

Aozora Bank, Ltd.

Securities Code 8304

The Convocation Notice for the 83rd FY Ordinary General Meeting of Shareholders

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Date & Time

June 28, 2016 (Tuesday)
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 Amendments to the Articles of Incorporation

Proposal No.2 Appointment of Eight Directors

Proposal No.3 Appointment of One Audit & Supervisory Board Member

Proposal No.4 Appointment of Two Alternate Audit & Supervisory Board Members

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 28, 2016** (Tuesday)

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 27, 2016** (Monday)

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 27, 2016** (Monday)

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, 2016

The Convocation Notice for the 83rd 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 83rd 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 27th (Mon) 2016, in consideration of the following “Reference Material for the General Meeting of Shareholders”

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

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

【If you choose to exercise your voting right via the Internet 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 Tuesday, June 28, 2016 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 83rd FY (from April 1, 2015 to March 31, 2016)
 2. Reports on the Financial Statements for the 83rd FY (from April 1, 2015 to March 31, 2016)

Proposals for Resolution:

Proposal No.1: Amendments to the Articles of Incorporation

Proposal No.2: Appointment of Eight Directors

Proposal No.3: Appointment of One Audit & Supervisory Board Member

Proposal No.4: Appointment of Two Alternate Audit & Supervisory Board Members

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 inquiries】 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: Amendments to the Articles of Incorporation

We propose the following partial amendments to the Articles of Incorporation.

1. Reasons for Proposed Amendments

- (a) On June 29, 2015, the Bank fully repaid its remaining public funds through a buyback of all its Class A Preferred Shares and Class C Preferred Shares, immediately cancelling the repurchased shares. On that same day, the Bank also cancelled 467,253,171 shares of treasury stock. The Bank will amend the Articles of Incorporation to reflect the deduction of the cancelled shares from the total number of issuable class shares, in addition to the deduction of ordinary shares retained in the event of a request for acquisition of preferred shares in consideration of ordinary shares.
The Bank will also delete the relevant provisions related to preferred shares.
- (b) In accordance with the “Law for Partial Amendment of the Companies Act” (Law No. 90, 2014), which took effect on May 1, 2015, the Bank will amend the Articles of Incorporation to include the attached Article 27 (2) and Article 34 (2), which will enable the Bank to execute limited liability agreements with directors who do not conduct business operations, and Audit & Supervisory Board Members.
With respect to the aforementioned Article 27 (2) amendment, the Bank has obtained the consent of each Audit & Supervisory Board Member.
- (c) The Bank was granted permission to issue specific corporate debentures for 10 years from April 2006 under the “Law Relating to Merger and Conversion of Financial Institutions”. In light of the March 31, 2016 conclusion of this period, the Bank will delete the provision for corporate debenture issuance from the Articles of Incorporation.
- (d) The Bank will make all other relevant amendments to its Articles of Incorporation, in addition to adjusting the chapter and article numbers in conjunction with the deletion of articles related to (a) and (c) above.

2. Details of the Amendments

The proposed amendments are as follows.

(Underlined portions indicate the amendments.)

(Current)	(After amendment)
CHAPTER 2 Shares (Total Number of Issuable Shares) Article 6 The total number of shares that the Bank is authorized to issue shall be <u>four billion ten million six hundred fifty one thousand two hundred ninety five (4,010,651,295)</u> shares; provided, however, that if any <u>ordinary share or preferred share</u> is retired, the number of shares so retired shall be subtracted from the total number of shares that the Bank is authorized to issue.	CHAPTER 2 Shares (Total Number of Issuable Shares) Article 6 The total number of shares that the Bank is authorized to issue shall be <u>two billion eight hundred ninety eight million two hundred eighty two thousand (2,898,282,000)</u> shares; provided, however, that if any share is retired, the number of shares so retired shall be subtracted from the total number of shares that the Bank is authorized to issue.

(Current)	(After amendment)
(Total Number of Issuable Class Shares) <u>Article 7</u> <u>The total number of each class of shares that the Bank can issue shall be as follows; provided, however, that if any ordinary share or preferred share is retired, the number of shares so retired shall be subtracted from the total number of each class of shares that the Bank can issue.</u> <u>1. Ordinary shares: three billion seven hundred seventy two million (3,772,000,000)</u> <u>2. Class A (Koushu) Preferred Shares: twenty four million seventy two thousand (24,072,000)</u> <u>3. Class C (Heishu) Preferred Shares: two hundred fourteen million five hundred seventy nine thousand two hundred ninety five (214,579,295)</u> <u>In these articles of incorporation, Class A and Class C Preferred Shares are collectively referred to as the “Preferred Shares”.</u>	(Deleted)
(Number of Shares Constituting One Unit) <u>Article 8</u> <u>The number of shares constituting one unit (<i>tan-gen</i>) of each class of shares of the Bank shall be one thousand (1,000) shares.</u>	(Number of Shares Constituting One Unit) <u>Article 7</u> The number of shares constituting one unit (<i>tan-gen</i>) shall be one thousand (1,000) shares.
(Rights of Shares Constituting less than One Unit) <u>Article 9</u> (Omitted)	(Rights of Shares Constituting less than One Unit) <u>Article 8</u> (No Change)
(Additional Purchase of Shares of less than One Unit) <u>Article 10</u> (Omitted)	(Additional Purchase of Shares of less than One Unit) <u>Article 9</u> (No Change)
(Manager of Register of Shareholders) <u>Article 11</u> (Omitted)	(Manager of Register of Shareholders) <u>Article 10</u> (No Change)
(Regulations for Handling of Shares) <u>Article 12</u> (Omitted)	(Regulations for Handling of Shares) <u>Article 11</u> (No Change)
<u>CHAPTER 3 Preferred Shares</u> <u>(Preferred Dividends)</u> <u>Article 13</u> <u>1. In the event that the Bank pays year-end dividends set forth in Article 49 hereof, the Bank shall, in preference to the holders of the ordinary shares (hereinafter referred to as the “Ordinary Shareholders”), pay to the holders of the Preferred Shares (hereinafter referred to as the “Preferred Shareholders”) the respective amount set forth in Exhibit 1 (in the case of the Class C Preferred Shares, the sum of the Basic Preferred Dividends and Special Preferred Dividends set forth in Exhibit 1; hereinafter referred to as the “Preferred Dividends”). Provided, however, that if the Preferred Interim Dividends as set forth in Article 14 and the Preferred Quarterly Dividends as set forth in Article 14.2 hereof were paid during the relevant business year which the record date of the relevant year-end dividends belongs to, the amount of such Preferred Interim Dividends and Preferred Quarterly Dividends shall be subtracted from the Preferred Dividends.</u>	(Deleted)

(Current)	(After amendment)
2. <u>If the amount of dividends of surplus to be paid to the Preferred Shareholders is less than the amount of the Preferred Dividends in any business year which the record date of the relevant dividends of surplus belongs to, such deficiency shall not be carried over for accumulation to the subsequent business years.</u> 3. <u>The Bank shall not pay dividends in excess of the Preferred Dividends to the Preferred Shareholders.</u>	(Deleted)
<u>(Preferred Interim Dividends)</u> <u>Article 14</u> <u>In the event that the Bank pays the interim dividends set forth in Article 49 hereof, the Bank shall, in preference to the Ordinary Shareholders, pay to the Preferred Shareholders the respective amount set forth in Exhibit 2 (in these articles of incorporation referred to as the “Preferred Interim Dividends”), provided, however, that if the Preferred Quarterly Dividends as set forth in Article 14.2 hereof were paid during the relevant interim period which the record date of the relevant interim dividends belongs to, the amount of such Preferred Quarterly Dividends shall be subtracted from the Preferred Interim Dividends.</u>	(Deleted)
<u>(Preferred Quarterly Dividends)</u> <u>Article 14.2</u> <u>In the event that the Bank pays the quarterly dividends set forth in Article 49 hereof, the Bank shall, in preference to the Ordinary Shareholders, pay to the Preferred Shareholders the respective amount set forth in Exhibit 2.2 (in these articles of incorporation referred to as the “Preferred Quarterly Dividends”).</u>	(Deleted)
<u>(Distribution of Residual Assets)</u> <u>Article 15</u> 1. <u>In the event that the Bank distributes its residual assets, the Bank shall pay the respective amount set forth below per Preferred Share to the Preferred Shareholders in preference to the Ordinary Shareholders.</u> <u>One thousand yen (¥1,000) per Class A Preferred Share</u> <u>Six hundred yen (¥600) per Class C Preferred Share</u> 2. <u>The Bank shall not distribute any residual assets other than those set forth in the preceding paragraph to the Preferred Shareholders.</u>	(Deleted)

