

**[TRANSLATION]**

**[NOTICE: This Document is a translation of the Japanese original for reference purposes only, and in the event of any discrepancy, the Japanese original shall prevail.]**

**Other matters subject to measures for electronic provision  
that are omitted from the printed convocation notice of  
the 93rd Ordinary General Meeting of Shareholders**

**Business Report**

**Stock Options**

**Matters Concerning Independent Accounting Auditors  
Framework for Ensuring the Appropriateness of Business Operations**

**Consolidated Financial Statements and  
Non-Consolidated Financial Statements**

**Consolidated statement of changes in equity  
Notes to the Consolidated Financial Statements  
Non-consolidated statement of changes in equity  
Notes to the Non-Consolidated Financial Statements**

**(from April 1, 2025 to March 31, 2026)**

**Aozora Bank, Ltd.**

## 5. Stock Options

The Bank issued equity compensation type stock options to its directors (excluding outside directors) and executive officers as a part of remuneration, pursuant to Articles 236, 238 and 240 of the Companies Act. The following is a summary of the equity compensation type stock options held by the Bank's corporate officers as of the end of the fiscal year.

Name of Stock Options	Allotment Date	Number of Stock Options (units)	Number of Common Shares to be Delivered upon Exercise of Options (shares)	Issue Price per unit of Stock Options (in Yen)	Exercise Price per Share (in Yen)	Exercise Period
2 <sup>nd</sup> Series	July 14, 2015	2,297	22,970	43,800	1	July 15, 2015 ~ July 14, 2045
3 <sup>rd</sup> Series	July 15, 2016	3,433	34,330	34,200	1	July 16, 2016 ~ July 15, 2046
4 <sup>th</sup> Series	July 13, 2017	2,654	26,540	39,800	1	July 14, 2017 ~ July 13, 2047
5 <sup>th</sup> Series	July 13, 2018	2,554	25,540	38,320	1	July 14, 2018 ~ July 13, 2048
6 <sup>th</sup> Series	July 11, 2019	4,742	47,420	23,520	1	July 12, 2019 ~ July 11, 2049
7 <sup>th</sup> Series	July 10, 2020	6,411	64,110	15,370	1	July 11, 2020 ~ July 10, 2050
8 <sup>th</sup> Series	July 12, 2021	5,154	51,540	22,480	1	July 13, 2021 ~ July 12, 2051
9 <sup>th</sup> Series	July 8, 2022	5,642	56,420	23,960	1	July 9, 2022 ~ July 8, 2052
10 <sup>th</sup> Series	July 10, 2023	5,426	54,260	24,175	1	July 11, 2023 ~ July 10, 2053
11 <sup>th</sup> Series	July 12, 2024	4,528	45,280	23,850	1	July 13, 2024 ~ July 12, 2054
12 <sup>th</sup> Series	July 11, 2025	6,262	62,620	20,045	1	July 12, 2025 ~ July 11, 2055

- (Notes)
1. Stock option holders may exercise their stock options in whole only during the 10-day period immediately following the date on which they cease to hold a position as either director or executive officer of the Bank.
  2. The number of shares has been converted in response to the one-for-ten reverse stock split dated October 1, 2017.
  3. Any acquisition of stock options through transfer is subject to approval of a resolution by the Board of Directors.
  4. In the event that a proposal for concluding (i) a merger agreement under which the Bank will be the disappearing company, (ii) an absorption-type company split agreement or an incorporation-type company split plan under which the Bank will be the splitting company, or (iii) a share exchange agreement or a share transfer plan under which the Bank will be a wholly-owned subsidiary, is approved at the General Meeting of Shareholders (or by the Board of Directors, if the General Meeting of Shareholders' approval is not required), the Bank may acquire without consideration, on a date separately determined by the Board of Directors, any stock options that remain unexercised as of the said day.

(1) Stock options held by the Bank's corporate officers as of March 31, 2026

Name of Stock Options	Holders	Number of Stock Options(units)	Number of Common Shares to be Delivered upon Exercise of Options (shares)	Number of Holders
2 <sup>nd</sup> Series	Directors of the Bank (Other than Outside Directors)	148	1,480	2
3 <sup>rd</sup> Series		418	4,180	4
4 <sup>th</sup> Series		360	3,600	4
5 <sup>th</sup> Series		350	3,500	4
6 <sup>th</sup> Series		726	7,260	4
7 <sup>th</sup> Series		1,277	12,770	4
8 <sup>th</sup> Series		1,294	12,940	4
9 <sup>th</sup> Series		1,390	13,900	4
10 <sup>th</sup> Series		1,594	15,940	4
11 <sup>th</sup> Series		1,715	17,150	4
12 <sup>th</sup> Series		2,306	23,060	4

(Note) The numbers of stock options include those granted to directors prior to their appointments as director of the Bank..

(2) Stock options granted to employees during this fiscal year

Name of Stock Options	Grantees (Recipients)	Number of Stock Options(units)	Number of Common Shares to be Delivered upon Exercise of Options (shares)	Number of Holders
12 <sup>th</sup> Series	Executive Officers of the Bank	3,956	39,560	21

## 6. Matters Concerning Independent Accounting Auditors

### (1) Independent Accounting Auditors

(Unit: JPY million)

Name	Fees for This Fiscal Year	Other
Deloitte Touche Tohmatsu LLC Designated Limited Liability Partner, Shigehiko Matsumoto Arata Otake Eisuke Sugiura	240	<p>Reason for acknowledgment of the fees by the Audit &amp; Supervisory Board ('the ASB'):            The ASB of the Bank received documents and direct explanations from the independent accounting auditors, and analyzed and confirmed prior years' audit items, audit hours, and trends in audit fees. The ASB then conducted a comparison between the audit plan and actual performance for the previous fiscal year and examined the status of achievement. Based on this examination, the ASB reviewed and assessed the appropriateness of priority audit areas, audit items, audit hours, audit structure, and the estimated amount of fees under the audit plan for the relevant fiscal year. As a result, the ASB acknowledged the fees for the independent accounting auditors, in accordance with Article 399, Paragraph (1), of the Companies Act.</p> <p>Details of non-audit services:            Procedures for assessing the capital adequacy ratio, etc.</p>

- (Notes)
1. The amount of fees is rounded down to the nearest unit specified.
  2. The total sum of economic benefits to be paid by Aozora Bank, including its subsidiary companies and corporations, to the above audit firm was 316 million yen for this fiscal year.
  3. The above "Fees for This Fiscal Year" includes audit fees for audits under both the Companies Act and the Financial Instruments and Exchange Act due to a difficulty in clearly distinguishing between these fees.

(2) Limited Liability Contract  
None

(3) Compensation Contract  
None

- (4) Other Matters Concerning Independent Accounting Auditors
- i. Policy for determining the dismissal or non-reappointment of Independent Accounting Auditors  
The ASB of the Bank has a policy that, if the Independent Accounting Auditor is deemed to fall under any of the items specified in Article 340, Paragraph (1), of the Companies Act, it will resolve to dismiss the Independent Accounting Auditor subject to the unanimous consent of all ASB members. In this case, an ASB member appointed by the ASB reports the fact of, and reasons for, the dismissal at the earliest General Meeting of Shareholders convened thereafter. The ASB also has a policy that, if it concludes that the Independent Accounting Auditor will be unable to properly perform assigned duties as a result of a comprehensive assessment, it will determine the content of a proposal for the dismissal or non-reappointment of the Independent Accounting Auditor to be submitted to the General Meeting of Shareholders.
  - ii. Audit of the financial statements of the Bank's significant subsidiary companies and corporations by certified public accountants or audit firms other than the Bank's Independent Accounting Auditors  
Of the Bank's significant subsidiary companies and corporations, Aozora Europe Limited and AZB Funding 12 Limited undergo an audit by audit firms that belong to the same network as the Bank's Independent Accounting Auditors.

## **8. Framework for Ensuring the Appropriateness of Business Operations**

The summary of "Internal Control Programs" is as follows:

Aozora Bank (hereinafter the Bank) determines the following basic policies concerning development of a system for appropriate business (internal control programs) of the Bank and the Bank's subsidiaries based on the Companies Act and the Ordinance for Enforcement of the Companies Act.

### **1. Ensure Execution of Fiduciary Responsibilities by Directors and Employees in compliance with Laws, Regulations and the Articles of Incorporation**

- (1) The Bank develops Internal Rules concerning a compliance system including Master Policy "Code of Conduct and Ethics" as a code of conduct for officers and employees of the Bank to fulfill their duties while complying with laws and regulations, and asks the officers and employees to submit "Annual Acknowledgment of Code of Conduct and Ethics".
- (2) The Bank appoints two or more Outside Directors who have knowledge and experience in the management and supervise the execution of operations by the Bank from an independent perspective for the purpose of ensuring management disciplines and improving a supervisory function of the Board of Directors.
- (3) The Bank establishes Nomination & Remuneration Committee to deliberate appointment and remuneration of Directors and Executive Officers as well as Risk Governance Committee to professionally deliberate important matters including internal control, evaluation of the establishment and revision of the Risk Appetite Statement, and evaluation of the monitoring of the risk appetite framework. Both of the committees consist of mainly Outside Directors and deliberate such matters thoroughly and professionally as entrusted by the Board of Directors, and report the results of the deliberations to the Board of Directors.
- (4) The Bank establishes a division controlling compliance risk management and puts in place a compliance risk management system through developing Internal Rules concerning compliance matters, providing compliance training programs, checking the compliance status as well as developing and implementing remedial actions. The division controlling compliance risk management annually develops, as "Compliance Program", a specific action plan to put in place a compliance risk management system including responses to newly established and revised laws and regulations, development of Internal Rules and training programs and obtains approval by the Board of Directors. In addition, the division reports its progress to the Board of Directors on a regular basis.
- (5) The Bank establishes a division controlling legal risk management in order to improve its legal risk management system through the development of Internal Rules concerning legal risk management, confirmation and dissemination of trends in revisions to laws and regulations, appropriate response to/ management of litigation and other disputes, and identification, analysis, evaluation and verification of legal risks in individual operations.

- (6) The Bank establishes an Internal Audit Group which functions independently from all business groups. The Internal Audit Group audits the development and operation of the internal control system from an independent perspective based on the annual audit plan approved by the Board of Directors and periodically reports the status of internal audits to the Chief Executive Officer (CEO), Management Committee and the Board of Directors.
- (7) In order to prevent, discover early and remedy scandals caused by violations of laws or illicit behaviors, the Bank maintains "Aozora Hotline Program", a whistle-blower system which enables officers and employees of the Bank (including officers and employees within one year of their retirement) directly report to in-house and outside special contacts when they learn any cases which violate or may violate laws and regulations or Internal Rules.
- (8) The Bank develops a system necessary to remove any unjustified involvement by Anti-Social Elements and to eliminate or avoid all transactions with them including provision of funds. In addition, the Bank develops necessary systems to prevent money laundering, terrorist financing, and proliferation financing, and to comply with other economic sanctions under the Foreign Exchange and Foreign Trade Act.

- (9) The Bank establishes a customer protection system (management of customer explanation, customer support, customer information, outsourcing and prevention of conflict of interests) to protect customers and to improve customers' conveniences. In addition, in order to provide products and other services that contribute to the best interests of its customers, the Bank establishes a system for customer-oriented business management.
- (10) The Bank establishes a system necessary to prevent insider trading and unfair transactions by individual officers and employees where customer information is used by such officers and employees.
- (11) The Bank develops a system necessary to comply with bribery prevention-related laws and regulations as well as prevent corruption.

## **2. Ensure Efficient Execution of Duties & Responsibilities by Directors**

To ensure prompt decision-making on business execution, the Bank establishes Management Committee consisting of members appointed by the Board of Directors from among Directors and Executive Officers and delegates the business execution-related authorities to such Committee. In addition, Management Committee establishes various committees consisting of committee members having professional expertise, experiences and judgment as its lower organizations and delegates its authorities to them.

## **3. Safekeeping and Management of Information regarding Execution of Fiduciary Responsibilities of Directors**

Based on laws, regulations and various Internal Rules for document management, the Bank appropriately manages and keeps the information on execution of Directors' responsibilities including the minutes of the Board Meeting and other various important committees.

## **4. Internal Rules and Structure to Manage Risk of Loss**

- (1) The Board of Directors positions the types and risks (risk appetite) to be accepted to realize the business strategy and financial plan as important matters for business management, and determines the mid-term plan and each annual business plan that are consistent with the risk appetite and the Risk Appetite Statement.
- (2) Risk Governance Committee serves as an advisory body to strengthen the effectiveness of internal control and risk appetite framework operations by the Board of Directors, and professionally deliberates important matters including internal control, evaluation of the establishment and revision of the Risk Appetite Statement, and evaluation of the monitoring of the risk appetite framework.
- (3) The Bank defines a basic policy and a management procedure for risks recognized by the Bank and the Bank's Subsidiaries in Master Policy "Comprehensive Risk Management". Further, the Bank classifies risks arising from operations into a credit risk, a market risk, a liquidity risk and an operational risk (including system risk to respond to cyber security and crisis & disaster risk) and develops Internal Rules defining basic policies by risk category.
- (4) Each division in charge by risk category periodically reports the risk management status to Management Committee, Risk Governance Committee and the Board of Directors.
- (5) Internal Audit Group audits effectiveness and appropriateness of the risk management system and reports the results to Chief Executive Officer (CEO), Management Committee and the Board of Directors. In addition, such Group shares information as necessary with ASB Members, Audit & Supervisory Board and Accounting Auditors for cooperative purposes.

## **5. Ensure Appropriate Operations of the Bank and the Bank's Subsidiaries**

- (1) The Bank defines the basic policies for management/control, compliance, and risk management systems of the Bank's subsidiaries in Master Policy "Management of Group Companies" to ensure

appropriate and effective operation of the business in the Bank and the Bank's Subsidiaries.

- (2) The Bank and the Bank's Subsidiaries have established an integrated internal control system for the Bank and the Bank's subsidiaries while respecting their independence and autonomy. In addition, in conformance with applicable laws and restrictions, the Bank ensures that the Bank's policies and procedures including the "Code of Conduct and Ethics" are fully understood by the Bank's subsidiaries.
- (3) The Bank and the Bank's subsidiaries have established systems to control conflicts of interest and to prevent unreasonable damage to customers' interest as well as a system to cause the terms of transactions between the Bank and the Bank's Subsidiaries and between the Bank's Subsidiaries to comply with the Arm's Length Rule.
- (4) To ensure credibility and appropriateness of the financial reporting of the Bank and the Bank's subsidiaries on a consolidated basis, the Bank develops a system for proper internal control over financial reporting by establishing Procedure "Internal Control over Financial Reporting".
- (5) The Bank secures human resources necessary for business operations at the Bank and the Bank's subsidiaries through recruitment and training of human resources.
- (6) To the extent of not violating laws and regulations, Internal Audit Group audits business activities of each of the Bank's subsidiaries.

