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

Aozora Bank, Ltd.
Securities Code 8304

The Convocation Notice for the 86th FY Ordinary General Meeting of Shareholders

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Date & Time

June 25, 2019 (Tuesday)
10:00 a.m. (reception opens at 9:00 a.m.)

Venue

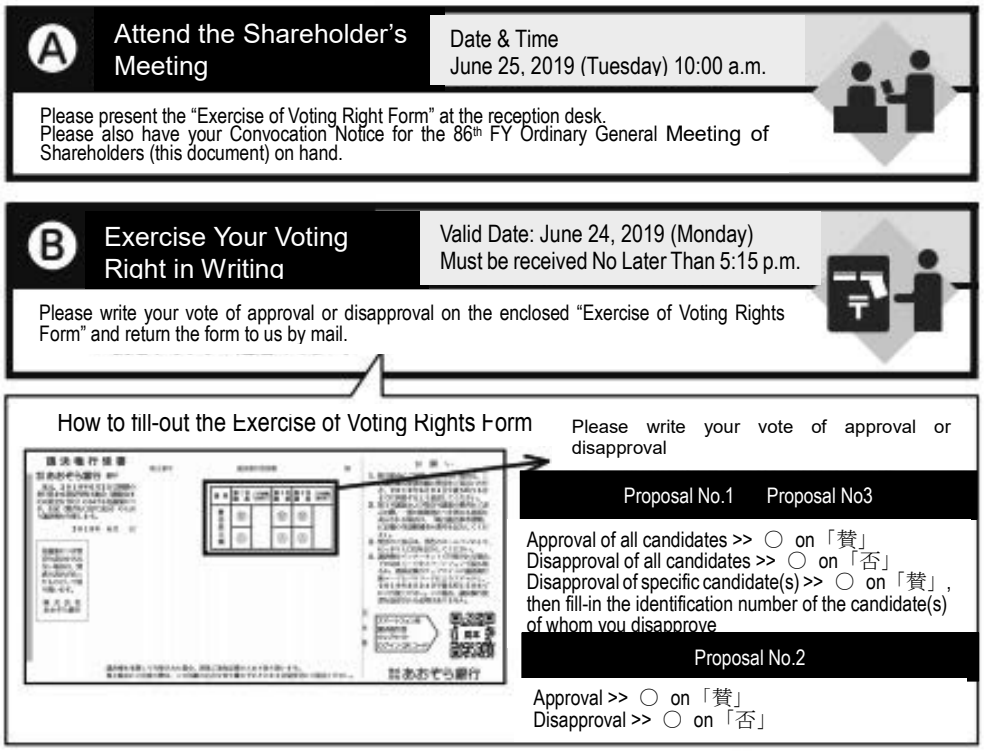
Diamond Room on the 2nd Floor of Hotel Grand Palace
1-1, Iidabashi 1-chome, Chiyodaku, Tokyo
(Please refer to map on the last page)

Proposals for Resolution:
Proposal No.1 Appointment of Eight Directors
Proposal No.2 Appointment of One Audit & Supervisory Board Member
Proposal No.3 Appointment of Two Alternate Audit & Supervisory Board Members

Drinks and snacks will be available at the Drink Corner.
Time: 9:00 a.m. – 10:00 a.m. (prior to the meeting)
A Retail Showroom will be set up to showcase the Bank's retail banking business so please feel free to visit.
Time: for approx. 1 hour from the closing of the Meeting of Shareholders

Notice on Exercise of Voting Rights

Once you have reviewed the Shareholder's Meeting Reference Materials (page 7),we ask that you please exercise your voting rights regarding each proposal.
The following 3 methods may be used to exercise your voting rights.



A. If you decide to exercise your voting right in writing and/or via the Internet or other means, please note the following.
   1. If you exercise your voting right more than once in writing, the exercise made with the most recent reissue of the Exercise of Voting Rights Form shall prevail.
   2. If you exercise your voting right more than once via the Internet or other means, the last exercise made shall prevail.
   3. If you exercise your voting right both in writing and via the Internet or other means, the exercise via the Internet or other means shall prevail.

