



May 13, 2024

To whom it may concern

Daiwa Securities Group Inc.
Akihiko Ogino, President and CEO
(Securities Code: 8601 TSE Prime and NSE Premiere)

Aozora Bank, Ltd.
Hideto Oomi, President and CEO
(Securities Code: 8304 TSE Prime)

Notice Regarding the Capital and Business Alliance of Daiwa Securities Group Inc. and Aozora Bank, Ltd.

Daiwa Securities Group Inc. (Head Office: Chiyoda-ku, Tokyo; President and CEO: Akihiko Ogino) and Aozora Bank, Ltd. (Head Office: Chiyoda-ku, Tokyo; President and CEO: Hideto Oomi; “**Aozora Bank**”) resolved today to form a capital and business alliance (the “**Capital and Business Alliance**”) and entered into a Capital and Business Alliance Agreement (the “**Capital and Business Alliance Agreement**”) as described below.

In this Capital and Business Alliance, we will work together to achieve sustainable growth in our corporate value through creating new added value by combining Daiwa Securities Group’s “Wealth Management Business Model” and Aozora Bank Group’s “Strategic Investments Business”.

1. Purpose and reason for the Capital and Business Alliance

Daiwa Securities Group has made steady progress in “Transition to a Wealth Management Business Model” and “Enhancement of the Business Portfolio through the Expansion of Hybrid Business” to establish a solid earnings foundation resistant to impacts from the external environment. In Daiwa Securities Group’s Medium-term Management Plan, “Passion for the Best” 2026, which starts from this fiscal year and sets “maximizing the value of customer assets” as the basic management policy for the group, Daiwa Securities Group, in all its group business activities, aims to increase clients’ asset value over the medium to long term by providing high-quality consulting services and solutions driven by accurate analysis of market environments and in-depth understanding of client needs.

Aozora Bank Group prioritizes resource allocation on “Aozora’s Strategic Investments Business” which focuses on long-term engagement with clients through investment and financing activities, ranging from debt to equity with a view to growing together with clients, and aims to support clients in their three phases, “fostering”, “change” and “recovery” through sincere dialogue and proposals and also “contribute to the development of society through the creation of new value-added financial services”. In order to accelerate the growth of this business model, along with the structural reform of the retail business, Aozora Bank Group has been continuously exploring the possibility of alliances with several external partners.

The Japanese economy is currently at a historic turning point. In the stock market, the Nikkei Stock Average reached an all-time high for the first time in 34 years against a backdrop of solid corporate performance, requests by the TSE to take action to cause management to be conscious of the cost of capital and stock prices, and purchases of Japanese stocks by foreign investors. In terms of monetary policy, an interest rate hike was implemented for the first time in 17 years, ending negative interest rates, on the grounds that the achievement of the 2% price stability target with wage increases was now in sight. The Japanese economy

has overcome the prolonged stagnation following the collapse of the bubble economy and the turmoil caused by the COVID-19 pandemic, with the environment becoming conducive to a virtuous cycle originating from investment in a wide range of sectors, and is now taking steady steps toward a long-term growth path.

Individuals are increasingly shifting funds from savings to investments, backed by the entrenched inflation, the era of the 100-year life and policy encouragement, including the introduction of the new NISA. Meanwhile, it is urgently necessary for companies to formulate and implement management strategies to increase corporate value through improving capital efficiency, and under such themes as business portfolio restructuring, supply chain optimization or top-line growth through growth investments, such corporate activities as equity and debt financing and M&A are steadily increasing.

In this environment, Daiwa Securities Group and Aozora Bank Group held discussions and came to the conclusion that, by the collaboration between Daiwa Securities Group and Aozora Bank Group, both of which have different strengths and management resources, it would be possible to dramatically improve our consulting and solution capabilities for issues faced by our individual and corporate clients, and agreed to enter into the Capital and Business Alliance.

Initially, the specific areas of the collaboration will be (i) wealth management, (ii) real estate related business, (iii) M&A and (iv) growth company support. Daiwa Securities Group and Aozora Bank Group will continue to discuss and aim to increase the added value provided to our clients through expanding the collaboration in a wide range of areas.

2. Details of this Capital and Business Alliance

(1) Details of the business alliance

The two parties have agreed to collaborate in each business area, including their group companies, and will work together to establish a cooperative structure. The details are as follows:

- (i) Comprehensive partnership in wealth management area
 - Providing more valued-added consulting services to Aozora Bank Group's wide range of individual and corporate clients by utilizing Daiwa Securities Group's know-how, financial instruments/services and systems for the Wealth Management Business Model.
 - Jointly developing new financial instruments/services for Daiwa Securities Co. Ltd. ("**Daiwa Securities**")'s individual and corporate clients utilizing Aozora Bank's loan and trust functions and providing such financial instruments/services to their respective clients.
- (ii) Partnership in real estate related business
 - Deepening real estate related business of both groups by combining Daiwa Securities Group's real estate asset management business and real estate finance, one of the Aozora Bank Group's strengths.
- (iii) Partnership in M&A area
 - Responding to customer needs through the partnership of the two groups, including joint proposals leveraging their respective strengths in Daiwa Securities Group's M&A business and Aozora Bank's M&A business and LBO financing.