## **6. Ensure Effective Auditing by ASB Members**

- (1) The Bank has established an Office of Audit & Supervisory Board ("ASB") to support its members' duties and appropriately allocates employees to support such activities. The authority to give instructions to such employees belongs to ASB Members and such employees are interviewed and evaluated by the Standing ASB Member. In addition, decisions on transfer, promotion, compensation and punishment of such employees require the consent by the Standing ASB Member.
- (2) ASB Members may directly require the officers and employees of the Bank and the Bank's subsidiaries to make a report as necessary (including implementation status of the Hot Line program and details of whistle blowers' reports).
- (3) Officers and employees of the Bank and the Bank's subsidiaries immediately make a report to ASB Members whenever they find violations against laws and regulations at the Bank or the Bank's subsidiaries or any event which may cause a serious damage to the Bank or the Bank's subsidiaries. The officers and employees who report to ASB Members will not be unfairly treated due to any such reporting, which is clearly stated in HR Rules and other Internal Rules.
- (4) Officers and employees cooperate with ASB Members when auditing based on an audit plan annually developed by Audit & Supervisory Board (including a budget).
- (5) ASB Members may get advice as needed from external professionals including attorneys and certified accountants about auditing for effective audits.
- (6) The Bank incurs the various costs for execution of the ASB Members' responsibilities (including the expense related to Paragraph (5) above).

## Summary of the Operational Status regarding the Framework for Ensuring the Appropriateness of Business Operations

1. Framework for Ensuring that Directors and Employees Perform Their Duties in Accordance with Laws and Regulations as well as the Articles of Incorporation
  - The Bank has established a “Code of Ethics and Conduct” as a code of conduct for officers and employees to ensure their compliance with applicable laws, regulations and other rules as well as reasonable and necessary corporate activities in conformance with social norms and common sense. All officers and employees of the Aozora Group must submit an “Annual Acknowledgment of the Code of Ethics and Conduct” once a year to indicate that they have understood, and will comply with, the Code of Ethics and Conduct.
  - The Bank appoints more than one external expert as directors at the General Meeting of Shareholders, taking into consideration their independence. The Bank’s nine directors as of the end of this fiscal year included four independent outside directors. The Nomination and Remuneration Committee, the majority of which are outside directors, and the Risk Governance Committee, the majority of whose members are also outside directors, under delegation from the Board of Directors, conduct a multifaceted and specialized review and verification of the matters under their jurisdiction, and report on the results of their deliberations to the Board of Directors, thereby complementing the Board’s supervisory function and performing a check-and-balance function over Representative Directors and Executive Officers.
  - The Bank has established a Compliance Management Division which is in charge of compliance risk management for the entire Aozora Group. The Division has developed a set of internal policies, primarily regarding response to the laws and regulations which must be complied with, and strives to develop and maintain a compliance risk management framework through a range of training and awareness-raising activities designed to maintain and enhance the understanding of compliance issues among the Bank’s officers and employees. The Division also develops an annual “Compliance Program” as a concrete action plan aimed at ensuring the compliance risk management framework, and delivers progress reports to the Management Committee and to the Board of Directors every six months, as well as to the Risk Governance Committee once a year.
  - With respect to training and awareness-raising activities under the plan set at the beginning of the year, the Bank implement the plan by incorporating key points to be considered from a compliance perspective as well as urgent topics, such as insider trading prevention, information management, and financial crime prevention in light of not only business aspects, including the promotion of collaboration with Daiwa Securities Group, Aozora’s Strategic Investments Business, and customer-oriented business management, but also an external environment such as the high number of financial crime victims. The Bank has already established an environment that enables employees to attend these training and awareness-raising programs from home or a remote environment as well as to learn through video materials.
  - The Bank has established a Legal Division that is in charge of legal risk management for the entire Aozora Group. The Division strives to develop and maintain an appropriate legal risk management framework through the development of internal rules to manage legal risk, research and dissemination of information about recent changes to legislation, appropriate response to, and management of, litigation and other disputes, and identification, analysis, evaluation, and verification of legal risks in individual operations. In addition, the status of legal risk management (including the status of litigation and other disputes) is reported to the Management Committee every quarter, to the Board of Directors every six months, as well as to the Risk Governance Committee once a year.
  - The Internal Audit Division conducts internal audits based on the Annual Internal Audit Plan approved by the Board of Directors, and reports on audit results to the Chief Executive Officer (CEO) and the Management Committee every month, to the Board of Directors every six months, as well as to the Audit & Supervisory Board (ASB) every quarter.
  - The Aozora Group has established a whistle-blower program called the Aozora Hotline Program, which is designed to prevent, aid in the early discovery of, and take corrective action against violations of laws and other misconduct. Every officer and employee (including those who left Aozora or the Aozora Group within one year) can report any inappropriate activities which violate or may violate internal rules, laws, regulations, or other norms directly to in-house and outside (law firm) channels for whistle-blowers. The Division delivers operational status reports on the Aozora Hotline Program, including the number of whistle-blowing cases filed, to the Management Committee and the Board of Directors every six months, as well as to the Risk Governance Committee once a year.
  - The Bank has affirmed its uncompromising stance against anti-social elements in its “Procedure for the Elimination of Anti-Social Elements,” and has developed and operates a range of systems to prevent intervention by, and prevent business relationships with, such elements. The Bank has also positioned preventive measures against financial crimes, including money laundering, financing of terrorism, and proliferation financing, as well as responses to economic sanctions under the Foreign Exchange and Foreign Trade Law as critical business challenges, and has established and operates corresponding control frameworks.

- In light of money laundering and other risks that are increasing due to the implementation of a range of initiatives to enhance convenience in non-face-to-face transactions in response to diverse customer needs, the Bank continues to work to maintain and further strengthen its fraud detection framework through cross-referencing against various lists and transaction monitoring on a daily basis.
- Based on its master policy “Promotion of Customer-Oriented Business Conduct and Customer Protection,” which stipulates a basic policy for promoting customer-oriented business management and enhancing customer protection and convenience, the Bank has developed internal rules that set out specific measures. The Director in charge of customer-oriented business promotion and customer protection management framework, who is appointed by the Board of Directors, oversees the entire customer-oriented business promotion and customer protection management. The Customer Committee, which is comprised of members including the Head of Compliance and Governance Unit, is held once a month, in principle, to review this framework.
- The Bank strives to expand its services in response to the growing demand for cashless and non-face-to-face transactions, and also works to build a framework that contributes to the protection of customers, including higher security levels in personal authentication for debit cards.
- In order to prevent insider trading by its officers and employees, the Bank has established and operates a system in which the Compliance Management Division centrally manages material information within the Bank and strictly controls insider information.
- Aozora has established an “Anti-Bribery” procedure to ensure compliance with the anti-bribery laws and regulations of each country and to prevent any corruption. The Bank has also developed the necessary systems, and conducts ongoing awareness-raising activities.

## 2. Framework for Ensuring that Directors Perform Their Duties Efficiently

- The Management Committee, which is comprised of Executive Officers (including Representative Directors) appointed by the Board of Directors, meets on a weekly basis, in principle, and determines important matters related to the Bank’s daily operations in accordance with the policies set forth by the Board of Directors. Under the Management Committee, the Bank has established the following sub-committees comprised of members with specialized business knowledge, experience, and judgment: the Asset and Liability Committee, the Integrated Risk Committee, the Credit Committee, the Investment Committee, the CAPEX Committee, the Customer Committee, and the Sustainability Committee. Each of these sub-committees has been delegated authority from the Management Committee.

## 3. Framework for Keeping and Managing Information Related to the Execution of Duties by Directors

- The Bank appropriately keeps and manages important documents such as written approvals as well as the minutes of various management meetings, including the Board of Directors Meeting and the Management Committee, for a prescribed retention period in accordance with laws, regulations and internal rules.

## 4. Framework for Managing Risk of Losses, Including Internal Rules

- A risk appetite framework (‘RAF’), risk appetite, and a risk appetite statement (‘RAS’) are determined by the Board of Directors with recommendations from the Risk Governance Committee. The Board of Directors reviews consistency with the RAS when determining a business plan or a Mid-term Plan, and also deliberates and decides on important matters relating to the RAF operations, including an interim review of risk appetite and the RAS.
- The Risk Governance Committee receives reports on the operation and progress of the RAF on a quarterly basis and conducts in-depth reviews of the RAF operations, including monitoring activities such as the identification and analysis of gaps between the risk appetite and the risk profile, as well as updates to the risk scope.
- As a means to ensure appropriate risk management, the Bank has established committees such as the Asset and Liability Committee and the Integrated Risk Committee, as well as risk management divisions, to identify, evaluate, and control risks. It also appoints a Chief Risk Officer (CRO) from among the Executive Officers as the person responsible for supervising the risk management divisions. The Bank has established the basic policies and internal rules by risk category, including the definition and scope of risks to be managed, risk characteristics and evaluations, and monitoring and control. Each of the risk management divisions implements appropriate risk management in line with this framework.

- To strengthen its cybersecurity management framework, the Bank has appointed a Chief Information Security Officer (CISO) as the person responsible for overall cybersecurity management. With this initiative, the Bank has established a system through which the CISO reports to the Chief Information Officer (CIO) as well as the Chief Risk Officer (CRO) from the perspective of checks and balances within the Risk Management Group. The Cyber Security Office, a dedicated cybersecurity department within the IT Control Division, is responsible for establishing systems, strengthening countermeasures, monitoring, and emergency responses. The Bank undergoes regular third-party assessments of our cybersecurity management framework based on external cybersecurity frameworks such as CRI Profile<sup>\*1</sup>. The Bank has also established a Cyber Security Incident Response Team (Aozora CSIRT), which spans across Aozora's related groups/divisions and Group companies. By sharing cybersecurity trends and risks inherent in the Bank as well as conducting ongoing cybersecurity training, the entire Group remains prepared for emergency situations.

<sup>\*1</sup> A cybersecurity framework primarily targeting financial institutions, maintained and updated by the non-profit organization Cyber Risk Institute

- To be prepared for potential crises, including large-scale disasters such as an earthquake directly beneath the Tokyo metropolitan area, system failures, and the spread of infectious diseases, the Bank strives to secure operational resilience by identifying priority areas of business, setting resilience targets such as a recovery time objective, developing a Business Continuity Plan (BCP), and verifying its effectiveness primarily through training exercises.
- The Management Committee, the Risk Governance Committee, and the Board of Directors flexibly implement appropriate control measures by receiving timely status reports on risk management from each of the risk management divisions.
- The Internal Audit Division conducts audits of the effectiveness and appropriateness of the Bank's risk management framework, and reports the results to the Chief Executive Officer (CEO) and the Management Committee monthly, to the Board of Directors every six months, and to the Audit & Supervisory Board every quarter. The Internal Audit Division also works as necessary with the Accounting Auditor primarily through three-way audit meetings including ASB Members.

#### 5. Framework for Ensuring the Appropriateness of Business Operations at the Bank and Its Subsidiaries

- Based on the Bank's master policy "Management of Group Companies" regarding its management framework, compliance framework, and risk management framework, Executive Officers responsible for promoting the operations of the Bank's subsidiaries supervise their management in cooperation and collaboration with the relevant divisions, while the risk management divisions in charge directly manage individual risks of each subsidiary. The Bank has also signed a "Master Advisory and Corporate Governance Agreement" with each subsidiary, which specifically sets forth matters to be complied with by the Bank and the subsidiaries as well as matters requiring prior consultation with, and reporting to, the Bank by its subsidiaries, thereby striving to ensure the effectiveness of management.
- With regard to transactions with customers, the Bank has established a procedure "Management of Conflict of Interest and Compliance with Arm's Length Rule" from the perspective of practicing customer-oriented business management and protecting customers so as to properly manage any transactions between the Bank or its subsidiaries and customers that may give rise to conflicts of interest, and to ensure that the terms and conditions of individual transactions do not violate the arm's length principle. The Customer Committee, which includes the Head of Compliance and Governance Unit, verifies the status of the conflicts of interest management every six months.
- The Bank has established and operates an internal control system in accordance with its procedure "Internal Control Over Financial Reporting" to ensure the appropriateness and reliability of financial reporting of the Bank and the Bank's subsidiaries on a consolidated basis. The Bank also evaluates the effectiveness of its internal control over financial reporting and discloses an internal control report annually.
- In order to secure the necessary talent for business continuity and enhanced corporate value within the Group, the Bank strategically recruits a certain number of new graduates each year and develops them from a long-term perspective, while also strengthening mid-career hiring so as to allocate work-ready professionals to its focus areas of business. Additionally, the Bank has established Aozora Career Building Support Programs, including training programs, initiatives to expand areas of experience, and self-development support menus, which are available to both new graduates and mid-career employees, with the aim of cultivating human resources who can withstand changes in the business environment.

- The Internal Audit Division conducts internal audits on the Bank and its subsidiaries in accordance with the Bank's master policy "Internal Audit" and the procedure "Supervision and Governance of Group Companies."
6. Framework for Ensuring that ASB Members Perform Audits Effectively
- The Bank has established the Office of Audit & Supervisory Board (OASB) to assist ASB members in performing their duties and support the operation of the ASB, assigning a full-time General Manager and dedicated staff. Under the direction of the ASB and its members, the OASB provides support for audits conducted by ASB members and serves as a secretariat function for the ASB.
  - The OASB and its General Manager follow the instructions of, and report directly to, the standing ASB member on a day-to-day basis. Personnel affairs, performance evaluations, and other matters regarding the General Manager and staff, are also determined with the consent of the standing ASB member following relevant consultations (involving the ASB as necessary).
  - All directors and employees of the Bank (including its subsidiaries) report directly to the ASB and its members on important issues concerning management and business operations (including internal audit results and whistle-blower reports) as well as other matters deemed necessary by the ASB members, unless specifically restricted by applicable laws and regulations, and are not subjected to any disadvantageous treatment for making such reports.
  - Directors and employees cooperate in attending, and making reports to, the ASB Meeting based on the audit plan.
  - The Bank reimburses any expenses incurred by the ASB and its members in the course of their audits, including fees for external professionals such as attorneys, where such engagement is deemed necessary from the perspective of performing their audit duties effectively and professionally.

