

[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 87th FY
Ordinary General Meeting of Shareholders**

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■ Shareholders must pre-register their attendance to the General Meeting of Shareholders.

■ There will be no thank-you gift for attendees.

Date & Time

June 24, 2020 (Wednesday)
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 One Audit &
Supervisory Board Member

Proposal No.3 Appointment of Two Alternate
Audit & Supervisory Board Members

For other details, please see page 1 and 2.

Note that the Board of Directors have resolved to
pay a year-end common share dividend of 39 yen
per share for the 87th FY (4th quarter).

As a result, the full-year dividend per common share
for the 87th FY is 156yen.

Information regarding the General Meeting of Shareholders

- **Shareholders must pre-register their attendance to the General Meeting of Shareholders (the 'General Meeting'). If you wish to do so, please follow the procedure described below to complete your pre-registration.**
- **There will be no thank-you gift for attendees.**
- **There will be no Drink Corner or Retail Showroom set up by the Bank.**

This year, the government and prefectural governors are urging people to avoid nonessential outings in order to prevent the spread of the COVID-19 pandemic. In light of this situation, we strongly request that our shareholders refrain from attending the General Meeting and voting in person.

Exercise of voting rights

We encourage you to exercise your voting rights in advance in writing or via the Internet. Please see Page 3 and 4 regarding the early exercise of voting rights.

How to pre-register

- This year, we are required to have sufficient space between chairs to allow for social distancing in order to prevent the spread of COVID-19. This will significantly reduce the seating capacity compared to previous years, limiting the number of attendees allowed inside the venue. **We ask that shareholders wishing to attend the General Meeting and vote in person pre-register online.**
- To pre-register, please send an e-mail with your name and shareholder number **during the period from 10 a.m. on June 12 (Friday) 2020 to 12 p.m. on June 16 (Tuesday) 2020** (the 'Pre-registration Period') to the address below.
Pre-registration e-mail address: touroku@aozorabank.co.jp
- Once the Bank has received your e-mail during the Pre-registration Period, we will send you a confirmation e-mail. (Please be aware that you may receive an automated reply stating that the pre-registration limit has been reached.)
- **The seating capacity at the venue is limited to a maximum of 34. If this limit is reached during the Pre-registration Period, we will close pre-registration** and make an announcement on the Aozora website (<https://www.aozorabank.co.jp/ir/event/stockmtg/>).
- **Shareholders who have successfully pre-registered will receive a confirmation e-mail by no later than 5 p.m. on June 17 (Wednesday) 2020.** If you are unable to complete your pre-registration due to the venue already reaching maximum capacity or for other reasons, please cast your vote in advance in writing or via the Internet.
- In some situations, your email address may be blocked from receiving emails from the Bank depending on the security settings of your Internet service provider or mobile phone carrier. As this issue cannot be resolved by the Bank, we ask that you change your settings to validate all e-mails with the following domain name: "aozorabank.co.jp". Please refer to the instruction manual for your e-mail software or Internet service provider for more detailed information about changing your settings.
- We will not use your pre-registered personal information for any purpose other than business related to the General Meeting.

- Our pre-registration e-mail address only accepts pre-registration requests. If you wish to contact us for any other reason regarding the General Meeting, please send an e-mail to the address below.

Contact e-mail address: toiawase@aozorabank.co.jp

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 and vote in person following their successful pre-registration, 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: shitsumon@aozorabank.co.jp

Acceptance period: No later than 5 p.m. on June 22 (Monday) 2020

Post disclosure regarding the General Meeting

- Due to the unavoidable changes made to this year's General Meeting as described above, 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/ir/event/stockmtg>) even if you have successfully pre-registered to attend the General Meeting and vote in person.





Notice on Exercise of Voting Rights

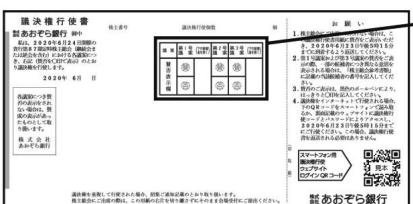
Once you have reviewed the Shareholder's Meeting Reference Materials (pages 9 to 21), we ask that you please exercise your voting rights regarding each proposal.

The following three methods may be used to exercise your voting rights. This year, we ask that our shareholders please vote using either Method B or Method C.

Please note that Method A requires pre-registration to this year's General Meeting of Shareholders.

<p>A Attend the Shareholder's Meeting</p> <p>Please present the "Exercise of Voting Right Form" at the reception desk. Please also have your Convocation Notice for the 87th FY Ordinary General Meeting of Shareholders (this document) on hand.</p>	<p>Date & Time June 24, 2020 (Wednesday) 10:00 a.m.</p>	
<p>B Exercise Your Voting Right in Writing</p> <p>Please write your vote of approval or disapproval on the enclosed "Exercise of Voting Rights Form" and return the form to us by mail.</p>	<p>Valid Date: June 23, 2020 (Tuesday) Must be received No Later Than 5:15 p.m.</p>	

How to fill-out the Exercise of Voting Rights Form



Please write your vote of approval or disapproval

Proposal No.1 Proposal No.3

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.2

Approval >> ○ on 「賛」
Disapproval >> ○ on 「否」



Exercise your Voting Right via the Internet

Valid Date: June 23, 2020 (Tuesday)
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.

* Please refer to "Procedure for the Exercise of Voting Rights via the Internet, etc." on pages 7 to 8 for information regarding the exercise of voting rights via the Internet.

*(QR code is a registered trademark of Denso Wave)

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 cellphone: <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)

- 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.

June 9, 2020

The Convocation Notice for the 87th FY Ordinary General Meeting of Shareholders

Dear Shareholders,

Shinsuke Baba
President, Representative Director
Aozora Bank, Ltd.
1-1, Kojimachi 6-chome, Chiyoda-ku, Tokyo

You are cordially invited to participate in Aozora Bank Ltd.'s 87th FY Ordinary General Meeting of Shareholders as described below.

This year, the government and prefectural governors are urging people to avoid nonessential outings in order to prevent the spread of the COVID-19 pandemic. We have carefully monitored the current situation and decided to hold the General Meeting of Shareholders while taking appropriate measures to prevent the spread of infection.

In order to respect the government's stay-at-home order and prevent the spread of COVID-19, we strongly request that our shareholders refrain from attending the General Meeting of Shareholders and voting in person, irrespective of your health conditions, and encourage you to exercise your voting rights in advance in writing or via the Internet.

We will ask for your cooperation in exercising your voting rights by no later than 5:15 p.m. on June 23 (Tuesday) 2020, in consideration of the following "Reference Material for the General Meeting of Shareholders."

【If you choose to exercise your voting right in writing】

Please write your vote of approval or disapproval on the enclosed "Exercise of Voting Rights Form" and return the form to us by mail.

【If you choose to exercise your voting right via the Internet】

If you choose to exercise your voting right via the Internet, please read through the following "Procedure for the Exercise of Voting Rights via the Internet, etc.".

Thank you.

Best Regards,

1. Date & Time Wednesday, June 24, 2020 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 87th FY (from April 1, 2019 to March 31, 2020)
 2. Reports on the Financial Statements for the 87th FY (from April 1, 2019 to March 31, 2020)

Proposals for Resolution:

Proposal No.1: Appointment of Eight Directors

Proposal No.2: Appointment of One Audit & Supervisory Board Member

Proposal No.3: Appointment of Two Alternate Audit & Supervisory Board Members

End

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- ◎ Shareholders who have successfully completed pre-registration are qualified to attend the General Meeting and vote in person. For a more detailed procedure, please see Page 1. After receiving your confirmation email and arriving at the venue, please present the enclosed Exercise of Voting Right Form to our reception staff.
- ◎ 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/>).

## **Procedure for the Exercise of Voting Rights via the Internet.**

If you decide to exercise your voting right via the Internet, please note the following in advance:

### **1. Website dedicated to the exercise of voting rights (“Dedicated Voting Website”)**

Exercising your voting right via the Internet is possible only through the following website designated by Aozora Bank:

[URL of the Dedicated Voting Website] <https://www.web54.net>

### **2. Method for the exercise of voting rights**

#### **(1) PC and cellular phone users**

Please go to the Dedicated Voting Website, enter the Voting Right Exercise Code and the Password shown on the enclosed Exercise of Voting Rights Form, and then follow the instructions displayed on the screen to register whether you agree or disagree.

- You may also access the Dedicated Voting Website using a cellular phone by reading the QR Code® shown on the right.

(QR Code is a registered trade mark of the DENSO WAVE INCORPORATED.)



#### **(2) Smartphone users**

Please visit a Dedicated Voting Website through the Smartphone Voting Login QR Code shown on the enclosed Exercise of Voting Rights Form. You may exercise your voting right without entering the Voting Right Exercise Code and the Password.

If you wish to change your vote after the exercise, please read the QR Code again. In this case, however, you are requested to enter the Voting Right Exercise Code and the Password.

### **3. Guidance on the exercise of voting rights**

- (1) Your opportunity to cast your vote will expire at 5:15 p.m. on June 23, 2020 (Tuesday). Please exercise your right at the earliest possible time.
- (2) When voting rights are exercised more than once both in writing and via the Internet, the latter will prevail as valid exercise of voting rights. If they are exercised more than once via PC, smartphone or cellular phone, the most recent action will prevail as valid exercise of voting rights.



- (3) Any Internet service provider fees or communication fees (such as telephone charges) incurred for accessing the Dedicated Voting Website will be borne by the shareholder.
- (4) The Dedicated Voting Website may not be accessible depending on the Internet environment of your PC, smartphone or cellular phone.

#### **4. Guidance on the Password and the Voting Right Exercise Code**

- (1) The Password is important information to confirm the identity of an eligible shareholder. Great care is required for handling the Password as well as your seal or personal identification number.
- (2) When you enter the Password incorrectly beyond several times, it will become invalid. If you wish to recover the Password, please follow the instructions shown on the screen.
- (3) The Voting Right Exercise Code shown on the Exercise of Voting Rights Form is valid only for the 87th FY Ordinary General Meeting of Shareholders.

#### **5. Inquiries about PC operation, etc.**

- (1) If you have any questions about how to operate your PC, etc. for the exercise of your voting right on the Dedicated Voting Website, please contact the following:  
Web Support, Stock Transfer Agency Department, Sumitomo Mitsui Trust Bank, Limited  
[Hotline] 0120—652—031 (9:00 a.m. – 9:00 p.m.)
- (2) For other questions, please make inquiries to the following points of contact:
  - (i) Shareholders with an account at a securities company  
Please contact your securities company.
  - (ii) Shareholders with no account at a securities company (shareholders with a special account)  
Stock Transfer Agency Department, Sumitomo Mitsui Trust Bank, Limited  
[Phone] 0120—782—031 (9:00 a.m. – 5:00 p.m., except Saturdays, Sundays and Holidays)

#### **6. Electronic platform for executing voting rights (for institutional investors)**

Institutional investors may exercise their voting rights for the 87th FY Ordinary General Meeting of Shareholders through the electromagnetic form operated by ICJ Inc.

