



Annual Report
(Integrated Report)

2021

April 1, 2020 - March 31, 2021



Aozora Mission

Mission

Contribute to the development of society through the creation of new value-added financial services

Aozora Vision

Vision

Adapt to a rapidly changing world while remaining a trusted, valued and specialized financial service provider

Aozora's Key Priorities

Action

1. Provide specialized and value-added financial services
2. Move quickly, while responding patiently and politely
3. Prioritize teamwork and provide a more comfortable working environment
4. Respect one's colleagues and support professional growth of all team members
5. Learn from the past while adapting to and focusing on the future
6. Take smart risks in new areas based upon our skills and experience
7. Actively contribute to the sustainable growth of society

Editorial Policy

The purpose of this document is to provide our stakeholders with an overview of the Aozora Group and information regarding its value-creation initiatives. This document provides financial and non-financial information, taking into consideration the International Integrated Reporting Framework published by the International Integrated Reporting Council as well as the Ministry of Economy, Trade, and Industry's "Guidance for Collaborative Value Creation".

This document is an Annual Report (document explaining the Bank's business operations and financial condition) created in compliance with Article 21 of the Banking Act.

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Forward-Looking Statements

This annual report contains forward-looking statements regarding the Bank's financial condition and results of operations. These forward-looking statements, which include the Bank's views and assumptions with respect to future events, involve certain risks and uncertainties. Actual results may differ from forecasts due to changes in economic conditions and other factors.

The Aozora Group

(Aozora Bank and Major Consolidated Subsidiaries)

Aozora's core purpose is to contribute to the development of society through the creation of new value-added financial services in our role as a key financial service provider. Of critical importance to our management is maintaining the patience and focus necessary to gain a deeper appreciation of our customers' needs as well as the research and development of new, differentiated products and services for the benefit of our customers.

AOZORA BANK

Location	6-1-1 Kojimachi, Chiyoda-ku, Tokyo, Japan
Business	Banking business
Established	April 1, 1957
Capital	JPY 100 billion

Our mission as finance professionals is to contribute to the development of society through the creation of new value-added financial services and, through the contribution to the well-being of all of our stakeholders including customers, shareholders, society and our employees, seek to achieve sustainable growth and the creation of mid- to long-term corporate value.

AOZORA NET BANK

Location	1-2-3 Dogenzaka, Shibuya-ku, Tokyo, Japan Shibuya FUKURAS Building
Business	Banking business
Launch of Internet Banking Operations	July 17, 2018
Capital	JPY 17.29 billion

GMO Aozora Net Bank was established as a new Internet Bank with the corporate vision of "Being customer-centric in everything we do and aiming to be the No. 1 technology bank". By paying close attention to the perspective of customers and making full use of the latest technology, we are delivering new financial and payment solutions, aiming to be a bank that understands the customers and that is "ubiquitous by the time you realize".

Aozora Loan Services

Location	1-13-5 Kudankita, Chiyoda-ku, Tokyo, Japan Hulic Kudan Building
Business	Distressed loan servicing
Start of Service Operations	September 17, 1999
Capital	JPY 500 million

As a leading servicer in the industry, Aozora Loan Services responds to various needs including business revitalization as a means to create an even brighter tomorrow.

Aozora Securities

Location	6-1-1 Kojimachi, Chiyoda-ku, Tokyo, Japan
Business	Financial instruments business
Established	January 23, 2006
Capital	JPY 3 billion

Aozora Securities plays an important part in the Aozora Group's retail and financial institutions business strategy. Aozora Securities is a group of "skilled and customer-oriented professionals" with extensive experience and expertise in various fields. We have provided highly specialized consulting services based on a clear understanding of our customers' diverse needs from a mid- to long-term perspective.

Aozora Regional Consulting

Location	6-1-1 Kojimachi, Chiyoda-ku, Tokyo, Japan
Business	Business consulting services
Established	March 21, 2013
Capital	JPY 10 million

Aozora Regional Consulting contributes to regional economies providing consulting and finding solutions to the management issues faced by regional financial institutions.

Aozora Investment Management

Location	6-1-1 Kojimachi, Chiyoda-ku, Tokyo, Japan
Business	Investment management services
Established	February 4, 2014
Capital	JPY 450 million

Aozora Investment Management is an investment management firm that is fully dedicated to the protection of its customers' valued assets and their wealth building through its helpful role in delivering asset management services. When managing assets, the firm strives to continue delivering trusted investment products and up-to-date information in order to maintain its long-term relationships.

Not a megabank or a regional bank, Aozora places a high priority on remaining flexible, highly professional in business as well as reliable and engaging for its customers. On behalf of our customers and shareholders, we intend to explore our full potential beyond the limitations of a traditional bank over the course of the years ahead.



Aozora Real Estate Investment Advisors

Location	6-1-1 Kojimachi, Chiyoda-ku, Tokyo, Japan
Business	Investment advisory services
Established	January 6, 2015
Capital	JPY 150 million

Aozora Real Estate Investment Advisors develops comparatively small-scale funds that are tailor-made to the needs of each of its investor customers with a stable, mid-term investment style. It also designs products by listening to opinions and requests of its customers, all with their own varied needs and perspectives on investment.



ABN Advisors

Location	4-3 Nibancho, Chiyoda-ku, Tokyo, Japan Nibancho Cashew Building 3F
Business	M&A advisory services
Established	May 24, 2017
Capital	JPY 200 million

"Working towards an era of successful businesses by believing in the power of small- to mid-sized corporations!"
ABN Advisors is growing alongside its customers by taking the needs of owners into consideration as a business partner that seeks real value in the use of M&A for the sake of development and increased corporate value.



Aozora Corporate Investment

Location	6-1-1 Kojimachi, Chiyoda-ku, Tokyo, Japan
Business	Venture capital investment
Established	April 24, 2018
Capital	JPY 15 million

CREATE "+α" VALUE

Aozora Corporate Investment's goal is to create "plus alpha" value to that of traditional financial institutions while contributing to the healthy development of the venture ecosystem and the growth of aspiring companies.



Aozora Asia Pacific Finance Limited

Location	Suites 1501-03, Two Exchange Square, 8 Connaught Place, Central, Hong Kong
Business	Financial services
Established	June 29, 2005
Capital	USD 100,000,000

Aozora Asia Pacific Finance Limited provides a wide-range of finance-related services primarily to corporations throughout the Asia-Pacific region.



Aozora Europe Limited

Location	1st Floor, 80 Cheapside, London, EC2V 6EE, United Kingdom
Business	Financial services
Established	December 15, 2015
Capital	GBP 1,000,000

Aozora Europe Limited provides corporate and project finance-related services as well as a wide variety of information collection/analysis operations to companies across Europe.



AOZORA NORTH AMERICA, INC.

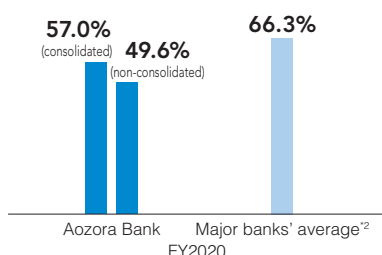
Location	1270 Avenue of the Americas, Suite #1701, New York, NY 10020 U.S.A.
Business	Financial services
Business Commencement	September 1, 2020
Capital	USD 411,000

Aozora North America manages corporate loan investment activities in North America which the Aozora Group considers to be a major business focus.

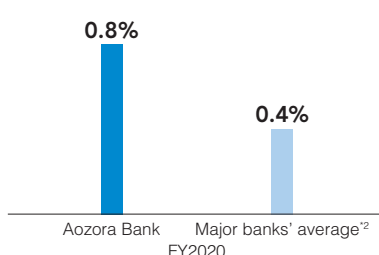
Financial Highlights

※Amounts expressed in 100 million yen have been rounded down one decimal place.

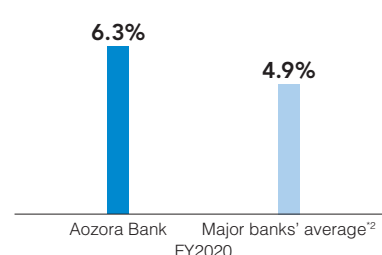
Overhead Ratio (OHR)



Business Profit¹ ROA



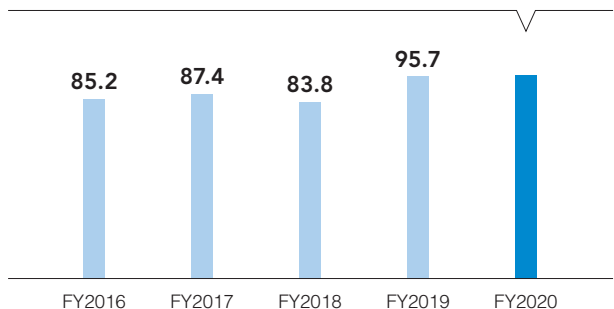
ROE



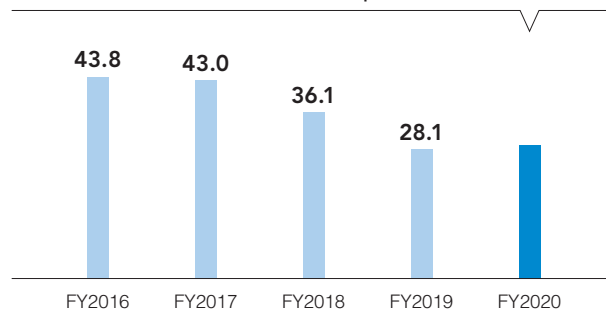
¹ Business profit includes gains/losses on equity method investments

² Based on each major bank's financial results material (MUFG, SMFG, Mizuho FG, Resona HD, Sumitomo Mitsui Trust HD and Shinsei)

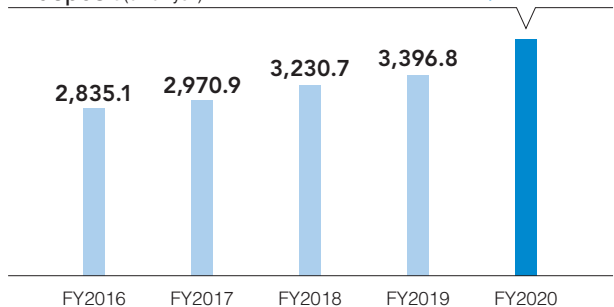
Consolidated net revenue (billion yen)



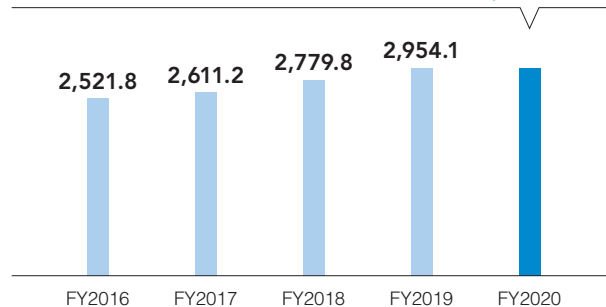
Profit attributable to owners of parent (billion yen)



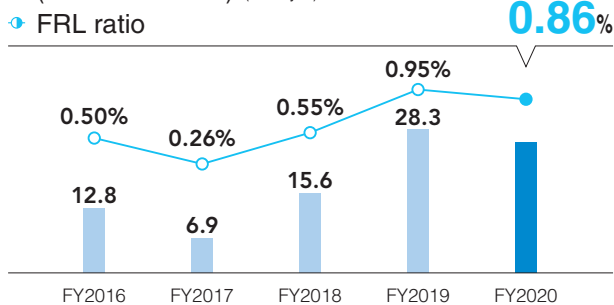
Deposits / Negotiable certificates of deposit (billion yen)



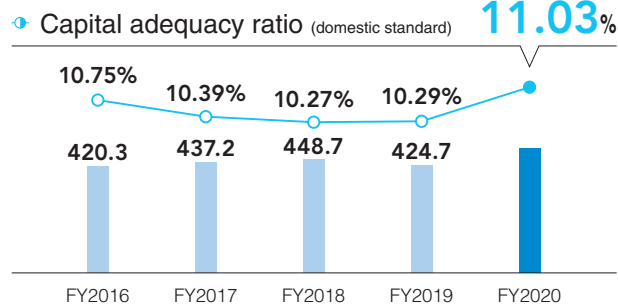
Loans and bills discounted (billion yen)



Financial Reconstruction Law (FRL) claims (non-consolidated) (billion yen)

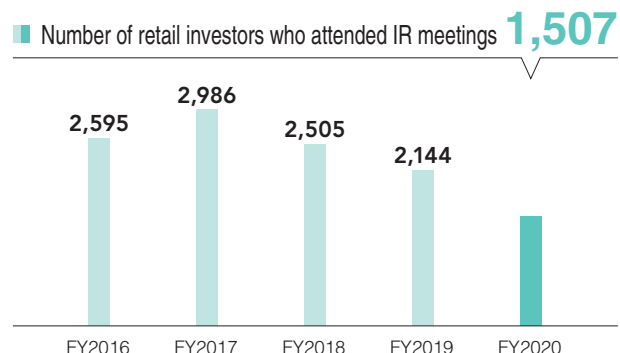
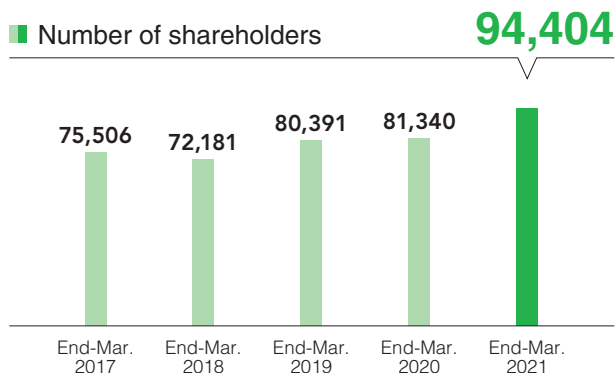
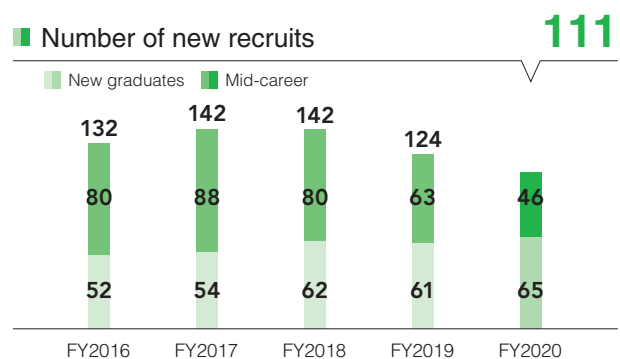
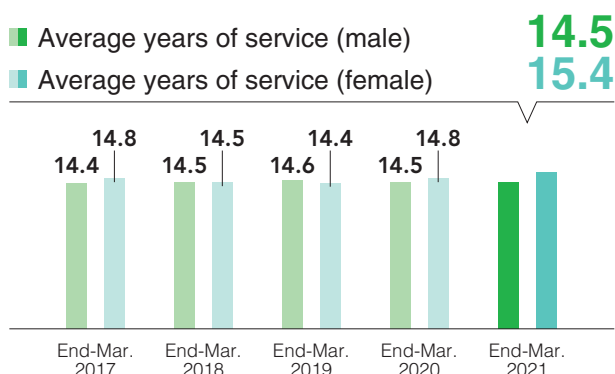
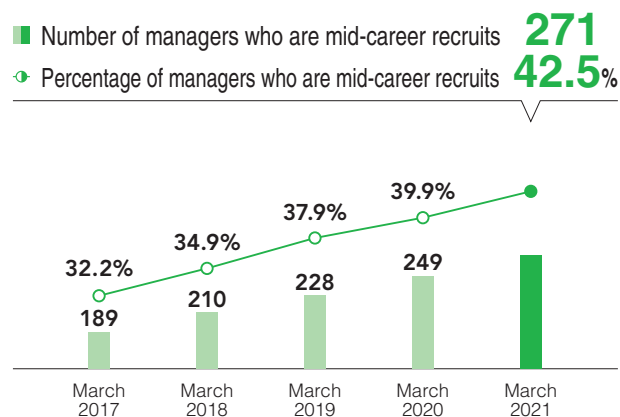
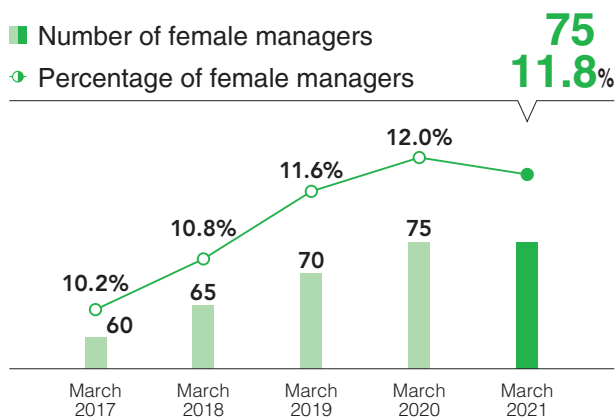
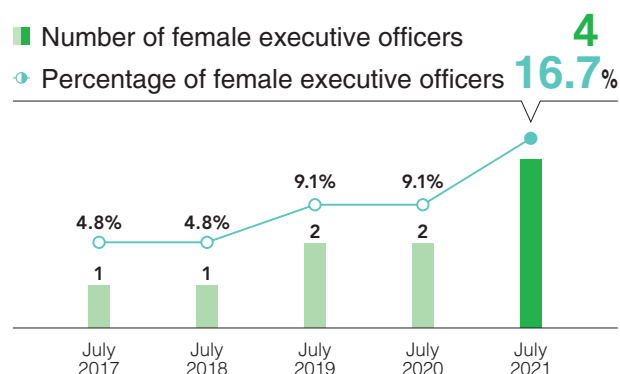
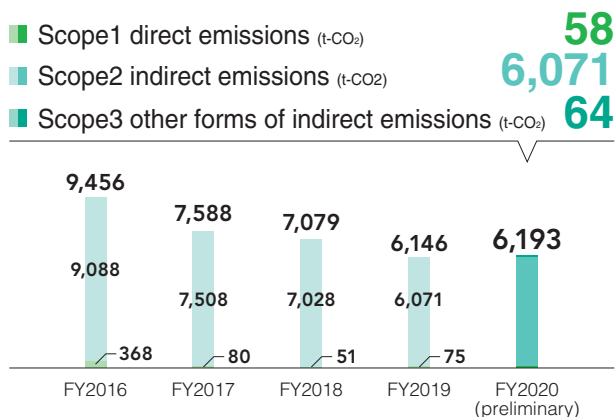


Consolidated net assets (billion yen)



Non-financial Highlights

CO₂ emissions



The number of IR meetings in FY2020 decreased relative to other years due to concerns regarding the COVID-19 pandemic. (FY2019: 17 meetings → FY2020: 5 meetings)

Value Creation Timeline

1957~

- Supplied real-estate mortgage finance to support the growth of small to mid-sized companies during post-war reconstruction
- Established strong network of regional financial institutions through the issuance of finance debentures
- Expanded overseas network
- Start and end of special public management

1957

Established as [The Nippon Fudosan Bank, Limited](#) in accordance with the Long-Term Credit Bank Law

Issuance of the first "Nippon Fudosan Debentures"



1974

Established first overseas branch in London

1977

Changed name to [The Nippon Credit Bank, Ltd.](#)

1998

Started special public management

1999

NCB Servicer Co., Ltd. (currently Aozora Loan Services Co., Ltd.), commenced servicer operations

2000

Ended special public management (re-privatization)

2001 ~

- Fresh start as Aozora Bank
- Recovered from the global financial crisis, strengthened financial base, and completed repayment of public funds
- Established the “6 Areas of Focus” business model aimed at leveraging Aozora’s core competencies through a strategy of selection and concentration

2015 ~

- Further evolution of the “6 Areas of Focus” business model
- Launched new Internet Banking operations in collaboration with the GMO Internet Group
- Made investments to capitalize on growing Asian economies

2001



Changed name to **Aozora Bank, Ltd.**

2005

Established Aozora Asia Pacific Finance Limited, a Hong Kong-based subsidiary

2006

Converted to an “Ordinary Bank”
Relisted on the First Section of the Tokyo Stock Exchange

2008

Recorded approximately 240 billion yen in losses as a result of the global financial crisis

2012

Announced the Comprehensive Recapitalization Plan

2015

Full repayment of public funds
Announced new “6 Areas of Focus” business model

2015

Established Aozora Europe Limited, a London-based subsidiary

2018

GMO Aozora Net Bank, Ltd. commenced Internet banking services

2019

Launched BANK™, a new retail banking smartphone app



2020

Established Mid-term Plan, “Aozora 2022”

Purchased an ownership stake in Orient Commercial Joint Stock Bank, a commercial bank based in Vietnam



Started financial operations at Aozora North America, Inc., a New York-based subsidiary

Process of Value Creation

Aozora Mission

Contribute to the development of society

Aozora Vision

Adapt to a rapidly changing world while remaining

Aozora's

1. Provide specialized and value-added financial services
2. Move quickly, while responding patiently and politely
3. Prioritize teamwork and provide a more comfortable working environment

Environmental changes

Mid-term vision: "Establishing

Aozora intends to generate new ideas and innovation within each flexibility to become a distinctive Partner Bank within Japan, offering products and services based on ideas drawn

Change in industrial structure

Response to climate change

DX progress

Demographic change

Sustainability Key issues (ESG Materiality)

Environmental protection



Promoting innovation



Life satisfaction



Operating Resources

Human/Intellectual capital

Human Resources

- Mobility
- Specialization
- Hospitality

Organizational strength

- Diverse personnel composition
- Proximity between officers and employees
- Quick decision-making

Social and relationship capital

- Mass affluent customer base
- Long-standing regional financial institutions network
- Unique market position
- Global business operations

Financial capital

- Balance sheet without cross-shareholding
- Risk-diversified assets
- Diversified revenue structure

Support base

HR strategy

Corporate governance

Risk

through the creation of new value-added financial services

a trusted, valued and specialized financial service provider

Key Priorities

4. Respect one's colleagues and support professional growth of all team members
5. Learn from the past while adapting to and focusing on the future
6. Take smart risks in new areas based upon our skills and experience
7. Actively contribute to the sustainable growth of society

AOZORA Partner Bank"

of its business areas, leveraging its skill base and organizational our retail, corporate and financial institution customers value-added from our experienced staff members.

Management strategy / Business model

Core Business "6 Areas of Focus"

Strategic Investments Group

Long-term commitments to investment and lending opportunities ranging from debt to equity finance through proactive risk-taking based on specialized skills

Corporate Finance

Established position as a key player in the restructuring business, including M&A and buyout finance

Financial Institutions

Contribution to the revitalization of local economies by solving the management issues of regional financial institutions

Specialty Finance

Expanded specialty finance by capitalizing on high-level expertise in real estate and business recovery finance

International Finance

Enhanced capacity for flexibly controlling the Bank's portfolio by forming a seamless monitoring framework on a global scale

Retail Banking

Specialized consulting and integrated financial services for retail customers

Financial Markets

Higher capability for risk-hedging sales and product development, establishment of a portfolio resistant to market fluctuation

New growth areas

GMO Aozora Net Bank, Ltd.

Orient Commercial Joint Stock Bank (OCB)

Realization of Sustainability

In our business

Creation of social value through financial business

As a business entity

Contribution to the environment and society

Building a platform

Pursue sustainability as a corporation

Contribution to stakeholders

Contribution to society

Contribute to solving global issues including climate change and pandemic, as well as local communities' issues including regional revitalization and job creation, through initiatives as a business entity

Contribution to customers

Provide mid- to long-term support for retail, corporate and financial institution customers that have been addressing various issues through financial services

Contribution to shareholders

Achieve returns to shareholders through mid- to long-term corporate growth

Contribution to employees

Actively support employees' growth/ challenges and encourage their pursuit of self-fulfillment and life satisfaction through the creation of comfortable working environment

for Value Creation

governance

Compliance

Information security

Executive Officers Engaged in Value Creation



Kei Tanikawa

Representative Director and President,
Chief Executive Officer (CEO)



Koji Yamakoshi

Representative Director and Deputy
President



Hideto Oomi

Representative Director and Deputy
President, Head of Strategic Investments
Group and Head of Trust Business
Group



Tomomi Akutagawa

Director, Senior Managing Executive
Officer in charge of Sustainability
Management



Akira Sakai

Senior Managing Executive Officer
Chief Financial Officer (CFO)



Masayoshi Ohara

Senior Managing Executive Officer
Chief Risk Officer (CRO)



Fumihiko Hirose

Senior Managing Executive Officer
Head of Specialty Finance Group



Takeshi Ito

Senior Managing Executive Officer
Head of Advisory & Investment Group



Takashi Kato

Senior Managing Executive Officer
Head of Allied Banking Group



Masaki Onuma

Managing Executive Officer
Head of International Finance Group



Tomoyuki Yamada

Managing Executive Officer
Chief Technology Officer (CTO)



Kazuhiro Yasuda

Managing Executive Officer
Head of Business Banking Group and
Corporate Banking Group



Tetsuji Okuda
Managing Executive Officer
Head of Financial Markets Group



Jun Shinozaki
Executive Officer
Chief Credit Risk Officer (CCRO)



Akemi Hashimoto
Executive Officer
General Manager of Kansai Branch



Toru Takahashi
Executive Officer
Head of Compliance & Governance Unit



Hiroki Nakazato
Executive Officer
Deputy Head of Corporate Banking
Group



Hiroshi Suzuki
Executive Officer
Head of Corporate Strategy Unit and in
charge of Office of Corporate Secretary



Shu Takahashi
Executive Officer
Deputy Head of Advisory & Investment
Group



Yukiko Morita
Executive Officer
Head of Operations Group



Naoko Tanaka
Executive Officer
Deputy Head of Allied Banking Group



Takashi Hagio
Executive Officer
Deputy Head of Specialty Finance
Group



Jun Nakashima
Executive Officer
Head of Retail Banking Group



Hiroshi Kaneko
Executive Officer
Head of Human Resources Unit

CEO Message

I would like to express my appreciation to all of our stakeholders for their ongoing support. I would also like to extend my deepest sympathies to everyone who has been adversely impacted by the global COVID-19 pandemic.

In January of this year, we marked the 20-year anniversary of our relaunch as Aozora Bank.

I would like to once again express my thanks to everyone who supported us over these past 20 years.

Our company will continue to move forward towards achieving our mission to "contribute to the development of society through the creation of new value-added financial services", as described in our Management Philosophy.

I would like to once again thank everyone for your continued support.

FY2020 Review

In May 2020, we announced our Mid-term Plan for FY2020-22, entitled "Aozora 2022". This plan will serve as a roadmap for our management team and employees as we work to realize the vision of being a distinctive Partner Bank.

FY2020 was an exceptionally difficult year that presented a wide-range of serious challenges not seen by any society for a very long time. During this time our company focused primarily on supporting the short-term financing needs of our customers, especially during the first quarter. In the second quarter, our retail and corporate/financial institution customer-based business began to see a steady recovery.

At Aozora we are making ongoing efforts to establish a framework that allows Aozora to deliver financial services and consulting to our retail customers anytime, anywhere through the seamless integration of our traditional branches and Internet channel services via our BANKTM branch. While consulting services, including asset management and property/business succession, are available at our traditional branches, we are also developing initiatives to improve the convenience of our BANKTM branch Internet channel through the expansion of each of our apps and the introduction of Internet-based products.

The Aozora Group is also striving to meet the needs of our corporate customers adversely affected by the COVID-19 pandemic and provide value-added buy-out finance and M&A advisory solutions to customers who are starting to plan strategic corporate restructuring and business recovery initiatives.

In November 2020, we established our "Regional Finance Partner Bank Task Force" for our regional financial institution customers, which is developing initiatives to provide solutions to a wide-range of management issues, particularly securities investment and risk management support, retail business support, and corporate restructuring/business recovery support consultations.

FY2021 Key Initiatives

Amid a historic turning point in industrial structures, we anticipate that these trends will continue to accelerate.

In this environment, we will emphasize our strategic investments business which is designed to contribute to society through proactive risk-taking in order to foster new business and support corporate restructuring/business recovery. As a financial partner with a deep understanding of our customers' business, we will make long-term commitments to investment and lending opportunities, leveraging Aozora's strengths in business areas ranging from debt to equity finance.

In April 2021, we established a Strategic Investments Group that works across our Corporate Business Groups in order to effectively deploy resources and promote cross-functional collaborations. This group leverages Aozora's skill base and organizational flexibility in order to offer high-quality services based on ideas generated by our skilled staff members.

We are also actively developing other initiatives, including the expansion of our "Regional Finance Partner Bank Task Force", the establishment of a venture ecosystem leveraging GMO Aozora Net Bank, the creation of new business in collaboration with Orient Commercial Joint Stock Bank (a mid-sized commercial bank based in Vietnam we invested in last year), and the expansion of our retail services by leveraging the Aozora Group's strengths.

In order to contribute to the sustainable development of society, we have designated SDGs as a key management priority. Of note, the Aozora Group is developing business initiatives designed to address 3 Key Issues (ESG Materiality): "Environmental protection", "Promoting innovation" and "Life satisfaction".

As initiatives designed to address climate change are rapidly expanding across the globe, our company will focus on the promotion of SDGs while striving to develop stronger communications with all of our stakeholders, including society, customers, shareholders, and employees, in order to create social value in our financial business and proactively contribute to the sustainable development of society.



Kei Tanikawa

Representative Director and President,
Chief Executive Officer (CEO)

Message from Executive Officer in charge of Sustainability Management

Aozora Group's Sustainability

Nearly six years have passed since the United Nations' adoption of SDGs (Sustainable Development Goals) in 2015, and SDGs are now widely recognized as common goals that the global community should work to achieve. Above all, the global stance on climate change issues has seen a significant change over the past 12 months which has led many countries to strengthen their initiatives designed to reduce greenhouse gas emissions. We are now in the midst of the COVID-19 pandemic, which has disrupted people's lives as well as companies' operations and business processes. Also having a significant impact has been the extensive and fast growing use of digital transformation (DX) in society which is resulting in rapid changes for individual companies as well as the broader structure of industries. In the face of these challenges, many companies are accelerating their efforts to realize a sustainable society. ESG-focused investments and loans are increasingly prevalent in the financial sector, an indication that it is difficult to remain viable and competitive in the financial services sector without the inclusion of an SDG/ESG perspective.

In May 2020, the Aozora Group set forth Aozora's Mission, Vision and Key Priorities in its management philosophy, under which we aim to "actively contribute to the sustainable growth of society." Of note, Aozora identified "Environmental protection", "Promoting innovation" and "Life satisfaction" as 3 Key Issues (ESG Materiality) and set priority initiatives which are being put into practice.

The Aozora Group has proactively provided investments and loans to projects that contribute to environmental protection, including finance for renewable energy projects and green buildings. Of note, by leveraging its proven expertise in business recovery finance, Aozora supports regional mid-sized firms and SMEs in achieving business recovery and restart, in partnership with regional financial institutions, and also works to realize financial inclusion in regional economies.