## Consolidated statement of changes in equity

(For the fiscal year ended March 31, 2026)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	125,966	113,483	241,485	(2,894)	478,040
Changes during period					
Dividends of surplus			(12,177)		(12,177)
Change in scope of consolidation			(20)		(20)
Net income attributable to owners of parent			25,705		25,705
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				0	0
Net changes in items other than shareholders' equity					
Total changes during period	-	-	13,506	(0)	13,506
Balance at end of period	125,966	113,483	254,992	(2,894)	491,547

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total equity
	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	(39,532)	517	9,604	2,286	(27,123)	501	8,267	459,685
Changes during period								
Dividends of surplus								(12,177)
Change in scope of consolidation								(20)
Net income attributable to owners of parent								25,705
Purchase of treasury shares								(0)
Disposal of treasury shares								0
Net changes in items other than shareholders' equity	14,560	(1,063)	69	1,325	14,891	125	3,402	18,419
Total changes during period	14,560	(1,063)	69	1,325	14,891	125	3,402	31,926
Balance at end of period	(24,972)	(545)	9,674	3,611	(12,232)	626	11,669	491,611

## 【Notes to the Consolidated Financial Statements】

### Basic items for preparing consolidated financial statements

#### Accounting policies for preparing consolidated financial statements

##### 1. Scope of consolidation

###### (1) Number of consolidated subsidiaries: 23

Names of principal companies:

GMO Aozora Net Bank, Ltd.  
Aozora Loan Services Co., Ltd.  
Aozora Securities Co., Ltd. (Note1)  
Aozora Regional Consulting Co., Ltd. (Note2)  
Aozora Investment Management Co., Ltd.  
Aozora Real Estate Investment Advisors Co., Ltd.  
ABN Advisors Co., Ltd.  
Aozora Corporate Investment Co., Ltd.  
Aozora Europe Limited  
Aozora North America, Inc.  
AZB Funding 12 Limited

Aozora Asia Pacific Limited was excluded from the scope of consolidation as a subsidiary because it has only a slight effect on our assets, ordinary income, net income and retained earnings and its importance has diminished.

(Notes) 1. Aozora Securities Co., Ltd. was dissolved on April 1, 2026 as a result of the absorption-type merger with Aozora Investment Management Co., Ltd. as the surviving company.

2. Aozora Regional Consulting Co., Ltd. changed its name to Aozora HR Lab. & Consulting Co., Ltd on April 1, 2026.

###### (2) Unconsolidated subsidiaries

Name of principal company:

Aozora Chiiki Saisei Co., Ltd.

The unconsolidated subsidiaries were excluded from the scope of consolidation, due to the immateriality of their assets, ordinary income, net income (to the extent of equity position) and retained earnings (to the extent of equity position). Their exclusion from the scope of consolidation would not impede reasonable judgment as to the financial condition or performance of the group.

## 2. Application of the equity method

(1) Unconsolidated subsidiaries accounted for by the equity method: none

(2) Affiliated companies accounted for by the equity method: 1

Name of principal company:

Orient Commercial Joint Stock Bank

(3) Unconsolidated subsidiaries not accounted for by the equity method:

Name of principal company:

Aozora Chiiki Saisei Co., Ltd.

(4) Affiliated companies not accounted for by the equity method:

Names of principal companies:

AJ Capital Co., Ltd.

AZ-Star Co., Ltd.

The unconsolidated subsidiaries and affiliated companies, which were not accounted for by the equity method, were excluded from the scope of equity method, due to the immateriality of their net income (to the extent of equity position) and retained earnings (to the extent of equity position). Their exclusion from the application of the equity method would have no material effect on the consolidated financial statements.

(5) Companies not accounted for as an affiliated company even though Aozora Bank, Ltd. ('the Bank') and consolidated subsidiaries (together, 'the Group') owns over 20% to 50% of its voting rights:

CRE HOLDINGS SUB 1 LLC

City Center Hotel JV LLC

The objective for the Group to own the voting rights is primarily to benefit from the appreciation of the investment resulting from growth or restructuring the investee's businesses and the investment meets the conditions of the Paragraph 24 of 'Implementation Guidance on Determining a Subsidiary and an Affiliate for Consolidated Financial Statements.'

## 3. Fiscal years of consolidated subsidiaries

Fiscal year ending dates of all consolidated subsidiaries are the same as closing date of the consolidated financial statements.

## 4. Amortization of goodwill

Goodwill is amortized over an appropriate period not to exceed 20 years under the straight-line method. Immaterial goodwill is accounted as expenses when incurred.

Amounts of less than one million yen are rounded down.

The definition of subsidiaries and affiliated companies is based on Article 2-8 of the Banking Act and Article 4-2 of the Order for Enforcement of the Banking Act.

## Accounting policies

### 1. Trading account assets and liabilities; gain and loss on trading account transactions

Transactions involving short-term fluctuations and arbitrage opportunities in interest rates, currency exchange rates, market prices of financial instruments or other market indices ('Trading transactions') are recognized on a trade date basis and recorded in 'Trading account assets' or 'Trading account liabilities' on the consolidated balance sheet. Gains or losses (interest received/paid, dividend, gains/losses on sales, and valuation gains/losses) on trading transactions are recorded in 'Gain on trading account transactions' or 'Loss on trading account transactions' on the transaction date basis in the consolidated statement of income.

'Trading account assets' and 'Trading account liabilities' are stated at their fair values.

### 2. Valuation of securities

(1) 'Held-for-trading securities' (except the positions booked in the 'Trading account assets' and 'Trading account liabilities' ) are stated at fair value. The cost of these securities is determined by the moving-average method. 'Held-to-maturity securities' are stated at amortized cost (using the straight-line method) computed under the moving average method. 'Stocks in unconsolidated subsidiaries and affiliated companies' which are not accounted for by the equity method are stated at acquisition costs (using the moving average method). 'Available-for-sale securities ('AFS securities')' (with the costs basically calculated based on the moving average method) are stated at fair value in principle, or non-marketable equity securities are stated at acquisition costs calculated based on the moving average method.

As for interests in investment business limited partnerships, associations under the Civil Code and silent partnerships, the Group, in principle, record net assets and net income of those partnerships as assets and profits or losses in proportion to our shares of interests based on their latest financial statements or interim financial statements.

The net unrealized gains or losses on AFS securities are included directly in net assets.

(2) Securities that are held as trust assets recorded in 'Money held in trust' are valued in the same manner as given in (1) above.

### 3. Accounting for derivatives

Derivative transactions, except for trading transactions, are stated at fair value.

### 4. Depreciation of fixed assets

(1) Tangible fixed assets (except for leased assets)

Depreciation of buildings of the Bank, including structures and equipment attached to buildings, is computed by the straight-line method, and that of others is computed by the declining-balance method.

The useful lives are primarily estimated as follows:

Buildings: 15~50 years

Other : 5~15 years

Depreciation of tangible fixed assets of consolidated subsidiaries is computed primarily under the declining-balance method based on their estimated useful lives.

(2) Intangible fixed assets (except for leased assets)

Amortization of intangible fixed assets is computed under the straight-line method. Development costs for internally used software are capitalized and amortized under the straight-line method over the useful lives (mainly 5~13 years) as determined by the Bank and its consolidated subsidiaries.

(3) Leased assets

Depreciation of 'Leased assets' in 'Tangible fixed assets' of the finance leases other than those that are deemed to transfer the ownership of leased property to the lessees is computed under the straight-line method over the lease term with zero residual value unless residual value is guaranteed by the corresponding lease contracts.

## 5. Deferred assets

Bond issuance costs in 'Other assets' is amortized using the straight-line method over the terms of corporate bonds. Share issuance costs in 'Other assets' is amortized using the straight-line method over three years.

## 6. Allowance for loan losses

The Bank's write-offs of loans and allowance for loan losses are provided as follows in accordance with the internal standards for write-offs and provisions.

Loans to borrowers who are assessed as 'Bankrupt' (in the process of legal proceedings for bankruptcy, special liquidation, etc.) or 'De facto bankrupt' (in serious financial difficulties and are not deemed to be capable of restructuring) under the Bank's self-assessment guidelines are written off to the amounts expected to be collected through the disposal of collateral or execution of guarantees, etc. The amounts deemed to be uncollectible and written off were 36,571 million yen at March 31, 2026.

For loans to borrowers who are assessed as 'In danger of bankruptcy' (not yet bankrupt but are in financial difficulty and are highly likely to go bankrupt in the foreseeable future), a specific allowance is provided for the loan losses at an amount considered to be necessary based on an overall solvency assessment of the borrowers and expected collectible amounts through the disposal of collateral or execution of guarantees, etc. For loans whose future cash flows of principal and interest are reasonably estimated, the difference between the discounted cash flows and the carrying amount is accounted for as an allowance for loan losses (the 'DCF method').

For other loans, the Bank provides the expected loan loss for the average remaining period of loans (almost three to four years respectively), after classifying the loans into four groups of corporate loans in North America/Europe, Asia, overseas real estate non-recourse loans and other loans, based on the characteristics of risk. The expected loan loss is determined based on the average rates of loan loss experience or bankruptcy over a certain period of time in the past, responding to the average remaining period with certain adjustments such as future prospects by considering the latest trend of loan loss experience. However, for borrowers with a large credit exposure that are categorized as 'Need attention,' under the internal credit rating system, the loan loss amount estimated by the DCF method is reflected as an addition to the allowance for loan losses determined based on the estimated loan loss ratio, if necessary. For certain borrowers other than those mentioned above that have a large credit exposure over a certain amount, an allowance is provided in addition to an amount determined based on an expected loan loss rate, according to the above method.

An allowance for loans to restructuring countries is provided for the amount of expected losses based on an assessment of political and economic conditions in their respective countries.

All loans are monitored in line with an internal self-assessment standard and other guidance on an ongoing basis. Operating divisions or branches review internal credit ratings of borrowers ('Borrower Ratings') which are defined in line with 'borrower categories' and those ratings are then approved by the divisions in charge of credit. The division in charge of asset assessment, which is independent of operating divisions or branches and the divisions in charge of credit, reviews the appropriateness of internal credit ratings on a sample basis.

Based upon the borrower categories determined by the aforementioned process as of the consolidated balance sheet date, operating divisions and branches initially compute the amounts of write-offs and allowance, and the division in charge of asset assessment verifies the amounts and determines the final amounts.

With regard to the allowance for loan losses of consolidated subsidiaries, a general allowance is calculated for the amount of estimated loan losses using historical loan loss data over a defined period in the past. For loans to 'In danger of bankruptcy' borrowers and 'De facto bankrupt' and 'Bankrupt' borrowers, a specific allowance is provided or the uncollectible amount is written off based on an assessment of collectability of individual loans.

The independent internal audit divisions audit the appropriateness of the write-offs and allowances based on the self-assessment on a regular basis.

#### 7. Allowance for investment loss

Allowance for investment loss is provided for estimated losses on certain investments based on an assessment of the issuers' financial condition and uncertainty about future recoverability of the decline in realizable values of the investments.

#### 8. Provision for bonuses

Provision for bonuses that is provided for future bonus payments to employees, is maintained at the amount accrued at the consolidated balance sheet date, based on the estimated future payments.

#### 9. Provision for bonuses for directors (and other officers)

Provision for bonuses for directors (and other officers) that is provided for future bonus payments to directors, is maintained at the amount accrued at the consolidated balance sheet date, based on the estimated future payments.

#### 10. Provision for credit losses on off-balance-sheet instruments

Provision for credit losses on off-balance-sheet instruments is provided for credit losses on commitments to extend loans and other off-balance-sheet financial instruments based on an estimated loss ratio or individually estimated loss amount determined by the same methodology used in determining the allowance for loan losses.

#### 11. Reserves under special laws

Reserves under special laws are reserves for financial products transaction liabilities and provided for compensation for losses from securities brokering in consolidated domestic subsidiaries in accordance with the Financial Instruments and Exchange Act, Article 46-5 and the Cabinet Office Ordinance on Financial Instruments Business, Article 175.

#### 12. Accounting method of retirement benefits

Retirement benefit liability is recorded based on the benefit formula attribution of the projected benefit obligations over the service period of employees, deemed accrued at the consolidated balance sheet date.

Unrecognized prior service cost is amortized using the straight-line method over a certain period of time within the average remaining service period of employees.

Unrecognized actuarial gain and loss are amortized using the straight-line method over a certain period of time (5 years) within the average remaining service period of employees commencing from the next fiscal year after incurrence.

Some consolidated subsidiaries adopt a simplified method based on the projected benefit obligations for each retirement plan that would be required if all employees retired voluntarily at the consolidated balance sheet date.

### 13. Assets and liabilities denominated in foreign currencies

Assets and liabilities denominated in foreign currencies held by the Bank are translated into Japanese yen at the exchange rates prevailing at the consolidated balance sheet date, except for stocks in affiliated companies which are translated at historical rates.

Assets and liabilities denominated in foreign currencies held by consolidated subsidiaries are translated into Japanese yen at the exchange rates as of their respective balance sheets dates.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate. Differences arising from such translation are included in 'Non-controlling interests' or 'Foreign currency translation adjustment' as a separate component of equity in the consolidated balance sheet.

### 14. Hedge accounting

#### (1) Hedge accounting for interest rate risk

The Bank applies deferral hedge accounting to hedges of interest rate risk associated with financial assets and liabilities, principally by portfolio hedging, in accordance with 'Accounting and Auditing Treatments on the Application of Accounting Standards for Financial Instruments in the Banking Industry' (the Japanese Institute of Certified Public Accountants ('JICPA') Industry Committee Practical Guideline No.24, March 17, 2022), or by individual hedging.

Under the JICPA Industry Committee Practical Guideline No.24, portfolio hedges to offset changes in fair value ('fair value hedges') are applied by grouping hedged items (such as loans or deposits) and hedging instruments (such as interest rate swaps) by their maturities. The assessment of hedge effectiveness is generally based on the consideration of interest rate indices affecting the respective fair values of the group of hedged items and hedging instruments.

With regard to portfolio hedges to fix cash flows ('cash flows hedges'), the assessment of hedge effectiveness is generally based on the correlation between a base interest rate index of hedged items and that of hedging instruments in accordance with the JICPA Industry Committee Practical Guideline No.24.

With regard to an individual hedge to offset changes in fair value of fixed-rate instruments, since principal conditions underlying in loans, available-for-sale securities (debt securities, etc.) and bonds payable as hedged items and interest rate swaps as hedging instruments are substantially on the same terms, the hedge is deemed highly effective.

#### (2) Hedge accounting for foreign currency risk

The Bank applies deferral hedge accounting to hedges of foreign currency risk associated with foreign currency-denominated financial assets and liabilities in accordance with 'Accounting and Auditing Treatments for Foreign Currency Transactions in the Banking Industry' (the JICPA Industry Committee Practical Guideline No.25, October 8, 2020). In accordance with the JICPA Industry Committee Practical Guideline No. 25, the Bank designates certain currency swaps and foreign exchange swaps for the purpose of funding foreign currencies as hedges for the exposure to changes in foreign exchange rates associated with foreign currency-denominated assets or liabilities when the foreign currency positions on the hedged assets or liabilities are expected to exceed the corresponding foreign currency positions on the hedging instruments. Hedge effectiveness is reviewed by comparing the total currency position of the hedged items with that of the hedging instruments by currency.