(Current)	(After amendment)
(Voting Rights) <u>Article 16</u> <u>Preferred Shareholders shall have no voting rights at general meetings of shareholders. Provided, however, that Preferred Shareholders shall have voting rights from (i) the time of an ordinary general meeting of shareholders if the payment of the Preferred Dividends for a particular business year has not been resolved at a meeting of the Board of Directors by the date of sending the convocation notice of the ordinary general meeting of shareholders held in the following business year and an agenda item for payment of the Preferred Dividends has not been submitted to such ordinary general meeting of shareholders; or (ii) the end of such meeting if such agenda item is rejected at the meeting, until the payment of the Preferred Dividends is first resolved at a meeting of the Board of Directors or at a general meeting of shareholders.</u>	(Deleted)
(Consolidation or Split of Shares, Rights to Receive the Allocation of Offered Shares etc.) <u>Article 17</u> <u>1. Except as otherwise provided by laws and regulations, no consolidation or split of shares shall be made with respect to the Preferred Shares.</u> <u>2. The Bank shall not grant to the Preferred Shareholders rights to receive the allocation of offered shares or share purchase warrants.</u> <u>3. The Bank shall not allot to any Preferred Shares any shares or share purchase warrants without consideration.</u>	(Deleted)
(Request for Acquisition in Consideration of Ordinary Shares) <u>Article 18</u> <u>A Preferred Shareholder may, during the acquisition period set forth in Exhibits 3 and 4, request the Bank to acquire its Preferred Shares in consideration of ordinary shares on the terms and conditions set forth in Exhibits 3 and 4.</u>	(Deleted)
(Mandatory Acquisition in Consideration of Ordinary Shares) <u>Article 19</u> <u>1. The Bank shall, as of the date immediately following the last day of the acquisition period (hereinafter referred to as the “Mandatory Acquisition Date of the Preferred Shares”), mandatorily acquire Preferred Shares which have not been requested for acquisition during the acquisition period, and deliver the number of ordinary shares of the Bank as is obtained by dividing the respective amount set forth below per Preferred Share by the Mandatory Acquisition Price of the Preferred Shares set forth in Exhibits 5 and 6, in exchange of the Preferred Share.</u> <u>One thousand (1,000) yen per Class A Preferred Share</u> <u>Six hundred (600) yen per Class C Preferred Share</u>	(Deleted)

(Current)	(After amendment)
2. <u>Any fraction of less than one share arising as a result of calculation of the number of ordinary shares shall be treated in accordance with the provisions of Article 234 of the Company Law of Japan.</u>	(Deleted)
(Priority) Article 20 <u>In terms of the payment of the preferred dividends, the preferred interim dividends and the preferred quarterly dividends and the distribution of the residual assets, both the Class A Preferred Shares and the Class C Preferred Shares shall be of the same priority.</u>	(Deleted)
CHAPTER 4 General Meetings of Shareholders (Convocation) Article 21 (Omitted)	CHAPTER 3 General Meetings of Shareholders (Convocation) Article 12 (No Change)
(Record Date for Ordinary General Meetings of Shareholders) Article 22 (Omitted)	(Record Date for Ordinary General Meetings of Shareholders) Article 13 (No Change)
(Chairman) Article 23 (Omitted)	(Chairman) Article 14 (No Change)
(Internet Disclosure and Deemed Provision of Reference Documents for General Meetings of Shareholders, Etc.) Article 24 (Omitted)	(Internet Disclosure and Deemed Provision of Reference Documents for General Meetings of Shareholders, Etc.) Article 15 (No Change)
(Method of Resolution) Article 25 (Omitted)	(Method of Resolution) Article 16 (No Change)
(Exercise of Voting Rights by Proxy) Article 26 (Omitted)	(Exercise of Voting Rights by Proxy) Article 17 (No Change)
(General Meeting of a Class of Shareholders) Article 27 1. <u>The provisions of Articles 23 and 26 shall apply <i>mutatis mutandis</i> to a general meeting of a class of shareholders.</u> 2. <u>The provisions of Articles 22 shall apply <i>mutatis mutandis</i> to a general meeting of a class of shareholders held on the same date as the ordinary general meeting of shareholders.</u> 3. <u>Resolution of a general meeting of a class of shareholders governed by Article 324, paragraph 2 of the Company Law shall require the attendance of shareholders holding not less than one-third (1/3) of the total number of voting rights held by all the shareholders who are entitled to exercise voting rights and shall be adopted by a vote of two-thirds (2/3) or more of the voting rights held by such shareholders attending the meeting.</u>	(Deleted)
CHAPTER 5 Directors and Board of Directors (Number of Directors and Election) Article 28 (Omitted)	CHAPTER 4 Directors and Board of Directors (Number of Directors and Election) Article 18 (No Change)
(Tenure of Office of Directors) Article 29 (Omitted)	(Tenure of Office of Directors) Article 19 (No Change)
(Representative Directors) Article 30 (Omitted)	(Representative Directors) Article 20 (No Change)

(Current)	(After amendment)
(Appointment of the Chairman, the President, etc.) Article <u>31</u> (Omitted)	(Appointment of the Chairman, the President, etc.) Article <u>21</u> (No Change)
(Constitution and Power of the Board of Directors) Article <u>32</u> (Omitted)	(Constitution and Power of the Board of Directors) Article <u>22</u> (No Change)
(Notice of Convocation of Meetings of Board of Directors) Article <u>33</u> (Omitted)	(Notice of Convocation of Meetings of Board of Directors) Article <u>23</u> (No Change)
(Omission of Resolutions of the Board of Directors) Article <u>34</u> (Omitted)	(Omission of Resolutions of the Board of Directors) Article <u>24</u> (No Change)
(Chairman of Board of Directors) Article <u>35</u> (Omitted)	(Chairman of Board of Directors) Article <u>25</u> (No Change)
(Method of Resolutions at Meetings of the Board of Directors) Article <u>36</u> (Omitted)	(Method of Resolutions at Meetings of the Board of Directors) Article <u>26</u> (No Change)
(Directors' Liability Exemption, etc.) Article <u>37</u> 1. (Omitted) 2. The Bank may, according to the provisions of Article 427, paragraph 1 of the Company Law, with the <u>Outside</u> Directors, enter into agreements to limit the liabilities of <u>the Outside</u> Directors for compensation damages incurred in neglecting to perform their duties. However, the limit of the liability of <u>the Outside</u> Directors under such agreement shall be the amount provided for in laws.	(Directors' Liability Exemption, etc.) Article <u>27</u> 1. (No Change) 2. The Bank may, according to the provisions of Article 427, paragraph 1 of the Company Law, with the Directors (<u>excluding Executive Directors, etc. (gyomushikkou torishimari yaku tou)</u>), enter into agreements to limit the liabilities of <u>such</u> Directors for compensation damages incurred in neglecting to perform their duties. However, the limit of the liability of <u>such</u> Directors under such agreement shall be the amount provided for in laws.
CHAPTER <u>6</u> Statutory Auditors and Board of Statutory Auditors (Number of Statutory Auditors and Election) Article <u>38</u> (Omitted)	CHAPTER <u>5</u> Statutory Auditors and Board of Statutory Auditors (Number of Statutory Auditors and Election) Article <u>28</u> (No Change)
(Tenure of Office of Statutory Auditors) Article <u>39</u> (Omitted)	(Tenure of Office of Statutory Auditors) Article <u>29</u> (No Change)
(Election of Standing Statutory Auditors) Article <u>40</u> (Omitted)	(Election of Standing Statutory Auditors) Article <u>30</u> (No Change)
(Constitution and Power of the Board of Statutory Auditors) Article <u>41</u> (Omitted)	(Constitution and Power of the Board of Statutory Auditors) Article <u>31</u> (No Change)
(Notice of Convocation of Board of Statutory Auditors) Article <u>42</u> (Omitted)	(Notice of Convocation of Board of Statutory Auditors) Article <u>32</u> (No Change)
(Method of Resolutions at the Board of Statutory Auditors) Article <u>43</u> (Omitted)	(Method of Resolutions at the Board of Statutory Auditors) Article <u>33</u> (No Change)

(Current)	(After amendment)
(Statutory Auditors' Liability Exemption, etc.) Article <u>44</u> 1. (Omitted) 2. The Bank may, according to the provisions of Article 427, paragraph 1 of the Company Law, with the <u>Outside</u> Statutory Auditors, enter into agreements to limit the liabilities of the <u>Outside</u> Statutory Auditors for compensation damages incurred in neglecting to perform their duties. However, the limit of the liability of the <u>Outside</u> Statutory Auditors under such agreement shall be the amount provided for in laws.	(Statutory Auditors' Liability Exemption, etc.) Article <u>34</u> 1. (No Change) 2. The Bank may, according to the provisions of Article 427, paragraph 1 of the Company Law, with the Statutory Auditors, enter into agreements to limit the liabilities of the Statutory Auditors for compensation damages incurred in neglecting to perform their duties. However, the limit of the liability of the Statutory Auditors under such agreement shall be the amount provided for in laws.
<u>CHAPTER 7 Issuance of Specific Corporate Debentures</u> (Basis) Article <u>45</u> <u>The Bank may issue specific corporate debentures on the approval of the Prime Minister as provided in the "Law Relating to Merger and Conversion of Financial Institutions" (kinyukikan no gappei oyobi tenkan ni kansuru houritsu).</u>	(Deleted)
<u>(Regulation for Handling of the Specific Corporate Debentures)</u> Article <u>46</u> <u>The procedures related to specific corporate debentures such as re-issuance and the fees thereof, etc. shall be subject to the Regulation for Handling of the Specific Corporate Debentures determined by the Board of Directors.</u>	(Deleted)
CHAPTER <u>8</u> Accounting (Business Year) Article <u>47</u> (Omitted)	CHAPTER <u>6</u> Accounting (Business Year) Article <u>35</u> (No Change)
(Decision-Making Body for Dividends of Surplus) Article <u>48</u> (Omitted)	(Decision-Making Body for Dividends of Surplus) Article <u>36</u> (No Change)
(Record Date for Dividends of Surplus) Article <u>49</u> 1. Dividends of surplus <u>shall</u> be made with the record date being March 31, June 30, September 30 and December 31 of each year <u>(in these articles of incorporation, dividends of surplus with the record date of March 31 of each year being referred to as the "year-end dividends", dividends of surplus with the record date of September 30 of each year being referred to as the "interim dividends" and dividends of surplus with the record date of June 30 and December 31 of each year being referred to as "quarterly dividends").</u> 2. (Omitted)	(Record Date for Dividends of Surplus) Article <u>37</u> 1. Dividends of surplus <u>may</u> be made with the record date being March 31, June 30, September 30 and December 31 of each year. 2. (No Change)
(Exclusion Period of Dividends, etc.) Article <u>50</u> (Omitted)	(Exclusion Period of Dividends, etc.) Article <u>38</u> (No Change)
<u>Exhibit 1~Exhibit 6</u> (Omitted)	(Deleted)

