

[TRANSLATION]

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

Aozora Bank, Ltd.

Securities Code 8304

The Convocation Notice for the 88th FY Ordinary General Meeting of Shareholders

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■ There will be no thank-you gift for attendees.
■ The General Meeting of Shareholders will be livestreamed (with viewer participation)

Date & Time

June 24, 2021 (Thursday)

10:00 a.m. (reception opens at 9:00 a.m.)

Venue

Diamond Room on the 2nd Floor
of Hotel Grand Palace

1-1, Iidabashi 1-chome, Chiyodaku, Tokyo

(Please refer to map on the last page)

Proposals for Resolution:

Proposal No.1 Appointment of Eight Directors

Proposal No.2 Appointment of Two Alternate Audit & Supervisory Board Members

Proposal No.3 Determination of the Outlines of the Equity Compensation Type Stock Options for Full-time Directors

Note that the Board of Directors have resolved to pay a year-end common share dividend of 34 yen per share for the 88th FY (4th quarter).

As a result, the full-year dividend per common share for the 88th FY is 124yen.

Please read the "Information regarding the General Meeting of Shareholders" and "Information regarding the General Meeting of Shareholders livestream" on pages 2-4 in advance of the General Meeting.

Message from the CEO



I would like to extend my appreciation to all of our Aozora's shareholders for their ongoing interest and support.

This document represents the Convocation Notice for the 88th FY Ordinary General Meeting of Shareholders to be held on Thursday June 24, 2021.

I would also like to extend my deepest sympathies everyone who has been impacted by the global COVID-19 pandemic.

In May 2020, Aozora Bank announced Aozora's new Mid-term Plan for the three years spanning 2020-22, entitled "Aozora 2022."

To more effectively respond to the significant changes underway within the banking industry and broader operating environment, Aozora's leadership saw the need to reassess and refocus our management philosophy and strategic direction.

Amid the current historic turning point for industrial structures in FY2021, we anticipate seeing an acceleration of these changes going forward. In this environment, Aozora will strive to contribute to society through proactive risk-taking in order to foster new businesses and support corporate restructuring and business recovery while promoting Aozora's Strategic Investments Business.

This year, in order to properly communicate with our shareholders who will be unable to attend the General Meeting in person, we will offer a livestream* of the General Meeting which will be accessible to eligible shareholders.

At this time, I would like to once again express my gratitude to all of our shareholders for their continued support.

Kei Tanikawa
Representative Director, President
and Chief Executive Officer

*For more information, please refer to the attached
"Information regarding the General Meeting of Shareholders livestream."

Information regarding the General Meeting of Shareholders

- **There will be no thank-you gift for attendees.**
- **There will be no Drink Corner or Retail Showroom set up by the Bank.**
- **The General Meeting of Shareholders will be livestreamed (with viewer participation).**

While the Bank is taking every possible precaution to prevent the spread of COVID-19 at the venue, we encourage shareholders to give due consideration regarding whether or not they choose to attend the General Meeting in person in light of the latest COVID-19 conditions.

We will provide a livestream of the General Meeting (with viewer participation) for our shareholders who reside in remote areas or do not intend to visit the venue, so please feel free to make use of this alternative.

Exercise of voting rights

We encourage you to exercise your voting rights in advance in writing or via the Internet. If you participate in the General Meeting via livestream, we also ask that you please exercise your voting rights in advance. Please see pages 7 and 8 regarding the early exercise of voting rights.

Measures to prevent the spread of COVID-19 on the day of the General Meeting

- Shareholders who will attend the General Meeting and vote in person are required to bring and wear a face mask on the date of the General Meeting. We will place alcohol disinfectant bottles near the reception desk as well as perform thermographic inspections to check attendees' temperatures should the need arise. If you have returned to Japan from overseas within the past 14 days, please inform our reception staff accordingly. We may refuse entry or ask you to leave if you have a fever, feel unwell or it has been less than 14 days since you returned to Japan from overseas.
- Aozora staff tasked with organizing the General Meeting will only be allowed to do so upon undergoing a health check, including body temperature, and wearing a face mask. In addition, some staff members may also wear gloves depending on the situation.
- We plan to abridge our detailed reports and discussions at the General Meeting in order to shorten the length of the meeting compared to previous years. For shareholders who will attend the General Meeting, please look through the Convocation Notice in advance.

Thank-you gift, Drink Corner and Retail Showroom

- There will be no thank-you gift for attendees.
- There will be no Drink Corner or Retail Showroom set up by the Bank.

Questions and comments from shareholders

- We welcome you to send us pre-planned questions and comments in advance of the General Meeting either in writing or via e-mail. While we will be unable to respond individually to any question or comment, we will pick from those with a high interest among shareholders during the General Meeting and upload the questions/comments along with the Bank's responses to the Aozora website at a later date.

Mailing address: General Meeting of Shareholders Administration Group
Corporate Communication Division, Aozora Bank, Ltd.
6-1-1, Kojimachi, Chiyoda-ku, Tokyo 102-8660

E-mail address: shitsumon2021@aozorabank.co.jp

Acceptance period: No later than 5 p.m. on June 22 (Tuesday) 2021

Information regarding the General Meeting of Shareholders livestream

What is the General Meeting of Shareholders livestream (with viewer participation)?

- This service enables the shareholders who will not attend the General Meeting in person to be able to view a livestream of the event via the Aozora website dedicated to the General Meeting of Shareholders upon verification of shareholder status with a valid ID and password.
- Shareholders viewing the livestream **are not considered attendees as defined in the Companies Act. As such, they cannot exercise their voting rights on the day of the General Meeting. We encourage them to cast their vote in writing or via the Internet by 17:15, Wednesday, June 23, 2021.** In addition, shareholders viewing the livestream **cannot propose any questions or motions as specified under the Companies Act of Japan, but may send comments to the General Meeting of Shareholders Administration Group while watching the video feed.**

How to participate in the General Meeting of Shareholders livestream

- If you join the General Meeting via livestream, please visit the log-in screen and enter your ID (shareholder number) and password (zip code) indicated on the "Exercise of Voting Right Form." For details, please refer to the enclosed "Notice on the General Meeting of Shareholders livestream."
- The livestream display has a comment field. Any comments forwarded to us are not deemed as questions under the Companies Act. However, we plan to post or reply to these questions on Aozora's website on the day of or at a later date following the General Meeting, unless they include any personal information or inappropriate content, such as a message that may constitute a personal attack.

Other notice regarding the General Meeting of Shareholders livestream

- Video/sound distortion or temporary suspension may occur due to network issues or system failure. The Bank is not responsible for any damages incurred by shareholders for reasons mainly attributable to the aforementioned network issues or system failure.
- Any expenses incurred from accessing the livestream, including communication devices, Internet connection fees and communication charges, shall be borne by shareholders.
- The livestream is available only to shareholders who were on the Bank's shareholder list as of March 31, 2021. Other shareholders may not view the livestream.
- We have taken every possible measure in order to livestream the General Meeting. However, shareholders may be unable to join the General Meeting in cases where the livestream is suspended due to any contingency, such as an unstable network environment and system failure, or cancelled due to unforeseen circumstances.
- Actions including video/sound recording and broadcasting of the livestream are prohibited in order to protect shareholders' image rights.
- The livestream of the General Meeting will be recorded from the back of the venue, and due care will be taken not to include images of attending shareholders. However, please be aware that some shareholders may unavoidably appear on the stream for reasons mainly attributable to the venue.

Contact

■ ID (shareholder number) and password (zip code)

The Sumitomo Trust and Banking Co., Ltd. (shareholder list manager):
General Meeting of Shareholders Live Streaming Help Desk

TEL: 0120-782-041 (toll-free, Japanese only)

Weekdays: 9:00-17:00 (excluding weekends and holidays)

If you forget your ID (shareholder number) and/or password (zip code), a letter with that information will be sent to your registered address.

The Help Desk will accept requests to send this letter up until five business days before the date of the General Meeting (i.e. no later than 17:00, Thursday, June 17, 2021). Please be aware that you may not be notified of your ID (shareholder number) and/or password (zip code) by phone.

■ How to view the General Meeting of Shareholders livestream

PRONEXUS Inc.:
General Meeting of Shareholders Call Center

TEL: 0120-970-835 (toll-free, Japanese only)

Thursday, June 24, 2021 (the date of the General Meeting): from 9:00 through until meeting's end

■ Other inquiries regarding the General Meeting of Shareholders

Aozora Bank, Ltd.:
General Meeting of Shareholders Administration Group, Corporate Communication Division

TEL: 03-6752-1111 (main number, Japanese only)

Weekdays: 9:00-17:00 (excluding weekends and holidays)

Post disclosure regarding the General Meeting

- We will upload a video of the General Meeting to the Aozora website. We plan to make the video available starting in early July once preparations are complete.

Information updates until the date of the General Meeting

- The venue, start time and other information regarding the General Meeting are subject to change based on the circumstances of the COVID-19 pandemic or relevant instruction from the government and prefectural governors prior to the date of the General Meeting. For further updates, please visit the Aozora website (<https://www.aozorabank.co.jp/corp/ir/stock/meeting/>) even if you have successfully pre-registered to attend the General Meeting and vote in-person. We also encourage all participants to check the latest information before visiting the venue on the date of the General Meeting.



Aozora website dedicated to the General Meeting of Shareholders

End

June 4, 2021

The Convocation Notice for the 88th FY Ordinary General Meeting of Shareholders

Dear Shareholders,

Kei Tanikawa

Representative Director and President, Chief Executive Officer

Aozora Bank, Ltd.

1-1, Kojimachi 6-chome, Chiyoda-ku, Tokyo

You are cordially invited to participate in Aozora Bank Ltd.'s 88th FY Ordinary General Meeting of Shareholders as described below.

While the Bank is taking every possible precaution to prevent the spread of COVID-19 at the venue, we encourage shareholders to give due consideration regarding whether or not they choose to attend the General Meeting in person in light of the latest COVID-19 conditions. In cases where a State of Emergency or semi-emergency coronavirus measures has been declared, we ask that our shareholders please refrain from visiting the venue on the day of the General Meeting regardless of their health condition. **We will provide a livestream of the General Meeting (with viewer participation) for our shareholders who reside in remote areas or do not intend to visit the venue, so please feel free to make use of this alternative (please refer to pages 3-4).**

If you do not intend to visit the venue on the day of the General Meeting, you may exercise your voting rights in advance in writing or via the Internet. We encourage you to cast your vote by 17:15, Wednesday, June 23, 2021 after carefully reviewing the attached "Reference Materials for the General Meeting of Shareholders."

We will ask for your cooperation in exercising your voting rights by no later than 5:15 p.m. on June 23 (Wednesday) 2021, in consideration of the following "Reference Material for the General Meeting of Shareholders."

Thank you.

Best Regards,

(Note) For instructions on how to exercise voting rights, please refer to the
"Notice on Exercise of Voting Rights" on pages 7-8.

1. Date & Time Thursday, June 24, 2021 at 10:00 a.m.

2. Place Diamond Room on the 2nd floor of Hotel Grand Palace
1-1, Iidabashi 1-chome, Chiyoda-ku, Tokyo

3. Agenda of the meeting

- Reports**
1. Business Report, Consolidated Financial Statements and Reports of Audit Results of Consolidated Financial Statements by the Independent Auditor and the Audit & Supervisory Board for the 88th FY (from April 1, 2020 to March 31, 2021)
 2. Reports on the Financial Statements for the 88th FY (from April 1, 2020 to March 31, 2021)

Proposals for Resolution:

Proposal No.1: Appointment of Eight Directors

Proposal No.2: Appointment of Two Alternate Audit & Supervisory Board Members

Proposal No.3: Determination of the Outlines of the Equity Compensation Type Stock Options for Full-time Directors


End


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- ◎ In the case of attendance by proxy, please present a document that proves the delegated authority at the reception desk as well as Exercise of Voting Rights Form (Under the Articles of Incorporation, attending the General Meeting of Shareholders as a proxy is limited to only one other shareholder with voting rights).
 - ◎ Pursuant to laws and regulations and the provision of Article 15 of the Articles of Incorporation, the Notes to the Consolidated Financial Statements and Notes to the Non-consolidated Financial Statements are disclosed on the Company's website (<https://www.aozorabank.co.jp/>) and therefore not included in this notice and attached material. Note that the Consolidated Financial Statements and Non-consolidated Financial Statements audited by the Audit & Supervisory Board Member or the accounting auditor are included in the attached documents indicated in the convocation and also provide the Notes to the Consolidated Financial Statements and Notes to the Non-consolidated Financial Statements disclosed on the Company's website.
 - ◎ Please note that, in the event of any necessary revision to the Reference Materials for the General Meetings of Shareholders, the Business Report, the Consolidated Financial Statements and the Non-consolidated Financial Statements, we will inform you of such revision on the Company's website (<https://www.aozorabank.co.jp/>).

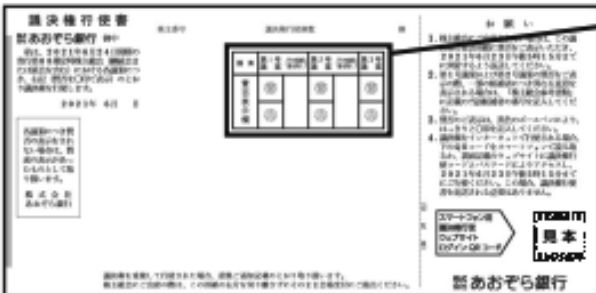
Notice on Exercise of Voting Rights

Once you have reviewed the Shareholder's Meeting Reference Materials (pages 9 to 27), we ask that you please exercise your voting rights regarding each proposal.

The following three methods may be used to exercise your voting rights. We ask that our shareholders please vote using either method B or C

A	Attend the Shareholder's Meeting	Date & Time	
		June 24, 2021 (Thursday) 10:00 a.m.	
Please present the "Exercise of Voting Right Form" at the reception desk. Please also have your Convocation Notice for the 88 th FY Ordinary General Meeting of Shareholders (this document) on hand.			

B	Exercise Your Voting Right in Writing	Valid Date: June 23, 2021 (Wednesday)	
		Must be received No Later Than 5:15 p.m.	
Please write your vote of approval or disapproval on the enclosed "Exercise of Voting Rights Form" and return the form to us by mail.			

How to fill-out the Exercise of Voting Rights Form							
	<p>Please write your vote of approval or disapproval</p> <table border="1"> <tr> <td>Proposal No.1</td> <td>Proposal No.2</td> </tr> <tr> <td colspan="2"> Approval of all candidates >> ○ on 「賛」 Disapproval of all candidates >> ○ on 「否」 Disapproval of specific candidate(s) >> ○ on 「賛」, then fill-in the identification number of the candidate(s) of whom you disapprove </td> </tr> <tr> <td colspan="2"> Proposal No.3 Approval >> ○ on 「賛」 Disapproval >> ○ on 「否」 </td> </tr> </table>	Proposal No.1	Proposal No.2	Approval of all candidates >> ○ on 「賛」 Disapproval of all candidates >> ○ on 「否」 Disapproval of specific candidate(s) >> ○ on 「賛」, then fill-in the identification number of the candidate(s) of whom you disapprove		Proposal No.3 Approval >> ○ on 「賛」 Disapproval >> ○ on 「否」	
Proposal No.1	Proposal No.2						
Approval of all candidates >> ○ on 「賛」 Disapproval of all candidates >> ○ on 「否」 Disapproval of specific candidate(s) >> ○ on 「賛」, then fill-in the identification number of the candidate(s) of whom you disapprove							
Proposal No.3 Approval >> ○ on 「賛」 Disapproval >> ○ on 「否」							

Electronic platform for executing voting rights (for institutional investors)

Institutional investors may exercise their voting rights for the 88th FY Ordinary General Meeting of Shareholders through the electromagnetic form operated by ICJ Inc.



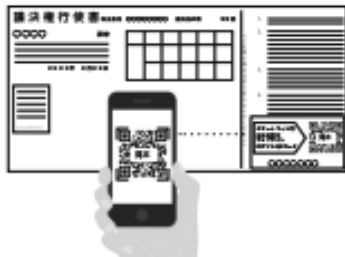
Exercise your Voting Right via the Internet

Valid Date: June 23, 2021 (Wednesday)
No later than 5:15 p.m.



"Smart Voting" Method

- 1 You can easily exercise your voting rights by scanning the QR code[®]* located in the lower right of your Exercise of Voting Rights Form and entering your "Voting Right Exercise Code" and "Password".



Note: If you wish to update or change your vote, it will be necessary to re-scan the QR code[®] and re-enter the "Voting Right Exercise Code" and the "Password" shown on the Exercise of Voting Rights Form.

- 2 Next, follow the instructions on the screen to select your approval/disapproval



If you have any questions about the exercise of your voting rights via the Internet via PC, smartphone or cell phone, please contact the following department.

Exercise of the Voting Right Code and Password Method

- 1 Exercise of the voting right via the Internet is possible through the "Smart Voting" method or by accessing the following website dedicated to exercise of the voting right designated by Aozora Bank from a PC, smartphone, or cell phone: <https://www.web54.net>



- 2 Input the "Exercise Code" provided on the Enclosed "Exercise Voting Rights Form"



Input the
"Exercise Code"
Click
"Log in"

- 3 Input the "Password" provided on the enclosed "Exercise Voting Rights Form"



Enter your temporary
password.
Please create a new
password for use the
next time you log in.

Click "Register"

- 4 Next, follow the instructions on the screen to select your approval/disapproval.

Web Support, Stock Transfer Agency Department, Sumitomo Mitsui Trust Bank, Limited.
[Toll-free Hotline] 0120-652-031 (9:00AM-9:00PM)

* QR code is a registered trademark of DENSO WAVE INCORPORATED.

- A. If you decide to exercise your voting right in writing and/or via the Internet more than once, please note the following.
 1. If you exercise your voting right more than once in writing, the exercise made with the most recent reissue of the Exercise of Voting Rights Form shall prevail.
 2. If you exercise your voting right more than once via the Internet, the last exercise made shall prevail.
 3. If you exercise your voting right both in writing and via the Internet, the exercise via the Internet shall prevail.
- B. If neither approve nor disapprove is selected for a proposal item, the proposal shall be considered to be approved.

Reference Materials for the General Meeting of Shareholders

Proposals and Reference Matters

Proposal No.1: Appointment of Eight Directors

At the close of this Ordinary General Meeting of Shareholders, the term of office of all eight directors shall expire. This is to propose, therefore, that eight directors be elected. Candidates are shown below, and the matters concerning each candidate are described on pages 11 to 23.

Candidate No.	Name	Current Positions and Areas of Responsibility	Committee to which the candidate currently belongs	
			Nomination and Remuneration Committee	Audit & Compliance Committee
1	For reappointment Inside Kei Tanikawa	Representative Director and President, Chief Executive Officer	○	
2	For reappointment Inside Koji Yamakoshi	Director, Senior Managing Executive Officer, Head of Corporate Banking Group		
3	For reappointment Inside Tomomi Akutagawa	Director, Senior Managing Executive Officer, Chief Financial Officer and in charge of Sustainability Management		
4	For reappointment Outside Independent director Shunsuke Takeda	Director	○ Chairperson	
5	For reappointment Outside Independent director Hiroyuki Mizuta	Director		○ Chairperson
6	For reappointment Outside Independent director Ippei Murakami	Director		○
7	For reappointment Outside Independent director Tomonori Ito	Director	○	
8	New candidate Inside Hideto Oomi	Managing Executive Officer, Head of Strategic Investments Group, Head of Trust Business Group, Head of Corporate Strategy Unit and Office of Corporate Secretary		

(Note) The following shows the Bank's Audit & Supervisory Board Members as of the conclusion of this General Meeting.