For retail customers, we support their needs for mid- to long-term wealth accumulation by offering ESG-focused financial products and provide specialized consulting services mainly for business/property succession.

In FY2020, in light of SDG/ESG considerations, we updated our Code of Ethics and Conduct, in which officers and employees practice our corporate



Tomomi Akutagawa

Director, Senior Managing Executive Officer
in charge of Sustainability Management

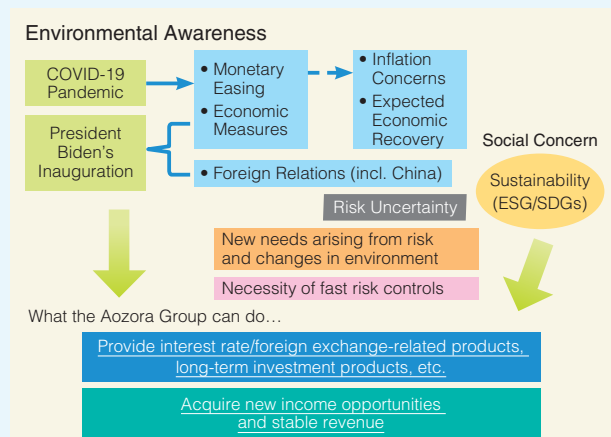
philosophy, and newly established the Aozora Bank Group Environmental Policy and Aozora Bank Group Human Rights Policy. We also approved new Investment and Lending Policies regarding Environmental & Societal Issues to provide investments and loans that contribute to the sustainable development of society with the aim of achieving sustainable growth in tandem with our customers. FY2021 will be the first year for the Aozora Group to promote the incorporation of SDGs/ESG into all of our financial services and activities. This April, the Bank appointed an Executive Officer in charge of Sustainability Management, and also established and expanded the Sustainability Management Division as an independent function with a view to implementing sustainability initiatives across the Aozora Group. The Aozora Group will remain focused on creating social values in its financial business, strive to provide solutions to environmental and social issues as a business entity, and actively contribute to the sustainable growth of society.



CFO Message

FY2020 Financial Results

The market environment in FY2020 underwent considerable change due to a wide range of events, including the global COVID-19 pandemic and associated lockdowns, Joseph Biden becoming U.S. President, and economic recovery against the backdrop of each countries' implementation of monetary and fiscal policy. While the economy is expected to recover once the COVID-19 vaccine is fully rolled-out, many uncertainties remain, such as geopolitical risks and an unclear end to the pandemic. Domestically, starting with the overall economic downturn at the beginning of the fiscal year as the Japanese government declared repeated State of Emergencies, recovery trends were observable as the export, mining and manufacturing industries continued to improve, while industries dependent on face-to-face services, such as the bar, restaurant, and hospitality industries, continued to endure difficult operating conditions.



Under these conditions, the Aozora Group continued to meet the needs of its diverse customer base by responding to societal and environmental changes through cross-divisional collaboration between each of its business divisions while prioritizing the health and safety of all of its customers and employees. For FY2020, net revenue was 96.5 billion yen, an increase of 0.8 billion yen from last year. Business profit was 42.6 billion yen, an increase of 0.3 billion yen from last year, and bottom-line net earnings were 28.9 billion yen, an increase of 0.8 billion yen. In addition to the year-on-year increase, each of these results represented progress of more than 100% of the full-year forecasts announced in May, 2020. Net interest income was 50 billion yen, an increase of 1.2 billion yen from last year, mainly due to improved lending margins and lower foreign currency funding costs.



Akira Sakai

Senior Managing Executive Officer
Chief Financial Officer (CFO)

Non-interest income was 46.4 billion yen. Despite the negative impact on certain business areas in the first quarter, we experienced a recovery in customer-based transactions from our retail and corporate/financial institution customers from the second quarter onward which led to the stronger results.

General and administrative expenses were 54.9 billion yen, up 1.5 billion yen from last year. The increase in expenses was mainly due to expenses associated with the commencement of operations at our New York-based U.S. subsidiary in September 2020 as well as other system-related investments. G&A expenses were 98% of the full-year budget as we continued with our focus on cost-control. The Overhead Ratio, or OHR, was 57%, compared to our full-year forecast of 62%. Credit-related expenses were a net expense of 4.3 billion yen. Additional provisions were made to loan loss reserves in order to cover borrowers with a higher potential for delayed business recovery in light of the impact of COVID-19. In addition, conservative allocations were made to our credit portfolio in the fourth quarter of FY2020 against North American real estate non-recourse loans, mainly office buildings. As a result, the ratio of loan loss reserves to total loans was 1.72% as of March 31, 2021, while the overseas loan loss reserve ratio was approximately 2.7%. Financial Reconstruction Law, or FRL, claims decreased by 2.6 billion yen compared to March 31, 2020, and the ratio of FRL claims to total claims was 0.86%.

In accordance with our dividend policy based on a target dividend payout ratio of 50%, we announced a full year dividend of 124 yen per common share, 2 yen higher than our full-year dividend forecast of 122 yen.

FY2021 Earnings and Dividend Forecasts

For the FY2021 earnings forecast, net revenue is projected to be 97 billion yen, business profit 42.5 billion yen, and net earnings 30 billion yen. Our full-year dividend forecast for FY2021 is 128 yen per common share, 4 yen higher than FY2020. The mid- to long-term dividend policy based on a target

dividend payout ratio of 50% will be flexibly managed, along with our full-year dividend target of at least 128 yen, in light of future economic conditions and Aozora's financial results. In addition, we intend to continue our policy of paying dividends on a quarterly basis.

Capital Policy

The Bank's consolidated capital adequacy ratio (domestic standard) as of March 31, 2021 remained at an adequate level of 11.03%. To enhance our sustainable corporate value, Aozora has created and adheres to a capital policy which aims to maintain a proper balance among "stable shareholder returns", "strategic investments", and "financial strength". Our KPI targets are shown below.

■ Equity Capital

Based on the future expectation of tightened regulations, Aozora's mid-term capital adequacy ratio targets are 9% on a full implementation of the Basel III basis and 9.5% on an operational basis.

■ Shareholder Returns

Management's ongoing intent is to deliver a cash dividend with a target dividend payout ratio of 50% of net earnings. Dividend payments will continue to be made on a quarterly basis.

Major KPIs

Aozora's KPIs are Overhead Ratio (OHR), Business profit* ROA, and ROE.

*Business Profit includes gains/losses on equity method investments

Financial Results

(billion yen)

	FY2019 Results	FY2020 Results	FY2021 Forecast
Net revenue	95.7	96.5	97.0
Business profit	42.3	42.6	42.5
Profit attributable to owners of parent	28.1	28.9	30.0

KPIs

	FY2019 Results	FY2020 Results	Mid-term Targets (FY2022)
Overhead ratio (OHR)	55.8%	57.0%	Below 55%
Business profit ROA	0.8%	0.8%	1%
ROE	6.4%	6.3%	8% or higher
Capital adequacy ratio	10.3%	11.0%	9% on a full implementation of the Basel III basis 9.5% on an operational basis

Creating Value

Amid the current historic turning point for the industrial structure, the Aozora Group will contribute to society through proactive risk-taking in order to foster new businesses and support corporate restructuring/business recovery as a financial partner with a deep understanding of its customers' business, while also promoting its strategic investments business.

In April 2021, we established a Strategic Investments Group that spans across our Corporate Business Groups in order to promote our strategic investments business. Through this new

Business Groups in Aozora's Core Business "6 Areas of Focus"

Strategic Investments Group

Long-term commitments to investment and lending opportunities ranging from debt to equity finance through proactive risk-taking based on specialized skills

Institutional Banking Group



Established position as a key player in the restructuring business, including M&A and buyout finance

Allied Banking Group



Contribution to the revitalization of local economies by solving the management issues of regional financial institutions

Specialty Finance Group



Expanded specialty finance by capitalizing on high-level expertise in real estate and business recovery finance

International Finance Group



Enhanced capacity for flexibly controlling the Bank's portfolio by forming a seamless monitoring framework on a global scale

Retail Banking Group



Specialized consulting and integrated financial services for retail customers

Financial Markets Group



Higher capability for risk-hedging sales and product development, establishment of a portfolio resistant to market fluctuation

structure, Aozora expects to further leverage the resources and expertise that exist across the entire company in order to further drive innovation within each core business area (the “6 Areas of Focus”).

The Aozora Group aims to leverage its skill base and organizational flexibility to become “a distinctive Partner Bank”, offering our retail, corporate and financial institution customers value-added products and services based on ideas drawn from our experienced staff members.

New Growth Areas beyond the “6 Areas of Focus”

GMO Aozora Net Bank (GANB)



➤ No.1 bank among small businesses and start-ups

- Primarily targeting growing small businesses and start-ups customer base

➤ No.1 Bank API

- Industry leading API strategy.
Support for GANB and Aozora customers' DX promotion

➤ Tech-first banking services

- Pivot to engineer support and technology services, aiming to become a pioneer of XaaS-focused* banking

Orient Commercial Joint Stock Bank (OCB)



Vietnam



➤ Further Development of the “Aozora Group’s Asian Strategy”

- Flexibly leverage strengths, staff, knowledge and business partners in Aozora's Asian network

➤ Promotion of allied business

- Aim to increase both OCB's corporate value and Aozora's earnings

*XaaS: “Anything as a Service”, refers to any computing resource used for information processing delivered to users as a service over the Internet

Strategic Investments Group

➤ Launch of Strategic Investments Business: Long-term commitments to investment and lending opportunities ranging from debt to equity finance through proactive risk-taking based on specialized skills

In the face of a challenging business environment for all financial institutions, including limited economic growth and prolonged monetary easing, the Aozora Group has promoted its distinctive “6 Areas of Focus” business model by leveraging its expertise in specialized areas through a selection and concentration approach. We are in the midst of a historic turning point for the industrial structure, which is anticipated to accelerate going forward. In response to these changes in business conditions, we have established a cross-divisional Strategic Investments Group to flexibly leverage our strengths in the “6 Areas of Focus.” By promoting the Strategic Investments Business, we aim to achieve the mid- to long-term growth of both our customers and Aozora.

Equity Investments

The Aozora Group takes proactive risk-taking approach, including equity investments, as a bank promoting Strategic Investments Business by leveraging its specialized skills in specialty finance and other business areas. To this end, we will primarily focus on our “engagement” in deeply understanding customers’ business through communication, provide a full range of support that contributes to the enhancement of corporate value and move towards the realization of customers’ goals as a distinctive partner bank.

Aozora’s Strategic Investments Business leverages its strengths in investment and lending opportunities ranging from debt to equity finance from a long-term perspective, which we believe is unique as compared with conventional investment banks in Europe and the United States. We will contribute to the development of society with a view to achieving sustainable growth in tandem with our customers by fostering new businesses and supporting customers in their restructuring, growth and recovery initiatives.

Inorganic Investments

By capitalizing on recent deregulation of the domestic banking industry and structural shifts underway within the industry, the Aozora Group, either solely or in collaboration with our business partners, explores and executes investment opportunities in both financial and non-financial areas as an entry point for its business expansion and future growth. To this end, we have established an Aozora Business Laboratory where a broad range of knowledge is assembled from within and outside Aozora with the aim of creating new businesses. We have also launched a Digital Human Resource Development Program so that Aozora’s officers/employees will become more able to propose new business ideas, designing services and gathering/analyzing data based on our digital transformation (DX) strategy.

Proactive risk-taking based on specialized skills – “Strategic Investments Business”

Equity Investment

Strategic Investments Business with a primary focus on “engagement”*

*Deeply understand customers’ business through communication, provide a full range of support that contributes to the enhancement of corporate value and move towards the realization of customers’ goals as a distinctive partner

Grow sustainably in tandem with customers through dividends and capital gains from investments in their projects

1. Support venture companies
2. Support customers’ corporate restructuring
3. Support customers’ growth and recovery



Inorganic Investment

Strategic Investments Business aimed at group-wide growth

Explores and executes investment opportunities in both financial and non-financial areas as an entry point for business expansion and future growth

- ▶ Aozora Business Laboratory
- ▶ Digital Human Resource Development Program



Shift to areas
where Aozora can leverage its strengths

Core Business Model “6 Areas of Focus”

Retail Banking

Corporate Finance

Financial Institutions

Specialty Finance

International Finance

Financial Markets



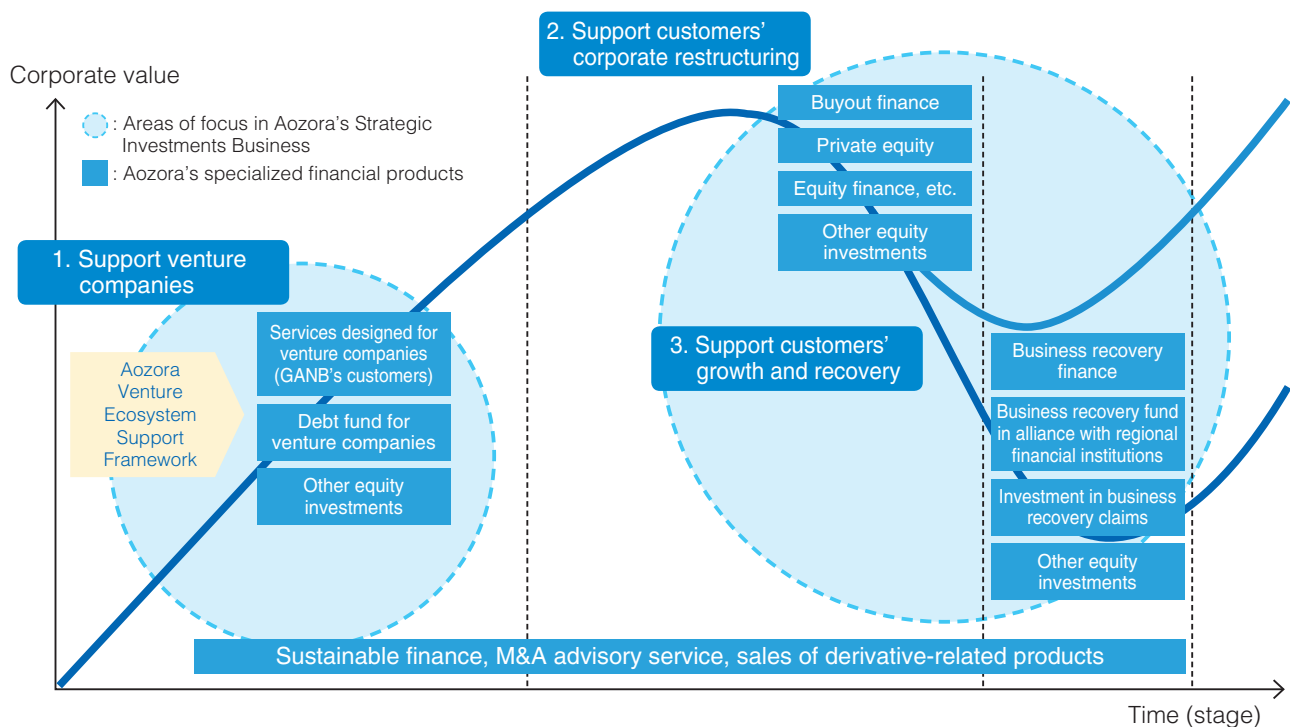
Cross-divisional Strategic Investments Group

→ Effectively deploy resources and promote cross-functional collaborations

➤ Proper Support in Each Phase of Corporate Life Cycle

Aozora's Strategic Investments Business aims to support corporate customers in each phase of their life cycle by leveraging the Group's strengths. For company start-up and growth phases, we support the growth of businesses focusing on new start-ups by offering one-stop services through the Aozora Venture Ecosystem Support Framework that is designed to assist venture companies in realizing a positive life cycle from inception to self-sustainability. In the more mature phases of the company life cycle,

we support corporate customers' business restructuring and business recovery in order to contribute to their long-term sustainable growth by offering buyout finance as our area of expertise, assisting a structural shift in the industry via private equity investments and leveraging the Aozora Group's strengths including its network of regional financial institutions and collaboration with Aozora Loan Services.



We will develop Aozora's Strategic Investments Business through the provision of support suited to each stage of the corporate life cycle by leveraging our strengths in Aozora's core "6 Areas of Focus" business model.

Institutional Banking Group (IBG)

➤ Message from the Executive Officer in charge of the Institutional Banking Group

The Aozora Group aims to become “a distinctive Partner Bank” that grows sustainably along with its customers and contributes to society through the transformation of the industrial structure. We also strive to gain a deeper appreciation of our customers’ needs to offer various finance transactions from debt to equity as a bank promoting strategic investments business through proactive and long-term risk-taking based on specialized skills to support our customers’ initiatives. In addition to a broad range of finance transactions requiring a high level of expertise to support our customers’ growth, structural reform, and recovery, we also provide high-value-added solutions leveraged by Aozora’s strengths, including: (1) support for M&A/business restructuring/business succession, (2) assistance for customers’ overseas business expansion by leveraging our broad network with local financial institutions mainly in Asia, (3) provision of risk-hedging products, and (4) response to needs for diversifying funding tools or off-balance sheet accounting treatment through use of a trust structure. We will continue to promote positive risk-taking activities by leveraging our expertise to meet a broad range of customers’ needs, and encourage the fostering of new businesses and sustainable corporate growth over the long term to contribute to the development of society.



Kazuhiro Yasuda
Managing Executive Officer
Head of Business Banking Group
and Corporate Banking Group



Hiroki Nakazato
Executive Officer
Deputy Head of Corporate
Banking Group



Takeshi Ito
Senior Managing Executive Officer
Head of Advisory & Investment
Group

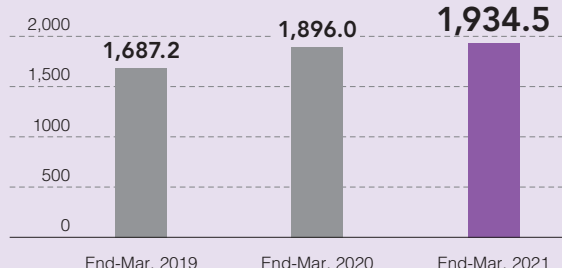


Shu Takahashi
Executive Officer
Deputy Head of Advisory &
Investment Group

Consolidated net revenue (billion yen)



Domestic loans outstanding* (billion yen)



*Including the other business groups' loans

➤ Major Businesses

■ Finance

We provide a wide range of support for corporate value enhancement, mainly focusing on the following representative services:

- Corporate finance tailored to customers' specific needs
- M&A finance for LBO, M(E)BO, etc.
- Project finance with a focus on renewable energy projects (please refer to page 46: “Project Finance for Renewable Energy Business”)
- Equity finance focused on strengthening our customers' capital bases
- Sustainable finance that supports our customers' SDGs initiatives (please refer to page 42: “Promotion of Sustainable Finance”)
- Products that meet market risk-hedging needs
- Securitization of a variety of assets including monetary claims using a trust

■ Advisory and Investment

We offer new business development solutions, mainly focusing on the following services:

- M&A advisory and business succession consulting
- Assistance for customers' overseas business expansion by leveraging business alliances with partner financial institutions, mainly in Asia
- Utilization of unique funds to meet customers' equity/debt funding needs (please refer to page 42: “Support for Business Succession”, and page 43: “Venture Company Support with Venture Debt Fund”)

<Aozora Group's investment companies and funds>

Investment company	Fund
AZ-Star Co., Ltd.	Buyout fund
AJ Capital Co., Ltd.	Business succession fund, venture secondary fund, business recovery fund
Aozora Corporate Investment Co., Ltd.	Debt fund for venture firms (HYBRID), targeted fund co-managed with corporations

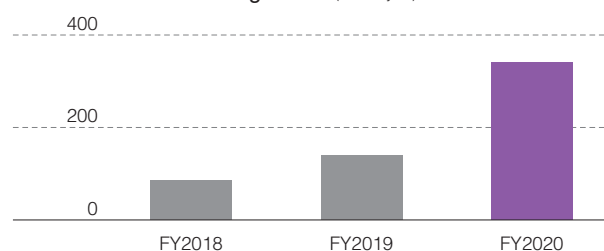
IBG'S Strengths

We focus on offering of customized solutions to serve our customers' diverse requirements, including enhancement of corporate value, business restructuring, and business recovery, as well as support for the fostering of new business as exemplified by venture companies.

The Aozora Group, including its group companies and investment funds, provides a wide-range of services, from advisory to finance, in order to respond to its customers' needs, particularly M&A and business restructuring needs, by leveraging its skill base, organizational flexibility, and experienced staff members inside Japan as well as abroad.

We have engaged in numerous large-scale LBO finance transactions, acquiring a depth of experience and expertise as one of the key players in the market.

Amount of LBO loan origination (billion yen)



In addition, a debt fund for venture firms (HYBRID) managed by Aozora Corporate Investment provides assistance to venture firms in avoiding the dilution of their management's ownership stake by providing financing at a firm's critical growth phase in which they've experienced a cash-out event. The fund has received positive responses from many entrepreneurs and venture firms as a unique financing method.

Our Business Activities in FY2020

While the impact of the COVID-19 pandemic continues, we have focused on providing short-term financing support to our customers. To provide this support, Aozora has established consultation desks and began offering "special-purpose loans", unique to Aozora, in order to provide timely financing to customers adversely affected by the COVID-19 pandemic. We also support our customer's short-term financing needs by leveraging our trust operations to launch payment agency services for our customers' payments.

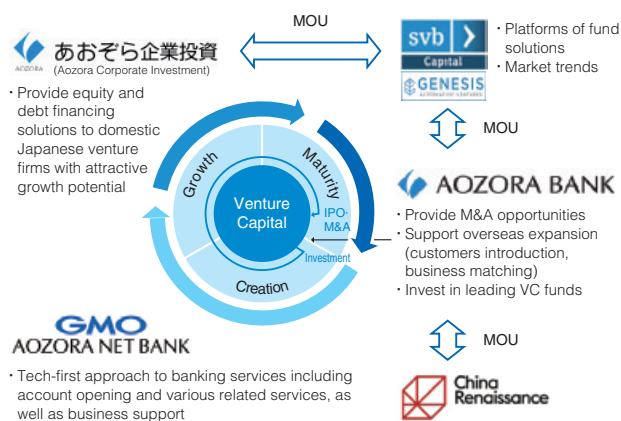
We provided M&A advisory and LBO/M&A finance to meet our customers' M&A/business restructuring needs, and proactively worked on equity instrument

initiatives, including subordinated loans/bonds, to contribute to the stabilization of our customers' financial bases during the COVID-19 pandemic. Aozora's customers' business recovery/restructuring, financial base improvement/stabilization and business succession needs are continuing to grow. As a result of the Tokyo Stock Exchange's market segment revisions, the need for M&A/MBO services is expected to grow while SDGs initiatives are beginning to gain momentum. The Aozora Group will continue to provide differentiated levels of customer support by offering high-value-added financial solutions to encourage sustainable corporate growth over the long term and to contribute to the development of society.

Topics

Aozora Venture Ecosystem Support Framework

To meet the needs of venture firms' diverse financing, overseas business expansion, and M&A needs at each growth phase while providing highly skilled and integrated services, Aozora has established the Aozora Venture Ecosystem Support Framework by leveraging its industry knowledge and network of Group companies, including Aozora Corporate Investment, GMO Aozora Net Bank, and its overseas partners with operations in the U.S., Southeast Asia, and China.



Allied Banking Group (ABG)

➤ Message from the Executive Officer in charge of the Allied Banking Group

For over 60 years, the Aozora Group has promoted a broad array of transactions and created a solid network with regional financial institutions across Japan.

Aozora's regional financial institution customers are currently undertaking initiatives to address issues faced by local communities across Japan, which are rapidly increasing in complexity as a result of ongoing demographic and environmental changes. Aozora established a "Regional Finance Partner Bank Task Force" in November 2020 by recruiting members from a pool of experienced Aozora employees with proven and diverse professional backgrounds and intends to leverage their expertise to contribute to the problem-

solving initiatives of Aozora's regional financial institution customers that support regional economies. In particular, Aozora will provide services that are in high-demand today and are expected to become increasingly important in the future, including support for (1) business recovery, restructuring, and succession, (2) securities investment/risk management, and (3) long-term wealth accumulation for retail customers. The Bank also strives to contribute to human resources development at regional financial institutions by working with them in a number of important areas.

Takashi Kato

Senior Managing Executive Officer
Head of Allied Banking Group

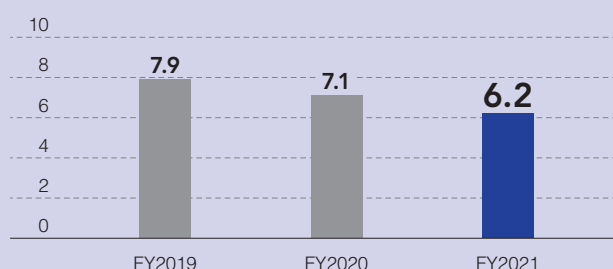
Naoko Tanaka

Executive Officer
Deputy Head of Allied Banking Group

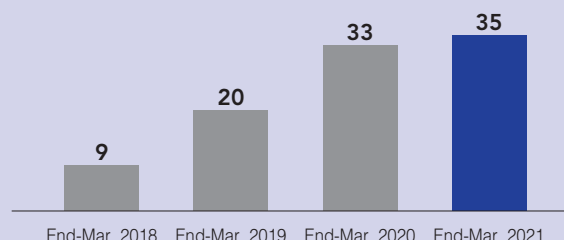
Akemi Hashimoto

Executive Officer
General Manager of Kansai Branch

Consolidated net revenue (billion yen)



Number of agency banks selling Aozora's publicly offered investment trusts



➤ Major Businesses

■ Financial Products

We provide bank bonds, time deposits, various derivative-embedded deposits/loans, private placement investment trusts as well as other trust related products. In addition, we also provide our customers with opportunities to participate in syndicated loans, LBO finance, and structured finance.

■ Solutions to Business Challenges

The Bank provides support for the establishment of the investment management systems and risk management frameworks commensurate with the level of risk-taking in securities investments. In addition, we work to enhance the expertise and skills of sales staff through sales training programs to support "customer-oriented business management" and offer diversified investment products (publicly offered investment trusts).

■ Collaborative Proposals to Clients

Aozora offers collaborative proposals to the clients of its regional financial institution customers, such as business assessment advisory to improve management, effective use of recovery funds, and M&A and business succession. We also provide joint solutions for reducing foreign exchange exposure risk arising from foreign currency credits and debts as well as raw material and fuel price fluctuation risk hedging.

(Please refer to page 42: "Support for Business Succession", page 43: "Contribution to Regional Communities through Business Recovery Support", and "Regional Revitalization through Advisory Services for Regional Financial Institutions".)

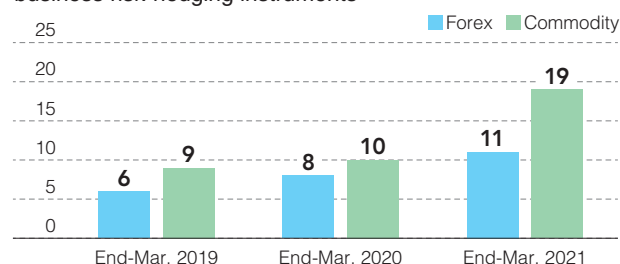
ABG's Strengths

By placing approximately 70 sales representatives with responsibilities for covering financial institutions across the country, we have made proposals to our financial institution customers and also worked with them to deliver collaborative proposals to the clients of our regional financial institution customers. In addition, we work closely with regional financial institutions to offer their clients business risk hedging products to address foreign exchange and commodity price fluctuation risks. Led by Aozora Loan Services which has a track record of more than 20 years as a bank-affiliated servicer, the Bank has provided support for business recovery and restart, while leveraging our strength in credit management with consideration for debtors and lenders.

Aozora Investment Management works to enhance the expertise and skills of sales staff through sales training programs to support "customer-oriented business

management" and offers diversified investment products for regional banks and their securities subsidiaries, and has earned market recognition for its ability to support product distributors, including regional banks.

Number of RFIs that have executed MOUs for providing business risk-hedging instruments



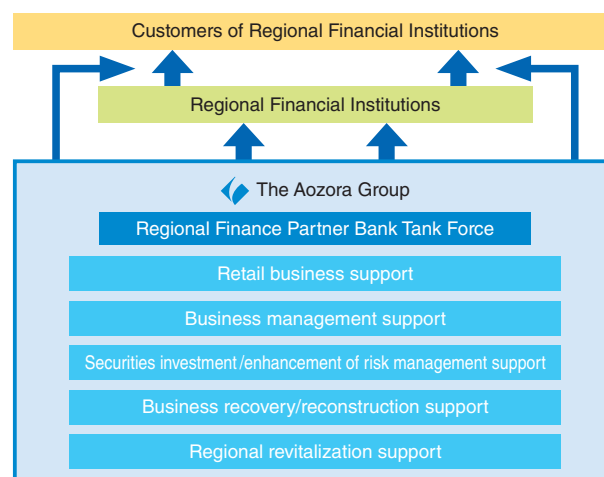
Our Business Activities in FY2020

Aozora established a "Regional Finance Partner Bank Task Force" in November 2020 and actively supported its regional financial institution customers' efforts to contribute to the development of regional economies by leveraging trust in local institutions and important resources, including personnel and networks from regional communities, to solve local issues, and create value that can be shared with these communities.

Aozora has signed memorandums of understanding regarding customer support services with multiple regional financial institution customers that enable them to utilize the Aozora Group's financial services when they provide financial solutions to solve the business challenges faced by their corporate clients. Based on these agreements, we have offered assistance for business recovery, business restructuring, business succession, M&A, and business risk-hedging instruments, as well as collaborative support for human resource development.

In these initiatives, we work with Aozora Loan Services on the utilization of business recovery funds, M&A advisory firm ABN Advisors on business succession at regional SMEs, and Aozora Regional Consulting regarding developing proposals to provide solutions and achieve management improvement for corporate clients.

The Aozora Group strives to contribute to regional revitalization and the development of local economies and industries by working closely with regional financial institutions to provide solutions specifically designed to meet the challenges faced by regional financial institutions and their customers.



Topics

Online seminar to introduce Aozora's 'work-from-home' system

In January 2021, we held an online seminar to introduce Aozora's 'work-from-home' system to our regional financial institution customers. As more and more employees transition to working from home as a result of the COVID-19 pandemic, creating a system to enable employees to work from home has become a major challenge for our regional financial institution customers. This seminar was held as a response to the numerous requests we received to provide information about Aozora's approach.

In the seminar, the Digital Transformation and Human Resources Divisions described our system development and business improvement initiatives designed to make working from home possible and provided examples of workstyle reform and other activities.

We received many questions and attracted significant interest from attendees curious about the initiatives of a fellow financial institution. The Aozora Group will continue to provide a wide variety of useful information to support our regional financial institution customers in solving their business challenges.