Proposal No.2: 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 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 Outside Director, Rakuten Life Insurance Co., Ltd. (current) Chairman and Director, Executive Officer, Aozora Bank, Ltd. (current)	Common Stock 18,974
2	Shinsuke Baba (August 23, 1954)	Mar. 1977 BA in Economics, The University of Tokyo 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)	Common Stock 163,858

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 86,141
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 June 2014 Director, 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 37,050

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 59,768
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 18,974

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 17,420
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 Outside Board Member of PARCO CO., LTD. (current) Oct. 2012 Professor, Graduate School of International Corporate Strategy, Hitotsubashi University (current) July 2013 Outside Corporate Auditor, AIN PHARMACIEZ INC. June 2014 Director, Aozora Bank, Ltd. (current)	Common Stock 20,000

(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 9 years at this Ordinary 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 3 years at this Ordinary 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 2 years at this Ordinary 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 2 years at this Ordinary 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 non-executive directors, the liabilities of the non-executive 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. 3: Appointment of One Audit & Supervisory Board Member

At the close of this Ordinary General Meeting of Shareholders, the term of office of Audit & Supervisory Board member Mr. Akira Tachimoto shall expire. This is to propose, therefore, one (1) Audit & Supervisory Board member to be elected, with the consent of the Audit & Supervisory Board.

Candidate is shown below.

Candidate for Audit & Supervisory Board Member

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 Toraki Inoue (September 6, 1956)	Mar. 1980 BA, Waseda University Oct. 1980 ARTHUR ANDERSEN (Tokyo) Dec. 1985 Registration of CPA June 1987 ARTHUR ANDERSEN (New York) Oct. 1995 National Partner, ANDERSEN Oct. 1997 Worldwide Partner, ANDERSEN July 1999 Partner, KPMG AZSA LLC (formerly Asahi & Co.) July 2008 Toraki Inoue Certified Public Accountant Office (current) June 2010 Representative Director and President, Accounting Advisory Co., Ltd (current) June 2011 Outside Corporate Auditor, Pioneer Corporation Sep. 2011 Supervisory Director, GLP J-REIT (current) Apr. 2012 Visiting Professor, Chuo Graduate School of Accounting (current) Apr. 2013 Lecturer, Meiji University Graduate School of Global Business (current) Mar. 2016 Outside Audit & Supervisory Board Member, Kao Corporation (current)	—

- (Note)
1. Mr. Toraki Inoue meets the conditions of outside 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. Toraki Inoue is qualified for the responsibilities as an outside Audit & Supervisory Board Member because he can be judged to contribute to the Bank's management from the following background: Holding a 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.
 3. There is no particular common interests between the candidate and the Bank.
 4. The Bank will enter into contracts with Mr. Toraki Inoue to the effect that, if he is without knowledge and is not grossly negligent in performing the duties of Audit & Supervisory Board Member, the liabilities of the Audit & Supervisory Board Member under 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. 4: 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	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	Mitch R. Fulscher (August 18, 1941)	1963 1963 1969 1974 1986 1991 1997 1998 2002 2003 June 2004 2004 2014 2015	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 KPMG AZSA LLC (formerly Asahi & Co.), US GAAP Expert Futures Industry Association Japan, Chairman MELAMED & ASSOCIATES, Japan Representative PROTIVITI JAPAN, Senior Advisor Aozora Bank, Ltd., Outside ASB Member Showa Jisho, Outside Auditor Futures Industry Association Japan, President and Representative Director Futures Industry Association Japan, Advisor to the Executive Committee (current)	Common Stock 48,000

- (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 outside Audit & Supervisory Board Member and is the candidate for alternate outside 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.
 3. There is no particular common interests between each candidate and the Bank.
 4. When Mr. Mitch R. Fulscher assumes the office of Audit & Supervisory Board Member, the Bank will enter into a contract with him to the effect that, if he is without knowledge and is not grossly negligent in performing the duties of Audit & Supervisory Board Member, the liabilities of the Audit & Supervisory Board Member under 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.

End

Note that the Board of Directors have resolved to pay a year-end common share dividend of 5.60 yen per share for the 83rd FY (4th quarter).

As a result, the full-year dividend per common share for the 83rd FY is 18.60 yen.

Business Report - Fiscal Year 2015 -

(April 1, 2015 — March 31, 2016)

1. Current Status of the Bank

(1) Business Developments and Results of the Corporate Group

[Financial and Economic Environment]

Japan's domestic economy remained on course for a moderate recovery, as seen in the improvement in corporate earnings and household income. Towards the end of the fiscal year, there was growing uncertainty regarding the direction of the economy, against the backdrop of an economic slowdown in the global economy, including China. In the U.S., the Federal Reserve raised interest rates for the first time in over nine years in the midst of a recovering jobs market. In Europe, the consumer price index remained at a low level and the European Central Bank eased its monetary policy further in December 2015 and March 2016.

As for financial markets, domestic short-term interest rates remained at a low level and the Bank of Japan introduced a negative interest rate policy in January 2016. Interest rates declined further, and long-term interest rates (10-year JGB yield) ended the fiscal year in negative territory. The Nikkei Average recovered to the 20,000 mark at one point, but lost ground to the 16,000 yen level by the end of the fiscal year. The appreciation of the Japanese yen accelerated further relative to the U.S. dollar, ending the year at the 112 yen level.

In the U.S., the 10-year Treasury bond yield approached 2.5% in June 2015, in anticipation of an interest rate hike, but reversed course gradually to the 1.7% level as of the end of March 2016. The Dow Jones Industrial Average closed at approximately 17,000. In Europe, long-term interest rates (10-year German Bund yield) rose close to 1% in May and June 2015, but declined to the 0.1% level in the second half of the year on the back of further monetary easing.

[Main Business Activities of the Corporate Group]

The Group consists of the Bank and 18 consolidated subsidiaries that provide a variety of financial services, such as securities, trust and investment management, in addition to our primary banking business. The other main services include loan collection which is provided by the Group's subsidiaries.

[Business Developments and Results of the Corporate Group]

(Full Repayment of Public Funds, Updated Business Model and Mid-term Targets, etc.)

In August 2012, the Bank announced its 'Aozora Bank Comprehensive Recapitalization Plan' towards the annual installment repayment of public funds over 10 years. While implementing our public funds repayment process, Aozora also expressed its intention to fully repay the public funds as early as possible when conditions, such as the share price requirement, were met, also carefully considering the Bank's financial soundness and market conditions.

Conditions for the early and full repayment of public funds included the requirement that the fair value of preferred shares exceed the remaining amount of public funds. We confirmed that we were able to satisfy the fair value requirement as, based on market price, the fair value of the Bank's preferred shares had exceeded the remaining 143.4 billion yen in public funds in FY2015.

In addition, in terms of management soundness, the Bank expected to meet its target capital adequacy ratio with a projected ratio of approximately 10.5% and its Common Equity Tier 1 ratio (CET 1 ratio) with a projected ratio of over 9.5% immediately after the repayment of public funds. Based on the aforementioned factors, and following the approval of the regulatory authorities, Aozora made an early and full repayment of the remaining 143.4 billion yen in public funds on June 29, 2015 through a buyback of its 24,072 thousand Series 4 Preferred Shares and its 214,579 thousand Series 5 Preferred Shares from the Deposit Insurance Corporation of Japan (DIC) and the Resolution and Collection Corporation (RCC), respectively.

In the Bank's business model announced in February 2013, the Bank described 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.

In May 2015, 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 through FY2017, when the tax burden is expected to increase.

Earnings	FY2017 (Mid-term targets)	FY2015 (Results)
Net revenue	100 billion yen +	91.4 billion yen
Net income (*)	40 billion yen or more	43.4 billion yen

(*) From FY2015 onwards, consolidated net income represents ‘profit attributable to owners of parent’ in accordance with the Revised Accounting Standard for Business Combinations and related standards and implementation guidance.

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.

	FY2015 - FY2017 (Mid-term targets)	FY2015 (Results)
Net Interest Margin	1.20%	1.31%
Non-interest Income Ratio	40% - 50%	45.5%
OHR	45% or below	46.8%
Credit Cost Ratio	0.10% - 0.20%	- (*)
ROE	9% or higher	8.9%
ROA	0.8%	0.9%

(*)Credit-related expenses were a net reversal in FY2015.

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. 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 Bank has adopted a dividend policy of 50% of consolidated net income (profit attributable to owners of parent). The Bank will continue to make quarterly dividend payments.