- (iv) Joint support for growing companies from startups to emerging listed companies by both groups
 - Creating a new platform by combining equity investment from a venture capital fund as well as support for fundraising and exits through IPOs etc., in which Daiwa Securities Group has a strong presence, and a wide range of solutions centered on the finance side, including venture debt and other operations, in which Aozora Bank Group has demonstrated strength.

(2) Details of the capital alliance

Daiwa Securities Group Inc. will underwrite a third party allotment of new shares to be implemented by Aozora Bank (the “**Third Party Allotment**”), and will acquire 21,500,000 common shares of Aozora Bank (the shareholding ratio to the outstanding 139,789,418 common shares (that is the total of outstanding shares as of March 31, 2024 and newly issued shares through the Third Party Allotment) is 15.38% (rounded to two decimal places), and the total amount of capital contributed is JPY 51.9 billion (rounded to the nearest hundred million yen).

For details of the Third Party Allotment, please refer to “Notice of Issuance of New Shares by Third Party Allotment under the Capital and Business Alliance with Daiwa Securities Group Inc. and Changes in the Major Shareholders, Largest Shareholder and Other Affiliated Companies”, which was released by Aozora Bank today.

(3) Other details

The two parties have agreed in the Capital and Business Alliance Agreement that Daiwa Securities Group Inc. is to nominate one person as a candidate for outside director of Aozora Bank.

Subject to the completion of the payment under the Third Party Allotment, Aozora Bank will submit a proposal for the appointment of one person nominated by Daiwa Securities Group Inc. to be a director of Aozora Bank at the 91st Ordinary General Meeting of Shareholders to be held in June 2024.

3. Overview of Capital and Business Alliance Companies

(1) Company overview of Daiwa Securities Group Inc. (as of March 31, 2024, except as otherwise noted.)

(1)	Trade name	Daiwa Securities Group Inc.	
(2)	Address	1-9-1, Marunouchi, Chiyoda-ku, Tokyo	
(3)	Name and title of Representative (as of May 13, 2024)	Akihiko Ogino, President and CEO	
(4)	Business	Control and management of group company business promotion activities	
(5)	Capital	¥247.3 billion	
(6)	Date established	April 26, 1999	
(7)	Major shareholders and shareholding ratio	The Master Trust Bank of Japan, Ltd. (Trust Account)	16.45%
		Custody Bank of Japan, Ltd. (Trust Account)	5.16%
		Taiyo Life Insurance Company	2.93%
		Barclays Securities Japan Limited	2.42%
		Nippon Life Insurance Company	2.22%
		JAPAN POST HOLDINGS Co., Ltd.	2.14%

	STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Mizuho Bank, Ltd.)			2.12%
	JP MORGAN CHASE BANK 385781 (Standing proxy: Mizuho Bank, Ltd.)			1.37%
	Daiwa's Employee Stock Ownership Association			1.36%
	The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)			1.23%
(8)	Relationship with Aozora Bank	Capital relationships	Number of shares of Aozora Bank held by Daiwa Securities Group Inc.	No applicable relationships, except for the shares temporarily held by Daiwa Securities Group Inc.'s subsidiary for purposes related to securities business.
			Number of shares of Daiwa Securities Group Inc. held by Aozora Bank	N/A
		Personnel relationships	No applicable relationships. Daiwa Securities Group Inc. will nominate a candidate for outside director of Aozora Bank to be submitted at Aozora Bank's Ordinary General Meeting of Shareholders to be held on June 25, 2024.	
		Transaction relationships	Daiwa Securities sells financial instruments provided by Aozora Bank Group, and Aozora Bank sells financial instruments provided by Daiwa Securities Group, but there is no noteworthy business relationship. Daiwa Securities Group and Aozora Bank also engage in banking transactions.	
	Applicable status of related parties			N/A
(9)	Consolidated business achievements and financial status of applicable company for the last 3 years			
	Fiscal terms	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
	Consolidated net assets	¥1,639,888 million	¥1,675,489 million	¥1,788,658 million
	Consolidated total assets	¥27,531,089 million	¥26,413,248 million	¥32,027,299 million
	Consolidated net assets pers share	¥925.81	¥968.93	¥1,086.20

Consolidated operating revenue	¥619,471 million	¥866,090 million	¥1,277,482 million
Consolidated operating income	¥115,534 million	¥66,273 million	¥153,705 million
Consolidated ordinary income	¥135,821 million	¥86,930 million	¥174,587 million
Net income attributable to owners of the parent	¥94,891 million	¥63,875 million	¥121,557 million
Consolidated net income per share	¥63.06	¥43.53	¥84.94
Dividend per share	¥33.00	¥23.00	¥44.00

(*) The shareholding ratio is the ratio of the number of shares held to the total number of shares issued excluding treasury stock.

(2) Company overview of Aozora Bank (as of March 31, 2024, except as otherwise noted.)