Name	Current Positions and Areas of Responsibility	Committee to which the candidate currently belongs	
		Nomination and Remuneration Committee	Audit & Compliance Committee
Inside Satoshi Hashiguti	Audit & Supervisory Board Member (full-time)		Observer
Outside Independent director Kiyoto Hagiwara	Audit & Supervisory Board Member		Observer
Outside Independent director Toraki Inoue	Audit & Supervisory Board Member		Observer

* Not all of the expertise that each candidate possesses

Board Meeting Attendance	Number of years served as director at the close of this General Meeting	Expertise of candidates for Outside Director*		
		Corporate management	Banking and finance	Financial accounting
Attended all 15 Board meetings during the relevant fiscal year	3 years	—	—	—
Attended all 15 Board meetings during the relevant fiscal year	1 year	—	—	—
Attended all 15 Board meetings during the relevant fiscal year	2 years	—	—	—
Attended all 15 Board meetings during the relevant fiscal year	14 years	○	○	○
Attended all 15 Board meetings during the relevant fiscal year	8 years	○	○	
Attended all 15 Board meetings during the relevant fiscal year	7 years	○		○
Attended all 15 Board meetings during the relevant fiscal year	7 years		○	
—	—	—	—	—

* Not all of the expertise that each Audit & Supervisory Board Member possesses

Board Meeting and Audit & Supervisory Board Meeting Attendance	Number of years served as director at the close of this General Meeting	Expertise of Outside Audit & Supervisory Board Members*		
		Corporate management	Banking and finance	Financial accounting
Attended all 15 Board meetings and all 13 Audit & Supervisory Board meetings during the relevant fiscal year	3 years	—	—	—
Attended all 15 Board meetings and all 13 Audit & Supervisory Board meetings during the relevant fiscal year	6 years		○	
Attended all 15 Board meetings and all 13 Audit & Supervisory Board meetings during the relevant fiscal year	5 years	○		○

Candidates for Directors



Candidate No.	1	Kei Tanikawa
For reappointment <input type="checkbox"/> Inside <input type="checkbox"/>		
59 years old (Date of birth: May 17, 1962)		

Brief Personal History, Positions, Areas of Responsibility and Concurrent Major Posts

Apr. 1985	The Nippon Credit Bank, Ltd (currently Aozora Bank, Ltd.)
Aug. 2010	General Manager of Financial Institutions Management Division
July 2012	Executive Officer, Head of Business Banking Group
Apr. 2014	Executive Officer, Head of Allied Banking Group
July 2014	Managing Executive Officer, Head of Allied Banking Group
July 2015	Managing Executive Officer, Head of Corporate Strategy Unit, Head of Compliance & Governance Unit, Office of Corporate Secretary
July 2016	Managing Executive Officer, Head of Corporate Strategy Unit and Office of Corporate Secretary
July 2017	Senior Managing Executive Officer, Head of Business Banking Group and Head of Corporate Banking Group
June 2018	Representative Director, Deputy President and Executive Officer, Head of Business Banking Group and Head of Corporate Banking Group
July 2018	Representative Director, Deputy President and Executive Officer
Oct. 2018	Representative Director, Deputy President and Executive Officer, Head of Trust Business Group
June 2020	Representative Director, President and Chief Executive Officer (CEO) (current)

Number of years served as director

3 years (At the close of this Ordinary General Meeting of Shareholders)

Board meeting attendance (FY 2020)

Attended all 15 Board meetings during the relevant fiscal year

Reason for nomination as a candidate for director

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. The Bank believes he is an adequate candidate because of his deep insight in financial businesses as well as his extensive experience and prudent judgment.

Matters concerning Directors and Officers liability insurance contract

Kei Tanikawa is currently a director of the Bank, and the Bank has entered into a directors and officers liability insurance contract with insurance companies as stipulated in Article 430-3, paragraph (1) of the Companies Act, in which he is included as an insured party. The said contract covers compensations for damages and legal dispute fees that an insured party may incur due to claims for damages caused by the insured parties' acts (including failure to act) based on their positions as directors and officers, and the Bank has assumed the costs of insurance premiums in full for all of the insured parties with respect to this insurance contract. He will be included as an insured party upon approval of his reappointment. The Bank plans to renew the said insurance contract under the same terms and conditions during his term of office.

Number of Bank's shares Owned by Candidate

14,439

The above states the sum of the shares held directly by the candidate and includes shares held through the Executive Stock Ownership Plan (ESOP). (Fractional shares are rounded off.)



Candidate No.	2	Koji Yamakoshi
For reappointment <input type="checkbox"/> Inside <input type="checkbox"/>		
58 years old (Date of birth: July 22, 1962)		

Brief Personal History, Positions, Areas of Responsibility and Concurrent Major Posts

Apr. 1986	The Nippon Credit Bank, Ltd. (currently Aozora Bank, Ltd.)
Apr. 2007	General Manager of Special Finance Division
Dec. 2009	Deputy Head of Specialty Finance Group, and General Manager of Special Situations Division
July 2012	Executive Officer, Deputy Head of Specialty Finance Group
Nov. 2012	Executive Officer, Head of Specialty Finance Group
July 2016	Managing Executive Officer, Head of Specialty Finance Group
Jan. 2017	Managing Executive Officer, Head of Specialty Finance Group, and General Manager of Global Real Estate Structured Debt Division
July 2018	Managing Executive Officer, Head of Business Banking Group and Head of Corporate Banking Group
July 2019	Senior Managing Executive Officer, Head of Business Banking Group and Head of Corporate Banking Group
June 2020	Director, Senior Managing Executive Officer, Head of Business Banking Group and Head of Corporate Banking Group
July 2020	Director, Senior Managing Executive Officer, Head of Corporate Banking Group (current)

Number of years served as director

1 year (At the close of this Ordinary General Meeting of Shareholders)

Board meeting attendance (FY 2020)

Attended all 15 Board meetings during the relevant fiscal year

Reason for nomination as a candidate for director

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. The Bank believes he is an adequate candidate because of his deep insight in financial businesses as well as extensive experience and prudent judgment.

Matters concerning Directors and Officers liability insurance contract

Koji Yamakoshi is currently a director of the Bank, and the Bank has entered into a directors and officers liability insurance contract with insurance companies as stipulated in Article 430-3, paragraph (1) of the Companies Act, in which he is included as an insured party. The said contract covers compensations for damages and legal dispute fees that an insured party may incur due to claims for damages caused by the insured parties' acts (including failure to act) based on their positions as directors and officers, and the Bank has assumed the costs of insurance premiums in full for all of the insured parties with respect to this insurance contract. He will be included as an insured party upon approval of his reappointment. The Bank plans to renew the said insurance contract under the same terms and conditions during his term of office.

Number of Bank's shares Owned by Candidate

2,028

The above states the sum of the shares held directly by the candidate and includes shares held through the Executive Stock Ownership Plan (ESOP). (Fractional shares are rounded off.)



Candidate No.	3	Tomomi Akutagawa
For reappointment <input type="checkbox"/> Inside <input type="checkbox"/>		
58 years old (Date of birth: November 30, 1962)		

(Note) The family register name of Tomomi Akutagawa is Tomomi Sasaki.

Brief Personal History, Positions, Areas of Responsibility and Concurrent Major Posts

Apr. 1985	The Nippon Credit Bank, Ltd (currently Aozora Bank, Ltd.)
July 2010	General Manager of Financial Management Division
July 2013	Deputy Chief Financial Officer (CFO) and General Manager of Financial Management Division
July 2014	Executive Officer and Deputy CFO and General Manager of Financial Management Division
Oct. 2014	Executive Officer and Deputy CFO
July 2017	Managing Executive Officer, Head of Corporate Strategy Unit and Office of Corporate Secretary
June 2019	Director, Managing Executive Officer, Head of Corporate Strategy Unit and Office of Corporate Secretary
July 2019	Director, Senior Managing Executive Officer, CFO
Apr. 2021	Director, Senior Managing Executive Officer, CFO and in charge of Sustainability Management (current)

Number of years served as director

2 years (At the close of this Ordinary General Meeting of Shareholders)

Board meeting attendance (FY 2020)

Attended all 15 Board meetings during the relevant fiscal year

Reason for nomination as a candidate for director

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. The Bank believes she is an adequate candidate because of her deep insight in financial businesses as well as extensive experience and prudent judgment.

Matters concerning Directors and Officers liability insurance contract

Tomomi Akutagawa is currently a director of the Bank, and the Bank has entered into a directors and officers liability insurance contract with insurance companies as stipulated in Article 430-3, paragraph (1) of the Companies Act, in which she is included as an insured party. The said contract covers compensations for damages and legal dispute fees that an insured party may incur due to claims for damages caused by the insured parties' acts (including failure to act) based on their positions as directors and officers, and the Bank has assumed the costs of insurance premiums in full for all of the insured parties with respect to this insurance contract. She will be included as an insured party upon approval of her reappointment. The Bank plans to renew the said insurance contract under the same terms and conditions during her term of office.

Number of Bank's shares Owned by Candidate

4,714

The above states the sum of the shares held directly by the candidate and includes shares held through the Executive Stock Ownership Plan (ESOP). (Fractional shares are rounded off.)



Candidate No.	4	Shunsuke Takeda
For reappointment	Outside	
Independent director		
79 years old (Date of birth: September 30, 1941)		

Brief Personal History, Positions, Areas of Responsibility and Concurrent Major Posts

Apr. 1965	Joined the Nippon Kangyo Bank, Ltd. (currently Mizuho Bank, Ltd.)
Sep. 1968	Joined Orient Leasing Co., Ltd. (currently Orix Corporation)
June 1993	Director and GM of Treasury Department
May 1997	Managing Director and Chief Financial Officer (CFO)
Sep. 1998	Senior Managing Director and CFO
Apr. 2000	Deputy President and CFO Member of the Board
June 2002	Member of the Board, Director of Fuji Fire and Marine Insurance Co., Ltd. (currently AIG General Insurance Company, Ltd.)
June 2003	Director, Deputy President and CFO of Orix Corporation
Feb. 2005	Director, Vice Chairman and CFO
June 2007	Senior Advisor
	Director, Aozora Bank, Ltd. (current)
June 2010	Chairman and Representative Executive Officer, Daikyo Incorporated
	Advisor, Orix Corporation (current)
Oct. 2013	Chairman, Nippon Professional Baseball Organization

Number of years served as director

14 years (At the close of this Ordinary General Meeting of Shareholders)

Board meeting attendance (FY 2020)

Attended all 15 Board meetings during the relevant fiscal year

Reason for nomination as a candidate for director and expected roles

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, if he is elected as an Outside Director.

Matters concerning interests and independence

There are no other particular business related interests between Mr. Takeda and the Bank.

The Bank is currently providing some loans to Orix Corporation where Mr. Takeda is currently serving as an Advisor, however more than 10 years have passed since he retired from the position of Director, Vice Chairman and CFO of Orix Corporation and, therefore, there is no matter concerning independence.

The Bank is currently providing some loans to Daikyo Incorporated where Mr. Takeda previously served as Chairman and Representative Executive Officer, however more than 10 years have passed since he retired from the position and, therefore, there is no matter concerning independence.

Mr. Takeda is nominated as Outside Director and also as Independent Director in accordance with the requirements of the Tokyo Stock Exchange, Inc.

The Bank has an agreement with Mr. Takeda regarding the liability limit stipulated in Paragraph 1 - Article 423 of the Companies Act, pursuant to Paragraph 1 - Article 427, which is stating that in case of “bona fides without any significant delinquency”, the amount of the liability limit is in accordance with the amount stipulated in Paragraph 1 - Article 425. In case this proposal is approved and resolved, and Mr. Takeda assumes the position of Outside Director, this agreement continues to be effective.

Matters concerning Directors and Officers liability insurance contract

Mr. Takeda is currently a director of the Bank, and the Bank has entered into a directors and officers liability insurance contract with insurance companies as stipulated in Article 430-3, paragraph (1) of the Companies Act, in which he is included as an insured party. The said contract covers compensations for damages and legal dispute fees that an insured party may incur due to claims for damages caused by the insured parties' acts (including failure to act) based on their positions as directors and officers, and the Bank has assumed the costs of insurance premiums in full for all of the insured parties with respect to this insurance contract. He will be included as an insured party upon approval of his reappointment. The Bank plans to renew the said insurance contract under the same terms and conditions during his term of office.

Number of Bank's shares Owned by Candidate

11,613

The above states the sum of the shares held directly by the candidate and includes shares held through the Executive Stock Ownership Plan (ESOP). (Fractional shares are rounded off.)



Candidate No.	5	Hiroyuki Mizuta
For reappointment	Outside	
Independent director		
71 years old (Date of birth: November 30, 1949)		

Brief Personal History, Positions, Areas of Responsibility and Concurrent Major Posts

Apr. 1974	The Kyowa Bank, Ltd. (currently Resona Bank, Limited)
Nov. 2003	President and Representative Director, The Kinki Osaka Bank, Ltd. (currently Kansai Mirai Bank, Limited)
June 2006	Director, President and Representative Executive Officer of Resona Holdings, Inc.
June 2007	President and Representative Director, Resona Bank, Limited
	Executive Officer, Group Strategy Dept., Resona Holdings, Inc. (In charge of Corporate Management of Resona Bank, Limited)
Oct. 2008	President, The Resona Foundation for Small and Medium Enterprise Promotion
May 2009	Retired as President of Resona Bank, Limited and Executive Officer of Resona Holdings, Inc.
	Outside Director of Nippon Dentsu Co., Ltd.
June 2010	Director of Nippon Television City Corporation (currently TOKYO TOWER Co., Ltd)
June 2011	Representative Director and Chairman of TOKYO TOWER Co., Ltd (current)
June 2013	Director, Aozora Bank, Ltd. (current)
June 2016	Executive Advisor, Nippon Dentsu Co., Ltd.

Number of years served as director

8 years (At the close of this Ordinary General Meeting of Shareholders)

Board meeting attendance (FY 2020)

Attended all 15 Board meetings during the relevant fiscal year

Reason for nomination as a candidate for director and expected roles

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, if he is elected as an Outside Director.

Matters concerning interests and independence

The Bank is currently providing some loans to TOKYO TOWER Co., Ltd (the Company), where Mr. Mizuta is currently serving as Representative Director and Chairman. The loan amount as of the end of March 2021 is less than 1% of the total loan amount of the Bank and also less than 1% of the total amount of the Company's borrowings and, therefore, there is no matter concerning independence.

The Bank currently is making some transactions including deposits with Resona Holdings, Inc. where Mr. Mizuta previously served as Executive Officer and with its affiliated bank where he served as President and Representative Director, however more than 10 years have passed since he retired from these positions and, therefore, there is no matter concerning independence.

Mr. Mizuta is nominated as Outside Director and also as Independent Director in accordance with the requirements of the Tokyo Stock Exchange, Inc.

The Bank has an agreement with Mr. Mizuta regarding the liability limit stipulated in Paragraph 1 - Article 423 of the Companies Act, pursuant to Paragraph 1 - Article 427, which is stating that in case of "bona fides without any significant delinquency", the amount of the liability limit is in accordance with the amount stipulated in Paragraph 1 - Article 425. In case this proposal is approved and resolved, and Mr. Mizuta assumes the position of Outside Director, this agreement continues to be effective.

Matters concerning Directors and Officers liability insurance contract

Mr. Mizuta is currently a director of the Bank, and the Bank has entered into a directors and officers liability insurance contract with insurance companies as stipulated in Article 430-3, paragraph (1) of the Companies Act, in which he is included as an insured party. The said contract covers compensations for damages and legal dispute fees that an insured party may incur due to claims for damages caused by the insured parties' acts (including failure to act) based on their positions as directors and officers, and the Bank has assumed the costs of insurance premiums in full for all of the insured parties with respect to this insurance contract. He will be included as an insured party upon approval of his reappointment. The Bank plans to renew the said insurance contract under the same terms and conditions during his term of office.

Number of Bank's shares Owned by Candidate

4,231

The above states the sum of the shares held directly by the candidate and includes shares held through the Executive Stock Ownership Plan (ESOP). (Fractional shares are rounded off.)



Candidate No.	6	Ippei Murakami
For reappointment	Outside	
Independent director		
76 years old (Date of birth: March 3, 1945)		

Brief Personal History, Positions, Areas of Responsibility and Concurrent Major Posts

Apr. 1967	Nisshin Flour Milling Inc. (currently Nisshin Seifun Group Inc.)
June 1995	Director (Planning and Finance)
June 2000	Managing Director
July 2001	Nisshin Seifun Group Inc. (Group holding company)
	Managing Director (Finance and Accounting)
June 2004	Managing Director (Finance and Accounting, Corporate Planning [deputy])
June 2005	Managing Director (Finance and Accounting, Corporate Planning)
June 2006	Managing Director (Corporate Planning)
June 2007	Senior Managing Director (Corporate Planning)
Oct. 2007	President and Representative Director
Apr. 2011	Director and Senior Consultant
June 2011	Special Advisor (current)
June 2014	Director, Aozora Bank, Ltd. (current)
Apr. 2021	Chair of the Board of Trustees, Kwansei Gakuin University (current)

Number of years served as director

7 years (At the close of this Ordinary General Meeting of Shareholders)

Board meeting attendance (FY 2020)

Attended all 15 Board meetings during the relevant fiscal year

Reason for nomination as a candidate for director and expected roles

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, if he is elected as an Outside Director.

Matters concerning interests and independence

There are no other particular business related interests between Mr. Murakami and the Bank.

Mr. Murakami is nominated as Outside Director and also as Independent Director in accordance with the requirements of the Tokyo Stock Exchange, Inc.

The Bank has an agreement with Mr. Murakami regarding the liability limit stipulated in Paragraph 1 - Article 423 of the Companies Act, pursuant to Paragraph 1 - Article 427, which is stating that in case of “bona fides without any significant delinquency”, the amount of the liability limit is in accordance with the amount stipulated in Paragraph 1 - Article 425.

In case this proposal is approved and resolved, and Mr. Murakami assumes the position of Outside Director, this agreement continues to be effective.

Matters concerning Directors and Officers liability insurance contract

Mr. Murakami is currently a director of the Bank, and the Bank has entered into a directors and officers liability insurance contract with insurance companies as stipulated in Article 430-3, paragraph (1) of the Companies Act, in which he is included as an insured party. The said contract covers compensations for damages and legal dispute fees that an insured party may incur due to claims for damages caused by the insured parties' acts (including failure to act) based on their positions as directors and officers, and the Bank has assumed the costs of insurance premiums in full for all of the insured parties with respect to this insurance contract. He will be included as an insured party upon approval of his reappointment. The Bank plans to renew the said insurance contract under the same terms and conditions during his term of office.

Number of Bank's shares Owned by Candidate

8,361

The above states the sum of the shares held directly by the candidate and includes shares held through the Executive Stock Ownership Plan (ESOP). (Fractional shares are rounded off.)



Candidate No.	7	Tomonori Ito
For reappointment	Outside	
Independent director		
64 years old (Date of birth: January 9, 1957)		

Brief Personal History, Positions, Areas of Responsibility and Concurrent Major Posts

Apr. 1979	Bank of Tokyo, Ltd. (currently MUFG Bank, Ltd.)
Mar. 1990	Vice President of Investment Banking Group, Bank of Tokyo Trust Company, New York
Mar. 1995	Union Bank of Switzerland, Tokyo Branch (currently UBS)
Aug. 1997	General Manager of Tokyo Branch and Head of Investment Banking, Union Bank of Switzerland
June 1998	Head of Investment Banking and Managing Director, UBS Securities Japan Co., Ltd.
Apr. 2011	Visiting Professor, Graduate School of International Corporate Strategy, Hitotsubashi University
May 2012	Outside Board Member of PARCO CO., LTD.
Oct. 2012	Professor, Graduate School of International Corporate Strategy, Hitotsubashi University (currently Department of International Corporate Strategy, Hitotsubashi University Business School)
July 2013	Outside Corporate Auditor, AIN PHARMACIEZ INC.
June 2014	Director, Aozora Bank, Ltd. (current)
June 2016	Outside Director, Electric Power Development Co., Ltd. (current)
May 2019	Retired as Outside Board Member of PARCO CO., LTD.
Apr. 2020	Adjunct Professor, Department of International Corporate Strategy, Hitotsubashi University Business School (current)

Number of years served as director

7 years (At the close of this Ordinary General Meeting of Shareholders)

Board meeting attendance (FY 2020)

Attended all 15 Board meetings during the relevant fiscal year

Reason for nomination as a candidate for director and expected roles

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, if he is elected as an Outside Director.