3. Cancellation of Treasury Shares

Aozora had approximately 483,753 thousand shares (29% of the total number of issued shares) of treasury shares, with an approximate book value of 100 billion yen. The Bank canceled 467,253 thousand treasury shares at the time of the full repayment of public funds in June 2015 and plans to retain 16.5 million shares allocated to future stock options. The cancellation of treasury shares had no effect on the Bank's capital adequacy ratio.

(Note) Numbers of shares are rounded down to the nearest thousand.

(Analysis of Operating Results and Financial Conditions)

The results of Aozora Group for FY2015 are as follows.

Total assets were 4,592.9 billion yen as of March 31, 2016, a decrease of 331.5 billion yen, or 6.7%, compared to March 31, 2015. Loans and bills discounted were 2,511.6 billion yen, a decrease of 264.1 billion yen, or 9.5%, from March 31, 2015. Reflecting the Bank's ongoing focus on balancing risk and return, as well as the reduction of low yielding loans, domestic loans decreased 336.6 billion yen while overseas loans increased 72.4 billion yen. Securities were 923.5 billion yen, a decrease of 60.5 billion yen, or 6.2%, compared to March 31, 2015.

On the funding side, total liabilities were 4,187.4 billion yen, a decrease of 169.6 billion yen, or 3.9%, compared to March 31, 2015. Funding from retail customers was 1,995.5 billion yen and the percentage of retail funding to total core funding (the sum of deposits, negotiable certificates of deposit, debentures and bonds) was stable at approximately 60%.

Net assets were 405.4 billion yen, representing a decrease of 161.9 billion yen, or 28.5%, in comparison with March 31, 2015. This decrease mainly reflected the full repayment of public funds. Net assets per common share were 346.83 yen, as compared to 336.83 yen per common share as of March 31, 2015.

For FY2015, net revenue was 91.4 billion yen, a decrease of 1.4 billion yen, or 1.5% year on year, and business profit was 48.5 billion yen, a decrease of 4.0 billion yen, or 7.7% year on year. Profit attributable to owners of parent was 43.4 billion yen, a decrease of 0.1 billion yen, or 0.4% year on year.

Net interest income was 49.8 billion yen, a slight decrease of 0.1 billion yen, or 0.4% year on year. The Bank's net interest margin increased 10 bps to 1.31%. Contributing to this result was an increase in the yield on total investments of 14 bps as the Bank continued its disciplined balance sheet management, while funding costs increased 4 bps due to an increase in U.S. dollar funding costs.

Non-interest income was 41.5 billion yen, a decrease of 1.2 billion yen, or 2.9% year on year. Net fees and commissions were 11.4 billion yen, a decrease of 3.0 billion yen, or 21.2% year on year, and net trading revenues were 12.2 billion yen, a decrease of 0.2 billion yen, or 2.2%. Gains/losses on bond transactions were a gain of 8.1 billion yen, compared with a gain of 2.8 billion yen in FY2014. Net other ordinary income, excluding gains/losses on bond transactions, was 9.7 billion yen, a decrease of 3.1 billion yen, or 24.4% year on year.

General and administrative expenses were 42.8 billion yen, an increase of 2.6 billion yen, or 6.6% year on year, and below the 43.0 billion yen budgeted for the full year as the Bank continued to assign a priority to efficient operations. This result was mainly due to increased staff in our focus business areas, as well as additional expenses incurred for system-related investments.

Consolidated business profit was 48.5 billion yen, a decrease of 4.0 billion yen, or 7.7%.

Credit-related expenses were a net reversal of 4.7 billion yen, mainly due to recoveries of written-off claims.

Ordinary profit was 55.7 billion yen, a decrease of 3.9 billion yen, or 6.6%. Profit before income taxes increased 1.8 billion yen, or 3.3% year on year, to 55.7 billion yen.

A net tax expense (the sum of corporation tax, resident tax, business tax and deferred income taxes) of 12.2 billion yen was recognized in FY2015, compared with a net expense of 10.2 billion yen in FY2014.

As a result of the aforementioned factors, profit attributable to owners of parent was 43.4 billion yen, a decrease of 0.1 billion yen, or 0.4% year on year. Net income per share (basic) was 37.29 yen, as compared to 36.19 yen per share (basic) in FY2014.

For this fiscal year the Bank has decided to pay a total dividend per common share of 18.60 yen. As the Bank has already paid a total of 13 yen in dividends per share in the first through third quarters, the fourth quarter dividend will be 5.60 yen.

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 FY2015, which is calculated as net revenue minus general and administrative expenses by each segment, was: a profit of 2.1 billion yen (6.4 billion yen in FY2014) for RBG; a profit of 10.7 billion yen (11.3 billion yen) for IBG; a profit of 20.2 billion yen (21.6 billion yen) for SBG; and a profit of 16.6 billion yen (12.9 billion yen) for FMG.

(Reference)

Summary of consolidated revenue and expenses

(JPY 100 million)

	FY2014	FY2015	Change
Net revenue ※1	928	914	(14)
Net interest income	499	498	(1)
Net fees and commissions	145	114	(30)
Net trading revenue	124	122	(2)
Gains/losses on bond transactions	28	81	52
Net other ordinary income excluding gains/losses on bond transactions	129	97	(31)
General and administrative expenses	(401)	(428)	(26)
Business profit ※2	526	485	(40)
Credit-related expenses	46	47	0
Gains/losses on stock transactions	13	14	1
Other	9	9	(0)
Ordinary profit	596	557	(39)
Extraordinary profit	(57)	(0)	57
Profit before income taxes	539	557	18
Total income taxes	(102)	(122)	(19)
Profit	437	435	(1)
Profit attributable to non-controlling interests ※3	(0)	(0)	0
Profit attributable to owners of parent	436	434	(1)

※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 The Bank has applied the 'Accounting Standard for Business Combinations' (ASBJ Statement No.21, September 13, 2013). Due to the application, 'Minority interest in net income' is changed to 'Profit attributable to non-controlling interests' from the beginning of the fiscal year starting on April 1, 2015.

※4 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]

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.” In accordance with our May 15, 2015 press release entitled ‘Aozora Announces Early and Full Repayment of Public Funds; Establishes Updated Business Model and Mid-term Financial Targets’, the Bank will strengthen its position as a trusted “Primary Secondary Bank: An Even More Reliable Partner” by continuing to conduct “selection and concentration” with respect to its management resources, building upon its differentiated and specialized financial services centered on “6 Focuses” as the core components of its updated business model, and creating more opportunities for customers to consult with the Bank. The Bank will fulfill its social and public responsibility as a financial institution as well as continue to place a high priority on its 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, aiming to avoid causing a credit crunch triggered by the Bank.

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 completed the replacement of its core banking “Kanjo-kei” system in May 2016 which had been its longstanding corporate priority. Through the introduction of a new system, the Bank aims to improve service quality and provide prompt response for customers as well as realize stable system operations. 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)

	FY2012	FY2013	FY2014	FY2015
Ordinary Income	1,181	1,318	1,300	1,240
Ordinary Profit	410	521	596	557
Profit attributable to owners of parent	405	423	436	434
Comprehensive Income	505	273	902	231
Net Assets	5,358	5,160	5,674	4,054
Total Assets	50,166	48,054	49,244	45,929

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

B. Assets and Profit or Loss of the Bank

(Unit: JPY 100 million)

	FY2012	FY2013	FY2014	FY2015
Deposits	30,496	30,183	29,969	29,453
Time Deposits	22,976	23,218	22,560	23,006
Other	7,519	6,965	7,409	6,447
Debentures (Long-Term Credit Bank Bond)	1,693	1,975	2,461	2,194
Corporate Bonds (Excluding Long-Term Credit Bank Bond)	-	-	-	400
Loans and Bills Discounted	27,409	26,490	27,814	25,158
Retail	63	53	40	36
Small/ Medium Companies	18,060	17,844	19,233	17,674
Other	9,285	8,593	8,540	7,447
Trading Assets	3,808	3,528	3,471	3,373
Trading Liabilities	4,073	3,182	3,112	2,698
Securities	13,339	12,067	10,343	9,874
Government Bonds	4,647	3,456	1,937	280
Other	8,691	8,611	8,405	9,593
Total Assets	50,171	47,973	49,129	45,896
Domestic Exchange Transactions	94,790	105,216	101,385	83,040
Foreign Exchange Transactions	USD million 8,197	USD million 9,678	USD million 8,291	USD million 9,103
Ordinary Profits	JPY million 40,652	JPY million 51,156	JPY million 57,851	JPY million 54,460
Net Income	JPY million 40,516	JPY million 41,602	JPY million 48,316	JPY million 42,631
Net Income per Share	JPY 28.01	JPY 34.24	JPY 40.16	JPY 36.55

(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, 2016		March 31, 2015	
	Banking Business	Other Operations	Banking Business	Other Operations
Number of Employees	1,717	135	1,661	133

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

(4) Major Branches and Offices of the Corporate Group

A) Banking operations

i. Major Branches and Number of Branches

The Bank:

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

Total 21 as of March 31, 2016. (21 as of March 31, 2015)

Overseas: 0 as of March 31, 2016. (0 as of March 31, 2015)

In addition to the above, the Bank has 3 overseas representative offices as of March 31, 2016 (3 as of March 31, 2015):

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

Subsidiaries:

Aozora Regional Consulting Co., Ltd.: Tokyo Head office
Aozora Asia Pacific Finance Limited: Hong Kong, Republic of China
Aozora Europe Limited: London, UK
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
AZB Funding 6: Cayman Islands
AZB Funding 7: Cayman Islands
Aozora GMAC Investment Limited: London, UK
Aozora Investments LLC: Delaware, USA
Aozora Investment, Inc.: Delaware, USA

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	2,585
Other	74
Total	2,659

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	911
Banking	Nagoya Branch Relocation	290

(Notes) The amounts in the table above show fixed assets, etc. recorded in FY2015.

