

Aozora Bank, Ltd.

Securities Code 8304

The Convocation Notice for the 82nd FY Ordinary General Meeting of Shareholders

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Date & Time

June 26, 2015 (Friday)
10:00a.m. (Open 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

Proposal No.4 Revision of Directors Remuneration

A Retail Showroom showcasing the Bank's retail banking business will be set up.

Drinks and snacks will be available so please feel free to visit.

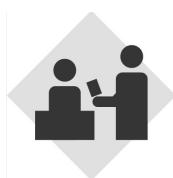
[Opening Times] 9:00 a.m. – 10:00 a.m.

and for one hour from the closing of the Meeting of Shareholders

Notice on Exercise of Voting Rights

The following 3 methods may be used to exercise your voting rights.

Attend the Shareholder's Meeting



Please present the "Exercise of Voting Rights Form" at the reception desk.

Date & Time: **June 26, 2015** (Friday)

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

Place: **Diamond Room on the 2nd Floor of Hotel Grand Palace**
1-1 Iidabashi 1-Chome, Chiyoda-Ku, Tokyo
(Please refer to map on the last page)

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. You do not need a stamp, the mail is prepaid.

Valid Date: **June 25, 2015** (Thursday)

Must Be Received No Later Than 5:15 p.m.

Exercise Your Voting Right via the Internet



Access the website dedicated to Exercise of Voting Rights (<http://www.web54.net>) from a PC, smartphone or cell phone, input the "Voting Right Exercise Code" and "Password" provided in the enclosed "Exercise of Voting Rights Form" and register whether you agree or disagree according to the instructions displayed on the screen.

Valid Date: **June 25, 2015** (Thursday)

No Later Than 5:15 p.m.

** You may also use the barcode reader feature of your cell phone to access the Exercise of Voting Rights website by reading the "QR Code®" shown on the right.

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



◆ **Exercise Voting Rights by Proxy**

In the event you are not able to attend the shareholder's meeting, you may designate one other shareholder with voting rights as proxy. However, please note that a document certifying delegated authority as well as the "Exercise of Voting Rights Form" must be presented at the reception desk.

◆ **Some of the documents for the General Meeting of Shareholders are disclosed on the Internet.**

Pursuant to laws and regulations and the provision of Article 24 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 (<http://www.aozorabank.co.jp/>) and therefore not included in the notice and attached material.

◆ **Notice for Revision of Reference Material, Business Report, Consolidated Financial Statements and the Non-consolidated Financial Statements**

Please note that in the event any revisions are necessary to the Reference Materials for the General Meeting 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 (<http://www.aozorabank.co.jp/>).

◆ **Duplication of Exercising Voting Rights in Writing & the Internet or Other Means.**

If you exercise your voting right both in writing and via the Internet or other means, the exercise made via the Internet or other means shall prevail.

◆ **Duplication of Exercising Voting Rights via the Internet**

If you exercise your voting right more than once via the Internet or other means, the last exercise made shall prevail.

◆ **The Electronic Platform for Executing Voting Rights**

Nominee shareholders (including standing proxy) of trust banks, etc. who registered beforehand to use the electronic platform operated by ICJ Inc. (Joint corporation established by TSE, etc.) shall be able to exercise their voting rights through electromagnetic form at our bank's General Meeting of Shareholders.

Please refer to "Procedure to Exercise the Voting Rights via the Internet" on the 5 page for Exercise Voting Rights via the Internet or other means.

June 8, 2015

The Convocation Notice for the 82nd FY Ordinary General Meeting of Shareholders

Dear Shareholders,

Shinsuke Baba
President, Representative Director
Aozora Bank, Ltd.
3-1, Kudan-minami 1-chome, Chiyoda-ku, Tokyo

You are cordially invited to attend Aozora Bank, Ltd.'s 82nd FY Ordinary General Meeting of Shareholders as described below.

If you are unable to attend the meeting, you may exercise your voting right in writing via the Internet or other means. We will ask for your cooperation in exercising your voting right by no later than 5:15 p.m. on June 25th (Thu) 2015, in consideration of the following “Reference Material for the 82nd FY Ordinary 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 or other means】

If you choose to exercise your voting right via the Internet or other means, please read through the following “Procedure to Exercise the Voting Right via the Internet”.

Thank you.

Best Regards,

1.Date & Time Friday, June 26, 2015 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. Purpose of the meeting

- Reports**
1. Business Report, Consolidated Financial Statements and Reports of Audit Results of Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board for the 82nd FY (from April 1, 2014 to March 31, 2015)
 2. Reports on the Financial Statements for the 82nd FY (from April 1, 2014 to March 31, 2015)

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

Proposal No.4: Revision of Directors Remuneration

End

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- ◎ For those attending, please present the enclosed Exercise of Voting Rights Form at the reception desk upon arrival at the meeting.
 - ◎ In case of a substitution, 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, only one (1) other shareholder with the voting right is entitled to attend the General Meeting of Shareholders].
 - ◎ Pursuant to laws and regulations and the provision of Article 24 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 (<http://www.aozorabank.co.jp/>) and therefore not included in the 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 is included in the attached documents indicated in the convocation and also provides 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 (<http://www.aozorabank.co.jp/>).

Procedure to Exercise the Voting Right via the Internet

If you decide to exercise your voting right via the Internet or other means, please note the following:

1. Exercise of the voting right via the Internet is possible only on the following website dedicated to exercise of the voting right designated by Aozora Bank. You can also exercise your voting right via the Internet from a cell phone.

【URL of the website dedicated to exercise of the voting right】 <http://www.web54.net>

※ You can also access the website from a cell phone and read the “QR Code[®]” shown on the right. Please consult your cell phone’s operating manual for detailed operating procedures.



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

2. When you choose to exercise your voting right via the Internet or other means, use the “Voting Right Exercise Code” and the “Password” shown on the Exercise of Voting Rights Form, and register whether you agree or disagree with the agenda items following the instructions displayed on the screen.
3. If you exercise your voting right both in writing and via the Internet or other means, the exercise made via the Internet or other means shall prevail.
4. If you exercise your voting right more than once via the Internet or other means, the last exercise made shall prevail.
5. Shareholders may bear a fee from an Internet connection provider for access and a communication fee (such as telephone charges).

【System Environment to Exercise the Voting Right via the Internet】

You will need the following system environment to use the website to exercise your voting right:

- ① Access to the Internet.
- ② If you decide to exercise your voting right from a PC, you need to have Microsoft[®] Internet Explorer 6.0 or higher versions as your Internet browser software. You also need to be able to use the above Internet browser software as your hardware environment.
- ③ If you decide to exercise your voting right from a cell phone, you need to be able to use 128bitSSL communications (encrypted communication) from your cell phone model.
(To ensure security, exercise of the voting right can only be made from models compatible with 128bitSSL communications. Cell phone models without this compatibility cannot be used. Exercising voting rights using mobile phones with full browser functions, including smart phones, is possible. However, please note that it is not possible with all mobile phone models.)
(Microsoft is a registered trade mark of the Microsoft Corporation of the U.S. in the U.S. and other countries.)

【Questions about Exercise of the Voting Right via the Internet】

If you have any questions about the exercise of your voting right via the Internet, please contact the following manager of register of shareholders.

Manager of Register of Shareholders:

Web Support, Stock Transfer Agency Department, Sumitomo Mitsui Trust Bank, Limited.

【Hotline】 0120—652—031 (9:00a.m.-9:00p.m.)

【Other inquires】 0120—782—031

(9:00a.m.-5:00p.m., except Saturdays, Sundays, and Holidays)

【The electronic platform for executing voting rights】

In addition to above mentioned executing voting rights via the Internet, nominee shareholders (including standing proxy) of trust banks, etc. who registered beforehand to use the electronic platform operated by ICJ Inc. (Joint corporation established by TSE, etc.) shall be able to exercise their voting rights through electromagnetic form at our bank's General Meeting of Shareholders.

Reference Material for the General Meeting of Shareholders

Proposals and Reference

Proposal No.1: Appointment of Eight Directors

At the close of this Ordinary General Meeting of Shareholders, the term of office of all eight (8) directors shall expire. This is to propose, therefore, eight (8) directors be elected.

Candidates are shown below.

Candidates for Directors

Candidate No.	Name (Date of Birth)	Brief Personal History, Positions, Areas of Responsibility and Concurrent Major Posts		Type and per-type number of Bank's shares Owned by Candidate
1	Makoto Fukuda (June 27, 1945)	Mar. 1968	Bachelor of Law, The University of Tokyo	Common Stock 15,997
		Apr. 1968	Ministry of Finance (MOF)	
		June 1995	Director of Insurance Business Division, Banks Bureau, MOF	
		July 1998	President of Accounting Center and Finance Research Institute	
		July 1999	Director-General of Finance Planning Bureau, MOF	
		July 2000	Deputy President of Agriculture Forestry and Fisheries Finance Corporation	
		June 2002	Deputy Chairman and Senior Managing Director of Regional Banks Association of Japan	
		June 2013	External Director, Rakuten Life Insurance Co., Ltd. (current) Chairman and Director, Executive Officer, Aozora Bank, Ltd. (current)	
2	Shinsuke Baba (August 23, 1954)	Mar. 1977	BA in Economics, The University of Tokyo	Common Stock 157,280
		Apr. 1977	The Nippon Credit Bank, Ltd (changed name to Aozora Bank, Ltd. in January 2001)	
		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 concurrently General Manager of Capital Markets Division	
		Apr. 2007	Senior Managing Executive Officer, Head of Investment Banking Group, concurrently Acting Head of Corporate Banking Group and concurrently 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	Executive Officer and Deputy President	
		June 2009	Deputy President and Representative Director, Executive Officer	
		Sep. 2012	President and Representative Director, Executive Officer (current)	

3	Masaki Tanabe (January 25, 1957)	Mar. 1979 BA in Economics, Hitotsubashi University Apr. 1979 The Nippon Credit Bank, Ltd (changed name to Aozora Bank, Ltd. in January 2001) Apr. 1994 Senior Manager of International Business Planning Division June 1995 Head of Risk Management Department, Treasury Planning Division June 1996 Senior Manager of Treasury Planning Division Apr. 1999 Deputy General Manager of Treasury Planning Division July 1999 Deputy General Manager of Treasury Division Aug. 2000 General Manager of Treasury Planning Division Aug. 2004 General Manager of Financial Management Division Mar. 2008 Executive Officer and Deputy Chief Financial Officer Nov. 2008 Senior Managing Executive Officer and Chief Financial Officer Sep. 2012 Senior Managing Executive Officer, Chief Financial Officer and Director June 2013 Deputy President, Chief Financial Officer and Representative Director, Executive Officer (current)	Common Stock 82,533
4	Takeo Saito (August 31, 1958)	Mar. 1982 BA in Law, The University of Tokyo Apr. 1982 The Nippon Credit Bank, Ltd. (changed name to Aozora Bank, Ltd. in January 2001) Oct. 2003 General Manager of Credit Products Division Sep. 2005 General Manager of Fund Investment Division Apr. 2009 General Manager of Treasury Investment Division Dec. 2009 Deputy Head of Financial Markets Group and General Manager of Treasury Investment Division July 2010 Executive Officer and Head of Financial Markets Group July 2013 Managing Executive Officer and Head of Financial Markets Group July 2014 Director, Senior Managing Executive Officer, Chief Risk Officer and Chief Credit Risk Officer (current)	Common Stock 35,157