For hedging the foreign currency exposure of foreign currency-denominated available-for-sale securities (other than debt securities), which were designated in advance, fair value hedge accounting is adopted on a portfolio basis when the cost of the hedged securities is covered with offsetting liabilities denominated in the same foreign currency as the hedged securities.

#### (3) Hedges of securities price fluctuation risk

The Bank designates available-for-sale securities (stock, etc.) for price fluctuation risk of stocks and available-for-sale securities (debt securities, etc.) for price fluctuation risk of listed investment trusts as hedged items and total return swaps as hedging instruments, and applies individual deferral hedge accounting.

The assessment of hedge effectiveness is generally based on the comparison of changes in value of the hedged item and hedging instruments.

#### (4) Intercompany and Intracompany Derivative Transactions

For intercompany and intracompany derivative transactions for hedging purposes ('internal derivatives'), including currency and interest rate swaps, the Bank currently charges gains and losses on internal derivatives to operations or defers them within accumulated other comprehensive income as a component of equity without elimination in accordance with the JICPA Industry Committee Practical Guidelines No. 24 and No. 25. These reports permit a bank to retain the gains and losses on internal derivatives in its consolidated financial statements without elimination if the bank establishes and follows strict hedging criteria by entering into mirror-image offsetting transactions with external third parties after the designation of internal derivatives as hedging instruments.

#### 15. Application of the Group Relief System

The Bank and some of its domestic consolidated subsidiaries have applied the group relief system.

#### Accounting Pronouncements not yet implemented

'Accounting Standard for Leases' (ASBJ Statement No.34, issued on September 13, 2024), 'Implementation Guidance on Accounting Standard for Leases' (ASBJ Guidance No.33, issued on September 13, 2024), etc.

##### 1. Summaries

Accounting standards that provide for the recognition of assets and liabilities for all leases held by lessees, taking into account international accounting standards.

##### 2. Effective date

The Group plans to apply this standard and Implementation Guidance from the beginning of the fiscal year starting on April 1, 2027.

##### 3. Impact when applied

Its impact is being assessed.

### Significant accounting estimates

Among items recorded in the consolidated financial statements for the year ended March 31, 2026 with accounting estimates, item significantly affect the consolidated financial statements for the year ending March 31, 2027 are described below:

#### 1. Allowance for loan losses

(1) Amounts recorded in the consolidated financial statements for the year ended March 31, 2026

Allowance for loan losses: 52,974 million yen

(2) Information contributing to understanding of the detail of the significant accounting estimates related to recognized item

##### 1) Determination method

The determination method of the allowance for loan losses is described in '6. Allowance for loan losses' of 'Accounting policies.'

##### 2) Major assumptions

(a) Outlook of future business performance of borrowers in determination of borrower category

For determining borrower categories, characteristics such as profit earning capability and cash flow generating capability are individually examined and evaluated with consideration of external environment. Specifically, for borrowers who have recorded goodwill derived from M&A transactions, the feasibility of the estimated cash flows generated from the acquired business is individually examined and evaluated.

(b) Estimation of future cash flows of underlying real estate properties in real estate non-recourse loans (i.e., loans for which the repayment source is provided only by cash flows generated from underlying real estate properties)

Since estimation of future cash flows of underlying real estate properties is a significant element in determining the borrower categories for real estate non-recourse loans, rents, vacancy rates, discount rates or other factors are individually examined and evaluated.

3) Effect over the consolidated financial statements for the year ending March 31, 2027

In case the assumptions used for the original estimation change due to fluctuations in business performance of individual borrower or in figures used to estimate future cash flows generated from underlying real estate properties of real estate non-recourse loans, the allowance for loan losses can be significantly affected in the consolidated financial statements for the year ending March 31, 2027.

#### 2. Recoverability of deferred tax assets

(1) Amounts recorded in the consolidated financial statements for the year ended March 31, 2026

Deferred tax assets: 49,790 million yen

(2) Information contributing to understanding of the detail of the significant accounting estimates related to recognized item

##### 1) Determination method

Deferred tax assets are recorded by estimating future taxable income in accordance with the corporate category based on the "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No.26), and determining the recoverability of deferred tax assets as a result of scheduling of deductible temporary differences and tax loss carryforwards.

##### 2) Major assumptions

Estimates of future taxable income are based on the Group's business plan, which takes into account the past performance of each business, the current business environment and business policies. Major assumptions are the outlook for profitability and credit-related expenses of each unit under the business plan and the outlook for the interest rate policy by the Bank of Japan.

3) Effect over the consolidated financial statements for the year ending March 31, 2027

In case the assumptions used for the original estimates change, due to future changes in the financial and economic environment, the deferred tax assets can be significantly affected in the consolidated financial statements for the year ending March 31, 2027.

## Notes

(Consolidated balance sheet)

1. Securities include stocks in unconsolidated subsidiaries and affiliated companies, which amount to 79,162 million yen.
2. No securities were loaned under unsecured loan contracts for consumption, for use or for lease contracts.  
Of unsecured securities borrowed, securities purchased under resale agreements, securities borrowed under lending agreements with cash collateral and securities received as collateral on derivative transactions which can be sold or re-pledged, none of the securities were re-pledged, re-loaned and held in hand as of the consolidated balance sheet date.
3. Non-performing loans ('NPLs') based on the Banking Act and the Financial Reconstruction Act are as follows. NPLs include corporate bonds in securities (limited to those for which payment of principal and interest is guaranteed in whole or in part, and the issuance of such bonds is through private placement of securities (Article 2, Paragraph 3 of the Financial Instruments and Exchange Act)), loans and bills discounted, foreign exchanges, accrued interest and suspense payables in other assets, customers' liabilities for acceptances and guarantees and securities in the case of loaned securities in the notes to the consolidated balance sheet (limited to only those subject to a usage and lending or lending agreement).

Bankrupt and similar credit	437	million yen
Doubtful credit	45,702	
Special attention credit	9,058	
Loans overdue for three months or more	-	
Restructured loans	9,058	
Subtotal	55,197	
Normal credit	4,495,823	
Total credit	4,551,021	

'Bankrupt and similar credit' refers to the credit of borrowers who have filed for bankruptcy, corporate reorganization, composition, etc., as well as those borrowers who are in an equivalent situation.

'Doubtful credit' refers to the credit with serious doubt concerning the recovery of principal and receiving of interest as contract provisions because the borrower's financial condition and business results have worsened although they have not reached the point of management collapse, excluding loans to 'Bankrupt and similar credit.'

'Loans overdue for three months or more' refers to those loans excluding loans to 'Bankrupt and similar credit' and 'Doubtful credit' for which principal or interest remains unpaid for at least three months.

'Restructured loans' refers to those loans excluding loans to 'Bankrupt and similar credit', 'Doubtful credit' and 'Loans overdue for three months or more' for which agreement was made to provide reduction or a moratorium on interest payments, or concessions in the borrower's favor on interest or principal payments or to waive claims in order to support the borrowers' recovery from financial difficulties.

'Normal credit' refers to credit to borrowers whose financial condition and business results have no particular problem and which are not categorized in any of the above categories.

Allowance for loan losses is not deducted from the amounts of loans stated above.

4. In accordance with the JICPA Industry Committee Practical Guideline No.24, bills discounted are accounted for as financial transactions. The Bank has the right to sell or re-pledge bank acceptance bought, commercial bills discounted, documentary bills and foreign exchanges bought without restrictions, etc. Face value of these bills amounted to 96 million yen.

5. The following assets were pledged as collateral:

Assets pledged as collateral		
Securities	489,840	million yen
Loans and bills discounted	725,218	
Collateralized debts		
Securities sold under repurchase agreements	38,123	million yen
Cash collateral received for securities lent	375,943	
Borrowed money	291,100	

In addition, securities of 132,561 million yen, loans and bills discounted of 967 million yen and foreign exchanges of 15,989 million yen are pledged as collateral for foreign and domestic exchange transactions, derivative transactions, etc. or as substitute for margin money for futures transactions.

'Other assets' include margin deposits for futures transactions of 962 million yen, cash collateral paid for financial instruments of 189,109 million yen and guarantee deposits, etc. of 23,742 million yen.

6. Overdraft contracts and contracts for loan commitments are those by which the Group is bound to extend loans up to a prearranged amount, upon the request of customers, unless the customer is in breach of contract conditions. The unutilized balances of these contracts amounted to 606,382 million yen, including 441,088 million yen of one year or less.

Since these commitments are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily represent actual future cash flow requirements. These commitments include clauses under which the Group can reject an application from customers or reduce the contract amounts in the event that economic conditions change, the Group need to secure claims, or other events occur. In addition, the Group may request the customers to pledge collateral such as premises and securities at the time of the contracts, and take necessary measures such as monitoring customers' financial positions, revising contracts when such need arises and securing claims after the contracts are made.

7. Accumulated depreciation of tangible fixed assets totals 28,858 million yen.

(Consolidated statement of income)

'Other' in 'Other income' includes gain on sale of stocks and other securities of 1,238 million yen and equity in earnings of associates of 2,926 million yen. 'Other' in 'Other expenses' includes write-off of loans of 8,198 million yen, loss on sale of stocks and other securities of 34 million yen, loss on devaluation of stocks and other securities of 64 million yen and loss on disposition of loans of 2,270 million yen.

(Consolidated statement of changes in equity)

1. Types and number of outstanding stock and treasury shares

(Unit: Thousands of shares)

	Number of shares at the beginning of the period	Number of shares increased during the period	Number of shares decreased during the period	Number of shares at the end of the period	Note
Outstanding stock					
Common stock	139,789	—	—	139,789	
Total	139,789	—	—	139,789	
Treasury shares					
Common stock	1,408	0	0	1,408	(Note)
Total	1,408	0	0	1,408	

(Note) The increase is due to buybacks of shares constituting less than one trade unit, and the decrease is due to disposal of shares constituting less than one trade unit.

2. Share acquisition rights

All share acquisition rights are stock options and the amount as of March 31, 2026 is 626 million yen.

3. Information on dividends

(1) Cash dividends paid during the fiscal year ended March 31, 2026

Resolution	Type of shares	Dividend (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting on 2025/5/14	Common stock	3,044	Retained earnings	22	2025/3/31	2025/6/25
Board of Directors' meeting on 2025/8/1	Common stock	3,044	Retained earnings	22	2025/6/30	2025/9/2
Board of Directors' meeting on 2025/11/13	Common stock	3,044	Retained earnings	22	2025/9/30	2025/12/15
Board of Directors' meeting on 2026/2/4	Common stock	3,044	Retained earnings	22	2025/12/31	2026/3/9

(2) Cash dividends with record dates that belong to the fiscal year ended March 31, 2026 and effective dates that come after the end of the fiscal year

Resolution	Type of shares	Dividend (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting on 2026/5/14	Common stock	3,459	Retained earnings	25	2026/3/31	2026/6/12

(Financial instruments)

## 1. Overview of financial instruments

### (1) Basic policy for financial instruments

The main business of the Group is banking operations, which consist of deposit taking, lending, domestic exchange services, foreign exchange services, etc. Additionally, the Group pursues securities operations (trading of marketable securities, securities investments, etc.), and other financial services, such as trust banking operations and loan-servicing operations.

The Group holds financial assets, such as loans and securities, and raises funds from sources such as deposits and bonds payable. Since the major operation of the Group is the handling of financial instruments involving credit risk and/or market risk, it seeks to avoid the occurrence of unexpected losses by properly managing various risks relating to financial instruments.

Also, the Group intends to stabilize and optimize profitability by maintaining an appropriate level of interest rate risk associated with assets and liabilities of the Group, liquidity risk, and price fluctuation risk of securities, etc., based on the policy of asset liability management (ALM, comprehensive management of assets and liabilities). Derivative transactions are also used to maintain interest rate risk derived from on-balance-sheet assets and liabilities at an adequate level, and are intended to achieve stable profitability and efficient operations.

### (2) Main items of financial instruments and related risks

Financial assets held by the Group mainly comprise loans to both domestic and foreign corporate entities and securities, etc.

Loans are subject to credit risk which includes the risk of default caused by deteriorated credit of the borrowers. Loans to the 10 largest borrowers of the Group accounted for about 19% of the total outstanding balance of loans as of March 31, 2026. A default by any of the borrowers with large credit exposures or a material change in our relationship with any of them could negatively affect the business results and financial condition of the Group. Also, the proportion of loans to real estate businesses and the coverage ratio of loans collateralized by real estate properties are material in the loan portfolio of the Group. Therefore, in the event that the real estate market or the real estate industry were to become stagnant, the quality of the loans protected by real estate collateral would deteriorate; the creditworthiness of the borrowers in the industry would be undermined; or the cash flows from the underlying properties of real estate nonrecourse loans would be negatively affected. In such cases, there is a possibility that an additional allowance for loan losses or credit costs may arise. Also, in addition to credit risk and interest rate risk, overseas loan exposures are subject to various risks, including foreign exchange fluctuation risk, and risks relating to the changes in the market and/or the economic environment.

Securities held by the Group primarily consist of debt securities, stocks and fund investments, which are subject to various risks, such as the credit risk of the issuer, interest rate fluctuation risk, and market price fluctuation risk. Securities held by the Group include those backed by assets such as real estate properties, housing loans, etc. These securities are exposed to the risks dependent on the economic environment or transaction trends in relation to the underlying assets, in addition to other general risks related to interest rate fluctuations in the market, foreign exchange fluctuations, bond price movements, movements of the stock market, etc. Also, securities face market liquidity risk. This risk materializes when market liquidity of financial assets becomes almost nonexistent because of an abrupt deterioration in the financial environment, tumultuous movements in the financial markets, etc., resulting in the drastic decline in price at the time of disposition beyond expectations.

Financial liabilities of the Group are mainly deposits, negotiable certificates of deposit and bonds payable. Since funds procured by the Group through deposit taking, etc., will be due one after another, refinancing of the existing liabilities is always necessary through continued deposit taking, or bond issuance, etc. However, in the event the market environment becomes unstable, sufficient funding would become difficult or more expensive. The Group is exposed to such risk and the funding liquidity risk as well.

These financial assets and financial liabilities are also subject to interest rate fluctuation risk involved in the mismatch of intervals to repricing interest rates. From the viewpoint of ALM, the interest rate risk amount for the entire balance sheet is managed at an appropriate level, partly using derivative transactions (interest rate swaps, etc.).

Regarding assets denominated in foreign currencies, since funding of the Group is primarily conducted by taking deposits and issuing bonds payable in Japanese yen, the Group seeks to avoid foreign exchange

fluctuation risk through currency matching between the funding side and the asset side, using currency swaps, etc.

