28.6	-31.1	-2.5
Other		132.0	128.2	-3.7	0.1	0.0	-0.0
Other securities		472.3	489.1	+16.8	-10.0	-10.5	-0.4
ETFs		59.9	67.7	+7.7	-10.4	-12.2	-1.7
Investments in limited partnerships		181.4	187.1	+5.6	1.0	1.1	+0.0
REITs		35.1	32.4	-2.6	3.5	2.9	-0.5
Investment trusts		153.9	157.3	+3.4	-4.7	-2.8	+1.8
Other		41.7	44.3	+2.6	0.5	0.4	-0.0
Total		1,186.5	1,230.9	+44.3	-58.7	-64.5	-5.7
Foreign exchange rate (US\$/JPY)		¥151.46	¥161.12	¥9.66			
Unrealized gains/losses, incl. unrealized gains/losses on hedging instruments					-51.1	-55.3	-4.2

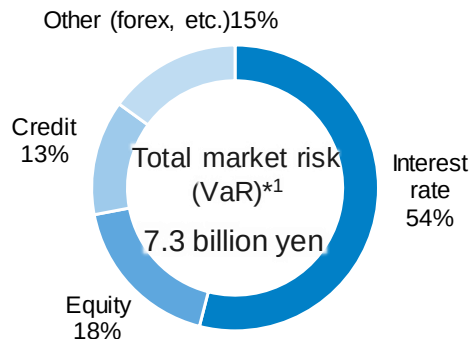
Unrealized losses increased due to the impact of a weaker yen

	U.S. government bonds	MBS	Municipal bonds	JGBs	Long-term JGBs	Short-term JGBs
<Reference> Duration*	5 years	7 years	4 years	7 years	14 years	0.2 years

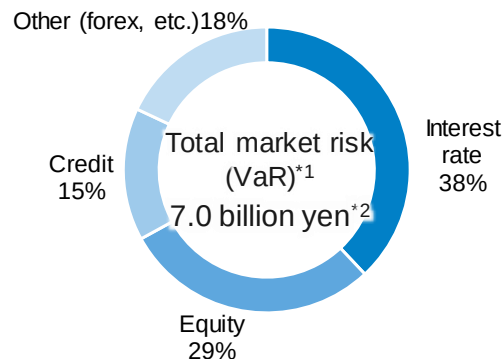
* As of June 30, non-consolidated basis

Market risk (VaR)

End-Mar. 2024



End-June. 2024



*1 Across-the-board basis. VaR considering the holding period since End-Mar. 2023

*2 Preliminary basis

Market risk (10 BPV)

	Interest rate risk (10 BPV)	
	End-Mar. 2024	End-Jun. 2024
ALM/securities operations	+0.0	-0.3
Incl. U.S. dollar interest rate risk	+0.0	-0.2
Incl. yen interest rate risk	+0.0	-0.1

ALM/securities operations —legacy assets—

- Legacy assets: Securities that Aozora acquired before the U.S. and European interest rate hikes starting from FY2022 and to which Aozora intends to reduce unrealized losses over the medium to long term. Our policy is to basically maintain the net risk balance at zero
- The Bank did not implement any additional loss cuts in 1Q. An increase in unrealized losses as of June 30, 2024 compared to March 31, 2024 was mainly due to the impact of a weaker yen

Legacy asset breakdown		Balance		Unrealized gains/losses* (billion yen)	
		End-Mar. 2024	End-Jun. 2024	End-Mar. 2024	End-Jun. 2024
U.S. government bonds	US\$ million	1,150	1,150	-11.0	-11.8
European government bonds	EUR million	350	350	-9.1	-9.4
MBS	US\$ million	823	808	-30.7	-32.3
Credit ETFs (investment grade bonds)	US\$ million	465	465	-13.6	-14.9
Total of the above				-64.7	-68.5
Total across the Bank				-51.1	-55.3

* Including hedging instruments (derivatives, bear funds)

(billion yen)	End-Mar. 2024 A	End-Jun. 2024 B	Change B - A
Total core funding	5,957.7	5,896.3	-61.3
Deposits / NCDs	5,776.3	5,705.3	-71.0
Incl. the balance of retail deposits	3,654.8	3,600.6	-54.1
Bonds	181.3	191.0	+9.6
Retail funding ratio*	61%	61%	
Loan-to-deposit ratio incl. NCDs	70%	70%	