5	Shunsuke Takeda (September 30, 1941)	Mar. 1965 Bachelor of Law, The University of Tokyo Apr. 1965 Joined the Nippon Kangyo Bank, Ltd. (currently Mizuho Bank, Ltd.) Sep. 1968 Joined Orient Leasing Co., Ltd. (currently Orix Corporation) Mar. 1989 GM of International Capital Markets Department Nov. 1990 GM of International Administration Department and International Account Services Department Sep. 1992 GM of Treasury Department 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. 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	Common Stock 52,566
6	Hiroyuki Mizuta (November 30, 1949)	Mar. 1974 Faculty of Literature, The University of Tokyo Apr. 1974 Kyowa Bank (currently Resona Bank, Limited) Nov. 2003 President and Representative Director, The Kinki Osaka Bank, Ltd. June 2006 Director, President and Representative Executive Officer of Resona Holdings June 2007 President and Representative Director, Resona Bank, Limited Executive Officer, Group Strategy Dept., Resona Holdings (In charge of Corporate Management of Resona Bank, Limited) Oct. 2008 President, The Resona Foundation for Small and Medium Enterprise Promotion May 2009 Resigned from President of Resona Bank, Limited and Executive Officer of Resona Holdings June 2010 Outside Director of Nippon Dentsu Co., Ltd. (current) and Nippon Television City Corporation June 2011 Representative Director and Chairman of Nippon Television City Corporation (current) June 2013 Director, Aozora Bank, Ltd. (current)	Common Stock 15,997

7	Ippei Murakami (March 3, 1945)	Mar. 1967 BA in Economics, Kwansei Gakuin University Apr. 1967 Nisshin Flour Milling 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 Nisshin Seifun Group President Apr. 2011 Director and Senior Consultant June 2011 Special Advisor (current) Mar. 2014 Humanities Master's Course, Kwansei Gakuin University June 2014 Director, Aozora Bank, Ltd. (current)	Common Stock 10,993
8	Tomonori Ito (January 9, 1957)	Mar. 1979 BA in Economics, The University of Tokyo Apr. 1979 Bank of Tokyo, Ltd. (currently Bank of Tokyo-Mitsubishi UFJ, Ltd.) June 1984 MBA, Harvard Business School 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 External Board Member of PARCO CO., LTD. (current) Oct. 2012 Professor, Graduate School of International Corporate Strategy, Hitotsubashi University (current) July 2013 External Corporate Auditor, AIN PHARMACIEZ INC. (current) June 2014 Director, Aozora Bank, Ltd. (current)	—

(Note) 1. Messrs. Shunsuke Takeda, Hiroyuki Mizuta, Ippei Murakami, and Tomonori Ito meet the conditions of outside directors, and also meet the conditions of independent directors based on the rules of Tokyo Stock Exchange.

2. Mr. Shunsuke Takeda is qualified as a candidate for outside director because he has substantial experience, achievements and expertise in executive management of financial institutions and business corporations, and his position as a Director is independent from the day-to-day management responsibilities for the Bank's business operations. He will have served the Bank as an outside director for 8 years at this Annual General Meeting of Shareholders.
3. ORIX Corporation, of which Candidate Mr. Shunsuke Takeda is an Advisor, engages in various business activities including those in the same line of business as ours. We, at the same time, have dealings with the company, extending loans, etc.
4. The Bank has dealings, extending loans, etc., with Daikyo Incorporated, of which Candidate Mr. Shunsuke Takeda was Chairman and Representative Executive Officer.
5. Mr. Hiroyuki Mizuta is qualified as a candidate for outside director because he has substantial experience, achievements and expertise in executive management of banks and business corporations, and his position is independent from the day-to-day management responsibilities of the operations and activities of the Bank. He will have served the Bank as an outside director for 2 years at this Annual General Meeting of Shareholders.
6. The Bank has dealings, extending loans, etc., with Nippon Television City Corporation, of which Candidate Mr. Hiroyuki Mizuta is Representative Director and Chairman.
7. Mr. Ippei Murakami is qualified as a candidate for outside director because he has substantial experience, achievements and expertise in executive management of a business corporation, and his position is independent from the day-to-day management responsibilities of the operations and activities of the Bank. He will have served the Bank as an outside director for 1 year at this Annual General Meeting of Shareholders.
8. Mr. Tomonori Ito is qualified as a candidate for outside director because he has substantial experience and achievements in domestic and overseas financial institutions and expertise as a professor of a graduate school, and his position is independent from the day-to-day management responsibilities of the operations and activities of the Bank. He will have served the Bank as an outside director for 1 year at this Annual General Meeting of Shareholders.
9. Except for the above-mentioned items 3, 4 and 6, there is no particular common interests between each candidate and the Bank.
10. The Bank has contracts with Messrs. Shunsuke Takeda, Hiroyuki Mizuta, Ippei Murakami and Tomonori Ito, to the effect that, if these outside directors are without knowledge and are not grossly negligent in performing the duties of outside directors, the liabilities of the outside directors under Article 423 (1) of the Companies Act shall be limited to the amount stipulated by Article 425(1) of the Companies Act in accordance with the provisions of Article 427 (1) of the Companies Act. When these candidates assume the offices of outside directors with the adoption of the proposal, the said contracts shall continue to be effective.
11. The above "Type and per-type number of Bank's shares Owned by Candidate" 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

Audit & Supervisory Board member Mr. Mitch R. Fulscher will resign at the conclusion of the meeting. This is to propose, therefore, one (1) Audit & Supervisory Board member to be elected at the meeting, with the consent of the Audit & Supervisory Board.

The candidate is shown below.

Candidate for Audit & Supervisory Board Member

Name (Date of Birth)	Brief Personal History, Positions and Concurrent major posts	Type and per-type number of Bank's shares Owned by Candidate
New candidate Kiyoto Hagiwara (January 4, 1943)	Mar. 1965 BA in Law, The University of Tokyo Apr. 1965 The Bank of Japan (BOJ) Nov. 1983 Director, Head of Banking Division, Osaka Branch, BOJ Nov. 1985 Head of General Coordination Division, Planning and Coordination Department, BOJ May 1987 General Manager, Matsuyama Branch, BOJ May 1990 Senior Examiner, BOJ June 1992 Deputy Director-General, Examination Department, BOJ Apr. 1993 Director-General, Administration Department, BOJ May 1996 Auditor, BOJ Aug. 2001 President & Chief Executive Officer, The Securities Analysts Association of Japan (SAAJ) Aug. 2013 Senior Advisor, SAAJ (current)	—

- (Note)
1. Mr. Kiyoto Hagiwara meets the conditions of external Audit & Supervisory Board Member, and also meets the conditions of independent Audit & Supervisory Board Member based on the rules of the Tokyo Stock Exchange.
 2. Mr. Kiyoto Hagiwara is qualified for the responsibilities as an external Audit & Supervisory Board Member because he has substantial experience and expertise in the finance and banking business, and his position is independent from the day-to-day management responsibilities of the operations and activities of the Bank.
 3. There is no particular common interests between the candidate and the Bank.
 4. The Bank will enter into contracts with Mr. Kiyoto Hagiwara to the effect that, if this external auditor is without knowledge and is not grossly negligent in performing the duties of an external auditor, the liabilities of the external auditor under Article 423(1) of the Companies Act shall be limited to the amount stipulated by Article 425(1) of the Companies Act in accordance with the provisions of Article 427(1) of the Companies Act.

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 fixed by laws, it is proposed to appoint two (2) alternate Audit & Supervisory Board Members, with the consent of the Audit & Supervisory Board.

Mr. Masatoshi Adachi 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.	Name (Date of Birth)	Brief Personal History, Positions and Concurrent major posts		Type and per-type number of Bank's shares Owned by Candidate
1	New candidate Masatoshi Adachi (April 21, 1962)	Mar. 1986 Apr. 1986 June 2006 July 2009 May 2011 Aug. 2013 Oct. 2014	BA in commerce, Doshisha University The Nippon Credit Bank, Ltd. (changed name to Aozora Bank, Ltd. in January 2001) Joint General Manager, Retail Operation & Technology Division Compliance Officer, Legal & Compliance Division Joint General Manager, Legal & Compliance Division Joint General Manager, Compliance and Operations Management Division General Manager of Office of Audit & Supervisory Board (current)	—
2	New candidate Mitch R. Fulscher (August 18, 1941)	1963 1963 1969 1974 1986 1991 1997 1998 2002 2003 June 2004 2004 2014	University of Wisconsin – BBA in Accounting and Finance ARTHUR ANDERSEN (Chicago) ARTHUR ANDERSEN (Chicago), Audit Manager ARTHUR ANDERSEN (Chicago), Audit Partner ARTHUR ANDERSEN (Tokyo), Managing Partner ARTHUR ANDERSEN (Los Angeles), Partner ASAHI & CO., US GAAP Expert Futures Industry Association Japan, Chairman MELAMED & ASSOCIATES, Japan Representative PROTIVITI JAPAN, Senior Advisor Aozora Bank, Ltd., ASB Member (current) Showa Jisho, External Auditor Futures Industry Association Japan, President and Representative Director	Common Stock 48,283

(Note) 1. Mr. Masatoshi Adachi 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.

2. Mr. Mitch R. Fulscher is qualified for the responsibilities of an external Audit & Supervisory Board Member and is the candidate for alternate external Audit & Supervisory Board Member because he can be judged 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. He will have served the Bank as an external corporate auditor for 11 years this at Annual General Meeting of Shareholders.
3. There is no particular common interests between each candidate and the Bank.
4. When Mr. Mitch R. Fulscher assumes the office of external 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 external Audit & Supervisory Board Member, the liabilities of the external Audit & Supervisory Board Member under Article 423 (1) of the Companies Act shall be limited to the amount stipulated by Article 425(1) of the Companies Act in accordance with the provisions of Article 427 (1) of the Companies Act.
5. The above "Type and per-type number of Bank's shares Owned by Candidate" 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.4: Revision of Directors Remuneration

The sum of 600 million yen was approved as the maximum amount of annual base remuneration for directors at the 73rd FY Ordinary General Meeting of Shareholders on June 23, 2006. Considering changes thereafter to various factors such as economic conditions and the business environment, we propose that the said remuneration ceiling (600 million yen per the year) should include the sum of base remuneration and bonus amounts so as to enable the payment of bonuses based on the Bank's business performance. Considering the roles of outside directors, we shall pay only base remuneration to them without paying a bonus, as before.