(6) Parent company and major subsidiaries

A) Parent company

None.

B) Subsidiaries

(As of March 31, 2016)

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, 2013	10	100.00%	—
Aozora Investment Management Co., Ltd.	3-1, Kudan-minami 1-chome, Chiyoda-ku, Tokyo	Investment management services	February 4, 2014	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%	—
Aozora Europe Limited	London	Financial services	December 15, 2015	180 1,000 Thousands of GBP	100.00%	—
AZB Funding	Cayman Islands	Investment vehicle	June 1, 2012	0 0 Thousands of USD	—	—
AZB Funding 2	Cayman Islands	Investment vehicle	March 19, 2013	0 0 Thousands of USD	—	—
AZB Funding 3	Cayman Islands	Investment vehicle	September 18, 2013	0 0 Thousands of USD	—	—
AZB Funding 4 Limited	Dublin, Ireland	Investment vehicle	March 18, 2014	0 0 Thousands of EUR	—	—
AZB Funding 5	Cayman Islands	Investment vehicle	August 18, 2014	0 0 Thousands of USD	—	—
AZB Funding 6	Cayman Islands	Investment vehicle	July 7, 2015	0 0 Thousands of USD	—	—
AZB Funding 7	Cayman Islands	Investment vehicle	November 26, 2015	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 (Head Office: Singapore).
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 (Head Office: Jakarta).
22. On November 28, 2014, the Bank formed an agreement for cross border M&A advisory services with KASIKORNBANK PUBLIC COMPANY LIMITED (Head Office: Bangkok).
23. On May 15, 2015, the Bank formed an agreement with the Daishi Bank, Ltd., aiming at strengthening cooperation related to business matching between Japanese and local Vietnamese companies.
24. The Bank formed a comprehensive business alliance with CTBC Financial Holding Co., Ltd. (Head Office: Taipei, Republic of China) on June 19, 2015, aiming at strengthening business cooperation in Asia, mainly in Taiwan.
25. On March 28, 2016, the Bank formed an agreement for regional revitalization with the Bank of the Ryukyus, Ltd.

(7) Assignment of operations

None

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

The Bank and Aozora Trust Bank, Ltd. (‘Aozora Trust’) are seeking to collaborate with GMO Internet, Inc. and GMO CLICK Holdings, Inc. to jointly operate an Internet bank under Aozora Trust.

2. Matters Concerning Directors and Audit & Supervisory Board Members

(1) Directors and Audit & Supervisory Board Members

(As of March 31, 2016)

Name	Title and Line of Business	Major Concurrent Post	Other
Makoto Fukuda	Chairman Executive officer	Outside Director, Rakuten Life Insurance Co., Ltd.	—
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 (outside)	Advisor, ORIX Corporation	—
Hiroyuki Mizuta	Director (outside)	Representative Director & Chairman, Nipon Television City Corp.	—
		Outside Director, Nippon Dentsu Co., Ltd.	—
Ippei Murakami	Director (outside)	Special Advisor, Nisshin Seifun Group Inc.	—
Tomonori Ito	Director (outside)	Professor, Graduate School of International Corporate Strategy, Hitotsubashi University	—
		Outside Board Member, PARCO Co., LTD.	
Shinichi Fujihira	Audit & Supervisory Board Member (full-time)	—	—
Akira Tachimoto	Audit & Supervisory Board Member (outside)	Representative Partner, HINATA Audit Firm	Holds CPA qualification
Kiyoto Hagiwara	Audit & Supervisory Board Member (outside)	—	—

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

2. Audit & supervisory board member Mitch R. Fulscher resigned at the close of the 82nd Annual General Shareholders' Meeting held on June 26, 2015.

3. Director Tomonori Ito retired from his position as Outside Corporate Auditor, Ain Pharmaciez Inc. on July 30, 2015.

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

(Unit : JPY million)

Category	Number of Recipients	Remuneration and Benefits
Directors	8	335
Audit & Supervisory Board Members	4	53
Total	12	389

- (Notes) 1. The number of recipients and the remuneration and benefits include an audit & supervisory board member who resigned at the close of the 82nd Annual General Shareholders' Meeting held on June 26, 2015.
2. The ceiling of base remuneration and bonuses for directors was determined as 600 million yen per year at the 82nd Annual General Shareholders' Meeting held on June 26, 2015. Apart from this, the Bank approved the grant of equity compensation type stock options of up to 150 million yen per year to full-time directors in addition to the aforementioned ceiling at the 81st Annual General Shareholders' Meeting held on June 26, 2014.
3. 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.
4. The remuneration and benefits for directors include provision for directors' bonuses of 70 million yen in this fiscal year.
5. The remuneration and benefits for directors include equity compensation type stock options of 44 million yen granted to full-time directors.

(3) Limited Liability Contract

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

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

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

(As of March 31, 2016)

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

(Notes) Director Tomonori Ito retired from his position as Outside Corporate Auditor, Ain Pharmaciez Inc. on July 30, 2015.

(2) Activity Status of Outside Directors and Audit & Supervisory Board Members
(As of March 31, 2016)

Name	Term served	Board meeting attendance	Remarks or other activities performed at a Board meeting
Shunsuke Takeda	8 yrs 10 ms	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	2 yrs 10 ms	Attended all 14 Board meetings during the relevant fiscal year	Expressing opinions and offering proposals based on substantial experience as a top management executive of financial institutions, and substantial experience, achievements and expertise as a member of the management team of business corporations.
Ippei Murakami	1 yr 10 ms	Attended all 14 Board meetings during the relevant fiscal year	Expressing opinions and offering proposals based on substantial experience as a top management executive of business corporations.
Tomonori Ito	1 yr 10 ms	Attended all 14 Board meetings during the relevant fiscal year	Expressing opinions and offering proposals based on substantial experience in financial institutions, expertise as a professor of a graduate school, and substantial knowledge and achievement as an executive of business corporations.
Akira Tachimoto	11 yrs 10 ms	Attended 12 of 14 Board meetings during the relevant fiscal year Attended 17 of 19 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
Kiyoto Hagiwara	10 ms	Attended all 10 Board meetings during the relevant fiscal period after his appointment Attended all 12 meetings of the Audit & Supervisory Board during the relevant fiscal period after his appointment	Expressing opinions and making proposals based on substantial experience and insight in the finance and banking business

(3) Remuneration and Benefits to Outside Directors and Audit & Supervisory Board Members
(Unit: JPY million)

	Number of Recipients	Remuneration and Benefits from the Bank	Remuneration and Benefits from the Bank's Parent, etc.
Total Remuneration and Benefits	7	76	—

(Note) The number of recipients and the remuneration and benefits include an audit & supervisory board member who resigned at the close of the 82nd Annual General Shareholders' Meeting held on June 26, 2015.

4. Stock Data of the Bank

(1) Number of Shares (In thousands)

Authorized Shares	Common Stock	3,304,746
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Number of Stocks Issued	Common Stock	1,182,894
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(Notes) 1. The Bank's Articles of Incorporation stipulate that the number of Authorized Shares is reduced at the time of stock cancellation. Based on the resolution of the Board of Directors' meeting on May 15, 2015, the Bank canceled common stock (treasury shares) of 467,253 thousand shares, 4th (*Koushu*) preferred stock of 24,072 thousand shares, and 5th (*Heishu*) preferred stock of 214,579 thousand shares as of June 29, 2015. The resulting number of Authorized Shares following these cancellations are shown above as of March 31, 2016. Prior to the cancellation of common stock, 4th (*Koushu*) preferred stock and 5th (*Heishu*) preferred stock, the number of Authorized Shares as of June 29, 2015 were as follows:

Authorized Shares	4,010,651
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Common Stock	3,772,000
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Preferred Stock	238,651
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(<i>Koushu</i> preferred)	24,072
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(<i>Heishu</i> Preferred)	214,579
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Number of Shares Issued	1,888,798
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Common Stock	1,650,147
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Preferred Stock	238,651
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(<i>Koushu</i> preferred)	24,072
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(<i>Heishu</i> Preferred)	214,579
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2. The Number of Stocks Issued includes treasury shares of 16,501 thousand.

3. The number of shares are in thousands, rounded down to the nearest thousand.

(2) Number of Stockholders as of the End of This Fiscal Year 72,769

(3) Major Shareholders (Top 10)

(As of March 31, 2016)

Name of Shareholder	Contributed Capital	
	Number of Shares Held (in thousands)	Percentage of Total Outstanding Shares
The Master Trust Bank of Japan, Ltd. (Trust Account)	66,832	5.72%
Japan Trustee Services Bank, Ltd. (Trust Account)	63,496	5.44%
ORIX Bank Corporation (Trust Account 5200011)	26,969	2.31%
STATE STREET BANK WEST CLIENT-TREATY 505234	25,431	2.18%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	24,719	2.11%
STATE STREET BANK AND TRUST COMPANY 505225	18,514	1.58%
JP MORGAN CHASE BANK 380055	16,244	1.39%
Japan Trustee Services Bank, Ltd. (Trust Account 7)	15,725	1.34%
Japan Trustee Services Bank, Ltd. (Trust Account 4)	14,288	1.22%
Japan Trustee Services Bank, Ltd. (Trust Account 1)	13,026	1.11%

- (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 (16,501 thousand 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, 2016.
5. Sumitomo Mitsui Trust Bank, Limited submitted a Major Shareholders Report dated July 6, 2015, stating their holdings with joint shareholder Sumitomo Mitsui Asset Management Company, Limited and Nikko Asset Management Co., Ltd. as of June 30, 2015, as follows. They are not included, however, in the above table of major shareholders as the Bank was unable to confirm the actual number of shares held by the aforementioned shareholders as of March 31, 2016. The percentage of shares held based on the Major Shareholders Report to the number of stocks issued (includes treasury shares) has been rounded to two decimal places.