B. If neither approve nor disapprove is selected for a proposal item, the proposal shall be considered to be approved.

C Exercise your Voting Right via the Internet

Valid Date: June 24, 2019 (Monday)
No later than 5:15 p.m.

"Smart Voting" Method

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

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

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

Please refer to the enclosed leaflet for more information about "Smart Voting".

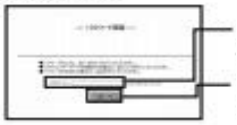
Exercise of the Voting Right Code and Password Method

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

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

Input the "Exercise Code"
Click "Log in

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



Input the "Password"
Click "NEXT

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

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

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

* Please refer to "Procedure for the Exercise of Voting Rights via the Internet, etc." on pages 5 to 6 for information regarding the exercise of voting rights via the Internet or other means.
*(QR code is a registered trademark of Denso Wave)

Securities Code 8304

June 5, 2019

The Convocation Notice for the 86th FY Ordinary General Meeting of Shareholders

Dear Shareholders,

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

You are cordially invited to attend Aozora Bank, Ltd.'s 86th 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 by other means. We will ask for your cooperation in exercising your voting right by no later than 5:15 p.m. on June 24th (Monday) 2019, 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 for the Exercise of Voting Rights via the Internet, etc.".

Thank you.

Best Regards,

1.Date & Time Tuesday, June 25, 2019 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 86th FY (from April 1, 2018 to March 31, 2019)

2. Reports on the Financial Statements for the 86th FY (from April 1, 2018 to March 31, 2019)

Proposals for Resolution:

Proposal No.1: Appointment of Eight Directors

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

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

End

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◎ 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 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 15 of the Articles of Incorporation, the Notes to the Consolidated Financial Statements and Notes to the Non-consolidated Financial Statements are disclosed on the Company's website (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 for the Exercise of Voting Rights via the Internet, etc.

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

1. Website dedicated to the exercise of voting rights ("Dedicated Voting Website")

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

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

2. Method for the exercise of voting rights

(1) PC and cellular phone users

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

- You may also access the Dedicated Voting Website using a cellular phone by reading the QR Code® shown on the right.
  (QR Code is a registered trade mark of the DENSO WAVE INCORPORATED.)

(2) Smartphone users

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

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

3. Guidance on the exercise of voting rights

(1) Your voting right will expire at 5:15 p.m. on June 24, 2019 (Monday). Please exercise your right at the earliest possible time.

(2) When voting rights are exercised both in writing and via the Internet, etc., the latter will prevail as valid exercise of voting rights. If they are excised through PC, smartphone and cellular phone, the most recent action will prevail as valid exercise of voting rights.

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

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

(1) The Password is important information to confirm the identity of an eligible shareholder. Great care is required for handling the Password as well as your seal or personal identification number.
(2) When you enter the Password incorrectly beyond several times, it will become invalid. If you wish to recover the Password, please follow the instructions shown on the screen.
(3) The Voting Right Exercise Code shown on the Exercise of Voting Rights Form is valid only for the 86th FY Ordinary General Meeting of Shareholders.

5. Inquiries about PC operation, etc.

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

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

Institutional investors may exercise their voting rights for the 86th FY Ordinary General Meeting of Shareholders through the electromagnetic form operated by ICJ Inc.

End

Reference Materials for the General Meeting of Shareholders

Proposals and Reference Matters

Proposal No.1: Appointment of Eight Directors

At the close of this Ordinary General Meeting of Shareholders, the term of office of all eight directors shall expire. This is to propose, therefore, that eight directors be elected. Candidates are shown below, and the matters concerning each candidate are described on page 8 and thereafter.