Derivative transactions are one of the primary operations of the Group. The derivative instruments are provided to fulfill our customers' hedge requirements for market risk (interest rate, foreign exchange, etc.). Trading derivative instruments are booked in the trading accounts, which seek gains on short-term fluctuations and arbitrage opportunities in interest rates, currency prices, market prices of securities and related indices. Moreover, the Group implements derivative transactions for the purpose of optimizing ALM, in order to maintain the interest rate risk derived from on-balance-sheet assets and liabilities at an adequate level.

The Group uses interest rate futures, interest rate options, and interest rate swaps as interest rate derivatives, currency swaps, foreign exchange forwards and currency options as currency derivatives, and also futures and options related to equities and bonds, commodity-related transactions and credit derivative transactions. These derivative transactions are exposed to market risk, which implies potential loss from market fluctuations in market prices, volatility of underlying interest rates, foreign exchange and so forth, and to credit risk, which implies potential loss from contractual default by counterparties.

Concerning derivative transactions for the purpose of optimizing ALM, the Group uses the deferral method of hedge accounting. The hedging instruments, hedged items, hedged policy and the effectiveness of hedging are described in '14. Hedge accounting' of 'Accounting policies.'

The Group applies deferral hedge accounting and fair value hedge accounting to hedges of foreign currency risk associated with foreign currency-denominated financial assets and liabilities. The hedging instruments, hedged items, hedged policy and the effectiveness of hedging are described in '14. Hedge accounting' of 'Accounting policies.'

### (3) Risk management system concerning financial instruments

The Group, while pursuing various operations, is endeavoring to develop and maintain an adequate risk management system, to avoid the occurrence of unexpected losses and to realize highly reliable and sound management of the Group by adequately undertaking certain risks within the capacity of the Group and securing reasonable profit well-balanced with the undertaken risks.

The basic points of risk management are documented as internal Master Policies and Procedures in the risk management category. The basic framework of risk management, including capital allocation and risk limits, is determined by the Board of Directors. Within this framework, the Risk Management Division is in charge of credit risk, market risk, comprehensive risk and operational risk. Also, the Internal Audit Division is responsible for verifying the appropriateness and effectiveness of the risk management system. The Board of Directors, the Risk Governance Committee, the Management Committee ('MC'), and other concerned committees receive risk situation reports from each risk management function as well as audit reports from the Internal Audit Division, supervising the risk situation based on these reports or employing the information thereof for managerial decisions, and maintaining/improving the overall risk management system.

#### 1) Credit risk management

In order to maintain a sound asset portfolio of the entire Group including consolidated subsidiaries, the Group has implemented credit risk management, with the approach both at the transaction level, which entails strict credit screening and ex post facto management of individual transactions including predictive control of our clients, and at the portfolio level focusing on eliminating credit risk concentration. The Group has established a management system, including a credit rating system, quantification of credit risk, management of risk capital, management of concentration risk (large credit exposure, real estate risk, country risk, etc.), asset securitization transaction, management of problem loans, and so forth. Also, concerning verification of credit ratings, self-assessments, and write-offs and reserves, the Asset Assessment Division is in charge of overall control and is responsible for adequately grasping the reality of the asset portfolio and properly implementing write-off/reserve appropriations, in cooperation with other concerned functions.

(a) Approval authority for individual credit undertaking

Credit and investment transactions are approved under the authority of the Credit Committee or the Investment Committee consisting of Representative Directors, the Chief Risk Officer ('CRO'), the Chief Credit Risk Officer ('CCRO'), etc., and proposals are discussed at and reported to each Committee. The approval authorities of the Credit Committee and the Investment Committee are partly delegated to the CCRO, furthermore the approval authority delegated to the CCRO from each Committee is redelegated to the credit functions or to business front office functions to a certain extent.

(b) Credit rating system

Credit ratings are an integral component of the approval system for credit assessment and the decision for interest rate spread, etc. They are also used to conduct self-assessments and are employed as benchmarks for quantifying credit risks. The credit rating system of the Group is composed of 'Obligor Rating', 'Facility Rating' and 'Expected Loss Grade'. 'Obligor Rating' is given, in principle, to all customers for whom the Group is undertaking credit risk, and this rating represents the degree of creditworthiness of the borrower. 'Facility Rating' represents the degree of credit cost of a credit transaction in consideration of Obligor Rating and transaction conditions such as a tenor of credit facility, guarantee and collateral. Also, 'Expected Loss Grade' represents the degree of credit cost of a credit transaction which relies on cash flow arising from specified underlying assets such as real estate nonrecourse loans, securitization of monetary claims and structured bonds in senior/junior tranches. As for the credit rating processes, rating recommendations are given by the respective business divisions/branches at inception, and the recommendation is then approved by the Credit Divisions. Credit ratings are subject to review on a regular basis based on the updated financial results of each respective borrower, and on an as-needed basis whenever there is a symptom of a material change in the creditworthiness of any borrower. As for the credit rating given by business divisions/branches and the Credit Divisions, the Asset Assessment Division, which is an independent division for verification of ratings, reviews the appropriateness of credit ratings on a sample basis. Also, the Group examines its credit rating system itself through benchmarking (comparative verification of our ratings with those assigned by external agencies) and back-testing (assessment of the significance of credit rating based on past default).

(c) Quantification of credit risk

The Group centrally manages all assets with credit risks, irrespective of the type of transaction, including not only loans, securities, equities and fund investments, and securitized transaction facilities, but also off-balance-sheet transactions such as commitment lines, derivative transactions, and the like. The credit risk amount of our portfolio is quantified by Value at Risk (VaR) according to our internal model, etc., and the quantified result is regularly reported to the Board of Directors, etc., together with the credit portfolio situation of the entire Group. The internal model of the Bank employs a holding period of 1 year and a confidence interval of 99.9%. Unexpected Loss (UL) is quantified using parameters, such as Probability of Default (PD), Loss Given Default (LGD), intra-sector correlation, inter-sector correlation, and parent-subsidiary correlation of the borrower group.

(d) Credit portfolio management

Concerning credit portfolio management, the Group examines the credit portfolio through the calculation and analysis of Expected Loss (EL) and UL assuming the occurrence of stress scenarios, such as the downgrading of credit ratings and declining real estate prices.

The Group also controls credit concentration risk by setting a guideline value for credit exposure for each country, region, industry or rating assigned to a customer.

2) Market risk management

The Group performs, from various viewpoints, comprehensive analysis and understanding of the market risk affecting all assets and liabilities and off-balance-sheet transactions for its trading and banking businesses, in order to manage market risk properly.

(a) Quantification of market risk

The Group uses VaR to quantify the market risk for the trading and banking businesses and as a basis for setting market risk limits and for monitoring risk. The Bank has computed VaR with an internal model utilizing historical simulation.

The assumptions for computing VaR include a holding period in accordance with each business and product (a period of 10, 20, 60 and 250 days respectively), a 99% confidence interval, an observation period of 2 years for the trading account, and 5 years for the banking account in principle. The Group conducts back testing to verify the reliability of VaR by comparing daily computed VaR with daily gains or losses. To complement VaR, the Group regularly conducts stress testing to assess the potential impact of volatile market movements that could exceed statistical estimates. The results of the stress testing are reported to the ALM Committee, etc.

(b) Quantitative information of market risk

(i) Financial instruments held for trading purposes

The VaR of financial instruments (trading account securities, derivatives, etc.) held for trading purposes by the Bank is 785 million yen as of March 31, 2026. Market risk in the financial instruments held for trading purposes by certain consolidated subsidiaries is immaterial.

The back testing of the VaR calculated with internal models over the 244 business days from April 1, 2025 to March 31, 2026, resulted in one business day with actual daily losses beyond VaR. This result supports the reliability of the Bank's internal models which have captured market risks with sufficient accuracy. However, the VaR represents the market risks arising with a certain probability using a statistical methodology based on historical market movements. It may not be able to capture the risks arising under drastic market movements beyond normal estimates.

(ii) Financial instruments held for other than trading purposes

The main financial instruments in the Bank which are affected by interest rate risk, the typical risk parameter in the Bank, are 'Loans and bills discounted,' bonds/notes of 'Securities,' 'Deposits,' 'Bonds payable,' interest rate swaps and currency swaps of 'Derivatives', etc.

The VaR of financial instruments held for other than trading purposes by the Bank is 10,945 million yen as of March 31, 2026. Market risks in the financial instruments held for other than trading purposes by certain consolidated subsidiaries are immaterial. However, as with financial instruments held for trading purposes, the VaR represents the market risks arising with a certain probability using a statistical methodology based on historical market movements. It may not be able to capture the risks arising under drastic market movements beyond normal estimates.

(c) Procedures for market risk management

The Group documents its handling of products, risk management methods and market price valuation methods under market risk management. The compliance with limits of risks and losses, etc., allocated to the front office, business units and divisions, is monitored by the Risk Management Division, which is independent from the front offices in terms of organization and human resources. The Risk Management Division monitors the market risk and profit/loss on a daily basis for trading operations, and on a daily or monthly basis for banking operations, and reports on them directly to the CRO and Executive Officer(s) in charge of the front offices. The Risk Management Division also makes periodic reports to the Board of Directors, the MC and the ALM Committee. In the event a large loss is reported in excess of the maximum expected loss amount computed in advance, a cause analysis is conducted. Also, a discussion point, which is positioned as cross-section risk management between market risk and credit risk, is set up by asset class in order to strengthen the monitoring function for price fluctuation risks.

Market liquidity risk is the potential for losses caused by the inability to execute market transactions as a result of market turbulence and thin trading or by the necessity to execute transactions at extremely unfavorable prices. Regarding management of market liquidity risk, the Risk Management Division monitors the position relative to market size in order to ensure that the position does not become excessive.

### 3) Funding liquidity risk management

The Financial Management Division centrally monitors the funding liquidity risk of yen and foreign currency-denominated funds and takes all possible measures to ensure that the Bank holds a sufficient level of assets such as cash on hand and securities with high liquidity to properly meet its contractual obligations. The Financial Management Division also plans for the sources and uses of funds both annually and monthly, and reports the cash flow status directly to the Chief Financial Officer ('CFO'), the CRO, and related Executive Officer(s) on a daily basis. In order to prepare for funding liquidity risk, the Financial Management Division conducts a funding simulation to confirm that the Bank has sufficient cash on hand to maintain its asset size and collateral for settlement as well as a drill to confirm response procedures.

### 4) Operational risk management

The Group recognizes operations risk, legal risk, compliance risk and system risk in handling financial instruments as operational risk, and manages them comprehensively. Actual loss events that have already occurred are gathered by the Risk Management Division. Potential risks that would lead to actual loss events are identified and assessed through risk control self-assessment, etc.

### 5) Comprehensive risk management

As part of comprehensive risk management, the group has established the scope and definitions of risks to be managed, including credit risk, market risk, and operational risk, and conducts assessments and management based on their characteristics. In the framework of comprehensive risk management, the Group specifies every risk in a comprehensive manner, ensures that these risks are controlled within allowable limits with reference to the Group's capital through implementation of integrated stress testing together with liquidity risk, etc., and aims at securing an adequate level of profit well balanced with the corresponding risks.

### (4) Supplemental explanation for fair value of financial instruments

Since the calculations for the fair value of financial instruments are based on certain conditions and assumptions, calculated prices would differ if different conditions and assumptions are adopted.

2. Matters concerning fair value of financial instruments and breakdown by level within fair value hierarchy

Consolidated balance sheet amounts, fair values of financial instruments, their difference and fair values by level within fair value hierarchy are as follows.

The amounts shown in the following tables do not include non-marketable equity securities and investments in partnerships (see Note 3).

The fair values of financial instruments are classified into the following three levels based on the observability and significance of the inputs used in the fair value measurement.

Level 1 : Fair value determined based on quoted prices for the asset or liability in an active market among the observable inputs to the fair value measurement

Level 2 : Fair value determined based on observable inputs to the fair value measurement other than Level 1 inputs

Level 3 : Fair value determined based on significant unobservable inputs to the fair value measurement

If multiple inputs with a significant impact on the fair value measurement are used, the financial instrument is classified into the lowest priority level of fair value measurement in which each input belongs.

(1) Assets and liabilities of financial instruments measured at fair value

(Millions of yen)

	Consolidated balance sheet amounts			
	Level 1	Level 2	Level 3	Total
Monetary claims bought	—	—	4,340	4,340
Securities				
Available-for-sale	561,005	580,851	6,189	1,148,046
Japanese stocks	34,201	1,277	—	35,478
Japanese national government bonds	146,587	—	—	146,587
Japanese local government bonds	—	91,465	—	91,465
Japanese corporate bonds	—	87,548	6,189	93,737
Foreign bonds	332,865	267,982	—	600,848
Other (*1)	47,351	132,577	0	179,928
Assets total	561,005	580,851	10,529	1,152,387
Derivatives (*2)(*3)				
Interest rate contracts	(0)	33,194	1	33,196
Foreign exchange contracts	—	(43,232)	—	(43,232)
Equity contracts	2,826	—	—	2,826
Bond contracts	52	831	—	883
Commodity derivatives	—	322	—	322
Credit derivatives	—	589	—	589
Derivatives total	2,879	(8,295)	1	(5,414)

\*1. In accordance with the Paragraph 24-3 and 24-9 of the 'Implementation Guidance on Accounting Standard for Fair Value Measurement' (ASBJ Guidance No. 31, issued on June 17, 2021), investment trusts where the net asset value is deemed to be the fair value are not included in the balance of the above table. The consolidated balance sheet amounts of investment trusts to which the treatment in Paragraph 24-3 and 24-9 are applied are 4,094 million yen and 41,945 million yen.

Reconciliation between the beginning and ending balance of investment trusts to which the treatment in Paragraph 24-9 is applied

(Millions of yen)

April 1, 2025	Included in earnings of the period (Note)	Included in other comprehensive income	Net amount of purchase, sale, redemption	The amount to which the net asset value of the investment trusts is deemed to be the fair value	The amount to which the net asset value of the investment trusts is not deemed to be the fair value	March 31, 2026	Net unrealized gains (losses) on investment trusts held at consolidated balance sheet date included in earnings of the period
39,537	1,253	246	907	—	—	41,945	1,039

(Note) Included in 'Other ordinary income' in the consolidated statement of income.

As for investment trusts to which the treatment in Paragraph 24-3 is applied, notes (3) and (4) in Paragraph 24-7 are omitted due to immaterial total amount recorded on the consolidated balance sheet amounts.

- \*2. Derivatives recorded in 'Trading account assets', 'Trading account liabilities', 'Other assets' and 'Other liabilities' are aggregated and shown herein in total. Assets and liabilities attributable to the derivative contracts are totally offset and the net liability position as a consequence of offsetting would be represented with brackets, if any.
- \*3. As for derivative transactions for which hedge accounting is applied, negative 34,085 million yen is recorded on the consolidated balance sheet.  
These are currency swaps, etc. designated as hedging instruments in order to offset market fluctuations of foreign currency-denominated loans, etc., which are hedged items, and deferral hedge accounting is mainly applied.