End

## 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 10 to 18.

| Candidate No. | Name                                                                                                                                                                                             | Current Positions and Areas of Responsibility                                                         | Board meeting attendance                                       |
|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|
| 1             | For reappointment <span style="border: 1px solid black; padding: 0 2px;">Inside</span><br>Shinsuke Baba                                                                                          | President and Representative Director, Chief Executive Officer                                        | Attended all 14 Board meetings during the relevant fiscal year |
| 2             | For reappointment <span style="border: 1px solid black; padding: 0 2px;">Inside</span><br>Kei Tanikawa                                                                                           | Deputy President and Representative Director, Executive Officer, Head of Trust Business Group         | Attended all 14 Board meetings during the relevant fiscal year |
| 3             | For reappointment <span style="border: 1px solid black; padding: 0 2px;">Inside</span><br>Tomomi Akutagawa                                                                                       | Director, Senior Managing Executive Officer, Chief Financial Officer                                  | Attended all 14 Board meetings during the relevant fiscal year |
| 4             | For reappointment <span style="border: 1px solid black; padding: 0 2px;">Outside</span><br><span style="border: 1px solid black; padding: 0 2px;">Independent director</span><br>Shunsuke Takeda | Director                                                                                              | Attended all 14 Board meetings during the relevant fiscal year |
| 5             | For reappointment <span style="border: 1px solid black; padding: 0 2px;">Outside</span><br><span style="border: 1px solid black; padding: 0 2px;">Independent director</span><br>Hiroyuki Mizuta | Director                                                                                              | Attended all 14 Board meetings during the relevant fiscal year |
| 6             | For reappointment <span style="border: 1px solid black; padding: 0 2px;">Outside</span><br><span style="border: 1px solid black; padding: 0 2px;">Independent director</span><br>Ippei Murakami  | Director                                                                                              | Attended all 14 Board meetings during the relevant fiscal year |
| 7             | For reappointment <span style="border: 1px solid black; padding: 0 2px;">Outside</span><br><span style="border: 1px solid black; padding: 0 2px;">Independent director</span><br>Tomonori Ito    | Director                                                                                              | Attended all 14 Board meetings during the relevant fiscal year |
| 8             | New candidate <span style="border: 1px solid black; padding: 0 2px;">Inside</span><br>Koji Yamakoshi                                                                                             | Senior Managing Executive Officer, Head of Business Banking Group and Head of Corporate Banking Group | _____                                                          |

# Candidates for Directors

|                                |   |               |              |                   |        |
|--------------------------------|---|---------------|--------------|-------------------|--------|
| Candidate No.                  | 1 | Shinsuke Baba | 65 years old | For reappointment | Inside |
| Date of birth: August 23, 1954 |   |               |              |                   |        |

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

|           |                                                                                                                                                             |
|-----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Apr. 1977 | The Nippon Credit Bank, Ltd. (currently Aozora Bank, Ltd.)                                                                                                  |
| Aug. 2000 | General Manager of Cross Border Business Division                                                                                                           |
| Apr. 2001 | General Manager of Investment Banking Division                                                                                                              |
| Apr. 2003 | General Manager of Structured Credit and Investment Division                                                                                                |
| June 2004 | Senior General Manager, General Manager of Structured Credit and Investment Division                                                                        |
| Sep. 2005 | Executive Officer, Head of Corporate Banking Group                                                                                                          |
| May 2006  | Executive Officer, Head of Corporate Banking Group and General Manager of Capital Markets Division                                                          |
| Apr. 2007 | Senior Managing Executive Officer, Head of Investment Banking Group, Acting Head of Corporate Banking Group and General Manager of Capital Markets Division |
| May 2007  | Senior Managing Executive Officer, Head of Investment Banking Group                                                                                         |
| June 2008 | Senior Managing Executive Officer, Head of Corporate Banking Group and Head of Investment Banking Group                                                     |
| Nov. 2008 | Deputy President, Executive Officer                                                                                                                         |
| June 2009 | Deputy President and Representative Director, Executive Officer                                                                                             |
| Sep. 2012 | President and Representative Director, Chief Executive Officer (CEO) (current)                                                                              |

## Number of years served as director:

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

## Board meeting attendance (FY 2019)

Attended all 14 Board meetings during the relevant fiscal year

## Reason for nomination as a candidate for director

Shinsuke Baba has been engaged in a variety of banking businesses such as corporate banking business and investment banking business, and he has made a significant contribution to the Bank's management as Executive Officer (since September 2005) and President and Representative Director, Chief Executive Officer (CEO) (since September 2012). The Bank believes he is an adequate candidate because of his extensive experience in corporate management for a long time as well as deep insight in financial businesses and prudent judgment.

## Number of Bank's shares Owned by Candidate

19,888

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 | Kei Tanikawa | 58<br>years old | For reappointment <input type="checkbox"/> Inside <input type="checkbox"/> |
| 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 | Deputy President and Representative Director, Executive Officer, Head of Business Banking Group and Head of Corporate Banking Group |
| July 2018 | Deputy President and Representative Director, Executive Officer                                                                     |
| Oct. 2018 | Deputy President and Representative Director, Executive Officer, Head of Trust Business Group (current)                             |

#### Number of years served as director:

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

#### Board meeting attendance (FY 2019)

Attended all 14 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.

#### Number of Bank's shares Owned by Candidate

10,981

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 | 57<br>years old | For reappointment | Inside |
| 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 (current)                                              |

#### Number of years served as director:

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

#### Board meeting attendance (FY 2019)

Attended all 14 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.

#### Number of Bank's shares Owned by Candidate

2,433

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 | 78<br>years old | For reappointment<br>Independent director | Outside |
| 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:

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

#### Board meeting attendance (FY 2019)

Attended all 14 Board meetings during the relevant fiscal year

#### Reason for nomination as a candidate for director

The Bank believes Shunsuke Takeda is an adequate candidate because of his wealth of experience, credentials and deep insight as a top management of corporate institutions in the financial and non-financial sectors and also because he is positioned to be independent from the Bank's business operations and he is expected to contribute to the Bank's management.

Although as many as 13 years have passed since Mr. Takeda first assumed as Outside Director, he has made a distinguished contribution to the Bank's management during this period by providing a variety of advice and opinions as Outside Director from the neutral and objective standpoint, seeking to maintain the sound governance.

#### 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 9 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.

#### Number of Bank's shares Owned by Candidate

9,821

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 | 70 years old | For reappointment<br>Independent director | Outside |
| 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<br>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.<br>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:

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

Board meeting attendance (FY 2019)

Attended all 14 Board meetings during the relevant fiscal year

Reason for nomination as a candidate for director

The Bank believes Hiroyuki Mizuta is an adequate candidate because of his wealth of experience, credentials and deep insight as a top management of corporate institutions in the banking and non-financial sectors and also because he is positioned to be independent from the Bank's business executions and he is expected to contribute to the Bank's management.

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 2020 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.

Number of Bank's shares Owned by Candidate

3,477

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 | 75<br>years old | For reappointment<br>Independent director | Outside |
| 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)                                   |

#### Number of years served as director:

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

#### Board meeting attendance (FY 2019)

Attended all 14 Board meetings during the relevant fiscal year

#### Reason for nomination as a candidate for director

The Bank believes Ippei Murakami is an adequate candidate because of his wealth of experience, credentials and deep insight as a top management of a corporation and also because he is positioned to be independent from the Bank's business executions and he is expected to contribute to the Bank's management.

#### 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.

#### Number of Bank's shares Owned by Candidate

4,998

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 | 63<br>years old | For reappointment<br>Independent director | Outside |
| 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:

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

#### Board meeting attendance (FY 2019)

Attended all 14 Board meetings during the relevant fiscal year

#### Reason for nomination as a candidate for director

The Bank believes Tomonori Ito is an adequate candidate because of his wealth of experience and credentials in the domestic/global financial institutions and deep insight as Professor of a business school and also because he is positioned to be independent from the Bank's business executions and he is expected to contribute to the Bank's management.

#### 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.

#### 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 | Koji Yamakoshi | 57<br>years old | New candidate <input type="checkbox"/> Inside <input type="checkbox"/> |
| 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 (current)                 |

#### Number of years served as director:

-

#### Board meeting attendance (FY 2019)

-

#### 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.

#### Number of Bank's shares Owned by Candidate

948

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 One Audit & Supervisory Board Member**

At the close of this Ordinary General Meeting of Shareholders, the term of office of Audit & Supervisory Board Member Mr. Toraki Inoue shall expire. This is to propose, therefore, One Audit & Supervisory Board Member to be elected, with the consent of the Audit & Supervisory Board.

Candidate is shown below.

Candidate for Audit & Supervisory Board Member

|              |                                  |                                            |         |
|--------------|----------------------------------|--------------------------------------------|---------|
| Toraki Inoue | 63<br>years old                  | For reappointment                          | Outside |
|              |                                  | Independent Audit Supervisory Board Member |         |
|              | Date of birth: September 6, 1956 |                                            |         |

**Brief Personal History, Positions and Concurrent Major Posts**

|           |                                                                                                  |
|-----------|--------------------------------------------------------------------------------------------------|
| Oct. 1980 | Joined Tokyo Office, ANDERSEN (currently Inoue Saito Eiwa Audit Corporation)                     |
| Dec. 1985 | Registration CPA                                                                                 |
| June 1987 | New York Office, ANDERSEN                                                                        |
| Oct. 1995 | National Partner, ANDERSEN                                                                       |
| Oct. 1997 | Worldwide Partner, ANDERSEN                                                                      |
| July 1999 | Partner, KPMG AZSA LLC (formerly Asahi & Co.)                                                    |
| July 2008 | Toraki Inoue Certified Public Accountant Office (current)                                        |
| June 2010 | Representative Director and President, Accounting Advisory Co., Ltd (current)                    |
| June 2011 | Outside Audit & Supervisory Board Member, Pioneer Corporation                                    |
| Sep. 2011 | Supervisory Director, GLP J-REIT (current)                                                       |
| Apr. 2012 | Guest Professor of International Accounting Study Group, Expert Graduate School, Chuo University |
| Apr. 2013 | Instructor of Global Business Study Group, Expert Graduate School, Meiji University              |
| June 2015 | Retired as an Outside Audit & Supervisory Board Member, Pioneer Corporation                      |
| Mar. 2016 | Outside Audit & Supervisory Board Member, Kao Corporation                                        |
| June 2016 | Outside Audit & Supervisory Board Member, Aozora Bank, Ltd. (current)                            |
| Apr. 2017 | Instructor of International Study Group, Expert Graduate School, Chuo University                 |
| Oct. 2018 | Standing Corporate Auditor, Kyulux, Inc. (current)                                               |
| Mar. 2020 | Retired as an Outside Audit & Supervisory Board Member, Kao Corporation                          |

**Number of years served as Audit & Supervisory Board Member:**

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

**The meetings of the Audit & Supervisory Board attendance (FY 2019)**

Attended all 13 meetings of the Audit & Supervisory Board during the relevant fiscal year

Attended all 14 Board meetings during the relevant fiscal year

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

Toraki Inoue is qualified for the responsibilities as an outside Audit & Supervisory Board Member because he is an expert of accounting with qualification of a certified public accountant.