Candidate No.	Name	Current Positions and Areas of Responsibility	Board meeting attendance
1	For reappointment Inside Makoto Fukuda	Chairman and Director, Executive Officer	Attended all 15 Board meetings during the relevant fiscal year
2	For reappointment Inside Shinsuke Baba	President and Representative Director, Chief Executive Officer	Attended all 15 Board meetings during the relevant fiscal year
3	For reappointment Inside Kei Tanikawa	Deputy President and Representative Director, Executive Officer, Head of Trust Business Group	Attended all 15 Board meetings during the relevant fiscal year
4	For reappointment Outside Independent director Shunsuke Takeda	Director	Attended all 15 Board meetings during the relevant fiscal year
5	For reappointment Outside Independent director Hiroyuki Mizuta	Director	Attended all 15 Board meetings during the relevant fiscal year
6	For reappointment Outside Independent director Ippei Murakami	Director	Attended 14 out of 15 Board meetings during the relevant fiscal year
7	For reappointment Outside Independent director Tomonori Ito	Director	Attended 12 out of 15 Board meetings during the relevant fiscal year
8	New candidate Inside Tomomi Akutagawa	Managing Executive Officer, Head of Corporate Strategy Unit and Office of Corporate Secretary	———

Candidates for Directors

Candidate No.	1	Makoto Fukuda	73 years old	For reappointment Inside
			Date of birth: June 27, 1945	

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

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)

Number of years served as director:

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

Board meeting attendance（FY 2018）

Attended all 15 Board meetings during the relevant fiscal year

Reason for nomination as a candidate for director

Makoto Fukuda has extensive expertise in financial businesses based on a wealth of experience and credentials, having played key roles in public institutions and a deep involvement in regional financial institutions' businesses, and he has been engaged in the Bank's management as Chairman and Director since June 2013.
He is an adequate candidate because of such experience and prudent judgment in corporate management.

Number of Bank's shares Owned by Candidate

2,941
The above states the sum of the shares held directly by the candidate and includes shares held through the Executive Stock Ownership Plan (ESOP). (Fractional shares are rounded off.)

Candidate No.	2	Shinsuke Baba	64 years old	For reappointment Inside
			Date of birth: August 23, 1954	

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

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

Number of years served as director:

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

Board meeting attendance（FY 2018）

Attended all 15 Board meetings during the relevant fiscal year

Reason for nomination as a candidate for director

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

Number of Bank's shares Owned by Candidate

18,713

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

Candidate No.	3	Kei Tanikawa	57 years old	For reappointment Inside
			Date of birth: May 17, 1962	

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

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

Number of years served as director:

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

Board meeting attendance（FY 2018）

Attended all 15 Board meetings during the relevant fiscal year

Reason for nomination as a candidate for director

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

Number of Bank's shares Owned by Candidate

6,533
The above states the sum of the shares held directly by the candidate and includes shares held through the Executive Stock Ownership Plan (ESOP). (Fractional shares are rounded off.)

Candidate No.	4	Shunsuke Takeda	77 years old	For reappointment Outside Independent director
			Date of birth: September 30, 1941	

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

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

Number of years served as director:

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

Board meeting attendance（FY 2018）

Attended all 15 Board meetings during the relevant fiscal year

Reason for nomination as a candidate for director

Shunsuke Takeda is an adequate candidate because of a wealth of experience, credentials and deep insight as a top management of a corporation and also because he is positioned to be independent from the Bank's business operations and he is expected to contribute to the Bank's management.

Although as many as 12 years have passed since Mr. Takeda first assumed as Outside Director, he has made a distinguished contribution to the Bank's management during this period by providing a variety of advice and opinions as Outside Director from the neutral and objective standpoint, seeking to maintain the sound governance.

Matters concerning interests and independence

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

The Bank is currently providing some loans to Orix Corporation where Mr. Takeda is currently serving as Advisor and 12 years have passed since he retired from the position of Director, Vice Chairman and CFO of Orix Corporation and therefore there is no matter concerning independence.

The Bank is currently providing some loans to Daikyo Incorporated where Mr. Takeda previously served as Chairman and Representative Executive Officer, however more than 8 years have passed since he retired from the position, and therefore there is no matter concerning independence.
Mr. Takeda is nominated as Outside Director and also as Independent Director in accordance with the requirement of Tokyo Stock Exchange, Inc.
The Bank has an agreement with Mr. Takeda regarding the liability limit stipulated in Paragraph 1 - Article 423 of the Companies Act, pursuant to Paragraph 1 - Article 427, which is stating that in case of "bona fides without any significant delinquency", the amount of the liability limit is in accordance with the amount stipulated in Paragraph 1 - Article 425.
In case this proposal is approved and resolved, and Mr. Takeda assumes as Outside Director, this agreement continues to be effective.