Currently we have 8 directors including 4 outside directors. If Proposal No.1 is approved in its original form, we will have 8 directors (including 4 outside directors) upon the closing of this Ordinary General Meeting of Shareholders.

The above annual base remuneration for directors does not include base remuneration for directors concurrently serving as employees, and the determination of individual remuneration amounts shall be entrusted to the Board of Directors.

End

Note that the Board of Directors have resolved to pay a year-end common share dividend of 4.90 yen per share for the 82nd FY (4th quarter). As a result, the full-year dividend per common share for the 82nd FY is 14.90 yen.

Business Report

- Fiscal Year 2014 -

(April 1, 2014 — March 31, 2015)

1. Current Status of the Bank

(1) Business Developments and Results of the Corporate Group

[Financial and Economic Environment]

Regarding the economic environment in FY2014, the Japanese economy recorded negative growth in real GDP during the first two quarters (from April to September), in an economic slowdown resulting from the consumption tax hike. However, in the second half of the fiscal year, corporate earnings began to show signs of improvement, as the Bank of Japan decided to implement further monetary easing in October 2014, and, towards the end of the fiscal year, exports and production picked up due to the depreciation of the Japanese yen and declining crude oil prices.

In the U.S., while a mild economic recovery continued and labor markets improved, CPI was below the FRB (Federal Reserve Board) target of 2 percent per annum. In Europe, as an economic slowdown became more evident, the ECB (European Central Bank) decided to introduce quantitative easing measures on a massive scale, which included buying programs of government bonds in the Eurozone.

As for financial markets, the domestic uncollateralized overnight call rate remained below 0.1% throughout the year. While there were ups and downs in the 10-year JGB yield in early 2015, the yield declined from the 0.6% range in early April 2014 to the 0.3% range towards the end of the year. The Nikkei Average maintained an upward trend to recover to the 19,000 yen level, thanks to additional monetary easing policies by the Bank of Japan. The Japanese yen continued to depreciate against the U.S. dollar towards the 120 yen level at the end of the year.

In the U.S., the 10-year Treasury bond yield went down from the 2.7% range in early April 2014 to the 1.9% range, based on a market outlook that interest rates would be raised by the FRB at a moderate pace. The Dow Jones industrial average reached 18,000, an all-time record high. In Europe, while the ECB pushed forward monetary easing policies, interest rates continued to go down throughout the year.

[Main Business Activities of the Corporate Group]

The Group consists of the Bank and 15 consolidated subsidiaries and provides a variety of financial services, such as securities and trust services, in addition to our primary banking business. The other main services include loan collection servicing provided by the subsidiaries.

[Business Developments and Results of the Corporate Group]

As announced on February 27, 2013, the Bank's business model describes our '4 Focuses' as 'retail banking focusing on senior individual customers,' 'proactive approach to SME and other corporate customers,' 'collaboration with regional financial institutions,' and 'advanced services in specialty finance areas,' and we have taken full advantage of our strengths in these areas to expand our business franchise.

The full repayment of public funds has been a corporate priority at Aozora, and the Bank has strived to ensure sound management as well as increase its corporate value. On August 27, 2012, the Bank announced its 'Comprehensive Recapitalization Plan' and has implemented its public funds repayment process over 10 years in accordance with the plan, while also focusing on enhancing returns to shareholders.

As a result of the Bank's strong business performance and the increase in its share price, we believe that conditions have now been satisfied for the early and full repayment of public funds. Subject only to the approval of the regulatory authorities, the Bank intends to fully repay the remaining 143.4 billion yen in public funds on June 29, 2015, following the next installment payment (annual super preferred dividend) of approximately 20.5 billion yen.

Aozora has established and announced the following plans indicating its mid-term direction after the full repayment of public funds:

- ① Aozora's vision;
 - ② Post-Repayment Financial Targets; and
 - ③ Revised Capital policy.
-
- ① Aozora's vision (Management Policy, Strategy, etc.);

Management Policy

After the repayment of its public funds, all executive officers and employees of Aozora will contribute to the Bank's objective of earning a high reputation from society through the provision of differentiated and specialized financial services. Aozora also reaffirms its commitment to a strong risk management framework and the maintenance of management soundness, in order to preserve its financial strength and institutional discipline under any future conditions. By implementing these policies, the Bank aims to create a "virtuous cycle" which leads to further improvement in corporate value, in response to its shareholders' growth mandate.

Mid- to Long-term Strategy

The Bank's vision is "Primary Secondary Bank: An *Even More* Reliable Partner".

Aozora will strengthen its position as a trusted "Primary Secondary Bank: An *Even More* Reliable Partner" by building upon its differentiated and specialized financial services centered on "6 Focuses" as the core components of its updated business model, creating more opportunities for customers to consult with the Bank.

Specifically, Aozora will continue to expand its business base centered on "6 Focuses" by leveraging and building upon the Bank's long-standing differentiated advantages. The Bank will continue to conduct "selection and concentration" with respect to its management resources, upgrading its expertise in the "6 Focuses" for each line of business in order to strengthen its differentiated and specialized Business Model.

"6 Focuses" are as follows:

- (i) Retail Banking Focusing on Senior Generation Mass-affluent Customers
- (ii) Marketing with business solutions for SME and other corporate customers
- (iii) Deeper Partnerships with Regional Financial Institutions
- (iv) Specialty Finance
- (v) International Business
- (vi) Pursuit of Diversified Global Investments and Promotion of risk consulting

② Post-Repayment Financial Targets

Earnings

Through the promotion of our business model, Aozora aims to achieve sustainable top line revenue growth, as well as stable annual net income of at least 40 billion yen even after the normalization of the effective tax rate in FY2017.

Earnings	FY2014 (Results)	FY2017 (Mid-term targets)
Net revenue	92.8 billion yen	100 billion yen +
Net income	43.6 billion yen	40 billion yen or more

Key Performance Indicators (KPIs)

To ensure continued efficiency in our operations as one of the Bank's advantages and to achieve sustainable earnings growth even after the full repayment of public funds, we have established the following target KPIs. While our ROE target for the mid-term (FY2015 - FY2017) is 9% or higher, we intend to achieve 10% over the longer term.

	FY2014 (Results)	FY2015-FY2017 (Mid-term targets)
Net Interest Margin	1.21%	1.20%
Non-interest Income Ratio	46%	40%- 50%
OHR	43.3%	45%or below
Credit Cost Ratio	- (※)	0.10%- 0.20%
ROE	8.1%	9%or higher
ROA	0.9%	0.8%

(※) Credit-related expenses were a net reversal in FY2014.

③Revised Capital Policy

1. Capital Adequacy Ratio

The Bank intends to efficiently deploy its capital by setting its target capital adequacy ratio (Basel III basis, domestic standard) at 10% or higher, a level necessary for achieving all the above financial targets while maintaining its financial soundness. The Bank projects a capital adequacy ratio of 10.6% and a Common Equity Tier 1 ratio (CET1 ratio) of 9.8% immediately following the repayment of public funds. In light of the global trend towards strengthening capital regulations, we will ensure that we maintain sufficient capital going forward.

2. Shareholder Return Policy

Aozora intends to provide returns to its shareholders primarily in the form of dividends based on the Bank's performance. The dividend payout ratio for common shares is currently set at 40% of consolidated net income. Following the full repayment of public funds, the Bank will adopt a dividend policy of 50% of consolidated net income (profit attributable to owners of parent), effective from FY2015. The Bank will continue to make quarterly dividend payments.

3. Cancellation of Treasury Shares

Aozora currently has 484 million shares (29% of the total number of issued shares) of treasury stock, with an approximate book value of 100 billion yen. The Bank plans to retain 16.5 million shares (equivalent to 1% of the total number of issued shares) allocated to future stock options, and cancel the remaining 476.3 million shares at the time of the full repayment of public funds.

The cancellation of treasury shares will have no effect on the Bank's capital adequacy ratio.

The results of Aozora Group for FY2014 are as follows.

Total assets were 4,924.4 billion yen as of March 31, 2015, an increase of 119.0 billion yen compared to March 31, 2014. Loans were 2,775.8 billion yen, an increase of 132.3 billion yen from March 31, 2014. Overseas loans increased, while domestic loans decreased from March 31, 2014, as the Bank maintained its focus on balancing risk and return. Securities were 984.0 billion yen as of March 31, 2015, a decrease of 184.5 billion yen compared to March 31, 2014, as the Bank continued its focus on the diversification and performance of its investment portfolio.

Total liabilities were 4,357.0 billion yen, an increase of 67.6 billion yen compared to March 31, 2014. Total deposits and negotiable certificates of deposit decreased 25.0 billion yen to 2,984.7 billion yen, while debentures increased 48.5 billion yen to 246.1 billion yen. Funding from retail customers was 2,059.7 billion yen, an increase of 13.5 billion yen from March 31, 2014, and the percentage of retail funding to total core funding (the sum of deposits, negotiable certificates of deposit and debentures) was 63.8%.

Net assets were 567.4 billion yen, representing an increase of 51.4 billion yen from March 31, 2014. This increase reflected FY2014's net income as well as an increase in the valuation difference on available-for-sale securities, reduced in part as a result of dividend payments including the installment repayment of public funds (super preferred dividend). Net assets per common share were 336.83 yen, as compared to 292.83 yen per common share as of March 31, 2014.

For FY2014, net revenue was 92.8 billion yen, an increase of 12.2 billion yen, or 15.2% year on year, reflecting increases in both net interest income and non-interest income. Business profit was 52.6 billion yen, an increase of 11.4 billion yen, or 27.6% year on year. Net income was 43.6 billion yen, an increase of 1.3 billion yen, or 3.2% year on year.

Net interest income was 49.9 billion yen, an increase of 6.3 billion yen, or 14.4% year on year. The Bank's net interest margin increased 12 bps to 1.21%. Contributing to this result was an increase in the yield on total investments of 6 bps as the Bank continued its disciplined balance sheet management. Also contributing was a reduction in funding costs of 6 bps as a result of our ongoing efforts to reduce funding costs.