Specialty Finance Group (SFG)

➤ Message from the Executive Officer in charge of the Specialty Finance Group

The Specialty Finance Group provides high-quality real estate finance and business recovery finance-related financial services by leveraging Aozora's experience, expertise and industry network developed since Aozora's inception. SFG analyzes changing political/economic conditions as well as financial market trends and engages in globally diversified loans and investments with a forward-looking perspective. In addition, we strive to contribute to economic development by carrying out sound investment and loan activities that can sustainably generate revenue. We effectively assist customers in the smooth operation of their business amid the impact of the ongoing COVID-19 pandemic domestically and abroad



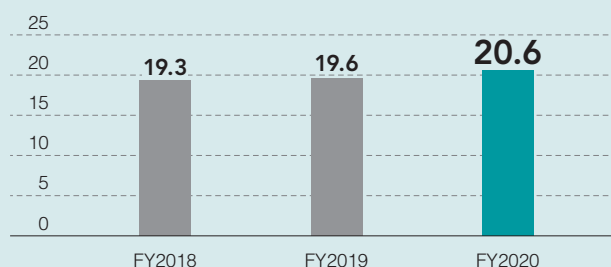
Fumihiko Hirose
Senior Managing Executive Officer
Head of Specialty Finance Group



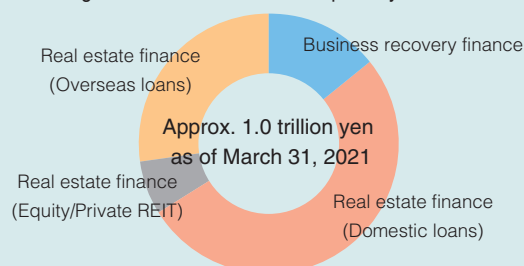
Takashi Hagio
Executive Officer
Deputy Head of Specialty Finance Group

by utilizing our experience in developing business recovery finance initiatives over many years. While the business environment is undergoing many changes, including increased awareness of SDGs and progressing DX initiatives, we strive to constantly improve our services in order to meet our customers' needs and to engage in environmentally conscious sustainable finance as a leading player in the real estate finance and business recovery finance markets.

Consolidated net revenue (billion yen)



Outstanding investments and loans in specialty finance business



➤ Major Businesses

■ Real Estate Finance

We make equity investments and provide non-recourse loans secured by commercial real estate properties in Japan, North America and Europe. Furthermore, we also provide unique and highly professional real estate-related financial services to meet customers' management/funding needs, including proposals for trust-based services. Aozora Real Estate Investment Advisors designs and arranges financial products targeting domestic real estate properties that meet investors', including regional financial institutions, needs for diversified funds management.

■ Business Recovery Finance

SFG focuses on loans for distressed companies and corporations facing challenges amidst a changing operating environment as well as loans secured by assets such as real estate related to recovering companies. Aozora Loan Services ("ALS") purchases the finance receivables of domestic financial institution customers as a market leader in the business recovery focused servicer industry. ALS also establishes and operates business recovery funds by region, business category, and specific regional financial institution, acting as a business recovery platform for clients of regional financial institutions. ALS contributes to the business recovery of SMEs as well as the invigoration of regional economies by helping to eliminate excess debt through these activities (please refer also to "Contribution to Regional Communities through Business Recovery Support" on page 43).

➤ SFG's Strengths

The SFG's strength lies in providing optimal solutions for customers based on the real estate finance/business recovery finance experience and expertise it has gained over many years. SFG has put in place a framework to comprehensively and flexibly provide finance not solely based on cash flow generated by

underlying assets, but also investments and loans for recovering companies in order to provide a wide variety of financial services that meet our customers' needs, including proposals for trust scheme-based transactions.

➤ Our Business Activities in FY2020

Real Estate Finance

We enhanced risk management within our existing domestic real estate loans that were adversely impacted by COVID-19 and strove to provide customized support to each of our customers based on their individual requirements. We carefully managed our overseas real estate transactions by effectively using our existing network, which includes overseas offices, and ensuring proper information collection and monitoring of existing exposures. In addition, while closely reviewing the risk and return of each transaction and originated new investments in and provided loans to transactions with stable earnings, we rebalanced our portfolio by disposing of a portion of our investments and loans while focusing on maintaining a sound portfolio. At the same time, in addition to developing new financial services in cooperation with ReTech companies and GMO Aozora Net Bank we designed and developed financial products targeting real estate properties through Aozora Real Estate Investment Advisors and strengthened our consulting services. We also strove to support the portfolio management of multiple institutional investors, including regional financial institutions, and engaged in finance for green buildings domestically and abroad.

Business Recovery Finance

While we strengthened the monitoring of existing investments, we also originated new business recovery investments and loans considering customer support and a growing awareness of SDGs. In addition, ALS maintained awareness of its contributions to society by supporting the business recovery/revitalization of our regional financial institution customers' clients through a number of business recovery funds established jointly with our regional financial institution customers. We also assisted our regional financial institution customers' clients in seeking to restart their businesses by leveraging the Aozora Group's knowledge and network. Furthermore, we strove to collect information on overseas markets and strengthen our approach to overseas business recovery investments "post COVID-19."

As a result of the ongoing changes in life styles, behavior patterns and the industrial structure brought by the pandemic, financing needs are expected to increase, especially for balance sheet adjustments and debt restructuring associated with structural reform and corporate restructuring. In addition, we recognize that we are expected to develop and provide new financial services by promoting Fintech and DX.

Topics

Initiatives toward Regional Economy/Industry Vitalization through Business Recovery

Regional economy and industry revitalization is one of Japan's top-priorities, and Aozora and ALS support customers in addressing their business recovery challenges in cooperation with regional financial institutions. As part of this support, ALS joined the "Shinkin Business Succession Consortium" established by Shinkin Central Bank in January, 2021.

The Consortium will facilitate business succession by proposing optimal solutions to Shinkin Banks' clients in cooperation with external specialized agencies that have expertise regarding the business succession issues. ALS provides a wide range of support via the Shinkin banking industry business recovery fund managed by Aozora Chiiki Saisei Co., Ltd, a wholly-owned subsidiary of ALS, purchasing the loan claims of customers in need of assistance from Shinkin Banks.

The Aozora Group also intends to develop a wide range of future initiatives designed to contribute to regional revitalization and regional economy/industry vitalization in cooperation with regional financial institutions, such as participating in the Consortium (please refer also to "Contribution to Regional Communities through Business Recovery Support" on page 43).



International Finance Group (IFG)

➤ Message from the Executive Officer in charge of the International Finance Group

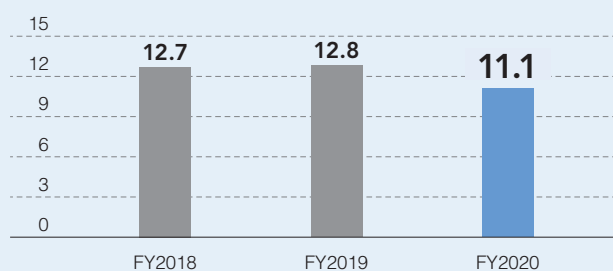
The international business environment has changed significantly over the past year as a result of the COVID-19 pandemic, a new administration in the United States, Brexit and increasing political tension between the United States and China, as well as other developing issues. We focused responding to COVID-19 as one of our highest priority issues to be addressed and managed in our daily operations. We also placed a high priority on understanding changes in the economic climate and trends in each industry amid the rapidly changing business environment facing the world's major industrialized countries, further strengthened our oversight and control structures, and focused on maintaining portfolio quality through a rebalancing of our North American corporate loans and investments. While economic activity gradually began to recover in the second half of the year, mainly in North America, we once again began to selectively originate new loans while employing thorough information gathering and risk management. Going forward, we will strive to further increase the



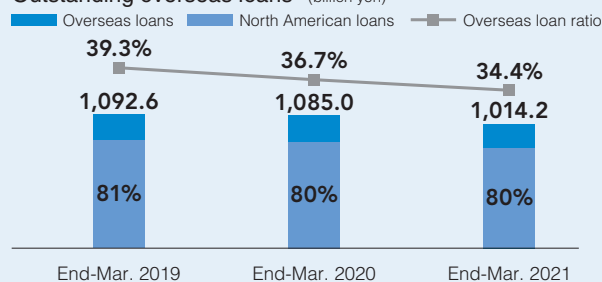
Masaki Onuma
Managing Executive Officer
Head of International Finance Group

level of high quality assets within our portfolio. During the past year, new revenue opportunities have also been created via new business models and channels, such as DX and SDGs-related investments. We intend to remain flexible and respond to the changes in the domestic and overseas business environments and further diversify our revenue sources by supporting customers with a range of services, in addition to our existing lending business, and developing initiatives for different asset classes. We also intend to emphasize the sustainable growth of international finance on a company-wide basis by enhancing our investment and loan business as well as our strategic investment banking business through closer group-wide collaboration. As one example, we plan to leverage the relationships built and expertise gained through our "Asian Strategy", which has been in place since 2013, and promote our new "Asian Strategy Phase 2" across the Bank.

Consolidated net revenue (billion yen)



Outstanding overseas loans* (billion yen)



*Including overseas real estate loans (Specialty Finance Group)

➤ Major Businesses

■ Corporate Finance, Project Finance, Other Structured Finance

The International Finance Group supports its customers in creating value through proactively participating in corporate finance with a focus on commercial lending in North America, Europe, and the Asia-Pacific region. IFG meets customers' diversified funding needs for project finance and other structured finance by providing funding for projects sponsored by leading Japanese and overseas companies in a wide range of industries including natural resources, energy, infrastructure, and the environment while also providing other types of finance based on cash flow generated by operating assets.

■ Initiatives for New Asset Classes

We are also promoting our initiatives for assets other than loans, such as highly-rated corporate bonds and debt funds, as part of our efforts to ensure stable earnings and build a high-quality portfolio with well-diversified risks.

IFG's Strengths

By paying close attention to rapidly changing global conditions and market environments and leveraging its years of experience and successful track record for each region and product, IFG has developed a strategy and operating approach which allows it to build a high-quality portfolio with stable earnings and well-diversified risks while building assets portfolios with a well-balanced risk-return profile. We flexibly and thoughtfully respond to changes in global conditions and customer needs on a global and Aozora-wide

basis by strengthening the network at the Head Office and each branch while working towards the sustainable development of international finance within the Aozora Group.

A key element of our operating strategy is that IFG's credit risk is closely controlled through the sharing of credit policy and governance of Aozora's subsidiaries, and Aozora's group-wide portfolio is centrally managed through global and coordinated monitoring by the Head Office and at each subsidiary.

Our Business Activities in FY2020

During the year we primarily focused on assisting customers and maintaining the quality of our portfolio by paying close attention to multiple risk events amid heightened volatility in financial market trends as well as political and economic conditions. We once again began to selectively originate loans and investments via focused information gathering and risk management as economic activity gradually began to resume beginning in the second half of the year, mainly in North America. In addition, as each country began to pursue new working approaches, such as promoting the implementation of work-from-home systems, we have made ongoing efforts to establish an operating platform that facilitates the effective operation of international finance through increased personnel and the introduction of a flexible working system, including our overseas offices, and further enhancing our IT infrastructure in order to strengthen communications between offices.

North America

Aozora North America (ANA), our New York-based subsidiary, commenced operations in September, 2020. We further enhanced risk management for the key regions that occupy the core of our foreign currency-denominated loan assets, mainly the U.S., and strove to source attractive earning assets through enhanced information gathering. We also focused on maintaining the quality of our portfolio through rebalancing as well as ensuring the proper monitoring of the existing portfolio.

Europe

We conducted business operations with a focus on ensuring proper risk management of our existing portfolio, mainly led by Aozora Europe Limited (AEL), our London-based subsidiary. At the same time, we evaluated European companies that are proactively developing SDGs initiatives and examined new business opportunities which contribute to SDGs.

Asia-Pacific

We sought to maintain the quality of our portfolio in the Asia-Pacific region while focusing on information gathering and analysis of each country's economy in collaboration with our representative offices (Shanghai/Singapore) led by Aozora Asia Pacific Limited (AAPF), our Hong Kong-based subsidiary.

Project Finance/Structured Finance

We conducted business operations with a focus on risk management and the monitoring of our existing exposures while closely following the business environment in each region of the world. We also responded to our customers' capital raising needs by engaging in SDG conscious renewable energy projects and other structured finance. We also further diversified our portfolio by developing initiatives for assets other than loans, such as highly-rated corporate bonds and debt funds.

Our aim is to proactively manage our globally diversified portfolio while responding to expected political and diplomatic event risks, such as the unclear end to the COVID-19 pandemic, political and economic issues in major countries caused by changing political administrations in the U.S. as well as Brexit, the intensifying political and economic conflict between the U.S. and China, and restrictions on international free trade due to growing protectionist trends. We intend to further diversify our revenue opportunities while also flexibly responding to changes in the domestic and overseas business environments, such as the emergence of new business models and market formations due to changing life styles, the creation and adoption of "green" innovation, continued advancement of IT technologies, the progress of DX investments, and the enhancement of SDGs initiatives around the world.

Topics

Training of Global Human Resources

IFG strives to train employees to have the necessary skills to engage in global business while working in collaboration with other relevant divisions and hiring local professionals under a policy of managing operations in order to contribute to the development of the global economy. IFG has a history of providing overseas business training sessions at offices in a variety of countries for employees normally stationed in Japan through its "Overseas Office Challenge Program" and "Short-term Overseas Trainee Program" hosted by Aozora's Human Resources Division. We also conduct international finance related practical training sessions by accepting trainees from other divisions into the International Business Division and International Business Management Division.

With restrictions on domestic and overseas travel due to COVID-19, we have strived to disclose the latest information from various countries via the "Aozora University" (Please refer to page 65), such as digitalization initiatives by forward-looking financial institutions in Singapore and showcasing the day-to-day conditions within China's digitalized society, including those of local staff members.



Retail Banking Group (RBG)

➤ Message from the Executive Officer in charge of the Retail Banking Group

By combining our branch system, comprised of 19 locations across Japan, and our new smartphone app-enabled money service BANK™, Aozora strives to provide comprehensive financial services for all of its customers through specialized consulting services at branches as well as the highly convenient BANK™ app, and aims to become a distinctive partner bank chosen by customers to help support their enriching lifestyles.

At our branch locations, we have instilled in our employees a firm commitment to “Customer-Oriented Business Management”, and in addition to a wide range of deposit products, we offer investment trusts and structured bonds that meet the diversified needs of our customers in collaboration with Aozora Securities and Aozora Investment Management. We also provide numerous insurance products that serve to better prepare our customers and ensure their security for life past 100 years of age. We have established a framework in collaboration with

Jun Nakashima

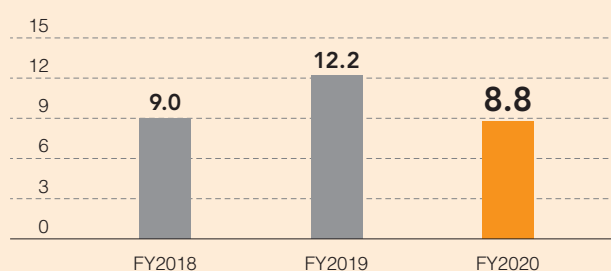
Executive Officer
Head of Retail Banking Group

our consultants and financial planners with extensive knowledge and employees with tax accountant qualifications at each branch location in order to respond to testamentary trust and M&A needs while providing comprehensive consulting services regarding inheritance and business succession for our business owner customers.

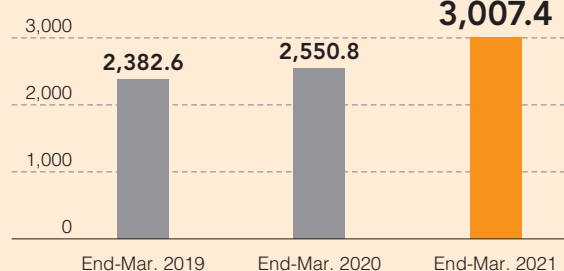
In addition, we began to provide simple and smart financial services through the new money service BANK™ in July 2019, which is also used by customers who do not have a branch nearby. Thanks to your support, since the launch of BANK™ more than 200,000 customers have opened new accounts and regularly use our services.

We will make ongoing efforts to provide more customers with specialized consulting at our branch locations as well as BANK™ services that are unrestricted by time and place.

Consolidated net revenue (billion yen)



Assets Under Management (billion yen)



➤ Major Businesses

■ Specialized consulting services regarding property succession and business succession, offering of testamentary trust and estate settlement services

In addition to consultants at each branch location, financial planners and employees with tax accountant qualifications at the Head Office provide comprehensive consulting services.

■ Proposals for asset management such as investment trusts and structured bonds

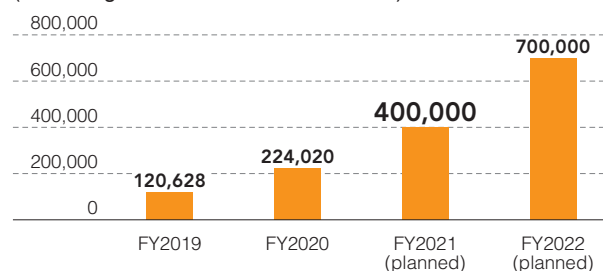
We designated investment trusts that contribute to our customers' mid- to long-term asset management needs as “Aozora Core Funds”, and offer them with no load (0% purchase fee). In addition, the structured bonds we offer through Aozora Securities are provided as simple and easy-to-understand products.

RBG's Strengths

In our branches, we have designed individual consultation booths that provide a relaxed atmosphere as our dedicated consultants provide consultation services tailored to each customer. We are able to respond to our customers' needs through a system that, depending on the content of the consultations, allows for collaborations with employees that have specialized knowledge, such as in tax or inheritance issues, as well as external experts.

We launched BANK™ in July 2019, a highly convenient new service with features such as allowing customers to use an app for a series of transactions including account opening, and we also have delivered new capabilities through our "BANK The Story" service. By providing services that have not yet been readily available at other financial institutions, we have been supported by many customers.

Number of BANK™ Accounts
(excluding accounts with zero balance)



As a result of these efforts, we have also received a high level of recognition and were featured in the March 7, 2021 edition of Nikkei Veritas magazine. We ranked fifth overall among financial institutions in the "Customer Satisfaction Comprehensive Ranking", and within the individual items queried in the "Customer Satisfaction Comprehensive Ranking Top 40", ranked first in "Financial institution I want to continue using", and fifth in "Courteous customer service/response".

Our Business Activities in FY2020

As a generation of Japanese society approaches 100 years of age, our customers are facing rising asset formation and asset management needs, while property succession and business succession consultations have been rapidly increasing. Aozora will continue to meet the individual needs of our customers and provide high value-added and specialized consulting services. In April 2020, we established the Financial Advisor Office as a dedicated organization that responds to a wide range of needs, including business succession, and offers comprehensive consulting services.

Amid the ongoing uncertain business environment resulting from the COVID-19 pandemic, customer needs for non-face-to-face transactions have increased. Accordingly, we are striving to improve the convenience of the BANK™ app and our Internet banking services, while also enhancing security to protect our customers' important assets.

In February 2021, we established a system to allow traditional branches to provide BANK™ services offered to the customers through the BANK™ branch. By integrating our traditional branches, the BANK™ app, and Internet banking, we have established a

system that seamlessly provides products and services regardless of time, location, and channel. We use tablets as well as paperless and "no-seal" processing of documents in order to shorten processing time at all branches.

We also relocated our Yokohama Branch in June 2020 and the Nihonbashi and Ueno Branches in December 2020. These new branch locations serve as a bridge to connect "who, where, and when" by focusing on themes such as "ties with customers", "present and future" as well as "tangible and digital". These branch renewals support our intent of developing branches in sync with changing times and lifestyles.



(Nihonbashi and Ueno Branches)

Topics

Offering of Investment Trusts with ESG Considerations

The "Aozora New Global Core Fund (a limited open investment trust, 'Junen Toiro')", which was designed and managed by Aozora Investment Management and launched in 2020, is an investment fund that targets ESG-focused equity and bond funds managed by US-based Dimensional Fund Advisors. We fully adhere to our investment principles of "long-term investments" and "asset diversification" while incorporating considerations of "sustainability" that affect the mid- to long-term share value of companies. When selecting funds, we perform screening based on "Environmental sustainability" and "Social sustainability" that focus on greenhouse gas emissions at the business-type and portfolio levels and invest in companies from a long-term perspective.

Aozora is committed to providing products and services in line with our stance of "customers' mid- to long-term asset management" and contributing to the environment and society through our investments. (Please also refer to page 44 "Investment Trust 'Junen Toiro' Focused on Sustainability (ESG) Investments.")



Financial Markets Group (FMG)

➤ Message from the Executive Officer in charge of the Financial Markets Group

The Aozora Group aims to establish an operational system that enables "product development and value for customers" as well as the "realization of stable revenue" under a range of business conditions by developing creative and original initiatives in new areas while enhancing our expertise in market-related businesses.

In our Sales & Trading business, we strive to develop and provide a range of financial products in order to meet our customers' risk hedging and asset

Tetsuji Okuda

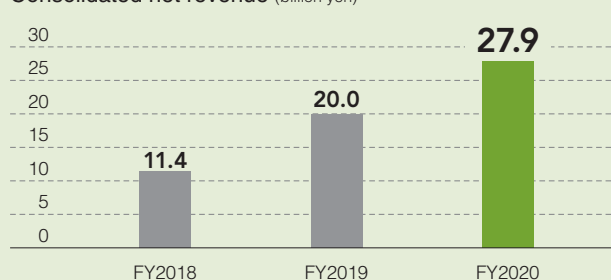
Managing Executive Officer
Head of Financial Markets Group

management needs.

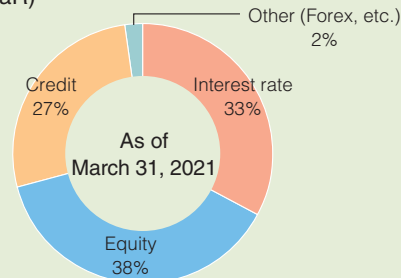
In our ALM/Securities Investment business, we engage in stable cash flow management and aim to realize stable revenue through global and diversified investments and robust risk control.

We are also focused on human resource development designed to further strengthen the skill level of our market teams.

Consolidated net revenue (billion yen)



Market risk (VaR)



➤ Major Businesses

■ Sales & Trading

We develop and provide a wide variety of financial products by utilizing derivatives for our retail, corporate, financial institution, and public-service corporate customers.

We also strive to provide our customers with financial products at competitive prices by improving the effectiveness of our risk-hedging operations and risk management in market-making, as well as to secure trading income through risk control.

■ ALM/Securities Investment Business

We aim to optimize our yen/foreign currency funding base while managing the interest-rate-related risk and liquidity risk inherent in our balance sheet (deposits and loans).

We also aim to build optimal portfolios and secure stable revenue by way of diversified global investments centered on securities with high liquidity.

➤ FMG's Strengths

Our sales team provides a range of financial products through direct consultations that meet a wide variety of needs with a tailor-made approach. In ALM (Asset Liability Management), we conduct flexible portfolio management that responds quickly

and decisively to emerging risks. We strive to support Aozora's other divisions with an awareness of cross-divisional collaboration by providing them with market-making, financial products, and market information.

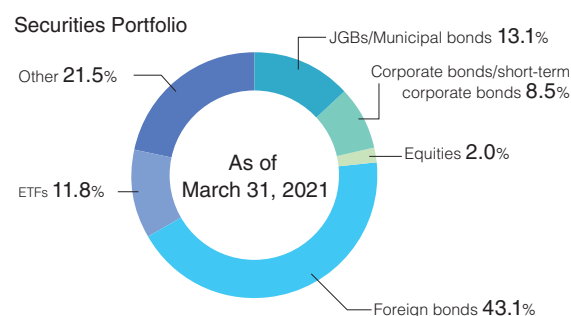
➤ Our Business Activities in FY2020

Sales & Trading Sections

In our sales business, we provided our corporate customers with tailor-made financial products via hands-on consultations to support our customers' risk hedging needs for FX and fuel price that may impact their core business. In response to our financial institution customers' needs that have emerged under the prolonged low-interest rate environment, we offered various long-term derivative-embedded products. We also improved the marketability of trust-type credit-linked loans in order to provide our customers with better economic conditions. In our trading business, we contributed to securing revenue, even during fluctuations in the bond and stock markets, by properly managing risks while focusing on market-making of products provided to our customers.

ALM/Securities Investment Business

We focused on securing stable revenue by investing carefully and flexibly in a range of global risk assets, including bonds, equities, credit, REITs, and FX, after ongoing analysis and forecasting of financial market trends. We also increased the size of our funding base and managed our funding mix through the timely issuance of straight bonds.



Due to the downside risks that remain, including the unclear conclusion to the COVID-19 pandemic, new policies of the Biden administration, as well as geopolitical risks, the market environment is expected to remain uncertain. We will continue to develop and provide products in our Sales & Trading business that meet our customers' diversified needs, such as risk hedging and long-term asset management under a low interest rate environment, in collaboration with product development-related divisions.

In our ALM/Securities Investment Business, we will flexibly manage risks from volatility, while also striving to generate stable revenue.

With regard to SDGs, which is an issue that has attracted increasing attention in recent years, we will actively implement initiatives as a financial institution responsible for maintaining the social infrastructure, such as supporting project finance transactions related to ESG/SDGs and investing in social bonds.

Topics

Contributing to the revitalization of the regional economy through the provision of financial products

Aozora provides financial products for solving management issues facing regional financial institutions and their customers. We remain committed to contributing to local communities by providing financial products that meet their needs while combining the extensive trading network of regional financial institutions and our financial knowledge to leverage our combined strengths. In FY2020, we entered into agreements for commodity derivative transactions generated by customer referrals from regional financial institutions.

We will make ongoing efforts to offer customized risk consulting services and provide high-quality financial products that will lead to the revitalization of local economies and industries.



GMO Aozora Net Bank Initiatives

➤ Overview of GMO Aozora Net Bank - No.1 Tech-first banking services -



GMO Aozora Net Bank ("GANB") was launched in July, 2018 as an Internet Bank that leverages the strengths of both the Aozora Group and the GMO Internet

Group. Through its expertise in "Banking and IT", GANB has combined technology, technical knowledge, an independent perspective, a broad range of tools, and its specialized network to establish itself as a

progressive bank that defies easy categorization. GANB's mission is to provide its customers with the five values of "safety", "speed", "price competitiveness", "convenience", and "new experience". Under its corporate vision of "All for our customers. Strive to be the No. 1 Tech Bank", GMO Aozora Net Bank supports these values through in-house systems development backed by its technological capabilities. Through this approach, GANB can provide its customers with low-cost services and highly-flexible service plans.

◆ Focus Areas

In the modern age of accelerating digital transformation, GANB seeks to utilize technology to provide services that closely match the needs of its customers.

➤ Expansion of Services to Corporate, Start-up, and Small-Business Customers - No. 1 bank among start-ups & small businesses -

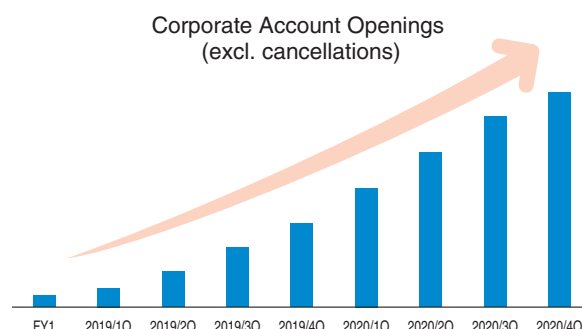
An increasing number of start-up and small businesses are using GANB's low-cost, high-quality services that support the growth of its customers' businesses and the implementation of Bank APIs, as well as paperless and seal-less online corporate account opening applications

and internet transactions that are available 24-hours-a-day, 365-days-a-year*. GANB is also focused on the further expansion of its services based on feedback from its corporate customers.

*excluding during system maintenance

◆ Corporate customers: Reasons for opening an account (survey results)

1. No account maintenance fees
2. Low-cost transfers to other banks
3. Online transactions available 24/7
4. Transfer receipt accounts at no cost
5. Parent company's reputation



Transfer Fees for Corporate Customers

The No. 2 reason corporate customers chose to open accounts with GMO Aozora Net Bank is its continued dedication to providing the lowest level of transfer fees to other banks in the industry.

As of July 1, 2021 (currently planning to reduce fees starting October 1, 2021)

	Transfers to GMO Aozora Net Bank accounts	Transfers to accounts at other financial institutions
Ordinary accounts	Free	166 yen (tax included) per transaction under 30,000 yen 261 yen (tax included) per transaction over 30,000 yen
"Transfer Fee 'Toku-Toku' Membership"*	Free	160 yen (tax included) per transaction

*Users of the "Transfer Fee 'Toku-Toku' Membership" program pay a separate monthly user fee of 1,980 yen (tax included).

Transfer Receipt Accounts

The No. 4 reason corporate customers chose to open accounts with GMO Aozora Net Bank is its “Transfer Receipt Accounts”, also known as virtual accounts, which assign deposit account numbers to each user and transaction. By allocating individual deposit accounts, payment management from bank transfers can be handled smoothly, which greatly reduces the time and effort required to verify transactions and streamlines its corporate customers' payment management systems. GANB also has full line-up of Bank APIs, including a transfer receipt account API menu for customers with a large number of transactions.

Overview of Transfer Receipt Accounts

1. Efficient Deposit Management

Lowest the cost of and time spent on deposit management through the ability to easily identify which deposits are associated with which customer or order.

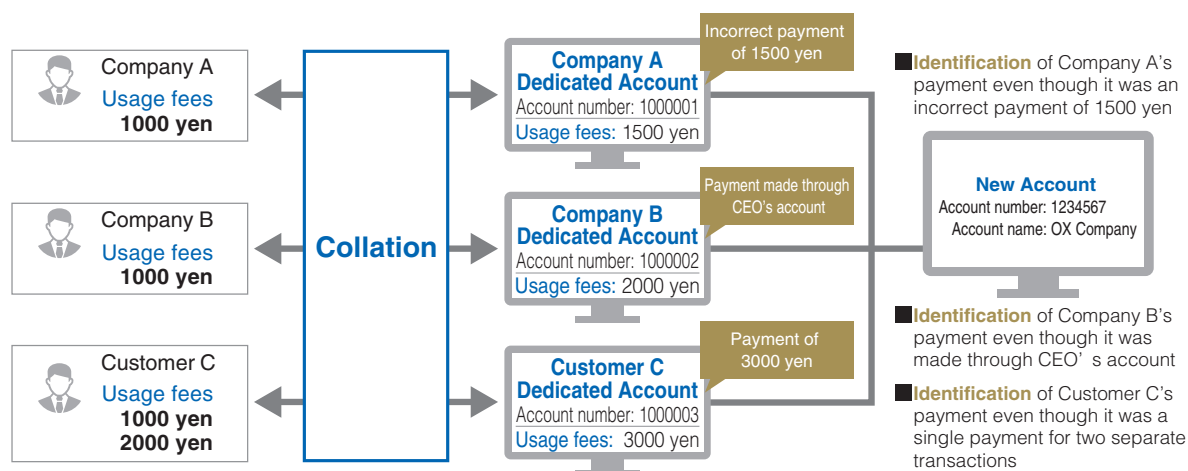
2. Enhanced Sales Receivable Collection Management

Customers can expect enhanced sales receivable collection management through the ability to quickly and easily confirm which accounts are unpaid.