Number of Bank's shares Owned by Candidate

8,544
The above states the sum of the shares held directly by the candidate and includes shares held through the Executive Stock Ownership Plan (ESOP). (Fractional shares are rounded off.)

Candidate No.	5	Hiroyuki Mizuta	69 years old	For reappointment Outside Independent director
			Date of birth: November 30, 1949	

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

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

Number of years served as director:
6 years（At the close of this Ordinary General Meeting of Shareholders）
Board meeting attendance（FY 2018）
Attended all 15 Board meetings during the relevant fiscal year
Reason for nomination as a candidate for director
Hiroyuki Mizuta is an adequate candidate because of a wealth of experience, credentials and deep insight as a top management of a corporation as well as financial institutions and also because he is positioned to be independent from the Bank's business executions and he is expected to contribute to the Bank's management.
Matters concerning interests and independence
The Bank is currently providing some loans to TOKYO TOWER Co., Ltd (the Company), where Mr. Mizuta is currently serving as Representative Director and Chairman and the loan amount as of the end of March 2019 is less than 1% of the total loan amount of the Bank and also less than 1% of the total amount of the Company's borrowings, and therefore there is no matter concerning independence. The Bank currently is making some transactions including deposits with Resona Holdings, Inc. where Mr. Mizuta previously served as Executive Officer and with its affiliated bank where he served as President and Representative Director, however more than 10 years have passed since he retired from these positions, and therefore there is no matter concerning independence. Mr. Mizuta is nominated as Outside Director and also as Independent Director in accordance with the requirement of Tokyo Stock Exchange, Inc. The Bank has an agreement with Mr. Mizuta regarding the liability limit stipulated in Paragraph 1 - Article 423 of the Companies Act, pursuant to Paragraph 1 - Article 427, which is stating that in case of "bona fides without any significant delinquency", the amount of the liability limit is in accordance with the amount stipulated in Paragraph 1 - Article 425. In case this proposal is approved and resolved, and Mr. Mizuta assumes as Outside Director, this agreement continues to be effective.
Number of Bank's shares Owned by Candidate
2,941 The above states the sum of the shares held directly by the candidate and includes shares held through the Executive Stock Ownership Plan (ESOP). (Fractional shares are rounded off.)

Candidate No.	6	Ippei Murakami	74 years old	For reappointment Outside Independent director
			Date of birth: March 3, 1945	

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

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

Number of years served as director:

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

Board meeting attendance（FY 2018）

Attended 14 out of 15 Board meetings during the relevant fiscal year

Reason for nomination as a candidate for director

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

Matters concerning interests and independence

There are no other particular business related interests between Mr. Murakami and the Bank.
Mr. Murakami is nominated as Outside Director and also as Independent Director in accordance with the requirement of Tokyo Stock Exchange, Inc.
The Bank has an agreement with Mr. Murakami regarding the liability limit stipulated in Paragraph 1 - Article 423 of the Companies Act, pursuant to Paragraph 1 - Article 427, which is stating that in case of "bona fides without any significant delinquency", the amount of the liability limit is in accordance with the amount stipulated in Paragraph 1 - Article 425.
In case this proposal is approved and resolved, and Mr. Murakami assumes as Outside Director, this agreement continues to be effective.

Number of Bank's shares Owned by Candidate

3,740
The above states the sum of the shares held directly by the candidate and includes shares held through the Executive Stock Ownership Plan (ESOP). (Fractional shares are rounded off.)

Candidate No.	7	Tomonori Ito	62 years old	For reappointment Outside Independent director
			Date of birth: January 9, 1957	

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

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

Number of years served as director:

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

Board meeting attendance（FY 2018）

Attended 12 out of 15 Board meetings during the relevant fiscal year

Reason for nomination as a candidate for director

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

Matters concerning interests and independence

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

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

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

In case this proposal is approved and resolved, and Mr. Ito assumes as Outside Director, this agreement continues to be effective.