He has substantial experience and expertise in the finance and banking business, and his position is independent from the day-to-day management responsibilities of the operations and activities of the Bank.

#### Matters concerning interests and independence

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

Mr. Inoue meets the conditions of outside Audit & Supervisory Board Member, and also meets the conditions of independent Audit & Supervisory Board Member in accordance with the requirements of the Tokyo Stock Exchange, Inc.

The Bank has an agreement with Mr. Inoue 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 limit of the liability is in accordance with the amount stipulated in Paragraph 1 - Article 425.

In case, this proposal is approved and resolved, and Mr. Inoue assumes the position of outside Audit & Supervisory Board Member, this agreement continues to be effective.

#### Number of Bank's shares Owned by Candidate

-

### Proposal No.3: 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. Keiichirou Uchida 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 | Keiichirou Uchida | 57 years old | Inside |
| Date of birth: June 22, 1962 |   |                   |              |        |

#### Brief Personal History, Positions and Concurrent Major Posts

|           |                                                                  |
|-----------|------------------------------------------------------------------|
| Apr. 1986 | The Nippon Credit Bank, Ltd. (currently Aozora Bank, Ltd.)       |
| Oct. 2007 | Joint General Manager, Corporate Banking Division I              |
| Apr. 2009 | Deputy General manager, Nagoya Branch                            |
| Aug. 2010 | General Manager, Business Banking Planning Division              |
| Nov. 2012 | General Manager, Kanazawa Branch                                 |
| July 2016 | General Manager of Office of Audit & Supervisory Board (current) |

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

Keiichirou Uchida 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. Uchida and the Bank.

The Bank will enter into contracts with Mr. Uchida 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.

#### Number of Bank's shares Owned by Candidate

271

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 | 78 years old | Outside |
| 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.

#### 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.)

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 2019 -**

(April 1, 2019 — March 31, 2020)

### **1. Current Status of the Bank**

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

The domestic economy was in a mild recovery in the first half of FY2019. It started to show signs of slowing down after the consumption tax hike. After the turn of the year, the economic outlook worsened rapidly due to the spread of the new coronavirus. The U.S. economy continued on the back of the booming labor market, until the new coronavirus infection spread rapidly around the globe and led to economic shutdowns in Europe, and then in the United States. As a result, there was growing concern that the global economy would begin to slow.

In Japan, the long-term interest rate fluctuated between -0.3% and -0.1%. The Nikkei index rose to 24,000 level in December, but dropped sharply to 16,000 level in late February out of fears for the new coronavirus infection. The index recovered to 19,000 level as the central banks of many countries took monetary easing policies. The Japanese yen appreciated slightly against the U.S. dollar in the first half of FY2019 and moved within the range of 107 and 109 in the autumn. As the spread of COVID-19 prompted investors to reduce risk positions, the Japanese yen appreciated against the US Dollar to 101 at one point. However, as the market stabilized from the middle of March, it ended the month at 108.

In the United States, the long-term interest rate (10-year Treasury yield) dipped below 1.5%, due to trade frictions between the United States and China, and interest rate cuts by the Federal Reserve Board (FRB). In autumn, the FRB suggested an end to any further rate cuts, and the 10-year yield rose to 1.9%. As concerns for an economic slowdown grew due to the coronavirus pandemic in early 2020, the FRB cut interest rates multiple times to close to zero, and the Treasury yield dropped sharply to 0.3%. As the FRB took measures to secure fund liquidity and stabilize the financial market, the yield rose to 0.6% to 0.8%.

The Dow Jones Industrial Average rose from October close to 30,000, an all-time high of the index, in the middle of February. However, due to bearish market sentiment amid the new coronavirus pandemic, the index plunged in a downward spiral to 18,000 level. As the equity market stabilized, the index recovered to 22,000 level.

#### [Main Business Activities of the Corporate Group]

Aozora Bank Group consists of Aozora Bank and 25 consolidated subsidiaries 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 FY2019 are as follows.

Total assets were 5,299.8 billion yen as of March 31, 2020, an increase of 44.7 billion yen, or 0.9%, compared to March 31, 2019.

Loans were 2,954.1 billion yen, an increase of 174.2 billion yen, or 6.3%, from March 31, 2019. Domestic loans increased 181.8 billion yen, while overseas loans decreased 7.6 billion yen. Securities decreased by 167.1 billion yen, or 13.5%, from March 31, 2019, to 1,073.6 billion yen.

Total liabilities were 4,875.0 billion yen, an increase of 68.7 billion yen, or 1.4%, compared to March 31, 2019. Total core funding (deposits, negotiable certificates of deposit, debentures and bonds) was 3,656.8 billion yen, an increase of 142.1 billion yen, or 4.0%, from March 31, 2019.

Net assets were 424.7 billion yen, representing a decrease of 23.9 billion yen, or 5.3%, from March 31, 2019, reflecting a decreased valuation difference on available-for-sale securities. Net assets per common share were 3,659.84 yen, as compared to 3,844.08 yen per common share as of March 31, 2019.

For FY2019, net revenue was 95.7 billion yen, an increase of 11.8 billion yen, or 14.2% year on year, and business profit was 42.3 billion yen, an increase of 7.9 billion yen, or 23.0%. Profit attributable to owners of parent was 28.1 billion yen, a decrease of 7.9 billion yen, or 22.1%.

Net interest income was 48.7 billion yen, a decrease of 1.4 billion yen, or 3.0% year on year. The decline was primarily due to lower interest and dividends on securities, which offset the higher level of interest on loans and discounts.

Non-interest income was 46.9 billion yen, an increase of 13.3 billion yen, or 39.8%, reflecting strong performance particularly from retail-related income and loan fees during the fourth quarter (Jan.-Mar.), and continued a trend of positive results generated from customer-based transactions during the first nine months.

General and administrative expenses were 53.3 billion yen, an increase of 3.9 billion yen, or 8.0%. This was mainly due to incremental expenses associated with our internet banking subsidiary and our new retail banking smartphone app, BANK™.

Consolidated business profit was 42.3 billion yen, an increase of 7.9 billion yen, or 23.0%.

Credit-related expenses were a net expense of 11.7 billion yen, mainly due to loss reserves established during the fourth quarter (Jan.-Mar.) as a result of the potential impact of COVID-19 on customer credit quality and business conditions. Gains/losses on stock transactions were a gain of 11.6 billion yen. Ordinary profit was 43.3 billion yen, a decrease of 4.4 billion yen, or 9.3%.

Total income taxes (corporation tax, resident tax, business tax and deferred income taxes) were a net expense of 17.7 billion yen, as compared to a net expense of 13.7 billion yen in FY2018.

As a result of the above factors, profit attributable to owners of parent was 28.1 billion yen, a decrease of 7.9 billion yen, or 22.1% year on year. Net income per common share (basic) was 241.18 yen, as compared to 309.67 yen per common share (basic) in FY2018.

For this fiscal year the Bank has decided to pay a full-year dividend per common share of 156 yen.

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 ('RBG'), Institutional Banking Group ('IBG'), Allied Banking Group ('ABG'), Specialty Finance Group ('SFG'), International Finance Group ('IFG'), and Financial Markets Group ('FMG'). 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 FY2019, which is calculated as net revenue minus general and administrative expenses by each segment, was: a profit of 1.6 billion yen (a loss of less than 0.1 billion yen in FY2018) for RBG; a profit of 10.3 billion yen (8.6 billion yen) for IBG; a profit of 3.5 billion yen (4.1 billion yen) for ABG;

a profit of 10.1 billion yen (10.2 billion yen) for SFG; a profit of 6.0 billion yen (6.1 billion yen) for IFG; and a profit of 14.5 billion yen (6.2 billion yen) for FMG.

(Reference)

Summary of consolidated revenue and expenses

(Unit:JPY 100 million)

|                                                                       | FY2018 | FY2019 | Change |
|-----------------------------------------------------------------------|--------|--------|--------|
| Net revenue ※1                                                        | 838    | 957    | 118    |
| Net interest income                                                   | 502    | 487    | (14)   |
| Net fees and commissions                                              | 129    | 126    | (2)    |
| Net trading income                                                    | 83     | 180    | 97     |
| Gains/losses on bond transactions                                     | 49     | 145    | 96     |
| Net other ordinary income excluding gains/losses on bond transactions | 73     | 16     | (57)   |
| General and administrative expenses                                   | (494)  | (533)  | (39)   |
| Business profit ※2                                                    | 344    | 423    | 79     |
| Credit-related expenses                                               | (10)   | (117)  | (107)  |
| Gains/losses on stock transactions                                    | 132    | 116    | (16)   |
| Other                                                                 | 11     | 10     | (0)    |
| Ordinary profit                                                       | 477    | 433    | (44)   |
| Extraordinary profit/loss                                             | (0)    | (0)    | (0)    |
| Profit before income taxes                                            | 477    | 433    | (44)   |
| Total income taxes                                                    | (137)  | (177)  | (39)   |
| Profit                                                                | 340    | 255    | (84)   |
| Loss attributable to non-controlling interests                        | 21     | 25     | 4      |
| Profit attributable to owners of parent                               | 361    | 281    | (79)   |

※1 Net revenue = (Interest income—Interest expenses) + (Trust fees+Fees and commissions income—Fees and commissions expenses) + (Trading income—Trading expenses) + (Other ordinary income—Other ordinary expenses)

※2 Business profit = Net revenue—General and administrative expenses

※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.

[Management Policy, Management Environment and Challenges Facing the Bank, etc.]

The Bank's management policy, management environment and challenges facing the Bank are as follows. The matters regarding the future in the text are judgments by the Bank as of the end of the current fiscal year.

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 the Bank's vision and strategic direction. As a result of this reassessment, Aozora has updated its management philosophy consisting of its mission, vision and key priorities.

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

#### (i) Management Policy

The Bank's management policy is as follows.

##### Aozora Mission

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

##### Aozora Vision

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

##### Aozora's Key Priorities

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

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

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

#### (ii) Business Plan

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

Aozora will actively contribute to the sustainable development of Japanese society by supporting the development of emerging industries and new companies established in anticipation of the future information technology society, as well as regional revitalization/development, wealth building and smooth business succession for our customers. Aozora will also generate new ideas and innovation within each of its areas of business, leveraging its skill base and organizational flexibility to become a distinctive Partner Bank within Japan, offering our retail, corporate and financial institution customers with value-added products and services based on ideas drawn from our experienced staff members.