3. Improved Services for Customers

Improved services allowing for even faster shipping and delivery of products and the decreased number of inquiries and mistaken payment demands to customers.

Transfer Receipt Account Usage Guide

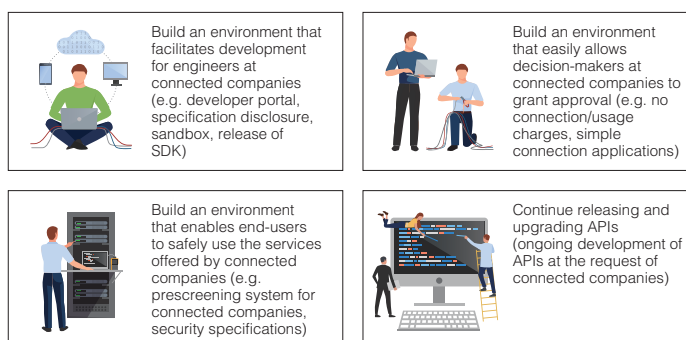
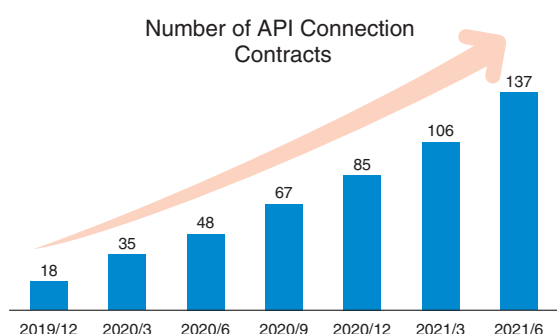


Allows for easy confirmation of incorrect payments thanks to the ability to establish dedicated accounts for each payment request.

Bank API Connection Services - No. 1 Bank API -

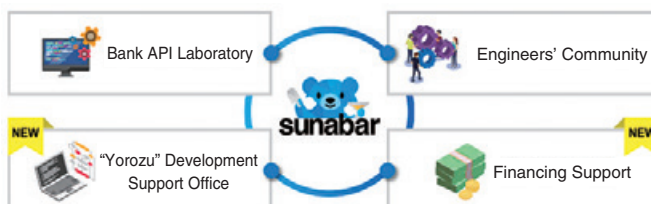
API, short for Application Programming Interface, is a set of functions designed to allow access to the features or data of another application. APIs can contribute to business efficiency and the creation of new business by safely connecting data between banks and external corporate customers. GMO Aozora Net Bank's API connection service is basically no cost to the user, has a robust line-up of Bank APIs, easy connection development designed to be engineer-first, and includes initiatives intended to lower the barrier for Bank API connections represented by services like GMO Aozora Net Bank's API Laboratory, “sunabar”. All of these features have received much market attention, and as of March, 2021, GANB has formed Bank API connection contracts with over 100 companies.

API Connection Services Concept



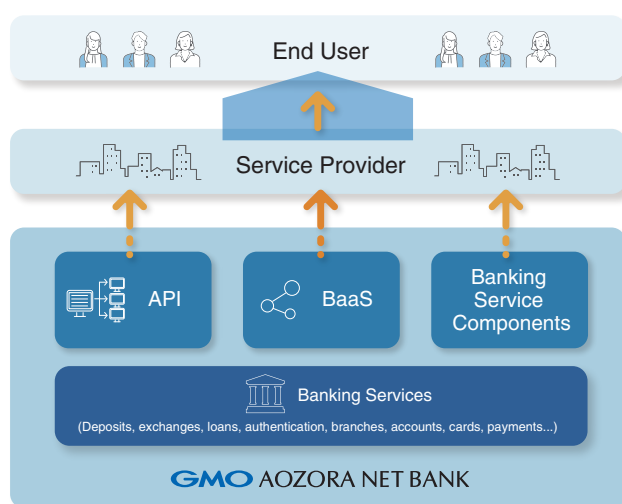
GMO Aozora Net Bank's API Laboratory, "sunabar"

"sunabar" is a Bank API laboratory that operates as a free-of-charge API testing environment and community for engineers, and is one of GANB's initiatives intended to lower the barrier of entry for Bank API connections. "sunabar" is the first of its kind to be developed by a Japanese bank. The lab has allowed GANB's corporate customers to test products in advance, transfer them to a production environment, and then offer them as available services. In February 2021, development support and financial support features were added in order to further support corporate customers with Bank API connections.



Embedded Finance Services - Digital transformation from the users' perspective -

GANB offers each of its banking functions as a standalone service, which enables its corporate and institutional customers to include its financial services in their own service packages. Retail and corporate clients that use GANB's corporate customers' services as end users can also seamlessly use them to make payments and investments. As such, GANB contributes to the enhanced convenience of its corporate customers' services. The main banking function provided is use of the Bank API to automatically connect a wide variety of features, but GANB also offers virtual branches dedicated to each corporate customer and Visa debit cash cards.



Services for Retail Customers

GMO Aozora Net Bank also leverages its technological capabilities and the strength of its in-house system development to provide services that meet the needs of retail customers.

In response to the growing demand for quick access to Internet banking services, GANB launched its "same-day account opening" service in November 2020, which allows customers to use their accounts the day they submit their application by using the eKYC* identity verification system. In addition, GANB offers a "customer stage" program, wherein retail customers can receive special perks, such as a limited number of free ATM withdrawals and transfers to accounts at other banks, as well as higher Visa debit cashback rates, depending on how much they use GANB's products and services. In order to meet the diverse asset management needs of its customers, GANB also offers over-the-counter foreign exchange

margin trading, "GMO Aozora FX", for customers looking to take the next big step after foreign currency deposits.

*Short for "electronic Know Your Customer". An online identity verification system.



Collaboration with Orient Commercial Joint Stock Bank (OCB)

The Aozora Group intends to mutually and flexibly leverage its operations, human resources, knowledge, and business partners across Asia in order to further develop its “Asian Strategy”.

➤ Capital and Business Alliance with OCB

In order to capitalize on the region's economic growth and promote initiatives that actively contribute to the ongoing development of the Vietnamese economy, Aozora executed a capital and business alliance agreement with Orient Commercial Joint Stock Bank (OCB), a mid-sized commercial bank based in Vietnam. As a result, Aozora acquired 15% of OCB's common shares in June 2020 and also appointed two

directors, making OCB an affiliated company (equity-method) of Aozora Bank.

As a long-term strategic partner, Aozora Bank will make ongoing efforts to provide its specialized and differentiated financial services to customers by sharing its financial experience and knowledge with OCB.

➤ Overview of OCB

OCB is a mid-sized commercial bank based in Vietnam.



- ▶ Establishment: 1996
- ▶ Total Assets: Approx. 700 billion yen (as of 12/2020)
- ▶ Number of employees: 5,635 (as of 3/2021)
- ▶ Number of branches: 134 (as of 12/2020)
- ▶ Listing: HOSE (Ho Chi Minh Stock Exchange) (since 2021/1)

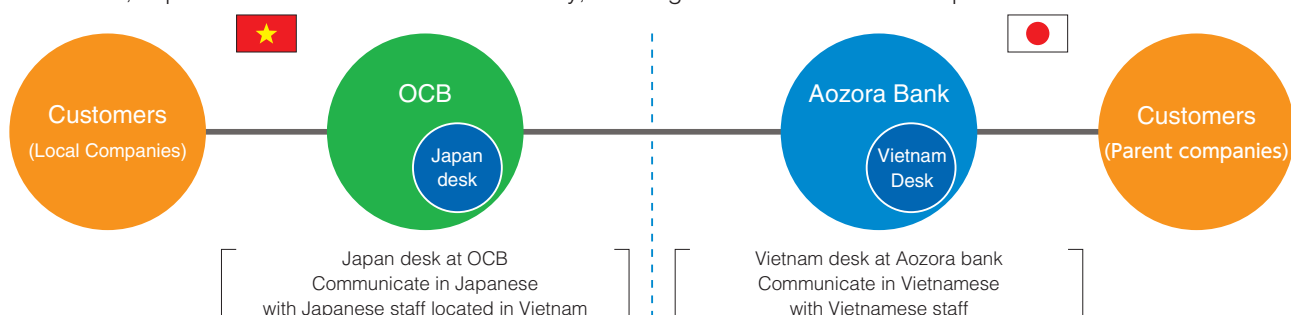


➤ Collaboration with OCB and New Business Creation

Full support system in both Japan and Vietnam

Vietnamese staff fluent in Japanese are stationed in both Japan and Vietnam, allowing for communication with local Vietnamese customers.

In addition, Japanese staff are also stationed locally, allowing for communication in Japanese.



Extensive service lineup

Aozora Bank provides one-stop support with its unique services, from supporting companies' expansion into the Vietnamese market to business development support.

Open local account

Remittance support

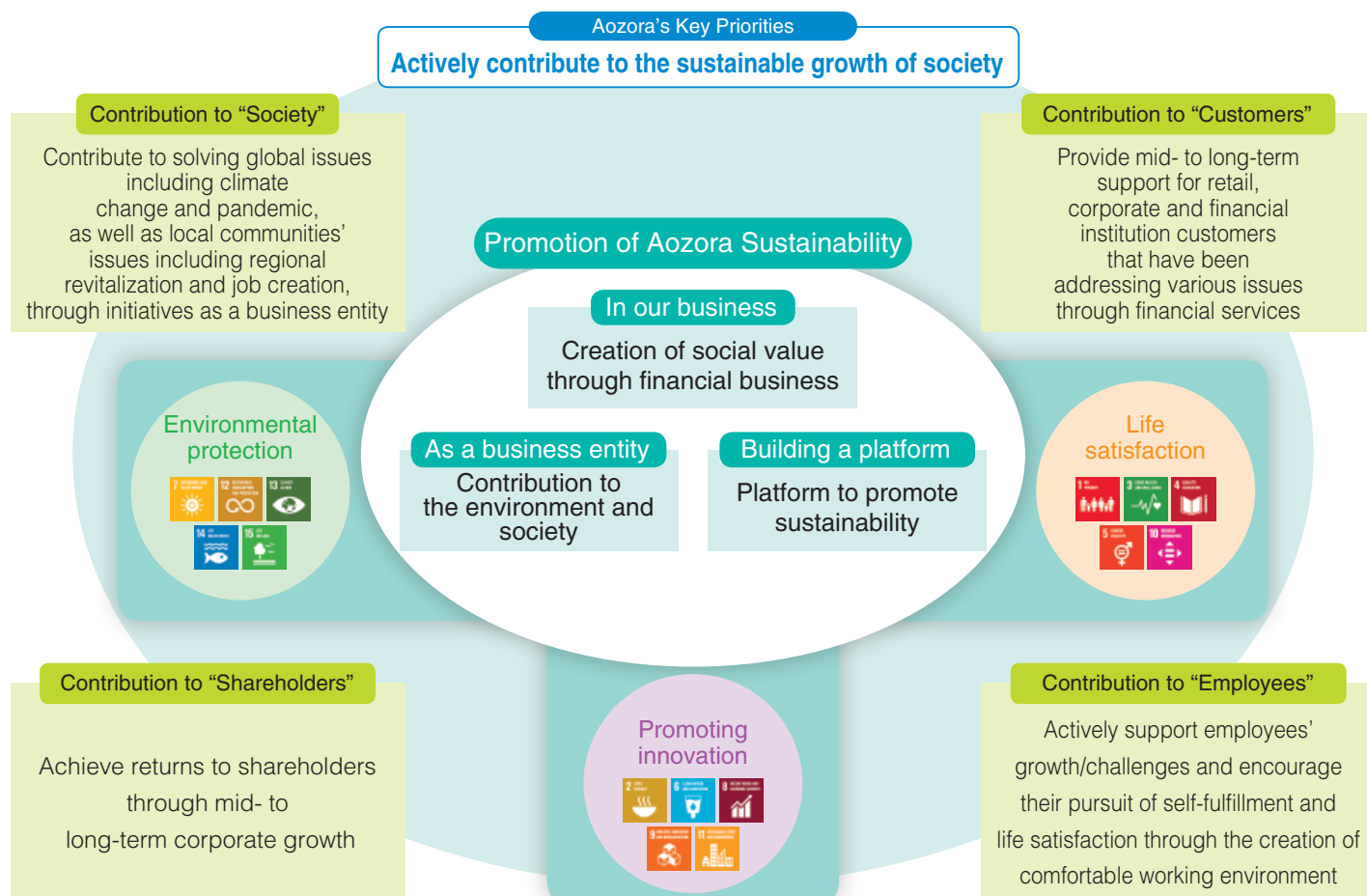
Local funding support

Introduction of local
information

M&A advisory

Sustainability Promotion

In order to actively contribute to the sustainable development of society, the Aozora Group works to “create social values through financial business,” “contribute to the environment and society as a business entity” and “build a platform to promote sustainability” with the aim of contributing to all stakeholders, including society, customers, shareholders and employees, as well as the realization of a more sustainable society.



Key Issues (ESG Materiality) and Priority Initiatives

As initiatives to promote sustainability, the Aozora Group focuses on the following “3 Key Issues” (ESG Materiality): “Environmental protection,” “Promoting innovation” and “Life satisfaction.”

In each of the 3 Key Issues, Aozora is implementing a series of initiatives with an awareness of its key roles from a mid- to long-term perspective while flexibly reviewing priority initiatives in light of potential changes

in environmental and social requirements.

We have categorized these priority initiatives into the following: “Initiatives within our business,” “Initiatives as a business entity” and “Initiatives to build a platform.”

In FY2021, we will work on these three initiatives across the Aozora Group, which are included in the business plan as high priorities.

3 Key Issues (ESG Materiality)	Key roles for the future
Environmental protection 	<ul style="list-style-type: none"> • Further development of highly efficient technology for practical application that contributes to reducing environmental load, including renewable energy • Prevention of sea pollution, including marine waste, as well as deforestation and forest degradation • Mitigating damage from extraordinary weather events associated with climate change • Reduction of hazardous chemical and waste material discharge in consideration of adverse impacts on human health and the environment (air, water, soil)
Promoting innovation 	<ul style="list-style-type: none"> • (1) Economic development (job creation, regional revitalization); (2) Satisfactory welfare; (3) Social inclusion; and (4) Fostering new technology and emerging companies that contribute to resilience, business reorganization/restructuring and promotion of digital innovation • Promotion of inclusive and sustainable urban development • Promotion of agricultural system by improving food self-sufficiency ratio and farm productivity while preserving local ecosystems
Life satisfaction 	<ul style="list-style-type: none"> • Promotion of long-term personal wealth accumulation • Promotion of smooth inheritance and generational changes by supporting business succession • Elimination of anxieties about healthcare and nursing care, protecting the socially vulnerable against infectious diseases • Creation of an environment which allows everyone to equally access proper, inclusive and user-friendly services



Priority initiatives

In our business

- Promotion of sustainable finance that supports corporate initiatives to address environmental & social issues (For details, please refer to page 42.)
- Support for business/property succession, business recovery and new ventures by leveraging Aozora's strengths (For details, please refer to page 42.)
- Support for retail customers' mid- to long-term wealth building by offering ESG-focused financial products (For details, please refer to page 44.)
- Support for initiatives to address social issues by leveraging the BANK™ platform (For details, please refer to page 44.)
- Enhancement of services for senior customers through a joint research project in the financial gerontology field (For details, please refer to page 50.)

As a business entity

- Improvement of initiatives to reduce CO₂ (e.g. consideration of how to implement "green" initiatives regarding electricity usage at business facilities) and waste (For details, please refer to page 47.)
- Encouraging employees' activities that contribute to society (e.g. volunteering, donations)
- Further focus on diversity and inclusion, such as expanding support for people with disabilities (For details, please refer to page 51.)
- Support for global initiatives, positive acquisition of evaluation/authorization from third parties as well as development of a feasible framework

Building a platform

- Resilience assessment of climate change risks via quantitative scenario analysis
- Increased communication with stakeholders, including promotion of enhanced information disclosure in the Annual Report
- Build a PDCA cycle by setting sustainability related long-term goals

Sustainability Implementation Framework

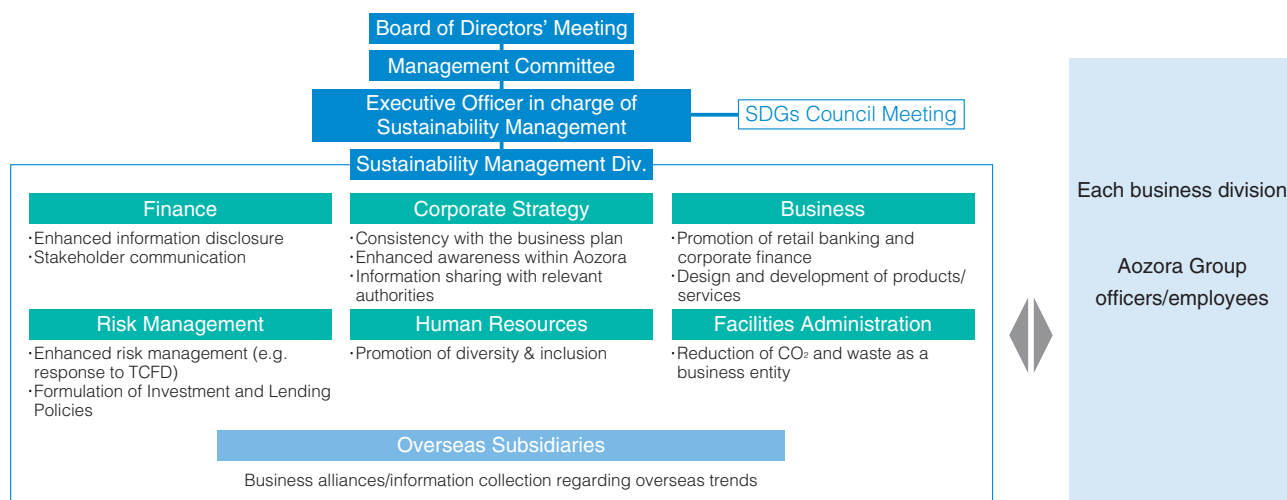
The Aozora Group works on the enhancement of its sustainability implementation framework towards the realization of sustainable environment/society as well as the achievement of group-wide sustainable growth. Based on the 3 Key Issues (ESG Materiality) as set forth in the Mid-term Plan, we prepare operating policies in light of the ESG Materiality which are then approved by our Board of Directors. Implementation progress on the initiatives is reported quarterly to the SDGs Council Meeting, an advisory body to the Executive Officer in charge of Sustainability Management.

At the SDGs Council Meeting, we discuss and share considerations for solutions to environmental and social sustainability issues and may from time to time

include other invitees in order to foster a more thorough discussion depending on agenda items. The principal discussion items from these meetings are shared with the Management Committee for approval/reporting and, if needed, to the Board of Directors' Meeting for reporting.

Established in April 2021, the Sustainability Management Division consists of full-time staff as well as additional members who serve concurrently with the Corporate Strategy Unit, Business Groups, Finance Group, Risk Management Groups, Human Resources Unit and Corporate Administration & Service Division. The Sustainability Management Division engages in cross-divisional activities as a vehicle to drive sustainability within the Aozora Group.

<Sustainability implementation framework>



<Major Issues Discussed at the SDGs Council Meeting in FY2020>

- SDGs/ESG initiatives policy in the new Mid-term Plan
- Preparation of action plans for TCFD disclosure
- Formulation of the Environmental Policy, Human Rights Policy, and Investment and Lending Policies regarding Environmental & Societal Issues
- Initiatives for sustainable finance
- The BANK™ Branch's initiatives to promote SDGs
- Preparation and disclosure of the FY2021 Annual Report
- Aozora Sustainability Promotion Project (FY2021 Business Plan)

Delivery of Information across the Aozora Group

For a better understanding of sustainability activities across the Aozora Group, we actively deliver relevant information.

Starting from August 2020, we publish an internal SDGs Newsletter, which covers environmental issues (e.g. climate change and carbon neutral) and other topics (e.g. "initiatives promoted by the Retail Banking Group", "diversity and inclusion at Aozora Bank", "health and productivity management initiatives", etc.) for educational purposes. We also proactively offer practical learning opportunities, such as the Sustainable Finance Training session held in March 2021 where more than 180 Aozora's officers and employees learned the basics of sustainable finance and studied recent cases. For FY2021, in addition to the ongoing SDGs Newsletter and study sessions, we will develop multiple initiatives to raise employee SDGs/ESG awareness, such as in-house seminars and e-learning courses.



(Pictured: CEO Tanikawa and the Sustainability Management Division's members, with each having a copy of the SDGs Newsletter)

Sustainability Management Policy

A global trend has emerged where corporations are expected to play an increasing role in developing environmental measures, protecting human rights, eliminating unfair labor practices and preventing corruption.

The Aozora Group implements SDG/ESG initiatives with an aim to contribute to the realization of sustainable society by providing solutions to environmental and social issues.

In light of SDG/ESG considerations, we have updated our Code of Ethics and Conduct, in which officers and employees put into practice our corporate philosophy, and newly established the Aozora Bank Group

Environmental Policy and Aozora Bank Group Human Rights Policy. We have also approved new Investment and Lending Policies regarding Environmental & Societal Issues with an aim to achieve sustainable growth in tandem with our customers while properly leveraging our financial intermediary function for solutions to environmental and social issues.

In order for all of our stakeholders to properly and fully understand the Aozora Group's stance and vision towards SDGs/ESG, the aforementioned policies are disclosed on our website.

(For the full text of each policy, please see page 99 onwards in the Reference Part.)

Aozora Management Philosophy



(Note) For the full text of each policy, please see page 99 onwards in the Reference Part.

<Investment and Lending Policies regarding Environmental & Societal Issues>

The Aozora Group intends to proactively develop financing initiatives to support its customers' efforts to address environmental and social issues as well as new products and services.

Furthermore, Aozora recognizes environmental and social risks and strives to make improvements through dialogue with customers whose businesses may have a negative impact on the environment and society and work to reduce environmental and social risks by restricting or prohibiting credit when no improvement can be made.

<Business promotion (Promotion of investments & loans that support initiatives to address environmental & social issues)>

- The Aozora Group will proactively develop a range of financing initiatives to support its customers' efforts to address environmental and social issues as well as new products and services.

For details, please refer to "Contribution to Resolving Environmental and Social Issues through Business" on page 42.

<Risk management (Initiatives regarding sectors that may have a negative impact on the environment or society)>

- For any issue that may have a negative impact on the environment or society, the Aozora Group categorizes it as "cross-sectoral" or "sector-specific" and identifies risks that should be recognized as well as the status of its customers' implementation of initiatives aimed at reducing these types of risks. Aozora will not provide investments or loans to any entity that involves any significant risk to or negative impact to the environment or society.

	Investment and Lending Policies regarding Environmental & Societal Issues			
	Business Promotion	Risk Management		
Purpose	Promotion of investments & loans that support customers' initiatives to address environmental & social issues	Credit decision based on the verification of conformity to environmental and societal standards		
Specific Initiatives	[Examples] • Project finance for renewable energy • Financing for green buildings • Financing for environmental innovations • Financing for initiatives to address social issues • Sustainability-linked loans/bonds • Transition finance	Prohibiting credit	Businesses, etc., deemed illegal	
			Inhumane weapons	
			Coal-fired power generation	
		Restricting credit	Coal mining	Deforestation
			Oil & gas	Palm oil
			Large-scale hydroelectric power generation	Tobacco manufacturing
		Gathering information in light of points to be checked	Nuclear power	Ships
			Plastics	Mines



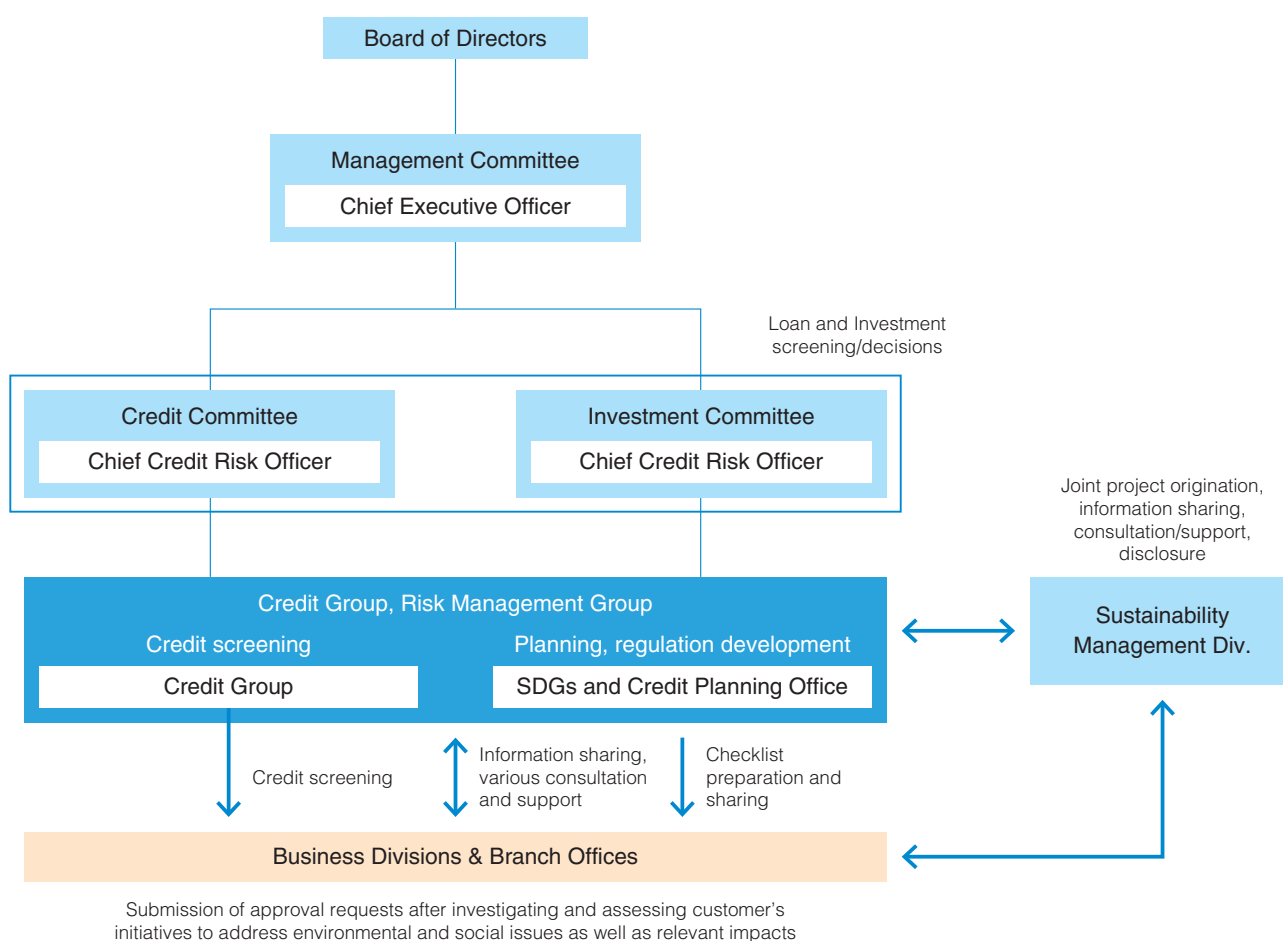
Prohibiting credit on a cross-sectoral basis	
Businesses, etc., deemed illegal	<ul style="list-style-type: none"> Customers engaging in activities deemed illegal or against public order and morals, customers that indirectly assist such activities, or anti-social elements Customers that are associated with businesses that are involved in child labor or forced labor.
Restricting or prohibiting credit to specific sectors	
Coal-fired Power Generation*	The Aozora Group will not finance the construction of new coal-fired power plants or expansion of coal-fired power generation facilities. In addition, we will proactively make investments and loans for customers' projects that contribute to the transition to a decarbonized society, such as carbon dioxide capture, use and storage technologies.
Coal Mining	When considering investments or loans for the development for a new coal mine, the Aozora Group will confirm the customer's consideration of environmental & social issues. The Aozora Group will not make any investment or loan for mountaintop removal (MTR) coal mining which has a significant adverse impact on the environment.
Oil & Gas	When considering investments or loans for oil sands, shale oil & gas, oil & gas pipelines, and development in the Arctic Circle (the area 66°33' north of the equator), the Aozora Group will confirm the customer's consideration of environmental and social issues.
Large-scale Hydroelectric Power Generation	When considering investments or loans for new large-scale hydroelectric power generation (with an embankment of 15 meters or higher, as well as output of 30,000KW or above), the Aozora Group will confirm the customer's consideration of environmental and social issues.
Deforestation	When considering investments or loans for businesses involved in deforestation, the Aozora Group will confirm the customer's consideration of environmental and social issues.
Palm Oil	When considering investments or loans for businesses associated with palm oil, the Aozora Group will confirm the customer's consideration of environmental and social issues, including whether they have obtained RSPO (Roundtable on Sustainable Palm Oil) certification.
Tobacco Manufacturing	When considering investments or loans related to tobacco manufacturing, the Aozora Group will confirm the customer's consideration of environmental and social issues, including health hazards as well as child and forced labor.
Inhumane weapons	The Aozora Group will not make any investment or loan related to the manufacturing of inhumane weapons such as cluster munitions.
Nuclear Power	When considering investments or loans for nuclear power-related businesses, the Aozora Group will gather information regarding the customer's consideration of and stance on addressing environmental & social issues.
Plastics	When considering investments or loans for plastic-related businesses, the Aozora Group will gather information regarding the customer's consideration of and stance on addressing environmental & social issues.
Ships	When considering investments or loans for ship-related businesses, the Aozora Group will gather information regarding the customer's consideration of and stance on addressing environmental & social issues.
Mines	When considering investments or loans for mine-related businesses, the Aozora Group will gather information regarding the customer's consideration of and stance on addressing environmental & social issues.

*For our existing finance to coal-fired power generations plants, reduction targets will be set and disclosed during 1H of FY2021.

<Aozora's Structure for Implementing Environment/Society-focused Investments and Loans>

In accordance with the investment and lending policies approved by the Management Committee, the Aozora Group reviews all investment/loan transactions to assess any risk to or negative impact on the environment and society. If a risk or negative impact is identified, the transaction is screened in terms of risk/impact severity as well as the customer's efforts to resolve corresponding environmental and social issues, and then submitted to the Credit Committee or the Investment Committee for their approval.

Aozora supports its business divisions and branch offices in gathering information regarding customers' consideration of and stance on addressing environmental and social issues by presenting a prepared checklist and sharing specific cases internally.