Matters concerning interests and independence

There are no other particular business related interests between Mr. Ito and the Bank.

Mr. Ito is nominated as Outside Director and also as Independent Director in accordance with the requirements of the Tokyo Stock Exchange, Inc.

The Bank has an agreement with Mr. Ito regarding the liability limit stipulated in Paragraph 1 - Article 423 of the Companies Act, pursuant to Paragraph 1 - Article 427, which is stating that in case of “bona fides without any significant delinquency”, the amount of the liability limit is in accordance with the amount stipulated in Paragraph 1 - Article 425. In case this proposal is approved and resolved, and Mr. Ito assumes the position of Outside Director, this agreement continues to be effective.

Matters concerning Directors and Officers liability insurance contract

Mr. Ito is currently a director of the Bank, and the Bank has entered into a directors and officers liability insurance contract with insurance companies as stipulated in Article 430-3, paragraph (1) of the Companies Act, in which he is included as an insured party. The said contract covers compensations for damages and legal dispute fees that an insured party may incur due to claims for damages caused by the insured parties' acts (including failure to act) based on their positions as directors and officers, and the Bank has assumed the costs of insurance premiums in full for all of the insured parties with respect to this insurance contract. He will be included as an insured party upon approval of his reappointment. The Bank plans to renew the said insurance contract under the same terms and conditions during his term of office.

Number of Bank's shares Owned by Candidate

2,000

The above states the sum of the shares held directly by the candidate and includes shares held through the Executive Stock Ownership Plan (ESOP). (Fractional shares are rounded off.)



Candidate No.	8	Hideto Oomi
New candidate <u>Inside</u>		
55 years old (Date of birth: July 19, 1965)		

Brief Personal History, Positions, Areas of Responsibility and Concurrent Major Posts

Apr. 1989	The Nippon Credit Bank, Ltd. (currently Aozora Bank, Ltd.)
Aug. 2007	General Manager of Leveraged Finance Division
Dec. 2009	General Manager of Acquisition & Project Finance Division
Oct. 2011	General Manager of Hiroshima Branch
Nov. 2012	General Manager of Business Strategy Division
July 2016	Executive Officer, Special Assignment
July 2019	Managing Executive Officer, Head of Corporate Strategy Unit, Office of Corporate Secretary and Special Assignment
July 2020	Managing Executive Officer, Head of Corporate Strategy Unit, Head of Trust Business Group, Office of Corporate Secretary and Special Assignment
Apr. 2021	Managing Executive Officer, Head of Strategic Investments Group, Head of Trust Business Group, Head of Corporate Strategy Unit and Office of Corporate Secretary (current)

Number of years served as director

-

Board meeting attendance (FY 2020)

-

Reason for nomination as a candidate for director

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

Matters concerning Directors and Officers liability insurance contract

Upon approval of this proposal and once Hideto Oomi assumes his office as a Director, he will be included as an insured party of the directors and officers liability insurance contract as stipulated in Article 430-3, paragraph (1) of the Companies Act, that the Bank has executed with insurance companies. The said contract covers compensations for damages and legal dispute fees that an insured party may incur due to claims for damages caused by the insured parties' acts (including failure to act) based on their positions as directors and officers, and the Bank has assumed the costs of insurance premiums in full for all of the insured parties with respect to this insurance contract. The Bank plans to renew the said insurance contract under the same terms and conditions during his term of office.

Number of Bank's shares Owned by Candidate

3,231

The above states the sum of the shares held directly by the candidate and includes shares held through the Executive Stock Ownership Plan (ESOP). (Fractional shares are rounded off.)

Proposal No.2: Appointment of Two Alternate Audit & Supervisory Board Members

In order to prepare for a vacancy in the number of Audit & Supervisory Board Members as required by law, it is proposed to appoint two alternate Audit & Supervisory Board Members, with the consent of the Audit & Supervisory Board.

Mr. Harutoshi Yoshimura is the candidate for a substitute to the Standing Audit & Supervisory Board Member and Mr. Mitch R. Fulscher is the candidate for a substitute to the Audit & Supervisory Board Members other than the Standing Audit & Supervisory Board Member.

The candidates are shown below.

Candidates for Alternate Audit & Supervisory Board Member



Candidate No.	1	Harutoshi Yoshimura
Inside		
56 years old (Date of birth: April 17, 1965)		

Brief Personal History, Positions and Concurrent Major Posts

Apr. 1989	The Nippon Credit Bank, Ltd. (currently Aozora Bank, Ltd.)
July 2009	Joint General Manager, Financial Institutions Management Division
Aug. 2011	Deputy General manager, Takamatsu Branch
Aug. 2013	General Manager, Takamatsu Branch
July 2016	General Manager, Public Institutions Division
June 2018	General Manager, Financial Institutions Division I(current)
July 2021	General Manager of Office of Audit & Supervisory Board (scheduled)

Reason for nomination as a candidate for Alternate Audit & Supervisory Board Member

Harutoshi Yoshimura is qualified for the responsibilities of a Standing Audit & Supervisory Board Member and is the candidate for alternate Standing Audit & Supervisory Board Member because he has enough experience and knowledge in the banking business.

Matters concerning interests

There are no other particular business related interests between Mr. Yoshimura and the Bank.

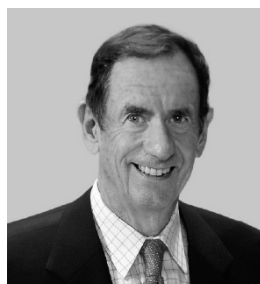
The Bank will enter into contracts with Mr. Yoshimura to the effect that, if he is without knowledge and is not grossly negligent in performing the duties of Audit & Supervisory Board Member, the liabilities of the Audit & Supervisory Board Member under Paragraph 1 - Article 423 of the Companies Act shall be limited to the amount stipulated by Paragraph 1 - Article 425 of the Companies Act in accordance with the provisions of Paragraph 1 - Article 427 of the Companies Act.

Once Harutoshi Yoshimura assumes his office as an Audit & Supervisory Board Members, he will be included as an insured party of the directors and officers liability insurance contract as stipulated in Article 430-3, paragraph (1) of the Companies Act, that the Bank has executed with insurance companies. The said contract covers compensations for damages and legal dispute fees that an insured party may incur due to claims for damages caused by the insured parties' acts (including failure to act) based on their positions as directors and officers, and the Bank has assumed the costs of insurance premiums in full for all of the insured parties with respect to this insurance contract. The Bank expects that the relevant insurance contract will be updated without amendment of its detail, regardless of his assumption.

Number of Bank's shares Owned by Candidate

346

The above states the sum of the shares held directly by the candidate and includes shares held through the Employee Stock Ownership Plan (ESOP). (Fractional shares are rounded off.)



Candidate No.	2	Mitch R. Fulscher
Outside		
79 years old (Date of birth: August 18, 1941)		

Brief Personal History, Positions and Concurrent Major Posts

1963	ARTHUR ANDERSEN (Chicago)
1969	ARTHUR ANDERSEN (Chicago), Audit Manager
1974	ARTHUR ANDERSEN (Chicago), Audit Partner
1986	ARTHUR ANDERSEN (Tokyo), Managing Partner
1991	ARTHUR ANDERSEN (Los Angeles), Partner
1997	KPMG AZSA LLC (formerly Asahi & Co.), US GAAP Expert
1998	Futures Industry Association Japan, Chairman
2002	MELAMED & ASSOCIATES, Japan Representative
2003	PROTIVITI JAPAN, Senior Advisor
June 2004	Aozora Bank, Ltd., Outside ASB Member
2004	Showa Jisho, Outside Auditor
2012	Retired as Showa Jisho, Outside Auditor
2014	Futures Industry Association Japan, President and Representative Director
2015	Futures Industry Association Japan, Advisor to Executive Committee, Chairman Emeritus (current)

Reason for nomination as a candidate for Alternate Audit & Supervisory Board Member

Mr. Mitch R. Fulscher is qualified for the responsibilities of an outside Audit & Supervisory Board Member and is the candidate for alternate outside Audit & Supervisory Board Member because he is expected to contribute to the Bank's management from the following background: Holding a U.S. CPA, he has extensive experience, achievements and specialized knowledge as an accounting specialist and is independent from the day-to-day management responsibilities for the bank's operations and activities.

Matters concerning interests and independence

There are no other particular business related interests between Mr. Fulscher and the Bank.

Mr. Fulscher is the candidate for alternate outside Audit & Supervisory Board Member, so when he assumes the office of Audit & Supervisory Board Member, he is the candidate for independent Audit & Supervisory Member in accordance with the requirements of the Tokyo Stock Exchange, Inc.

When Mr. Fulscher assumes the office of Audit & Supervisory Board Member, the Bank will enter into a contract with him to the effect that, if he is without knowledge and is not grossly negligent in performing the duties of Audit & Supervisory Board Member, the liabilities of the Audit & Supervisory Board Member under Paragraph 1 - Article 423 of the Companies Act shall be limited to the amount stipulated by Paragraph 1 - Article 425 of the Companies Act in accordance with the provisions of Paragraph 1 - Article 427 of the Companies Act.

Once Mr. Fulscher assumes his office as an Audit & Supervisory Board Members, he will be included as an insured party of the directors and officers liability insurance contract as stipulated in Article 430-3, paragraph (1) of the Companies Act, that the Bank has executed with insurance companies. The said contract covers compensations for damages and legal dispute fees that an insured party may incur due to claims for damages caused by the insured parties' acts (including failure to act) based on their positions as directors and officers, and the Bank has assumed the costs of insurance premiums in full for all of the insured parties with respect to this insurance contract. The Bank expects that the relevant insurance contract will be updated without amendment of its detail, regardless of his assumption.

Number of Bank's shares Owned by Candidate

4,800

The above states the sum of the shares held directly by the candidate and includes shares held through the Executive Stock Ownership Plan (ESOP). (Fractional shares are rounded off.)

Proposal No. 3: Determination of the Outlines of the Equity Compensation Type Stock Options for Full-time Directors

The Bank currently has a compensation plan in the form of Equity Compensation Type Stock Options (here in after referred to as the “Stock Options”) as introduced as per the resolution of the 81st General Meeting of Shareholders held on June 26, 2014 to allow an issuance of Stock Options to the Bank’s full-time directors based on its outline of issuance and in an amount not exceeding 150 million yen in aggregate per year. This is in addition to the amount of base remuneration as approved at the 73rd General Meeting of Shareholders held on June 23, 2006 as amended thereafter on June 26, 2015 to include therein a Bonus to full-time directors.

In response to the enactment of the “Law Partially Amending the Company Act” (the Law no. 70 of Year 2019, hereinafter referred to as the “Amendatory Law”) which stipulates that a more specific outline of the equity compensation type stock options must be clarified at a shareholders meeting, we hereby propose the following outline of the terms and conditions for the Bank’s issuance of Stock Options in order to continue the Bank’s current plan.

The Stock Options plan is based on stock acquisition rights in the form of stock options that grants rights to acquire the Bank’s common shares at an exercise price of one yen per share. Upon issuing Stock Options, the Board of Directors resolves on each issuance based on discussions and resolutions at the meeting of the Nomination and Remuneration Committee by giving comprehensive consideration to overall contributions of the Bank’s full-time Directors as well as other various factors, and thus the content of the current Stock Options plan is considered to be reasonably appropriate. In response to the enactment of the Amendatory Law, the Bank has also adopted a more specific “Policy on Determining Compensation to Directors” at the meeting of the board of directors on May 27, 2021 and the outline of the terms and conditions for the Stock Options plan proposed herewith is consistent with the adopted policy.

The changes offered at this time are shown as underlined in the outline of the terms and conditions as decided at the 81st General Meeting of Shareholders held on June 26, 2014. These changes reflect the conditions pursuant to the enforcement of the Amendatory Laws that have been stipulated in the current terms and conditions of the issuances, and therefore are not considered to be a substantial change from the current terms and conditions for the issuance of the Stock Options.

Currently the Bank has four full-time directors. If Proposal No.1 is approved as proposed, the Bank will have four full-time directors upon consummation of this General Shareholders Meeting.

Outside directors and audit & supervisory board members will not be issued Stock Options in consideration of their roles, and only the fixed base remuneration shall be paid.

(1) Number of Stock Options

The number of Stock Options that may be issued to full-time directors during any single-year term commencing as from the date of the annual general shareholders meeting shall not exceed a total of 7,500 units.

(2) Class and Number of Shares to be delivered upon Exercise

The class of shares to be issued or transferred upon the exercise of these Stock Options shall be the common shares of Aozora Bank, and the number of common shares to be issued or transferred per unit of Stock Options (hereinafter the “Number of Underlying Shares”) is ten.

If the Bank judges that it is appropriate to change the Number of Underlying Shares due to a merger, corporate splits, stock dividends (allotment of shares without contribution), stock splits or consolidation of stocks (reverse stock split), or any comparable transaction, the Bank may make an adjustment to the Number of Underlying Shares that the Bank considers necessary.

(3) Amounts to be Paid-in at Grant of Stock Options (the “Issue Price”)

The Issue Price of Stock Options is determined by the Board of Directors based on the fair value as calculated on the day of the issuance of Stock Options by using fair valuation models such as the Black-Scholes Formula.

At the issuance of the Stock Options to directors, a director's claim to compensation from the Bank will be offset by the amount to be paid-in as the Issue Price, in lieu of actual cash payments by the directors to the Bank.

(4) Amount of Assets to be Contribute upon Exercise of Stock Options

The amount of assets contributed upon the exercise of each stock option shall be calculated by multiplying the exercise price of one yen per share by the number of shares to be delivered through the exercise.

(5) Time Period in which the Stock Options are Exercisable

The time period in which the Stock Options are exercisable shall be as starting from the day following the issuance up until a corresponding day prior to the 30th year anniversary of the date of issuance. If the last day of the exercise period falls on a bank holiday, the last day shall instead be the previous business day.

(6) Major Conditions for the Exercise of Stock Options

The holder of the Stock Options may only exercise the granted Stock Options once as a lump sum during the ten-day period following the day on which the holder ceases to be a director and an executive officer of the Bank as long as such exercise occurs within the period stated in (5).

(7) Restrictions on Acquisition of a Transferred Stock Option

The acquisition of Stock Options through transfer shall require approval through a resolution of the Board of Directors.

(8) Acquisition of Stock Options

- i) When a Stock Option holder cannot exercise the granted Stock Options pursuant to the provision (6) above, the Bank may acquire the said Stock Options without contribution on a day separately determined by the Board of Directors.
- ii) When the general shareholders meeting (or the Board of Directors if approval of the general shareholders meeting is not required) approves a resolution to conclude a merger agreement under which the Bank will become a defunct company, an absorption-type company split agreement/ an incorporation-type company split plan under which the Bank will become a split company, or a share exchange agreement/ a share transfer plan under which the Bank will become a wholly-owned subsidiary, the Bank may acquire any Stock Options which have not been exercised as of the day separately determined by the Board of Directors without compensation on the aforementioned day.

(9) Determination of Details of Stock Options

All other matters pertaining to the conditions of the Stock Options shall be determined by the Board of Directors when resolving the terms and conditions of the offering.

End

(Reference) Basic Policy for Nominating Directors and Audit & Supervisory Board Member Candidates

<Basic Policy for Nominating Directors and Audit & Supervisory Board Member Candidates>

In order to realize Aozora's basic corporate governance policy, the Bank has established the following basic guidelines for nominating directors and Audit & Supervisory Board members.

Basic Guidelines for Nominating Director Candidates

Candidates should:

1. Possess substantial management knowledge and expertise
2. Have superior insight, be able to make management decisions and exercise sound judgment
3. Be committed to the duties of director
4. Be able to earn the trust of the Bank's stakeholders, including shareholders
5. In the case of outside directors, be able to conduct management oversight and offer appropriate advice

Basic Guidelines for Nominating Audit & Supervisory Board Member Candidates

Candidates should:

1. Possess substantial management knowledge and expertise
2. Have knowledge of fundamental rules and regulations related to financial and banking businesses, as well as finance and accounting
3. Be fair, impartial, and able to perform duties from an independent standpoint
4. Be able to earn the trust of the Bank's stakeholders
5. Have the ability to communicate effectively with shareholders, the Board of Directors, and senior management to ensure management soundness and transparency

<Procedure for Nominating Directors >

The Nomination & Remuneration Committee, of which the majority comprises outside directors, deliberates on the nomination of director candidates and makes recommendations to the Board of Directors.

The Board of Directors determines whether or not to accept the recommendations of the Nomination & Remuneration Committee for nominating Directors in accordance with the basic guidelines for such nomination or appointment.

<Procedure for Nominating Audit & Supervisory Board Members>

The Nomination & Remuneration Committee, of which the majority comprises outside directors, deliberates on the nomination of Audit & Supervisory Board candidates and makes recommendations to the Board of Directors, taking into consideration the views of the Audit & Supervisory Board.

The Board of Directors determines whether or not to accept the recommendations of the Nomination & Remuneration Committee with the consent of the Audit & Supervisory Board in accordance with the relevant basic guidelines.

The above is an excerpt from the Bank's "Corporate Governance Report" hosted on the Tokyo Stock Exchange website.

Business Report

- Fiscal Year 2020 -

(April 1, 2020 — March 31, 2021)

1. Current Status of the Bank

(1) Business Developments and Results of the Corporate Group **[Financial and Economic Environment]**

The global economy in FY2020 faced considerable negative impact throughout the year amidst the COVID-19 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. In the U.S., recovery of economic and employment conditions temporarily slowed as a result of stronger restrictions on movement and stalled discussions of additional government stimulus spending. However, the business and economic environments improved heading into 2021 against a backdrop of large-scale government economic response measures and the ongoing monetary easing policy of the Federal Reserve Board (FRB) as well as the continued rollout of COVID-19 vaccinations.

In Japan, the long-term interest rate (10-year Treasury yield) saw a temporary hike due to higher U.S. long-term interest rates as well as the possibility of expanding the tolerance range of long-term interest rates recognized at the BOJ's Monetary Policy Meeting in March, but fluctuated around 0.1%. The Nikkei index fell below 18,000 just after the start of FY2020, but rose to around 30,000 towards the end of the fiscal year as stock prices began to rise amidst expectations for a global economic recovery in line with the steady progression of vaccinations in addition to aggressive fiscal policies enacted across the globe and expectations for large-scale fiscal spending in the U.S. The Japanese yen continued to appreciate against the U.S. Dollar due to the large-scale monetary easing policy of the FRB, but dropped to over 110 yen per dollar at the beginning of 2021 in line with factors such as rising U.S. long-term interest rates.

In the United States, the long-term interest rate (10-year Treasury yield) rose to above 1.7% in the latter half of March, as the Democratic Party's win in the U.S. Presidential election drove speculation of increased issuance of U.S. government bonds and spurred economic recovery through large-scale federal spending. The U.S. stock market grew gradually as economic activity resumed in stages, and despite some temporary instability as COVID-19 cases increased, this growth trend maintained throughout the year among expectations of overall economic recovery and the Dow Jones Industrial Average eventually exceeded 33,000, an all-time high.