* Defined as follow s:

Retail funding ratio = Retail deposits / Total core funding

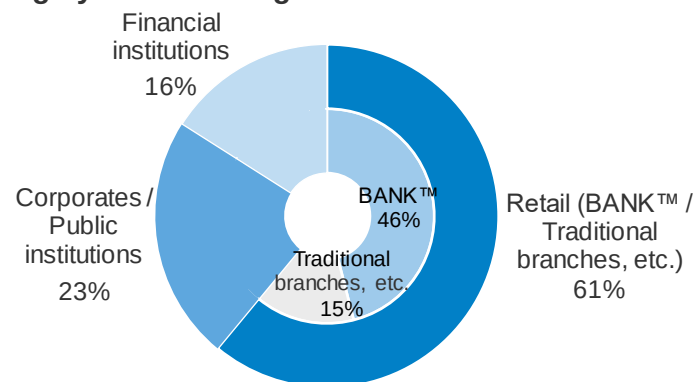
(billion yen)	End-Mar. 2024 A	End-Jun. 2024 B	Change B - A
Liquidity reserves	1,466.7	1,360.0	-106.7

* Non-consolidated basis

Surplus funds at hand for cash management purpose operated with high liquidity method including BOJ current account balance, JGBs, U.S. government bonds and call loans

- Aozora increased liquidity reserves in 2H of FY2023. For FY2024, the Bank will take measures to return its liquidity reserves to a more normalized level in light of the external environment and other factors
- Liquidity reserves and deposits decreased as a result of the above control measures

Core funding by customer segment

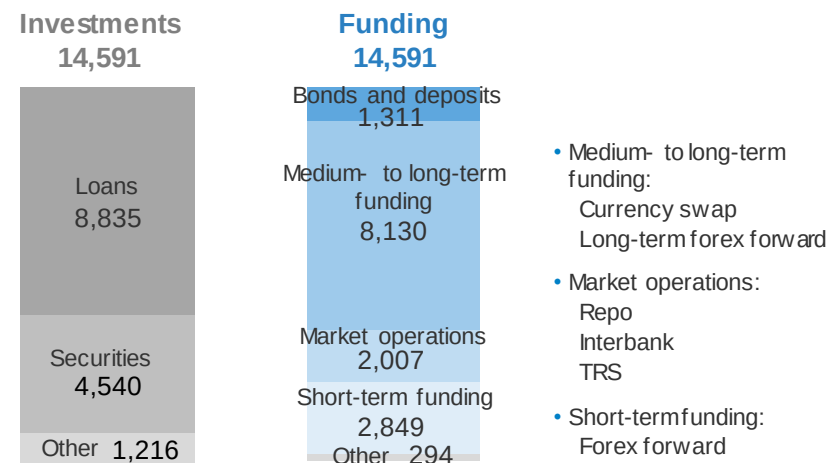


Retail deposit breakdown

	Overall	BANK™	Traditional branch
Ordinary deposits	68%	55%	13%
Time deposits	32%	22%	10%

Foreign currency investments/funding

(US\$ million)



Reference: Sensitivity analysis to an increase in interest rates

Balance sheet

- (i) Scenario 1: The impact of a 0.25% increase in yen interest rates for all terms on annual net interest income is estimated to be a net increase of approximately 6.6 billion yen (pass-through: 25%)
- (ii) Scenario 2: The impact of a 0.50% increase in yen interest rates for all terms on annual net interest income is estimated to be a net increase of approximately 10.1 billion yen (pass-through: 50%)

Breakdown:

(billion yen)

	(i) Scenario 1	(ii) Scenario 2
Investments:	approx. +10.8	approx. +21.6
Funding:	approx. -4.2	approx. -11.5
	approx. +6.6	approx. +10.1