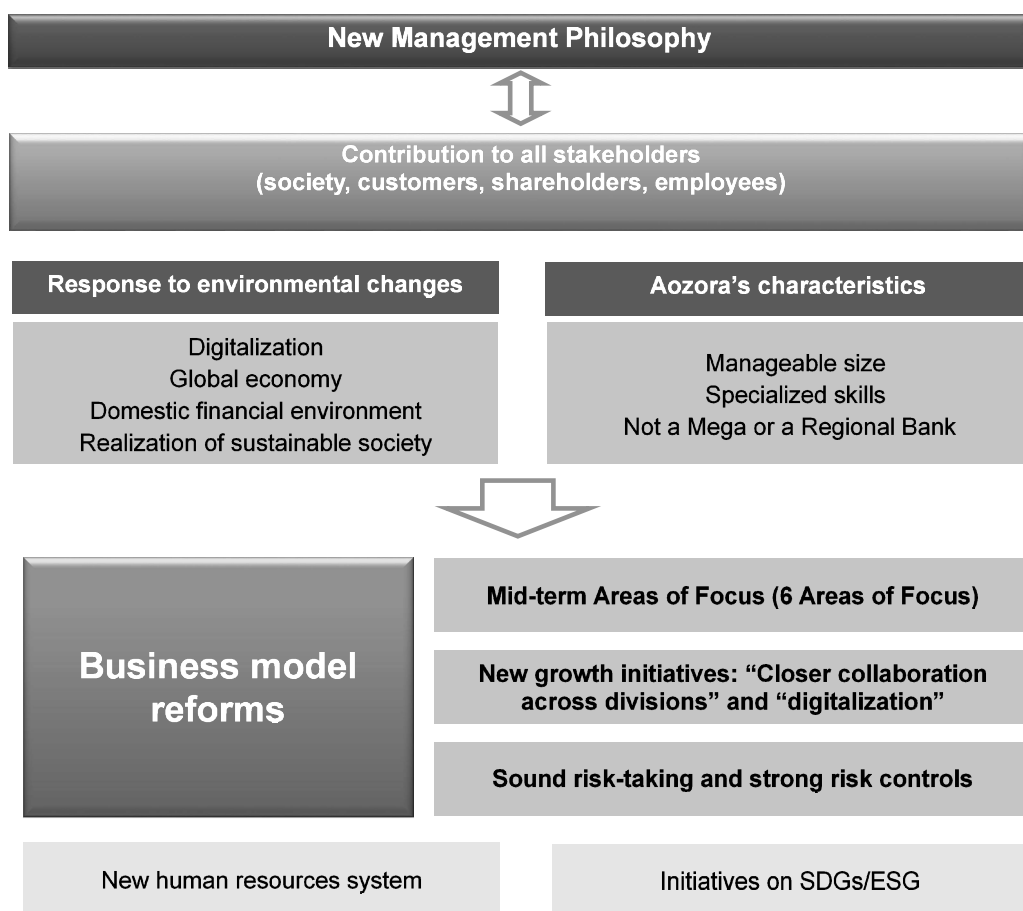
As the world remains in the midst of the COVID-19 pandemic, many of our customers and communities are facing highly challenging and acutely severe conditions. Aozora is dedicated to responding to their needs while also serving as a valued partner by providing support for our customers' efforts to start up new business.

Aozora will strive to achieve sustainable growth through sound risk-taking and proactive risk-controls. In light of the current economic environment, our intent is to deliver a cash dividend while providing returns to shareholders based on our earnings performance. We also aim to create a common sense of purpose among our employees and support a workplace conducive to their growth and productivity through the development of a new personnel system designed to facilitate teamwork and better encouragement of taking on new challenges, which will ultimately lead to sustainable growth for the entire Aozora organization.

#### ①Establishing AOZORA Partner Bank

Over the three years ending in fiscal year 2022, Aozora intends to generate new ideas and innovation within each of its business areas, leveraging its skill base and organizational flexibility to become a distinctive Partner Bank within Japan, offering our retail, corporate and financial institution customers value-added products and services based on ideas drawn from our experienced staff members.

## ②General Picture of AOZORA2022



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

|                                                                                                                                             |                                                                                                                                               |                                                                                                                                                              |
|---------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Retail Banking</b><br>Specialized consulting and integrated financial services for retail customers                                      | <b>Corporate Finance</b><br>Established position as the key player in restructuring business such as M&A and buyout finance                   | <b>Financial Institutions</b><br>Contribution to the revitalization of local economy by solving the management issues of regional financial institutions     |
| <b>Specialty Finance</b><br>Expanded specialty finance by capitalizing on high-level expertise in real estate and business recovery finance | <b>International</b><br>Enhanced capacity for flexibly controlling the portfolio by forming a seamless monitoring framework on a global scale | <b>Financial Markets</b><br>Better capability for risk-hedging sales and product development, establishment of the portfolio resistant to market fluctuation |

< New growth initiatives >

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

(\*) API: API is a computing interface to a software component or a system which defines procedures and data formats to call and use a computer program's (software's) functions and data from other external programs.

< 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.

### ③Mid-Term Plan 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 conditions, annual earnings targets will be communicated at the beginning of each fiscal year.

#### KPIs 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<br>(KPIs) | Mid-Term Plan targets<br>(FY2020-22) |
|--------------------------------------|--------------------------------------|
| Overhead ratio (OHR)                 | Lower 50%                            |
| Business profit*ROA                  | 1%                                   |
| ROE                                  | 8% or higher                         |

\*Including gains/losses on equity method investments

### ④Capital and dividend policies

To enhance our sustainable corporate value, Aozora has created and adheres to a capital and dividend policy which aims to maintain a proper balance among “stable shareholder returns”, “strategic investments” and “financial strength.”

#### Equity capital

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

#### Shareholder returns

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

### (iii) Challenges Facing the Bank

For the business environment facing financial institutions, we need to address the development of digitalization, growing needs for asset accumulation toward the era of the 100-year lifespan and business/asset succession to the next generation, increasing needs for corporate reorganization or business recovery. At the same time, our challenges include responses to changing systems/regulations and business operations. Aozora believes that it is necessary for us to properly deal with these issues.

In addition, many customers are facing difficult conditions at the present time, adversely affected economically by the impact of the COVID-19 pandemic. In addition to taking good care of customers in view of their needs, Aozora Group intends to support the customers' new businesses as their trusted partner.

Key priorities in each of our businesses in view of these challenges are as follows:

#### ① Business Group

##### <Retail Banking Group>

RBG delivers professional consulting and comprehensive financial services by combining 2 channels, which are "Staffed Branches" and "BANK", a new smartphone application-based money service. Under "Customer-first business operation", the staffed branches provide the professional consulting about the property and business succession in cooperation with tax accountants, financial planners and responsible staff for M&A/corporate banking business and "BANK" increasingly improves its services such as introduction of BANK Branch's unique products, making every effort to expand transactions with working-generation customers.

##### <Institutional Banking Group>

IBG intends to establish a position as a lead provider in the business reconstruction business including M&A and buyout financing. At the same time, IBG intends to flexibly work on businesses satisfying a broad range of risk hedging requirements. In addition, while meeting specific needs of customers affected by an expansion of COVID-19, IBG intends to support business restructuring and corporate growth by forming private equity funds.

##### <Allied Banking Group>

ABG provides financial solutions and services in a comprehensive manner in order to solve business challenges faced by regional financial institutions' clients, and intends to proactively contribute also to the regional economic revitalization through regional financial institutions.

##### <Specialty Finance Group>

SFG will work on investments and loans to respond to the impact of COVID-19 on the economy and society by utilizing our high expertise in real estate/business revitalization.

##### <International Finance Group>

IFG is preparing for the start-up of "Aozora North America, Inc.", an overseas subsidiary in New York. The new entity will strengthen a global and seamless monitoring system in cooperation among North America, Asia and Europe-based subsidiaries and Tokyo. IFG attempts to flexibly control its globally-diversified portfolio by collecting local information in each region on a real-time basis.



#### <Financial Markets Group>

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 Business Group.

#### <Trust Business Group>

With a focus on securitization of our customers' assets such as monetary claims, real estate, and securities, we will provide services using profound possibilities of trust functions to meet the various customer needs.

#### <Internet Banking Business (GMO Aozora Net Bank (GANB))>

GANB intends to be a unique internet bank mainly for corporate customers by offering a variety of APIs. While internet transactions are increasing, by using API, we will actualize internet business expansion/operational efficiency promotion of customers, and establish a business model that is based on stable exchange/settlement fees.

### ②Sound 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.

#### <Risk Control by Flexible Monitoring>

We continuously conduct predictive control based on close communication among the Business Group, the Risk Group and senior management by taking advantage of the size of our organization. We intend to continue to focus on the selective use of equity capital in terms of both effectiveness and soundness through our enhanced stress testing. In addition, we will continue flexible operations in order to control a balance between aggregate risk asset levels and risk levels within each asset class in preparation for significant changes in the future and intend to strengthen/improve simulations prepared for a broad range of contingencies.

#### <Diversification of Funding Tools>

We intend to control a balance in quantity and costs of the entire funding while expanding deposit transactions with our working-generation customers through "BANK". In addition, we intend to progressively diversify foreign-currency funding tools.

#### <Improvement in Compliance Framework>

We intend to maintain and improve compliance awareness of officers and employees as well as steadily and appropriately responding to revised laws/systems and changing outside rules/social demands.

#### <Responses to Cybersecurity Incidents>

We intend to continuously train cybersecurity personnel and maintain a required level while effectively taking entry/exit measures against standard cyberattacks and internal measures including the monitoring of unauthorized access in a balanced manner.