Contribution to Resolving Environmental and Social Issues through Business

The Aozora Group promotes solutions to environmental and social issues through its financial business with the aim of contributing to all stakeholders (including customers), realizing a sustainable society and enhancing corporate value from a mid- to long-term perspective.

As concrete steps to promote our business, we will increase our awareness of our impact on the environment and society, and develop/update financial services that lead directly to resolving issues facing our retail, corporate and financial institution customers, so that we can maximize value-added returns for our customers.

Promotion of Sustainable Finance which Supports Corporate Initiatives to Address Environmental and Social Issues

■ Promotion of Sustainable Finance

A critical function of financial institutions is to provide finance for businesses and areas that require funds to address environmental and social issues, such as realizing a carbon-neutral society by 2050 and achieving SDGs (Sustainable Development Goals) by 2030. The Aozora Group will actively support customers' initiatives to address environmental and social issues by making investments and loans. Aozora has proactively offered project finance, including financing for renewable energy, and tied loans, including investments and loans in green

buildings. We have also embarked on the launch of sustainability-linked loans, which are not tied to specific purposes but designed to support solutions to a broader range of issues. In addition, Aozora responds to large-lot sustainable finance projects by originating syndicated loans and serves the needs of nationwide financial institution customers for sustainability investments. We will contribute to the ongoing provision of funding for domestic sustainability investments and loans. (Sustainable finance targets will be set and disclosed during the first half of FY2021.)

Sustainable Finance	
Project finance for renewable energy	Project finance
Green loans, social loans, sustainability loans	Tied loans
Sustainability-linked loans	Untied loans
Transition finance	Lending and investments categorized as transition finance

Promotion Initiatives	
Improvement of business promotion framework	Placing a dedicated point of contact within business divisions, overall project support available from the Sustainability Management Div., development of a framework to drive cross-divisional initiatives
Lending target for sustainable finance	Setting lending target for sustainable finance
Enhancement of organizational knowledge	Held a Sustainable Finance Training in Mar. 2021 (attended by over 180 participants, or nearly 10% of Aozora's employees). This allows participants to learn the basics and study recent cases

Support for Business Succession/Recovery and Venture Companies by Leveraging Aozora Group's Strengths

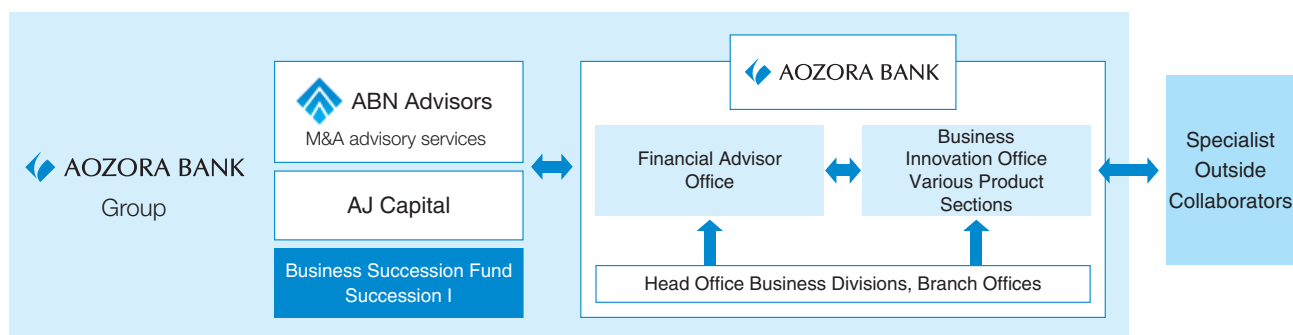
■ Support for Business Succession

The Aozora Group provides support for business succession issues across Japan by offering a range of solutions.

Many SMEs, which comprise 99% of companies in Japan, face business succession issues and this raises concerns that business closure due to an absence of successors or adequate personnel will continue to increase. In order to revitalize regional economies, it is important to conduct active and extensive business activities in the region. As such, how to maintain and develop regional SMEs' businesses closely relates to issues including the regional economy revitalization and employment promotion.

The Aozora Group has an established framework to support customers' needs for business succession by

leveraging its strengths, including the provision of M&A advisory services by ABN Advisors Co., Ltd. and direct equity investments through the business succession fund "Succession Investment Limited Partnership, I" operated by AJ Capital. In addition, we offer retail customers consultation regarding their business succession and M&A needs primarily through our Financial Advisor Office in conjunction with Aozora's employees certified as financial planners and tax accountants as well as business groups engaged in M&A-related services. Aozora will promote group-wide initiatives to serve the needs for business succession with the aim of supporting business activities for generations and securing the sustainability of corporate activities in the region.



■ Contribution to Regional Communities through Business Recovery Support

Aozora Loan Services (ALS) has supported the business recovery of regional mid-sized firms and SMEs for over 20 years as a leading business recovery loan servicer. Many mid-sized firms, SMEs, self-employed owners and other borrowers, whose debt obligations were assigned to ALS from domestic financial institution customers, support regional economies and play active roles in the community. We believe it is a role of loan servicers to assist these borrowers' business recovery, business succession and relaunch, which will eventually contribute to the development of regional economies.

As specific measures, ALS supports distressed companies in preparing a corporate plan aimed to achieve a reduction of excessive debt levels and business recovery and seeks cooperation among creditors. By offering opportunities for business recovery to customers that cannot engage in usual financial transactions, ALS strives to realize financial inclusion in regional communities while working towards the revitalization and enhanced sustainability of these communities.

<Business Profile of Aozora Loan Services Co., Ltd.>

Long-established loan servicer

~Proven experience & track record in 20-year business history~

- Established in 1999, when the Act on Special Measures Concerning Claim Management and Collection Business was enacted. Supported various regional customers in resolving their issues since its foundation. Has an excellent reputation among its trading partners as well as financial institution customers

Loan servicing from the perspective of customers and regional financial institutions

~Profitability balanced with disciplined risk management~

- Loan servicing company primarily consisting of employees who have experience in financial institutions including Aozora Bank
- Engages in servicing while having a strong awareness of compliance and respecting the protection of debtors' interests
- Capable of long-term holding of loan receivables in order to support customers' business recovery and relaunch

Community-based servicing

~Not a mega or a regional bank, network with regional financial institutions~

- Shares held: Aozora Bank (67.6%), Shinkin Central Bank (20%) and Shinkumi Federation Bank (12.4%)
- Assigns receivables mainly from regional banks, Shinkin banks and credit unions throughout the country, other than Aozora Bank. Provides consultations nationwide by capitalizing on ALS' network which includes over 90% of domestic regional financial institutions

■ Regional Revitalization through Advisory Services for Regional Financial Institutions

Aozora Regional Consulting provides regional financial institutions' officers/employees with opportunities for learning through role-play exercises regarding how financial institutions should support community-based companies and contribute to making the local economy more competitive. It also proposes strategies regarding marketing, human resources, industry-academia-government-finance collaboration and inter-regional cooperation in order to assist regional companies' preparation of corporate strategies. Aozora Regional Consulting will support regional revitalization promotion measures to drive corporate and industrial innovation in these communities.

Advisory service for regional financial institutions (Aozora Regional Consulting Co., Ltd.)

Support for business feasibility evaluation

Support for regional revitalization

Research & study (dispatch of information)

■ Venture Company Support with Venture Debt Fund

Aozora Corporate Investment supports a "Venture Ecosystem" by offering growth capital through its "smooth bridging to fill the gap between venture capitals (equity finance) and banks (debt finance)" in order to serve the funding needs of venture companies. The Aozora Group will contribute to promote corporate innovation through its support for domestic venture companies. (For details, please refer to "Aozora Venture Ecosystem Support Framework" on page 21.)

AOZORA HYBRID funds for venture companies

- Aozora established the first-ever "venture debt fund" in Japan in November 2019. The fund intends to address the market gap that exists between equity providers and debt providers (e.g. banks) by making investments with a focus on debt featuring an "equity kicker."
- The new fund assists venture companies in avoiding the dilution of management's ownership stake by providing financing at a firm's critical growth phase in which they've experienced a cash-out event.
- Aozora Corporate Investment currently runs its AOZORA HYBRID Investment Limited Partnership, I (capitalization of 2.0 billion yen).

Support for Retail Customers' Mid- to Long-term Wealth Accumulation by Offering ESG-focused Financial Products

As a significant number of Japan's seniors begin to reach 100 years of age, we support retail customers in their life satisfaction by serving their needs for mid- to long-term wealth accumulation and providing specialized and customized consulting services mainly for business/property succession as well as offering convenient and high-quality services.

■ Investment Trust 'Juunen Toiro' Focused on Sustainability (ESG) Investments

The corporate philosophy of Aozora Investment Management Co., Ltd. is "to provide products and services that will protect and add value to customers' assets." Among other products, "Aozora New Global Core Fund (limited addition)" also known as "Juunen Toiro" is designed with the intent of supporting customers' mid- to long-term wealth accumulation. Dimensional Fund Advisors Limited, a U.S. corporation, manages the fund and incorporates ESG-focused equity funds and bond funds as investment targets while adhering to the investment principle of "long-term investments" and "asset diversification" as well as taking into consideration sustainability as an influential factor for the mid- to long-term value of corporate stock.

Based on an investment strategy focused on bequeathing a society that recognizes the coexistence of human civilization with the natural ecosystem to future generations, potential equities and bonds are screened for incorporation into the fund in light of their environmental sustainability, such as greenhouse gas emissions at industry and portfolio levels, and social sustainability in order to make investments from a long-term perspective.

Feedback from customers who purchased the fund includes the following: "I've been interested in ESG and 'Juunen Toiro' allows me to indirectly contribute to environmental and social issues," "I chose this value-added product for allocation of my assets because ESG is one of my own issues" and "This fund suits my portfolio as it invests in highly ESG-rated companies."

The Aozora Group will contribute to the environment and society through investments while offering products and services consistent with its objective of supporting "customers' mid- to long-term wealth accumulation."



Support for Initiatives to Address Social Issues by Leveraging the BANK™ Platform

■ Initiatives at BANK™ Branch

The BANK™ Branch provides a unique smartphone app-enabled banking service to customers who value "using their time and money efficiently to live a happy life", rather than just savings. The "BANK The Story" service offers articles and tips for using money to lead a more fulfilling life. If customers read a story and find an interesting experience or product, they can set a savings plan to reach the indicated price by using the "BANK The Savings" service within the same app. Projects posted in "BANK The Story" include efforts to reduce food loss by TABETE, a food sharing service provider that connects restaurants worried about potentially wasted food with consumers, and the use of

recycled spring water in the Harie district of Takashima City, Shiga Prefecture. The "BANK The Story" now has an "SDGs" category and carries an SDGs-themed interview with READYFOR Inc., a leading crowd-funding service provider, with a dedicated page created to showcase READYFOR's crowd-funding service. Aozora will continue to promote initiatives to support solutions to social issues by leveraging the BANK™ Branch platform.



Environmental Initiatives

The Aozora Group provides financial support for companies addressing environmental issues. We also drive initiatives to reduce environmental load as a business entity, such as reviewing electricity procurement and recycling waste material, and to contribute to the realization of a decarbonized society. In addition, following its March 2020 affirmation to support Task Force on Climate-related Financial Disclosures (TCFD) recommendations, Aozora performs resilience assessment through continued scenario analysis, works to enhance risk management and promotes business operations with a consideration of climate change risk.

Business	Project finance for solar and wind-power generation (collaboration with regional financial institutions)	Investments and loans in green buildings	Establishment of Green Bond Framework, Issuance of Aozora's first green bond (the first "Origami Bond" issued by a domestic private corporation)	Sustainability-linked loans, Transition finance (study in process)
Business entity	Relocation of the head office (to Sophia Tower in Yotsuya) Use of insulated glass, natural ventilation, roof greening, automatic dimming control and LED lighting	100% use of renewable energy- derived electricity at the Head Office	Use of green-sourced electricity at the Fuchu Annex (study in process)	
Business base	Support for TCFD (Task Force on Climate-related Financial Disclosures) recommendations	Recognition of climate change as a top-priority risk Creation of Investment and Lending Policies regarding Environmental & Societal Issues	Quantitative scenario analysis regarding physical and migration risks (study in process) Signing the Equator Principles (study in process)	

In FY2021, we will strengthen risk management and business promotion while recognizing and responding to climate change risk as a top business priority with the involvement of management.

Issuance of Green Bonds

The Aozora Group recognizes that providing financial support for domestic/overseas corporations addressing environmental issues as well as responding to investors' needs are part of our social responsibilities as a financial institution. In March 2021, we issued a green bond whose proceeds will be used solely to finance projects that contribute to environmental solutions, such as renewable energy projects (e.g. solar/wind power generation) and green buildings. Green bonds issued by Aozora Bank are part of the Bank's Green Bond Framework, which was formulated

in accordance with the International Capital Market Association (ICMA)'s "Green Bond Principles 2018"^{*1} as well as the Japanese Ministry of the Environment's "Green Bond Guidelines 2020"^{*2}. The Framework has obtained a second-party opinion from Sustainalytics, a third-party certification organization.





^{*1} A guideline regarding the issuance of Green Bonds which was formulated by the Green Bond Principles Executive Committee, a private organization whose secretarial operations are overseen by the International Capital Market Association (ICMA)

^{*2} Designed to be used as a reference for market participants who are considering concrete green bond-related initiatives in order to maintain the consistency of Green Bond principles. The Ministry of the Environment first formulated and announced its Green Bond guidelines in March 2017 and published a revised version in March 2020 with the aim of further popularizing Green Bonds in Japan by providing concrete examples and interpretations based on Japan's unique characteristics

<Green Bond Framework>

■ Use of Proceeds

Proceeds from green bonds are allocated to investments and loans in renewable energy projects and green buildings that meet specific standards (“Eligible Green Projects”).

Eligible Green Projects		
Renewable energy		<p>Investments and loans to finance the construction, acquisition, renovation and operation of renewable energy projects that comply with the Environmental Impact Assessment Act and the local ordinances when verifying the feasibility of power generation facilities (solar/wind/biomass*)</p> <p>*1 Raw materials for biomass energy are limited to sustainable feedstock and waste. (Waste from the palm oil industry needs to be certified according to RSPO or RSB standards.)</p>
Green buildings		<p>Investments and loans to finance the construction, acquisition and renovation of green buildings that have obtained the first or second grade² under green building certification systems</p> <p>*2 S or A in the CASBEE certification (for buildings [new/existing/renovation], real estate and housing [new]), 5 or 4 Star in the BELS certification, 5 or 4 Star in the DBJ Green Building certification, Platinum or Gold in the LEED certification, and Outstanding or Excellent in the BREEAM certification</p>

■ Project Evaluation and Selection Process

We select loan/investment transactions for the Eligible Green Projects by verifying their adherence to specific standards using relevant documents. The verification and selection processes are based on our specific validation guideline, which allows us to ensure the conformity to the standards in the selection process. In addition, we confirm if the selection process meets the standards once a year following the selection of the Eligible Green Projects.

■ Management of Proceeds

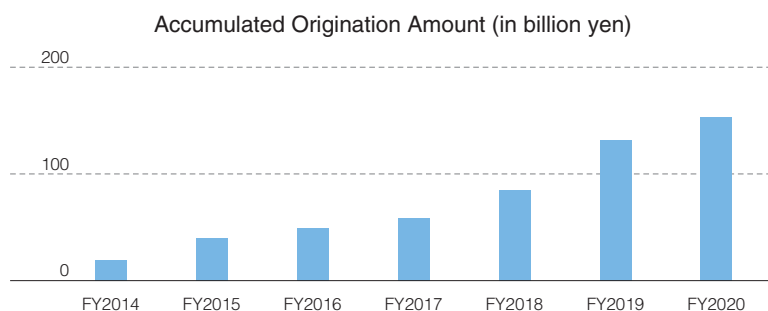
We regularly monitor the status of allocating proceeds from green bonds to the Eligible Green Projects as well as the unallocated amount. If the proceeds are not fully used, we retain the remaining portion in cash or cash equivalents.

■ Reporting

Until green bonds are redeemed, we provide annual reporting on Aozora's website regarding the number of renewable energy projects receiving an allocation, the number of facilities by type/grade of green bond certification, the status of using the proceeds including a list of allocation amounts, and the effect of environmental solutions including reduced CO2 emission levels.

Project Finance for Renewable Energy Business

The Aozora Group has supported the adoption and use of renewable energy sources since the 2012 introduction of the Feed-in Tariff (FIT) system in Japan through its continued finance for the renewable energy industry. For project finance, we collaborate with regional financial institutions, including regional banks and Shinkin banks, while sharing with them an understanding of the significance of environmental issues, in order to contribute to the more prevalent use of clean energy and the development of regional economies. Aozora will continue to actively drive initiatives on renewable energy sources and assist technological innovation aimed to realize a decarbonized society.



Investments and Loans in Green Buildings

The Aozora Group is active in providing green building finance that considers global environmental impacts. In Japan, Aozora provides finance for “A”-class buildings as rated in the CASBEE^{*1} Certification, a comprehensive building evaluation system largely based on environmental performance and environmental load reduction levels. For overseas lending, our investments and loans include North American office buildings that are rated as “Platinum” or “Gold” according to the LEED^{*2} Certification, a U.S.

system that comprehensively evaluates the environmental performance of buildings. In addition, we provide finance for advanced logistics facilities that are making efforts to reduce environmental load as well as offering services designed to improve the labor environment for people working inside and outside the building.

*1 Comprehensive Assessment System for Built Environment Efficiency

*2 Leadership in Energy and Environmental Design

Initiatives to Reduce CO2 and Electricity Usage

Aozora's head office in Yotsuya is in the Sophia Tower which has been using only renewable energy-driven electricity since June 2020. The head office is equipped with highly insulated glass, a natural ventilation system and rooftop greenery. With office areas employing LED lighting with automatic dimming controls, the green building also minimizes power consumption compared to the level of traditional equipment.

We remain focused on reducing greenhouse gas emissions at our Fuchu annex, which also serves as a data center, and are considering the adoption and use of renewable energy sources for electricity at the building.

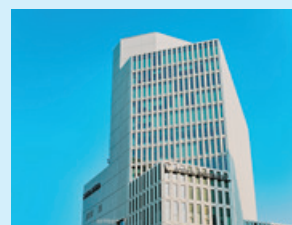
Since 2013, Aozora has been promoting the replacement of company cars used at its head office and branch locations to hybrid and other eco-friendly vehicles, which accounted for 93% of our fleet as of May 2021.

We will drive initiatives to reduce environmental load as a business entity by promoting the replacement to energy-saving equipment/devices as well as adopting self-supply sources and responding to vendors.

(For CO2 emissions, reduction targets will be set and disclosed during 1H of FY2021.)

<Use of green energy>

100% use of renewable energy-derived electricity at the Aozora Bank Head Office (Sophia Tower)



Aozora Bank Head Office (Sophia Tower)

Recycling of Waste Material / Initiatives to Reduce Plastic Waste

Aozora recycles documents that have reached the end of their storage period (approximately 60 tons annually) and converts data storage media that are no longer required into solid fuel (approximately 400 kg annually), rather than disposing of them by incineration. Through these and other measures, such as the 100% recycling of non-burnable head office waste (approximately 40 tons annually), the Bank continues to be proactive in the recycling of waste materials. As a way to actively promote a reduction of environmental load, the Bank introduced eco-friendly materials, such as environment-conscious plastic cups and biodegradable straws, and Rainforest Alliance Certified^{*} coffee beans to its cafeterias at the head

office and Fuchu Annex in conjunction with their reopening in April 2021.



* Certification verifying that products or raw materials are produced by using an approach that leads to the enhancement of three key sustainability elements (society, economy and environment)

Response to Task Force on Climate-related Financial Disclosures (TCFD) recommendations

Aozora affirms its support for TCFD recommendations, and is developing initiatives based on the recommendations while taking steps to further enhance the quality of its climate change-related communications.

Governance

- Announced that Aozora will “actively contribute to the sustainable growth of society” in its management philosophy
- In accordance with the management philosophy, identified and approved focus issues for ESG/SDGs during the three years covered by our Mid-term Plan at the Board of Directors' Meeting
- Discussed an Action Plan in line with the TCFD recommendations at the SDG Council Meeting attended by representative directors and all executive officers
- In FY2020, updated our Code of Ethics and Conduct, in which officers and employees put into practice our corporate philosophy, and newly established the Aozora Bank Group Environmental Policy
- Incorporated climate change as a top-priority risk in our FY2021 Business Plan as approved by the Board of Directors
- Appointed an Executive Officer in charge of Sustainability Management. In addition, established the Sustainability Management Division as an independent division with a full staff.

Strategies

- Recognized SDG/ESG issues, including climate-related risks and opportunities, in the Mid-term Plan as economic and social challenges from an environmental perspective and identified focus SDG/ESG initiatives in each business group
- Recognized the following climate change-related business opportunities:
 - ☑ Increase opportunities to provide solutions for strengthening alliances with regional financial institutions while supporting customers' shift to a decarbonized society by providing finance for renewable energy projects, sustainability-linked loans, transition finance, etc. which have consistently been in focus
 - ☑ Improve capital markets and social evaluation by issuing green bonds to comply with the Ministry of the Environment and International Capital Market Association (ICMA) guidelines
 - ☑ Increase sales opportunities for socially important and environmentally friendly financial products
- In line with the above, improved our framework to financially support customers in solving their environmental and social issues. As such, set a lending target for sustainable finance
- Established a Green Bond Framework for renewable energy projects and green buildings, based on which issued a green bond
- In addition, released an ESG-focused investment trust product “Juunen Toiro”
- Secured credit exposure not heavily concentrating to carbon-related assets*, which accounted for 3.5% of total loans

* Assets tied to the energy and utilities sectors based on the definition of carbon-related assets provided in the TCFD recommendations, excluding water utilities and renewable energy producers

Strategies (scenario analysis)

- Recognized long-term risks and opportunities based on the following hypothetical scenarios: a rise in global temperature of either 4°C or 2°C by 2050

Climate Change Scenario		
	4°C Scenario	2°C Scenario
Risk	Recognize the following physical risks: <ul style="list-style-type: none"> • Risks arising from a credit portfolio impacted by the physical damage caused by natural disasters and/or abnormal weather associated with climate change, such as a greater frequency/scale of storm and flood damage • Risks posed to business continuity caused by damage or injury to the social infrastructure, Aozora's business facilities, or employees • Risks posed to business continuity caused by a greater frequency of cases of heatstroke or viral pandemics arising as a result of progressive global warming 	Recognize the following migration risks. <ul style="list-style-type: none"> • Risks arising from a credit portfolio impacted by the effects on borrower's credit portfolio and financial conditions associated with the shift to a decarbonized society • Risk from the negative effects posed to borrowers and investment targets arising from an ongoing replacement of existing products and services in order to keep up with new low-carbon technologies and customers' changing preferences • Risk of adverse effects on the Bank's corporate value from being seen as slow to invest in companies aiming to develop new technologies
Opportunities	<ul style="list-style-type: none"> • Increased financing opportunities arising from increased demand for corporate equipment funds and public works designed to reduce the physical damage caused by abnormal weather, as well as shifting business structures associated with damage to existing infrastructure/facilities • Lowered operating costs associated with reduced business activities caused by resource and energy saving 	<ul style="list-style-type: none"> • Increased opportunity to finance the development of new technologies that reduce, remove, and utilize carbon emissions as well as social infrastructure initiatives achieved through digital innovation, both of which enhance our ability to adapt to climate change • Increased opportunities to initiate transactions with a diverse base of new retail customers that value "contributions to the realization of a low-carbon society"

Ongoing review of quantitative climate change scenario analysis techniques that target physical and migration risks

Risk management

- Will avoid financing new projects which involve coal-fired thermal power stations as well as expansion of existing power generating facilities
- Recognized the Bank's environmental initiatives, including those regarding climate change, as a priority issue for management and established "Investment and Lending Policies regarding Environmental & Societal Issues", which includes a policy for responding to climate change
- In accordance with the Investment and Lending Policies regarding Environmental & Societal Issues, classified specific sectors as "prohibiting credit" and "restricting credit" categories. For any credit transactions falling under the "restricting credit" category, forwarded them to the Credit Committee or the Investment Committee, both of which are attended by President and Executive Officers in charge and responsible for making a credit decision by comprehensively reviewing the background, features and other factors of each transaction.
- In preparation for signing the Equator Principles, a common framework for financial institutions to identify, assess and manage environmental and social risks when considering making investments or loans for projects involving any kind of development
- Recognized the need to manage climate change risk as a financial risk trigger within traditional financial risk categories, including credit risk, market risk, liquidity risk and operational risk
- In light of the aforementioned awareness, will consider a risk control framework based on quantitative analysis of climate change scenarios

Benchmarks and goal

- Established environmental load reduction goals and conduct benchmark management as follows:

Benchmarks

- Reduce carbon dioxide emission intensity (carbon dioxide emissions/total floor area) derived from power usage in domestic offices by 19% as of FY 2030 compared to FY 2009¹
→ 37% reduction achieved in FY2020

Goal

- Setting sustainability-related long-term goals is under consideration
- The table below shows change in greenhouse gas emissions

Change in Greenhouse Gas Emissions

Measured item			FY2016	FY2017	FY2018	FY2019	FY2020 (preliminary basis)
Carbon dioxide emissions (in t-CO ₂)	Scope 1	Direct emissions	368	80	51	75 ^{*2}	58
	Scope 2	Indirect emissions	9,088	7,508	7,028	6,071	6,071
	Scope 3	Other forms of indirect emissions	-	-	-	-	64
	Total		9,456	7,588	7,079	6,146	6,193

*1 Japanese Bankers Association industry target based on the "Commitment to a Low Carbon Society" promoted by the Japan Business Federation (Keidanren)

*2 Increased in FY2019 due to the operation of emergency backup generators

*3 "Scope 3" represents emissions in relation to employees' business trips (not measured until FY2019)

Initiatives to Contribute to Society

We believe developing environmental and social sustainability leads to the enhancement of our corporate value in the mid- to long-term. Based on this view, Aozora adopts a broad set of approaches outside of its business operations as a way to contribute to society. While recognizing that environmental and social issues can and should be addressed in the normal course of business, we will further strengthen our level of support through non-financial CSR activities in areas where the provision of financial services alone is not sufficient to make a meaningful impact.

Donations to Support for Countermeasures Against the Spread of COVID-19

Following FY2020, Aozora made a contribution to the All Japan Hospital Association (AJHA) to support medical professionals who have been combating the COVID-19 pandemic over a considerable period of time. We also made a contribution to the Vietnamese government's "COVID-19 Vaccine Fund*" to support countermeasures against the spread of COVID-19.

There are many issues regarding urgent support needs which may be difficult to resolve through existing business operations or financial services. In order to "actively contribute to the sustainable growth of society" as set forth in Aozora's management philosophy, we will offer continued support, including donations, to areas in need while recognizing the importance of non-business initiatives.

* A national fund as a means of soliciting donations from a wide-range of parties, such as corporations and individuals in and outside of the country, in order to procure COVID-19 vaccines and promote the development of vaccines within Vietnam



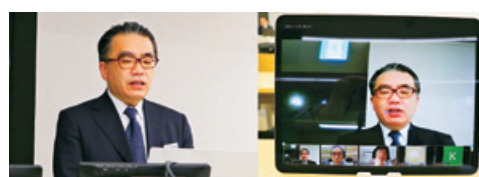
Financial Seminar and Other Joint Projects with Sophia University

In May 2017, we relocated our head office to the Sophia Tower on the Sophia University campus. We take this opportunity to provide finance-themed lectures and conduct joint researches in collaboration with Sophia University.

■ Basic Banking Seminar in collaboration with Sophia University

Since September 2017, we have held a Basic Banking Seminar in the Faculty of Economics, Sophia University. Aozora's officers/employees with practical experience host lectures where attendees learn the basics of the financial industry through interactive communication in group discussions. We will continue this seminar as a way to support the enhancement of financial literacy among next-generation students and also as an important opportunity for Aozora to gain new awareness from students through communication.

Approximately 30 Sophia University juniors mainly studying in the Faculty of Economics are enrolled in the course, which this year is being offered for the fifth year and has been attended by a total of 120 students since its inception.



■ Joint Research with Sophia University ("Aozora-Sophia Senior Consumption Trend Index" and "Financial Gerontology")

We have published the "Aozora-Sophia Senior Consumption Trend Index" on a monthly basis as a product of our joint research on senior consumer trends and seniors' willingness to purchase goods and services. Aozora and Sophia University track the joint research index, which covers senior consumer trends and their willingness to purchase goods and services, while focusing on senior citizens as the core consumers within Japan's aging society. Since July 2019, Aozora has been conducting a joint research project on financial gerontology as common

interests between Aozora, which has had a long-standing focus on asset management consulting for senior customers and recognizes the challenges posed by an aging society, and the Department of Psychology, Faculty of Human Sciences of Sophia University, which is pursuing a deeper understanding of geriatric psychology from the perspective of clinical psychology. The results of this research are expected to assist Aozora in pursuing its customer-oriented business management strategy towards senior customers as well as further improving the quality of its retail banking services.

■ Other Initiatives

As an advisory partner, Aozora cosponsors the "Sophia Professional Studies," an industry-academia collaboration project where Sophia University and business organizations work together to create learning opportunities. We also participate in a number of volunteer activities and seminars supported or sponsored by Sophia University.

Initiatives to Enhance Diversity and Inclusion

We will further promote diversity and inclusion initiatives, including the provision of services accessible for all customers and the creation of a more comfortable working environment that respects a diverse range of values in order to build and maintain a mid- to long-term relationship with all stakeholders involved in business activity.

Promotion of Diversity & Inclusion and Creation of Comfortable Working Environment —

The Aozora Group aims to create a better workplace so that employees from diverse backgrounds can play active roles. We also strive to increase our corporate value through diversity and inclusion initiatives while supporting employees' diverse and flexible working styles.

■ Initiatives for Diversity-Oriented Career Support of Core Talent

Aozora promotes employees to more senior positions by assessing candidates' ability and performance, regardless of gender or nationality. The Aozora Group considers it important to respect diverse views and values as a way to achieve sustainable growth and enhance corporate value from a mid- to long-term perspective. As such, we proactively hire people with diverse experiences, skills and careers and foster a working environment that allows a diverse range of employees to play active roles.

For managerial positions that play a core part in corporate management, we set target percentages of female, non-Japanese and mid-career managers based on our recognition that securing diversity is important.

For details, please refer to "Initiatives for Diversity-Oriented Career Support of Core Talent" on page 68.

■ Creation of a Safe Working Environment for Employees with Disabilities

The Aozora Group works to create a safe working environment for employees with disabilities. In FY2020, we held a Hearing Impairment Awareness Seminar for our officers, who participated in simulated lip-reading training and sign language communication for a better understanding of hearing impairment. We have also introduced UD Talk®, a voice-to-text app that quickly displays a dialogue in text format on a smartphone or PC, on the request of customers with hearing impairments. In April 2021, an Aozora Sign Language Club was founded as a place to learn sign language in a friendly and pleasant atmosphere. We will continue to implement initiatives designed to create a comfortable workplace for employees with disabilities.