Number of Bank's shares Owned by Candidate

2,000

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

Candidate No.	8	Tomomi Akutagawa	56 years old	New candidate Inside
			Date of birth: November 30, 1962	

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

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

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

Number of years served as director:

-

Board meeting attendance（FY 2018）

-

Reason for nomination as a candidate for director

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

Number of Bank's shares Owned by Candidate

844

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

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

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

Candidate for Audit & Supervisory Board Member

Kiyoto Hagiwara	76 years old	For reappointment Outside Independent Audit Supervisory Board Member
	Date of birth: January 4, 1943	

Brief Personal History, Positions and Concurrent Major Posts	
Apr. 1965	The Bank of Japan (BOJ)
Nov. 1983	Director, Head of Banking Division, Osaka Branch, BOJ
Nov. 1985	Head of General Coordination Division, Planning and Coordination Department, BOJ
May 1987	General Manager, Matsuyama Branch, BOJ
May 1990	Senior Examiner, BOJ
June 1992	Deputy Director-General, Examination Department, BOJ
Apr. 1993	Director-General Administration Department, BOJ
May 1996	Auditor, BOJ
Aug. 2001	President & Chief Executive Officer, The Securities Analysts Association of Japan (SAAJ)
Aug. 2013	Senior Advisor, SAAJ (current)
June 2015	Outside Audit & Supervisory Board Member, Aozora Bank, Ltd. (current)

Number of years served as Audit & Supervisory Board Member:
4 years（At the close of this Ordinary General Meeting of Shareholders）

The meetings of the Audit & Supervisory Board attendance (FY 2018)
Attended all 14 meetings of the Audit & Supervisory Board during the relevant fiscal year
Attended all 15 Board meetings during the relevant fiscal year

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

Matters concerning interests and independence
There are no other particular business related interests between Mr. Hagiwara and the Bank.
Mr. Hagiwara 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 Tokyo Stock Exchange, Inc.
The Bank has an agreement with Mr. Hagiwara regarding the liability limit stipulated in Paragraph 1 - Article 423 of the Companies Act, pursuant to Paragraph 1 - Article 427, which is stating that in case of "bona fides without any significant delinquency", the amount of the liability limit is in accordance with the amount stipulated in Paragraph 1 - Article 425.
In case this proposal is approved and resolved, and Mr. Hagiwara assumes as an outside Audit & Supervisory Board Member, this agreement continues to be effective.

Number of Bank's shares Owned by Candidate
1,731
The above states the sum of the shares held directly by the candidate and includes shares held through the Executive Stock Ownership Plan (ESOP). (Fractional shares are rounded off.)

Proposal No.3: 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 alternate Audit & Supervisory Board Members, with the consent of the Audit & Supervisory Board.
Mr. Keiichirou Uchida is the candidate for a substitute to the Standing Audit & Supervisory Board Member and Mr. Mitch R. Fulscher is the candidate for a substitute to the Audit & Supervisory Board Members other than the Standing Audit & Supervisory Board Member.

The candidates are shown below.

Candidates for Alternate Audit & Supervisory Board Member

Candidate No.	1	Keiichirou Uchida	56 years old	Inside
			Date of birth: June 22, 1962	

Brief Personal History, Positions and Concurrent Major Posts	
Apr. 1986	The Nippon Credit Bank, Ltd. (currently Aozora Bank, Ltd.)
Oct. 2007	Joint General Manager, Corporate Banking Division I
Apr. 2009	Deputy General manager, Nagoya Branch
Aug. 2010	General Manager, Business Banking Panning Division
Nov. 2012	General Manager, Kanazawa Branch
July 2016	General Manager of Office of Audit & Supervisory Board (current)

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

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

Matters concerning interests

There are no other particular business related interests between Mr. Uchida and the Bank.
The Bank will enter into contracts with Mr. Uchida to the effect that, if he is without knowledge and is not grossly negligent in performing the duties of Audit & Supervisory Board Member, the liabilities of the Audit & Supervisory Board Member under Paragraph 1 - Article 423 of the Companies Act shall be limited to the amount stipulated by Paragraph 1 - Article 425 of the Companies Act in accordance with the provisions of Paragraph 1 - Article 427 of the Companies Act.