Non-interest income increased 5.9 billion yen, or 16.1% year on year, to 42.8 billion yen. Net fees and commissions were 14.5 billion yen, an increase of 2.0 billion yen, or 16.1% year on year, and net trading revenues were 12.4 billion yen, an increase of 2.6 billion yen, or 27.4%, due to growth in fee income and earnings from the sale of derivative-related products. Gains/losses on bond transactions were a gain of 2.8 billion yen, an increase of 2.4 billion yen, or 545.4%. Net other ordinary income, excluding gains/losses on bond transactions, was 12.9 billion yen, a decrease of 1.2 billion yen, or 8.5% year on year.

General and administrative expenses were 40.1 billion yen, an increase of 0.8 billion yen, or 2.1% year on year. The OHR was 43.3%, due to growth in net revenue, as well as the ongoing priority the Bank has assigned to efficient operations.

As a result of the above factors, consolidated business profit increased 11.4 billion yen, or 27.6 billion yen, to 52.6 billion yen.

Credit-related expenses were a net reversal of 4.6 billion yen, compared with a net expense of 2.2 billion yen in FY2013. This result included the reversal of specific reserves mainly due to an improvement in the condition of borrowers, in addition to the recoveries of claims written-off in previous years and gains on the disposition of loans. In the fourth quarter (Jan. – Mar.), the Bank allocated additional loan loss reserves as a preventative measure. The ratio of loan loss reserves to total loans remained high at 2.29% as of March 31, 2015.

Ordinary profit was 59.6 billion yen, an increase of 7.4 billion yen, or 14.3%. During the first quarter of FY2014, an extraordinary loss of 5.7 billion yen was recognized as a result of crystallizing a negative foreign currency translation adjustment previously recorded in consolidated net assets in conjunction with the sale of an impaired overseas legacy investment. As a result, net income before income taxes was 53.9 billion yen, an increase of 1.7 billion yen, or 3.4% year on year.

A net tax expense (the sum of corporation tax, resident tax, business tax and deferred income taxes) of 10.2 billion yen was recognized in FY2014, compared with a net expense of 9.8 billion yen in FY2013.

As a result of the aforementioned factors, consolidated net income was 43.6 billion yen, an increase of 1.3 billion yen, or 3.2% year on year. Net income per share (basic) was 36.19 yen, as compared to 34.87 yen per share (basic) in FY2013.

For this fiscal year the Bank has decided to pay a total dividend per common share of 14.90 yen. As the Bank started a dividend payment on a quarterly basis in the previous year, the fourth quarter dividend will be 4.90 yen. The Bank has also decided a total annual dividend of 8 yen per 4th preferred share (2.00 yen for the fourth quarter) and 5.952 yen per 5th preferred share (1.488 yen for the fourth quarter). In addition, the Bank plans to pay the super preferred dividend of 20.49 billion yen on 5th preferred shares from Other Capital Surplus, representing an installment repayment of public funds.

The Bank has classified its Group's business operations into the following business groups based upon the nature of the customers served and products offered: Retail Banking Group ("RBG"), Institutional Banking Group ("IBG"), Specialized Banking Group ("SBG") and Financial Markets Group ("FMG"). The Bank has designated these business groups as operating segments and reportable segments.

Profit / loss by segment for FY2014, which is calculated as net revenue minus general and administrative expenses by each segment, was: a profit of 6.4 billion yen (6.6 billion yen in FY2014) for RBG; a profit of 11.3 billion yen (6.7 billion yen) for IBG; a profit of 21.6 billion yen (23.1 billion yen) for SBG; and a profit of 12.9 billion yen (4.5 billion yen) for FMG.

On April 1 2014, IBG was established as a new business group by consolidating the former Corporate Banking Group (former "CBG") and the Business Banking Group ("BBG"), with the latter being split from the former Retail and Business Banking Group (former "RBBG"). The former RBBG which excludes BBG is RBG.

On July 1 2014, the former "SFG" changed its name to SBG.

With these changes, the reportable segments were changed from the 4 segments of RBBG, CBG, SFG and FMG to the aforementioned 4 segments.

(Reference)

Summary of consolidated revenue and expenses

(JPY 100 million)

	FY2013	FY2014	Change
Net revenue ※1	806	928	122
Net interest income	436	499	63
Net fees and commissions	125	145	20
Net trading revenue	97	124	26
Gains/losses on bond transactions	4	28	24
Net other ordinary income excluding gains/losses on bond transactions	141	129	(12)
General and administrative expenses	(393)	(401)	(8)
Business profit ※2	412	526	114
Credit-related expenses	(22)	46	69
Gains/losses on stock transactions	123	13	(110)
Other	8	9	1
Ordinary profit	521	596	74
Extraordinary profit	(0)	(57)	(57)
Income before income taxes and minority interests	521	539	17
Total income taxes	(98)	(102)	(4)
Minority interest in net income	(0)	(0)	(0)
Net income	423	436	13

※1 Net revenue = (Interest income—Interest expenses) + (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, revenue or income is shown as positive and expenses or losses are shown as a negative amount in the table above.

[Challenges Facing the Bank]

The Japanese economy is expected to continue to grow gradually, driven by steady domestic demand, as we see signs of the economy getting back in a virtuous cycle on the back of expanding corporate earnings and improvement in employment and income, despite the consumption tax hike in April 2014 and its repercussions.

While aggregate loan demand has increased moderately as the Bank of Japan has continued its quantitative and qualitative monetary easing, loan spreads have been tightening in the domestic loan market.

Despite such economic conditions, Aozora Bank has established a solid foundation to ensure stable and sustainable profitability through the development of “Aozora Bank’s Business Model” announced on February 27, 2013.

Aozora Bank defines its Management philosophy as “Aozora is firmly established in the Japanese financial system and is truly committed to contributing to the economic and social growth of the country.” After the repayment of its public funds, the Bank will aim to become a ‘Primary Secondary Bank: A Reliable Partner’ for its customers through the provision of differentiated and specialized financial services, while making every effort to fulfill its public role as a bank in Japan. In order to do so, the Bank will take full advantage of its strengths including a strong customer base consisting of senior generation individuals, and a longstanding network of regional financial institutions which the Bank has established as a domestic financial institution while upgrading its own services and products. The Bank also reaffirms its commitment to a strong risk management framework and the maintenance of financial soundness, in order to preserve its strong position and institutional discipline by properly responding to changes in the internal and external environment. By implementing these policies, the Bank aims to create a “virtuous cycle” which leads to further improvement in corporate value, in response to its shareholders’ growth mandate. All executive officers and employees of Aozora will contribute to the Bank’s objective of earning a high reputation from society.

The Bank will proactively maintain and enhance its business foundation to support sustainable growth in corporate value. As for human resources, the Bank will foster human resources who have a strong sense of ethics and welcome challenges, and establish a better workplace for people with diverse backgrounds. The Bank has been developing new systems for its Kanjo-kei system replacement which had been a longstanding corporate priority. Through the introduction of a new system, the Bank aims to improve service quality and promptly respond to customers as well as realize stable systems operation.

The Bank will contribute to the economic and social growth of the country by aiming to become a truly trusted “Primary Secondary Bank: An *Even More* Reliable Partner” for its customers.

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

(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)

	FY2011	FY2012	FY2013	FY2014
Consolidated Ordinary Income	1,361	1,181	1,318	1,300
Consolidated Ordinary Profit	409	410	521	596
Consolidated Net Income	462	405	423	436
Consolidated Comprehensive Income	471	505	273	902
Consolidated Net Assets	6,075	5,358	5,160	5,674
Consolidated Total Assets	50,974	50,166	48,054	49,244

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

B. Assets and Profit or Loss of the Bank

(Unit: JPY 100 million)

	FY2011	FY2012	FY2013	FY2014
Deposits	29,373	30,496	30,183	29,969
Time Deposits	23,415	22,976	23,218	22,560
Other	5,958	7,519	6,965	7,409
Debentures (Long-Term Credit Bank Bond)	2,231	1,693	1,975	2,461
Corporate Bonds (Excluding Long-Term Credit Bank Bond)	-	-	-	-
Loans and Bills Discounted	26,841	27,409	26,490	27,814
Retail	73	63	53	40
Small/ Medium Companies	17,324	18,060	17,844	19,923
Other	9,443	9,285	8,593	8,540
Trading Assets	4,764	3,808	3,528	3,471
Trading Liabilities	3,088	4,073	3,182	3,112
Securities	13,605	13,339	12,067	10,343
Government Bonds	6,157	4,647	3,456	1,937
Other	7,447	8,691	8,611	8,381
Total Assets	51,010	50,171	47,973	49,129
Domestic Exchange Transactions	73,896	94,790	105,216	101,385
Foreign Exchange Transactions	USD million 6,802	USD million 8,197	USD million 9,678	USD million 8,291
Ordinary Profits	JPY million 39,475	JPY million 40,652	JPY million 51,156	JPY million 57,851
Net Income	JPY million 45,140	JPY million 40,516	JPY million 41,602	JPY million 48,316
Net Income per Share	JPY 28.74	JPY 28.01	JPY 34.24	JPY 36.19

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

2. The balance of 'Deposits' and 'Other' under 'Deposits' includes negotiable certificates of deposit.

3. 'Long-Term Credit Bank Bond' represents a long-term credit bank bond, as classified in Item 5, Paragraph 2, Article 2 of the Deposit Insurance Act.

(3) Employees of the Corporate Group

	March 31, 2015		March 31, 2014	
	Banking Business	Other Operations	Banking Business	Other Operations
Number of Employees	1,661	133	1,544	111

- (Notes) 1. The Number of Employees includes locally hired staff overseas.
2. Subsidiaries which operate auxiliary businesses and those which 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, Nihonbashi, Shinjuku, Shibuya, Ueno, Ikebukuro, Chiba, Yokohama, Kanazawa, Nagoya, Kyoto, Kansai, Osaka, Umeda, Hiroshima, Takamatsu, Fukuoka, Internet Branch, Financial Oasis Jiyugaoka (Shibuya Branch Jiyugaoka Office)

Total 21 as of March 31, 2015. (21 as of March 31, 2014)

Overseas: 0 as of March 31, 2015. (0 as of March 31, 2014)

In addition to the above, the Bank has 3 overseas representative offices as of March 31, 2015 (2 as of March 31, 2014):

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

Subsidiaries:

Aozora Asia Pacific Finance Limited: Hong Kong, Republic of China

Aozora GMAC Investment Limited: London, UK

Aozora Investments LLC: Delaware, USA

Aozora Investment, Inc.: Delaware, USA

AZB Funding: Cayman Islands

AZB Funding 2: Cayman Islands

AZB Funding 3: Cayman Islands

AZB Funding 4 Limited: Dublin, Ireland

AZB Funding 5: Cayman Islands

Aozora Regional Consulting Co., Ltd.: Tokyo Head office

ii. List of agencies of the Bank

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

iii. Agent activities operated by the Bank

None.