## (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 100 million)

|                                         | FY2016 | FY2017 | FY2018 | FY2019 |
|-----------------------------------------|--------|--------|--------|--------|
| Ordinary Income                         | 1,347  | 1,488  | 1,601  | 1,844  |
| Ordinary Profit                         | 517    | 579    | 477    | 433    |
| Profit attributable to owners of parent | 438    | 430    | 361    | 281    |
| Comprehensive Income                    | 352    | 386    | 309    | (64)   |
| Net Assets                              | 4,203  | 4,372  | 4,487  | 4,247  |
| Total Assets                            | 45,860 | 49,127 | 52,550 | 52,998 |

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

## B) Assets and Profit or Loss of the Bank

(Unit: JPY 100 million)

|                                                         | FY2016                | FY2017                | FY2018                | FY2019                |
|---------------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Deposits                                                | 28,664                | 29,803                | 31,966                | 33,259                |
| Time Deposits                                           | 22,185                | 22,811                | 24,653                | 24,005                |
| Other                                                   | 6,479                 | 6,991                 | 7,313                 | 9,253                 |
| Debentures<br>(Long-Term Credit Bank Bond)              | 1,206                 | 647                   | 513                   | 446                   |
| Bonds Payable<br>(Excluding Long-Term Credit Bank Bond) | 1,256                 | 1,928                 | 2,325                 | 2,152                 |
| Loans and Bills Discounted                              | 25,383                | 26,247                | 27,821                | 29,375                |
| Retail                                                  | 28                    | 23                    | 19                    | 15                    |
| Small/ Medium Companies                                 | 18,236                | 19,827                | 21,541                | 23,607                |
| Other                                                   | 7,118                 | 6,396                 | 6,260                 | 5,751                 |
| Trading Assets                                          | 2,106                 | 1,796                 | 1,998                 | 2,593                 |
| Trading Liabilities                                     | 1,977                 | 1,302                 | 1,777                 | 2,112                 |
| Securities                                              | 10,106                | 12,099                | 13,149                | 11,515                |
| Government Bonds                                        | 80                    | 80                    | -                     | -                     |
| Other                                                   | 10,026                | 12,018                | 13,149                | 11,515                |
| Total Assets                                            | 45,834                | 49,072                | 52,058                | 52,126                |
| Domestic Exchange Transactions                          | 87,594                | 78,742                | 72,592                | 94,483                |
| Foreign Exchange Transactions                           | USD million<br>6,469  | USD million<br>7,244  | USD million<br>9,450  | USD million<br>11,576 |
| Ordinary Profit                                         | JPY million<br>50,081 | JPY million<br>56,948 | JPY million<br>51,335 | JPY million<br>45,342 |
| Profit                                                  | JPY million<br>43,475 | JPY million<br>42,015 | JPY million<br>38,043 | JPY million<br>28,669 |
| Net Income per Share                                    | JPY<br>372.73         | JPY<br>360.17         | JPY<br>326.06         | JPY<br>245.70         |
| Trust Assets                                            | -                     | -                     | 7,973                 | 8,354                 |
| Trust Fees                                              | JPY million<br>-      | JPY million<br>-      | JPY million<br>189    | JPY million<br>462    |

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

- The balance of 'Deposits' and 'Other' under 'Deposits' includes negotiable certificates of deposit.
- '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.
- 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, 2017.
- 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, 2020   |                  | March 31, 2019   |                  |
|---------------------|------------------|------------------|------------------|------------------|
|                     | Banking Business | Other Operations | Banking Business | Other Operations |
| Number of Employees | 2,104            | 164              | 2,032            | 161              |

- (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 as of March 31, 2020. (21 as of March 31, 2019)

Overseas: None as of March 31, 2020. (None as of March 31, 2019)

In addition to the above, the Bank has 3 overseas representative offices as of March 31, 2020 (3 as of March 31, 2019):

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, China  
Aozora Europe Limited: London, United Kingdom  
Aozora North America, Inc.: Delaware, 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

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           | 5,766  |
| Other             | 250    |
| Total             | 6,016  |

B) Establishment of Material Facilities, etc.

(Unit: JPY million)

| Operating Segment | Company Name              | Description                                                         | Amount |
|-------------------|---------------------------|---------------------------------------------------------------------|--------|
| Banking           | The Bank                  | System development related to new money service "BANK"              | 1,485  |
|                   | GMO Aozora Net Bank, Ltd. | Internet banking system enhancement<br>Open API service development | 1,642  |

(Notes) The amounts in the table above show fixed assets, etc. recorded in FY2019

## (6) Parent company and major subsidiaries

## A) Parent company

None

## B) Subsidiaries

(As of March 31, 2020)

| Company Name                                     | Location                            | Principal Business Activities  | Incorporation Date | Stated Capital (JPY millions)        | Voting Rights held by the Bank (%) | Other |
|--------------------------------------------------|-------------------------------------|--------------------------------|--------------------|--------------------------------------|------------------------------------|-------|
| GMO Aozora Net Bank, Ltd.                        | Shibuya-ku, Tokyo                   | Banking business               | February 28, 1994  | 13,101                               | 85.10%                             | —     |
| Aozora Loan Services Co., Ltd.                   | Chiyoda-ku, Tokyo                   | Distressed loan servicing      | June 18, 1996      | 500                                  | 67.60%                             | —     |
| Aozora Securities Co., Ltd.                      | Chiyoda-ku, Tokyo                   | Financial instruments business | January 23, 2006   | 3,000                                | 100.00%                            | —     |
| Aozora Regional Consulting Co., Ltd.             | Chiyoda-ku, Tokyo                   | Business consulting services   | March 21, 2013     | 10                                   | 100.00%                            | —     |
| Aozora Investment Management Co., Ltd.           | Chiyoda-ku, Tokyo                   | Investment management services | February 4, 2014   | 450                                  | 100.00%                            | —     |
| Aozora Real Estate Investment Advisors Co., Ltd. | Chiyoda-ku, Tokyo                   | Investment advisory services   | January 6, 2015    | 150                                  | 100.00%                            | —     |
| ABN Advisors Co., Ltd.                           | Chiyoda-ku, Tokyo                   | M&A advisory services          | May 24, 2017       | 200                                  | 100.00%                            | —     |
| Aozora Corporate Investment Co., Ltd.            | Chiyoda-ku, Tokyo                   | Venture capital investment     | April 24, 2018     | 15                                   | 100.00%                            | —     |
| Aozora Asia Pacific Finance Limited              | Hong Kong, Republic of China        | Financial services             | June 29, 2005      | 11,376<br>(100,000 Thousands of USD) | 100.00%                            | —     |
| Aozora Europe Limited                            | London, United Kingdom              | Financial services             | December 15, 2015  | 180<br>(1,000 Thousands of GBP)      | 100.00%                            | —     |
| Aozora North America, Inc.                       | Delaware, USA                       | Investments                    | November 21, 2006  | 45<br>(411 Thousands of USD)         | 100.00%                            | —     |
| AZB Funding                                      | Cayman Islands, British West Indies | Investment vehicle             | June 1, 2012       | 0<br>(0 Thousands of USD)            | —                                  | —     |
| AZB Funding 2                                    | Cayman Islands, British West Indies | Investment vehicle             | March 19, 2013     | 0<br>(0 Thousands of USD)            | —                                  | —     |
| AZB Funding 3                                    | Cayman Islands, British West Indies | Investment vehicle             | September 18, 2013 | 0<br>(0 Thousands of USD)            | —                                  | —     |
| AZB Funding 4 Limited                            | Dublin, Ireland                     | Investment vehicle             | March 18, 2014     | 0<br>(0 Thousands of EUR)            | —                                  | —     |
| AZB Funding 5                                    | Cayman Islands, British West Indies | Investment vehicle             | August 18, 2014    | 0<br>(0 Thousands of USD)            | —                                  | —     |
| AZB Funding 6                                    | Cayman Islands, British West Indies | Investment vehicle             | July 7, 2015       | 0<br>(0 Thousands of USD)            | —                                  | —     |
| AZB Funding 7                                    | Cayman Islands, British West Indies | Investment vehicle             | November 26, 2015  | 0<br>(0 Thousands of USD)            | —                                  | —     |
| AZB Funding 8 Limited                            | Dublin, Ireland                     | Investment vehicle             | August 15, 2016    | 0<br>(0 Thousands of USD)            | —                                  | —     |
| AZB Funding 9 Limited                            | Dublin, Ireland                     | Investment vehicle             | January 29, 2018   | 0<br>(0 Thousands of USD)            | —                                  | —     |
| AZB Funding 10 Limited                           | Dublin, Ireland                     | Investment vehicle             | April 10, 2018     | 0<br>(0 Thousands of EUR)            | —                                  | —     |
| AZB Funding 11 Limited                           | Dublin, Ireland                     | Investment vehicle             | January 30, 2020   | 0<br>(0 Thousands of USD)            | —                                  | —     |
| AZB Funding 12 Limited                           | Dublin, Ireland                     | Investment vehicle             | January 30, 2020   | 0<br>(0 Thousands of USD)            | —                                  | —     |

(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 and 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. The Bank joined hands to provide account holder confirmation services for cash transfer using automatic cash dispensers 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., the Japan Net Bank, Limited, Seven Bank, Ltd., Rakuten Bank, Ltd., AEON Bank, Ltd., Citibank, N.A., SMBC Trust Bank Ltd., SBI Sumishin Net Bank, Ltd., Sony Bank Incorporated, Jibun Bank Corporation, Shinhan Bank Japan, Daiwa Next Bank, Ltd., ORIX Bank Corporation, GMO Aozora Net Bank Ltd., Lawson Bank, Inc., 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 signed an arrangement with Aozora Securities Co., Ltd. to provide financial intermediary services such as structured notes for corporate and retail customers on August 1, 2006.
6. 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.
7. The Bank formed a comprehensive business alliance with the Bank of Yokohama, Ltd. in the investment banking area on May 24, 2007.
8. The Bank formed a comprehensive business alliance with the Toho Bank, Ltd. relating to loan business on August 6, 2007.
9. 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).
10. 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.
11. The Bank formed a comprehensive business alliance with the Hokkaido Bank, Ltd. in the area of agricultural sector finance on August 26, 2009.
12. 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.
13. On February 6, 2013, the Bank reached an agreement for business matching with THE SENDAI BANK, LTD.

14. 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.
15. 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.
16. On March 26, 2013, the Bank reached an agreement for business matching with TOMATO BANK, LTD.
17. 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).
18. On November 14, 2013, the Bank signed an agreement with KANEMATSU CORPORATION related to support for overseas business expansion through cross border business matching.
19. 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).
20. 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).
21. 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.
22. On March 28, 2016, the Bank reached an agreement for regional revitalization with Bank of the Ryukyus, Limited.
23. 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)
24. 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.
25. The Bank formed a comprehensive business alliance with Ho Chi Minh City Securities Corporation (Head Office: Ho Chi Minh City, Viet Nam) on November 8, 2017, aimed at strengthening business cooperation for two-way cross border M&A advisory services.
26. 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.
27. The Bank formed a capital and business alliance with Amidas Partners, Inc. regarding M&A operations on October 1, 2019.
28. 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.

(7) Assignment of Operations  
None

- (8) Other Major Issues Concerning the Current Status of the Corporate Group  
Aozora Bank executed a capital and business alliance agreement with Orient Commercial Joint Stock Bank, Ltd., a mid-sized commercial bank based in Vietnam (‘OCB Bank’), effective December 6, 2019.  
OCB Bank is expected to become an affiliated company of Aozora Bank, accounted for by the equity method, subject to acquisition of 15% of OCB Bank’s common shares following approval from regulatory authorities.

## 2. Matters Concerning Directors and Audit & Supervisory Board Members

### (1) Directors and Audit & Supervisory Board Members

(As of March 31, 2020)

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

- (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. Outside Director Tomonori Ito retired from the position of External Director of PARCO CO., LTD on May 25, 2019.
3. Audit & Supervisory Board Member Toraki Inoue retired from the position of Outside Audit & Supervisory Board Member of Kao Corporation on March 25, 2020.