Name/ title	Address	Number of shares held (in thousands)	Proportion of shares held to shares issued (%)
Sumitomo Mitsui Trust Bank, Limited	4-1, Marunouchi 1-Chome, Chiyoda Ward, Tokyo	36,882	3.12
Sumitomo Mitsui Asset Management Company, Limited	33-1, Shiba 3-Chome, Minato Ward, Tokyo	2,670	0.23
Nikko Asset Management Co., Ltd.	7-1, Akasaka 9-Chome, Minato Ward, Tokyo	21,732	1.84

6. BlackRock Japan Co., Ltd. submitted a Major Shareholders Report dated July 6, 2015, stating their holdings with joint shareholder BlackRock Investment Management LLC, BlackRock (Luxembourg) S.A., BlackRock Life Limited, BlackRock Asset Management Ireland Limited, BlackRock Fund Advisors, BlackRock Institutional Trust Company, N.A. and BlackRock Investment Management (UK) Limited as of June 30, 2015, as follows. They are not included, however, in the above table of major shareholders as the Bank was unable to confirm the actual number of shares held by the aforementioned shareholders as of March 31, 2016. The percentage of shares held based on the Major Shareholders Report to the number of stocks issued (includes treasury shares) has been rounded to two decimal places.

Name/ title	Address	Number of shares held (in thousands)	Proportion of shares held to shares issued (%)
BlackRock(Japan)	8-3, Marunouchi 1-Chome, Chiyoda Ward, Tokyo	19,799	1.67
BlackRock Investment Management LLC	1 Square Drive, Princeton University, New Jersey, U.S.A.	1,305	0.11
BlackRock (Luxembourg)S.A.	6D, Route De Treves Senningerberg Luxembourg L-2633	2,913	0.25
BlackRock Life Limited	12 Throgmorton Avenue, London, U.K.	2,997	0.25
BlackRock Asset Manegement Ireland Limited	JPMorgan House, International Financial Services Centre, Dublin, Ireland	6,362	0.54
BlackRock Fund Advisors	400 Howard Street, San Francisco California, U.S.A.	18,306	1.55
BlackRock Institutional Trust Company, N.A.	400 Howard Street, San Francisco California, U.S.A.	17,968	1.52
BlackRock Investment Management (UK) Limited	12 Throgmorton Avenue, London, U.K.	3,987	0.34

(4) Other Major Issues Concerning Shares

① Repurchase and cancellation of treasury shares (preferred stock)

Based on the resolution of the Board of Directors' meeting on May 15 and 26, 2015, the Bank repurchased and canceled treasury shares (preferred stock) on June 29, 2015, for an early lump-sum payment of public funds as below.

As a result, the letter agreement with the Deposit Insurance Corporation lost effect, concerning the treatment of preferred shares as public funds dated September 27, 2012.

Type and total number of shares repurchased

4th (<i>Koushu</i>) preferred stock	24,072 thousand shares
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5th (<i>Heishu</i>) preferred stock	214,579 thousand shares
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Total buyback amount

4th (<i>Koushu</i>) preferred stock	86,720,000,000 yen
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5th (<i>Heishu</i>) preferred stock	56,709,999,965 yen
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Scheduled date of buyback	June 29, 2015
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Counterparties for buyback

4th (<i>Koushu</i>) preferred stock	The Deposit Insurance Corporation
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5th (<i>Heishu</i>) preferred stock	The Resolution and Collection Corporation
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Type and total number of shares canceled

4th (<i>Koushu</i>) preferred stock	24,072 thousand shares
---------------------------------------	------------------------

5th (<i>Heishu</i>) preferred stock	214,579 thousand shares
---------------------------------------	-------------------------

Scheduled date of cancellation	June 29, 2015
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② Cancellation of treasury shares (common stock)

Based on the resolution of the Board of Directors' meeting on May 15, 2015, the Bank canceled treasury shares (common stock) as below.

Type and total number of shares canceled

Common stock	467,253 thousand shares
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Scheduled date of cancellation	June 29, 2015
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(Note) The numbers of shares are in thousands, rounded down to the nearest thousand.

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 March 31, 2016

	Issuance of stock options is outlined below.	Number of recipients
Directors (except Outside Directors)	① Name: Aozora Bank first series of equity compensation type stock options ② Grant date: August 1, 2014 ③ Number of stock options: 2,535 ④ Class of shares to be delivered upon exercise: Common shares ⑤ Number of shares to be delivered upon exercise: 253,500 units (100 shares per option) ⑥ Issue price of stock option: 32,300 yen per option ⑦ Exercise price: 1 yen per share ⑧ Time period in which stock options are exercisable: As from August 2, 2014 through August 1, 2044 ⑨ 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
Directors (except Outside Directors)	① Name: Aozora Bank first series of equity compensation type stock options ② Grant date: July 14, 2015 ③ Number of stock options: 1,021 ④ Class of shares to be delivered upon exercise: Common shares ⑤ Number of shares to be delivered upon exercise: 102,100 units (100 shares per option) ⑥ Issue price of stock option: 43,800 yen per option ⑦ Exercise price: 1 yen per share ⑧ Time period in which stock options are exercisable: As from July 15, 2015 through July 14, 2045 ⑨ 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 both a director and an executive officer of the Bank.	4
Outside Directors	—	—
Audit & Supervisory Board Member	—	—

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

	Issuance of stock options is outlined below.	Number of recipients
Employees (Executive Officers)	① Name: Aozora Bank second series of equity compensation type stock options ② Grant date: July 14, 2015 ③ Number of stock options: 1,276 ④ Class of shares to be delivered upon exercise: Common shares ⑤ Number of shares to be delivered upon exercise: 127,600 units (100 shares per option) ⑥ Issue price of stock option: 43,800 yen per option ⑦ Exercise price: 1 yen per share ⑧ Time period in which stock options are exercisable: As from July 15, 2015 through July 14, 2045 ⑨ 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 both a director and an executive officer of the Bank.	16
Directors and Employees of Subsidiaries	—	—

6. Matters Concerning Independent Accounting Auditors

(1) Independent Accounting Auditors

(Unit: JPY million)

Name	Fees for This Fiscal Year	Other
Deloitte Touche Tohmatsu LLC Designated Limited Liability Partner, Yoshio Sato Megumi Yanaga Tatsuya Hiraki	222	Reason for acknowledgment of the fees by the Audit & Supervisory Board ('the ASB): The ASB of the Bank received documents and a direct explanation from the independent accounting auditors, analyzed and confirmed audit items, audit hours of prior years and year-to-year changes in audit fees. The ASB then compared the audit plan of the previous business year with actual performance and verified the achievement of the audit, in order to consider and assess audit items in the audit plan in the relevant business year, audit hours and details of the audit framework and appropriateness of the estimated audit remuneration. As a result, the ASB acknowledged the remuneration for the independent accounting auditors, in accordance with the Article 399-1 of the Companies Act. Non-audit services: External review of Kanjo-kei Core Banking System Comfort letter for issuance corporate bonds, etc.

- (Notes) 1. The amounts in the table above are in million yen and rounded down to the nearest million.
2. When including the Bank's subsidiaries in the total, independent auditor fees for this fiscal year were 254 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. 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 and AZB Funding 4 Limited are audited by audit firms which are in the same network as the Bank's audit firm.

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

None

8. Framework for Ensuring the Appropriateness of Business Operations

The 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's subsidiaries (internal control programs), based on the Companies Act and Ordinance for Enforcement of the Companies Act. 1. Ensure Execution of Fiduciary Responsibilities by Directors and Employees in compliance with Laws, Regulations and the Articles of Incorporation

(1) The Bank develops 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's Subsidiaries

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

(2) The Bank ensures business appropriateness by establishing an integrated internal control system for the Bank and the Bank's subsidiaries while respecting their independency and individuality. Meanwhile, to ensure that there are no violations of laws, the Bank familiarizes the Bank's subsidiaries 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' interests, and a system to control the terms of transactions with subsidiaries, etc. in order to not violate any arm's length rules.

(4) To ensure credibility and appropriateness of the financial reporting of the Bank and the Bank's subsidiaries, 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's subsidiaries.

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's subsidiaries 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's subsidiaries report to the Members when they find the matters at the Bank and the Bank's subsidiaries 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)).