B) Other operations

Aozora Trust Bank, Ltd.: Tokyo Head office

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

(5) Capital Investments of the Corporate Group

A) Total Capital Investments

(Unit: JPY million)

Operation Segment	Amount
Banking	3,303
Other	213
Total	3,516

B) New Establishment of Material Facilities and Other Material Investments

(Unit: JPY million)

Operating Segment	Description	Amount
Banking	Replacement of its “Kanjokei” Core Banking System	1,495
Banking	Renewal of integrated network storage	472

(6) Parent company and major subsidiaries

A) Parent company

None.

B) Subsidiaries

(As of March 31, 2015)

Company Name	Location	Principal Business Activities	Incorporation Date	Stated Capital (JPY millions)	Voting Rights held by the Bank (%)	Other
Aozora Trust Bank, Ltd.	3-1, Kudan-minami 1-chome, Chiyoda-ku, Tokyo	Trust services, banking operations	February 28, 1994	5,437	100.00%	—
Aozora Loan Services Co., Ltd.	13-5, Kudan-kita 1-chome, Chiyoda-ku, Tokyo	Distressed loan servicing	June 18, 1996	500	67.60%	—
Aozora Securities Co., Ltd.	3-1, Kudan-minami 1-chome, Chiyoda-ku, Tokyo	Securities services	January 23, 2006	3,000	100.00%	—
Aozora Regional Consulting Co., Ltd.	3-1, Kudan-minami 1-chome, Chiyoda-ku, Tokyo	Consulting and advisory	March 21, 2014	10	100.00%	—
Aozora Investment Management Co., Ltd.	3-1, Kudan-minami 1-chome, Chiyoda-ku, Tokyo	investment management services	February 4, 2015	225	100.00%	—
Aozora Real Estate Investment Advisors CO., Ltd.	3-1, Kudan-minami 1-chome, Chiyoda-ku, Tokyo	Investment advisory	January 6, 2015	150	100.00%	—
Aozora Asia Pacific Finance Limited	Hong Kong	Financial services	June 29, 2005	11,376 100,000 Thousands of USD	100.00%	—
AZB Funding	Cayman Islands	Investment vehicle	June 1, 2012	0 0 Thousands of USD	—	—
AZB Funding2	Cayman Islands	Investment vehicle	March19, 2013	0 0 Thousands of USD	—	—
AZB Funding3	Cayman Islands	Investment vehicle	September18,2013	0 0 Thousands of USD	—	—
AZB Funding4 Limited	Dublin,Ireland	Investment vehicle	March18, 2014	0 0 Thousands of EUR	—	—
AZB Funding5	Cayman Islands	Investment vehicle	August18, 2014	0 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 a cash dispensing service and a balance inquiry service through the mutual use of cash dispensers with Resona Bank, Saitama Resona Bank, Mizuho Bank, Mitsubishi Tokyo UFJ Bank, Sumitomo-Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank, Mitsubishi UFJ Trust & Banking, Mizuho Trust & Banking, Shinsei Bank and Shoko Chukin Bank.
2. The Bank has joined with Resona Bank, Saitama Resona Bank, Mizuho Bank, Mitsubishi Tokyo UFJ Bank, Sumitomo-Mitsui Banking Corporation, Shinsei Bank, Shoko Chukin Bank, Japan Net Bank, Seven Bank, Rakuten Bank, Aeon Bank, Citibank, to provide an account holder confirmation service for cash transfer using cash dispensers.
3. The Bank has cooperated with Japan Post Bank, and provides a cash dispensing service, a balance inquiry service and an account holder confirmation service for cash transfer through the mutual use of automatic teller machines.
4. The Bank has an arrangement with Aozora Securities Co., Ltd. to provide financial intermediary services such as structured notes for corporate and retail customers.
5. In partnership with Mizuho Securities Co. Ltd., the Bank is conducting financial intermediary business for structured notes aimed at retail customers.
6. The Bank has arranged a business alliance with Tokyo Marine & Nichido Anshin Life Insurance Co., Ltd. for the joint provision of life insurance products (excluding private pension insurance).
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 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 (current Sumitomo Mitsui Trust Group).
10. On August 20, 2009, the Bank formed a strategic business partnership with Tsukuba Bank, aiming to expand its customer base in order to enhance competitiveness and profitability. Tsukuba Bank 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 Hokkaido Bank Ltd. in the area of agricultural sector finance on August 26, 2009.
12. The Bank formed 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 formed an agreement for business matching with Kirayaka Bank, Ltd. on February 6, 2013.
13. On September 26, 2011, the Bank and Daiwa Securities Capital Markets (current Daiwa Securities Co. Ltd.) and Daiwa PI Partners, consolidated subsidiaries of Daiwa Securities Group, announced an M&A finance business alliance and an agreement to establish a joint-venture company Daiwa Aozora Finance Co..
14. On January 10, 2013, the Bank formed an agreement for business recovery support with Tokyo Tomin Bank, Ltd.
15. On February 6, 2013, the Bank formed an agreement for business matching with Sendai Bank, Ltd.

16. On March 4, 2013, Aozora launched the “Aozora Cash Card Plus” which features the addition of a Visa debit card function provided by Visa Worldwide (Japan) Co., Ltd.
17. On March 15, 2013, the Bank formed an agreement for business recovery support with Howa Bank, Ltd., Miyazaki Taiyo Bank, Ltd. and Minami Nippon Bank.
18. On March 26, 2013, the Bank formed an agreement for business matching with Tomato Bank, Ltd.
19. On November 8, 2013, the Bank formed an agreement for cross border M&A advisory services with Oversea-Chinese Banking Corporation Limited.
20. On November 14, 2013, the Bank formed an agreement with Kanematsu related to support for overseas business expansion through cross border business matching.
21. On June 19, 2014, the Bank formed an agreement for cross border M&A advisory services with PT Bank Central Asia TBK.
22. On November 28, 2014, the Bank formed an agreement for cross border M&A advisory services with KASIKORNBANK PUBLIC COMPANY LIMITED.

(7) Assignment of operations

None

(8) The 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 implement future capital-related measures in a timely manner.

Upon the full repayment of the remaining public funds, the Bank will give back performance-based returns to the shareholders through dividend payments. Previously, the Bank set the dividend payout ratio for common shares at 40% of consolidated net income. Upon the full repayment, the Bank will make it a policy to set the ratio at 50% of consolidated net income (profit attributable to owners of parent) 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 after the full repayment of the public funds, Aozora will consider 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.

2. Matters concerning Directors and Audit & Supervisory Board Members

(1) Directors and Audit & Supervisory Board Members

(As of March 31, 2015)

Name	Title and Line of Business	Major Concurrent Post	Other
Makoto Fukuda	Chairman Executive officer	Rakuten Life Insurance Co., Ltd. Outside Director	—
Shinsuke Baba	President Executive officer (Representative Director) CEO	—	—
Masaki Tanabe	Deputy President Executive officer (Representative Director) CFO	—	—
Takeo Saito	Director and Senior Managing Executive Officer CRO, CCRO	—	—
Shunsuke Takeda	Director (external)	Advisor, ORIX Corporation	—
Hiroyuki Mizuta	Director (external)	Nipon Television City Corp. Representative Director & Chairman	—
		Nippon Dentsu. Co., Ltd. Outside Director	—
Ippei Murakami	Director (external)	Nisshin Seifun Group Inc. Special Advisor	—
Tomonori Ito	Director (external)	Graduate School of International Corporate Strategy, Hitotsubashi University Professor	—
		PARCO Co., LTD. External Board Member	
		Ain Pharmaciez Inc. External Corporate Auditor	
Shinichi Fujihira	Audit & Supervisory Board Member (full-time)	—	—
Mitch R. Fulscher	Audit & Supervisory Board Member (external)	—	Holds US CPA qualification
Akira Tachimoto	Audit & Supervisory Board Member (external)	Representative Partner, HINATA Audit Firm	Holds CPA qualification

(Notes) Messrs. Shunsuke Takeda, Hiroyuki Mizuta, Ippei Murakami and Tomonori Ito, outside directors, and Mitch R. Fulscher and Akira Tachimoto, Audit & Supervisory Board Members, meet the definition of independent directors based on the rules of Tokyo Stock Exchange.

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

(Unit : JPY million)

Category	Number of Recipients	Remuneration and Benefits
Directors	11	290 (0)
Audit & Supervisory Board Members	3	53 (-)
Total	14	344 (0)

- (Notes)
1. The above includes three directors who retired at the close of the 81st Annual General Shareholders' Meeting held on June 26, 2014.
 2. In addition to the remuneration above, the Bank paid an insurance premium of 15 million yen for Directors and Officers insurance policies during the year.
 3. The Bank approved a lump sum payment to outside directors and audit & supervisory board members due to the abolition of the officer retirement allowance program and the introduction of equity compensation type stock options to full-time directors at the 81st Annual General Shareholders' Meeting held on June 26, 2014.
 4. The base remuneration ceiling for Directors was determined as 600 million yen per year at the 73rd Annual General Shareholders' Meeting held on June 23, 2006. 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 in addition to their current base remuneration at the 81st Annual General Shareholders' Meeting held on June 26, 2014.
 5. The base remuneration ceiling for audit & supervisory board members was determined as 60 million yen per year at the 73rd Annual General Shareholders' Meeting held on June 23, 2006.
 6. The account payable of 23 million yen which is accrued from the beginning of the fiscal year till the resolution date as retirement benefits for directors and audit & supervisory board members is included in the above table (19 million yen for directors and 4 million yen for audit & supervisory board members).
 7. Figures in the above table include equity compensation type stock options of 81 million yen granted to full-time directors.
 8. Based on the resolution passed at the 81st Annual General Shareholders' Meeting held on June 26, 2014, the Bank paid 95 million yen for retirement benefits to three directors who retired at the close of the Meeting. Of this amount, 88 million yen was funded by the provisions for retirement benefits for the directors in prior years. The amount of provisions for each year was included in the remuneration and reported in the Business Reports for the prior years. The remaining was included in 'Remuneration and Benefits' in the table above.