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

| Name             | June 25, 2019                                                                                                        | July 1, 2019                                          |
|------------------|----------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| Tomomi Akutagawa | Director and Managing Executive Officer<br>Head of Corporate Strategy Unit and Head of Office of Corporate Secretary | Director and Senior Managing Executive Officer<br>CFO |

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

(Unit : JPY million)

| Category                          | Number of Recipients | Remuneration and Benefits |
|-----------------------------------|----------------------|---------------------------|
| Directors                         | 9                    | 312                       |
| Audit & Supervisory Board Members | 3                    | 53                        |
| Total                             | 12                   | 366                       |

- (Notes) 1. The number of recipients and the remuneration and benefits include those of a director who retired at the close of the 86<sup>th</sup> Annual General Shareholders' Meeting held on June 25, 2019.
2. The ceiling of base remuneration and bonuses for directors was determined as 600 million yen per year at the 82<sup>nd</sup> Annual General Shareholders' Meeting held on June 26, 2015. Apart from this, the Bank approved the grant of equity compensation type stock options of up to 150 million yen per year to full-time directors at the 81<sup>st</sup> Annual General Shareholders' Meeting held on June 26, 2014 in addition to the aforementioned ceiling.
3. The base remuneration ceiling for audit & supervisory board members was determined as 60 million yen per year at the 73<sup>rd</sup> Annual General Shareholders' Meeting held on June 23, 2006.
4. The remuneration and benefits for directors include the bonus to directors in the amount of 37 million yen in this fiscal year.
5. The remuneration and benefits for directors include equity compensation type stock options in the amount of 44 million yen granted to full-time directors.

(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       |                                                                                                                                                                      |

### 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, 2020)

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

- (Notes) 1. Outside Director Tomonori Ito retired from the position of External Director of PARCO CO., LTD on May 25, 2019.
2. Audit & Supervisory Board Member Toraki Inoue retired from the position of Outside Audit & Supervisory Board Member of Kao Corporation on March 25, 2020.

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

(As of March 31, 2020)

| Name            | Term served     | Attendance at Board meetings, etc.                                                                                                                         | Remarks or other activities performed at Board meetings, etc.                                                                                                                                                                                           |
|-----------------|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Shunsuke Takeda | 12 yrs<br>10 ms | Attended all 14 Board meetings during the relevant fiscal year                                                                                             | Expressing opinions and offering proposals based on substantial experience, achievements and expertise as a top management executive for financial institutions and business corporations.                                                              |
| Hiroyuki Mizuta | 6 yrs<br>10 ms  | Attended all 14 Board meetings during the relevant fiscal year                                                                                             | Expressing opinions and offering proposals based on substantial experience as a top management executive of financial institutions, and substantial experience, achievements and expertise as a member of the management team of business corporations. |
| Ippei Murakami  | 5 yrs<br>10 ms  | Attended all 14 Board meetings during the relevant fiscal year                                                                                             | Expressing opinions and offering proposals based on substantial experience as a top management executive of business corporations.                                                                                                                      |
| Tomonori Ito    | 5 yrs<br>10 ms  | Attended all 14 Board meetings during the relevant fiscal year                                                                                             | Expressing opinions and offering proposals based on substantial experience in financial institutions, expertise as a professor of a graduate school, and substantial knowledge and achievement as an executive of business corporations.                |
| Kiyoto Hagiwara | 4 yrs<br>10 ms  | Attended all 14 Board meetings during the relevant fiscal year<br>Attended 12 out of 13 Audit & Supervisory Board meetings during the relevant fiscal year | Expressing opinions and making proposals based on substantial experience and insight in the finance and banking business                                                                                                                                |
| Toraki Inoue    | 3 yrs<br>10 ms  | Attended all 14 Board meetings during the relevant fiscal year<br>Attended all 13 Audit & Supervisory Board meetings during the relevant fiscal year       | Expressing opinions and making proposals 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. Stock Data of the Bank

|                         |                |
|-------------------------|----------------|
| (1) Number of Shares    | (In thousands) |
| Authorized Shares       | 289,828        |
| Number of Stocks Issued | 118,289        |

(Notes) 1. The Number of Stocks Issued includes treasury shares of 1,604 thousand.

2. The number of shares is in thousands, rounded down to the nearest thousand.

|                                                              |        |
|--------------------------------------------------------------|--------|
| (2) Number of Stockholders as of the End of This Fiscal Year | 81,340 |
|--------------------------------------------------------------|--------|

#### (3) Major Shareholders

(As of March 31, 2020)

| 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)              | 9,731                                | 8.33%                                  |
| Japan Trustee Services Bank, Ltd. (Trust Account)                 | 4,550                                | 3.89%                                  |
| Japan Trustee Services Bank, Ltd. (Trust Account 9)               | 3,965                                | 3.39%                                  |
| Japan Trustee Services Bank, Ltd. (Trust Account 5)               | 2,393                                | 2.05%                                  |
| JP MORGAN CHASE BANK 385151                                       | 2,079                                | 1.78%                                  |
| STATE STREET BANK WEST CLIENT-TREATY 505234                       | 1,703                                | 1.46%                                  |
| JPMorgan Securities Japan Co., Ltd.                               | 1,640                                | 1.40%                                  |
| STATE STREET BANK AND TRUST COMPANY 505103                        | 1,572                                | 1.34%                                  |
| Japan Trustee Services Bank, Ltd. (Trust Account 7)               | 1,473                                | 1.26%                                  |
| The Nomura Trust and Banking Co., Ltd. (Investment Trust Account) | 1,406                                | 1.20%                                  |

(Notes) 1. 'The major shareholders' are top 10 shareholders, excluding treasury shares held by the Bank (1,604 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 (1,604 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, 2020.

#### (4) 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 <sup>st</sup> Series | August 1, 2014 | 2,535                           | 25,350                                                                    | 32,300                                         | 1                                 | August 2, 2014 ~ August 1, 2044 |
| 2 <sup>nd</sup> Series | July 14, 2015  | 2,297                           | 22,970                                                                    | 43,800                                         | 1                                 | July 15, 2015 ~ July 14, 2045   |
| 3 <sup>rd</sup> Series | July 15, 2016  | 3,433                           | 34,330                                                                    | 34,200                                         | 1                                 | July 16, 2016 ~ July 15, 2046   |
| 4 <sup>th</sup> Series | July 13, 2017  | 2,654                           | 26,540                                                                    | 39,800                                         | 1                                 | July 14, 2017 ~ July 13, 2047   |
| 5 <sup>th</sup> Series | July 13, 2018  | 2,554                           | 25,540                                                                    | 38,320                                         | 1                                 | July 14, 2018 ~ July 13, 2048   |
| 6 <sup>th</sup> Series | July 11, 2019  | 4,742                           | 47,420                                                                    | 23,520                                         | 1                                 | July 12, 2019 ~ July 11, 2049   |

(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 1<sup>st</sup> Series, the same period following the day on which the holder ceases to be in the position of a Director).

2. The 1<sup>st</sup> Series was issued to Directors only.

3. The number of shares indicates those after one-for-ten reverse stock-split effective October 1, 2017.

### (1) Stock Options held by directors of the Bank as of March 31, 2020

| 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 <sup>st</sup> Series | Directors of the Bank (Other than Outside Directors) | 1,352                          | 13,520                                                                    | 2                 |
| 2 <sup>nd</sup> Series |                                                      | 720                            | 7,200                                                                     | 4                 |
| 3 <sup>rd</sup> Series |                                                      | 983                            | 9,830                                                                     | 4                 |
| 4 <sup>th</sup> Series |                                                      | 819                            | 8,190                                                                     | 4                 |
| 5 <sup>th</sup> Series |                                                      | 965                            | 9,650                                                                     | 4                 |
| 6 <sup>th</sup> Series |                                                      | 1,885                          | 18,850                                                                    | 4                 |

(Notes) Stock options in the 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> Series include options held by two Directors as of the fiscal year ended March 31, 2020 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 |
|------------------------|--------------------------------|--------------------------------|---------------------------------------------------------------------------|-------------------|
| 6 <sup>th</sup> Series | Executive Officers of the Bank | 2,857                          | 28,570                                                                    | 18                |

## 6. Matters Concerning Independent Accounting Auditors

(1) Independent Accounting Auditors

(Unit: JPY million)

| Name                                                                                                                               | Fees for This Fiscal Year | Other                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|------------------------------------------------------------------------------------------------------------------------------------|---------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Deloitte Touche<br>Tohmatsu LLC<br>Designated Limited<br>Liability Partner,<br>Kentaro Fukada<br>Tatsuya Hiraki<br>Masashi Tsurumi | 232                       | Reason for acknowledgment of the fees by the Audit & Supervisory Board ('the ASB):<br>The ASB of the Bank received documents and direct explanation from the independent accounting auditors, analyzed and confirmed 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.<br><br>Non-audit services:<br>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 277 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) 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 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 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. 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 sign an “Annual Acknowledgment of the Code of Conduct and Ethics” to indicate that they understand 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.
- 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 maintained it.
  - 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.
  - 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 Bank has drawn up a Business Contingency Plan (BCP) and verifies its effectiveness on an as-needed basis. All officers including the Chief Executive Officer (CEO) and employees of the Bank participate in various training programs and seminars such as non-workday drills to raise awareness of crisis management and improve its effectiveness.
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 unessecary 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 FY2018-2020” in May 2018, 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 to maintain a relatively stable cash dividend, 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 as well as the capital policy, in order to enhance corporate value and make an appropriate return of profits to its shareholders.

Consolidated balance sheet as of March 31, 2020

(Millions of yen)

| ( Assets )                                            |           | ( Liabilities )                                                      |           |
|-------------------------------------------------------|-----------|----------------------------------------------------------------------|-----------|
| Cash and due from banks                               | 464,275   | Deposits                                                             | 3,349,659 |
| Receivables under resale agreements                   | 71,011    | Negotiable certificates of deposit                                   | 47,240    |
| Monetary claims bought                                | 66,778    | Debentures                                                           | 44,660    |
| Trading assets                                        | 259,378   | Call money and bills sold                                            | 38,728    |
| Money held in trust                                   | 27,213    | Payables under repurchase agreements                                 | 27,758    |
| Securities                                            | 1,073,670 | Payables under securities lending transactions                       | 281,325   |
| Loans and bills discounted                            | 2,954,122 | Trading liabilities                                                  | 211,223   |
| Foreign exchanges                                     | 67,168    | Borrowed money                                                       | 427,610   |
| Other assets                                          | 276,592   | Bonds payable                                                        | 215,275   |
| Tangible fixed assets                                 | 23,698    | Other liabilities                                                    | 194,694   |
| Buildings, net                                        | 11,670    | Provision for bonuses                                                | 4,054     |
| Land                                                  | 9,235     | Provision for bonuses for directors (and other officers)             | 86        |
| Leased assets, net                                    | 942       | Retirement benefit liability                                         | 10,348    |
| Construction in progress                              | 26        | Provision for retirement benefits for directors (and other officers) | 3         |
| Other tangible fixed assets                           | 1,824     | Provision for credit losses on off-balance-sheet instruments         | 562       |
| Intangible fixed assets                               | 19,210    | Provision for contingent loss                                        | 364       |
| Software                                              | 19,143    | Reserves under special laws                                          | 8         |
| Other intangible fixed assets                         | 67        | Deferred tax liabilities                                             | 25        |
| Retirement benefit asset                              | 2,507     | Acceptances and guarantees                                           | 21,426    |
| Deferred tax assets                                   | 26,960    | Total liabilities                                                    | 4,875,056 |
| Customers' liabilities for acceptances and guarantees | 21,426    | ( Net assets )                                                       |           |
| Allowance for loan losses                             | (53,799)  | Share capital                                                        | 100,000   |
| Allowance for investment loss                         | (399)     | Capital surplus                                                      | 87,388    |
|                                                       |           | Retained earnings                                                    | 269,545   |
|                                                       |           | Treasury shares                                                      | (3,297)   |
|                                                       |           | Total shareholders' equity                                           | 453,635   |
|                                                       |           | Valuation difference on available-for-sale securities                | (24,340)  |
|                                                       |           | Deferred gains or losses on hedges                                   | 229       |
|                                                       |           | Foreign currency translation adjustment                              | (806)     |
|                                                       |           | Remeasurements of defined benefit plans                              | (1,669)   |
|                                                       |           | Total accumulated other comprehensive income                         | (26,587)  |
|                                                       |           | Share acquisition rights                                             | 444       |
|                                                       |           | Non-controlling interests                                            | (2,734)   |
|                                                       |           | Total net assets                                                     | 424,758   |
| Total assets                                          | 5,299,815 | Total liabilities and net assets                                     | 5,299,815 |