(2) Assets and liabilities of financial instruments not measured at fair value

'Cash and due from banks', 'Call loans and bills bought', 'Foreign exchange', 'Negotiable certificates of deposit', 'Call money and bills sold', 'Securities sold under repurchase agreements', and 'Cash collateral received for securities lent' are omitted from the following tables, since these instruments are mostly with short maturities (one year or less), and the fair value of these instruments is approximately equal to the book value.  
(Millions of yen)

	Fair value				Consolidated balance sheet amounts	Difference
	Level 1	Level 2	Level 3	Total		
Monetary claims bought (*1)	—	—	56,397	56,397	50,932	5,465
Money held in trust	—	2,146	9,867	12,014	11,053	960
Loans and bills discounted (*2)	—	698,796	3,764,990	4,463,787	4,434,004	29,783
Assets total	—	700,943	3,831,255	4,532,198	4,495,990	36,208
Deposits (excluding negotiable certificates of deposit)	—	3,235,835	2,782,305	6,018,140	6,030,775	(12,635)
Borrowed money	—	—	784,795	784,795	784,400	395
Bonds payable	—	58,182	—	58,182	57,962	220
Liabilities total	—	3,294,017	3,567,100	6,861,118	6,873,138	(12,019)

\*1. Allowance for loan losses provided to 'Monetary claims bought' is directly deducted from the consolidated balance sheet amounts due to immateriality.

\*2. General allowance for loan losses and specific allowance for loan losses provided to 'Loans and bills discounted' are deducted by 52,388 million yen.

(Notes)

1. Description of the valuation techniques and inputs used to measure fair value

(1) Monetary claims bought

Fair value of trust beneficiary rights, recorded as monetary claims bought which meet the criteria of securities for the purpose of accounting treatment, is measured using the same method as described in (3) Securities, below. The fair value is mainly determined as the present value of estimated future cash flows, discounted by the market interest rates, less accrued interest and is classified as Level 3. The estimated future cash flows are calculated by adjusting contractual payment of principal and interest and reflecting Probability of Default (PD) and Loss Given Default (LGD). PD is based on the internal credit ratings and LGD is based on the situations of underlying assets and collateral.

Fair value of monetary claims bought other than the above is measured using the same techniques as described in (4) Loans and bills discounted, below and is classified as Level 3.

(2) Money held in trust

Fair value of securities held as trust assets in individually operated money trusts whose main purpose is to manage securities is measured using the same techniques as described in (3) Securities, below and is classified as each level based on the type of the securities.

Fair value of monetary claims held as trust assets is measured using the same techniques as described in (4) Loans and bills discounted, below and is classified as either Level 2 or Level 3.

Notes on money held in trust by purpose of holding are described in '(Money Held in Trust).'

### (3) Securities

Fair value of stocks is valued at market prices quoted at exchanges and is mainly classified as Level 1 based on market activity.

Bonds that have a market price announced by certain industry associations or provided by information vendors are valued at those prices. Fair value of Japanese national government bonds etc. is classified as Level 1. Fair value of other bonds is classified as Level 2. Fair value of bonds that do not have a market price announced by certain industry associations or provided by information vendors is mainly determined as the present value of estimated future cash flows, discounted by the market interest rates, less accrued interest and is classified as Level 3. The estimated future cash flows are calculated by adjusting contractual payment of principal and interest and reflecting PD and LGD. PD is based on the internal credit ratings and LGD is based on the situations of underlying assets and collateral.

Fair value of investment trusts with market prices quoted at exchanges is valued at the price and is classified as Level 1 or Level 2 based on market activity. In addition, fair value of investment trusts with no market prices is valued at the net asset value and classified as Level 2 if there are no material restrictions on cancellation or repurchase requests that would require compensation for the risk from market participants.

Notes on securities by purpose of holding are described in '(Securities).'

### (4) Loans and bills discounted

Fair value of loans and bills discounted is mainly determined as the present value of estimated future cash flows, discounted by the market interest rates, less accrued interest and is classified as Level 3. The estimated future cash flows are calculated by adjusting contractual payment of principal and interest and reflecting PD and LGD. PD is based on the internal credit ratings and LGD is based on the situations of underlying assets and collateral. Concerning compound financial instruments to which bifurcation accounting is applied, the contractual payments of principal and interest for the calculations are those of the host contracts where embedded derivatives are separated under bifurcation accounting. As for loans that are quantitatively insignificant, the book value is deemed as fair value.

Fair value of loans and bills discounted that have a price provided by information vendors is classified as Level 2 or Level 3.

As for loans to 'Bankrupt' borrowers, 'De facto bankrupt' borrowers and 'In danger of bankruptcy' borrowers, the collectable amount through the disposal of collateral or the execution of guarantees, or the present value of estimated future cash flows, etc., is deemed as the fair value and is classified as Level 3.

### (5) Deposits

Fair value of deposits on demand is deemed as the payment amount if demanded on the consolidated balance sheet date (book value) and is classified as Level 2. Fair value of time deposits is principally determined as the present value of contractual payments of principal and interest less accrued interest and is classified as Level 3. The discount rate is the market interest rate, adjusted with average funding spreads of the Group observed within a specified period preceding the consolidated balance sheet date. Concerning compound financial instruments to which bifurcation accounting is applied, the contractual payments of principal and interest for the calculations are those of the host contracts where embedded derivatives are bifurcated under bifurcation accounting.

### (6) Borrowed money

Since the fair value of borrowed money with short maturities is approximately equal to the book value, the fair value is deemed as the book value and is classified as Level 3. Other than that, the fair value is measured using the same techniques as for time deposits described in (5) Deposits above and is classified as Level 3. Concerning compound financial instruments to which bifurcation accounting is applied, the contractual payments of principal and interest for the calculations are those of the host contracts where embedded derivatives are bifurcated under bifurcation accounting.

(7) Bonds payable

Fair value of bonds payable is mainly measured using a market price announced by certain industry associations or provided by information vendors and is classified as Level 2.

(8) Derivatives

Fair value of listed derivatives is based on their closing prices. Fair value of over-the-counter derivative transactions is based on the discounted cash flow method or option pricing models, etc., using inputs such as interest rate, foreign exchange rate, volatility, etc. Fair value of over-the-counter derivative transactions is measured with adjustment of the counterparties' credit risk or the Group's own credit risk (Credit Value Adjustment or Debit Value Adjustment). Fair value of listed derivative transactions is mainly classified as Level 1. Fair value of over-the-counter derivative transactions is classified as Level 2 if observable inputs are available or impact of unobservable inputs to the fair values is not significant. If impact of unobservable inputs to the fair values is significant, it is classified as Level 3.

2. Information about assets and liabilities measured at fair value and classified as Level 3

(1) Quantitative Information on significant unobservable inputs

	Valuation technique	Significant unobservable inputs	Range	Weighted average
Monetary claims bought	Discounted cash flow method	Probability of default	0.0%—0.0%	0.0%
		Recovery rate	55.0%	55.0%
Securities	Discounted cash flow method	Probability of default	0.0%—9.1%	1.3%
		Recovery rate	60.0%	60.0%
Derivatives				
Interest rate contracts	Option pricing model	Correlation between interest rates	1.3%	—
		Correlation between interest rate and foreign exchange rate	(10.0%)—9.0%	—

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

(Millions of yen)

	April 1, 2025	Included in earnings of the period (*1)	Included in other comprehens ive income		Net amount of purchase, sale, issuance and settlement	Transfers into Level 3	Transfers out of Level 3	March 31, 2026	Net unrealized gains (losses) on assets and liabilities held at consolidated balance sheet date included in earnings of the period (*1)
Monetary claims bought	11,383	—	30		(7,072)	—	—	4,340	—
Securities									
Available-for-sale									
Japanese corporate bonds	8,598	—	(96)		(2,313)	—	—	6,189	—
Foreign bonds	19,965	—	34		(20,000)	—	—	—	—
Other	0	—	(0)		0	—	—	0	—
Derivatives (*2)									
Interest rate contracts	1	0	—		—	—	—	1	0

\*1. Included in consolidated statement of income.

\*2. Derivatives recorded in 'Trading account assets', 'Trading account liabilities', 'Other assets' and 'Other liabilities' are aggregated and shown herein in total. Assets and liabilities attributable to the derivative contracts are totally offset and the net liability position as a consequence of offsetting would be represented with brackets, if any.

(3) Description of the fair value valuation process

The Financial Control Division of the Group establishes policies and procedures for the calculation of fair value and procedures for the use of valuation models, and the front division develops valuation models in accordance with such policies and procedures. The Risk Management Division verifies the reasonableness of the fair value valuation models, the inputs used, and the calculated fair values. In addition, the Financial Control Division classifies the fair value level based on the results of such verifications. If quoted prices obtained from third parties are used, those values are verified by using appropriate methods such as confirming the valuation techniques and inputs used, and comparing the fair value with that of similar financial instruments.

(4) Description of the sensitivity of the fair value to changes in significant unobservable inputs

Probability of default

Probability of default is an estimate of the likelihood that the default event will occur, and the Group will be unable to collect the contractual amounts. A significant increase (decrease) in the default rate would result in a significant decrease (increase) in a fair value.

Recovery rate

Recovery rate is an estimated proportion of the total outstanding balance of a bond or loan that is expected to be collected in a liquidation scenario. Recovery rate would affect estimation of future cash flows to a certain extent. A significant increase (decrease) in the recovery rate would result in a significant increase (decrease) in a fair value.

### Correlation

Correlation is an indicator of the relation of variables such as interest rate, foreign exchange rate, stock price and commodity price. Correlation is estimated based on actual results in the past and is mainly used in valuation technique of complex derivatives. A significant change in correlation would generally result in a significant increase or decrease in a fair value according to the contractual terms of the financial instrument.

3. Consolidated balance sheet amounts of non-marketable equity securities and Investments in partnerships are as follows and are not included in 'Securities' in the above tables of 'Matters concerning fair value of financial instruments and breakdown by level within fair value hierarchy'.

(Millions of yen)

	Consolidated balance sheet amounts
Non-marketable equity securities (*1)(*3)	14,370
Investments in partnerships (*2)	191,128

(\*1) Non-marketable equity securities include unlisted stocks, etc. and those fair value are not disclosed in accordance with the Paragraph 5 of 'Implementation Guidance on Disclosures about Fair Value of Financial Instruments' (ASBJ Guidance No.19, issued on March 31, 2020).

(\*2) Fair value of investments in partnerships is not disclosed in accordance with the Paragraph 24-16 of 'Implementation Guidance on Accounting Standard for Fair Value Measurement' (ASBJ Guidance No. 31, issued on June 17, 2021).

(\*3) The Group wrote off unlisted stocks, etc. in the amount of 64 million yen during the fiscal year ended March 31, 2026.

(Securities)

Securities include 'Securities', negotiable certificates of deposit in 'Cash and due from banks', trading securities and trading account securities for hedging classified as 'Trading account assets', and a part of trust beneficiary rights classified as 'Monetary claims bought'.

1. Trading securities (As of March 31, 2026)

None

2. Held-to-maturity bonds (As of March 31, 2026)

None

3. Available-for-sale securities (As of March 31, 2026)

	Type of securities	Amount on consolidated balance sheet (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Securities for which the amount on consolidated balance sheet exceeds the acquisition cost	Stocks	33,647	14,927	18,720
	Bonds	60,884	60,733	150
	Government bonds	14,309	14,308	1
	Local government bonds	38,947	38,872	74
	Corporate bonds	7,626	7,552	74
	Others	213,968	200,801	13,166
	Foreign bonds	116,672	114,662	2,010
	Others	97,295	86,139	11,156
	Subtotal	308,500	276,463	32,037
Securities for which the amount on consolidated balance sheet does not exceed the acquisition cost	Stocks	1,830	1,951	(120)
	Bonds	270,906	279,725	(8,819)
	Government bonds	132,277	138,423	(6,145)
	Local government bonds	52,518	53,533	(1,015)
	Corporate bonds	86,110	87,769	(1,658)
	Others	618,189	677,910	(59,720)
	Foreign bonds	484,175	531,336	(47,161)
	Others	134,013	146,573	(12,559)
Subtotal	890,926	959,587	(68,661)	
Total		1,199,426	1,236,050	(36,623)

4. Held-to-maturity bonds sold during the fiscal year (from April 1, 2025 to March 31, 2026)

None

5. Available-for-sale securities sold during the fiscal year (from April 1, 2025 to March 31, 2026)

	Proceeds (Millions of yen)	Gains on sale (Millions of yen)	Losses on sale (Millions of yen)
Stocks	2,886	1,238	34
Bonds	289,559	191	2,961
Government bonds	280,861	190	2,593
Local government bonds	5,619	-	365
Corporate bonds	3,078	1	2
Others	166,078	4,020	10,438
Foreign bonds	59,866	441	430
Others	106,211	3,578	10,007
Total	458,523	5,450	13,433

6. Change in holding purpose of securities

None

7. Securities incurred impairment losses

Except for non-marketable equity securities and investments in partnerships, all types of securities other than those held for trading are written down if a substantial decline in the fair value of such securities is deemed to be significant and other than temporary, subject to impairment criteria with respect to the borrower's category for the issuer of securities, unless there is strong evidence that the fair value will recover quickly and substantially.

In this fiscal year, the Group wrote off a total of 73 million yen, which was comprised of 68 million yen for corporate bonds and 5 million yen for other foreign securities.

If fair value declines more than 50% from the acquisition cost or amortized cost, the Group generally deems the decline to be significant and other-than-temporary. However, based on the borrower category for the issuer of securities, the following impairment criteria determine whether or not the fair value decline is significant under the internal standards for write-offs and provisions:

'In danger of bankruptcy' 'De facto bankrupt' 'Bankrupt' ... If fair value declines from cost

'Need attention' ... If fair value declines more than 30% from cost

'Normal' ... If fair value declines more than 50% from cost

For debt securities categorized as 'Normal', the fair value decline is deemed significant if fair value declines more than 30% from cost.

For securities, other than debt securities, whose fair value remains below a certain level, the fair value decline is deemed significant even if it does not meet the above criteria.

'Bankrupt' borrower means an issuer of securities under legal proceedings such as bankruptcy or liquidation. 'De facto bankrupt' borrower means an issuer of securities in a similar condition as 'Bankrupt'. 'In danger of bankruptcy' borrower means an issuer of securities that is not currently bankrupt but is considered highly likely to become bankrupt. 'Need attention' borrower means an issuer of securities that needs to be monitored carefully. 'Normal' borrower means an issuer of securities categorized other than 'Bankrupt', 'De facto bankrupt', 'In danger of bankruptcy' or 'Need attention'.