[Main Business Activities of the Corporate Group]

Aozora Bank Group consists of Aozora Bank, 25 consolidated subsidiaries and 1 affiliated company accounted for using the equity method that provide a variety of financial services, such as financial instruments, trust, investment management, investment advisory, M&A advisory services and venture capital investment, in addition to our primary banking business, and distressed loan servicing.

[Analysis of Operating Results and Financial Conditions]
The results of Aozora Group for FY2020 are as follows.

(i) Operating Results

(Unit:JPY 100 million)

	FY2019	FY2020	Change
Net revenue ※1	957	965	8
Net interest income	487	500	12
Net fees and commissions	126	124	(1)
Net gain on trading account transactions	180	134	(46)
Gains (losses) on bond transactions	145	81	(64)
Net other ordinary income excluding gains (losses) on bond transactions	16	124	108
General and administrative expenses	(533)	(549)	(15)
Gains (losses) on equity method investments	—	11	11
Business profit ※2	423	426	3
Credit-related expenses	(117)	(43)	73
Gains (losses) on stock transactions	116	23	(92)
Other	10	(17)	(28)
Ordinary profit	433	389	(43)
Extraordinary profit (loss)	(0)	(0)	(0)
Profit before income taxes	433	389	(43)
Total income taxes	(177)	(122)	55
Profit	255	267	11
Loss attributable to non-controlling interests	25	22	(3)
Profit attributable to owners of parent	281	289	8

※1 Net revenue = (Interest income – Interest expenses)
+ (Trust fees + Fees and commissions – Fees and commissions payments)
+ (Gain on trading account transactions – Loss on trading account transactions)
+ (Other ordinary income – Other ordinary expenses)

※2 Business profit = Net revenue – General and administrative expenses
+ Gains (losses) on equity method investments

※3 Regardless of nature of accounts, income or profits are shown as positive and expenses or losses are shown as negative amount on the table above.

For FY2020, net revenue was 96.5 billion yen, an increase of 0.8 billion yen year on year, and business profit was 42.6 billion yen, an increase of 0.3 billion yen. Profit attributable to owners of parent was 28.9 billion yen, an increase of 0.8 billion yen.

Net interest income was 50.0 billion yen, an increase of 1.2 billion yen year on year mainly due to an increase in lending margins (yield on loans – yield on funding) compared to the previous year.

Non-interest income was 46.4 billion yen, approximately the same level as the previous year, reflecting positive results generated from customer-based transactions after the second quarter (July-Sept.) despite lower results during the first quarter (Apr.-June) due to the impact of the COVID-19 pandemic.

General and administrative expenses were 54.9 billion yen, an increase of 1.5 billion yen. This was mainly due to incremental expenses associated with system investment costs and the commencement of operations at Aozora's New York-based U. S. subsidiary.

Gains/losses on equity method investments were a net gain of 1.1 billion yen.

Consolidated business profit was 42.6 billion yen, an increase of 0.3 billion yen.

Credit-related expenses were a net expense of 4.3 billion yen. Gains/losses on stock transactions were a gain of 2.3 billion yen. Ordinary profit and profit before income taxes were both 38.9 billion yen, a decrease of 4.3 billion yen.

Total income taxes (corporate tax, resident tax, business tax and deferred income taxes) were a net expense of 12.2 billion yen, as compared to a net expense of 17.7 billion yen in FY2019.

As a result of the above factors, profit attributable to owners of parent was 28.9 billion yen, an increase of 0.8 billion yen year on year. Net income per share (basic) was 248.27 yen, as compared to 241.18 yen per share (basic) in FY2019.

For this fiscal year the Bank has decided to pay a full-year dividend per common share of 124 yen.

Profit/loss by segment

(Unit:JPY 100 million)			
	FY2019	FY2020	Change
Retail Banking Group	16	(21)	(37)
Institutional Banking Group	103	107	3
Allied Banking Group	35	28	(7)
Specialty Finance Group	101	112	11
International Finance Group	60	41	(18)
Financial Markets Group	145	225	80

The Bank has classified its Group's business operations into business groups based upon the nature of the customers served and products offered: Retail Banking Group, Institutional Banking Group, Allied Banking Group, Specialty Finance Group, International Finance Group, and Financial Markets Group. The Bank has designated these business groups as operating segments and reportable segments for the purpose of the disclosures contained herein.

Profit/loss by segment for FY2020 is calculated as net revenue minus general and administrative expenses plus gains/losses on equity method investments by each segment.

(ii) Financial Conditions

Total assets were 5,916.8 billion yen as of March 31, 2021, an increase of 617.0 billion yen, compared to March 31, 2020.

Loans were 2,948.8 billion yen, a decrease of 5.3 billion yen from March 31, 2020. Domestic loans increased 65.5 billion yen, while overseas loans decreased 70.8 billion yen. Securities increased by 319.6 billion yen from March 31, 2020, to 1,393.3 billion yen.

Total liabilities were 5,426.8 billion yen, an increase of 551.8 billion yen compared to March 31, 2020. Total core funding (deposits, negotiable certificates of deposit, debentures and bonds) was 4,210.8 billion yen, an increase of 554.0 billion yen from March 31, 2020.

Net assets were 490.0 billion yen, an increase of 65.2 billion yen from March 31, 2020. Net assets per common share were 4,233.53 yen, as compared to 3,659.84 yen per common share as of March 31, 2020.

[Management Policy, Management Environment and Challenges to be Addressed, etc.]

Aozora Group's management policy, management environment and challenges to be addressed are as follows. The matters regarding the future in the text are judgments by Aozora as of the end of the current fiscal year.

(i) Management principle

Aozora Mission (significance of existence)

- Create a new financial value added and contribute to the development of society.

Aozora Vision (goal)

- Adapt to a rapidly changing world while remaining a constantly trusted, familiar and highly specialized banking group.

Aozora Action (action agenda)

- Provide specialized and highly professional banking services.
- Act quickly and attend customers in a persistent and polite manner.
- Value a teamwork and enjoy working with everyone.
- Respect co-workers' diversified lifestyle, point of view and work style, and support co-worker's growth.
- Understand the past and work on today's challenges in a future-oriented manner.
- Challenge new areas with our originality.
- Proactively contribute to the sustainable growth of society.

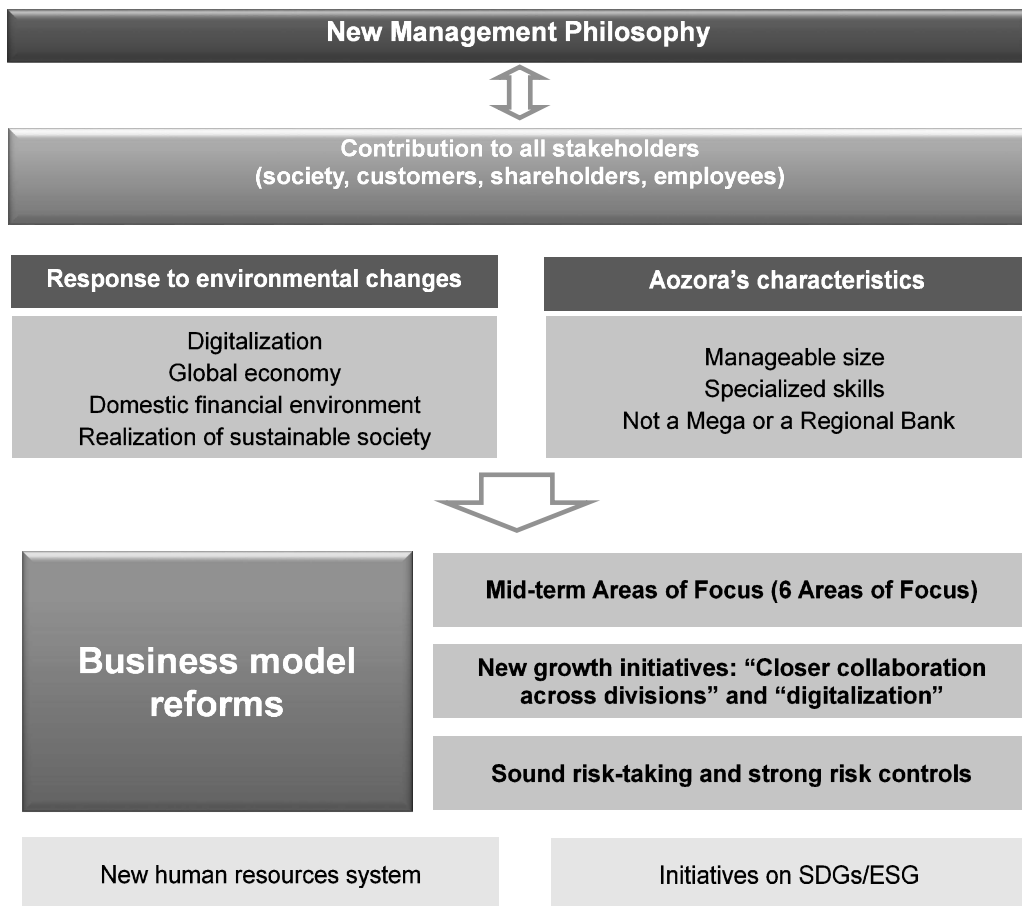
Aozora Group's significance of existence is to contribute to the development of society through creating a new financial value added as a banking professional and we consider that it is most important to understand more about customers and conduct research and development of new products and services that other banks do not provide.

Not a mega bank or a regional bank, Aozora Group considers it important to be flexible and highly professional in business as well as reliable and familiar for its customers. We intend to challenge new possibilities as a financial group beyond the limitations of a traditional bank toward the future of Group.

(ii) Business Plan

(This section contains our Mid-term Plan 2020 “AOZORA 2022” released in May 2020. Please note that this was also included in the Business Report section of the Convocation Notice for the 87th FY Ordinary General Meeting of Shareholders.)

① Complete picture of Mid-term Business Plan “AOZORA2022”



< Mid-term areas of focus (6 Areas of Focus) >

Retail Banking Specialized consulting and integrated financial services for retail customers	Corporate Finance Established position as the key player in restructuring business such as M&A and buyout finance	Financial Institutions Contribution to the revitalization of local economy 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 Enhanced capacity for flexibly controlling the portfolio by forming a seamless monitoring framework on a global scale	Financial Markets Better capability for risk-hedging sales and product development, establishment of the portfolio resistant to market fluctuation

< New growth initiatives >

Active support for corporate customers <ul style="list-style-type: none"> • Capitalize on Aozora's features to support business improvement and restructuring • Customized support In light of customer needs 	Enhanced consulting services for retail customers <ul style="list-style-type: none"> • Establish the Financial Advisor Office • Respond to business succession needs using the Aozora network
Provision of solution to financial institutions <ul style="list-style-type: none"> • Establish the Financial Institutions Solutions Group • Comprehensive consulting services focused on assets, liabilities, equity capital and customer initiated transactions 	Support for FinTech-related businesses in collaboration with GMO Aozora Net Bank(GANB) <ul style="list-style-type: none"> • Establish the FinTech Sales Management Office • Support FinTech-related new businesses of corporate customers and start-ups • Utilize GANB's IT solution capability as the "API No.1 bank"

< Sound risk-taking and strong risk controls >

Aozora continues to carefully manage risk through the refinement of its risk appetite as well as strengthened risk controls based on proactive monitoring.

In addition, we will continue to actively work on the further diversification of our funding sources, the ongoing strengthening of our compliance framework and our cybersecurity controls.

< Introduction of a new human resources system >

The introduction of a new human resources system will better enable Aozora to become an organization which continues to take on new challenges as one unified team, eliminate some of the limitations of career-oriented tracks as well as age-related constraints, so as to create a stronger sense of unity among our employees and the encouragement of their growth and active engagement. We will establish initiatives including the unification of career-oriented courses, improvement of Challenge Programs to increase growth opportunities for younger employees, leveraging of specialized personnel and greater utilization of our senior generation employees.

< Initiatives on SDGs/ESG >

To realize our goal “Actively contribute to the sustainable growth of society” as described in Aozora’s Key Priorities under our New Management Philosophy, our initiatives on SDGs/ESG in the new Mid-Term Plan will focus on the following as key issues: environmental protection, promoting innovation and facilitating the life satisfaction of our employees. We will continue our work on timely and relevant communications with our customers and investors regarding Aozora’s initiatives on SDGs/ESG by disclosing information on the status of our progress on a timely basis.

① Mid-term financial targets

Earnings targets

Under the new Mid-Term Plan, Aozora will focus on the further development of its core business model’s “6 Areas of Focus” as well as selected new growth initiatives. For fiscal year 2022, the final year of the plan, Aozora will aim to exceed the level of fiscal year 2019’s earnings.

In light of uncertain economic environment, specific earnings targets will be disclosed at the beginning of each fiscal year.

KPIs (Key Performance Indicator) targets

The table below shows our KPIs (Key Performance Indicator) targets over the new Mid-Term Plan period. Aozora aims for stable and sustainable growth while maintaining efficiency as one of its key strengths.

Key Performance Indicators (KPIs)	Mid-term targets (FY2020-22)
Overhead ratio (OHR)	Lower 50%
Business profit*ROA	1%
ROE	8% or higher

*Consolidated net operating profit including gains/losses on equity method investments

③Capital and dividend policies

We intend to implement a well-balanced capital and dividend policies for both “Stable shareholder returns” and “Strategic investments”, and enhance our sustainable corporate value while “Keeping our financial strength” in mind.

Equity capital

Aozora's capital adequacy ratio (domestic standard) targets at least at 9% on a full implementation (of the Basel III) basis and 9.5% on an operational basis at present.

Shareholder returns

Aozora provides returns to shareholders through delivering a cash dividend according to its business results in principle. Payout ratio is 50% in principle. In addition, Aozora continuously distributes the cash dividend on a quarterly basis.

(iii) Challenges to be addressed

① Priority initiatives of business in FY2021

Amid the current historic turning point for the industrial structure in FY2021, 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.

Aozora's basic policy under its 6 Areas of Focus business model is as follows:

<Retail Banking Business >

RBG responds our customers' rapidly changing needs and carries out customer-first business operations in a "New Normal" age. Staffed branches provide highly professional and comprehensive consulting services including property and business succession. At the same time, RBG promotes the integration of "BANK", a smartphone app-based new money service, and "Staffed braches", and realizes an operating system which allows all the customers to make transactions at any time and at any place as well as receive consultations at a branch of their choice by providing financial services through "BANK" app.

<Corporate Banking business>

IBG intends to establish a position as a key player in the business reconstruction business by proactively taking risks/getting involved in business succession, corporate restructuring, M&A, etc. which are expected to expand due to a change in industrial structure and providing solutions such as highly professional/high-value added LBO Finance or M&A advisory services. At the same time, IBG intends to flexibly work on businesses satisfying a broad range of risk hedging needs. In addition, while carefully meeting needs of customers affected by a spread of COVID-19, IBG intends to support business restructuring and corporate growth in the future by forming private equity funds.

<Financial Institution Business >

ABG provides financial solutions developed in a comprehensive manner in order to solve business challenges faced by the customers of regional financial institutions. The Task Force on Allied Business Partner Bank newly created in Nov. 2020 intends to proactively contribute also to the regional economic revitalization through regional financial institutions.

<Specialty Finance Business>

SFG intends to demonstrate its strong expertise in real estate/business recovery and engage in globally diversified investments and loans while being mindful of the impact on economic activities given by a spread of COVID-19 and expected changes in industrial structure and lifestyles in the future.

<International Finance Business>

"Aozora North America, Inc.", a subsidiary based in New York, commenced operations in Sept. 2020. The new entity has strengthened the global and seamless monitoring system in cooperation between North America, Asia and Europe-based subsidiaries and Tokyo. IFG attempts to flexibly control its globally diversified portfolio while responding to the spread of COVID-19 and event risks in the political/diplomatic aspects by collecting local information in each market on a real-time basis.

<Financial Markets Business>

In addition to seeking to secure stable income by its portfolio management combined with ALM/credit investments and trading, FMG attempts to improve its sales/product development capacities supporting risk hedge-related businesses in each Banking Group.

<GMO Aozora Net Bank (GANB) (Internet banking business)>

In-house system development based on its own high technology makes it possible to offer service plans with a high degree of freedom and quality services at competitive prices. The Bank shall establish a stable fee-based business model centering on settlement through service line-up focused on corporate customers, such as Internet transactions available 24 hours, every day, high operability, improvement of banking API, support service to assist business growth, etc.

②Approaches toward Sustainability

Aozora Group has positioned the SDGs as a management priority in order to actively contribute to the sustainable development of society. We position "Environmental protection", "Promotion of innovation" and "Fullness of life" as three "Focuses of sustainability" (materiality) in particular and carry out business operations.

As well as establishing "Ethical behavior criteria", "Environmental policy", "Human right policy" and "Environmentally/Socially friendly investment and loan policy" which are rules for implementing the management principle, Aozora has assigned an officer in charge of promoting SDGs and placed/improved Sustainability Management Div. and promotes efforts across Group.

On the business side, in order to solve environmental and social issues, we are actively working on renewable energy projects, sustainable finance, development new companies, efforts for regional activation/revitalization and support for personal asset formation or smooth business succession support.

Please refer to page [74] for additional information on "Aozora's promotion of sustainability" and its approach toward SDGs.

③Sound risk-taking and strong risk controls

The following are the major risks that the Aozora Group recognizes in its FY2021 business operations as well as the respective 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 Banking Groups, Risk Management Group and senior management. In addition, the Bank conducts capital management, including stress testing, based on a set of established guidelines designed to eliminate 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, 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>

For details, please refer to "Priority initiatives of business in FY2021" (page 36).

<IT Risk>

In terms of cybersecurity measures, the Bank intends to continuously train cybersecurity personnel and maintain a required level of cybersecurity while effectively taking entry/exit measures against standard cyberattacks and internal measures including more strengthened monitoring of unauthorized access, including ransomware attacks, in a balanced manner.

For responses to system failures, the Bank promotes efforts to ensure a sufficient level of verification when performing system updates and develop a framework that allows for 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. In particular, the Bank 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 the attached "Promotion of Aozora Sustainability" (page 74).

(2) Assets and Profit or Loss of the Corporate Group and the Bank

A) Assets and Profit or Loss of the Corporate Group

(Unit: JPY million)

	FY2017	FY2018	FY2019	FY2020
Ordinary Income	148,819	160,136	184,406	155,755
Ordinary Profit	57,984	47,796	43,330	38,982
Profit attributable to owners of parent	43,064	36,130	28,142	28,972
Comprehensive Income	38,609	30,923	(6,437)	79,781
Net Assets	437,234	448,710	424,758	490,006
Total Assets	4,912,792	5,255,048	5,299,815	5,916,866

(Notes) Figures are rounded down to the nearest unit specified.

B) Assets and Profit or Loss of the Bank

(Unit: JPY million)

	FY2017	FY2018	FY2019	FY2020
Deposits	2,980,351	3,196,659	3,325,989	3,855,140
Time Deposits	2,281,160	2,465,322	2,400,595	2,346,518
Other	699,191	731,336	925,394	1,508,621
Debentures (Long-Term Credit Bank Bond)	64,710	51,360	44,660	-
Bonds Payable (Excluding Long-Term Credit Bank Bond)	192,853	232,586	215,275	198,365
Loans and Bills Discounted	2,624,742	2,782,131	2,937,508	2,918,317
Retail	2,396	1,904	1,539	1,385
Small/ Medium Companies	1,982,705	2,154,198	2,360,774	2,238,984
Other	639,640	626,028	575,194	677,948
Trading Account Assets	179,646	199,898	259,369	154,611
Trading Account Liabilities	130,201	177,764	211,223	140,451
Securities	1,209,919	1,314,968	1,151,561	1,445,782
Government Bonds	8,020	-	-	29,773
Other	1,201,899	1,314,968	1,151,561	1,416,009
Total Assets	4,907,226	5,205,876	5,212,668	5,735,238
Domestic Exchange Transactions	7,874,249	7,259,228	9,448,358	8,656,941
Foreign Exchange Transactions	USD million 7,244	USD million 9,450	USD million 11,576	USD million 8,848
Ordinary Profit	56,948	51,335	45,342	41,473
Profit	42,015	38,043	28,669	29,526
Net Income per Share	JPY 360.17	JPY 326.06	JPY 245.70	JPY 253.01
Trust Assets	-	797,320	835,481	730,209
Trust Fees	-	189	462	386

(Notes) 1. Figures are rounded down to the nearest unit specified.