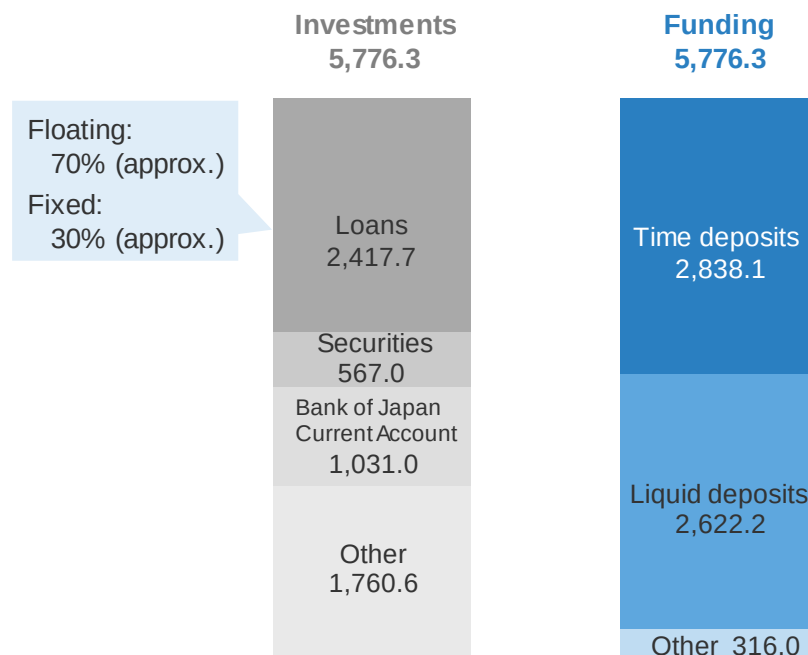
- Investments
Higher interest income due to floating-rate lending and currency swaps/forex forwards
- Funding
Higher interest expenses due to floating-rate funding and higher interest rates on deposits

Estimate assumptions:

- An interest rate increase of (i) 0.25% / (ii) 0.50% for all terms
- No change in the balance sheet (non-consolidated basis) compared to June 30, 2024
- Assuming an increase of (i) 0.25% / (ii) 0.50% in the Bank of Japan's current account balance (except reserve deposits)
- Assuming the raising of interest rates on deposits in response to market conditions (pass-through: (i) 25% / (ii) 50%)

Yen-denominated investments/funding

(billion yen)

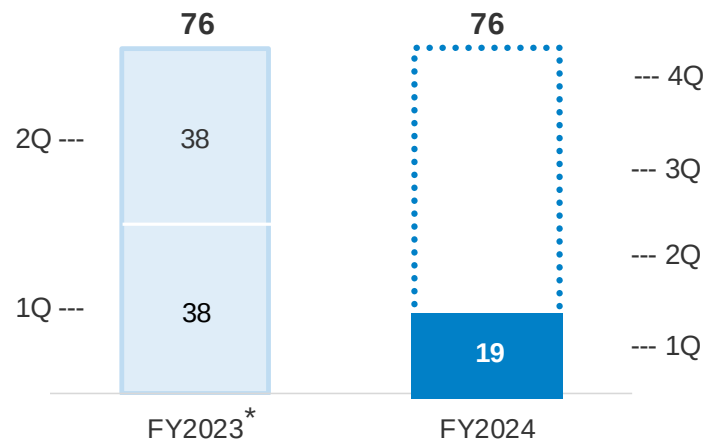


Dividend per common share

Record date	June 30 (1st quarter)	September 30 (2nd quarter)	December 31 (3rd quarter)	March 31 (4th quarter)	Full-year
Current forecast (FY2024)		—	—	—	76 yen
Dividend payment (FY2024)	19 yen				

Dividend payments

(yen)