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

The following is a summary of the operational status of the Bank's basic policy for the development of internal control systems:

1. Framework for ensuring that directors and employees perform their duties in accordance with laws, regulations and the Articles of Incorporation
 - The Bank has a Code of Conduct and Ethics, which comes under the Master Policy, and other internal rules related to compliance. The Bank confirms that all management and employees read and understand the Code of Conduct and Ethics and acknowledges such understanding by signing it annually to ensure compliance with such guidelines in conducting our businesses. The Board of Directors prepares a compliance program annually and verifies its progress semi-annually.
 - With consideration to independence, the Bank nominates several members as outside directors, who are then approved at the general shareholders' meeting. The Board of Directors was comprised of eight directors, including four independent outside directors, as of March 31, 2016. The Nomination and Remuneration Committee, whose majority members are outside directors, and the Audit and Compliance Committee, which is comprised of outside directors, are entrusted by the Board of Directors to check and verify responsible areas multi-dimensionally and professionally, report their deliberations to the Board of Directors and perform supplementary supervision and maintain checks and balances for the Representative Directors and Executive Officers.
 - The Compliance and Operations Management Division conducts "Compliance Training for Officers" and "Compliance Leaders Training." The Division also maintains a training environment through e-learning and conducts monthly compliance seminars to ensure thorough understanding and awareness of new laws and regulations and key compliance issues. The Division supervises the prevention of transactions with anti-social elements and addresses insider trading through centralized control of insider information.
 - The Customer Protection Committee, which is comprised of members including the Director and the Executive Officer in charge of customer protection, meets once a month and verifies the framework for customer protection.
 - The Bank has the Aozora Whistleblower Hotline Program as a whistle-blower program. The Bank also has a Compliance Monitoring Program, which enables the General Manager of the Compliance and Operations Management Division to independently communicate via e-mail questionnaires with employees on compliance issues.
 - The Internal Audit Division conducts an internal audit based on the Annual Internal Audit Plan approved by the Board of Directors each fiscal year. The Division reports monthly to the Chief Executive Officer and the Management Committee, as well as semi-annually to the Audit & Compliance Committee and the Board of Directors.
2. Framework for ensuring that directors perform their duties efficiently
 - The Management Committee, which is comprised of members from amongst the Executive Officers who are approved and appointed by the Board of Directors, holds a weekly meeting to make decisions on important issues in daily operations based on the policy of the Board of Directors. The Management Committee delegates its authority to sub-committees, such as the Asset and Liability Committee, the Credit Committee, the Integrated Risk Committee, the Investment Committee, the CAPEX Committee and the Customer Protection Committee, which is comprised of members who have professional knowledge, experience and sound judgment.

3. Framework for keeping and managing information regarding the directors' execution of duties
 - The Bank keeps important documents, such as the minutes of the Board of Directors, the Management Committee, for preset storage lives based on relevant laws and regulations, as well as internal rules.
4. Internal rules and framework for managing risk of loss
 - By risk category, the Bank has established the Asset and Liability Committee, the Integrated Risk Committee, the Credit Committee and the Investment Committee, to understand, evaluate and control the risks. The Bank appoints the Chief Risk Officer from amongst Executive Officer Directors as a responsible person for risk management.
 - The Board of Directors has set in place master policies that stipulate the scope of risks to be controlled, their definitions, risk characteristics and evaluations, monitoring and control. Each risk management division controls the risks in an appropriate manner within the framework. The Board of Directors, the Audit and Compliance Committee and the Management Committee receive risk control reports from the risk management divisions to understand, evaluate and control the risks in an appropriate manner.
 - The Internal Audit Division conducts risk-based internal audits and reports on the effectiveness and legitimacy of risk controls to the Chief Executive Officer (CEO) and the Management Committee monthly and to the Audit & Compliance Committee and the Board of Directors semi-annually.
 - The Bank has drawn up a Business Contingency Plan (BCP) and verifies its effectiveness on an as-needed basis. The Bank conducts various trainings and seminars to raise awareness of crisis management and improve its effectiveness, including weekend drills, headed by the Chief Executive Officer.
5. Framework for ensuring the appropriateness of business operations of the Bank and subsidiaries
 - The Bank has a Master Policy "Management of Group Companies" which encompasses a compliance framework and risk management. Executive officers and divisions in charge of group subsidiaries supervise management of the subsidiaries, and each risk management division conducts separate risk management. The Bank has signed a "Basic Agreement for Advisory and Governance" with the group subsidiaries, which defines specific issues to be complied by the Bank and the subsidiaries, to ensure effectiveness of management. The Bank has established a group management council for the CEO of the Bank, the Executive Officers and the presidents of the subsidiaries to share information and discuss the issues related to the management of the Bank and its subsidiaries.
 - The Bank has formulated the Procedure "Management of Conflict of Interests and Compliance with Arms Length Rule," in order to properly manage any transactions which may result in conflicts of interests and ensure that terms and conditions of such transactions do not infringe upon the arm's length rule. The Customer Protection Committee, which is comprised of the Director in charge of customer protection and the Executive Officer in charge of compliance and governance, verifies semi-annually the management of conflicts of interests and compliance with the arm's length rule.

- The Bank is committed to developing and maintaining a proper internal control system in line with the Procedure “Internal Control for Financial Reporting” to ensure the appropriateness and reliability of financial reporting. The Bank also evaluates the effectiveness of internal control for financial reporting and discloses the internal control report annually.
- The Internal Audit Division conducts internal audits on the Bank and the subsidiaries in accordance with the Master Policy “Internal Audit” and the Procedure “Supervision and Governance of Group Companies.”

6. Framework for ensuring the effectiveness of audit by ASB members

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

9. Matters Concerning Wholly-owned Subsidiaries

None.

10. Matters Concerning Transactions with the Parent Company

None.

11. Matters Concerning Accounting Advisor

None.

12. Other

Policy on execution of authority granted to the Board of Directors in accordance with the Articles of Incorporation based on Article 459-1 of the Companies Act

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

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

The Bank makes it a principle to give back performance-based returns to the shareholders through dividend payments. The Bank makes it a policy to set the ratio at 50% of consolidated net income (profit attributable to owner 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, the Bank considers comprehensively the business performance and business prospects as well as the capital policy, in order to enhance corporate value and make an appropriate return of profits to its shareholders.

Consolidated balance sheet as of March 31, 2016

(In millions of yen)

(Assets)		(Liabilities)	
Cash and due from banks	546,258	Deposits	2,710,531
Call loans and bills bought	56	Negotiable certificates of deposit	221,600
Receivables under securities borrowing transactions	67,895	Debentures	219,465
Monetary claims bought	34,856	Call money and bills sold	90,268
Trading assets	337,373	Payables under securities lending transactions	263,521
Money held in trust	26,325	Trading liabilities	269,869
Securities	923,526	Borrowed money	208,048
Loans and bills discounted	2,511,622	Bonds payable	40,000
Foreign exchanges	24,221	Other liabilities	119,562
Other assets	96,312	Provision for bonuses	3,188
Tangible fixed assets	21,918	Provision for directors' bonuses	76
Buildings, net	10,613	Net defined benefit liability	8,961
Land	9,235	Provision for directors' retirement benefits	2
Lease assets, net	479	Provision for credit losses on off-balance-sheet instruments	1,394
Construction in progress	45	Provision for contingent loss	409
Other tangible fixed assets	1,544	Reserve under the special laws	7
Intangible fixed assets	11,257	Acceptances and guarantees	30,514
Software	11,187	Total liabilities	4,187,422
Other intangible fixed assets	69	(Net assets)	
Deferred debenture discounts	118	Capital stock	100,000
Net defined benefit asset	951	Capital surplus	87,313
Deferred tax assets	21,573	Retained earnings	199,785
Customers' liabilities for acceptances and guarantees	30,514	Treasury shares	(3,388)
Allowance for loan losses	(61,384)	Total shareholders' equity	383,710
Allowance for investment loss	(476)	Valuation difference on available-for-sale securities	16,258
		Deferred gains or losses on hedges	4,438
		Foreign currency translation adjustment	(3)
		Remeasurements of defined benefit plans	139
		Total accumulated other comprehensive income	20,833
		Subscription rights to shares	182
		Non-controlling interests	772
		Total net assets	405,498
Total assets	4,592,921	Total liabilities and net assets	4,592,921

Consolidated statement of income

(For the year ended March 31, 2016)

(In millions of yen)

Ordinary income		124,054
Interest income	65,223	
Interest on loans and discounts	43,413	
Interest and dividends on securities	20,058	
Interest on call loans and bills bought	23	
Interest on receivables under securities borrowing transactions	8	
Interest on deposits with banks	131	
Other interest income	1,586	
Fees and commissions	12,512	
Trading income	12,907	
Other ordinary income	25,472	
Other income	7,939	
Reversal of allowance for loan losses	1,321	
Recoveries of written-off claims	3,393	
Reversal of reserve for credit losses on off-balance-sheet instruments	341	
Other	2,883	
Ordinary expenses		68,333
Interest expenses	15,418	
Interest on deposits	8,031	
Interest on negotiable certificates of deposit	310	
Interest on debentures	603	
Interest on call money and bills sold	483	
Interest on payables under securities lending transactions	938	
Interest on borrowings and rediscounts	896	
Interest on bonds	21	
Other interest expenses	4,133	
Fees and commissions payments	1,048	
Trading expenses	698	
Other ordinary expenses	7,545	
General and administrative expenses	41,140	
Other expenses	2,481	
Other	2,481	
Ordinary profit		55,721
Extraordinary loss		4
Loss on disposal of noncurrent assets	3	
Transfer to reserve for financial products transaction liabilities	0	
Profit before income taxes		55,716
Income taxes-current	1,257	
Income taxes-deferred	10,946	
Total income taxes		12,204
Profit		43,512
Profit attributable to non-controlling interests		13
Profit attributable to owners of parent		43,499