For details, please refer to "Initiatives for Employees with Disabilities" on page 69.



Hearing Impairment Awareness Seminar



Aozora Sign Language Club

■ Facilitating Improved Communications

As a way to facilitate group-wide communication, Aozora continues to hold small-sized meetings that allow for direct communication between employees and officers. In FY2020, the meetings were mostly held online, attended by 2,049 employees to actively discuss "Initiatives to encourage communication in the New Normal" and other topics. In FY2021, several meetings focused on topics suggested by employees and discussions were led by the originator of the idea. Aozora will promote collaboration across divisions through discussions at small-sized meetings that are attended by employees of different divisions and ages.

■ Initiatives to Ensure a Better Working Environment

The Aozora Group offers numerous programs to support employees' work-life balance with the aim of developing a safer working environment for our staff while respecting their diverse working styles.

For details, please refer to "Better Working Environment" on page 67.

Expansion of Services Accessible for All Customers

<Initiatives/Services at Retail Branches>

■ COMUOON®

We have placed COMUOON® table-top conversation support system, which improves the hearing of the listeners and increases the clarity of the speaker's voice, in all our branches. The introduction of this device enables the Bank's senior and hearing-impaired customers to easily convey their requests at our branch locations.



■ Sign Language Interpretation Relay Service

We have introduced a Sign Language Interpretation Relay Service that enables our customers with hearing impairments to make full use of Aozora's customer support services, for such things as reporting a lost ATM card.

The new service is provided by PLUSVoice, a company that specializes in the management of call centers with sign language interpretation capabilities. If a customer calls to report a lost ATM card, passbook, certificate or seal with a smartphone or tablet, an interpreter at PLUSVoice communicates in sign language and writing with the customer via video call, while simultaneously relaying the information to an Aozora call center operator.



■ Other Initiatives

We have provided writing tools and communication boards to support customers in conveying their requests with ease. Wheelchairs are available for physically disabled or aged people in all our branches. In addition, all our retail sales staff are certified as dementia supporters and trained to properly understand dementia as well as the behavior and language used by people with dementia.

Support for External Initiatives / Evaluation by Third Parties

Support for Domestic & International Initiatives



Task Force on Climate-related Financial Disclosures



Principles for Financial Action for the 21st Century

Evaluation by Third Parties

2021 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)

MSCI Japan Empowering Women Index



Certification based on the Act on Promotion of Women's
Participation and Advancement in the Workplace



Certification as a 2021 Health and
Productivity Management Organization

SASB Index

The Aozora Group strives to enhance disclosure of non-financial information with the aim of strengthening its information delivery to and engagement with its stakeholders. We have now applied the standards set by the Sustainability Accounting Standards Board (SASB)* for information disclosure. The standards set forth industry-specific sustainability issues that are highly likely to affect the financial performance of corporations. The table below shows a reference to the disclosure criteria for the “Commercial Banks (CB)” category as set forth in the SASB Standards and contains references to pages that describe relevant items. Since the majority of disclosure topics are identical to the items covered in the “Support Base for Value Creation” section (page 54 onwards), we believe continuing and improving information disclosure in accordance with the SASB Standards will be instrumental in increasing our corporate value. We will make efforts to expand our information disclosure and enhance corporate value by facilitating communication with stakeholders including investors.

Please note that since the SASB Standards correspond to the laws and regulations of the United States, we disclose equivalent data based on the laws and regulations in Japan for some metrics.

* On June 9, 2021, SASB announced its merger with the International Integrated Reporting Council (IIRC) and establishment of the Value Reporting Foundation (VRF).

Topic	Code	Accounting Metric	Response
Data Security	FN-CB-230a.2	Description of approach to identifying and addressing data security risks	The Aozora Group believes it is an important business issue to appropriately manage customer information and confidential information and to stably operate the information system. As such, we have developed a framework to ensure the proper protection of information assets as well as stable operation of the information system, and continue to take necessary measures. For detailed measures, please refer to the following: <ul style="list-style-type: none"> Information Security (page 74 in the Main Part) System Risk Management (page 96 in the Reference Part)
Financial Inclusion & Capacity Building	FN-CB-240a.1	(1) Number and (2) amount of loans outstanding qualified to programs designed to promote small business and community development	Since the “Number and amount of loans outstanding eligible for programs designed to revitalize SMEs and develop communities” in the SASB Index corresponds to the laws and regulations of the United States, we disclose equivalent data based on the laws and regulations in Japan. <ul style="list-style-type: none"> Loans to Small and Medium-Sized Enterprises (SMEs): 2,240.3 billion yen (page 188 in the Reference Part)
	FN-CB-240a.4	Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers	Since the “unbanked, underbanked or underserved customers” in the SASB Index corresponds to the laws and regulations of the United States, we disclose equivalent data based on the laws and regulations in Japan. The Aozora Group provides learning opportunities for Sophia University students as a way to support the next generation in enhancing financial literacy. <ul style="list-style-type: none"> Aozora’s “Basic Banking Seminar” in collaboration with Sophia University: Attended by 120 students up to FY2020 (page 50 in the Main Part)
Incorporation of ESG Factors in Credit Analysis	FN-CB-410a.1	Commercial and industrial credit exposure, by industry	For details regarding credit exposure by industry, please refer to the following: <ul style="list-style-type: none"> Breakdown of year-end credit risk exposure balance by area, industry and residual period, as well as category (page 211 in the Reference Part)
	FN-CB-410a.2	Description of approach to incorporation of environmental, social, and governance (ESG) factors in credit analysis	The Aozora Group makes credit decisions by conducting verification from a perspective of environmental and social issues in accordance with the Investment and Lending Policies regarding Environmental & Societal Issues. For details, please refer to the following: <ul style="list-style-type: none"> Investment and Lending Policies regarding Environmental & Societal Issues (page 39 in the Main Part) Aozora’s Structure for Implementing Environment/Society-focused Investments and Loans (page 41 in the Main Part)
Business Ethics	FN-CB-510a.2	Description of whistleblower policies and procedures	The Aozora Group has a whistle-blowing program which enables whistleblowers to directly report conduct that violates or may violate laws and internal rules to in-house and outside channels. For details, please refer to the following: <ul style="list-style-type: none"> Whistle-Blowing Program (page 73 in the Main Part)
Systemic Risk Management	FN-CB-550a.2	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	One of the most important challenges for the Aozora Group is increasing capital efficiency while securing financial soundness. As such, the establishment of a proper capital management system is one of our top priorities. For details, please refer to the following: <ul style="list-style-type: none"> Risk Appetite Framework (page 62 in the Main Part) Comprehensive Risk Management (page 90 in the Reference Part) Capital Management System (page 91 in the Reference Part)

Corporate Governance

Management Philosophy

The Aozora Group has established a management philosophy consisting of its mission, vision, and key priorities.

Aozora Mission

Contribute to the development of society through the creation of new value-added financial services

Aozora Vision

Adapt to a rapidly changing world while remaining a trusted, valued and specialized financial service provider

Aozora's Key Priorities

1. Provide specialized and value-added financial services
2. Move quickly, while responding patiently and politely
3. Prioritize teamwork and provide a more comfortable working environment
4. Respect one's colleagues and support professional growth of all team members
5. Learn from the past while adapting to and focusing on the future
6. Take smart risks in new areas based upon our skills and experience
7. Actively contribute to the sustainable growth of society

The objective of the Bank's corporate governance policy is to ensure management discipline and create a framework for enhanced oversight in order to conduct daily business operations based on its management philosophy. For this purpose, the Bank continues to work toward a more transparent corporate governance structure by focusing on the proper establishment and operation of its governance framework as its primary management initiative.

Aozora Bank Corporate Governance Structure

(1) Separation of Management Oversight and Business Execution

Management adheres to the highest standards of compliance in all areas of business execution. Management identifies risks and assesses their potential impact on the Bank's business, maintaining a strong internal control system that ensures optimal transparency and a framework for the effective balancing of risk-return.

In order to improve efficiency through the separation of management oversight and business execution and transparency by establishing an appropriate corporate governance system, the Board of Directors, including multiple outside directors, determines basic management policy and management strategies, and supervises the execution of business operations. Executive officers, including the Representative Directors, conduct operations with authority delegated by the Board of Directors.

The Management Committee is the highest decision-making body for the execution of daily business, and

comprises members from among the Executive Officers, who are approved and appointed by the Board of Directors. This structure improves the speed of decision-making, while at the same time the Executive Officers' Meeting, which comprises all Executive Officers, is held in order to share information. Various sub-committees are also established to improve efficiency of the execution of daily business.

(2) Supervision and Management Oversight

The Audit and Supervisory Board (ASB) and its members monitor and verify the execution of director duties, mainly from a legal perspective. Board-level committees, such as the Nomination and Remuneration Committee and the Audit and Compliance Committee, both of which mainly comprise outside directors, are entrusted by the Board of Directors to perform supplementary supervision and oversight with respect to representative directors and executive officers.

(3) Internal Control Systems

The Aozora Group is committed to developing efficient business operations in accordance with Internal Control Programs approved by the Board of Directors. In addition, the Internal Audit Division, which is independent of all business groups, conducts internal audits and reports its findings directly to the Chief Executive Officer (CEO) and the Board of Directors.

Board of Directors

The Board of Directors establishes important business policies and oversees the execution of duties by executive officers entrusted with daily business operations. Moreover, the Bank convenes “independent outside directors’ meetings” comprised only of the four outside directors multiple times throughout the year to allow for the discussion and exchange of views on key business issues and management of the Board from an independent outside director’s perspective.

Audit and Supervisory Board

The Audit and Supervisory Board formulates the

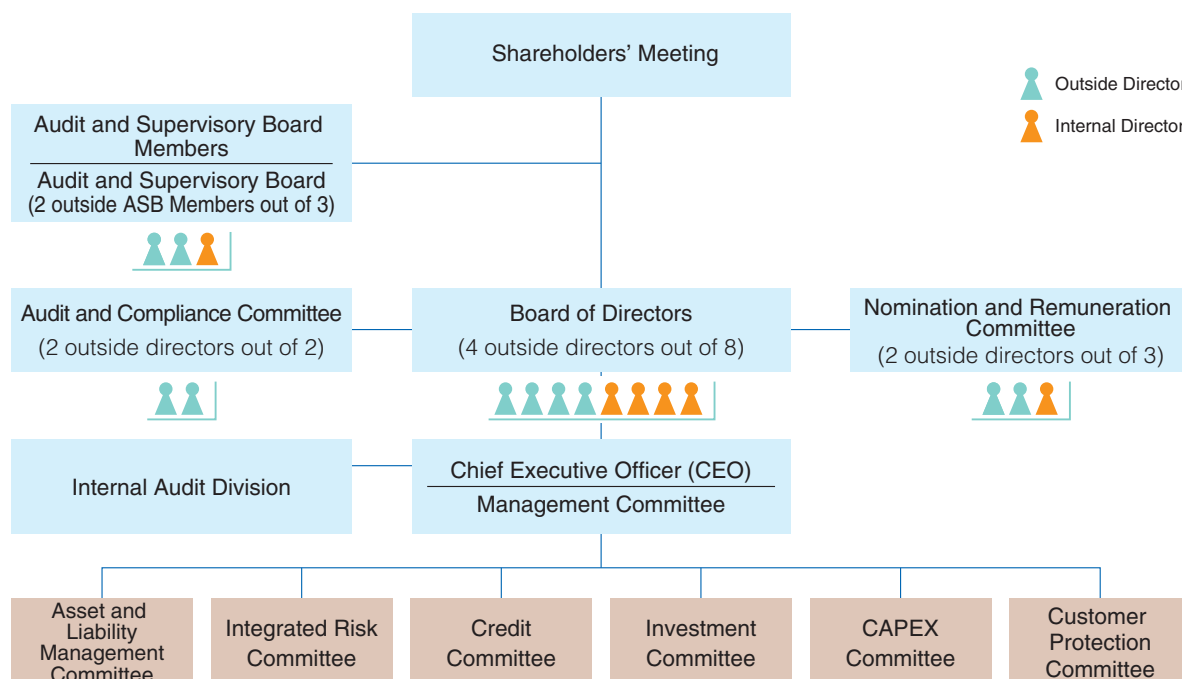
Bank’s audit policy and plan regarding the execution of duties by directors and executive officers in accordance with relevant laws and regulations. The ASB convenes all members to receive reports on important audit matters and discusses or resolves them as needed.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee, the majority of which comprises outside directors, recommends candidates for Board and ASB members as well as other important positions. In addition, the Nomination and Remuneration Committee determines the remuneration of directors and executive officers and makes recommendations to each ASB member regarding their remuneration.

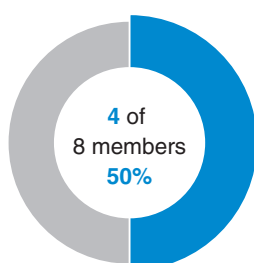
Audit and Compliance Committee

The Audit and Compliance Committee, which comprises outside directors, reviews the adequacy and effectiveness of matters relevant to the establishment of internal control systems, including internal and external audits, risk management, compliance, and credit audits.

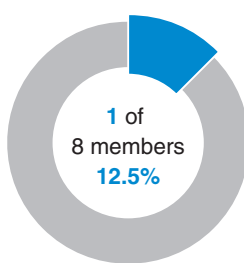


<Board of Directors' Membership Structure>

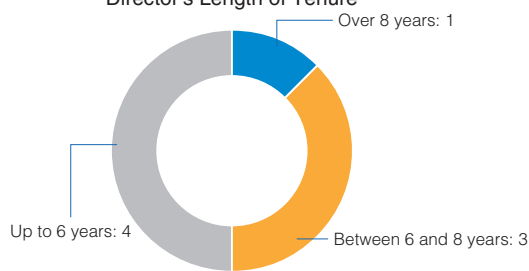
Ratio of outside directors



Ratio of female directors




Director's Length of Tenure



○ Board of Directors, Audit and Supervisory Board Members

The Bank determines the independence of outside directors and outside Audit and Supervisory Board Members in accordance with the standards set forth by the Tokyo Stock Exchange. All qualified outside directors and outside Audit and Supervisory Board Members are designated as independent.


Outside Director (4 members)

	Title	Outside Director (Independent)
	Name	Shunsuke Takeda
	Expertise	<div> <div></div> Corporate management <div></div> Banking and finance <div></div> Financial accounting </div>
	Length of tenure	14 years
	Board meeting attendance	100%
	Aozora shares owned	11,892

Reason for appointment and expected role

Shunsuke Takeda has served as Director, Vice Chairman and CFO of ORIX Corporation and Chairman and Representative Executive Officer of Daikyo Incorporated and he has wealth of experience, credentials and deep insight as a top management of corporate institutions as well as extensive knowledge of M&A and venture capital business. He has appropriately supervised the management of the Bank as an Outside Director since June 2007.


The Bank, having high regard for his experience and capabilities, requests the continued appointment as Outside Director, as the Bank expects him to provide overall oversight and advice on the execution of duties by executive officers, with an objective viewpoint, toward the enhancement of the Bank's corporate value over the mid- to long-term.

	Title	Outside Director (Independent)
	Name	Hiroyuki Mizuta
	Expertise	<div> <div></div> Corporate management <div></div> Banking and finance </div>
	Length of tenure	8 years
	Board meeting attendance	100%
	Aozora shares owned	4,345

Reason for appointment and expected role

Hiroyuki Mizuta has served as Director, President and Representative Executive Officer of Resona Holdings, Inc. and Representative Director and Chairman of TOKYO TOWER Co., Ltd and he has wealth of experience, credentials and deep insight as a top management of corporate institutions in the banking and non-financial sectors, as well as extensive knowledge of banking retail business and corporate finance business. He has appropriately supervised the management of the Bank as an Outside Director since June 2013.


The Bank, having high regard for his experience and capabilities, requests the continued appointment as Outside Director, as the Bank expects him to provide overall oversight and advice on the execution of duties by executive officers, with an objective viewpoint, toward the enhancement of the Bank's corporate value over the mid- to long-term.

	Title	Outside Director (Independent)
	Name	Ippei Murakami
	Expertise	<div> <div></div> Corporate management <div></div> Financial accounting </div>
	Length of tenure	7 years
	Board meeting attendance	100%
	Aozora shares owned	8,415

Reason for appointment and expected role

Ippei Murakami has served as President and Representative Director of Nisshin Seifun Group Inc. and Chair of the Board of Trustees of Kwansei Gakuin University and he has wealth of experience, credentials and deep insight as a top management of corporate institution and educational institution, as well as extensive knowledge of corporate finance and accounting. He has appropriately supervised the management of the Bank as an Outside Director since June 2014.

The Bank, having high regard for his experience and capabilities, requests the continued appointment as Outside Director, as the Bank expects him to provide overall oversight and advice on the execution of duties by executive officers, with an objective viewpoint, toward the enhancement of the Bank's corporate value over the mid- to long-term.


	Title	Outside Director (Independent)
	Name	Tomonori Ito
	Expertise	<div> <div></div> Banking and finance </div>
	Length of tenure	7 years
	Board meeting attendance	100%
	Aozora shares owned	2,000

Reason for appointment and expected role

Tomonori Ito, after having experience in the domestic/global financial institutions, has served as Adjunct Professor of Department of International Corporate Strategy at Hitotsubashi University Business School and he has wealth of experience and credentials in the global finance business and deep insight as Professor of a business school, as well as extensive knowledge of investment banking business including M&A. He has appropriately supervised the management of the Bank as an Outside Director since June 2014.


The Bank, having high regard for his experience and capabilities, requests the continued appointment as Outside Director, as the Bank expects him to provide overall oversight and advice on the execution of duties by executive officers, with an objective viewpoint, toward the enhancement of the Bank's corporate value over the mid- to long-term.

Outside ASB Member (2 members)

	Title	Outside ASB Member (Independent)
	Name	Kiyoto Hagiwara
	Expertise	<div> <div></div> Banking and finance </div>
	Length of tenure	6 years
	Board meeting attendance	100%
	ASB meeting attendance	100%
	Aozora shares owned	3,700

Reason for appointment


Kiyoto Hagiwara has served as an Auditor at the Bank of Japan and is qualified for the responsibilities as an outside Audit and Supervisory Board Member because he has substantial experience and expertise in the finance and banking business, and his position is independent from the day-to-day management responsibilities of the operations and activities of the Bank.

	Title	Outside ASB Member (Independent)
	Name	Toraki Inoue
	Expertise	<div> <div></div> Corporate management <div></div> Financial accounting </div>
	Length of tenure	5 years
	Board meeting attendance	100%
	ASB meeting attendance	100%
	Aozora shares owned	—

Reason for appointment

Toraki Inoue was formerly a Worldwide Partner at Arthur Andersen and is qualified for the responsibilities as an outside Audit and Supervisory Board Member because he has substantial experience and expertise as a public accountant and accounting expert, and his position is independent from the day-to-day management responsibilities of the operations and activities of the Bank.

Inside Director (4 members)

	Title	Representative Director and President, Chief Executive Officer (CEO)
	Name	Kei Tanikawa
	Expertise	● Corporate management ● Banking and finance
	Length of tenure	3 years
	Board meeting attendance	100%
	Aozora shares owned	14,951


Reason for appointment

Kei Tanikawa has been engaged in a variety of banking businesses such as corporate banking business and financial institutions business and he has made a considerable contribution to the corporate management as Executive Officer (since July 2012), supervising various groups/divisions. He has deep insight in financial businesses as well as extensive experience and prudent judgment.

	Title	Representative Director and Deputy President
	Name	Koji Yamakoshi
	Expertise	● Banking and finance
	Length of tenure	1 year
	Board meeting attendance	100%
	Aozora shares owned	2,125


Reason for appointment

Koji Yamakoshi has been engaged in a variety of banking businesses such as specialty finance business and he has made a considerable contribution to the corporate management as Executive Officer (since July 2012) and subsequently Head of Specialty Finance Group and Head of Corporate Banking Group. He has deep insight in financial businesses as well as extensive experience and prudent judgment.

	Title	Representative Director and Deputy President
	Name	Hideto Oomi
	Expertise	● Banking and finance
	Length of tenure	–
	Board meeting attendance	–
	Aozora shares owned	3,339

Reason for appointment

Hideto Oomi has been engaged in a variety of banking businesses such as corporate banking business and corporate strategy and he has made a considerable contribution to the corporate management as Executive Officer (since July 2016), supervising various groups/divisions. He has deep insight in financial businesses as well as extensive experience and prudent judgment.

	Title	Director, Senior Managing Executive Officer
	Name	Tomomi Akutagawa
	Expertise	● Banking and finance ● Financial accounting
	Length of tenure	2 years
	Board meeting attendance	100%
	Aozora shares owned	4,900

Reason for appointment

Tomomi Akutagawa has been engaged in a variety of banking businesses such as financial management and she has made a considerable contribution to the corporate management as Executive Officer and Deputy CFO (since July 2014) and subsequently Head of Corporate Strategy Unit and CFO. She has deep insight in financial businesses as well as extensive experience and prudent judgment.

Inside ASB Member (1 member)

	Title	Standing ASB Member
	Name	Satoshi Hashiguchi
	Expertise	● Banking and finance
	Length of tenure	3 years
	Board meeting attendance	100%
	ASB meeting attendance	100%
	Aozora shares owned	1,617

Reason for appointment

Satoshi Hashiguchi has been engaged in a variety of banking businesses such as corporate banking business, financial management and markets business and gained substantial experience as General Manager of the Internal Audit Division (since October 2013) validating internal control procedures from a position independent from the day-to-day management responsibilities of the operations and activities of the Bank.

Board of Directors, Audit and Supervisory Board Members Expertise:

● Corporate management ● Banking and finance
● Financial accounting

(Note)

1. "Length of tenure" refers to service as of June 24, 2021
2. Board meeting and ASB meeting attendance refers to meetings held during FY2020
3. Number of Aozora shares owned as of June 25, 2021

○ FY2020 Initiatives

■ Board of Directors, Audit and Supervisory Board, and Committee Meetings

Name of Committee	Chaired by	Members	Meetings held in FY2020	Attendance
Board of Directors	Chairman or President	Directors, Audit and Supervisory Board Members	15	100%
Audit and Supervisory Board (ASB)	Standing ASB Member	ASB Members	13	100%
Nomination and Remuneration Committee	Outside Director	Directors (Outside Directors comprise majority)	7	100%
Audit and Compliance Committee	Outside Director	Outside Directors	6	100%

■ Major Topics Discussed at Board of Directors Meetings

- Progress of the Mid-term Plan
- Business conditions amidst the COVID-19 pandemic
- Business progress of GMO Aozora Net Bank
- Progress report on the capital/business alliance with Orient Commercial Joint Stock Bank
- Progress of discussions regarding systems reform
- Cybersecurity reports
- Quarterly integrated risk reports and integrated stress-test results reports
- Legal compliance and risk management reports

■ Analysis and Evaluation of Board Effectiveness

The Bank works to further enhance the effectiveness of its Board of Directors through a continuous process (PDCA cycle) of analyzing and evaluating Board effectiveness each fiscal year as well as considering and providing solutions to new and existing issues. The Board of Directors strives to fulfill its fiduciary duties and accountability to the Bank's shareholders and performs self-evaluations of Board effectiveness aimed at promoting sustainable growth and enhancing the Bank's corporate value over the mid- to long-term. The Board continues to assess its management and oversight functions on the basis of the full utilization of directors' and Audit and Supervisory Board members' knowledge, expertise and experience, and takes into consideration the views of each Board member. The results of these self-evaluations are shared in thorough Board discussions.

The Board of Directors aims to ensure objectivity and transparency through the Board, 50% of which are outside members.

In addition to retaining an Audit and Supervisory Board, the Bank also has a Nomination and Remuneration Committee, which mainly comprises outside directors and is also chaired by an outside director, as well as an Audit and Compliance Committee, which is comprised of only outside directors. Both committees act to complement and check the oversight of executive officers including

representative directors.

Moreover, the Bank convened three outside directors' meetings throughout FY2020 to allow for the discussion and exchange of views on key business issues, including Aozora's executive structure and the operations of the Board of Directors, from an independent outside director's perspective. Board of Directors meetings involved confirming the progress of the newly developed Mid-term Plan, receiving reports regarding business conditions amidst the COVID-19 pandemic while making sure those topics discussed at Board of Directors meetings were properly reflected in the Bank's management, and substantive discussions regarding the development of the FY2021 Business Plan that took place over the course of several sessions.

In FY2020, the Board assessed that its roles and responsibilities were properly fulfilled under the aforementioned framework through constructive discussions and exchange of ideas on important issues including business strategy as well as the proper oversight and monitoring of management executives. The Board also assessed that overall Board management was proper and effective.

Going forward, the Bank will strive to make the Board's roles and responsibilities more effective and proper by utilizing committees under the Board as well as the outside directors' meeting.

■ Management Committee

The Management Committee comprises executive officers (including representative directors) specially appointed by the Board of Directors. The Management Committee convenes weekly and determines important matters related to the Bank's daily operations in accordance with the policies set forth by the Board. The Management Committee has the following sub-

committees to which it delegates authority: ALM Committee, Integrated Risk Committee, Credit Committee, Investment Committee, CAPEX Committee, and Customer Protection Committee. Subcommittees have substantive knowledge and experience in various aspects of the Bank's business operations, as well as sound decision-making capabilities.

Name of Committee	Chaired by	Members	Meetings held in FY2020	Purpose
Management Committee	CEO	Executive Officers appointed by the Board of Directors	51	Determine important matters related to daily business operations
Asset and Liability Management Committee	CFO	President, Executive Officers in charge	13	Determine important matters regarding asset and liability management
Integrated Risk Committee	CRO	President, Executive Officers in charge	8	Establish risk management policies, monitor risk management framework, maintain proper internal governance, launch new businesses/ products
Credit Committee	CCRO	President, Executive Officers in charge	125	Approve credit transactions and related business policies
Investment Committee	CCRO	President, Executive Officers in charge	37	Approve individual investment transactions, establish appropriate investment policies, ensure accurate understanding of the Bank's overall investment portfolio, build and maintain a secure and profitable portfolio
CAPEX Committee (approval and management of IT-related proposals)	CTO	President, Executive Officers in charge	14	Approve and monitor IT projects required to realize Management Committee-approved business plans and strategies
CAPEX Committee (approval and management of facilities-related proposals)	Head of Corporate Strategy Unit	President, Executive Officers in charge	8	Approve and monitor facilities-related proposals required to realize Management Committee-approved business plans and strategies
Customer Protection Committee	Head of Compliance and Governance Unit	Executive Officers in charge	25	Review customer protection framework in five areas: customer explanation management, customer support management, customer information management, outsourcing management and conflict of interest management

○ Director/Executive Officer Remuneration Framework

■ Policy and Procedure for Determining Director/Executive Officer Remuneration

In order to pursue its mission to "contribute to the development of society through the creation of new value-added financial services," Aozora recognizes the necessity of providing proper incentives and a work environment that allows successful and high-potential employees to perform their duties consistently while maintaining high morale, motivation, and pride.

To this end, the Bank has designed a remuneration system based on the following basic policy.

1. Remuneration framework in line with the Bank's vision

The Bank aims to build a compensation framework which reflects business performance in line with its objectives and values.

2. Remuneration framework appropriately reflecting the Bank's performance.

The Bank's remuneration framework is based on "pay for performance" and reflects the Bank's commitment to sustainable growth, sound risk-taking through appropriate risk management, compliance, and customer protection.

3. Remuneration framework serving the interests of shareholders and other stakeholders

The Bank has adopted a remuneration framework that is consistent with the values of its shareholders and other stakeholders.

4. Remuneration methodology that guarantees effective governance

The Bank ensures that remuneration decisions are made with full transparency and free from any specific influence.

■ Policy on Determination of the Amount or Calculation Method of Remuneration for Directors

In order to ensure that the process for determining individual directors' remuneration is transparent, independent, and impartial, the Nomination and Remuneration Committee, which mainly comprises outside directors authorized by the Board of Directors, decides the amounts payable to each director based on the Bank's policy of deciding the remuneration of directors as approved by the Board in accordance with the Committee's own discretionary findings.

The membership of the Nomination and Remuneration Committee is as follows:

Chaired by: Shunsuke Takeda, Outside Director

Member: Tomonori Ito, Outside Director

Member: Kei Tanikawa, President and Representative Director

In principle, the Bank pays fixed-base remuneration, performance-based bonuses, and equity compensation type stock options to full-time directors and only fixed-base remuneration to outside directors.

■ Base Remuneration

Base remuneration comprises a fixed amount which varies by type of position (full-time or part-time), job title, and responsibilities. Before determining base remuneration, data from an outside specialized agency is used to determine whether the level of base remuneration is appropriate.

■ Bonus (Performance-based Remuneration)

Bonus amounts are initially set at the equivalent of 40% of the individual's basic remuneration amount (the "Base Bonus Amount"). The Nomination and Remuneration Committee then decides the amount of individual bonuses (performance-based remuneration) by applying a rate within a predetermined range of 0% to 250% of the Base Bonus Amount for every full-time director while considering the key performance indicators of the fiscal year as shown below. Specifically, the Nomination and Remuneration Committee decides the rate and bonus amount by considering the following key performance indicators and the Bank's overall performance during the relevant fiscal year.

- Achievement rates of Business Profit and Net Earnings
- Achievement rates of KPI (Key Performance Indicators) such as OHR (Over-head Ratio), ROE (Return on Equity) and ROA (Return on Assets)
- Achievement and maintenance of Capital Adequacy Ratio
- Assessment of undue risk and occurrence of serious compliance violations
- Implementation and introduction of initiatives and strategies from a mid- to long-term perspective, including the launch of new businesses

Among the aforementioned performance indicators, the fundamental indicators of the Bank's business results are business profit and net earnings, while the key performance indicators, OHR, ROE, ROA and Capital Adequacy Ratio, are the main indexes for tracking the progress of the Bank's Mid-term Business Plan. The achievement rates of these indicators, therefore, are taken into account as quantitative evaluation criteria for determining bonus amounts. In order to encourage not just short-term results but also mid- to long-term business initiatives, the Bank also fully considers qualitative evaluation criteria such as undue risk-taking, the occurrence of serious compliance violations, and the implementation/introduction of initiatives and strategies from a mid- to long-term perspective, including the launch of new businesses.

The targets and results of indicators tied to performance-based remuneration paid in FY2020 are stated below.