* No dividend payments in 3Q and 4Q of FY2023

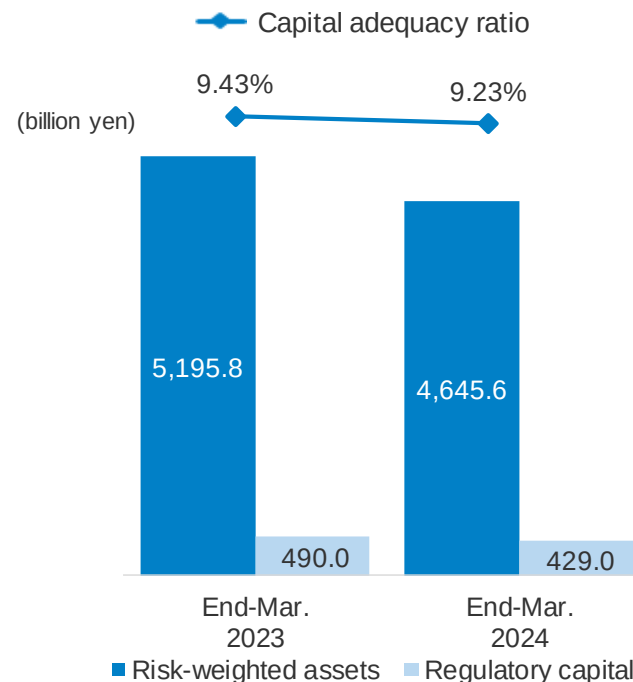
Reference: Capital adequacy ratio (as of March 31, 2024)

Dividend / Capital
adequacy ratio

Domestic standard

(billion yen)	End-Mar. 2023 A	End-Mar. 2024 B	Change B - A
Capital adequacy ratio	9.43%	9.23%	-0.20 %
Regulatory capital (A - B)	490.0	429.0	-61.0
Instruments and reserves (A)	512.9	467.5	-45.3
Shareholders' equity	471.8	413.1	-58.6
Other	41.1	54.4	+13.3
Regulatory adjustment (B)	22.8	38.5	+15.7
Risk-weighted assets	5,195.8	4,645.6	-550.2
Credit risk assets	4,559.6	4,273.1	-286.4
Market risk	478.4	238.9	-239.5
Operational risk	157.7	133.4	-24.2
<Reference> CET1 ratio*	7.4%	7.1%	-0.3%

* Approximate rate



The issuance of new shares through third party allotment to Daiwa Securities Group Inc.*¹ is expected to have the effect*² of increasing the Bank's capital adequacy ratio by 1.1% and CET1 ratio by 1.3%

Capital adequacy ratio: 9.2% → 10.3%

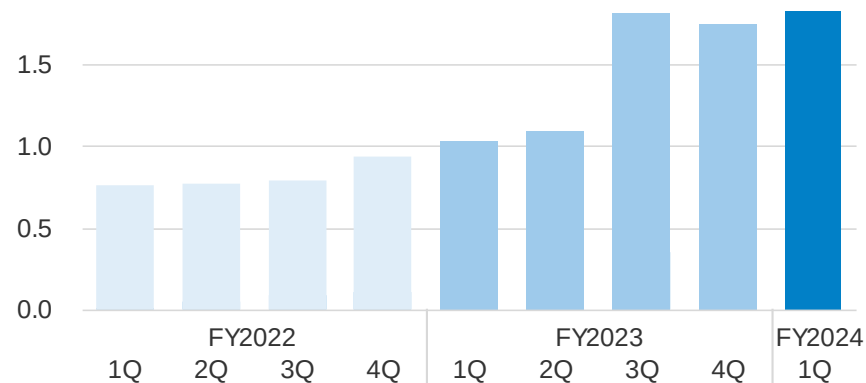
CET1 ratio: 7.1% → 8.4%

*¹ The above effect is not reflected in the capital adequacy ratio as of June 30, 2024 as the payment date for the capital increase through third party allotment was July 1, 2024

*² Estimates as of March 31, 2024

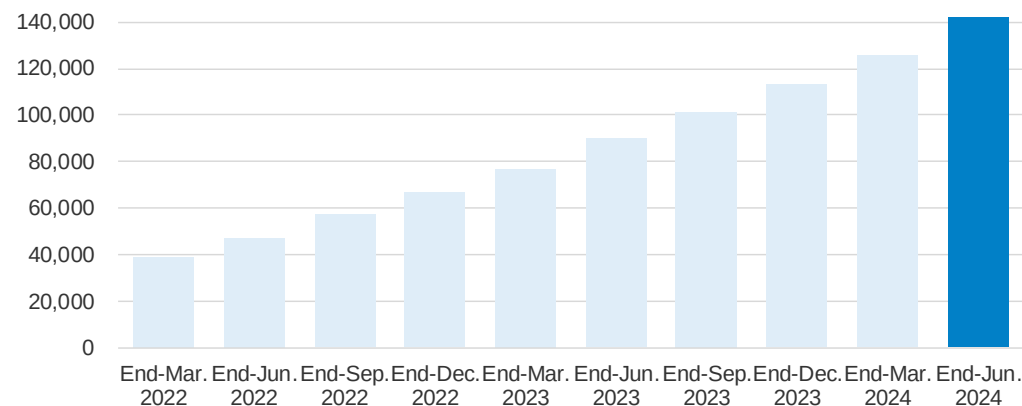
Quarterly net revenue

(billion yen)