3. Matters concerning External Directors and Audit & Supervisory Board Members

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

(As of March 31, 2015)

Name	Concurrent Post and Other Status	Relationship with the Bank
Shunsuke Takeda	Advisor, ORIX Corporation	Customer (loans, etc.)
Hiroyuki Mizuta	Nippon Television City Corp. Representative Director & Chairman	Customer (loans, etc.)
	Nippon Dentsu. Co., Ltd. Outside Director	—
Ippei Murakami	Nisshin Seifun Group Inc. Special Advisor	—
Tomonori Ito	Graduate School of International Corporate Strategy, Hitotsubashi University Professor	—
	PARCO Co., LTD. External Board Member	—
	Ain Pharmaciez Inc. External Corporate Auditor	—
Akira Tachimoto	Representative Partner, HINATA Audit Firm	—

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

Name	Term served	Board meeting attendance	Remarks or other activities performed at a Board meeting
Shunsuke Takeda	7y10m	Attended all 14 Board meetings during the relevant fiscal year	Expressing opinions and offering proposals based on substantial experience, achievements and expertise gained from work as a top management executive for financial institutions and business corporations.
Hiroyuki Mizuta	1y10m	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, achievement and expertise as a member of the management team of business corporations.
Ippei Murakami	10m	Attended all of 10 Board meetings during the relevant fiscal period after his appointment	Expressing opinions and offering proposals based on substantial experience as a top management executive of business corporations.
Tomonori Ito	10m	Attended 9 out of 10 Board meetings during the relevant fiscal period after his appointment	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.
Mitch R. Fulscher	10y10m	Attended 13 of 14 Board meetings during the relevant fiscal year Attended all 17 meetings of the Audit & Supervisory Board during the relevant fiscal year	Expressing opinions and making proposals based on substantial experience in auditing firms and insight as a US CPA
Akira Tachimoto	10y10m	Attended all 14 Board meetings during the relevant fiscal year Attended all 17 meetings of the Audit & Supervisory Board during the relevant fiscal year	Expressing opinions and making proposals based on substantial experience in auditing firms and insight as a CPA

(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	
Mitch R. Fulscher	
Akira Tachimoto	

(4) Remuneration and Benefits to External 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	8	73 (—)	— (—)

- (Notes)
1. In addition to the remuneration above, the Bank paid an insurance premium of 8 million yen for Directors and Officers insurance policies during the year.
 2. The account payable of 6 million yen which is accrued from the beginning of the fiscal year till the resolution date as retirement benefits for directors and audit & supervisory board members is included in the above table (4 million yen for directors and 1 million yen for audit & supervisory board members).
 3. Based on the resolution passed at the 81st Annual General Shareholders' Meeting held on June 26, 2014, the Bank paid 36 million yen for retirement benefits to four external directors who retired at the close of the Meeting. Of this amount, 30 million yen was funded by the provisions for retirement benefits for the external directors in prior years. The amount of provisions for each year was included in the remuneration and reported in the Business Reports for the prior years. The remaining was included in 'Remuneration and Benefits from the Bank' in the table above.

4. Stock Data of the Bank

(1) Number of Shares		(in thousands)
Authorized Shares		4,010,651
Common Stock		3,772,000
Preferred Stock		238,651
	(<i>Koushu</i> preferred)	24,072
	(<i>Heishu</i> preferred)	214,579
Number of Stocks Issued		1,888,798
(Note: the Number of Stocks Issued includes Treasury Shares of 483,753,171)		
Common Stock		1,650,147
Preferred Stock		238,651
	(<i>Koushu</i> preferred)	24,072
	(4th. Preferred)	24,072
	(<i>Heishu</i> Preferred)	214,579
	(5th. Preferred)	214,579
(Note)		
The numbers of shares are in thousands, rounded down to the nearest thousand.		
(2) Number of Stockholders as of the End of This Fiscal Year		59,245
Common Stock		59,243
Preferred Stock		2
	(4th. Preferred)	1)
	(5th. Preferred)	1)

(3) Major Shareholders

1. Common Stock Holders (Top ten)

(March 31, 2015)

Name of Shareholder	Contributed Capital	
	Number of Shares Held (in thousands)	Percentage of Total Outstanding Shares
Japan Trustee Services Bank, Ltd. (Trust Account)	68,421	5.86%
The Master Trust Bank of Japan, Ltd. (Trust Account)	61,435	5.26%
ORIX Bank Corporation (Trust Account 5200011)	39,969	3.42%
STATE STREET BANK AND TRUST COMPANY 505225	30,942	2.65%
STATE STREET BANK AND TRUST COMPANY	29,538	2.53%
STATE STREET BANK WEST CLIENT-TREATY 505234	16,765	1.43%
STATE STREET BANK AND TRUST COMPANY 505224	15,159	1.29%
GOLDMAN, SACHS & CO.REG	14,281	1.22%
Japan Trustee Services Bank, Ltd. (Trust Account 5)	13,867	1.18%
Japan Trustee Services Bank, Ltd. (Trust Account 6)	13,782	1.18%

- (Notes)
1. 'Number of shares held' is in thousands and rounded down to the nearest thousand.
 2. 'Percentage of total outstanding shares' is rounded down to two decimal places.
 3. 'Percentage of total outstanding shares' is calculated excluding shares owned by the Bank (483,753,171 shares).
 4. 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, 2015.

2. Preferred Stock Holders

A. 4th. Preferred Stock

(March 31, 2015)

Name of Shareholder	Contributed Capital	
	Number of Shares Held (in thousands)	Percentage of Total Outstanding Shares
Deposit Insurance Corporation	24,072	100.00%

- (Notes)
1. 'Number of shares held' is in thousands and rounded down to the nearest thousand.
 2. 4th Preferred Stock has no voting rights.

B. 5th. Preferred Stock

(March 31, 2015)

Name of Shareholder	Contributed Capital	
	Number of Shares Held (in thousands)	Percentage of Total Outstanding Shares
Resolution and Collection Corporation	214,579	100.00%

(Notes) 1. 'Number of shares held' is in thousands and rounded down to the nearest thousand.

2. 5th Preferred Stock has no voting rights.

(4) Other Major Issues Concerning Stock

The Bank entered into a letter agreement concerning the treatment of preferred shares as public funds dated September 27, 2012, with the Deposit Insurance Corporation (the "DIC"), in conjunction with the implementation of the Comprehensive Recapitalization Plan disclosed on August 27, 2012. The outline of the letter agreement is as follows.

① Agreement on the total amount of public funds to be repaid

The total amount of public funds to be repaid by the Bank was 227.6 billion yen as of September 27, 2012. The DIC shall not require any more repayment than that amount from the Bank.

② Agreement on the repayment of public funds

The Bank can elect to repay any remaining balance of public funds at any time during the valid period of the agreement. If the conditions for repayment are met upon any reason such as the rise of the share price, the Bank will then repay the remaining balance of public funds as early as possible, carefully examining the soundness of its financial conditions as well as stability in the market.

③ Agreement on the transaction of shares

As long as the Bank pays Super Preferred Dividends to the Series 5 preferred shareholders, the Series 4 preferred shareholders shall not transfer the Series 4 preferred shares to any third-party. Or, as long as the Bank pays Super Preferred Dividends to the Series 5 preferred shareholders, the Bank shall not allow the Resolution and Collection Corporation to transfer the Series 5 preferred shares to any third-party.

④ Agreement on the exercise of the right to request conversion

None.

(Note) "The remaining balance" described in ② above shall mean the remaining balance after the deduction of the aggregate amount of the buyback amount of 22.7 billion yen of Series 5 preferred shares on October 2, 2012 and accumulated amount of Super Preferred Dividend on Series 5 preferred shares, from 227.6 billion yen.

The Board of Directors resolved at its May 15, 2015 meeting i) to repurchase all Class-A Series 4 Preferred Shares and Class-C Series 5 Preferred Shares ('Preferred Shares') from the Deposit Insurance Corporation of Japan and The Resolution and Collection Corporation, respectively. Subject only to the Approval of the regulatory authorities, the Bank will implement the buyback of its Preferred Shares (Total buyback amount ; 143,429,999,965 yen) on June 29, 2015, ii) to cancel the repurchased Preferred Shares on the same day and iii) to cancel the 467,253,171 shares of treasury shares on June 29, 2015.

5. The Bank's Share Warrant or Similar Instruments

(1) The Bank's share warrants or similar instruments held by directors of the Bank as of the end of March 31, 2015

	Issuance of stock options is outlined below.	head-count
Directors (except External Directors)	Name: Aozora Bank first series of equity compensation type stock options Grant date: August 1, 2014 Number of stock options: 2,535 Class of shares to be delivered upon exercise: Common shares Number of shares to be delivered upon exercise: 253,500 units (100 shares per option) Issue price of stock option: 32,300 yen per option Exercise price: 1 yen per share Time period in which stock options are exercisable: As from August 2, 2014 through August 1, 2044 Conditions for the exercise of stock options: A stock option holder may exercise the granted stock options only once during the ten-day period following the day on which the holder ceases to be a director of the Bank.	4
External Directors	-	-
Audit & Supervisory Board Member	-	-

(2) The Bank's share warrants or similar instruments issued to employees during this fiscal year.

None.

6. Matters concerning Independent Accounting Auditors

(1) Independent Accounting Auditors

(Unit: JPY million)

Name	Fees for This Fiscal Year	Other
Deloitte Touche Tohmatsu LLC Designated Unlimited Liability Partner, Yoshio Sato Megumi Yanaga Tatsuya Hiraki	214	Non-audit services: External review of Kanjo-kei system replacement project penetration test

- (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 245 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 Audit & Supervisory Board makes it a policy to determine the dismissal of accounting auditors when the Board concludes that there is a violation of the Companies Act Article 340-1. The Audit & Supervisory Board also makes it a policy to submit a proposal for dismissal or non-reappointment of accounting auditors to a shareholders' meeting when the Board concludes in an overall judgment that it is difficult to expect the accounting auditors to execute their duties appropriately.

ii. The policy on the execution by the Board of Directors of its entrusted authority where there is a clause in the articles of incorporation in respect to Article 459-1 of Companies Act

Please see (8) *The policy on distribution of retained earnings and purchases of treasury stock* in 1. *Current Status of the Bank*.

iii. 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 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. System to Ensure that Operations are Appropriate

The Bank sets a basic policy for the development of internal control systems. A summary is as follows:

Aozora Bank shall determine the following basic policies concerning development of a system for appropriate business of the Bank and the Bank Group (internal control programs), based on the Companies Act and Ordinance for Enforcement of the Companies Act. “The Bank and the Bank Group” shall mean “the Bank and its subsidiaries”.

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

(1) The Bank develops the rules concerning a compliance system including Master Policy "Code of Conduct and Ethics", to establish good corporate governance and internal controls as well as standards of conduct for directors and employees, etc. of the Bank to execute their responsibilities while complying with external laws and regulations and internal policies and procedures.