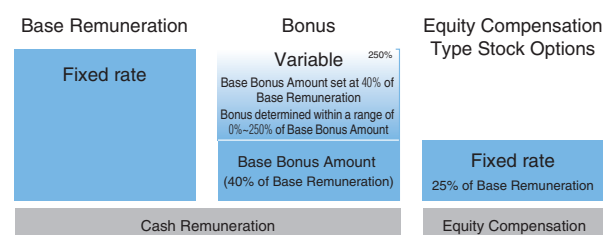
	Targets* (consolidated)	Results (consolidated)
Business profit	35.0 billion yen	42.3 billion yen
Net earnings	36.5 billion yen	28.1 billion yen
OHR	50%	55.8%
ROE	9%	6.4%
ROA	0.8%	0.5%
Capital adequacy ratio	10%	10.29%

* Previous Mid-term targets (for FY2018-2020) announced at the beginning of FY2019

Equity Compensation Type Stock Options

The Nomination and Remuneration Committee discussed the proper ratio of cash remuneration to equity compensation type stock options in order for stock options to be one of the healthy incentives to promote sustainable growth, and set the rate at 25% of base remuneration amount, with the exact number of stock options to be determined based on a resolution by the Board of Directors in accordance with the Equity Compensation Type Stock Options Manual.

Full-time Director Remuneration Structure



Policy on Determination and Calculation of ASB Member Remuneration

ASB members discuss and determine individual remuneration amounts in consideration of deliberations and proposals made at Nomination and Remuneration Committee meetings. ASB members only receive fixed base remuneration in accordance with the policy below.

Base Remuneration of ASB Members

Base remuneration comprises a fixed amount which varies by type of position (full-time or part-time), assigned audit duties, director remuneration, etc. Before determining base remuneration, data from an outside specialized agency is used to determine whether the level of base remuneration is appropriate.

Remuneration of Directors and ASB Members (April 1, 2020-March 31, 2021)

Category	#	Remuneration in total	(million yen)		
			Base	Bonus	Stock options
Directors (excl. outside directors)	5	264	163	64	37
Standing ASB member (excl. outside ASB members)	1	29	29	—	—
Outside directors and ASB members	6	80	80	—	—

(Note) 1. This includes one director who retired at the close of the 87th General Meeting of Shareholders on June 24, 2020.

2. Total amount of provisions for performance-based remuneration (bonuses) paid to executives (64 million yen) during the specified time period. However, while the amount of provisions for executive bonuses recorded in FY2019 totaled 70 million yen, the actual amount of bonuses paid in June, 2020 to four directors (excluding outside directors) for their execution of duties during FY2019 was 60 million yen.

Policy and Procedure for appointing Board of Directors and ASB Member candidates as well as appointment and dismissal of members of upper management including the CEO

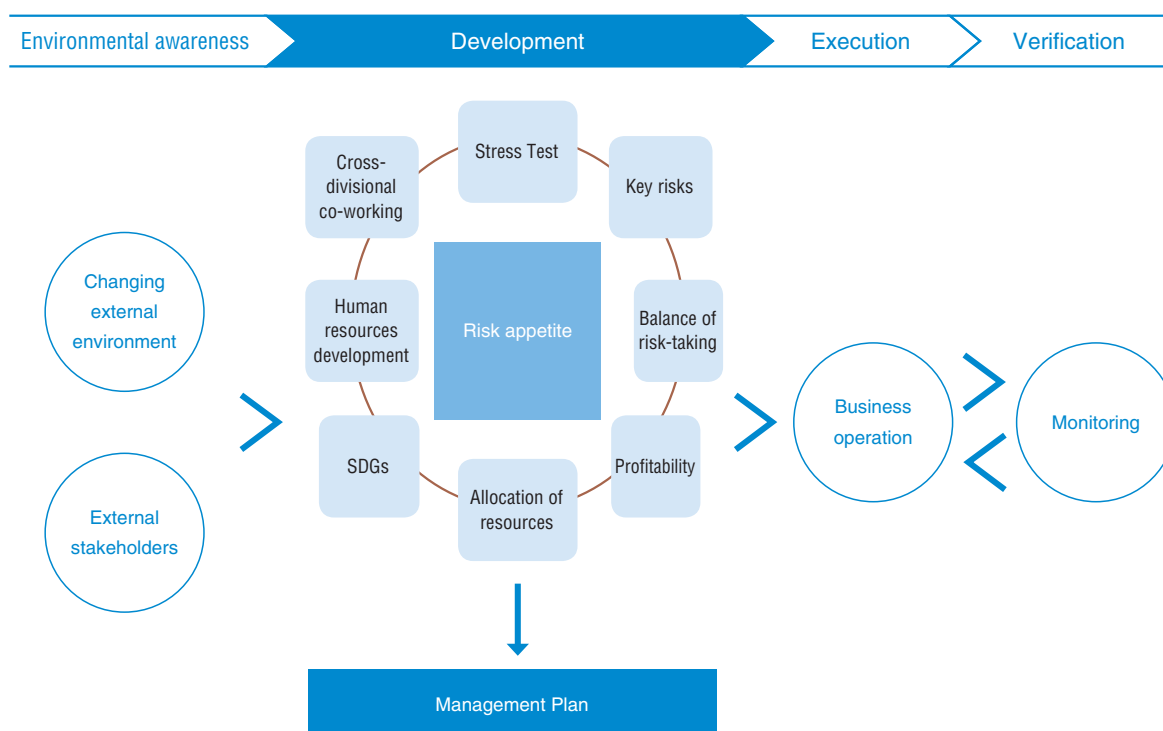
For more details, please click on the following link to view Aozora's "Corporate Governance Report":
<https://www.aozorabank.co.jp/english/company/governance/structure/pdf/governance.pdf>

○ Risk Appetite Framework

While the banking sector continues to experience significant changes in the operating environment, the Bank remains committed to the sustainable enhancement of its corporate value. In keeping with this commitment, the Bank continues to promote sound risk-taking through proper awareness of the business environment, including potential risks and the implementation of effective risk controls. The Aozora Group has established a risk appetite framework for business management that clearly identifies the type and level of risks (risk appetite) the Bank takes to achieve its business strategies and financial plan. In recognition of the expectations of the Aozora Group's stakeholders, including its shareholders and

customers, as well as changes in the external operating environment, the Bank's Mid-term Plan and yearly business plans are comprehensively developed in consideration of the Bank's profitability, balance of risk-taking, resource diversification, and the results of stress tests.

Business operations are executed based on the Bank's management plan by the Management Committee and various other committees in accordance with the Bank's governance policy. In addition, these committees conduct monitoring of operational conditions while confirming the progress of the plan and awareness of the operating environment, which is also utilized in later business operations.



Internal Audit Management

Role and Function

In order to support the Aozora Group's goal of providing value-added financial services, the Bank's Internal Audit Division is situated independently from all other units/groups and objectively examines and evaluates whether the internal control systems of the Group are functioning properly and effectively while offering constructive and practical recommendations for improvement.

Internal audits are conducted in line with the audit plan, which is formulated according to the Annual Internal Audit Plan approved by the Management Committee and the Board of Directors each fiscal year. When formulating the audit plan, the Bank considers the frequency and intensity of audits based on the type and degree of inherent risk within each business unit and the status of internal controls. In consideration of the importance of risk management, the Bank also

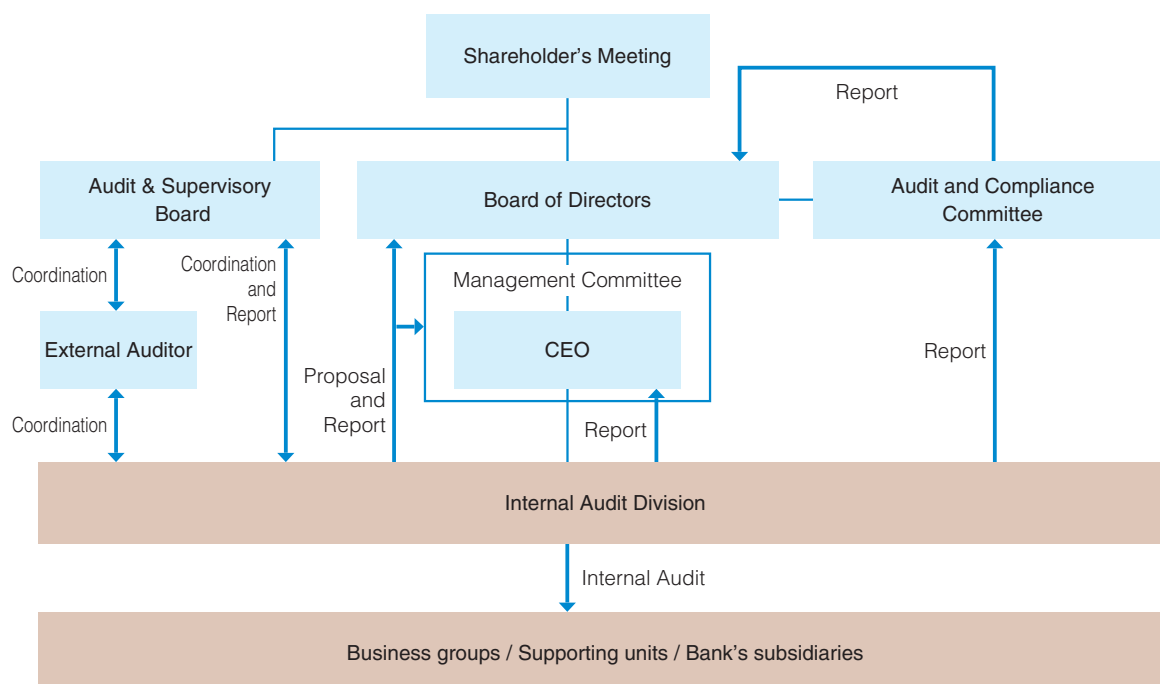
conducts system audits, cross-sectional target audits, and J-SOX audits related to financial reporting. The Internal Audit Division reports directly to the Chief Executive Officer and shares periodic reports regarding the Group's internal controls. It also provides an independent evaluation of the internal management system by presenting audit results to the Management Committee monthly and a summary of the audits directly to the Audit and Compliance Committee and the Board of Directors semi-annually. Furthermore, the Internal Audit Division cooperates with the Audit and Supervisory Board, its members, and external auditor by directly exchanging information and opinions, including the aforementioned audit reports and audit schedules, in order to better achieve the purpose of the internal audits.

Efforts to Improve Audit Effectiveness

The Bank's internal audits are conducted on a risk basis in accordance with the IIA's (Institute of Internal Auditors) international standards. In addition to a yearly internal quality assessment, the Internal Audit Division periodically undergoes an external quality assessment by a third-party organization in order to further improve the Bank's internal audit system. In order to improve the effectiveness of its auditors, the

Internal Audit Division conducts ongoing external recruitment of auditors with a high level of expertise in areas such as the active utilization of data analysis as well as digital transformation. In addition, the Internal Audit Division supports and encourages its employees to obtain professional certifications, such as becoming a Certified Internal Auditor (CIA) and Certified Information System Auditor (CISA).

Internal Audit System





Executive Officer
Head of Human Resources Unit
Hiroshi Kaneko

Human Resources Philosophy and Approach

Overview of the Aozora Group's Human Resources and Organization

The Aozora Group is a manageably sized entity with approximately 2,300 employees, offering specialized and value-added financial services in its “6 Areas of Focus”. The composition of Aozora’s workforce is somewhat unique, with a mid-career hire rate that is relatively high for a domestic bank: new grad hires represented only 60% of new employees while mid-career hires were 40%. Aozora’s corporate culture enables employees with

diverse viewpoints and values to play important roles, encourages everyone to freely express their opinions, and places a high priority on teamwork.

As a result of Aozora’s unique composition and corporate culture, we are able to provide our customers with financial services by leveraging our skill base and organizational flexibility.

Basic Policies for HR Strategy

Aozora has developed a basic policy for its human resources strategy that aims to create a workplace that encourages employees to work with a high level of morale, motivation, and pride while prioritizing teamwork and a willingness to take on new challenges.

1. Performance-based HR system	We strive to establish a consistent HR system based not on seniority but capabilities and job responsibilities. We also aim to treat employees fairly through our “Pay-for Performance” system by conducting comprehensive performance evaluations.
2. Professionalism and skills enhancement	We encourage employees to improve their professional skill sets so that customers come to choose Aozora as a trusted Partner Bank.
3. Diversity and Inclusion	We strive to build a dynamic organization where employees with diverse backgrounds can play important roles. We also seek to improve our working environment by allowing for flexible working styles.

Aozora HR Reform

Aozora’s HR Reform began in FY2020 to help the Bank grow into a financial group that facilitates teamwork and further encourages employees to accept new challenges. One major change was that our career courses were re-organized, resulting in the “non-professional career” category being eliminated and all career positions being classified as either “Global Professional”, “Regional Professional”, or “IT Professional”. This new system encourages our employees to take on new challenges and assume more active roles. In addition, a new compensation system was introduced, with more clearly defined policies for promotions and raises that are based on fair and transparent performance evaluations. One result of this change is that job seniority is no longer taken into

consideration in deciding employee job promotions. We will strive to motivate employees by facilitating “Pay-for-Performance” to allow young and talented employees to receive promotions earlier than before.

In order to work closely with our employees in smoothly rolling out our HR Reforms, Aozora holds small-sized meetings in which small groups of Executive Officers and employees are asked to consider current issues at the Bank and the importance of HR Reform, and then discuss their point of view through a free exchange of opinions. These opportunities allow us to promote teamwork and further reinforce a sense of unity as an organization while encouraging employees to fully demonstrate their abilities in order to create new value-added financial services and contribute to society.

Outline of Aozora HR Reform

1. Reorganize career courses into three tracks: Global Professional, Regional Professional, and IT Professional
2. Introduce a new career course for IT professionals
3. Restructure compensation system to incentivize taking on new challenges
4. Offer more opportunities for those with strong capabilities and expertise in particular areas to play more active roles
5. Review compensation system for senior employees and support their second career path by permitting second jobs
6. Implement measures for staff development and stronger teamwork

○ Recruitment and Development of Personnel to Support Value Creation

Recruitment strategy

Aozora Bank relaunched in 2001, and since that time, we have recruited talented new graduates and mid-career hires. As of March 2021, our workforce is comprised of 58% new graduates and 42% mid-career hires.

To attract students with diverse backgrounds, we established a system in which new grads employed in the Global Professional Career course can select their assigned divisions, including digital transformation, corporate financing, international business, specialty financing, and market business. In order to recruit talented employees, Aozora offers the highest initial monthly salary in the banking industry (240,300 yen) and offers unique financial support and student loan repayment programs.

The Bank also recruits mid-career professionals, including individuals with high potential and those with specialized skills and experience, mainly for high-level job positions. We believe that our workforce has become more diverse as a result of recruiting employees with experience in other industries.

Utilization of Human Resources Prioritizing Enhanced Professionalism

We believe it is very important for our employees to enhance their skill sets and expertise by gaining a wide variety of experiences and performing job duties that meet their individual needs for self-fulfillment and willingness to grow. In order to achieve this, Aozora offers flexible career paths and encourages employees willing to obtain high level skills and expertise. For example, employees in the “Global Professional” career track learn business basics by joining three different divisions within their first eight years at the Bank in order to gain experience in a wide range of operations. Mid-level employees and managers in their 30s and 40s are encouraged to further their expertise in the mid- to long-term.

Professional Development

Aozora offers a range of training programs for both our junior and more experienced employees that fall under the two pillars of mindfulness/skills training and practical training. We conduct programs for managers, such as the 360-degree feedback program as well as coaching and evaluators’ training, so that they can effectively support their employees’ growth. Aozora University is open to applicants regardless of age and

job position. Aozora Credit Analysis Training School, sponsored by the Corporate Banking Group, and Aozora Academy at Aoyama, led by the Retail Banking Group, help educate young employees and new mid-career hires so that they are prepared to assume their new job duties in a timely fashion.

To promote the personal-development of our employees, Aozora provides financial support when employees take qualification exams, study at correspondence courses, or participate in outside seminars. The Bank has encouraged employees to continue their study of English by paying a portion of the fees to take the TOEIC test as well as private English lessons in order to foster high performance in international business. Aozora also sends employees to graduate schools as a part of leadership programs to in order to support the development of future managers.

In FY2020, we held the Communication Forum in order to foster closer communication and stronger teamwork in the new working environment. Supervisors and their employees discussed their individual perspectives on a range of topics in small groups.

Aozora plans to conduct several new programs in FY2021, such as the Digital Talents Development Program, which aims to enhance IT literacy, and business training programs to help young and female employees gain experience in more new business areas.

The Digital Talents Development Program is an internal training initiative for employees involved in promoting and supporting digitalization in order to ensure the Aozora Group’s sustainability. The Program offers two courses; a Standard Course for all of Aozora’s officers and employees, which offers personal-development seminars and e-learning programs, and an Intensive Course designed to foster digital talents.



○ Support for Career Development

Aozora believes that our employees' job-satisfaction and desire for personal-fulfillment directly affects our growth, and offers a wide range of support for employees to pursue their individual career paths. When transferring staff between divisions, we make use of the Career Plan Sheets each employee completes every year. The HR Division and Group Heads closely monitor employees' preferences, capabilities, and aptitude before deciding on a transfer. As a result of Aozora's manageable size, officers and employees generally know one another quite well. This means we can quickly and thoughtfully assign staff in order to respond to changes in the business environment while fully taking into consideration our employees' career plans. In FY2019, Aozora launched a Job Support Program that enables employees to work on projects for other divisions while still belonging to their assigned division. This program has received a lot of recognition and the number of applicants has increased year after year. Several participants even eventually transferred to the

division they worked with via this program. In FY2020, we implemented several other career support programs in line with Aozora's HR Reform, including 1. "Regional Professional" Career Training, 2. a Short-term Internal Trainee Program, 3. dispatch to other business entities (the Mushashugyo), 4. the Aozora Career Support Leave Program, and 5. lifted restrictions on obtaining second jobs.



Career Support Programs

Program	Overview
Job-posting	Internal job-posting program that supports employees in realizing their career aspirations. Approximately 50 positions posted a year.
Career challenge	Internal job-posting program for senior employees that allows them to take on new job duties in order for them to play more active roles.
Job support	Career development system where employees can temporarily take on new job responsibilities in their preferred division while staying in their current position
Overseas trainee	Job-posting program that dispatches young or mid-level employees to work at an overseas office for two years in order to support global human resources development that allows employees to gain experience working overseas.
(New) Regional Professional Career Training	Training to aid employees who recently shifted career tracks in thinking about their future career by classifying their personal strengths and values in order to further develop their leadership skills.
(New) Short-term Internal Trainee Program	Development program that allows new employees to work in a wide range of divisions for short periods to provide them with training and job experience.
(New) Mushashugyo	Program that dispatches young or mid-level employees to work at other business entities to enhance their creativity and expertise.
(New) Aozora Career Support Leave Program	Program which supports flexible working styles to match employees' life plans by granting leave for reasons related to relocation due to study abroad or a spouse's job transfer.
(New) Lifted restrictions on obtaining second jobs	Lifted restrictions on obtaining a second job as a business owner

Better Working Environment

Aozora offers the following programs and welfare systems to foster a working environment where employees can pursue long careers and achieve a better work-life balance.

In FY2020, the Bank further expanded its work-from-home system, staggered-commuting, and split-shift programs in response to the COVID-19 pandemic while considering each employees' work responsibilities. These changes contributed to the improvement of Aozora's working environment and the smooth implementation of business continuity.

Programs and Initiatives for a Better Working Environment

Program	Overview
Flextime system	System that allows employees to alter their workday start and finish times as long as they achieve a certain number of hours-worked per month.
Work from Home and Mobile Work Program	System that allows employees to work outside of the office based on their personal work style.
Staggered commuting system	System that allows employees to alter their workday start and finish times in order to avoid rush-hour commutes while maintaining their regular number of daily hours-worked.
Short time work program	Program that shortens working hours of employees who are pregnant or need to provide child or nursing care.
Exemption of Overtime, Late-night, and Holiday Work	Program that allows exemption of overtime, late-night, and holiday work for employees who are pregnant, within one year of giving birth, on maternity leave, or need to provide nursing care.
Maternity Leave	Leave granted 6 weeks prior and 8 weeks after giving birth.
Childcare leave	Leave granted when an employee's child is under 1 and half years old, or until the end of April past the child's first birthday.
Child nursing care leave	5 days of leave granted per year, or 10 days in the case of more than one child, for use when their pre-elementary school age child is sick or injured.
Nursing care "Kyuka" leave	Leave granted when an employee must provide nursing care to family members. 10 days per year, or 20 days in the case of more than one family member.
Nursing care "Kyugyou" leave	Leave granted when an employee must provide daily nursing care to family members. 365 days in total, possible to divide this leave into up to 12 parts if necessary.
Job Return Program	System designed to support the return of employees who previously retired from the Bank.

* These programs are open to all employees regardless of employment contract.

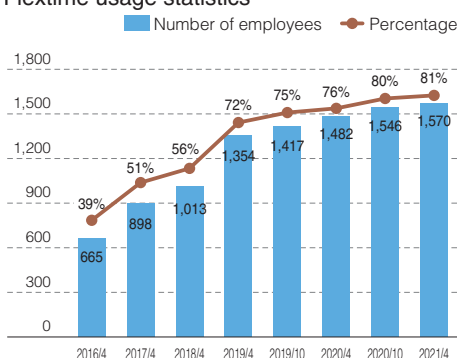
Aozora's Work Style Reform

Since FY2016, Aozora has promoted its Flextime Program that allows employees to determine when they work as long as they achieve a target total monthly hours worked. This program has no core period during which employees need to physically be at the office. All managers and about 70% of non-managers have utilized this program. The Flextime Program enables employees to effectively manage their work schedule, especially when their workload varies within a given month, and improves work-life-balance and productivity. We introduced our Work from Home and Mobile Work

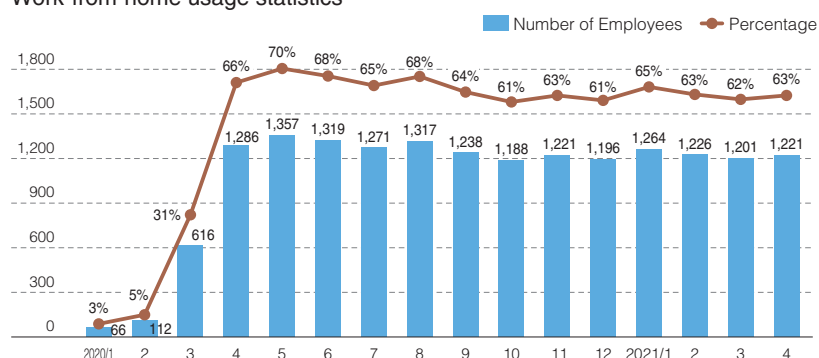
Programs in 2017, providing the IT infrastructure that enables employees to work from home. Employees are allowed to work remotely upon obtaining their supervisor's approval. As office attendance must be strictly limited during the COVID-19 pandemic, more and more employees have begun to use these programs, and they offer an effective new working style in the new business environment.

These kinds of flexible working initiatives are not usually seen within the Japanese banking industry, and Aozora will strive to further enhance its employees' working styles.

Flextime usage statistics



Work-from-home usage statistics



Health and Productivity Management Initiatives

We believe that our employees' mental and physical wellness has a direct effect on Aozora's corporate value and business performance, and have implemented a wide range of Health and Productivity Management initiatives.

Aozora and the Aozora Bank Health Insurance Society have worked closely together to provide regular health checkups, stress checks, and other measures to promote working hour management and reduce overtime. Aozora also offers financial support for its employees' medical examinations as well as health checkups and gynecological exams for family members.

The Bank regularly monitors its employees working hours through objective attendance data, such as PC logs. On average, our employees' monthly non-statutory working hours are at the relatively low level of approximately 10 hours and 20 minutes. We will

implement ongoing initiatives to prevent long hours by encouraging employees to prioritize tasks for greater efficiency.

In March 2021, the Bank received the "2021 Corporate Health Achievement Award" (large-scale companies category). We will continue to implement effective initiatives to promote our employees' and their families' health.



2021
健康経営優良法人
Health and productivity

Diversity and Inclusion

The executive officer in charge of the Human Resources Unit leads diversity and inclusion initiatives designed to create a work environment where employees from diverse backgrounds can play active roles at our company. We recently established the "Aozora Bank Group Human Rights Policy", and are enhancing our initiatives in line with this policy and Aozora's "Code of Ethics and Conduct", which forms the base of the Bank's Management Philosophy.

Initiatives for Diversity-Oriented Career Support of Core Talent

Aozora promotes employees to more senior positions by assessing candidates' ability and performance, regardless of gender or nationality.

Amid significant changes within the industrial structure, we need to respect various perspectives and systems of value in order to achieve sustainable growth and enhance our corporate value. Aozora will continue to actively recruit employees with experience, skills, and varied professional backgrounds while providing a working environment in which they can perform well.

1. Human Resources Development Policies

Polices	Actions
【Policy 1】 Diversity-oriented recruitment and consistent merit-based evaluation	<ul style="list-style-type: none"> • Continue to hire those mid-career as well as new grads • Hold recruitment events for women
【Policy 2】 Support female employees' career development	<ul style="list-style-type: none"> • Encourage female employees to gain experience in new business areas by implementing a wide range of training programs • Improve development programs, such as the internal short-term trainee program
【Policy 3】 Improve Aozora's working environment in order to support employees with varied backgrounds	<ul style="list-style-type: none"> • Promote flexible working styles and use of paid leave for better work-life balance • Hold interview sessions and seek feedback from domestic and overseas employees to consistently improve the working environment

In order to ensure a diverse workforce, we set hiring goals for female, non-Japanese, and mid-career managers, especially for managers who lead business management. While one of the Bank's main characteristics is a high percentage of mid-career managers, we believe that our percentage of female managers is not yet high enough. We will strive to maintain our current level of mid-career managers and strengthen our core talent pool by establishing a target ratio of female deputy managers while increasing our percentage of female managers by 20% going forward.

2. Goals

Categories	Current ratios	Ratios to be achieved	Target
Female managers	11.8%	13% or over	March-end, 2023
Female deputy managers	33.5%	35% or over	
Non-Japanese managers	2.9%	3% or over	To be maintained
Mid-career managers	42.5%	40 % or over	

Managers are equivalent to those in a position of supervision or management stated in the Labor Standards Act: Total of general managers and group managers

Deputy managers are one position below managers

Non-Japanese managers: including those working in domestic/overseas subsidiaries excluding GMO Aozora Net Bank

Base date: as of March-end 2021

Creating Opportunities for Female Employees

At Aozora, the average length of service of female employees (15.4 years) is almost the same as that of male employees (14.5 years) as of March 31, 2021. Generally, this is not very common in Japan. Our working environment supports employees in pursuing a long career regardless of gender. We will continue to develop a comfortable working environment by making sure the average length of our female employee's tenure is within one year of our male employees. As of July 2021, the Bank has one fulltime female Director, three female executive officers and has continued to promote capable female employees to management positions.

In FY2020, we re-organized our career courses, resulting in "Normal Positions" being eliminated and all career positions being classified as either "Global Professional", "Regional Professional", or "IT Professional". This has enabled our female employees to gain a wider range of job experience and play more active roles in their own career growth and promotion. Aozora also encourages its female employees to participate in its newly implemented "Regional Professional" training programs and the Internal Short-term Trainee Program in order to support them in gaining experience by taking on challenges in new areas.

We plan to continue providing proactive support via personnel transfers so that female employees can play leading roles and be promoted to key positions at Aozora Bank.

◆ Status of female employees

	July 2017	July 2018	July 2019	July 2020	July 2021
① Executive officers	1 (4.8%)	1 (4.8%)	2 (9.1%)	2 (9.1%)	4 (16.7%)
	FY2016	FY2017	FY2018	FY2019	FY2020
② General managers	7 (8.0%)	10 (11.2%)	10 (11.4%)	11 (11.3%)	11 (11.5%)
③ Group managers	53 (10.6%)	55 (10.7%)	60 (11.7%)	64 (12.1%)	64 (11.8%)
④ Total of ② + ③	60 (10.2%)	65 (10.8%)	70 (11.6%)	75 (12.0%)	75 (11.8%)
⑤ Deputy managers	75 (27.3%)	89 (31.2%)	98 (32.9%)	105 (33.3%)	107 (33.5%)
⑥ Employees	793 (45.9%)	837 (46.8%)	896 (47.7%)	904 (47.0%)	899 (46.5%)

* Managers are equivalent to those in a position of supervision or management stated in the Labor Standards Act: Total of general managers and group managers

* Deputy manager is a job title one step lower than group manager's.

Reference: external evaluation

Aozora selected for "MSCI Japan Empowering Women Index (WIN)"

2021 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

In June 2018, Aozora was selected for the "MSCI Japan Empowering Women Index (WIN)." This index is designed to recognize the performance of Japanese companies that exhibit a commitment to promoting and maintaining gender diversity and is used as an index in the passive management of ESG investments by Japan's Government Pension Investment Fund.

* The inclusion of Aozora Bank, Ltd. in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of Aozora Bank, Ltd. by MSCI or any of its affiliates. The MSCI index are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

Aozora certified as an "Eruboshi" company

In March 2019, Aozora was granted an "Eruboshi" certification. The "Eruboshi" certification system was established by the Minister of Health, Labour and Welfare in accordance with the Act of Promotion of Women's

Participation and Advancement in the Workplace in order to recognize businesses that excel at encouraging female employees to assume meaningful roles in the workplace.



Initiatives for Employees with Disabilities

Employees that have Mental Health & Welfare Counselor and Job Coach qualifications are encouraged to play active roles in finding ways to improve the Bank's working environment for those with disabilities.

In FY2020, we introduced the "UD Talk@" app, which translates speech into text for people with hearing impairments, as well as offered a seminar entitled "Leaning more about hearing impairments" to increase our officers' awareness. The participants learned about issues that employees with hearing impairments face and were able to experience a deafness simulation. In April 2021, we established the Aozora Sign Language Club so that employees can enjoy learning sign language, and Aozora will continue its efforts to improve its working environment. (Please refer to "Creation of a Safe Working Environment for Employees with Disabilities" on page 51.)

Human Rights Initiatives

Aozora established a Human Rights Awareness Committee to incorporate human rights concepts into its corporate culture in order to support our company in conducting business while also protecting human rights. Human rights seminars are held twice a year to increase employees' awareness of human rights issues.

In FY2020, these seminars covered the themes of "COVID-19 & Human Rights, Black Lives Matter & Privilege ~Insight into Discrimination~" and "Human Rights as an Individual Issue ~Perspectives on Diversity, Disabilities and Infectious Diseases~".

The Human Rights Awareness Committee participates in annual human rights slogan campaigns sponsored by the Japanese Bankers Association and Industrial Federation for Human Rights (Tokyo), and asks employees to think about recent human rights topics as well as create slogans for the campaign. In recent years, the number of participants has steadily increased, and our employees have become more aware of the importance of protecting human rights.

Aozora conducts a broad range of socially-responsible initiatives, including offering programs designed to deal with key issues regarding stable employment, actively recruiting people with disabilities, as well as establishing daycare centers for people with mental disabilities and employment transition support centers. We also delivered a presentation on our efforts at the 28th Vocational Rehabilitation Workshop sponsored by Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers.