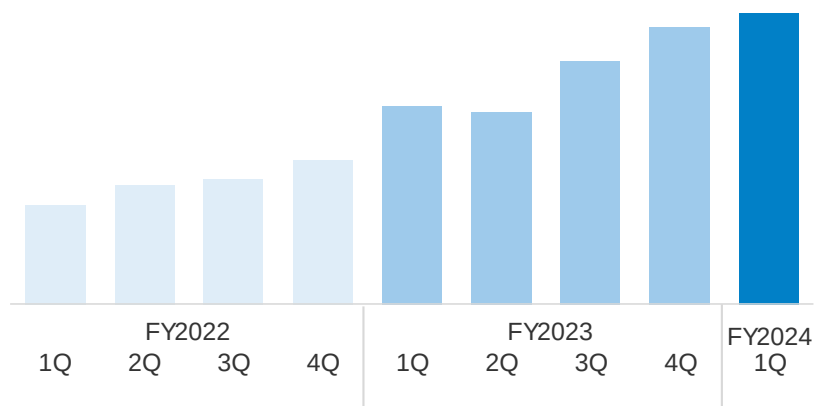


Net revenue	3.2				5.7				1.8
Business profit	-3.8				-2.7				-0.3

Number of corporate accounts



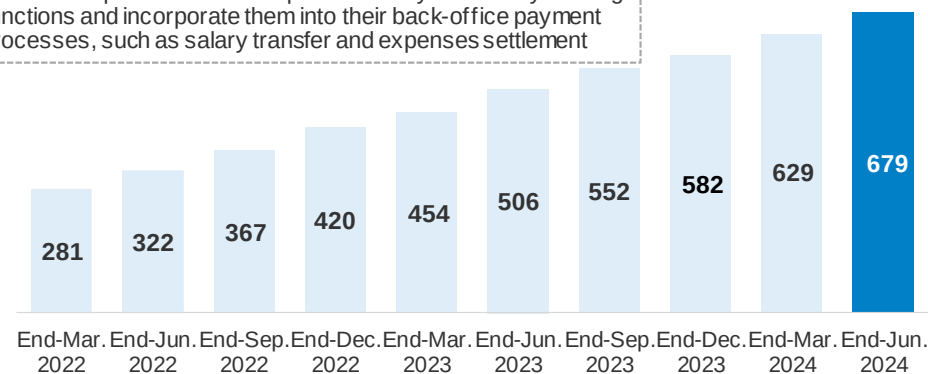
Number of transfer transactions



Number of “BaaS by GMO Aozora” contracts

BaaS by GMO Aozora

GANB offers each of its banking function as a standalone service. Corporate customers purchase only necessary banking functions and incorporate them into their back-office payment processes, such as salary transfer and expenses settlement



Aozora Group companies / consolidated, non-consolidated difference

Group companies

(billion yen)

(A) Non-consolidated net income	3.5
(B) Profit attributable to owners of parent	7.5
(B) - (A) (a + b) Difference	4.0

Breakdown of the difference

(a) Consolidated subsidiaries/affiliates	1.5
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	Share of Earnings ^{*1}	Net Revenue	Net Income
GMO Aozora Net Bank, Ltd.	50.0% ^{*2}	1.8	-0.5
Aozora Loan Services Co., Ltd.	67.6%	0.3	0.0
Aozora Securities Co., Ltd.	100.0%	0.1	-0.1
Aozora Regional Consulting Co., Ltd.	100.0%	0.0	0.0
Aozora Investment Management Co., Ltd.	100.0%	0.4	0.1
Aozora Real Estate Investment Advisors Co., Lt	100.0%	0.0	-0.0
ABN Advisors Co., Ltd.	100.0%	0.1	0.0
Aozora Corporate Investment Co., Ltd.	100.0%	0.1	0.0
Aozora Asia Pacific Limited	100.0%	0.0	0.0
Aozora Europe Limited	100.0%	0.2	0.0
Aozora North America, Inc.	100.0%	1.2	0.6
Other	-	0.7	0.6
Orient Commercial Joint Stock Bank	15.0%	-	0.7 ^{*3}