Consolidated statement of income  
(For the fiscal year ended March 31, 2020)

(Millions of yen)

|                                                                          |                |                |
|--------------------------------------------------------------------------|----------------|----------------|
| <b>Ordinary income</b>                                                   | <b>95,409</b>  | <b>184,406</b> |
| <b>Interest income</b>                                                   |                |                |
| Interest on loans and discounts                                          | 61,440         |                |
| Interest and dividends on securities                                     | 31,409         |                |
| Interest on call loans and bills bought                                  | (5)            |                |
| Interest on receivables under resale agreements                          | (1)            |                |
| Interest on deposits with banks                                          | 839            |                |
| Other interest income                                                    | 1,726          |                |
| <b>Trust fees</b>                                                        | <b>462</b>     |                |
| <b>Fees and commissions</b>                                              | <b>14,168</b>  |                |
| <b>Trading income</b>                                                    | <b>26,505</b>  |                |
| <b>Other ordinary income</b>                                             | <b>31,175</b>  |                |
| <b>Other income</b>                                                      | <b>16,685</b>  |                |
| Recoveries of written off receivables                                    | 501            |                |
| Reversal of provision for credit losses on off-balance-sheet instruments | 296            |                |
| Other                                                                    | 15,887         |                |
| <b>Ordinary expenses</b>                                                 |                | <b>141,076</b> |
| <b>Interest expenses</b>                                                 | <b>46,619</b>  |                |
| Interest on deposits                                                     | 7,278          |                |
| Interest on negotiable certificates of deposit                           | 7              |                |
| Interest on debentures                                                   | 138            |                |
| Interest on call money and bills sold                                    | 632            |                |
| Interest on payables under repurchase agreements                         | 1,526          |                |
| Interest on payables under securities lending transactions               | 9,485          |                |
| Interest on borrowings and rediscounts                                   | 1,079          |                |
| Interest on bonds                                                        | 2,666          |                |
| Other interest expenses                                                  | 23,805         |                |
| <b>Fees and commissions payments</b>                                     | <b>1,975</b>   |                |
| <b>Trading expenses</b>                                                  | <b>8,431</b>   |                |
| <b>Other ordinary expenses</b>                                           | <b>14,983</b>  |                |
| <b>General and administrative expenses</b>                               | <b>53,681</b>  |                |
| <b>Other expenses</b>                                                    | <b>15,384</b>  |                |
| Provision of allowance for loan losses                                   | 10,729         |                |
| Other                                                                    | 4,655          |                |
| <b>Ordinary profit</b>                                                   |                | <b>43,330</b>  |
| <b>Extraordinary income</b>                                              |                | <b>0</b>       |
| Gain on disposal of non-current assets                                   | 0              |                |
| <b>Extraordinary losses</b>                                              |                | <b>4</b>       |
| Loss on disposal of non-current assets                                   | 4              |                |
| <b>Profit before income taxes</b>                                        |                | <b>43,325</b>  |
| <b>Income taxes-current</b>                                              | <b>19,843</b>  |                |
| <b>Income taxes-deferred</b>                                             | <b>(2,099)</b> |                |
| <b>Total income taxes</b>                                                |                | <b>17,743</b>  |
| <b>Profit</b>                                                            |                | <b>25,582</b>  |
| <b>Loss attributable to non-controlling interests</b>                    |                | <b>(2,560)</b> |
| <b>Profit attributable to owners of parent</b>                           |                | <b>28,142</b>  |

# Consolidated statement of changes in net assets

(For the fiscal year ended March 31, 2020)

(Millions of yen)

|                                                      | Shareholders' equity |                 |                   |                 |                            |
|------------------------------------------------------|----------------------|-----------------|-------------------|-----------------|----------------------------|
|                                                      | Share Capital        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period                       | 100,000              | 87,377          | 259,021           | (3,312)         | 443,087                    |
| Changes during period                                |                      |                 |                   |                 |                            |
| Dividends of surplus                                 |                      |                 | (17,618)          |                 | (17,618)                   |
| Profit attributable to owners of parent              |                      |                 | 28,142            |                 | 28,142                     |
| Purchase of treasury shares                          |                      |                 |                   | (0)             | (0)                        |
| Disposal of treasury shares                          |                      | 10              |                   | 14              | 24                         |
| Net changes in items other than shareholders' equity |                      |                 |                   |                 |                            |
| Total changes during period                          | -                    | 10              | 10,523            | 14              | 10,548                     |
| Balance at end of period                             | 100,000              | 87,388          | 269,545           | (3,297)         | 453,635                    |

|                                                      | 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                       | 23,501                                                | (17,111)                           | (291)                                   | (667)                                   | 5,431                                        | 357                      | (166)                     | 448,710          |
| Changes during period                                |                                                       |                                    |                                         |                                         |                                              |                          |                           |                  |
| Dividends of surplus                                 |                                                       |                                    |                                         |                                         |                                              |                          |                           | (17,618)         |
| Profit attributable to owners of parent              |                                                       |                                    |                                         |                                         |                                              |                          |                           | 28,142           |
| Purchase of treasury shares                          |                                                       |                                    |                                         |                                         |                                              |                          |                           | (0)              |
| Disposal of treasury shares                          |                                                       |                                    |                                         |                                         |                                              |                          |                           | 24               |
| Net changes in items other than shareholders' equity | (47,842)                                              | 17,341                             | (515)                                   | (1,002)                                 | (32,018)                                     | 86                       | (2,567)                   | (34,499)         |
| Total changes during period                          | (47,842)                                              | 17,341                             | (515)                                   | (1,002)                                 | (32,018)                                     | 86                       | (2,567)                   | (23,951)         |
| Balance at end of period                             | (24,340)                                              | 229                                | (806)                                   | (1,669)                                 | (26,587)                                     | 444                      | (2,734)                   | 424,758          |

Non-consolidated balance sheet as of March 31, 2020

(Millions of yen)

| ( Assets )                                                |                  | ( Liabilities )                                              |                  |
|-----------------------------------------------------------|------------------|--------------------------------------------------------------|------------------|
| <b>Cash and due from banks</b>                            | <b>364,644</b>   | <b>Deposits</b>                                              | <b>3,278,749</b> |
| Cash                                                      | 10,690           | Current deposits                                             | 30,547           |
| Due from banks                                            | 353,954          | Ordinary deposits                                            | 732,750          |
| <b>Receivables under resale agreements</b>                | <b>71,011</b>    | Saving deposits                                              | 1,729            |
| <b>Monetary claims bought</b>                             | <b>44,708</b>    | Deposits at notice                                           | 1,095            |
| <b>Trading assets</b>                                     | <b>259,369</b>   | Time deposits                                                | 2,400,595        |
| Derivatives of trading securities                         | 22,263           | Other deposits                                               | 112,030          |
| Derivatives of securities related to trading transactions | 14,350           | <b>Negotiable certificates of deposit</b>                    | <b>47,240</b>    |
| Trading-related financial derivatives                     | 222,755          | <b>Debentures</b>                                            | <b>44,660</b>    |
| <b>Money held in trust</b>                                | <b>14,455</b>    | Debenture issuance                                           | 44,660           |
| <b>Securities</b>                                         | <b>1,151,561</b> | <b>Call money</b>                                            | <b>38,728</b>    |
| Local government bonds                                    | 37,859           | <b>Payables under repurchase agreements</b>                  | <b>27,758</b>    |
| Corporate bonds                                           | 59,994           | <b>Payables under securities lending transactions</b>        | <b>281,325</b>   |
| Stocks                                                    | 43,081           | <b>Trading liabilities</b>                                   | <b>211,223</b>   |
| Other securities                                          | 1,010,625        | Derivatives of securities related to trading transactions    | 21,130           |
| <b>Loans and bills discounted</b>                         | <b>2,937,508</b> | Trading-related financial derivatives                        | 190,093          |
| Loans on bills                                            | 11,356           | <b>Borrowed money</b>                                        | <b>427,430</b>   |
| Loans on deeds                                            | 2,754,819        | Borrowings from other banks                                  | 427,430          |
| Overdrafts                                                | 171,332          | <b>Bonds payable</b>                                         | <b>215,275</b>   |
| <b>Foreign exchanges</b>                                  | <b>67,168</b>    | <b>Other liabilities</b>                                     | <b>180,114</b>   |
| Due from foreign banks (our accounts)                     | 67,168           | Income taxes payable                                         | 13,533           |
| <b>Other assets</b>                                       | <b>267,759</b>   | Accrued expenses                                             | 5,125            |
| Prepaid expenses                                          | 749              | Unearned revenue                                             | 229              |
| Accrued income                                            | 10,007           | Variation margins of futures markets                         | 2,801            |
| Initial margins of futures markets                        | 962              | Derivatives other than for trading-liabilities               | 84,322           |
| Derivatives other than for trading-assets                 | 74,973           | Cash collateral received for financial instruments           | 60,244           |
| Cash collateral paid for financial instruments            | 111,133          | Lease obligations                                            | 1,009            |
| Bond issuance costs                                       | 399              | Asset retirement obligations                                 | 2,183            |
| Other                                                     | 69,533           | Other                                                        | 10,666           |
| <b>Tangible fixed assets</b>                              | <b>22,888</b>    | <b>Provision for bonuses</b>                                 | <b>3,659</b>     |
| Buildings, net                                            | 11,374           | Provision for bonuses for directors (and other officers)     | 70               |
| Land                                                      | 9,235            | <b>Provision for retirement benefits</b>                     | <b>9,834</b>     |
| Leased assets, net                                        | 942              | Provision for credit losses on off-balance-sheet instruments | 557              |
| Construction in progress                                  | 4                | <b>Acceptances and guarantees</b>                            | <b>21,731</b>    |
| Other tangible fixed assets                               | 1,332            | <b>Total liabilities</b>                                     | <b>4,788,358</b> |
| <b>Intangible fixed assets</b>                            | <b>12,068</b>    | <b>(Net assets)</b>                                          |                  |
| Software                                                  | 12,002           | <b>Share capital</b>                                         | <b>100,000</b>   |
| Other intangible fixed assets                             | 66               | <b>Capital surplus</b>                                       | <b>87,388</b>    |
| <b>Prepaid pension costs</b>                              | <b>4,669</b>     | Legal capital surplus                                        | 87,313           |
| <b>Deferred tax assets</b>                                | <b>26,705</b>    | Other capital surplus                                        | 74               |
| Customers' liabilities for acceptances and guarantees     | 21,731           | <b>Retained earnings</b>                                     | <b>263,888</b>   |
| <b>Allowance for loan losses</b>                          | <b>(53,183)</b>  | Legal retained earnings                                      | 12,686           |
| <b>Allowance for investment loss</b>                      | <b>(399)</b>     | Other retained earnings                                      | 251,201          |
|                                                           |                  | Retained earnings brought forward                            | 251,201          |
|                                                           |                  | <b>Treasury shares</b>                                       | <b>(3,297)</b>   |
|                                                           |                  | <b>Total shareholders' equity</b>                            | <b>447,979</b>   |
|                                                           |                  | Valuation difference on available-for-sale securities        | (24,343)         |
|                                                           |                  | <b>Deferred gains or losses on hedges</b>                    | <b>229</b>       |
|                                                           |                  | <b>Total valuation and translation</b>                       | <b>(24,113)</b>  |
|                                                           |                  | <b>Share acquisition rights</b>                              | <b>444</b>       |
|                                                           |                  | <b>Total net assets</b>                                      | <b>424,309</b>   |
| <b>Total assets</b>                                       | <b>5,212,668</b> | <b>Total liabilities and net assets</b>                      | <b>5,212,668</b> |