2. The balance of 'Deposits' and 'Other' under 'Deposits' includes negotiable certificates of deposit.
3. 'Long-Term Credit Bank Bond' represents a long-term credit bank bond, as classified in Item 5, Paragraph 2, Article 2 of the Deposit Insurance Act.
4. The Bank consolidated every ten common shares into one common share on October 1, 2017. 'Net Income per Share' is presented as if the share consolidation was effective at the beginning of the fiscal year ended March 31, 2018.
5. Due to the transfer of the trust business operations from GMO Aozora Net Bank, Ltd., to the Bank on October 1, 2018, 'Trust Assets' and 'Trust Fees' are added from the fiscal year ended March 31, 2019, going forward. 'Trust Assets' is assets in trust pertaining to trust business under the Act on Engagement in Trust Business by a Financial Institution (the Concurrent Business Act).

(3) Employees of the Corporate Group

	March 31, 2021	
	Banking Business	Other Operations
Number of Employees	2,158	174

- (Notes) 1. The Number of Employees includes locally hired staff overseas.
 2. Subsidiaries which operate auxiliary businesses or operate businesses alternately for the Bank, are classified as 'Banking Business.' Other subsidiaries are classified as 'Other Operations.'

(4) Major Branches and Offices of the Corporate Group

A) Banking operations

i. Major Branches and Number of Branches

The Bank:

Domestic: Head office, Sapporo, Sendai, Shinjuku, Nihonbashi, Shibuya, Ueno, Ikebukuro, Chiba, Yokohama, Kanazawa, Nagoya, Kyoto, Kansai, Osaka, Umeda, Hiroshima, Takamatsu, Fukuoka, BANK Branch, Financial Oasis Jiyugaoka (Shibuya Branch Jiyugaoka Office)

Total 21

Overseas: None

In addition to the above, the Bank has 3 overseas representative offices:

New York Representative Office, Shanghai Representative Office, Singapore Representative Office

Subsidiaries:

GMO Aozora Net Bank, Ltd.: Tokyo Head office
 Aozora Regional Consulting Co., Ltd.: Tokyo Head office
 Aozora Asia Pacific Finance Limited: Hong Kong, Republic of China
 Aozora Europe Limited: London, United Kingdom
 Aozora North America, Inc.: New York, USA
 AZB Funding: Cayman Islands, British West Indies
 AZB Funding 2: Cayman Islands, British West Indies
 AZB Funding 3: Cayman Islands, British West Indies
 AZB Funding 4 Limited: Dublin, Ireland
 AZB Funding 5: Cayman Islands, British West Indies
 AZB Funding 6: Cayman Islands, British West Indies
 AZB Funding 7: Cayman Islands, British West Indies
 AZB Funding 8 Limited: Dublin, Ireland
 AZB Funding 9 Limited: Dublin, Ireland
 AZB Funding 10 Limited: Dublin, Ireland

AZB Funding 11 Limited: Dublin, Ireland
 AZB Funding 12 Limited: Dublin, Ireland

Affiliated corporation, etc:

Orient Commercial Joint Stock Bank : Ho Chi Minh, Vietnam

ii. List of agencies of the Bank

Name	Main Address	Other Operations
Tsukuba Bank, Ltd.	11-7, Chuo 2-chome, Tsuchiura City, Ibaraki	Banking

iii. Agent activities operated by the Bank

Corporate name of the Principal Bank
GMO Aozora Net Bank, Ltd.

B) Other operations

Aozora Loan Services Co., Ltd.: Tokyo Head office
 Aozora Securities Co., Ltd.: Tokyo Head office
 Aozora Investment Management Co., Ltd.: Tokyo Head office
 Aozora Real Estate Investment Advisors Co., Ltd.: Tokyo Head office
 ABN Advisors Co., Ltd.: Tokyo Head office
 Aozora Corporate Investment Co., Ltd.: Tokyo Head office

(5) Capital Investments of the Corporate Group

A) Total Capital Investments

(Unit: JPY million)

Operation Segment	Amount
Banking	5,714
Other	28
Total	5,742

B) Establishment of Material Facilities, etc.

(Unit: JPY million)

Operating Segment	Company Name	Description	Amount
Banking	The Bank	Network infrastructure and information system construction	1,090
		Market system development	913
		Branch transfer	656
	GMO Aozora Net Bank, Ltd.	Internet banking system enhancement and development	1,419

(Notes) The amounts in the table above show fixed assets, etc. recorded in FY2020

(6) Parent company and major subsidiaries

A) Parent company

None

B) Subsidiaries

(As of March 31, 2021)

Company Name	Location	Principal Business Activities	Stated Capital (JPY millions)	Voting Rights held by the Bank (%)	Other
GMO Aozora Net Bank, Ltd.	Shibuya-ku, Tokyo	Banking business	15,541	85.10%	—
Aozora Loan Services Co., Ltd.	Chiyoda-ku, Tokyo	Distressed loan servicing	500	67.60%	—
Aozora Securities Co., Ltd.	Chiyoda-ku, Tokyo	Financial instruments business	3,000	100.00%	—
Aozora Regional Consulting Co., Ltd.	Chiyoda-ku, Tokyo	Business consulting services	10	100.00%	—
Aozora Investment Management Co., Ltd.	Chiyoda-ku, Tokyo	Investment management services	450	100.00%	—
Aozora Real Estate Investment Advisors Co., Ltd.	Chiyoda-ku, Tokyo	Investment advisory services	150	100.00%	—
ABN Advisors Co., Ltd.	Chiyoda-ku, Tokyo	M&A advisory services	200	100.00%	—
Aozora Corporate Investment Co., Ltd.	Chiyoda-ku, Tokyo	Venture capital investment	15	100.00%	—
Aozora Asia Pacific Finance Limited	Hong Kong, Republic of China	Financial services	11,376 (100,000 Thousands of USD)	100.00%	—
Aozora Europe Limited	London, United Kingdom	Financial services	180 (1,000 Thousands of GBP)	100.00%	—
Aozora North America, Inc.	New York, USA	Financial services	45 (411 Thousands of USD)	100.00%	—
AZB Funding	Cayman Islands, British West Indies	Investment vehicle	0 (0 Thousands of USD)	—	—
AZB Funding 2	Cayman Islands, British West Indies	Investment vehicle	0 (0 Thousands of USD)	—	—
AZB Funding 3	Cayman Islands, British West Indies	Investment vehicle	0 (0 Thousands of USD)	—	—
AZB Funding 4 Limited	Dublin, Ireland	Investment vehicle	0 (0 Thousands of EUR)	—	—
AZB Funding 5	Cayman Islands, British West Indies	Investment vehicle	0 (0 Thousands of USD)	—	—
AZB Funding 6	Cayman Islands, British West Indies	Investment vehicle	0 (0 Thousands of USD)	—	—
AZB Funding 7	Cayman Islands, British West Indies	Investment vehicle	0 (0 Thousands of USD)	—	—
AZB Funding 8 Limited	Dublin, Ireland	Investment vehicle	0 (0 Thousands of USD)	—	—
AZB Funding 9 Limited	Dublin, Ireland	Investment vehicle	0 (0 Thousands of USD)	—	—
AZB Funding 10 Limited	Dublin, Ireland	Investment vehicle	0 (0 Thousands of EUR)	—	—
AZB Funding 11 Limited	Dublin, Ireland	Investment vehicle	0 (0 Thousands of USD)	—	—
AZB Funding 12 Limited	Dublin, Ireland	Investment vehicle	0 (0 Thousands of USD)	—	—
Orient Commercial Joint Stock Bank	Ho Chi Minh, Vietnam	Banking business	56,979 (12,662 Billions of VND)	15.00%	—

(Notes)1. The amounts are rounded down to the nearest unit specified. Percentages of voting rights held by the Bank are rounded down to two decimal places.

2. "Stated Capital" converted into JPY is calculated using the exchange rates at the time of acquisition.

[Principal Business Alliances]

1. The Bank provides cash dispensing services and balance inquiry services through the use of automatic cash dispensers in collaboration with Resona Bank, Limited., Saitama Resona Bank, Limited, Mizuho Bank, Ltd., MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank, Limited, Mitsubishi UFJ Trust and Banking Corporation, Mizuho Trust & Banking Co., Ltd., Shinsei Bank, Limited and the Shoko Chukin Bank, Ltd.
2. To provide account holder confirmation services for cash transfers using automatic cash dispensers, the Bank has agreements with Resona Bank, Limited., Saitama Resona Bank, Limited, Mizuho Bank, Ltd., MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation, Shinsei Bank, Limited, the Shoko Chukin Bank, Ltd., Japan Net Bank, Limited (currently PayPay Bank Corporation), Seven Bank, Ltd., Rakuten Bank, Ltd., AEON Bank, Ltd., Citibank, N.A., SMBC Trust Bank Ltd., SBI Sumishin Net Bank, Ltd., Sony Bank Incorporated, au Jibun Bank Corporation, Shinhan Bank Japan, Daiwa Next Bank, Ltd., ORIX Bank Corporation, GMO Aozora Net Bank Ltd., Lawson Bank, Inc., Minna Bank, Ltd., Mitsubishi UFJ Trust and Banking Corporation, Sumitomo Mitsui Trust Bank, Limited, Shinkin Banks which are members of the National Association of Shinkin Banks, Shinkumi Banks which are members of the Shinkumi Federation Bank and Rokin banks which are members of the Federation of Labour Bank Workers Union of Japan.
3. The Bank signed an arrangement with JAPAN POST BANK Co., Ltd., to provide cash dispensing services and balance inquiry services through the use of automatic teller machines on January 6, 2001, and automatic teller machine account holder confirmation services on March 23, 2009. In addition, the Bank replaced its branch ATMs with JAPAN POST ATMs on August 27, 2018 in cooperation with JAPAN POST BANK which provides ATM installation services.
4. The Bank entered into a partnership with Seven Bank, Ltd. starting on August 27, 2018, regarding the provision of cash dispensing services, balance inquiry services and ATM card PIN number change services.
5. The Bank arranged a business alliance with Tokio Marine & Nichido Life Insurance Co., Ltd. for the joint provision of life insurance products (excluding private pension insurance) on October 1, 2002.
6. The Bank formed a comprehensive business alliance with the Bank of Yokohama, Ltd. in the investment banking area on May 24, 2007.
7. The Bank formed a comprehensive business alliance with the Toho Bank, Ltd. relating to loan business on August 6, 2007.
8. Based on the comprehensive master agreement on November 20, 2007, the Bank formed a business alliance with Sumitomo Trust & Banking Group (currently Sumitomo Mitsui Trust Group).
9. On August 20, 2009, the Bank formed a strategic business partnership with Tsukuba Bank, Ltd., aiming to expand its customer base in order to enhance competitiveness and profitability. Tsukuba Bank, Ltd. was formed following the conclusion of a merger agreement between Kanto Tsukuba Bank and Ibaraki Bank on March 1, 2010.
10. The Bank formed a comprehensive business alliance with the Hokkaido Bank, Ltd. in the area of agricultural sector finance on August 26, 2009.
11. The Bank concluded a master agreement for the formation of a strategic business partnership with Kirayaka Bank, Ltd. on February 9, 2011 to take full advantage of their strengths and enhance their responsiveness to various customer needs. The Bank concluded an agreement for business matching with Kirayaka Bank, Ltd. on February 6, 2013.
12. On February 6, 2013, the Bank reached an agreement for business matching with THE SENDAI BANK, LTD.
13. On March 4, 2013, the Bank launched the "Aozora Cash Card Plus" which features the addition of a Visa debit card function provided by Visa Worldwide (Japan) Co., Ltd.

14. On March 15, 2013, the Bank signed an agreement for business recovery support with THE HOWA BANK, LTD., the Miyazaki Taiyo Bank, Ltd. and the Minami-Nippon Bank, Ltd.
15. On March 26, 2013, the Bank reached an agreement for business matching with TOMATO BANK, LTD.
16. On November 8, 2013, the Bank concluded an agreement for cross-border M&A advisory services with Oversea-Chinese Banking Corporation Limited (Head Office: Singapore).
17. On November 14, 2013, the Bank signed an agreement with KANEMATSU CORPORATION related to support for overseas business expansion through cross-border business matching.
18. On June 19, 2014, the Bank reached an agreement for cross-border M&A advisory services with PT Bank Central Asia TBK (Head Office: Jakarta, Republic of Indonesia).
19. On November 28, 2014, the Bank concluded an agreement for cross-border M&A advisory services with KASIKORNBANK PUBLIC COMPANY LIMITED (Head Office: Bangkok, The Kingdom of Thailand).
20. The Bank formed a comprehensive business alliance with CTBC Financial Holding Co., Ltd. (Head Office: Taipei, Republic of China) on June 19, 2015, aimed at strengthening business cooperation in Asia, mainly in Taiwan.
21. On March 28, 2016, the Bank reached an agreement for regional revitalization with Bank of the Ryukyus, Limited.
22. On May 23, 2016, the Bank concluded an agreement for cross-border M&A advisory services with BDO Unibank, Inc. (Head Office: Makati, Republic of the Philippines)
23. The Bank entered into a capital and business alliance regarding a joint venture Internet bank, which will be operated by Aozora Trust Bank (currently GMO Aozora Net Bank, Ltd.), with GMO Internet, Inc. on June 24, 2016 and with GMO CLICK Holdings, Inc. (currently GMO Financial Holdings, Inc.) on July 21, 2016.
24. The Bank formed a comprehensive business alliance with Ho Chi Minh City Securities Corporation (Head Office: Ho Chi Minh City, Vietnam) on November 8, 2017, aimed at strengthening business cooperation for two-way cross-border M&A advisory services.
25. The Bank formed a business alliance with Beijing Zhongguancun Kejin Technology Co., Ltd. and Mercuria Investment Co., Ltd. on February 8, 2019, aimed at business development and strengthening cooperation among the three companies.
26. The Bank formed a business alliance with China Renaissance Holdings Limited. (Head Office: Beijing, China) on December 11, 2019 mainly in a bid to facilitate cross-border M&A transactions between Japan and China.
27. The Bank formed a business and capital alliance with Orient Commercial Joint Stock Bank (Head Office: Ho Chi Minh City, Vietnam) on December 6, 2019, aimed at collaboration and provision of investment banking services including M&A advisory services in Vietnam (a 15% equity investment was made on June 30, 2020).
28. The Bank signed a three-party business collaboration agreement with SVB Capital (Head Office: California, the U.S.) and Aozora Corporate Investment Co., Ltd. (a wholly-owned subsidiary of Aozora Bank) on December 2, 2020, aimed at strengthening support for start-up companies.
29. The Bank formed a business alliance with THE TOTTORI BANK, LTD. on December 18, 2020, regarding customer support for regional economic revitalization.
30. The Bank formed a business alliance with the Miyazaki Taiyo Bank, Ltd. on March 19, 2021, regarding customer support for regional economic revitalization.

(7) Assignment of Operations

None

(8) Other Major Issues Concerning the Current Status of the Corporate Group

On September 1, 2020, Aozora North America, Inc. launched financial services and will manage corporate loan investment activities in North America, a major market focus for the Bank.

2. Matters Concerning Directors and Audit & Supervisory Board Members

(1) Directors and Audit & Supervisory Board Members

(As of March 31, 2021)

Name	Title and Line of Business	Major Concurrent Post	Other
Shinsuke Baba	Chairman Executive Officer	—	—
Kei Tanikawa	President Executive Officer (Representative Director) CEO	—	—
Tomomi Akutagawa	Director and Senior Managing Executive Officer CFO	—	—
Koji Yamakoshi	Director and Senior Managing Executive Officer Head of Corporate Banking Group	—	—
Shunsuke Takeda	Director (outside)	Advisor, ORIX Corporation	—
Hiroyuki Mizuta	Director (outside)	Representative Director & Chairman, TOKYO TOWER Co., Ltd	—
Ippei Murakami	Director (outside)	Special Advisor, Nisshin Seifun Group Inc.	—
Tomonori Ito	Director (outside)	Adjunct Professor, Department of International Corporate Strategy, Hitotsubashi University Business School	—
		Outside Director, Electric Power Development Co., Ltd.	
Satoshi Hashiguchi	Audit & Supervisory Board Member (full-time)	—	—
Kiyoto Hagiwara	Audit & Supervisory Board Member (outside)	—	—
Toraki Inoue	Audit & Supervisory Board Member (outside)	Toraki Inoue Certified Public Accountant Office	Holds CPA qualification
		Representative Director and President, Accounting Advisory Co., Ltd.	
		Supervisory Director, GLP J-REIT	
		Auditor, Kyulux, Inc.	
		Outside Audit & Supervisory Board Member ETVOS Co., Ltd.	

(Notes) 1. Messrs. Shunsuke Takeda, Hiroyuki Mizuta, Ippei Murakami and Tomonori Ito, outside directors, and Kiyoto Hagiwara and Toraki Inoue, outside audit & supervisory board members, meet the definition of independent directors based on the rules of Tokyo Stock Exchange.

2. The changes of a director's title and line of business are as follows:

Name	June 24, 2020	July 1, 2020
Koji Yamakoshi	Director and Senior Managing Executive Officer, Head of Business Banking Group and Head of Corporate Banking Group	Director and Senior Managing Executive Officer, Head of Corporate Banking Group

(2) Director and Audit & Supervisory Board Member Remuneration and Benefits

1) Remuneration of Directors and Audit & Supervisory Board members

FY2020 (period as from April 1, 2020 through March 31, 2021)

(Millions of yen)

Category	# of officers	Remuneration in total			
			Fixed Base	Performance Based (Bonus)	Non-cash Incentives (Stock Options)
Directors (excl. Outside Directors)	5	264	163	64	37
Full-time ASB Member (excl. Outside ASB Members)	1	29	29	—	—
Outside Directors and Outside ASB Members	6	80	80	—	—

(Note) The above includes one director who retired at the close of the 87th annual general meeting of shareholders on June 24, 2020.

Performance based remuneration (Bonus) refers to the amount allocated for bonuses (64 million yen) during FY2019. The actual amount of bonuses paid in June 2020 to four directors (which excludes Outside Directors) in recognition of their services rendered during FY2019 was 60 million yen based on the allocation for bonuses in the amount of 70 million yen reserved during FY2019.

2) Policy and Procedure for Determining Director/Executive Officer Remuneration

-Basic Policy for Determining Director, Audit & Supervisory Board Member, and Executive Officer Remuneration-

(Policy for Determining Remuneration for Directors)

In order to pursue our mission to “contribute to the development of society through the creation of new value-added financial services”, the Bank believes it is necessary to provide a setting that encourages high-potential employees to work consistently with high morale, motivation and pride to make sound business decisions.

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

- (a). 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.
- (b). 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.
- (c). Remuneration framework serving the interests of stakeholders including shareholders
The Bank will adopt a remuneration framework that is consistent with the values of stakeholders, including shareholders.
- (d). Remuneration methodology guaranteeing effective governance
In determining remuneration, the Bank will ensure transparency and independence from any specific influences.