(b) Consolidation adjustments	2.5
--------------------------------------	------------

Gains/losses attributable to non-controlling interests (GMO Aozora Net Bank, Ltd.)	-	0.2
Other ^{*4}	-	2.2

*1 Percentage of profit and loss attributable to owners of parent

*2 Voting rights ratio is 85.1%

*3 Revenue contribution from equity method investments

*4 Including a net gain of 2.3 billion yen due to the liquidation of a subsidiary

Reference: Aozora's Strategic Investments Business —Project finance case study—

Aozora originated financing for the geothermal power plant project in April 2024

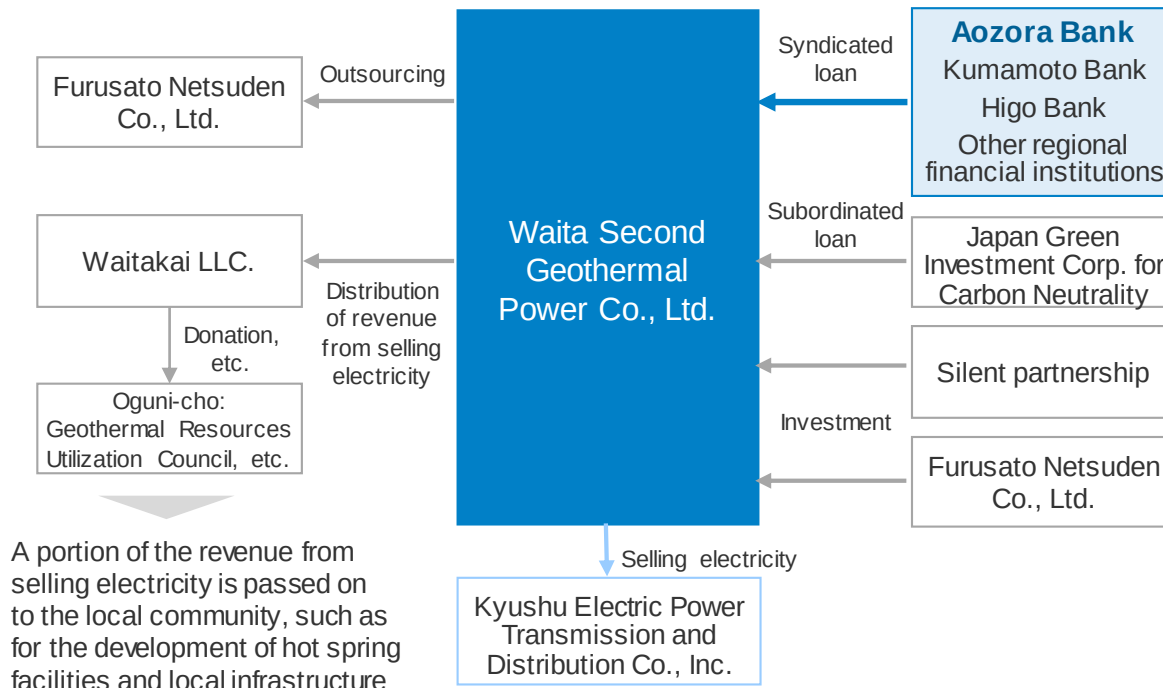
Waita Second Geothermal Power Plant

- Plant site: Oguni-machi, Aso-gun, Kumamoto Prefecture
- Schedule: Construction work commenced in June 2024, Commercial operation slated for March 2026
- Output: 4,995kw (equivalent to the annual electricity usage of approx. 9,200 households)
- Amount: Approx. 5.7 billion yen (incl. syndicated and subordinated loans)

✓ Very rare example of financing the geothermal power plant project in Japan

✓ Syndicated loan leveraging Aozora's network of regional financial institutions

✓ Contribution to achieving regional revitalization and a decarbonized society through power generation business



Waita First Geothermal Power Plant separately operated by Furusato Netsuden Co., Ltd.

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.