Risk Governance



Senior Managing Executive Officer
Chief Risk Officer (CRO)
Masayoshi Ohara



Executive Officer
Chief Credit Risk Officer (CCRO)
Jun Shinozaki

Basic Policy on Risk Management

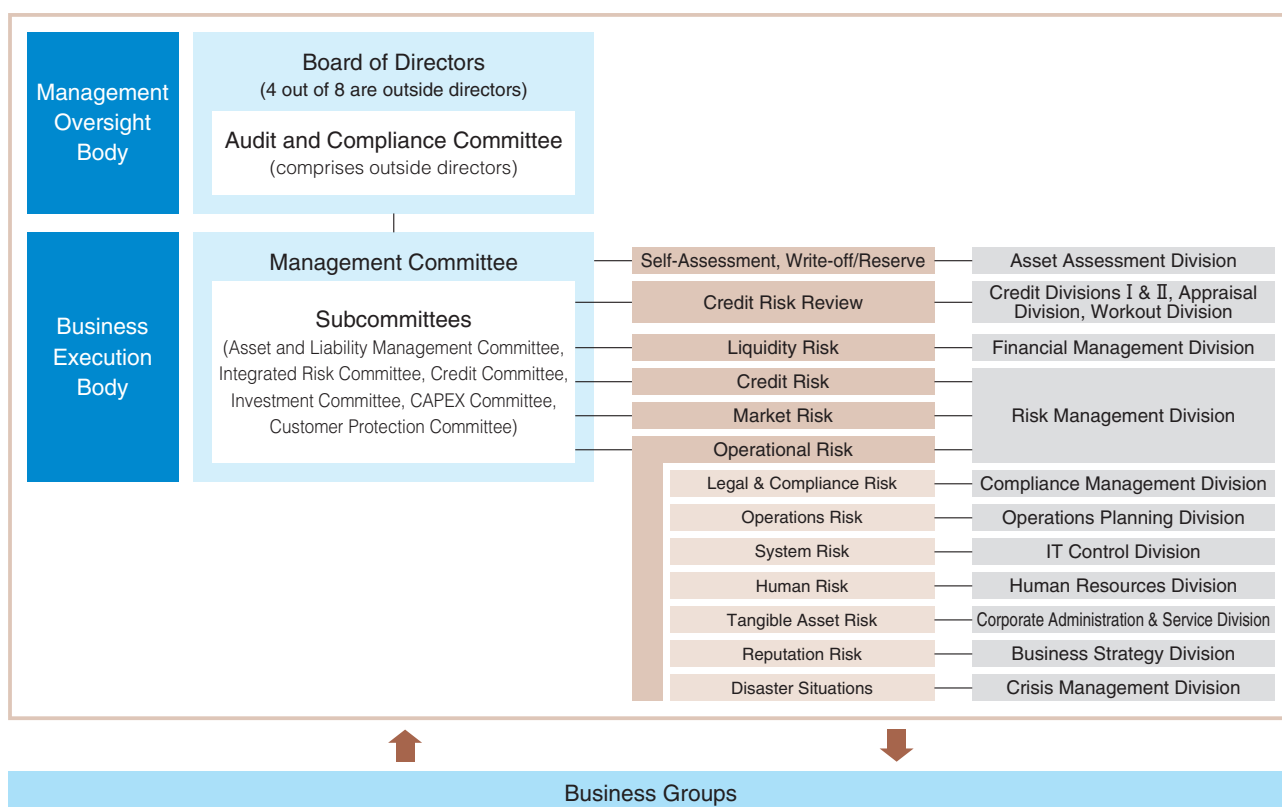
The Aozora Group's basic policy is to leverage its financial intermediary function as a financial institution by strengthening its business groups' business operations while promoting our strategic investments business which is designed to foster new businesses and support customers' corporate restructuring as well as customers' growth and business recovery initiatives. We prioritize strong risk management as a critical support base for our group-wide value creation activities. Based on its corporate principles, the Aozora Group makes sound risk-taking within the scope set by the

Board of Directors in order to enhance corporate value by balancing value creation with financial soundness while also recognizing the diverse risks associated with the execution of its operation as well as taking into consideration risks which may arise from new businesses. We have also established a framework designed to properly identify and control individual and aggregate risks, with which we strive for a higher level of risk management in accordance with internal rules established by risk category.

Risk Governance Structure

The Aozora Group's risk governance structure is organized into two major groups. The first is the Board of Directors and the Audit and Compliance Committee which are primarily comprised of outside directors. The second major group is the Management Committee, which is mainly comprised of Aozora's executive officers, and subcommittees to which it delegates authority. In the normal course of business, the Management Committee and sub-committees analyze and take into consideration risks arising from the origination of loans and

investments and the delivery of services to customers as well as relevant business operations from a multifaceted perspective. In addition, the status of risks is monitored and reported regularly or as needed, which leads to our flexible and timely responses. The status of risks is also regularly reported to the Board of Directors and the Audit and Compliance Committee where the appropriateness and effectiveness of risk management are discussed and reviewed mainly by outside directors in order to ensure the effectiveness of risk governance.



○ Key Risks

In FY2021 business operations, among multiple risk factors identified in our business environment, the Aozora Group recognizes the following items as its most significant risks (i.e. risks that pose the highest risk and potential impact for management in the coming year). We focus on key risks when discussing our risk appetite and business planning, and also develop countermeasures that provide for effective monitoring and flexible responses.

Key Risks	Countermeasures
Deterioration of credit quality, decrease in the value of securities portfolio	Aozora maintains its selective origination policy regarding investment/loan transactions while carefully analyzing business risk and considering the diversification of its investment/loan portfolio. The Bank also continues to perform predictive control within its Business Groups, Risk Management Group and senior management. In addition, the Bank conducts capital control, including stress testing, based on a set of established guidelines designed to limit credit risk concentrations. For risk related to the securities portfolio, the Bank works to establish an efficient portfolio with high liquidity comprised of a balanced mix of risks including interest rate, equity and credit risk, in addition to flexible risk control in light of market conditions and the financial environment.
Unstable foreign currency funding	Aozora has worked to develop a framework that ensures a sufficient level of liquidity available under stressed conditions along with monitoring and verification through periodic stress testing. The Bank also continues to work towards long-term and stable foreign currency funding, including the ongoing issuance of foreign currency dominated bonds.
Delay in Aozora's structural/ business transformation	Amid the current historic turning point for the industrial structure, Aozora will strive to contribute to society through proactive risk-taking, as a financial partner with a deep understanding of our customers' business, in order to foster new business and support corporate restructuring and business recovery while promoting Aozora's Strategic Investments Business.
IT Risk	In terms of cybersecurity measures, the Bank intends to continuously train cybersecurity personnel and maintain a required level of cybersecurity while effectively implementing entry/exit measures against targeted cyberattacks and internal measures, including more strengthened monitoring of unauthorized access, as well as practical training for system recovery from ransomware and other attacks. For responses to critical system failures, the Bank promotes efforts to ensure a sufficient level of verification when performing system updates and has developed a framework that enables the proper guidance of and response to customers in the event of a system failure.
Anti-money laundering, anti-terrorism financing and transactions with anti-social elements	In accordance with its annual compliance program designed to maintain and improve compliance awareness among Aozora's officers/employees, the Bank plans initiatives to further their understanding of laws and internal rules, conduct monitoring and training, and check the progress of the program. The Bank also works to improve its framework to manage transactions, including continued customer control, as part of its anti-money laundering and anti-terrorism financing measures.
Mismatch of personnel to business	The introduction of a new human resources system enables Aozora to eliminate the barriers of age and restrictive career courses and appoint specialized personnel as a financial group that continues to take on new challenges as one unified team.
Climate change	For details, please refer to "Sustainability" (pages 36-53).

Compliance



Executive Officer
Head of Compliance & Governance Unit
Toru Takahashi



Executive Officer
Head of Operations Group
Yukiko Morita

Basic Policy

Social norms and the expectations of financial institutions are constantly evolving due to the impact of the COVID-19 pandemic and the expansion of digitalization. The Aozora Group complies with all the laws and regulations applicable to all business operations, conducts sensible corporate activities based on social norms and common sense, and strives to further improve its compliance/risk management framework to respond to these changing business conditions. By adhering to these principles, we will ensure that Aozora's business operations and transactions do not violate any laws and rules, are not

regarded as actions that go against social norms, business practices, market conventions, etc., and are not deemed as corporate activities lacking common sense, including from our customers' perspectives, so as not to damage Aozora's corporate value. In addition, Aozora has established a "Code of Conduct and Ethics" that every officer and employee must comply with. Aozora's officers and employees, including group companies, all pledge that they understand and comply with the Code of Conduct and Ethics every year.

Compliance Structure

Aozora's Compliance Management Division is responsible for supervising compliance and develops internal rules regarding compliance while providing a range of training sessions and conducting educational activities. As a specific action plan to realize our compliance framework, the Compliance Management

Division annually develops compliance programs that are designed to enhance compliance awareness among the Aozora Group's officers and employees. The progress and achievement status is reported to the Audit and Compliance Committee and the Board of Directors on a semi-annual basis.

Compliance Awareness

The Compliance Management Division works to maintain and raise compliance awareness among Aozora's officers and employees through a wide range of training and educational activities. For example, all officers and employees are periodically provided with

e-learning opportunities. In addition, the division's staff hold workshops for business divisions/branches to answer compliance-related questions that arise in the normal course of business.

Customer Protection Management

Aozora Bank continuously reviews and improves its operations in order to protect customers' interests while respecting their intentions, including assets and information held at the Bank, and to offer more convenient services.

The Director in charge of customer protection management, who is appointed by the Board of Directors, supervises customer protection management in general. The Head of Compliance and Governance supervises customer explanation management, customer information management,

outsourcing management and conflict of interest management, and the Head of the Operations Group supervises customer support management as Supervisor.

The Customer Protection Committee discusses these management issues and semiannually reports the results to the Management Committee, the Audit and Compliance Committee and the Board of Directors.

Customer Information Management

The Aozora Group believes it is an important business responsibility to appropriately manage customer information and to responsibly operate the information systems designed to provide reliable financial services to our customers. In light of these responsibilities, we have developed internal rules (Security Policy), which determine the basic policy and organizational structure regarding the protection of all information assets held

by the Group.

In addition, Aozora has developed its Privacy Policy and Basic Policy, which determines the basic concept and policy to safely manage personal information and data acquired and held by Aozora and prevent unauthorized access to damage, falsification and leakage of customer information, and has disclosed them at sales branches and on the website.

○ Elimination of Anti-Social Elements

The Aozora Group clearly states in “Aozora Bank Group Basic Policy on the Elimination of Anti-Social Elements” (page 109 in the Reference Part) that the Group steadfastly confronts any anti-social elements that pose a threat to public order and safety while ensuring that it categorically blocks any relationship with such elements.

Aozora always strives to establish and maintain close cooperative relationships with external specialist

organizations, including law enforcement agencies, the Tokyo Center for Removal of Criminal Organizations, and attorneys. In addition, we refuse to perform any action that may serve to provide income/funding for anti-social elements, including but not limited to backdoor transactions, monetary contributions/membership fees, and subscribing to informational magazines.

○ Anti-Money Laundering Policy

The Aozora Group is aware that “Anti-Money Laundering and Combating the Financing of Terrorism” is one of the most important issues facing the global financial system. We have established a framework to comply with domestic and international laws, regulations and rules, while also making an on-going effort to further strengthen our preventive measures against money laundering and the financing of terrorism (“Anti-Money Laundering”).

For example, Aozora has developed internal regulations and an organizational structure, which includes the establishment of a department handling anti-money laundering issues, while conducting a

review as needed to ensure their effectiveness. We also provide training for officers and employees regarding the prevention of financial crimes. In addition, we ensure that we verify the identity of customers and their transaction purpose at the time of account opening, which is followed by the continued monitoring of our transactions with customers. (For details, please refer to page 110 in the Reference Part.)

Furthermore, we have developed an internal structure that allows for immediate reporting to the relevant authorities regarding any suspicious transactions detected by our daily monitoring processes.

○ Efforts to Prevent Bribery

The Aozora Group has announced the “Basic Policy on Anti-bribery” (page 111 in the Reference Part), which prohibits all of Aozora’s officers and employees from giving, offering or promising improper corporate hospitality, gifts and other benefits to public officials,

etc. in any country as well as from giving or receiving excessive corporate hospitality, gifts or other benefits beyond socially-acceptable limits. In addition, we continue to provide opportunities for all officers and employees to learn more about our anti-bribery policy.

○ Whistle-Blowing Program

The Aozora Group has in place a whistle-blowing program that enables officers and employees to directly report to in-house and outside (a law firm) channels if they find any conduct that violates or may violate laws and regulations. When using the program,

the officer or employee is not subject to any recrimination including disciplinary actions because of making a report and the identity of a whistle-blower is kept strictly confidential.

○ Tax Compliance

The Aozora Group recognizes that complying with tax laws and properly paying tax liabilities in all countries where it conducts business are part of our social responsibilities as a business entity. As such, we have developed the “Aozora Bank Group Tax Compliance Policy” (page 112 in the Reference Part) based on the

“Code of Ethics and Conduct” (page 99 in the Reference Part), which incorporates Aozora’s management philosophy, as a way to raise awareness of tax compliance among the Group’s officers and employees.



Managing Executive Officer
Chief Technology Officer (CTO)
Tomoyuki Yamada

Information Security

Cybersecurity

Cybersecurity Response

Cybersecurity is one of Aozora's main focuses as a bank that has a responsibility for its customers' important assets and information. Cybersecurity threats are increasing year after year and the attacks are becoming more sophisticated. The latest targets for cyber-attacks have been electronic payment services as well as work-from-home IT supporting structures that have recently become widespread as a result of new working style reforms and the COVID-19 pandemic. In order to provide reliable financial services, the Bank considers the stable operation of information systems an important management issue and is committed to further strengthening its cybersecurity measures.

Security-related incidents such as information leaks or service outages caused by cyber-attacks would not only have a significant impact on the Bank's operations, including financial losses for our customers and affecting business continuity, but may also have an impact on society as a whole. Aozora has established a security policy and system risk management policy, and with the active engagement of senior management, we will work to maintain the cybersecurity framework of the entire Aozora Group while reducing risks.

Cybersecurity Management

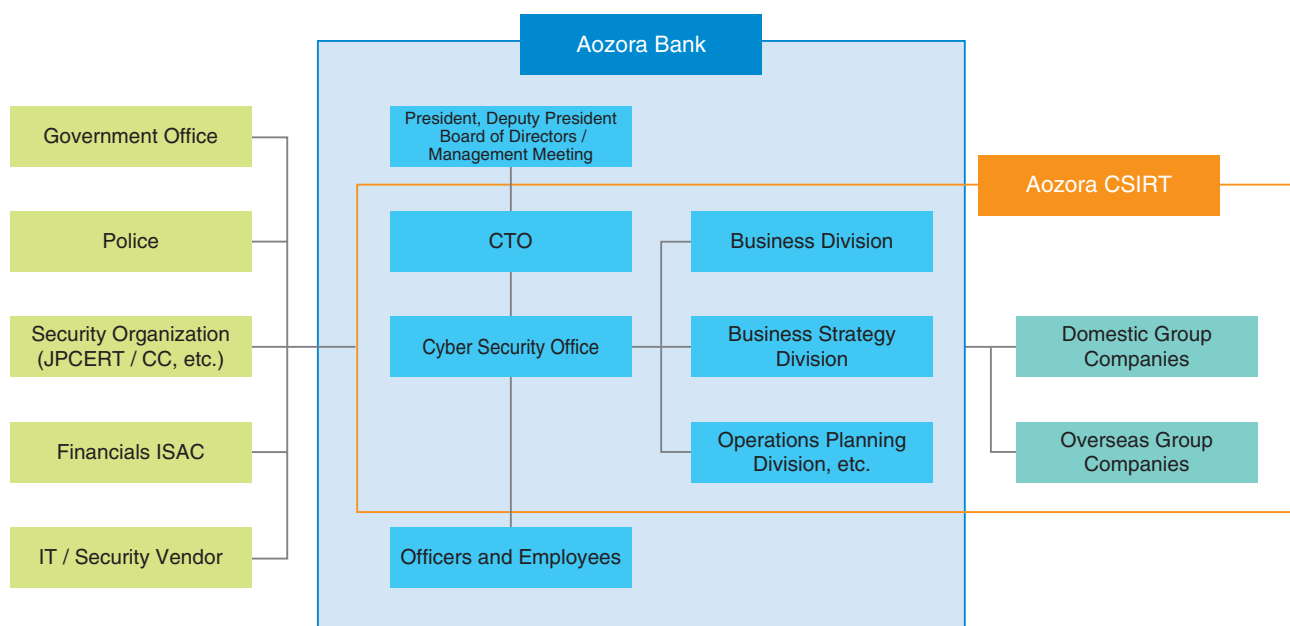
Aozora's Chief Technology Officer (CTO) is the Bank's designated senior executive with responsibility for cybersecurity and regularly reports to the Board of Directors and regular management meetings regarding the status and evaluation of risks as well as the progress of risk reduction plans, and establishes a framework that enables appropriate management decisions.

When system vulnerability information is released on a daily basis or an incident that has a significant effect on society occurs at other companies, we promptly investigate its impact on the Bank, incorporate the details into our plan as appropriate, and report it to management. In addition, we also conduct cybersecurity exercises which include members of our management team.

Aozora Computer Security Incident Response Team (CSIRT)

Aozora has established a framework in which the IT Control Division is designated as the control division for overall system risks, and the Cyber Security Office established within the IT Control Division is designated as the cybersecurity department. The Cyber Security Office is staffed with specially trained personnel and

Cybersecurity Management system



manages systems development, monitoring and emergency responses. Aozora has also established a Cyber Security Incident Response Team (Aozora CSIRT), which spans across Aozora's related divisions and Group companies with the CTO as the chairperson and the Cyber Security Office as the supervising department. By sharing risks inherent in the Bank and cybersecurity cases of other companies within the Bank and conducting ongoing cybersecurity training, we can prepare more effective emergency responses for the entire Aozora Group.

Ongoing Enhancement of Security

Aozora has implemented multi-layered technical countermeasures, including entrance systems that prevent unauthorized entry, internal measures such as a detection system that presumes internal network attacks, and exit measures to prevent information leakage. In addition, we continue to raise security awareness by conducting e-learning education for all officers and employees, online seminar-style training classes based on employees' job duties, and targeted email training. We are committed to strengthening the cyber-resilience of the entire Aozora Group in order to flexibly respond to incidents by conducting scenario-based exercises for Aozora CSIRT and system recovery training regarding damage from ransomware

attacks.

We have been actively engaged in promoting work-from-home prior to the COVID-19 pandemic, and have implemented the necessary authentication systems in consideration of the balance between security and convenience.

We have also adopted a high-level authentication method in cooperation with the related business divisions of the Bank in order to prepare for fraudulent transactions through the Bank's own services, such as Internet banking, or services provided by third-party organizations that connect with Aozora, such as fund transfer service providers. At the same time, we also require high-level connection standards set by the Bank for our connection partners, and check their status annually in order to maintain Aozora's security strength in response to changes in the operating environment.

Cooperation with Outside Parties

In addition to prompt reporting to the FSA and police in the event of an incident, we cooperate with government offices and related organizations, such as Financials ISAC Japan and JPCERT/CC, while proactively transmitting and sharing incident information in order to improve the security of the Bank as well as society as a whole.

○ Preparing for Potential Large-scale System Failures

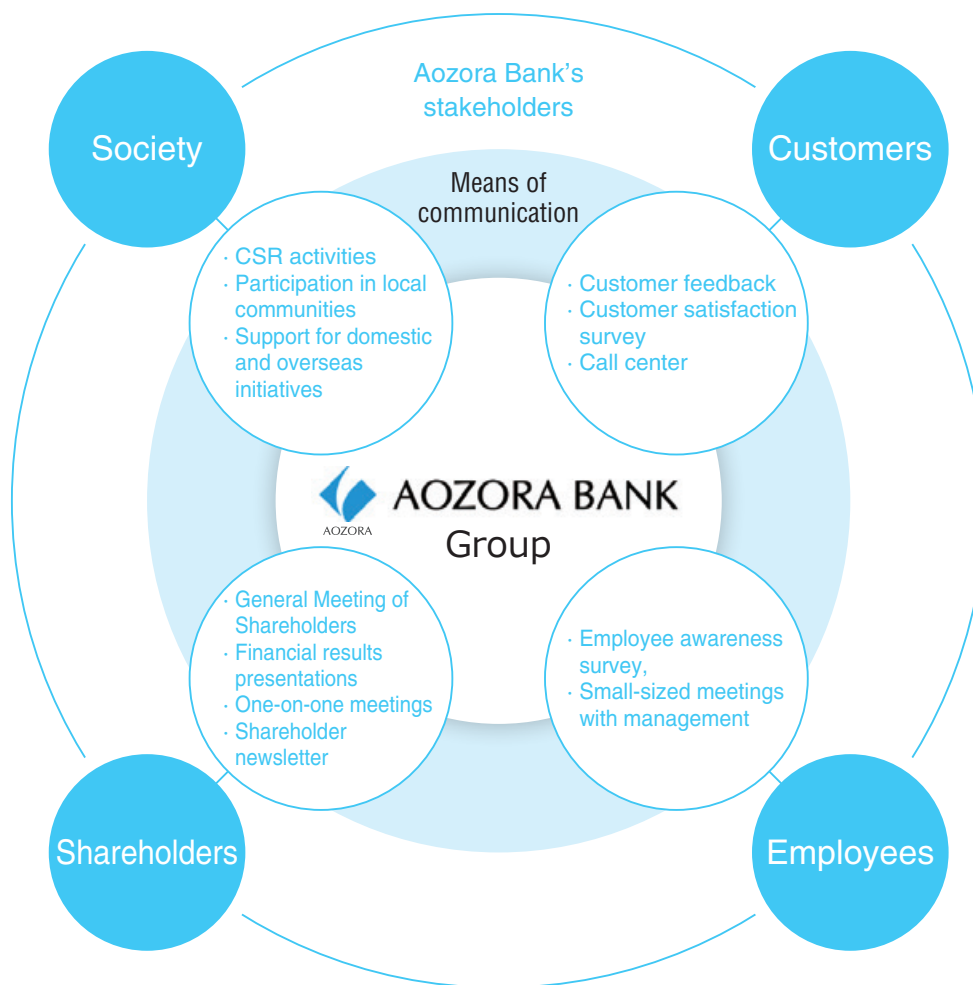
We believe that proper management of customer and confidential information, the stable operation of information systems that ensure the provision of financial services are not disrupted due to system issues such as information system breakdowns or malfunctions, and information leaks due to unauthorized access to our system are important management issues. We will continue to develop necessary countermeasures in order to properly protect information assets and ensure the stable operation of information systems within the Bank. As a general rule, we conduct load tests in a systems environment equivalent to our actual IT infrastructure in order to prevent large-scale system failures, especially when executing large system changes such as introducing new services and functions, as well as

processing method and system updates. We also determine operational rules to ensure a schedule with sufficient time for system updates.

In order to detect potential system problems at an early stage, we conduct provisional initial operational checks immediately after the start of services when updating them for customers. When these services are affected by system failures, the business divisions, IT divisions, and other related divisions recognize the importance of providing appropriate responses for customers and work closely to promptly disclose information and work on early system recovery. We are committed to improving Aozora's systems in order to provide appropriate guidance and responses to our customers.

Stakeholder Communication

The Aozora Group intends to contribute to the development of society through the creation of new value-added financial services while facilitating positive communication with all of its stakeholders: society, customers, shareholders and employees.



○ Communication with Customers

Aozora strives to provide financial products and services that best suit the needs of its customers through clear explanations as well as highly specialized and customized consulting services in accordance with Aozora's "Basic Policy for Customer Oriented Business Management."

Opinions and requests received from our corporate and retail customers are assigned a high priority and are centrally collected and organized at Aozora's head office for purposes of further analysis and understanding. Findings are shared with management with the intent of further improving our operations, products and services.

As one example, based on customer feedback, we began the delivery of a structured bond holding statement as an at-a-glance list in June 2020.

○ Communication with Shareholders

Aozora strives for the accurate and timely disclosure of information to enable all shareholders and investors to thoroughly understand our financial results and management strategy. As one example, following the release of our financial results, we regularly conduct a series of investor relations activities, such as investors meetings, one-on-one meetings and retail investors meetings, both in person and online as needed.

In June 2021, Aozora offered a livestream of the Ordinary General Meeting of Shareholders in addition to the in-person event, which allowed for the participation of shareholders who resided in remote areas or did not wish to attend in person.

<IR activities conducted in FY2020>

General Meetings of Shareholders (June 2021) (incl. livestream)	Number of participants: 24 Number of livestream viewers: 170
Teleconferences and presentation meetings with institutional investors and analysts	Number of meetings held: 6
One-on-one IR meetings with domestic/overseas institutional investors and analysts	Number of participating companies: 115
Retail investors meetings	Number of meetings held: 5 Number of participants: approximately 1,500



Online retail investors meetings



Ordinary General Meeting of Shareholders

○ Communication with Employees

Small-sized Meetings

Aozora holds small-sized meetings as a way to foster better communications between employees and management by leveraging our manageable size. Meetings are held at our head office, branch locations and group companies, with each meeting attended by one executive officer and approximately 3-30 officers or employees which serves to facilitate more open and two-way communications. We have held approximately 240 small-sized meetings annually both in person and online as needed. During these meetings, attendees offered opinions on “Business operations and working style in line with Aozora’s management philosophy and Mid-term Plan,” “Aozora’s growth potential and vision for the future,” and “Initiatives to encourage communication in the New Normal,” which lead to many high quality and active discussions.

Message from management

Aozora’s Chief Executive Officer (CEO) regularly communicates with Aozora’s officers and employees via our company intranet as a way to make them better aware of our management thinking and to also share corporate views and thoughts on business developments in a timely manner.

Response to the COVID-19 Pandemic

○ Basic Policy

The Aozora Group prioritizes the health and safety of all of its customers and employees while continuing to provide essential services as part of the financial infrastructure that is critical to maintaining a functioning society. We have prioritized maintaining business

continuity through the effective use of split-shift, work-from-home and staggered commuting approaches while also proactively supporting the needs of our customers.

○ Response to Corporate Customers Impacted by COVID-19

We have provided specialized consulting services to our corporate customers whose business and sources of funding have been adversely affected by the COVID-19 pandemic as well as special purpose loans in order to respond to customer's unique funding requirements.

In accordance with our closer cooperation with government-affiliated financial institutions, Aozora has

established consultation desks which provide information on the utilization of credit guarantee corporations while working to provide the various types of institutional finance they offer. In addition, the Bank is cooperating with the Japan Finance Corporation, providing an overview of their special loan program and directions to nearby branches.

○ Preventive Measures against COVID-19

Aozora ensures that its officers and employees wear masks, regularly wash their hands and gargle as part of their daily routine as a way to minimize the risk of infection from and to others, including their family members and colleagues.

If an Aozora officer or employee tests positive for COVID-19, the Bank will work closely with local health

authorities and other relevant institutions and take the actions summarized below. We assign a high priority to protecting the privacy of any individual testing positive for COVID-19 as well as ensuring the safety and health of all of Aozora's customers, officers, and employees.

- ◆ Identify and disinfect areas used by the infected individual.
- ◆ Confirm the infected person's last visit to the office as well as any contact with colleagues or outside persons, including customers, and, in collaboration with local health authorities, identify whether the infected person had close contact with any other individuals.



○ Specific Initiatives Aimed at Reducing the Number of Employees Commuting to the Office while Ensuring the Continuation of Essential Operations

- ◆ In branches, placing alcohol disinfectant bottles and installing acrylic panels at customer service desks and in reception rooms, disinfecting tables, chairs and other items after use with sanitizing wipes, and implementing a video conference system in reception areas to allow for non-face-to-face consultations
- ◆ Continuing to expand the services of our BANK™ Branch in order to better serve the online-banking needs of customers
- ◆ Promoting remote and paperless operations through the use of a digital document-approval system as well as online- and telephone-based meetings within and outside the Bank while requiring daily temperature checks, the use of masks, as well as the immediate reporting and suspension of commuting to the office when employees are in poor health
- ◆ Together with the implementation of the work-from-home and mobile-work programs in April, 2017, actively promoting split-shift and staggered commuting approaches as well as upgrading mobile devices such as laptops and shared smartphones for in and outside the office communications



○ Workplace COVID-19 Vaccination

In recognition of its responsibility as a bank to continue providing essential services as part of the financial infrastructure that is critical to maintaining a functioning society, the Aozora Group provides COVID-19

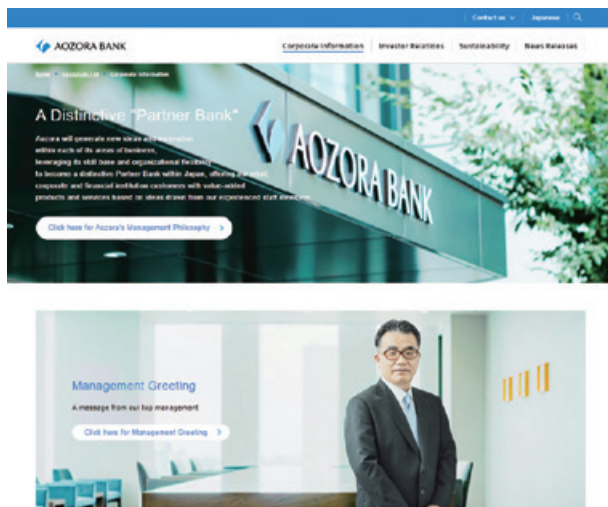
vaccinations to its officers, employees, and their family members, in addition to temporary staff and subcontractors who work for the Group's offices on a full-time basis.

Aozora Bank Website

<https://www.aozorabank.co.jp/english/>

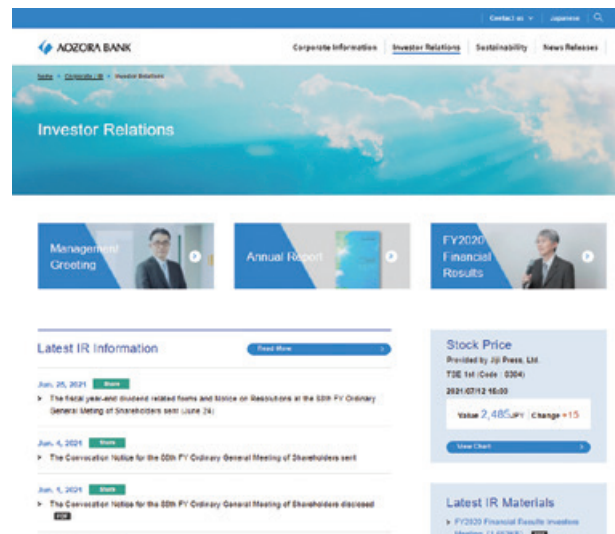
Corporate Information

<https://www.aozorabank.co.jp/english/company/>



Investor Relations

<https://www.aozorabank.co.jp/english/ir/>



Sustainability

<https://www.aozorabank.co.jp/english/sustainability/>