(1)	Trade name	Aozora Bank, Ltd.	
(2)	Address	6-1-1 Kojimachi, Chiyoda-ku, Tokyo	
(3)	Name and title of Representative (as of May 13, 2024)	Hideto Oomi, President and CEO	
(4)	Business	Banking services	
(5)	Capital	¥100 billion	
(6)	Date established	April 1, 1957	
(7)	Major shareholders and shareholding ratio	The Master Trust Bank of Japan, Ltd. (Trust Account)	12.12%
		Aya Nomura (Standing proxy: Mita Securities Co., Ltd.)	6.77%
		The Nomura Trust and Banking Co., Ltd. (Trust Account: 2052255)	3.00%
		CITY INDEX ELEVENTH CO., Ltd.	2.24%
		Custody Bank of Japan, Ltd. (Trust Account)	2.01%
		BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC) (Standing proxy: MUFG Bank, Ltd.)	1.81%
		JPMorgan Securities Japan Co., Ltd.	0.55%
		BNYM SA/NV FOR BNYM FOR BNY GCM CLIENT ACCOUNTS M LSCB RD (Standing proxy: MUFG Bank, Ltd.)	0.52%
		JP JPMSE LUX RE NOMURA INT PLC 1 EQ CO (Standing proxy: MUFG Bank, Ltd.)	0.51%
		BNYMSANV RE GCLB RE JP RD LMGC (Standing proxy: Citibank, N.A., Tokyo Branch)	0.48%
(8)	Relationship with Daiwa Securities Group	Capital relationships	N/A
		Personnel relationships	N/A
		Transaction relationships	Aozora Bank sells financial instruments provided by Daiwa Securities Group, and Daiwa Securities sells financial instruments provided by Aozora Bank Group,

		but there is no noteworthy business relationship. Aozora Bank and Daiwa Securities Group also engage in banking transactions.	
	Applicable status of related parties	N/A	
(9)	Consolidated business achievements and financial status of applicable company for the last 3 years		
Fiscal terms	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Consolidated net assets	¥487,265 million	¥431,119 million	¥391,078 million
Consolidated total assets	¥6,728,653 million	¥7,184,070 million	¥7,603,002 million
Consolidated net assets per share	¥4,222.79	¥3,751.95	¥3,285.94
Consolidated operating revenue	¥134,737 million	¥183,292 million	¥246,299 million
Consolidated operating income	¥46,294 million	¥7,356 million	¥-54,816 million
Consolidated ordinary income	¥35,004 million	¥8,719 million	¥-49,904 million
Net income attributable to owners of the parent	¥299.81	¥74.67	¥-427.22
Consolidated net income per share	¥149.00	¥154.00	¥76.00

(*) The shareholding ratio is the ratio of the number of shares held to the total number of shares issued excluding treasury stock.

4. Schedule

(1)	Date of the resolutions by the Executive Management Committee/ Board of Directors of both parties	May 13, 2024
(2)	Date of the execution of the Capital and Business Alliance Agreement	May13, 2024
(3)	Date of Payment of the Third Party Allotment	May 29 through July 31, 2024 (TBD)

(Note) The Third Party Allotment is subject to the effectuation of a Securities Registration Statement in accordance with the Financial Instruments and Exchange Act for the Third Party Allotment, the permissions and approvals, etc. from the relevant authorities necessary for the Third Party Allotment in accordance with applicable laws, etc. (including the approval of Daiwa Securities Group Inc. as the bank's major shareholder pursuant to Article 52-9, Paragraph 1 of the Banking Act) and other conditions precedent agreed in the Capital and Business Alliance Agreement. Since it is not possible to determine the timing of the permissions and approvals, etc. from the relevant authorities, a payment period has been set and provided above as the payment date. At this point, the payment date for the Third Party Allotment is expected to be July 1, 2024.

5. Future expectations

(Daiwa Securities Group Inc.)

After the Capital and Business Alliance, Aozora Bank will become an equity-method affiliate of Daiwa Securities Group Inc. The impact of the Capital and Business Alliance on the business performance of Daiwa Securities Group is currently under scrutiny and will be disclosed promptly if it is determined to have a significant impact as the two companies discuss the details of the business alliance. In addition, Daiwa Securities Group Inc. believes that the Capital and Business Alliance will contribute to improving Daiwa Securities Group Inc.'s business performance and corporate value over the medium to long term.

(Aozora Bank)

The impact of the Capital and Business Alliance and the Third Party Allotment on the business performance for the fiscal year ending March 31, 2025 has not been incorporated into the consolidated business forecast for the fiscal year ending March 31, 2025 in the “Summary of the Financial Statements for FY2023 [JGAAP] (Consolidated)” released today. Although Aozora Bank believes that the Capital and Business Alliance and the Third Party Allotment will contribute to improving Aozora Bank's corporate value, the specific impact on the business performance after the fiscal year ending March 31, 2025 is currently under scrutiny and will be disclosed promptly if any event that may have a material impact on the business performance is found as the two companies discuss the details of the business alliance.