(2) The Bank shall include several outside directors with knowledge and experience in its Board of Directors, for purposes of establishing corporate governance which “ensures management discipline to reflect the management policy of the Bank in the daily business operation into the future and to establish an internal checks and balances framework”.

(3) The Board of Directors establishes the Nomination & Remuneration Committee to deliberate appointment and remuneration of directors and important employees, etc. as well as the Audit & Compliance Committee to assess matters concerning internal control, consisting mainly of outside directors. Both of the committees, entrusted by the Board of Directors, deliberate such matters thoroughly and professionally, and report the results of the deliberations to the Board of Directors.

(4) The Board of Directors establishes a Compliance and Operations Management Division as a division controlling compliance matters. The Division develops the rules concerning compliance and familiarizes the directors and employees, etc. of the Bank with such rules via training programs, etc..

(5) The Board of Directors establishes a "Compliance Program", an annual specific action plan, to enhance effectiveness of the compliance system and manages its progress.

(6) The Board of Directors establishes an Internal Audit Group which functions independently from all business groups. The Internal Audit Group audits the progress status of 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, Audit & Compliance Committee and the Board of Directors.

(7) The Bank maintains an "Aozora Hotline Program" for early discovery and correction of illicit behavior as a whistle-blower system which enables directors and employees, etc. of the Bank to report inappropriate activities and violations of laws, regulations and the articles of incorporation directly to the special contact.

(8) To ensure appropriate conduct of business to satisfy social responsibilities, the Bank develops a system necessary to prevent damages from Anti-Social Elements and unjustified involvement with them, and to eliminate or avoid all transactions with them including provision of funds.

(9) The Bank establishes a system for management of customer explanation, customer support, customer information, outsourcing and prevention of conflict of interests, to protect customers and to improve customers' conveniences.

(10) The Bank establishes a system to prevent insider trading and unfair transactions where customer information is used by officers and employees of the Bank.

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

For prompt decision-making on business execution to pursue effectiveness based on separation of management and execution of duties, the Board of Directors establishes the Management Committee consisting of members appointed by the Board of Directors from among our Directors and Executive Officers and delegates the authorities to it. Management Committee may establish various committees and delegate its authorities to them.

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

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

4. Policies and Procedures to Manage Risk of Loss

(1) The Bank considers risk management as an importance management task, and develops a system to understand, validate and control the business operating risks in an integrated manner.

(2) Based on Master Policy "Comprehensive Risk Management", the Board of Directors classifies the risks arising from operations into market risk, credit risk, liquidity risk and operational risk, manages them, and develops rules determining the basic policies by risk category.

(3) The Board of Directors determines divisions in charge by risk category to appropriately recognize, understand and manage each risk. Each division in charge periodically reports the risk management status to the Management Committee, Audit & Compliance Committee and Board of Directors.

(4) The 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.

(5) The Bank establishes a "Business Continuity Plan (BCP)" for possible emergencies including natural disasters and system failures. The Chief Executive Officer (CEO) shall be responsible for all business responses in an emergency situation.

5. Ensure Appropriate Business Practices of the Bank and the Bank Group

(1) The Board of Directors determines the basic policies for management/control, compliance, and risk management systems of the Bank Group in Master Policy "Group Companies Management" to ensure appropriate and effective operation of the business at the Bank Group.

(2) The Bank ensures business appropriateness by establishing an integrated internal control system for the group while respecting independency and individuality. Meanwhile, to ensure that there are no violations of laws, the Bank familiarizes each company of the Bank Group with policies and procedures including the "Code of Conduct and Ethics".

(3) The Bank establishes a system to control conflict of interest to prevent unreasonable damage for customers' interest, and a system to control the terms of transactions with subsidiaries, etc. not to violate the arm's length rule.

(4) To ensure credibility and appropriateness of the financial reporting on an Aozora Group basis, the Bank develops a system for proper internal control over financial reporting by establishing the procedure for “Internal Control over Financial Reporting”.

(5) To ensure that there are no inconsistencies or violations of external laws & regulations, the Internal Audit Group of the Bank audits the activities of each company of the Bank Group.

6. Matters related to Personnel in cases where Audit & Supervisory Board Members (hereinafter, collectively “Members”) request Staff to Support the Execution of Members’ Duties

The Bank has established an Office of Audit & Supervisory Board to support the Members’ duties, and appropriately allocates employees to support such activities.

7. Matters related to Independence of Employees to Support the Members and to ensure Effectiveness of Instructions to Employees

(1) The authority to give instructions to the employees to support the Members’ duties belong to the Members.

(2) Employees supporting the Members’ duties are interviewed and evaluated by the standing Member.

(3) Decisions on transfer, promotion, demotion, compensation and punishment of the employees supporting the Members’ duties require the consent of the standing Member.

8. Reporting by Directors and Employees, etc., as well as Directors, Supervisory & Audit Board Members and Employees, etc. of the Bank Group, to the Supervisory & Audit Board Members, and other reporting to the Members

(1) Members may request a report directly from the directors and employees, etc. of the Bank and the Bank Group at any time (including the status of the Whistle-Blower Program and any details of Whistle-Blower reports).

(2) Directors and employees, etc. of the Bank and the Bank Group report to the Members when they find the matters at the Bank and the Bank Group which may cause serious damage and the matters of serious violations of laws and regulations.

9. Matters related to Prohibition of Unfair Treatment to Personnel reporting to Supervisory & Audit Board Members

The directors and employees, etc. who report to the Members will not be treated unfairly due to any such reporting.

10. Ensure Effective Auditing by the Supervisory & Audit Board Members

(1) Directors and employees, etc. cooperate with Members when auditing based on an annual and any other audit program including a budget which the Members prepare.

(2) The Members may request advices as needed from external professionals including lawyers and certified accountants about auditing for effective audits.

(3) The Bank incurs the various costs for execution of the Members’ responsibilities (including the expense related to the above (2)).

Consolidated balance sheet as of March 31, 2015

(In millions of yen)

(Assets)		(Liabilities)	
Cash and due from banks	550,539	Deposits	2,698,094
Call loans and bills bought	20,000	Negotiable certificates of deposit	286,653
Receivables under securities borrowing transactions	58,889	Debentures	246,112
Monetary claims bought	31,170	Call money and bills sold	151,189
Trading assets	347,104	Payables under securities lending transactions	293,020
Money held in trust	23,635	Trading liabilities	311,257
Securities	984,060	Borrowed money	187,236
Loans and bills discounted	2,775,817	Other liabilities	131,372
Foreign exchanges	29,259	Provision for bonuses	3,154
Other assets	71,547	Net defined benefit liability	7,811
Tangible fixed assets	22,062	Provision for directors' retirement benefits	1
Buildings	10,870	Provision for credit losses on off-balance-sheet instruments	1,736
Land	9,235	Provision for contingent loss	442
Leased assets	620	Reserve under the special laws	6
Construction in progress	8	Acceptances and guarantees	38,968
Other tangible fixed assets	1,327	Total liabilities	4,357,057
Intangible fixed assets	7,225	(Net assets)	
Software	7,154	Capital stock	100,000
Other intangible fixed assets	70	Capital surplus	289,676
Deferred debenture discounts	85	Retained earnings	235,035
Net defined benefit asset	5,485	Treasury shares	(99,333)
Deferred tax assets	22,699	Total shareholders' equity	525,377
Customers' liabilities for acceptances and guarantees	38,968	Valuation difference on available-for-sale securities	34,931
Allowance for loan losses	(63,731)	Deferred gains or losses on hedges	(145)
Allowance for investment loss	(347)	Foreign currency translation adjustment	1,209
		Remeasurements of defined benefit plans	5,191
		Total accumulated other comprehensive income	41,187
		Subscription rights to shares	81
		Minority interests	767
		Total net assets	567,414
Total assets	4,924,472	Total liabilities and net assets	4,924,472

Consolidated statement of income

(For the year ended March 31, 2015)

(In millions of yen)

Ordinary income		130,035
Interest income	63,398	
Interest on loans and discounts	42,935	
Interest and dividends on securities	17,685	
Interest on call loans and bills bought	31	
Interest on receivables under securities borrowing transactions	15	
Interest on deposits with banks	59	
Other interest income	2,670	
Fees and commissions	15,606	
Trading income	12,479	
Other ordinary income	26,571	
Other income	11,978	
Recoveries of written-off claims	5,047	
Reversal of reserve for credit losses on off-balance-sheet instruments	644	
Other	6,287	
Ordinary profit		70,363
Interest expenses	13,417	
Interest on deposits	9,014	
Interest on negotiable certificates of deposit	306	
Interest on debentures	562	
Interest on call money and bills sold	417	
Interest on payables under securities lending transactions	595	
Interest on borrowings and rediscounts	745	
Other interest expenses	1,775	
Fees and commissions payments	1,059	
Other ordinary expenses	10,745	
General and administrative expenses	38,631	
Other expenses	6,509	
Provision of allowance for loan losses	3,021	
Other	3,487	
Ordinary profit		59,671
Extraordinary loss		5,759
Loss on disposal of noncurrent assets	2	
Impairment loss	13	
Transfer to reserve for financial products transaction liabilities	1	
Loss on reversal of foreign currency translation adjustment	5,741	
Income before income taxes and minority interests		53,912
Income taxes-current	3,452	
Income taxes-deferred	6,752	
Income taxes total		10,205
Income before minority interests		43,707
Minority interests in income		17
Net income		43,689

Consolidated statement of changes in net assets
(for the year ended March 31, 2015)

(In millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	100,000	310,166	209,848	(99,333)	520,681
Cumulative effects of changes in accounting policies			(74)		(74)
Restated balance	100,000	310,166	209,773	(99,333)	520,606
Changes of items during period					
Dividends of surplus-other capital surplus		(20,490)			(20,490)
Dividends of surplus			(18,428)		(18,428)
Net income			43,689		43,689
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(20,490)	25,261	-	4,771
Balance as of March 31, 2015	100,000	289,676	235,035	(99,333)	525,377

(In millions of yen)

	Accumulated other comprehensive income					Subscription rights to shares	Minority 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 the beginning of current period	(3,103)	295	(6,882)	4,289	(5,400)	-	757	516,038
Cumulative effects of changes in accounting policies								(74)
Restated balance	(3,103)	295	(6,882)	4,289	(5,400)	-	757	515,963
Changes of items during period								
Dividends of surplus-other capital surplus								(20,490)
Dividends of surplus								(18,428)
Net income								43,689
Net changes of items other than shareholders' equity	38,035	(440)	8,091	901	46,587	81	9	46,679
Total changes of items during period	38,035	(440)	8,091	901	46,587	81	9	51,450
Balance as of March 31, 2015	34,931	(145)	1,209	5,191	41,187	81	767	567,414