Non-consolidated statement of income  
(For the fiscal year ended March 31, 2020)

(Millions of yen)

|                                                                          |                |                |
|--------------------------------------------------------------------------|----------------|----------------|
| <b>Ordinary income</b>                                                   |                | <b>176,858</b> |
| <b>Interest income</b>                                                   | <b>92,774</b>  |                |
| Interest on loans and discounts                                          | 58,954         |                |
| Interest and dividends on securities                                     | 31,389         |                |
| Interest on call loans                                                   | 0              |                |
| Interest on receivables under resale agreements                          | (1)            |                |
| Interest on deposits with banks                                          | 704            |                |
| Other interest income                                                    | 1,727          |                |
| <b>Trust fees</b>                                                        | <b>462</b>     |                |
| <b>Fees and commissions</b>                                              | <b>15,864</b>  |                |
| Fees and commissions on domestic and foreign exchanges                   | 174            |                |
| Other fees and commissions                                               | 15,689         |                |
| <b>Trading income</b>                                                    | <b>22,052</b>  |                |
| Gains on trading account securities transactions                         | 12,991         |                |
| Income from trading-related financial derivatives transactions           | 9,061          |                |
| <b>Other ordinary income</b>                                             | <b>30,480</b>  |                |
| Gains on sales of bonds                                                  | 19,677         |                |
| Other                                                                    | 10,803         |                |
| <b>Other income</b>                                                      | <b>15,223</b>  |                |
| Recoveries of written off receivables                                    | 320            |                |
| Reversal of provision for credit losses on off-balance-sheet instruments | 280            |                |
| Gain on sales of equity securities                                       | 13,408         |                |
| Gain on money held in trust                                              | 153            |                |
| Other                                                                    | 1,060          |                |
| <b>Ordinary expenses</b>                                                 |                | <b>131,515</b> |
| <b>Interest expenses</b>                                                 | <b>46,562</b>  |                |
| Interest on deposits                                                     | 7,230          |                |
| Interest on negotiable certificates of deposit                           | 7              |                |
| Interest on debentures                                                   | 138            |                |
| Interest on call money                                                   | 632            |                |
| Interest on payables under repurchase agreements                         | 1,526          |                |
| Interest on payables under securities lending transactions               | 9,485          |                |
| Interest on borrowings and rediscounts                                   | 1,070          |                |
| Interest on bonds                                                        | 2,666          |                |
| Interest expenses on interest rate swaps                                 | 14,736         |                |
| Other interest expenses                                                  | 9,068          |                |
| <b>Fees and commissions payments</b>                                     | <b>4,279</b>   |                |
| Fees and commissions on domestic and foreign exchanges                   | 144            |                |
| Other fees and commissions                                               | 4,134          |                |
| <b>Trading expenses</b>                                                  | <b>8,431</b>   |                |
| Expenses on securities and derivatives related to trading transactions   | 8,431          |                |
| <b>Other ordinary expenses</b>                                           | <b>14,460</b>  |                |
| Loss on foreign exchange transactions                                    | 3,468          |                |
| Loss on sales of bonds                                                   | 4,586          |                |
| Loss on redemption of bonds                                              | 292            |                |
| Loss on devaluation of bonds                                             | 209            |                |
| Amortization of bond issuance costs                                      | 295            |                |
| Expenses on derivatives other than for trading or hedging                | 3,158          |                |
| Other                                                                    | 2,449          |                |
| <b>General and administrative expenses</b>                               | <b>43,780</b>  |                |
| <b>Other expenses</b>                                                    | <b>14,001</b>  |                |
| Provision of allowance for loan losses                                   | 10,819         |                |
| Written-off of loans                                                     | 1,133          |                |
| Losses on sales of equity securities                                     | 0              |                |
| Losses on devaluation of equity securities                               | 1,744          |                |
| Other                                                                    | 302            |                |
| <b>Ordinary profit</b>                                                   |                | <b>45,342</b>  |
| <b>Extraordinary income</b>                                              |                | <b>0</b>       |
| Gain on disposal of non-current assets                                   | 0              |                |
| <b>Extraordinary losses</b>                                              |                | <b>4</b>       |
| Loss on disposal of non-current assets                                   | 4              |                |
| <b>Profit before income taxes</b>                                        |                | <b>45,338</b>  |
| <b>Income taxes-current</b>                                              | <b>18,530</b>  |                |
| <b>Income taxes-deferred</b>                                             | <b>(1,861)</b> |                |
| <b>Total income taxes</b>                                                |                | <b>16,669</b>  |
| <b>Profit</b>                                                            |                | <b>28,669</b>  |

# Non-consolidated statement of changes in net assets

(For the fiscal year ended March 31, 2020)

(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                | 64                    | 87,377                | 12,686                  | 240,150                           | 252,837                 | (3,312)         | 436,903                    |
| Changes during period                                |                      |                       |                       |                       |                         |                                   |                         |                 |                            |
| Dividends of surplus                                 |                      |                       |                       |                       |                         | (17,618)                          | (17,618)                |                 | (17,618)                   |
| Profit                                               |                      |                       |                       |                       |                         | 28,669                            | 28,669                  |                 | 28,669                     |
| Purchase of treasury shares                          |                      |                       |                       |                       |                         |                                   |                         | (0)             | (0)                        |
| Disposal of treasury shares                          |                      |                       | 10                    | 10                    |                         |                                   |                         | 14              | 24                         |
| Net changes in items other than shareholders' equity |                      |                       |                       |                       |                         |                                   |                         |                 |                            |
| Total changes during period                          | -                    | -                     | 10                    | 10                    | -                       | 11,050                            | 11,050                  | 14              | 11,075                     |
| Balance at end of period                             | 100,000              | 87,313                | 74                    | 87,388                | 12,686                  | 251,201                           | 263,888                 | (3,297)         | 447,979                    |

(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                       | 23,461                                                | (17,111)                           | 6,349                                       | 357                      | 443,611          |
| Changes during period                                |                                                       |                                    |                                             |                          |                  |
| Dividends of surplus                                 |                                                       |                                    |                                             |                          | (17,618)         |
| Profit                                               |                                                       |                                    |                                             |                          | 28,669           |
| Purchase of treasury shares                          |                                                       |                                    |                                             |                          | (0)              |
| Disposal of treasury shares                          |                                                       |                                    |                                             |                          | 24               |
| Net changes in items other than shareholders' equity | (47,804)                                              | 17,341                             | (30,463)                                    | 86                       | (30,376)         |
| Total changes during period                          | (47,804)                                              | 17,341                             | (30,463)                                    | 86                       | (19,301)         |
| Balance at end of period                             | (24,343)                                              | 229                                | (24,113)                                    | 444                      | 424,309          |

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

(Translation)

### INDEPENDENT AUDITOR'S REPORT

May 12, 2020

To the Board of Directors of  
Aozora Bank, Ltd.:

|                                         |                 |
|-----------------------------------------|-----------------|
| Deloitte Touche Tohmatsu LLC            |                 |
| Tokyo, Japan                            |                 |
| Designated Unlimited Liability Partner, |                 |
| Engagement Partner,                     |                 |
| Certified Public Accountant:            | Kentaro Fukada  |
| Designated Unlimited Liability Partner, |                 |
| Engagement Partner,                     |                 |
| Certified Public Accountant:            | Tatsuya Hiraki  |
| Designated Unlimited Liability Partner, |                 |
| Engagement Partner,                     |                 |
| Certified Public Accountant:            | 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, 2020 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, 2019 to March 31, 2020, 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, 2020, 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 judgment. 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 12, 2020

To the Board of Directors of  
Aozora Bank, Ltd.:

|                                         |                 |
|-----------------------------------------|-----------------|
| Deloitte Touche Tohmatsu LLC            |                 |
| Tokyo, Japan                            |                 |
| Designated Unlimited Liability Partner, |                 |
| Engagement Partner,                     |                 |
| Certified Public Accountant:            | Kentaro Fukada  |
| Designated Unlimited Liability Partner, |                 |
| Engagement Partner,                     |                 |
| Certified Public Accountant:            | Tatsuya Hiraki  |
| Designated Unlimited Liability Partner, |                 |
| Engagement Partner,                     |                 |
| Certified Public Accountant:            | Masashi Tsurumi |

### Audit Opinion

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the financial statements, namely, the balance sheet as of March 31, 2020 of Aozora Bank, Ltd. (the "Company"), and the related statements of income and changes in net assets for the 87th fiscal year from April 1, 2019 to March 31, 2020 and a summary of significant accounting policies and other explanatory information, and the accompanying supplemental schedules.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2020, 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 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 Company to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated 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 87<sup>th</sup> business year that commenced on April 1, 2019 and ended on March 31, 2020.

#### 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 of 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.
  - 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 15, 2020

The Audit & Supervisory Board of Aozora Bank, Ltd.

Standing Audit & Supervisory Board Member

Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)

Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)

Satoshi Hashiguchi

Kiyoto Hagiwara

Toraki Inoue

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

End

## Guide to the Venue for Ordinary General Meeting of Shareholders

Place : **Diamond Room on the 2<sup>nd</sup> 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