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

The Nomination and Remuneration Committee (hereinafter referred to as "NRC"), which consists mainly of outside directors in order to ensure transparency, independence and objectivity in the determination process, is authorized by the Board of Directors to determine the amount of each director's remuneration in accordance with the policy approved by the Board of Directors based on the policy recommendations of the NRC on determining individual remuneration.

The NRC consists of the following members:

Chairperson of the Committee:	Shunsuke Takeda, Outside Director
Other Committee Members:	Tomonori Itoh, Outside Director Kei Tanikawa, Representative Director and President,

The Bank pays, in principle, fixed base remuneration, performance-based bonus and equity compensation type stock options to directors (other than outside directors), and only fixed base remuneration to outside directors.

It was resolved at the 82nd General Meeting of Shareholders on June 26, 2015 to set the aggregate annual remuneration ceiling for directors at 600 million yen, including basic remuneration as well as the performance bonus. The Bank had eight directors (including four outside directors) as of the end of 82nd General Meeting of Shareholders.

(a) Base Remuneration (Fixed Base Remuneration)

Base remuneration comprises a fixed amount payable during each month of service, which is fixed, varies with the type of position (full-time or part-time), job title and responsibility. We use data of an outside specialized agency to check and benchmark whether the level of base remuneration amounts is appropriate before determining it.

The guideline for base remuneration for President and Deputy President(s) is set through a band-range applicable to each position (title) which determines their respective fixed base remuneration to reflect their responsibilities and experiences.

(b) Bonus (Performance-based remuneration)

The bonus amount is initially set at equivalence of 40% of individual basic remuneration amount (the “Base Bonus Amount”). The NRC then decides individual amount of bonus (performance-based remuneration) payable at a certain time after the close of each fiscal year by applying a rate within the pre-determined scope ranging from 0% to 250% of the Base Bonus Amount for every full-time director while considering key indicators of a fiscal year as shown below. Specifically, the rate and bonus amount is determined by considering the following indicators and the Bank’s performance of a fiscal year.

- Achievement rates of Business Profit and Net Earnings
- Achievement rates of KPI(Key Performance Indicators) such as OHR(Over-head Ratios), 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 incidents
- Implementation/ introduction of measures and strategies, including launch of new businesses, from a mid-/ long-term viewpoints

Among the above key indicators, achievement rates of Business Profit and Net Earnings are basic indicators on business results. Achievement rates of OHR, ROE and ROA as KPI and Capital Adequacy Ratio are key indicators for the Bank’s Mid-Term Business Plan. These achievement rates, therefore, are taken into account as quantitative evaluation indicators to determine bonus amounts. In order to encourage not only enhancement of short-term business performances but also business implementation from mid-/long term perspectives, factors, such as undue risk taking, making serious compliance violations,, and implementation/ introduction of measures and strategies, including launch of new businesses, from a mid-/ long-term viewpoint, are also fully considered as qualitative evaluation indicators.

Targets and results of the indicators related to performance-based remuneration paid in fiscal year ended March 2021 are stated below:

	FY2019 Targets (consolidated)	FY2019 Results (consolidated)
Business Profit	35.0 billion yen	42.3 billion yen
Net Earnings	36.5 billion yen	28.1 billion yen
OHR (note 1)	About 50%	55.8%
ROE (note 1)	About 9%	6.4%
ROA (note 1)	About 0.8%	0.5%
Consolidated Capital Adequacy Ratio (Domestic Standard) (note 1)	About 10%	10.29%

Note 1: FY2019 Mid-term Business Plan Targets

(c) Equity compensation type stock options (as non-cash incentives)

The NRC discussed ratios of cash remuneration and equity compensation type stock options so that the stock options can be one of the proper incentives for sustainable growth, and set the ratio at 25%.of the Base Remuneration amount, payable at a certain time after the close of each fiscal year.

The number of options to be granted is determined based on a resolution of the Board of Directors in accordance with the “Equity Compensation Type Stock Options Manual”.

A resolution that share acquisition rights will be allotted in addition to base remuneration to full-time directors within 150 million yen a year (and up to 7,500 options per year) was approved at the 81st annual general meeting of shareholders on June 26, 2014.

Further details are described under section 5, “Matters Pertaining to the Equity Compensation Type Stock Options.”

(Grounds that the Judgements Made by the Board of Directors Regarding each Director’s Yearly Remuneration as Decided by the NRC Conform to and are Consistent with the Aforementioned Policies:)

In determining the individual amount of remuneration for each director, the Board of Directors respects the decision made by the NRC meetings and is confident in its judgement that said Committee meeting has made a fair determination. The Board of Directors has reasonable grounds to believe that said Committee meeting has performed due analysis on the achievement of business results and managerial contribution by each director upon deliberate reflection based on multiple points of views in conformity with the policy on determining remuneration.

(Policy on Determination of ASB Member Remuneration and Calculation)

ASB members discuss and determine individual remuneration amounts by considering discussions and proposals made at the NRC.

The Bank pays only the fixed base remuneration payable during each month of service in accordance with the policy below. The upper limit of total ASB members’ base remuneration is 60 million yen based on the resolution at the 73rd annual general meeting of shareholders on June 23, 2006. The Bank had three ASB members as of the end of 73rd annual general meeting of shareholders.

Base Remuneration(Fixed Base Remuneration)

Base remuneration amount is fixed, varying with work status (full-time or part-time), assigned audit duties, remuneration for directors, etc. We use data of an outside specialized agency to check whether the level of base remuneration amounts is appropriate before determining it.

(3) Limited Liability Contract

Name	Limited Liability Contract
Shunsuke Takeda	For each liability set out in Article 423-1 of the Companies Act, they are liable for up to the total monetary amount set out in Article 425-1 of the Companies Act.
Hiroyuki Mizuta	
Ippei Murakami	
Tomonori Ito	
Satoshi Hashiguchi	
Kiyoto Hagiwara	
Toraki Inoue	

(4) Indemnity Agreement

No items to report.

(5) Directors and Officers Liability Insurance Contract

There were neither execution nor renewal of directors and officers liability insurance contract from March 1, 2021 to March 31, 2021.

3. Matters Concerning Outside Directors and Audit & Supervisory Board Members

(1) Concurrent Post and Other Status of Outside Directors and Audit & Supervisory Board Members

(As of March 31, 2021)

Name	Concurrent Post and Other Status	Relationship with the Bank
Shunsuke Takeda	Advisor, ORIX Corporation	Customer (loans, etc.)
Hiroyuki Mizuta	Representative Director & Chairman, TOKYO TOWER Co., Ltd	Customer (loans, etc.)
Ippei Murakami	Special Advisor, Nisshin Seifun Group Inc.	—
Tomonori Ito	Adjunct Professor, Department of International Corporate Strategy, Hitotsubashi University Business School	—
	Outside Director, Electric Power Development Co., Ltd.	Customer (loans, etc.)
Toraki Inoue	Toraki Inoue Certified Public Accountant Office	—
	Representative Director and President, Accounting Advisory Co., Ltd	—
	Supervisory Director, GLP J-REIT	Customer (loans, etc.)
	Auditor, Kyulux, Inc.	—
	Outside Audit & Supervisory Board Member ETVOS Co., Ltd.	—

(2) Activity Status of Outside Directors and Audit & Supervisory Board Members

(As of March 31, 2021)

Name	Term served	Attendance at Board meetings, etc.	Remarks or other activities performed at Board meetings, etc.
Shunsuke Takeda	13 yrs 10 ms	Attended all 15 Board meetings during the relevant fiscal year	He was expected to provide overall oversight and to offer 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, based on his wealth of experience, credentials and deep insight as a top management of corporate institutions in the financial and non-financial sectors. He has fulfilled his role and conducted management oversight through actively expressing opinions at the Board meetings based on the said viewpoint.
Hiroyuki Mizuta	7 yrs 10 ms	Attended all 15 Board meetings during the relevant fiscal year	He was expected to provide overall oversight and to offer 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, based on his wealth of experience, credentials and deep insight as a top management of corporate institutions in the banking and non-financial sectors. He has fulfilled his role and conducted management oversight through actively expressing opinions at the Board meetings based on the said viewpoint.
Ippei Murakami	6 yrs 10 ms	Attended all 15 Board meetings during the relevant fiscal year	He was expected to provide overall oversight and to offer 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, based on his wealth of experience, credentials and deep insight as a top management of a corporation. He has fulfilled his role and conducted management oversight through actively expressing opinions at the Board meetings based on the said viewpoint.
Tomonori Ito	6 yrs 10 ms	Attended all 15 Board meetings during the relevant fiscal year	He was expected to provide overall oversight and to offer 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, based on his wealth of experience and credentials in the domestic/global financial institutions and deep insight as Professor of a business school. He has fulfilled his role and conducted management oversight through actively expressing opinions at the Board meetings based on the said viewpoint.
Kiyoto Hagiwara	5 yrs 10 ms	Attended all 15 Board meetings during the relevant fiscal year. Attended all 13 Audit & Supervisory Board meetings during the relevant fiscal year	Expressing opinions and making proposals at the Board meetings and the Audit & Supervisory Board meetings based on substantial experience and insight in the finance and banking business.
Toraki Inoue	4 yrs 10 ms	Attended all 15 Board meetings during the relevant fiscal year. Attended all 13 Audit & Supervisory Board meetings during the relevant fiscal year	Expressing opinions and making proposals at the Board meetings and Supervisory Board meetings based on substantial experience in Auditor and Supervisor of business corporations and insight as a CPA.

(3) Remuneration and Benefits to Outside Directors and Audit & Supervisory Board Members

(Unit: JPY million)

	Number of Recipients	Remuneration and Benefits from the Bank	Remuneration and Benefits from the Bank's Parent, etc.
Total Remuneration and Benefits	6	80	—

4. Share Data of the Bank

(1) Number of Shares	(In thousands)
Authorized Shares	289,828
Number of Shares Issued	118,289
(Notes) 1. The number of shares Issued includes treasury shares of 1,586 thousand.	
2. The number of shares is in thousands, rounded down to the nearest thousand.	

(2) Number of Shareholders as of the End of This Fiscal Year	94,404
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(3) Major Shareholders	(As of March 31, 2021)
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Name of Shareholder	Contributed Capital	
	Number of Shares Held (in thousands)	Percentage of Total Outstanding Shares
The Master Trust Bank of Japan, Ltd. (Trust Account)	10,610	9.09%
The Nomura Trust and Banking Co., Ltd. (Trust Account2052255)	5,000	4.28%
Custody Bank of Japan, Ltd. (Trust Account)	4,851	4.15%
Custody Bank of Japan, Ltd. (Trust Account 9)	2,357	2.01%
Custody Bank of Japan, Ltd. (Trust Account 5)	1,801	1.54%
Custody Bank of Japan, Ltd. (Trust Account 6)	1,597	1.36%
JP MORGAN CHASE BANK 385781	1,513	1.29%
Custody Bank of Japan, Ltd. (Trust Account 1)	1,439	1.23%
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	1,289	1.10%
STATE STREET BANK WEST CLIENT-TREATY 505234	1,216	1.04%

- (Notes) 1. 'The major shareholders' are top 10 shareholders, excluding treasury shares held by the Bank (1,586 thousand shares), described in the above table.
2. 'Number of Shares Held' is in thousands and rounded down to the nearest thousand.
3. 'Percentage of Total Outstanding Shares' is rounded down to two decimal places.
4. 'Percentage of Total Outstanding Shares' is calculated excluding treasury shares held by the Bank (1,586 thousand shares).
5. In the above table, we have calculated the number of common shares and its percentage held by each shareholder based upon the Bank's Shareholder Registry as of March 31, 2021.

(4) Shares held by officers

None

(5) Other Major Issues Concerning Shares

None

5. Stock Options

The following outlines the Equity Compensation Type Stock Options issued to Directors (other than Outside Directors) and Executive Officers of the Bank as a part of executive compensation, pursuant to Articles 236, 238 and 240 of the Company Act.

Name of Stock Options	Allotment Date	Number of Stock Options (units)	Number of Common Shares to be Delivered upon Exercise of Options (shares)	Issue Price per unit of Stock Options (in Yen)	Exercise Price per Share (in Yen)	Exercise Period
1 st Series	August 1, 2014	2,535	25,350	32,300	1	August 2, 2014 ~ August 1, 2044
2 nd Series	July 14, 2015	2,297	22,970	43,800	1	July 15, 2015 ~ July 14, 2045
3 rd Series	July 15, 2016	3,433	34,330	34,200	1	July 16, 2016 ~ July 15, 2046
4 th Series	July 13, 2017	2,654	26,540	39,800	1	July 14, 2017 ~ July 13, 2047
5 th Series	July 13, 2018	2,554	25,540	38,320	1	July 14, 2018 ~ July 13, 2048
6 th Series	July 11, 2019	4,742	47,420	23,520	1	July 12, 2019 ~ July 11, 2049
7 th Series	July 10, 2020	6,411	64,110	15,370	1	July 11, 2020 ~ July 10, 2050

- (Notes) 1. Option holders (grantees) can only exercise the granted Stock Options (their holdings) in whole at once during the ten day period immediately following the day on which the holder ceases to be in the position of a Director and Executive Officer of the Bank (and, in case of the 1st Series, the same period following the day on which the holder ceases to be in the position of a Director).
2. The 1st Series was issued to Directors only.
3. The number of shares indicates those after one-for-ten reverse stock-split effective October 1, 2017.
4. Restrictions on the transfer of stock options
The acquisition of stock options through transfer requires approval through a resolution by the Board of Directors.
5. When the general shareholders meeting (or the Board of Directors if approval of the general shareholders meeting is not required) approves a resolution to conclude a merger agreement under which the Bank will be a defunct company, an absorption-type company split agreement/ an incorporation-type company split plan under which the Bank will be a split company, or a share exchange agreement/ a share transfer plan under which the Bank will be a wholly-owned subsidiary, the Bank may acquire stock options, which are not exercised as of a day separately specified by the Board of Directors, without contribution on said day.

(1) Stock Options held by directors of the Bank as of March 31, 2021

Name of Stock Options	Holders	Number of Stock Options(units)	Number of Common Shares to be Delivered upon Exercise of Options (shares)	Number of Holders
1 st Series	Directors of the Bank (Other than Outside Directors)	845	8,450	1
2 nd Series		590	5,900	4
3 rd Series		829	8,290	4
4 th Series		696	6,960	4
5 th Series		845	8,450	4
6 th Series		1,702	17,020	4
7 th Series		2,423	24,230	4

(Notes) Stock options in the 2nd, 3rd, 4th, 5th and 6th Series include options held by three Directors as of the fiscal year ended March 31, 2021 which were granted prior to their appointments as Director of the Bank.

(2) Stock Options issued to employees during this fiscal year

Name of Stock Options	Grantees (Recipients)	Number of Stock Options(units)	Number of Common Shares to be Delivered upon Exercise of Options (shares)	Number of Holders
7 th Series	Executive Officers of the Bank	3,988	39,880	18

6. Matters Concerning Independent Accounting Auditors

(1) Independent Accounting Auditors

(Unit: JPY million)

Name	Fees for This Fiscal Year	Other
Deloitte Touche Tohmatsu LLC Designated Limited Liability Partner, Kentarō Fukada Shigehiko Matsumoto Masashi Tsurumi	221	Reason for acknowledgment of the fees by the Audit & Supervisory Board ("the ASB"): The ASB of the Bank received documents and direct explanation from the independent accounting auditors, analyzed and confirmed audit priority areas, audit items, audit hours of prior years and year-to-year changes in audit fees. The ASB then compared the audit plan of the previous business year with actual performance and verified the achievement of the audit, in order to consider and assess audit items in the audit plan in the relevant business year, audit hours and details of the audit framework and appropriateness of the estimated audit remuneration. As a result, the ASB acknowledged the remuneration for the independent accounting auditors, in accordance with the Article 399-1 of the Companies Act. Non-audit services: Comfort letter for issuance corporate bonds, etc.

- (Notes) 1. The amounts in the table above are in million yen and rounded down to the nearest million.
2. When including the Bank's subsidiaries in the total, independent auditor fees for this fiscal year were 266 million yen.

3. 'Fees for This Fiscal Year' as classified above includes both the fees related to the audit under the Companies Act and under the Financial Instruments and Exchange Act because such audit fees cannot be clearly separated.

(2) Limited Liability Contract
None

(3) Compensation Contract
None

(4) Other Matters Related to Accounting Auditors

- i. Determination of dismissal or non-reappointment of auditors

The ASB of the Bank shall, in principle, determine removal of the independent accounting auditors, upon consent of all its Members, if it concludes that the independent accounting auditors fall under any of the items specified in the Article 340-1 of the Companies Act. In this case, an appointed ASB Member shall report the fact of removal and its reason in the first general meeting of shareholders to be convened after the removal.

If the ASB comprehensively concludes that it is difficult for the independent accounting auditors to execute their duty properly, the ASB shall, in principle, determine the detail of the proposal on the removal or non-reappointment, to be submitted to the general meeting of shareholders.

- ii. Audit of financial statements of the Bank's major subsidiaries by other auditors than the Bank's auditor

Of the Bank's major subsidiaries, the financial statements of Aozora Asia Pacific Finance Limited, Aozora Europe Limited, AZB Funding 4 Limited, AZB Funding 8 Limited, AZB Funding 9 Limited and AZB Funding 10 Limited are audited by audit firms which are in the same network as the Bank's audit firm.

7. Policy towards Parties who can Influence the Financial and Operational Decision-making Process

None

8. Framework for Ensuring the Appropriateness of Business Operations

The summary of “Internal Control Programs” is as follows:

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

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

- (1) The Bank develops Internal Rules concerning a compliance system including Master Policy “Code of Conduct and Ethics” as a code of conduct for officers and employees of the Bank to fulfill their duties while complying with laws and regulations.
- (2) The Bank appoints two or more Outside Directors who have knowledge and experience in the management and supervise the execution of operations by the Bank from an independent perspective for the purpose of ensuring management disciplines and improving a supervisory function of the Board of Directors.
- (3) The Bank establishes Nomination & Remuneration Committee to deliberate appointment and remuneration of Directors and Executive Officers as well as Audit & Compliance Committee to assess matters concerning internal control. Both of the committees consists of mainly Outside Directors and deliberate such matters thoroughly and professionally as entrusted by the Board of Directors, and report the results of the deliberations to the Board of Directors.
- (4) The Bank establishes a division controlling compliance matters and puts in place a compliance system through developing Internal Rules concerning compliance matters, providing compliance training programs, checking the compliance status as well as developing and implementing remedial actions. The division controlling compliance matters annually develops, as “Compliance Program”, a specific action plan to put in place a compliance system including responses to newly established and revised laws and regulations, development of Internal Rules and training programs and obtains approval by the Board of Directors. In addition, the division reports its progress to Audit & Compliance Committee and the Board of Directors on a regular basis.
- (5) The Bank establishes an Internal Audit Group which functions independently from all business groups. The Internal Audit Group audits the development and operation of the internal control system from an independent perspective based on the annual audit plan approved by the Board of Directors and periodically reports the status of internal audits to the Chief Executive Officer (CEO), Audit & Compliance Committee and the Board of Directors.
- (6) In order to prevent, discover early and remedy scandals caused by violations of laws or illicit behaviors, the Bank maintains "Aozora Hotline Program", a whistle-blower system which enables officers and employees of the Bank to directly report to in-house and outside special contacts when they learn any cases which violate or may violate laws and regulations or Internal Rules.
- (7) The Bank develops a system necessary to remove any unjustified involvement by Anti-Social Elements and to eliminate or avoid all transactions with them including provision of funds. In addition, the Bank develops a control structure to prevent the Bank from being used, directly or indirectly, by money laundering or terrorist financing.
- (8) The Bank establishes a customer protection system (management of customer explanation, customer support, customer information, outsourcing and prevention of conflict of interests) to protect customers and to improve customers' conveniences.
- (9) The Bank establishes a system necessary to prevent insider trading and unfair transactions by individual officers and employees where customer information is used by such officers and employees.