(Money held in trust)

1. Money held in trust for trading purpose (As of March 31, 2026)

	Amount on consolidated balance sheet (Millions of yen)	Net unrealized gains and losses recorded in the consolidated statement of income during the current fiscal year (Millions of yen)
Money held in trust for trading purpose	11,053	-

2. Money held in trust for held-to-maturity purpose (As of March 31, 2026)

None

3. Other money held in trust (other than held-for-trading and held-to-maturity) (As of March 31, 2026)

None

(Revenue recognition)

1. Detailed information on revenues from contracts with customers (from April 1, 2025 to March 31, 2026)  
(Millions of yen)

Category	Fiscal year ended March 31, 2026
Ordinary income	242,314
Fees and commissions (including trust fees)	39,852
Loan business and deposit related	12,924
Securities and agency related	8,616
Others	18,311

(Note) Of fees and commissions (including trust fees), revenues from loan business and deposit related are mainly recorded in Strategic Investments Unit, and revenues from securities and agency related are mainly recorded in Customer Relations Unit and revenues from others are mainly recorded in GMO Aozora Net Bank. The above table also includes revenues based on ASBJ Statement No. 10 'Accounting Standard for Financial Instruments' and other guidance.

(Per share information)

1. Net assets per common share is 3,463.73 yen.
2. Net income attributable to owners of parent per common share is 185.75 yen.
3. Diluted net income attributable to owners of parent per common share: 185.41yen.

## Non-consolidated statement of changes in equity

(For the fiscal year ended March 31, 2026 (93<sup>rd</sup> fiscal year))

(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		
						Retained earnings brought forward			
Balance at beginning of period	125,966	113,280	203	113,483	12,686	195,944	208,631	(2,894)	445,186
Changes during period									
Dividends of surplus						(12,177)	(12,177)		(12,177)
Net income						22,254	22,254		22,254
Purchase of treasury shares								(0)	(0)
Disposal of treasury shares								0	0
Net changes in items other than shareholders' equity									
Total changes during period	-	-	-	-	-	10,076	10,076	(0)	10,076
Balance at end of period	125,966	113,280	203	113,483	12,686	206,020	218,707	(2,894)	455,263

(Millions of yen)

	Valuation and translation adjustments			Share acquisition rights	Total equity
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of period	(39,478)	517	(38,961)	501	406,726
Changes during period					
Dividends of surplus					(12,177)
Net income					22,254
Purchase of treasury shares					(0)
Disposal of treasury shares					0
Net changes in items other than shareholders' equity	14,525	(1,063)	13,462	125	13,588
Total changes during period	14,525	(1,063)	13,462	125	23,664
Balance at end of period	(24,953)	(545)	(25,498)	626	430,391

## 【Notes to the Non-Consolidated Financial Statements】

Amounts of less than one million yen are rounded down.

### Significant accounting policies

#### 1. Trading account assets and liabilities; gain and loss on trading account transactions

Transactions involving short-term fluctuations and arbitrage opportunities in interest rates, currency exchange rates, market prices of financial instruments or other market indices ('Trading transactions') are recognized on a trade date basis and recorded in 'Trading account assets' or 'Trading account liabilities' on the balance sheet. Gains or losses (interest received/paid, dividend, gains/losses on sales, and valuation gains/losses) on trading transactions are recorded in 'Gain on trading account transactions' or 'Loss on trading account transactions' on the transaction date basis in the statement of income.

'Trading account assets' and 'Trading account liabilities' are stated at their fair values.

#### 2. Valuation of securities

(1) 'Held-for-trading securities' (except the positions booked in the 'Trading account assets' and 'Trading account liabilities') are stated at fair value. The cost of these securities is determined by the moving-average method. 'Held-to-maturity securities' are stated at amortized cost (using the straight-line method) computed under the moving average method. 'Stocks in subsidiaries and affiliated companies' are stated at acquisition costs (using the moving average method). 'Available-for-sale securities ('AFS securities')' (with the costs basically calculated on the moving average method) are stated at fair value in principle, or non-marketable equity securities are stated at acquisition costs calculated on the moving average method.

As for interests in investment business limited partnerships, associations under the Civil Code and silent partnerships, Aozora Bank, Ltd. ('the Bank'), in principle, record net assets and net income of those partnerships as assets and profits or losses in proportion to the Bank's shares of interests based on their latest financial statements or interim financial statements.

The net unrealized gains or losses on AFS securities are included directly in net assets.

(2) Securities that are held as trust assets recorded in 'Money held in trust' are valued in the same manner as given in (1) above.

#### 3. Accounting for derivatives

Derivative transactions, except for trading transactions, are stated at fair value.

#### 4. Depreciation of fixed assets

##### (1) Tangible fixed assets (except for leased assets)

Depreciation of buildings, including structures and equipment attached to buildings, is computed by the straight-line method, and that of others is computed by the declining-balance method.

The useful lives are primarily estimated as follows:

Buildings: 15~50 years

Other : 5~15 years

##### (2) Intangible fixed assets (except for leased assets)

Amortization of intangible fixed assets is computed under the straight-line method. Development costs for internally used software are capitalized and amortized under the straight-line method over the useful lives (mainly 5~13 years) as determined by the Bank.

##### (3) Leased assets

Depreciation of 'Leased assets' in 'Tangible fixed assets' of the finance leases other than those that are deemed to transfer the ownership of leased property to the lessees is computed under the straight-line method over the lease term with zero residual value unless residual value is guaranteed by the corresponding lease contracts.

## 5. Deferred assets

'Bond issuance costs' in 'Other assets' is amortized using the straight-line method over the terms of corporate bonds. Share issuance costs in 'Other' is amortized using the straight-line method over three years.

## 6. Assets and liabilities denominated in foreign currencies

Assets and liabilities denominated in foreign currencies held by the Bank are translated into Japanese yen at the exchange rates prevailing at the balance sheet date, except for investments in equity securities of subsidiaries and affiliated companies which are translated at historical rates.

## 7. Provisions

### (1) Allowance for loan losses

The Bank's write-offs of loans and allowance for loan losses are provided as follows in accordance with the internal standards for write-offs and provisions.

Loans to borrowers who are assessed as 'Bankrupt' (in the process of legal proceedings for bankruptcy, special liquidation, etc.) or 'De facto bankrupt' (in serious financial difficulties and are not deemed to be capable of restructuring) under the Bank's self-assessment guidelines are written off to the amounts expected to be collected through the disposal of collateral or execution of guarantees, etc. The amounts deemed to be uncollectible and written off were 28,504 million yen at March 31, 2026.

For loans to borrowers who are assessed as 'In danger of bankruptcy' (not yet bankrupt but are in financial difficulty and are highly likely to go bankrupt in the foreseeable future), a specific allowance is provided for the loan losses at an amount considered to be necessary based on an overall solvency assessment of the borrowers and expected collectible amounts through the disposal of collateral or execution of guarantees, etc. For loans whose future cash flows of principal and interest are reasonably estimated, the difference between the discounted cash flows and the carrying amount is accounted for as an allowance for loan losses (the 'DCF method').

For other loans, the Bank provides the expected loan loss for the average remaining period of loans (almost three to four years respectively), after classifying the loans into four groups of corporate loans in North America/Europe, Asia, overseas real estate non-recourse loans and other loans, based on the characteristics of risk. The expected loan loss is determined based on the average rates of loan loss experience or bankruptcy over a certain period of time in the past, responding to the average remaining period with certain adjustments such as future prospects by considering the latest trend of loan loss experience. However, for borrowers with a large credit exposure that are categorized as 'Need attention,' under the internal credit rating system, the loan loss amount estimated by the DCF method is reflected as an addition to the allowance for loan losses determined based on the estimated loan loss ratio, if necessary. For some borrowers, other than above, with a large credit exposure over a certain amount, an allowance is provided in addition to an amount determined based on an expected loan loss rate, according to the above method.

The allowance for loans to restructuring countries is provided for the amount of expected losses based on an assessment of political and economic conditions in their respective countries.

All loans are monitored in line with an internal self-assessment standard, etc., on an ongoing basis. Operating divisions or branches review internal credit ratings of borrowers ('Borrower Ratings') which are defined in line with 'borrower categories' and those ratings are then approved by the divisions in charge of credit. The division in charge of asset assessment, which is independent of operating divisions or branches and the divisions in charge of credit, reviews the appropriateness of internal credit ratings on a sample basis.

Based upon the borrower categories determined by the aforementioned process as of the balance sheet date, operating divisions and branches initially compute the amounts of write-offs and allowance, and the division in charge of asset assessment verifies the amounts and determines the final amounts.

The independent internal audit divisions audit the appropriateness of the write-offs and allowances based on the self-assessment on a regular basis.

(2) Allowance for investment loss

Allowance for investment loss is provided for estimated losses on certain investments based on an assessment of the issuers' financial condition and uncertainty about future recoverability of the decline in realizable values of the investments.

(3) Provision for bonuses

Provision for bonuses that is provided for future bonus payments to employees, is maintained at the amount accrued at the balance sheet date, based on the estimated future payments.

(4) Provision for bonuses for directors (and other officers)

Provision for bonuses for directors (and other officers) that is provided for future bonus payments to directors, is maintained at the amount accrued at the balance sheet date, based on the estimated future payments.

(5) Provision for retirement benefits

Provision for retirement benefits, including prepaid pension costs, is provided for payment of retirement benefits to employees, in the amount deemed accrued at the balance sheet date, based on the projected retirement benefit obligation and the fair value of plan assets at the fiscal year-end.

Retirement benefit liability is recorded based on the benefit formula attribution of the projected benefit obligations over the service period of employees, deemed accrued at the balance sheet date.

Unrecognized prior service cost is amortized using the straight-line method over a certain period of time within the average remaining service period of employees.

Unrecognized actuarial gain and loss are amortized using the straight-line method over a certain period of time (5 years) within the average remaining service period of employees commencing from the next fiscal year after incurrence.

(6) Provision for credit losses on off-balance-sheet instruments

Provision for credit losses on off-balance-sheet instruments is provided for credit losses on commitments to extend loans and other off-balance-sheet financial instruments based on an estimated loss ratio or individually estimated loss amount determined by the same methodology used in determining the allowance for loan losses.

## 8. Hedge accounting

(1) Hedge accounting for interest rate risk

The Bank applies deferral hedge accounting to hedges of interest rate risk associated with financial assets and liabilities, principally by portfolio hedging, in accordance with 'Accounting and Auditing Treatments on the Application of Accounting Standards for Financial Instruments in the Banking Industry' (the Japanese Institute of Certified Public Accountants ('JICPA') Industry Committee Practical Guideline No.24, March 17, 2022), or by individual hedging.

Under the JICPA Industry Committee Practical Guideline No.24, portfolio hedges to offset changes in fair value ('fair value hedges') are applied by grouping hedged items (such as loans or deposits) and hedging instruments (such as interest rate swaps) by their maturities. The assessment of hedge effectiveness is generally based on the consideration of interest rate indices affecting the respective fair values of the group of hedged items and hedging instruments.

With regard to portfolio hedges to fix cash flows ('cash flows hedges'), the assessment of hedge effectiveness is generally based on the correlation between a base interest rate index of hedged items and that of hedging instruments in accordance with the JICPA Industry Committee Practical Guideline No.24.

With regard to an individual hedge to offset changes in fair value of fixed-rate instruments, since principal conditions underlying in loans, available-for-sale securities (debt securities, etc.) and bonds payable as hedged items and interest rate swaps as hedging instruments are substantially on the same terms, the hedge is deemed highly effective.

## (2) Hedge accounting for foreign currency risk

The Bank applies deferral hedge accounting to hedges of foreign currency risk associated with foreign currency-denominated financial assets and liabilities in accordance with 'Accounting and Auditing Treatments for Foreign Currency Transactions in the Banking Industry' (the JICPA Industry Committee Practical Guideline No.25, October 8, 2020). In accordance with the JICPA Industry Committee Practical Guideline No. 25, the Bank designates certain currency swaps and foreign exchange swaps for the purpose of funding foreign currencies as hedges for the exposure to changes in foreign exchange rates associated with foreign currency-denominated assets or liabilities when the foreign currency positions on the hedged assets or liabilities are expected to exceed the corresponding foreign currency positions on the hedging instruments. Hedge effectiveness is reviewed by comparing the total currency position of the hedged items with that of the hedging instruments by currency.

For hedging the foreign currency exposure of foreign currency-denominated available-for-sale securities (other than debt securities), which were designated in advance, fair value hedge accounting is adopted on a portfolio basis when the cost of the hedged securities is covered with offsetting liabilities denominated in the same foreign currency as the hedged securities.

## (3) Hedges of securities price fluctuation risk

The Bank designates available-for-sale securities (stock, etc.) for price fluctuation risk of stocks and available-for-sale securities (debt securities, etc.) for price fluctuation risk of listed investment trusts as hedged items and total return swaps as hedging instruments and applies individual deferral hedge accounting.

The assessment of hedge effectiveness is generally based on the comparison of changes in value of the hedged item and hedging instruments.

## (4) Intracompany Derivative Transactions

For intracompany derivative transactions for hedging purposes ('internal derivatives'), including currency and interest rate swaps, the Bank currently charges gains and losses on internal derivatives to operations or defers them within accumulated other comprehensive income as a component of equity without elimination in accordance with the JICPA Industry Committee Practical Guidelines No. 24 and No. 25. These reports permit a bank to retain the gains and losses on internal derivatives in its financial statements without elimination if the bank establishes and follows strict hedging criteria by entering into mirror-image offsetting transactions with external third parties after the designation of internal derivatives as hedging instruments.

## 9. Application of the Group Relief System

The Bank applies the group relief system with the Bank as a parent company.

### Significant accounting estimates

Among items recorded in the non-consolidated financial statements for the year ended March 31, 2026 with accounting estimates, items significantly affect the non-consolidated financial statements for the year ending March 31, 2027 are described below:

#### 1. Allowance for loan losses

(1) Amounts recorded in the non-consolidated financial statements for the year ended March 31, 2026

Allowance for loan losses: 51,316 million yen

(2) Information contributing to understanding of the detail of the significant accounting estimates related to recognized item

It is described in 'Notes to the Consolidated Financial Statements.'

#### 2. Recoverability of deferred tax assets

(1) Amounts recorded in the non-consolidated financial statements for the year ended March 31, 2026

Deferred tax assets: 49,535 million yen

(2) Information contributing to understanding of the detail of the significant accounting estimates related to recognized item

It is described in 'Notes to the Consolidated Financial Statements.'