Non-consolidated balance sheet as of March 31, 2015

(In millions of yen)

(Assets)		(Liabilities)	
Cash and due from banks	529,043	Deposits	2,710,278
Cash	20,750	Current deposits	20,657
Due from banks	508,292	Ordinary deposits	407,510
Call loans	20,000	Deposits at notice	2,270
Receivables under securities borrowing transactions	58,889	Time deposits	2,256,013
Monetary claims bought	6,194	Other deposits	23,827
Trading assets	347,104	Negotiable certificates of deposit	286,653
Securities related to trading transactions	70,718	Debentures	246,112
Derivatives of securities related to trading transactions	123	Debenture issuance	246,112
Trading-related financial derivatives	276,262	Call money	151,189
Money held in trust	7,631	Payables under securities lending transactions	293,020
Securities	1,034,306	Trading liabilities	311,257
Government bonds	193,763	Derivatives of securities related to trading transactions	123
Local government bonds	18,515	Trading-related financial derivatives	311,133
Corporate bonds	35,895	Borrowed money	183,805
Stocks	54,197	Borrowings from other banks	183,805
Other securities	731,933	Other liabilities	122,751
Loans and bills discounted	2,781,445	Income taxes payable	878
Bills discounted	611	Accrued expenses	10,239
Loans on bills	44,050	Unearned revenue	385
Loans on deeds	2,484,421	Variation margins of futures markets	2
Overdrafts	252,361	Borrowed securities related to trading transactions	51,845
Foreign exchanges	29,259	Derivatives other than for trading-liabilities	16,418
Due from foreign banks (our accounts)	29,259	Cash collateral received for financial instruments	23,438
Other assets	70,535	Lease obligations	649
Prepaid expenses	611	Asset retirement obligations	1,500
Accrued income	8,218	Other	17,393
Variation margins of futures markets	4	Provision for bonuses	3,039
Derivatives other than for trading-assets	16,502	Provision for retirement benefits	9,899
Cash collateral paid for financial instruments	38,208	Provision for credit losses on off-balance-sheet instruments	1,691
Other	6,990	Acceptances and guarantees	38,968
Tangible fixed assets	21,956		
Buildings, net	10,817	Total liabilities	4,358,667
Land	9,235	(Net assets)	
Lease assets, net	620	Capital stock	100,000
Construction in progress	8	Capital surplus	289,676
Other tangible fixed assets	1,274	Legal capital surplus	87,313
Intangible fixed assets	7,000	Other capital surplus	202,362
Software	6,930	Retained earnings	229,228
Other intangible fixed assets	69	Legal retained earnings	12,686
Deferred debenture discounts	85	Other retained earnings	216,542
Debenture issuance cost	85	Retained earnings brought forward	216,542
Deferred tax assets	24,406	Treasury stock	(99,333)
Customers' liabilities for acceptances and guarantees	38,968	Total shareholders' equity	519,571
Allowance for loan losses	(62,354)	Valuation difference on available-for-sale securities	34,758
Allowance for investment loss	(1,538)	Deferred gains or losses on hedges	(145)
		Total valuation and translation adjustments	34,612
		Subscription rights to shares	81
		Total net assets	554,266
Total assets	4,912,933	Total liabilities and net assets	4,912,933

Non-consolidated statement of income (for the year ended March 31, 2015)

(In millions of yen)

Ordinary income		123,520
Interest income	61,777	
Interest on loans and discounts	41,430	
Interest and dividends on securities	17,588	
Interest on call loans	31	
Interest on receivables under securities borrowing transactions	15	
Interest on deposits with banks	48	
Interest on interest swaps	496	
Other interest income	2,166	
Fees and commissions	15,778	
Fees and commissions on domestic and foreign exchanges	172	
Other fees and commissions	15,605	
Trading income	10,119	
Income from securities and derivatives related to trading transactions	883	
Income from trading-related financial derivatives transactions	9,236	
Other trading income	0	
Other ordinary income	24,005	
Gains on sales of bonds	11,088	
Other	12,916	
Other income	11,839	
Recoveries of written-off claims	4,723	
Reversal of provision for credit losses on off-balance-sheet instruments	684	
Gain on sales of stocks and other securities	1,305	
Gain on money held in trust	124	
Other	5,002	
Ordinary expenses		65,668
Interest expenses	13,331	
Interest on deposits	9,015	
Interest on negotiable certificates of deposit	306	
Interest on debentures	562	
Interest on call money	417	
Interest on payables under securities lending transactions	595	
Interest on borrowings and rediscounts	664	
Interest on interest swaps	1,752	
Other interest expenses	16	
Fees and commissions payments	1,274	
Fees and commissions on domestic and foreign exchanges	104	
Other fees and commissions	1,169	
Other ordinary expenses	11,221	
Loss on foreign exchange transactions	194	
Loss on sales of bonds	8,230	
Loss on devaluation of bonds	0	
Amortization of debenture issuance cost	45	
Expenses on derivatives other than for trading or hedging	14	
Other	2,736	
General and administrative expenses	35,347	
Other expenses	4,493	
Provision of allowance for loan losses	2,052	
Written-off of loans	946	
Losses on devaluation of stocks and other securities	0	
Other	1,493	
Ordinary profit		57,851
Extraordinary loss		2
Loss on disposal of noncurrent assets	2	
Income before income taxes		57,849
Income taxes-current	2,736	
Income taxes-deferred	6,796	
Total income taxes		9,532
Net income		48,316

Non-consolidated statement of changes in net assets
(for the year ended March 31, 2015)

(In millions of yen)

(in millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings			Treasury stock	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 the beginning of current period	100,000	87,313	222,852	310,166	12,686	186,728	199,415	(99,333)	510,248
Cumulative effects of changes in accounting policies						(74)	(74)		(74)
Restated balance	100,000	87,313	222,852	310,166	12,686	186,654	199,340	(99,333)	510,173
Changes of items during the period									
Dividends from surplus-other capital surplus			(20,490)	(20,490)					(20,490)
Dividends from retained earnings						(18,428)	(18,428)		(18,428)
Net income						48,316	48,316		48,316
Net changes of items other than shareholders' equity									
Total changes of items during the period	-	-	(20,490)	(20,490)	-	29,888	29,888	-	9,398
Balance as of March 31, 2014	100,000	87,313	202,362	289,676	12,686	216,542	229,228	(99,333)	519,571

(In millions of yen)

	Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at the beginning of current period	(3,199)	295	(2,904)	-	507,344
Cumulative effects of changes in accounting policies					(74)
Restated balance	(3,199)	295	(2,904)	-	507,269
Changes of items during the period					
Dividends from surplus-other capital surplus					(20,490)
Dividends from retained earnings					(18,428)
Net income					48,316
Net changes of items other than shareholders' equity	37,957	(440)	37,517	81	37,599
Total changes of items during the period	37,957	(440)	37,517	81	46,997
Balance as of March 31, 2014	34,758	(145)	34,612	81	554,266

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

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

(Translation)

INDEPENDENT AUDITOR'S REPORT

May 13, 2015

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

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner
Engagement partner

Designated Unlimited Liability Partner
Engagement partner

Designated Unlimited Liability Partner
Engagement partner

Certified
Public

Accountant Yoshio Sato

Certified
Public

Accountant Megumi Yanaga

Certified
Public

Accountant Tatsuya Hiraki

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, 2015 of Aozora Bank, Ltd. (the "Company") and consolidated subsidiaries, and the related statements of income and changes in net assets, significant accounting policies applied in the preparation of the consolidated financial statements and other notes for the fiscal year from April 1, 2014 to March 31, 2015.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the consolidated financial statements 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 internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and consolidated subsidiaries as of March 31, 2015, and the results of their operations for the year then ended in accordance with accounting principles generally accepted in Japan.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

End

Independent Auditors' Report for the Financial Statements (COPY)

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

(Translation)

INDEPENDENT AUDITOR'S REPORT

May 13, 2015

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

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner
Engagement partner

Certified
Public

Accountant Yoshio Sato

Designated Unlimited Liability Partner
Engagement partner

Certified
Public

Accountant Megumi Yanaga

Designated Unlimited Liability Partner
Engagement partner

Certified
Public

Accountant Tatsuya Hiraki

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, 2015 of Aozora Bank, Ltd. (the "Company"), and the related statements of income and changes in net assets, significant accounting policies and other notes for the 82nd fiscal year from April 1, 2014 to March 31, 2015, and the accompanying supplemental schedules.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements and the accompanying supplemental schedules 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements and the accompanying supplemental schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the accompanying supplemental schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the accompanying supplemental schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the accompanying supplemental schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements and the accompanying supplemental schedules 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 internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the accompanying supplemental schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2015, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in Japan.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

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 82nd business year that commenced on April 1, 2014 and ended on March 31, 2015.

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

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.

Each ASB Member followed the audit policy and the division of duties predefined by the ASB, communicated with Directors, Internal Audit Division and employees, etc. to gather information and improve the auditing environment, 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. In addition, 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 Company Law (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 expressed opinion.

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.

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. Based on the above-mentioned method, the ASB examined the Business Report and its supplementary schedule for the said business year.

In addition, 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 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.

3. Material subsequent events

The Board of Directors resolved at its May 15, 2015 meeting i) to repurchase all Class-A Series 4 Preferred Shares and Class-C Series 5 Preferred Shares ('Preferred Shares') from the Deposit Insurance Corporation of Japan and The Resolution and Collection Corporation, respectively. Subject only to the Approval of the regulatory authorities, the Bank will implement the buyback of its Preferred Shares (Total buyback amount ; 143,429,999,965yen) on June 29, 2015, in accordance with Article 48 of the Bank's Articles of Incorporation pursuant to Paragraph 1, Article 459 of the Companies Act, ii) to cancel the repurchased Preferred Shares on the same day pursuant to Article 178 of the Companies Act and iii) to cancel the 467,253,171 shares of treasury shares on June 29, 2015 pursuant to Article 178 of the Companies Act.

May25, 2015

The Audit & Supervisory Board of Aozora Bank, Ltd.
Standing Audit & Supervisory Board Member Shinichi Fujihira
Audit & Supervisory Board Member (External Audit & Supervisory Board Member) Mitch R. Fulscher
Audit & Supervisory Board Member (External Audit & Supervisory Board Member) Akira Tachimoto

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End

Guide to the Venue for Ordinary General Meeting of Shareholders

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

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

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

Access : **“Kudanshita” Station** One (1) minute walk

Subway Tozai Line (Exit No.7)

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