2. Ensure Efficient Execution of Duties & Responsibilities by Directors

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

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

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

4. Internal Rules and Structure to Manage Risk of Loss

- (1) The Bank defines a basic policy and a management procedure for risks recognized by the Bank and the Bank's Subsidiaries in Master Policy "Comprehensive Risk Management". Further, the Bank classifies risks arising from operations into a market risk, a credit risk, a liquidity risk and an operational risk (including system risk to respond to cyber security) and develops Internal Rules defining basic policies by risk category.
- (2) Each division in charge by risk category periodically reports the risk management status to Management Committee, Audit & Compliance Committee and the Board of Directors.
- (3) Internal Audit Group audits effectiveness and appropriateness of the risk management system and reports the results to Chief Executive Officer (CEO), Audit & Compliance Committee and the Board of Directors. In addition, such Group shares information as necessary with ASB Members, Audit & Supervisory Board and Accounting Auditors for cooperative purposes.
- (4) The Bank establishes "Business Continuity Plan (BCP)" to respond to risks having a material impact on the business continuity including spread of infectious diseases, natural disasters and system failures. Chief Executive Officer (CEO) is responsible for all business responses in an emergency situation.

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

- (1) The Bank defines the basic policies for management/control, compliance, and risk management systems of the Bank's subsidiaries in Master Policy "Management of Group Companies" to ensure appropriate and effective operation of the business in the Bank and the Bank's Subsidiaries.
- (2) The Bank and the Bank's Subsidiaries establishes an integrated internal control system for the Bank and the Bank's subsidiaries while respecting their independency and individuality. Meanwhile, to the extent of not violating any laws, the Bank ensures that the Bank's policies and procedures including the "Code of Conduct and Ethics" are fully understood by the Bank's subsidiaries.
- (3) The Bank and the Bank's Subsidiaries establishes a system to control a conflict of interest to prevent unreasonable damages to customers' interest as well as a system to cause the terms of transactions between the Bank and the Bank's Subsidiaries and between the Bank's Subsidiaries to comply with the Arm's Length Rule.
- (4) To ensure credibility and appropriateness of the financial reporting of the Bank and the Bank's subsidiaries on a consolidated basis, the Bank develops a system for proper internal control over financial reporting by establishing Procedure "Internal Control over Financial Reporting".

- (5) To the extent of not violating laws and regulations, Internal Audit Group audits business activities of each of the Bank's subsidiaries.

6. Ensure Effective Auditing by ASB Members

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

(Summary of Framework for Ensuring the Appropriateness of Business Operations)

The following is a summary of the operational status of the Bank's basic policy for the development of Internal Control Programs:

1. 1. Framework for Ensuring that Directors and Employees Perform Their Duties in Accordance with Laws, Regulations and the Articles of Incorporation
 - The Bank has decided upon a "Code of Conduct and Ethics", which stipulates laws and regulations that officers and employees must comply with while performing their duties. All officers and employees of the Aozora Bank Group must submit an "Annual Acknowledgment of the Code of Conduct and Ethics" to indicate that they have understood and will comply with the "Code of Conduct and Ethics".
 - The Bank nominates several candidates, with consideration for independence, for outside directors, who are then approved and appointed at the General Meeting of Shareholders. Four of the eight directors are independent outside directors as of the end of this fiscal year. The Nomination and Remuneration Committee, where the majority of the members are outside directors, and the Audit and Compliance Committee, which comprises outside directors, complement the supervisory function and fulfill check-and-balance function for Representative Directors and Executive Officers, by checking and verifying responsible matters from various professional standpoints, being entrusted by the Board of Directors.
 - The Bank has established a Compliance Management Division which is in charge of risk management operations concerning the compliance with laws and regulations for the entire Aozora Bank Group. The Division has developed a set of internal policies based on the laws and regulations which must be complied with, and made efforts to develop and produce its legal compliance framework by conducting training and educational programs to maintain and improve the understanding and awareness of compliance issues among the Bank's officers and employees. Moreover, the Division develops an annual "Compliance Program", which is designed to be a concrete action plan for achieving the objectives of the compliance framework, and delivers semiannual reports regarding the progress of the Program to the Audit and Compliance Committee and the Board of Directors.
 - With respect to trainings/awareness programs based on the plan set at the beginning of the year, the Bank has created the facility that enables employees to attend these trainings/awareness programs from home or remote environment. The Bank has conducted trainings/awareness programs covering timely material issues including cybersecurity and information management.
 - The Internal Audit Division conducts an internal audit based on the Annual Internal Audit Plan approved by the Board of Directors each fiscal year. The Division reports monthly to the Chief Executive Officer (CEO) and the Management Committee, as well as semi-annually to the Audit & Compliance Committee, the Board of Directors and quarterly to the Audit & Supervisory Board (ASB).
 - The Aozora Bank Group has established a whistle-blowing system, the Aozora Hotline Program, which is designed to prevent, aid in the early discover of, and take corrective action against the violation of laws and other misconduct. Every officer and employee can report any inappropriate activities which violate or may violate internal rules, laws, regulations, or other norms directly to the in-house and outside (a law firm) channels for whistle-blowers. The Division delivers a semiannual report on the operational status of the "Aozora Hotline Program" and the number of whistle-blowing cases to the Audit and Compliance Committee and the Board of Directors.
 - The Bank has affirmed its position against anti-social elements in its "Procedure for the Elimination of Anti-Social Elements," and established various systems to eliminate intervention by and prevent business relationships with anti-social elements. The Bank has positioned the prevention of money laundering and financing for terrorism as critical business challenges and put a management framework into place and has maintained it.
 - With the heightened risks of money laundering etc. amid the various measures which the Bank provides with improved convenience in non-face-to-face transactions reflecting various customer needs, the Bank has been working on maintenance/enhancement of its fraud detection system through cross-referencing with various lists and transaction monitoring on a daily basis.
 - The Bank has developed internal rules for determining concrete countermeasures for ensuring proper customer protection based on its "Customer Protection" Master Policy, which stipulates its basic policy on customer protection and initiatives for improving customer convenience. The Director responsible for customer protection management, who is appointed by the Board of

Directors, supervises overall customer protection management. The Customer Protection Committee, which comprises members including the Executive Officer in charge of compliance and governance, holds meetings once a month to review the framework for customer protection.

- While working on improvement of services to respond to growing needs for cashless/non-face-to-face transactions, the Bank also pursues development of a framework establishment of standards for linking one's bank accounts to other accounts at fund transfer service providers or tighter verification in terms of security in personal authentication upon Internet banking system update.
- In order to prevent insider trading by its officers and employees, the Bank has established and maintained a system in which the Compliance Management Division centralizes all important information collected by the Bank and strictly controls all confidential insider information.

2. Ensure Efficient Execution of Duties and Responsibilities by the Directors

- The Management Committee comprises Executive Officers (including Representative Directors) appointed by the Board of Directors. The Management Committee convenes on a weekly basis and determines important matters related to the Bank's daily operations, in accordance with the policies set forth by the Board of Directors. The Management Committee has the following sub-committees to which it delegates authority: the Asset and Liability Management Committee, the Integrated Risk Committee, the Credit Committee, the Investment Committee, the CAPEX Committee and the Customer Protection Committee. Sub-committees comprise members with substantive knowledge and experience in various aspects of the Bank's business operations, as well as sound decision-making capabilities.

3. Safekeeping and Management of Records regarding Execution of Fiduciary Responsibilities of Directors

- The Bank appropriately manages and keeps important documents such as the minutes of the Board of Directors Meeting, the Management Committees and other various committees and the relevant written approval documents for the mandatory period, based on laws, regulations and internal rules.

4. Internal Rules and Framework for Managing Risk of Loss

- For the implementation of appropriate risk management activities, the Bank has established committees such as the Asset and Liability Committee and the Integrated Risk Committee and the responsible departments to control the risks, to understand, evaluate and control the risks. The Bank appoints the Chief Risk Officer (CRO) from amongst Executive Officers as a responsible person for risk management.
- The Bank has set the basic policies and rules that stipulate the scope of risks to be controlled, their definitions, risk characteristics and evaluations, monitoring and control. Each risk management division controls the risks in an appropriate manner within the framework. The Management Committee, the Audit & Compliance Committee and Board of Directors receive risk control reports from the risk management divisions to understand, evaluate and control the risks in an appropriate manner.
- The Internal Audit Division conducts audits of the effectiveness and legitimacy of risk controls, and reports the results to the Chief Executive Officer (CEO) and the Management Committee monthly, to the Audit & Compliance Committee and the Board of Directors semi-annually, to the ASB quarterly.
The Internal Audit Division is always cooperating with the Accounting Auditors through joint audit activities including the ASB Members.
- The Bank has developed a Business Contingency Plan (BCP) to respond to emergencies, such as pandemics, natural disasters, system failures and cyberattacks, and verifies its effectiveness on an as-needed basis. All officers, including the Chief Executive Officer (CEO), and employees of the Bank participate in weekday disaster drills, and various training programs/seminars to raise awareness of crisis management and improve its effectiveness.

- To respond to spreading COVID-19 infections that have greatly affected societies and economies all over the world, the Bank has taken various measures under instructions of the Chief Executive Officer (CEO). For example, the Bank has strengthened the communications environment for remote work, and facilitated the work-from-home program so as to reduce contact opportunities. Regarding training and awareness enhancement for infection prevention, the Bank requires officers and employees to always wear a mask and frequently disinfect hands at offices. For business continuity of high priority operations, the Bank has taken various actions, promoting the split work framework (based on which team members work in difference places).

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

- Based on the Bank's Master Policy entitled "Management of Group Companies" which encompasses management, compliance and risk management frameworks, Executive Officers responsible for business promotion of the group subsidiaries supervise management of the subsidiaries in collaboration with the relevant divisions, while each risk management division directly manages the relevant risk of the subsidiaries. The Bank and its subsidiaries have signed a "Master Advisory and Corporate Governance Agreement", which defines specific issues agreed upon by the Bank and the subsidiaries for which the subsidiaries must consult with in advance or report to the Bank and other compliance requirements to ensure effectiveness of management.
- In order to avoid any unnesecary infringement upon customers' interests in favor of the interests of the Bank and third parties, the Bank has formulated a "Management of Conflict of Interest and Compliance with Arm's Length Rule" Procedure so as to properly manage any transactions between the Bank or its subsidiaries and customers, which may result in conflicts of interest and ensure that terms and conditions of such transactions do not infringe upon the arm's length rule. The Customer Protection Committee, which comprises the Executive Officer in charge of compliance and governance, verifies semi-annually the management of conflicts of interests.
- The Bank is committed to developing and maintaining a proper internal control system in line with the Procedure "Internal Control Over Financial Reporting" to ensure the appropriateness and reliability of financial reporting of the Bank and the Bank's subsidiaries on a consolidated basis. The Bank also evaluates the effectiveness of internal control for financial reporting and discloses the internal control report annually.
- The Internal Audit Division conducts internal audits on the Bank and the subsidiaries in accordance with the Master Policy "Internal Audit" and the Procedure "Supervision and Governance of Group Companies."

6. Framework for Ensuring the Effectiveness of Audit by ASB members

- The Bank has assigned a full-time general manager and staff to establish the Office of Audit & Supervisory Board (OASB). Under the supervision of the ASB members and ASB, the OASB is in charge of supporting the ASB members and administering the ASB meetings.
- The OASB and its General Manager report directly to the full-time ASB member on a day-to-day basis. Their performance reviews are conducted by the full-time ASB member, and decisions on such matters as personnel and performance appraisals require the consent of the full-time ASB member (and the ASB, if necessary).
- All directors and employees of the Bank and the subsidiaries can report directly to the ASB members and the ASB about important issues on management and business operations, including internal audit results and inside information reported through the whistle blowing system, and others issues which the ASB members consider necessary. They are not subject to disadvantageous treatment due to such reporting.
- The directors and employees cooperate in attendance and reporting to the ASB Meeting based on the audit plan.
- The Bank reimburses for any expenses incurred by the ASB members and the ASB in the ordinary course of their audits, including fees for external professionals, such as lawyers, which they consider necessary for an effective and professional audit.

9. Matters Concerning Wholly-owned Subsidiaries

None

10. Matters Concerning Transactions with the Parent Company

None

11. Matters Concerning Accounting Advisor

None

12. Other

Policy on Execution of Authority Granted to the Board of Directors in accordance with the Articles of Incorporation Based on Article 459-1 of the Companies Act

(Policy on distribution of retained earnings and purchases of treasury stock)

The Bank has stipulated in the Articles of Incorporation that the Board of Directors is authorized to make resolutions in respect to Article 459-1 of the Companies Act, in order to secure the timely implementation of capital-related measures.

As announced in mid-term plan for 2020-2022, entitled “Aozora 2022” in May 2020, the Bank has made it a policy to set the dividend payout ratio at 50% of consolidated net income (profit attributable to owners of parent). The Bank has made it a principle to give back performance-based returns to the shareholders through dividend payments, and continue to pay dividends on common shares on a quarterly basis.

Regarding the execution by the Board of Directors of its entrusted authority for the distribution of retained earnings and purchases of treasury stock, the Bank considers comprehensively the business performance and business prospects, in order to enhance corporate value and make an appropriate return of profits to its shareholders.

Consolidated balance sheet as of March 31, 2021

(Millions of yen)

(Assets)		(Liabilities)	
Cash and due from banks	950,109	Deposits	3,978,506
Call loans and bills bought	41,000	Negotiable certificates of deposit	34,000
Monetary claims bought	74,506	Call money and bills sold	15,536
Trading account assets	154,616	Securities sold under repurchase agreements	56,750
Money held in trust	33,521	Cash collateral received for securities lent	431,673
Securities	1,393,357	Trading account liabilities	140,451
Loans and bills discounted	2,948,808	Borrowed money	349,767
Foreign exchanges	58,154	Bonds payable	198,365
Other assets	232,409	Other liabilities	190,033
Tangible fixed assets	23,311	Provision for bonuses	4,006
Buildings, net	11,251	Provision for bonuses for directors (and other officers)	80
Land	9,235	Retirement benefit liability	10,844
Leased assets, net	709	Provision for retirement benefits for directors (and other officers)	4
Construction in progress	0	Provision for credit losses on off-balance-sheet instruments	612
Other tangible fixed assets	2,114	Provision for contingent loss	421
Intangible fixed assets	20,133	Reserves under special laws	8
Software	20,065	Deferred tax liabilities	24
Other intangible fixed assets	67	Acceptances and guarantees	15,773
Retirement benefit asset	5,740	Total liabilities	5,426,859
Deferred tax assets	16,984	(Net assets)	
Customers' liabilities for acceptances and guarantees	15,773	Share capital	100,000
Allowance for loan losses	(50,886)	Capital surplus	87,412
Allowance for investment loss	(674)	Retained earnings	283,464
		Treasury shares	(3,260)
		Total shareholders' equity	467,615
		Valuation difference on available-for-sale securities	27,196
		Deferred gains or losses on hedges	(750)
		Foreign currency translation adjustment	(971)
		Remeasurements of defined benefit plans	974
		Total accumulated other comprehensive income	26,449
		Share acquisition rights	482
		Non-controlling interests	(4,541)
		Total net assets	490,006
Total assets	5,916,866	Total liabilities and net assets	5,916,866

Consolidated statement of income
(For the fiscal year ended March 31, 2021)

(Millions of yen)

Ordinary income		155,755
Interest income	67,807	
Interest on loans and discounts	45,631	
Interest and dividends on securities	21,234	
Interest on call loans and bills bought	(31)	
Interest income on securities purchased under resale agreements	(142)	
Interest on deposits with banks	29	
Other interest income	1,085	
Trust fees	386	
Fees and commissions	14,552	
Gain on trading account transactions	32,723	
Other ordinary income	35,495	
Other income	4,790	
Recoveries of written off receivables	240	
Other	4,550	
Ordinary expenses		116,773
Interest expenses	17,717	
Interest on deposits	5,650	
Interest on negotiable certificates of deposit	4	
Interest on debentures	55	
Interest on call money and bills sold	34	
Interest expenses on securities sold under repurchase agreements	107	
Interest expenses on cash collateral received for securities lent	1,513	
Interest on borrowings and rediscounts	1,744	
Interest on bonds	2,230	
Other interest expenses	6,376	
Fees and commissions payments	2,457	
Loss on trading account transactions	19,322	
Other ordinary expenses	14,920	
General and administrative expenses	56,128	
Other expenses	6,226	
Provision of allowance for loan losses	767	
Transfer to provision for credit losses on off-balance-sheet instruments	49	
Other	5,409	
Ordinary profit		38,982
Extraordinary losses		4
Loss on disposal of non-current assets	4	
Profit before income taxes		38,977
Income taxes-current	13,680	
Income taxes-deferred	(1,449)	
Total income taxes		12,230
Profit		26,746
Loss attributable to non-controlling interests		(2,226)
Profit attributable to owners of parent		28,972

Consolidated statement of changes in equity
(For the fiscal year ended March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Share Capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	100,000	87,388	269,545	(3,297)	453,635
Changes during period					
Dividends of surplus			(15,053)		(15,053)
Profit attributable to owners of parent			28,972		28,972
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		23		37	60
Net changes in items other than shareholders' equity					
Total changes during period	-	23	13,919	37	13,980
Balance at end of period	100,000	87,412	283,464	(3,260)	467,615

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	(24,340)	229	(806)	(1,669)	(26,587)	444	(2,734)	424,758
Changes during period								
Dividends of surplus								(15,053)
Profit attributable to owners of parent								28,972
Purchase of treasury shares								(0)
Disposal of treasury shares								60
Net changes in items other than shareholders' equity	51,537	(980)	(164)	2,644	53,036	37	(1,807)	51,267
Total changes during period	51,537	(980)	(164)	2,644	53,036	37	(1,807)	65,247
Balance at end of period	27,196	(750)	(971)	974	26,449	482	(4,541)	490,006

Non-consolidated balance sheet as of March 31, 2021

(Millions of yen)

(Assets)		(Liabilities)	
Cash and due from banks	818,103	Deposits	3,821,140
Cash	6,147	Current deposits	36,475
Due from banks	811,955	Ordinary deposits	1,297,833
Call loans	41,000	Saving deposits	11,490
Monetary claims bought	49,470	Deposits at notice	1,095
Trading account assets	154,611	Time deposits	2,346,518
Trading securities derivatives	3,624	Other deposits	127,727
Trading account securities derivatives for hedging	5,907	Negotiable certificates of deposit	34,000
Trading account financial derivatives	145,080	Call money	15,536
Money held in trust	4,975	Securities sold under repurchase agreements	56,750
Securities	1,445,782	Cash collateral received for securities lent	431,673
Government bonds	29,773	Trading account liabilities	140,451
Local government bonds	128,971	Trading securities derivatives	74
Short-term corporate bonds	29,998	Trading account securities derivatives for hedging	11,000
Corporate bonds	82,401	Trading account financial derivatives	129,376
Stocks	58,219	Borrowed money	349,503
Other securities	1,116,418	Borrowings from other banks	349,503
Loans and bills discounted	2,918,317	Bonds payable	198,365
Bills discounted	4,633	Other liabilities	167,661
Loans on bills	15,960	Income taxes payable	3,309
Loans on deeds	2,749,373	Accrued expenses	3,688
Overdrafts	148,349	Unearned revenue	184
Foreign exchanges	58,154	Variation margins of futures markets	701
Due from foreign banks (our accounts)	58,154	Financial derivatives	91,503
Other assets	222,907	Cash collateral received for financial instruments	34,826
Prepaid expenses	874	Lease obligations	759
Accrued income	7,670	Asset retirement obligations	1,914
Margin deposits for futures transactions	962	Other	30,775
Variation margins of futures markets	13	Provision for bonuses	3,573
Financial derivatives	55,978	Provision for bonuses for directors (and other officers)	64
Cash collateral paid for financial instruments	91,510	Provision for retirement benefits	10,383
Bond issuance costs	282	Provision for credit losses on off-balance-sheet instruments	609
Other	65,615	Acceptances and guarantees	16,083
Tangible fixed assets	22,596	Total liabilities	5,245,797
Buildings, net	10,960	(Net assets)	
Land	9,235	Share capital	100,000
Leased assets, net	709	Capital surplus	87,412
Other tangible fixed assets	1,691	Legal capital surplus	87,313
Intangible fixed assets	12,461	Other capital surplus	98
Software	12,395	Retained earnings	278,361
Other intangible fixed assets	66	Legal retained earnings	12,686
Prepaid pension costs	4,227	Other retained earnings	265,675
Deferred tax assets	17,262	Retained earnings brought forward	265,675
Customers' liabilities for acceptances and guarantees	16,083	Treasury shares	(3,260)
Allowance for loan losses	(50,043)	Total shareholders' equity	462,513
Allowance for investment loss	(674)	Valuation difference on available-for-sale securities	27,195
		Deferred gains or losses on hedges	(750)
		Total valuation and translation adjustments	26,445
		Share acquisition rights	482
		Total net assets	489,440
Total assets	5,735,238	Total liabilities and net assets	5,735,238