## Notes

### (Balance sheet)

1. Stocks (or investments) in subsidiaries and affiliated companies total 86,689 million yen.
2. No securities were loaned under unsecured loan contracts for consumption, for use or for lease contracts.  
Of unsecured securities borrowed, securities purchased under resale agreements, securities borrowed under lending agreements with cash collateral and securities received as collateral on derivative transactions which can be sold or re-pledged, none of the securities were re-pledged, re-loaned and held in hand as of the balance sheet date.
3. Non-performing loans ('NPLs') based on the Banking Act and the Financial Reconstruction Act are as follows. NPLs include corporate bonds in securities (limited to those for which payment of principal and interest is guaranteed in whole or in part, and the issuance of such bonds is through private placement of securities (Article 2, Paragraph 3 of the Financial Instruments and Exchange Act)), loans and bills discounted, foreign exchanges, accrued interest and suspense payables in other assets, customers' liabilities for acceptances and guarantees and securities in the case of loaned securities in the notes to the non-consolidated balance sheet (limited to only those subject to a usage and lending or lending agreement).

Bankrupt and similar credit	437	million yen
Doubtful credit	44,779	
Special attention credit	8,926	
Loans overdue for three months or more	-	
Restructured loans	8,926	
Subtotal	54,142	
Normal credit	4,103,621	
Total credit	4,157,764	

'Bankrupt and similar credit' refers to the credit of borrowers who have filed for bankruptcy, corporate reorganization, composition, etc., as well as those borrowers who are in an equivalent situation.

'Doubtful credit' refers to the credit with serious doubt concerning the recovery of principal and receiving of interest as contract provisions because the borrower's financial condition and business results have worsened although they have not reached the point of management collapse, excluding loans to 'Bankrupt and similar credit.'

'Loans overdue for three months or more' refers to those loans excluding loans to 'Bankrupt and similar credit' and 'Doubtful credit' for which principal or interest remains unpaid for at least three months.

'Restructured loans' refers to those loans excluding loans to 'Bankrupt and similar credit', 'Doubtful credit' and 'Loans overdue for three months or more' for which agreement was made to provide reduction or a moratorium on interest payments, or concessions in the borrower's favor on interest or principal payments or to waive claims in order to support the borrowers' recovery from financial difficulties.

'Normal credit' refers to credit to borrowers whose financial condition and business results have no particular problem and which are not categorized in any of the above categories.

Allowance for loan losses is not deducted from the amounts of loans stated above.

4. In accordance with the JICPA Industry Committee Practical Guideline No.24, bills discounted are accounted for as financial transactions. The Bank has the right to sell or re-pledge bank acceptance bought, commercial bills discounted, documentary bills and foreign exchanges bought without restrictions, etc. Face value of these bills amounted to 96 million yen.

5. The following assets were pledged as collateral:

Assets pledged as collateral		
Securities	489,840	million yen
Loans and bills discounted	333,432	
Collateralized debts		
Securities sold under repurchase agreements	38,123	million yen
Cash collateral received for securities lent	375,943	
Borrowed money	291,100	

In addition, securities of 51,591 million yen and foreign exchanges of 15,989 million yen are pledged as collateral for foreign and domestic exchange transactions, derivative transactions, etc. or as substitute for margin money for futures transactions.

'Other' in 'Other assets' includes guarantee deposits, etc. of 22,584 million yen.

6. Overdraft contracts and contracts for loan commitments are those by which the Bank is bound to extend loans up to a prearranged amount, upon the request of customers, unless the customer is in breach of contract conditions. The unutilized balance of these contracts amounted to 621,663 million yen, including 456,460 million yen of one year or less.

Since these commitments are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily represent actual future cash flow requirements. These commitments include clauses under which the Bank can reject an application from customers or reduce the contract amounts in the event that economic conditions change, the Bank needs to secure claims, or other events occur. In addition, the Bank may request the customers to pledge collateral such as premises and securities at the time of the contracts, and take necessary measures such as monitoring customers' financial positions, revising contracts when such need arises and securing claims after the contracts are made.

7. Accumulated depreciation of tangible fixed assets totals 27,096 million yen.

8. Monetary claims against subsidiaries and affiliated companies total 1,164,184 million yen.

9. Monetary liabilities against subsidiaries and affiliated companies total 127,046 million yen.

(Statement of income)

1. Revenues from transactions with subsidiaries and affiliated companies	61,287 million yen
Interest income earned	49,415
Fees and commissions earned	3,022
Other ordinary income and other income earned	8,849
Expenses from transactions with subsidiaries and affiliated companies	5,783 million yen
Interest expenses incurred	814
Fees and commissions incurred	284
Other ordinary expenses and other expenses incurred	4,685
Other transactions with subsidiaries and affiliated companies (such as asset transfer)	3,201 million yen

2. The material transactions with related parties are as follows.

(1) Parent company and major shareholders, etc.

None

(2) Subsidiaries and affiliates, etc.

Category	Company Name	Equity ratio	Relationship with related parties	Nature of Transaction	Transaction Amount (Millions of yen)	Account Name	Balance (Millions of yen)
Subsidiary	AZB Funding 4 Limited (Note 1)	—	Lending (Note 2)	Lending	27,404	Loans and bills discounted (Loans on deeds)	107,511
				Received interest	3,909	Accrued income	816
Subsidiary	AZB Funding 11 Limited (Note 1)	—	Lending (Note 2)	Lending	42,816	Loans and bills discounted (Loans on deeds)	311,178
				Received interest	15,459	Accrued income	2,425
Subsidiary	AZB Funding 12 Limited (Note 1)	—	Lending (Note 2)	Lending	61,249	Loans and bills discounted (Loans on deeds)	574,263
				Received interest	26,139	Accrued income	5,215

(Notes) 1. AZB Funding 4 Limited, AZB Funding 11 Limited and AZB Funding 12 Limited are special purpose entities which were established for the purpose of acquisition and management of overseas loan assets.  
2. The Bank extends loans to AZB Funding 4 Limited, AZB Funding 11 Limited and AZB Funding 12 Limited which are collateralized by the loan assets held by these entities. Out of income earned from the loan assets, these subsidiaries pay base interest based on the floating market interest rates, as well as residual interest based on their performance. As of the fiscal year end, all profits and losses belong to the Bank due to the fact that these entities make all their borrowing from the Bank.

(3) Companies of the same parent company, etc.

None

(4) Directors, corporate auditors and their close family members, etc.

None

(Statement of changes in equity)

1. Types and numbers of treasury shares

(Unit: Thousands of shares)

	Number of shares at the beginning of the period	Number of shares increased during the period	Number of shares decreased during the period	Number of shares at the end of the period	Notes
Treasury shares					
Common stock	1,408	0	0	1,408	(Note)
Total	1,408	0	0	1,408	

(Note) The increase is due to buybacks of shares constituting less than one trade unit, and the decrease is due to disposal of shares constituting less than one trade unit .

(Securities)

Securities include 'Government bonds', 'Local government bonds', 'Corporate bonds', 'Stocks', 'Other securities', negotiable certificates of deposit in 'Due from banks' and a part of trust beneficiary rights classified as 'Monetary claims bought'.

1. Trading securities (As of March 31, 2026)

None

2. Held-to-maturity bonds (As of March 31, 2026)

None

3. Stocks in subsidiaries and affiliated companies (As of March 31, 2026)

	Amount on balance sheet (Millions of yen)	Market price (Millions of yen)	Difference (Millions of yen)
Stocks in affiliated companies	17,178	27,169	9,990

(Note) Amount on balance sheet of non-marketable equity securities that are not included in the above table.

	Amount on balance sheet (Millions of yen)
Stocks in subsidiaries	26,202
Stocks in affiliated companies	211

4. Available-for-sale securities (As of March 31, 2026)

	Type of securities	Amount on balance sheet (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Securities for which the amount on balance sheet exceeds the acquisition cost	Stocks	33,647	14,927	18,720
	Bonds	60,884	60,733	150
	Government bonds	14,309	14,308	1
	Local government bonds	38,947	38,872	74
	Corporate bonds	7,626	7,552	74
	Others	213,938	200,771	13,166
	Foreign bonds	116,672	114,662	2,010
	Others	97,265	86,109	11,155
	Subtotal	308,470	276,433	32,036
Securities for which the amount on balance sheet does not exceed the acquisition cost	Stocks	1,830	1,951	(120)
	Bonds	182,253	191,008	(8,754)
	Government bonds	52,605	58,693	(6,087)
	Local government bonds	43,537	44,545	(1,008)
	Corporate bonds	86,110	87,769	(1,658)
	Others	618,189	677,909	(59,720)
	Foreign bonds	484,175	531,336	(47,161)
	Others	134,013	146,573	(12,559)
Subtotal	802,273	870,869	(68,596)	
Total		1,110,743	1,147,302	(36,559)

(Note) Amount on balance sheet of non-marketable equity securities and investments in partnerships that are not included in the above table.

	Amount on balance sheet (Millions of yen)
Non-marketable equity securities (*1)	13,570
Investment in partnerships(*2)	187,378

(\*1) Non-marketable equity securities include unlisted stocks, etc. and those fair value is not disclosed in accordance with the Paragraph 5 of 'Implementation Guidance on Disclosures about Fair Value of Financial Instruments' (ASBJ Guidance No.19, issued on March 31, 2020).

(\*2) Fair value of investments in partnerships is not disclosed in accordance with the Paragraph 24-16 of 'Implementation Guidance on Accounting Standard for Fair Value Measurement' (ASBJ Guidance No.31, issued on June 17, 2021).

5. Held-to-maturity bonds sold during the fiscal year (from April 1, 2025 to March 31, 2026)

None

6. Available-for-sale securities sold during the fiscal year (from April 1, 2025 to March 31, 2026)

	Proceeds (Millions of yen)	Gains on sale (Millions of yen)	Losses on sale (Millions of yen)
Stocks	2,886	1,238	34
Bonds	289,559	191	2,961
Government bonds	280,861	190	2,593
Local government bonds	5,619	-	365
Corporate bonds	3,078	1	2
Others	166,078	4,020	10,438
Foreign bonds	59,866	441	430
Others	106,211	3,578	10,007
Total	458,523	5,450	13,433

7. Change in holding purpose of securities

None

8. Securities incurred impairment losses

Except for non-marketable equity securities and investments in partnerships, all types of securities other than those held for trading are written down if a substantial decline in the fair value of such securities is deemed to be significant and other than temporary, subject to impairment criteria with respect to the borrower's category for the issuer of securities, unless there is strong evidence that the fair value will recover quickly and substantially.

In this fiscal year, the Bank wrote off a total of 73 million yen, which was comprised of 68 million yen for corporate bonds and 5 million yen for other foreign securities.

If fair value declines more than 50% from the acquisition cost or amortized cost, the Bank generally deems the decline to be significant and other-than-temporary. However, based on the borrower category for the issuer of securities, the following impairment criteria determine whether or not the fair value decline is significant under the internal standards for write-offs and provisions:

'In danger of bankruptcy' 'De facto bankrupt' 'Bankrupt' ... If fair value declines from cost  
 'Need attention' ... If fair value declines more than 30% from cost  
 'Normal' ... If fair value declines more than 50% from cost

For debt securities categorized as 'Normal', the fair value decline is deemed significant if fair value declines more than 30% from the cost.

For securities, other than debt securities, whose fair value remains below a certain level, the fair value decline is deemed significant even if it does not meet the above criteria.

'Bankrupt' borrower means an issuer of securities under legal proceedings such as bankruptcy or liquidation. 'De facto bankrupt' borrower means an issuer of securities in a similar condition as 'Bankrupt'. 'In danger of bankruptcy' borrower means an issuer of securities that is not currently bankrupt but is considered highly likely to become bankrupt. 'Need attention' borrower means an issuer of securities that needs to be monitored carefully. 'Normal' borrower means an issuer of securities categorized other than 'Bankrupt', 'De facto bankrupt', 'In danger of bankruptcy' or 'Need attention'.

(Money held in trust)

1. Money held in trust for trading purpose (As of March 31, 2026)

	Amount on non-consolidated balance sheet (Millions of yen)	Net unrealized gains and losses recorded in non-consolidated statement of income during the current fiscal year (Millions of yen)
Money held in trust for trading purpose	5,610	-

2. Money held in trust for held-to-maturity purpose (As of March 31, 2026)

None

3. Other money held in trust (other than held-for-trading and held-to-maturity) (As of March 31, 2026)

None

(Deferred taxes)

1. Tax effects of significant temporary differences which resulted in deferred tax assets and liabilities as of March 31, 2026 were as follows:

Deferred tax assets

Provision of allowance for loan losses	18,642	million yen
Provision for retirement benefits	3,094	
Depreciation expense	1,857	
Write-offs for securities	4,234	
Valuation difference on available-for-sale securities	11,899	
Deferred gains or losses on hedges	251	
Write-offs of loans	77	
Tax loss carryforwards <sup>(Note 2)</sup>	19,588	
Other	12,281	
Subtotal	71,927	
Less valuation allowance for tax loss carryforwards <sup>(Note 2)</sup>	(2,070)	
Less valuation allowance for temporary differences	(16,456)	
Less valuation allowance <sup>(Note 1)</sup>	(18,527)	
Deferred tax assets total	53,400	
Deferred tax liabilities		
Valuation difference on available-for-sale securities	249	
Asset retirement obligation expense	580	
Prepaid pension costs	2,488	
Other	547	
Deferred tax liabilities total	3,865	
Net deferred tax assets	49,535	million yen

(Note 1) The decrease in the valuation allowance from the previous fiscal year is primarily due to an increase in taxable income and a decrease in valuation difference on available-for-sale securities.

(Note 2) Expiration of tax loss carryforwards and relating deferred tax assets

FY2025 (As of March 31, 2026)

(Millions of yen)

	1 year or less	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total
Deferred tax assets relating to tax loss carryforwards <sup>(*1)</sup>	—	—	—	—	—	19,588	19,588
Less valuation allowance for tax loss carryforwards	—	—	—	—	—	(2,070)	(2,070)
Net deferred tax assets relating to tax loss carryforwards	—	—	—	—	—	17,518	17,518 <sup>(*2)</sup>

(\*1) The amount of tax loss carryforwards is multiplied by the effective statutory tax rate.

(\*2) Of the tax loss carryforward of ¥19,588 million (multiplied by the effective statutory tax rate), the Bank recorded deferred tax assets of ¥17,518 million as of March 31, 2026. The Bank expects to record taxable income in the future, and therefore has decided that part of tax loss carryforwards will be recoverable.

(Note 3) The Bank applies the group relief system. In addition, the accounting and disclosure of corporate tax, local corporate tax and tax effect accounting is in accordance with the 'Practical Solution on the Accounting and Disclosure under the Group Relief System' (ASBJ PITF No.42 August 12, 2021).

(Per share information)

1. Net assets per common share is 3,105.65 yen.
2. Net income per common share is 160.81 yen.
3. Diluted net income per common share: 160.51yen.