Consolidated statement of changes in net assets
(for the year ended March 31, 2016)

(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	289,676	235,035	(99,333)	525,377
Changes of items during period					
Dividends of surplus-other capital surplus		(20,490)			(20,490)
Dividends of surplus			(21,245)		(21,245)
Profit attributable to owners of parent			43,499		43,499
Purchase of treasury shares				(143,430)	(143,430)
Retirement of treasury shares		(239,375)		239,375	-
Transfer to capital surplus from retained earnings		57,502	(57,502)		-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(202,362)	(35,249)	95,945	(141,667)
Balance as of March 31, 2016	100,000	87,313	199,785	(3,388)	383,710

(In millions of yen)

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	34,931	(145)	1,209	5,191	41,187	81	767	567,414
Changes of items during period								
Dividends of surplus-other capital surplus								(20,490)
Dividends of surplus								(21,245)
Profit attributable to owners of parent								43,499
Purchase of treasury shares								(143,430)
Retirement of treasury shares								-
Transfer to capital surplus from retained earnings								-
Net changes of items other than shareholders' equity	(18,672)	4,583	(1,212)	(5,052)	(20,353)	100	4	(20,248)
Total changes of items during period	(18,672)	4,583	(1,212)	(5,052)	(20,353)	100	4	(161,915)
Balance as of March 31, 2016	16,258	4,438	(3)	139	20,833	182	772	405,498

Non-consolidated balance sheet as of March 31, 2016

(In millions of yen)

(Assets)		(Liabilities)	
Cash and due from banks	525,867	Deposits	2,723,774
Cash	9,629	Current deposits	20,557
Due from banks	516,237	Ordinary deposits	380,428
Call loans	56	Deposits at notice	4,960
Receivables under securities borrowing transactions	67,895	Time deposits	2,300,654
Monetary claims bought	6,716	Other deposits	17,174
Trading assets	337,373	Negotiable certificates of deposit	221,600
Derivatives of trading securities	360	Debtentures	219,465
Securities related to trading transactions	15,050	Debenture issuance	219,465
Derivatives of securities related to trading transactions	255	Call money	90,268
Trading-related financial derivatives	321,707	Payables under securities lending transactions	263,521
Money held in trust	4,505	Trading liabilities	269,869
Securities	987,411	Derivatives of securities related to trading transactions	295
Government bonds	28,024	Trading-related financial derivatives	269,574
Local government bonds	15,140	Borrowed money	206,320
Corporate bonds	32,147	Borrowings from other banks	206,320
Stocks	54,654	Bonds payable	40,000
Other securities	857,445	Other liabilities	114,084
Loans and bills discounted	2,515,868	Income taxes payable	682
Bills discounted	28	Accrued expenses	10,014
Loans on bills	29,350	Unearned revenue	331
Loans on deeds	2,309,190	Variation margins of futures markets	13
Overdrafts	177,298	Derivatives other than for trading-liabilities	14,764
Foreign exchanges	24,221	Cash collateral received for financial instruments	66,105
Due from foreign banks (our accounts)	24,221	Lease obligations	499
Other assets	96,120	Asset retirement obligations	1,956
Prepaid expenses	572	Other	19,717
Accrued income	8,307	Provision for bonuses	3,082
Variation margins of futures markets	1,371	Provision for directors' bonuses	70
Derivatives other than for trading-assets	24,192	Provision for retirement benefits	8,110
Cash collateral paid for financial instruments	41,364	Provision for credit losses on off-balance-sheet instruments	1,399
Bond issuance cost	111	Acceptances and guarantees	30,389
Other	20,200		
Tangible fixed assets	21,759	Total liabilities	4,191,956
Buildings, net	10,550	(Net assets)	
Land	9,235	Capital stock	100,000
Lease assets, net	479	Capital surplus	87,313
Construction in progress	45	Legal capital surplus	87,313
Other tangible fixed assets	1,447	Retained earnings	193,112
Intangible fixed assets	11,031	Legal retained earnings	12,686
Software	10,962	Other retained earnings	180,425
Other intangible fixed assets	68	Retained earnings brought forward	180,425
Deferred debenture discounts	118	Treasury shares	(3,388)
Debenture issuance cost	118	Total shareholders' equity	377,037
Deferred tax assets	21,025	Valuation difference on available-for-sale securities	16,084
Customers' liabilities for acceptances and guarantees	30,389	Deferred gains or losses on hedges	4,438
Allowance for loan losses	(60,185)	Total valuation and translation adjustments	20,523
Allowance for investment loss	(476)	Subscription rights to shares	182
		Total net assets	397,742
Total assets	4,589,699	Total liabilities and net assets	4,589,699

Non-consolidated statement of income (for the year ended March 31, 2016)

(In millions of yen)

Ordinary income		118,975
Interest income	63,200	
Interest on loans and discounts	41,520	
Interest and dividends on securities	19,958	
Interest on call loans	23	
Interest on receivables under securities borrowing transactions	8	
Interest on deposits with banks	102	
Interest on interest swaps	266	
Other interest income	1,319	
Fees and commissions	12,942	
Fees and commissions on domestic and foreign exchanges	200	
Other fees and commissions	12,742	
Trading income	10,452	
Gains on trading account securities transactions	352	
Income from trading-related financial derivatives transactions	10,099	
Other ordinary income	24,684	
Gains on sales of bonds	10,153	
Other	14,530	
Other income	7,696	
Reversal of allowance for loan losses	1,234	
Recoveries of written-off claims	2,935	
Reversal of provision for credit losses on off-balance-sheet instruments	292	
Gain on sales of stocks and other securities	1,319	
Gain on money held in trust	117	
Other	1,796	
Ordinary expenses		64,515
Interest expenses	15,359	
Interest on deposits	8,032	
Interest on negotiable certificates of deposit	310	
Interest on debentures	603	
Interest on call money	483	
Interest on payables under securities lending transactions	938	
Interest on borrowings and rediscounts	836	
Interest on bonds	21	
Interest on interest swaps	4,095	
Other interest expenses	37	
Fees and commissions payments	1,399	
Fees and commissions on domestic and foreign exchanges	107	
Other fees and commissions	1,292	
Trading expenses	698	
Expenses on securities and derivatives related to trading transactions	698	
Other ordinary expenses	7,714	
Loss on foreign exchange transactions	3,285	
Loss on sales of bonds	1,491	
Loss on redemption of bonds	528	
Loss on devaluation of bonds	6	
Amortization of debenture issuance cost	73	
Amortization of bond issuance cost	23	
Expenses on derivatives other than for trading or hedging	100	
Other	2,206	
General and administrative expenses	37,607	
Other expenses	1,736	
Written-off of loans	369	
Other	1,366	
Ordinary profit		54,460
Extraordinary loss		3
Loss on disposal of noncurrent assets	3	
Income before income taxes		54,456
Income taxes-current	894	
Income taxes-deferred	10,930	
Total income taxes		11,824
Net income		42,631

Non-consolidated statement of changes in net assets
(for the year ended March 31, 2016)

(In millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings		
						Retained earnings brought forward			
Balance at the beginning of current period	100,000	87,313	202,362	289,676	12,686	216,542	229,228	(99,333)	519,571
Changes of items during the period									
Dividends from surplus-other capital surplus			(20,490)	(20,490)					(20,490)
Dividends from retained earnings						(21,245)	(21,245)		(21,245)
Profit						42,631	42,631		42,631
Purchase of treasury shares								(143,430)	(143,430)
Retirement of treasury shares			(239,375)	(239,375)				239,375	-
Transfer to capital surplus from retained earnings			57,502	57,502		(57,502)	(57,502)		-
Net changes of items other than shareholders' equity									
Total changes of items during the period	-	-	(202,362)	(202,362)	-	(36,116)	(36,116)	95,945	(142,534)
Balance as of March 31, 2016	100,000	87,313	-	87,313	12,686	180,425	193,112	(3,388)	377,037

(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	34,758	(145)	34,612	81	554,266
Changes of items during the period					
Dividends from surplus-other capital surplus					(20,490)
Dividends from retained earnings					(21,245)
Profit					42,631
Purchase of treasury shares					(143,430)
Retirement of treasury shares					-
Transfer to capital surplus from retained earnings					-
Net changes of items other than shareholders' equity	(18,673)	4,583	(14,089)	100	(13,989)
Total changes of items during the period	(18,673)	4,583	(14,089)	100	(156,523)
Balance as of March 31, 2016	16,084	4,438	20,523	182	397,742

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, 2016

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, 2016 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, 2015 to March 31, 2016.

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, 2016, 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, 2016

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 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, 2016 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 83rd fiscal year from April 1, 2015 to March 31, 2016, 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, 2016, 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 83rd business year that commenced on April 1, 2015 and ended on March 31, 2016.

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

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

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

2. Results of the Audit

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

May 26, 2016

The Audit & Supervisory Board of Aozora Bank, Ltd.
Standing Audit & Supervisory Board Member Shinichi Fujihira
Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)
Akira Tachimoto
Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)
Kiyoto Hagiwara

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

End

[illegible]

Guide to the Venue for Ordinary General Meeting of Shareholders

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

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

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

Access : **“Kudanshita” Station**

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

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

Three (3) minutes walk