Non-consolidated statement of income
(For the fiscal year ended March 31, 2021)

(Millions of yen)

Ordinary income		149,454
Interest income	62,003	
Interest on loans and discounts	39,837	
Interest and dividends on securities	21,251	
Interest on call loans	(23)	
Interest income on securities purchased under resale agreements	(142)	
Interest on deposits with banks	27	
Other interest income	1,052	
Trust fees	386	
Fees and commissions	14,563	
Fees and commissions on domestic and foreign exchanges	198	
Other fees and commissions	14,364	
Gain on trading account transactions	32,723	
Net gain on trading account securities	26,378	
Net gain on trading account financial derivatives	6,345	
Other ordinary income	37,008	
Gain on sale of bonds	18,357	
Gain on financial derivatives	182	
Other	18,468	
Other income	2,768	
Recoveries of written off receivables	197	
Gain on sale of equity securities	2,400	
Gain on money held in trust	123	
Other	47	
Ordinary expenses		107,981
Interest expenses	17,711	
Interest on deposits	5,607	
Interest on negotiable certificates of deposit	4	
Interest on debentures	55	
Interest on call money	34	
Interest expenses on securities sold under repurchase agreements	107	
Interest expenses on cash collateral received for securities lent	1,513	
Interest on borrowings and rediscounts	1,782	
Interest on bonds	2,230	
Interest expenses on interest rate swaps	3,806	
Other interest expenses	2,569	
Fees and commissions payments	4,623	
Fees and commissions on domestic and foreign exchanges	153	
Other fees and commissions	4,469	
Loss on trading account transactions	20,851	
Net loss on trading securities	20,851	
Other ordinary expenses	14,084	
Loss on foreign exchange transactions	527	
Loss on sale of bonds	9,340	
Loss on redemption of bonds	794	
Loss on devaluation of bonds	68	
Amortization of bond issuance costs	233	
Other	3,118	
General and administrative expenses	45,488	
Other expenses	5,223	
Provision of allowance for loan losses	571	
Written-off of loans	3,020	
Transfer to provision for credit losses on off-balance-sheet instruments	52	
Loss on devaluation of equity securities	0	
Other	1,578	
Ordinary profit		41,473
Extraordinary losses		4
Loss on disposal of non-current assets	4	
Profit before income taxes		41,468
Income taxes-current	12,645	
Income taxes-deferred	(704)	
Total income taxes		11,941
Profit		29,526

Non-consolidated statement of changes in equity

(For the fiscal year ended March 31, 2021)

(Millions of yen)

(millions of yen)

	Shareholders' equity								
	Share Capital	Capital surplus			Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings		
						Retained earnings brought forward			
Balance at beginning of period	100,000	87,313	74	87,388	12,686	251,201	263,888	(3,297)	447,979
Changes during period									
Dividends of surplus						(15,053)	(15,053)		(15,053)
Profit						29,526	29,526		29,526
Purchase of treasury shares								(0)	(0)
Disposal of treasury shares			23	23				37	60
Net changes in items other than shareholders' equity									
Total changes during period	-	-	23	23	-	14,473	14,473	37	14,534
Balance at end of period	100,000	87,313	98	87,412	12,686	265,675	278,361	(3,260)	462,513

(Millions of yen)

	Valuation and translation adjustments			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of period	(24,343)	229	(24,113)	444	424,309
Changes during period					
Dividends of surplus					(15,053)
Profit					29,526
Purchase of treasury shares					(0)
Disposal of treasury shares					60
Net changes in items other than shareholders' equity	51,539	(980)	50,558	37	50,596
Total changes during period	51,539	(980)	50,558	37	65,130
Balance at end of period	27,195	(750)	26,445	482	489,440

Independent Auditors' Report for the Consolidated Financial Statements (COPY)

(Translation)

INDEPENDENT AUDITOR'S REPORT

May 11, 2021

To the Board of Directors of
Aozora Bank, Ltd.

Deloitte Touche Tohmatsu LLC
Tokyo, Japan
Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:
Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:
Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Kentaro Fukada

Shigehiko Matsumoto

Masashi Tsurumi

Audit Opinion

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated balance sheet as of March 31, 2021 of Aozora Bank, Ltd. and its consolidated subsidiaries (the "Group"), and the related consolidated statements of income and changes in net assets for the fiscal year from April 1, 2020 to March 31, 2021, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2021, and the consolidated results of its operations for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

End

Independent Auditors' Report for the Financial Statements (COPY)

(Translation)

INDEPENDENT AUDITOR'S REPORT

May 11, 2021

To the Board of Directors of
Aozora Bank, Ltd.

Deloitte Touche Tohmatsu LLC
Tokyo, Japan
Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:
Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:
Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Kentaro Fukada

Shigehiko Matsumoto

Masashi Tsurumi

Audit Opinion

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the nonconsolidated financial statements, namely, the nonconsolidated balance sheet as of March 31, 2021 of Aozora Bank, Ltd. (the "Company"), and the nonconsolidated related statements of income and changes in net assets for the 88th fiscal year from April 1, 2020 to March 31, 2021 and a summary of significant accounting policies and other explanatory information, and the accompanying supplemental schedules.

In our opinion, the accompanying nonconsolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2021, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Nonconsolidated Financial Statements section of our report. We are independent of the Company in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Nonconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the nonconsolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of nonconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the nonconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Nonconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the nonconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these nonconsolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the nonconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the nonconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the nonconsolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the nonconsolidated financial statements, including the disclosures, and whether the nonconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

End

The Audit & Supervisory Board's Report (COPY)

(Translation) The Audit & Supervisory Board's Report

The Audit & Supervisory Board (hereafter "ASB") prepared this ASB's Report, following deliberation, based on the Audit & Supervisory Board Member's (hereafter "ASB Member") Report prepared by each ASB Member, and make the following report on the execution of duties by Directors for the 87th business year that commenced on April 1, 2020 and ended on March 31, 2021.

1. The Method and Contents of the Audit by ASB Members and the ASB

- (1) The ASB defined the audit policy, the division of duties, received reports on how audits were actually implemented and results thereof from each ASB Member, received reports on the actual execution of duties from Directors, etc. and the Accounting Auditor (Independent Auditor Tohmatsu), and sought any necessary explanations.
- (2) Each ASB Member complied with the standard of ASB audit predefined by the ASB, followed the audit policy and the division of duties, communicated with Directors, Internal Audit Division and employees, etc., gathered information and improved the auditing environment, and implemented the audit in the following method:
 - 1) The ASB Member attended the Board of Directors meetings and other important meetings, received reports on the actual execution of duties from Directors and employees, etc. and sought any necessary explanations, inspected important documents for approval, and examined operations and assets concerning the Head Office and principal offices. As to subsidiaries, the ASB communicated and exchanged information with Directors and ASB Members, etc. of these subsidiaries, and received any necessary reports from them. As to audit implementation, the ASB utilized telephone/online communication measures as necessary.
 - 2) The ASB periodically received reports on the conditions of the establishment and operations of the system that has been installed and improved based on the resolution of the Board of Directors, that is written in the Business Report, on the improvement of the system provided in Article 100.1 and 100.3 of the Enforcement Regulation of the Companies Act (the internal control system) and contents thereof, to secure the system to ensure the compliance of the execution of duties by Directors with applicable laws and regulations of Japan as well as the Articles of Incorporation, and to secure the appropriateness of other operations of the corporation, from Directors and employees, etc. and sought any necessary explanations. And as for internal control over financial reporting, the ASB received reports of progress and assessment on it from Directors, etc. and the Auditor Deloitte Touche Tohmatsu LLC and sought any necessary explanation and expressed opinion.
 - 3) The ASB monitored and examined to see whether the Accounting Auditor retains its independent position and implements adequate audit, as well as received from the Accounting Auditor Reports on the actual execution of its duties, and sought any necessary explanation from the Accounting Auditor. The ASB also was informed by the Accounting Auditor that the Accounting Auditor has improved its "Systems to Ensure the Proper Conduct of Professional Duties" (the item listed in the each section of Article 131 of the Corporate Accounting Rules) in accordance with "Standards for Audit Quality Control" (by Business Accounting Council on October 28, 2005), etc., and the ASB sought any necessary explanation from the Accounting Auditor.

Based on the above-mentioned method, the ASB examined the Business Report and its supplementary schedule, the financial statements for the said business year (Balance Sheet, Income Statement, Statement of Changes in Net Assets, Significant accounting policies and other Notes) and their Supplementary schedule, as well as the consolidated financial statements (Consolidated Balance Sheet, Consolidated Income Statement, Consolidated Statements of Changes in Net Assets, Significant accounting policies applied in the preparation of the consolidated financial statements and other Notes).

2. Results of the Audit

- (1) Results of the Audit on the Business Report and its Supplementary Schedule
 - 1) The ASB acknowledges that the Business Report and its supplementary schedule present the correct conditions of the Company in accordance with applicable laws and regulations of Japan as well as the Articles of Incorporation.
 - 2) There is no illegal act in the execution of duties of Directors or material fact in violation of applicable laws and regulations of Japan or the Articles of Incorporation.
 - 3) The ASB acknowledges that contents of the resolutions of the Board of Directors on the internal control system are reasonable, and there is no finding in the contents written in the Business Report and the execution of duties of Directors related to the said internal control system. And as for internal control over financial reporting, no material weakness has been reported neither from Directors, etc. nor the Auditor Deloitte Touche Tohmatsu LLC at the time of writing this report.
- (2) Results of the Audit on the Financial Statements and their Supplementary Schedule
The ASB acknowledges that the method and results of the audit implemented by the Accounting Auditor Deloitte Touche Tohmatsu LLC are reasonable.
- (3) Results of the Audit on the Consolidated Financial Statements
The ASB acknowledges that the method and results of the audit implemented by the Accounting Auditor Deloitte Touche Tohmatsu LLC are reasonable.

May 14, 2021

The Audit & Supervisory Board of Aozora Bank, Ltd.	
Standing Audit & Supervisory Board Member	Satoshi Hashiguchi
Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	Kiyoto Hagiwara
Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	Toraki Inoue

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

End

Reference
“Promotion of Aozora Sustainability”

Aozora places SDGs as a top business priority with an aim to contribute to the sustainable development of society. For details, please refer to the following materials regarding the Bank’s SDG initiatives.

Promotion of Aozora Sustainability

Aozora’s Key Priorities

Actively contribute to the sustainable growth of society

- ◆ Setting SDGs as a top business priority, appointment of an **Executive Officer in charge of Sustainability Management** and establishment of the **Sustainability Management Division**. Active promotion of initiatives across the Aozora Group through cross-divisional discussions at the SDGs Council Meeting
- ◆ Formulating a Code of Ethics and Conduct, Environmental Policy, Human Rights Policy and Investment and Lending Policies regarding Environmental & Societal Issues based on the Aozora Management Philosophy

<Sustainability implementation framework>



<Sustainability management policy system>



Priority Initiatives and ESG Materiality

High priority on implementing sustainability initiatives focused on the “3 Key Issues” (Materiality)

Environmental protection

Promoting innovation

Life satisfaction

Priority initiatives

In our business

- Promotion of sustainable finance that supports corporate initiatives to address environmental & social issues
- Support for business/property succession, business recovery and new ventures by fully leveraging Aozora’s group-wide strengths
- Support for customers’ mid- to long-term wealth building by designing and distributing ESG-focused financial products
- Support for initiatives to address social issues by leveraging the BANK™ platform

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
- 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
- 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

Initiatives in business

Promotion of sustainable finance which supports customers' initiatives to address environmental and social issues

- ◆ Investments and loans designed to actively support customers in creating a positive impact on the environment and society through their business operations
- ◆ Enhancement of framework to promote sustainable finance which contributes to resolving a wider range of issues in addition to ongoing project finance for renewable energy, etc.

Sustainable finance		Promotion initiatives
Project finance for renewable energy	Project finance	Improvement of promotion framework
Green loans, social loans, sustainability loans	Tied loans	Lending target set for sustainable finance
Sustainability-linked loans	Untied loans	Enhancement of organizational knowledge
Transition finance	Lending and investments categorized as transition finance	

<Risk management>

- ◆ Establishment of the SDGs and Credit Planning Office in risk/credit divisions, which is responsible for setting policies for considering ESG risk during the credit screening process and delivering project proposals
- ◆ Identification of sectors that may have a negative impact on the environment and society in **Investment and Lending Policies regarding Environmental & Societal Issues**
- ◆ Restricting or prohibiting investments and loans in business that may have a negative impact. Implementation of periodic review in accordance with changes in the social environment

Initiatives in business

Approach towards financial inclusion through business recovery support

<Business recovery support in collaboration with regional financial institutions: Aozora Loan Services Co., Ltd. (ALS)>

- ◆ Aozora's business recovery loan servicer subsidiary with a proven record of supporting the business recovery of regional mid-sized firms and SMEs for over 20 years, contribution to the promotion of financial inclusion in regional economies by leveraging the experience, expertise and network that ALS has developed since its inception
- ◆ Joint establishment and operation of business recovery funds with regional financial institution customers as a platform to promote the business recovery of their clients
- ◆ Creation of a Regional Finance Partner Bank Task Force designed to support regional financial institutions which address ongoing issues in the community

<ALS business profile>

> Long-established loan servicer

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

> Loan servicing from the perspective of customers and regional financial institutions

Long-term holding of loan receivables in order to support customers' business recovery and restart

> Community-based servicing

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



"Servicer and Business Recovery" (published by Kinzai in 2019)

Initiatives in business

Support for customers' mid- to long-term wealth building by designing and distributing ESG-focused financial products

<Investment trust "Juunen Toiro">



- ◆ Diversified investments in ESG-focused global equities and developed market bond funds
- ◆ Selection of stocks by screening for "environmental sustainability" (at the industry and portfolio levels) and "social sustainability"
- ◆ Long-term investment, asset diversification and variable distribution timing, no-load (0% purchase fee) sale via both traditional and online channels, support for customers' life satisfaction by serving their mid- to long-term wealth building needs

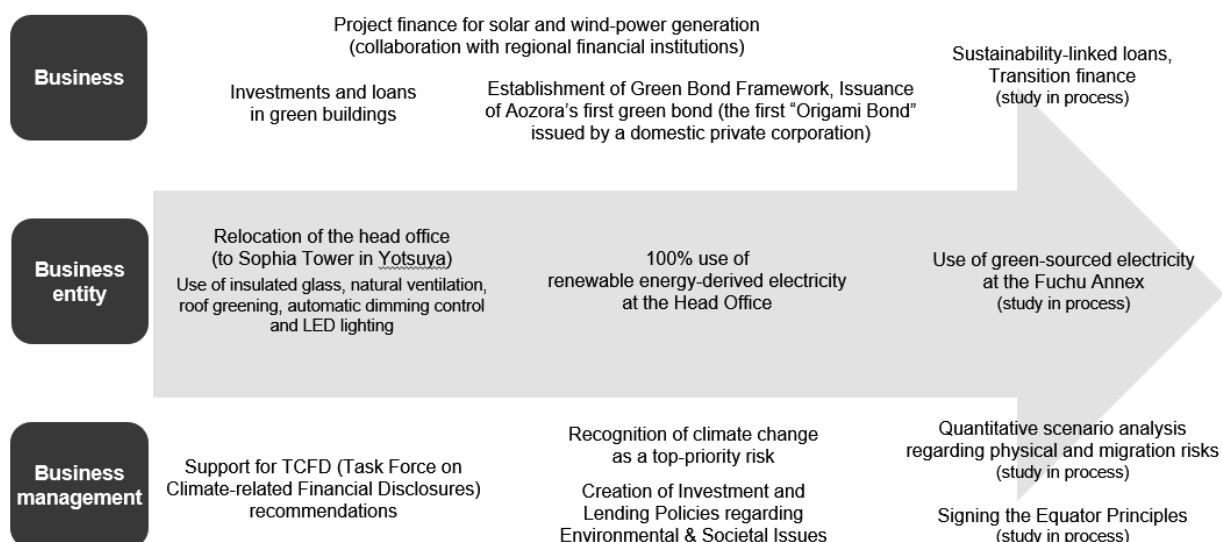


Support for initiatives to address social issues by leveraging the BANK™ platform

- ◆ Launch of collaboration with READYFOR Inc., a crowd-funding service provider, with a dedicated page created for the BANK™ website to showcase READYFOR's crowd-funding service
- ◆ Consideration of promoting SDGs initiatives by leveraging the BANK™ platform

Environmental initiatives

Expand business initiatives by leveraging Aozora's strengths. Promote the reduction of CO2 emissions as a business entity and develop a business management framework



Environmental initiatives

Approach towards environmental issues through business operations

<Promotion of project finance for renewable energy business>

- ◆ Ongoing active investments and loans in renewable energy projects including solar and wind-power generation
- ◆ Promotion of project finance, including origination, in collaboration with various regional financial institutions

<Establishment of Green Bond Framework>

- ◆ Setting a bond facility for investments and loans in business that contributes to environmental improvement, such as renewable energy and green buildings
- ◆ Issuance of Aozora's first green bond in March 2021
(the first "Origami Bond" issued by a domestic private corporation)



<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)

Business management in accordance TCFD recommendations*

Governance

- ◆ Incorporation of climate change as a top-priority risk in the business plan as approved by the Board of Directors

Strategies

- ◆ Establishment of a Green Bond Framework. Promotion of investments and loans in business that contributes to environmental improvement
- ◆ Ongoing consideration of quantitative scenario analysis regarding physical and migration risks

Risk management

- ◆ Creation of Investment and Lending Policies regarding Environmental & Societal Issues
- ◆ Preparation for signing the Equator Principles

Benchmarks and goal

- ◆ Launch of Scope 3 measurements in addition to traditional Scope 1 and Scope 2, promotion of decarbonization as a business entity by monitoring the amount of emissions

Guide to the Venue for Ordinary General Meeting of Shareholders

Place : **Diamond Room on the 2nd floor of Hotel Grand Palace**

1-1, Iidabashi 1-chome, Chiyoda-ku, Tokyo

Phone : 03-3264-1111 (General Number for Hotel)

Access : **“Kudanshita” Station**

Subway Tozai Line (Exit No.7) One (1) minute walk

Hanzomon Line, Toei Shinjuku Line (Exit No.3a, No.3b)

Three (3) minutes walk