Number of Bank's shares Owned by Candidate

253
The above states the sum of the shares held directly by the candidate and includes shares held through the Employee Stock Ownership Plan (ESOP). (Fractional shares are rounded off.)

Candidate No.	2	Mitch R. Fulscher	77 years old	Outside
			Date of birth: August 18, 1941	

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

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

Mr. Mitch R. Fulscher is qualified for the responsibilities of an outside Audit & Supervisory Board Member and is the candidate for alternate outside Audit & Supervisory Board Member because he 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.

Matters concerning interests and independence

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

Mr. Fulscher is the candidate for alternate outside Audit & Supervisory Board Member, so when he assumes the office of Audit & Supervisory Board Member, he is the candidate for independent Audit & Supervisory Member based on the rules of Tokyo Stock Exchange, Inc.

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

Number of Bank's shares Owned by Candidate

4,800

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

End

Note that the Board of Directors have resolved to pay a year-end common share dividend of 34 yen per share for the 86h FY (4th quarter).
As a result, the full-year dividend per common share for the 86h FY is 154yen.

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

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

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

Basic Guidelines for Nominating Director Candidates

Candidates should:

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

Basic Guidelines for Nominating Audit & Supervisory Board Member Candidates

Candidates should:

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

<Procedure for Nominating Directors >
The Nomination & Remuneration Committee, of which the majority comprises outside directors, deliberates on the nomination of director candidates and makes recommendations to the Board of Directors.
The Board of Directors determines whether or not to accept the recommendations of the Nomination & Remuneration Committee for nominating Directors in accordance with the basic guidelines for such nomination or appointment.

<Procedure for Nominating Audit & Supervisory Board Members>
The Nomination & Remuneration Committee, of which the majority comprises outside directors, deliberates on the nomination of the Audit & Supervisory Board candidates and makes recommendations to the Board of Directors, taking into consideration the views of Audit & Supervisory Board members.
The Board of Directors determines whether or not to accept the recommendations of the Nomination & Remuneration Committee with the consent of the Audit & Supervisory Board in accordance with the relevant basic guidelines.

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

(Attached Documents)

Business Report

- Fiscal Year 2018 -

(April 1, 2018 － March 31, 2019)

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, while the potential for an economic slowdown was indicated by the weakening corporate earnings reported after the beginning of the new year. The United States recorded extended economic growth, while deepening tensions with China over trade issues contributed to growing uncertainty in the global economy, which led to volatile global financial markets in the second half of the fiscal year.

In Japan, domestic long-term interest rates (10-year JGB yield) remained in a range between -0.100% and +0.165%. The Nikkei Average reached the mid-24,000 level in October, then dropped below 19,000 in December, but recovered to the 21,000 level towards the end of the fiscal year. The Japanese yen continued to weaken against the U.S. dollar, but reversed to appreciate with the growing sentiment of risk aversion after mid-December. Afterwards, the yen again depreciated to 110 towards the end of the fiscal year.

In the U.S., the 10-year Treasury bond yield increased to above 3.2% on the back of a strong U.S. economy, but decreased to the 2.4% level towards the end of the year, in deepening uncertainty over the economic outlook, reflecting the possibility of interest rate cuts, as the Federal Reserve Board suggested a cautious stance toward interest rate hikes. The Dow Jones Industrial Average rose close to 27,000 in October against the backdrop of a strong economy, then dropped sharply due to concerns over interest rate hikes and heightening uncertainty over the economic outlook. The index fell below 22,000 at one point in December, but subsequently recovered to close near 26,000.

[Main Business Activities of the Corporate Group]

Aozora Bank Group consists of Aozora Bank and 23 consolidated subsidiaries that provide a variety of financial services, such as financial instruments, trust, investment management, investment advisory and M&A advisory services, in addition to our primary banking business, and distressed loan servicing.

[Business Developments and Results of the Corporate Group]

(Business Model and Mid-term Targets, etc.)

A summary of the three-year plan for fiscal years 2018-20 is as follows:

①Further Embracing Core Values

Aozora intends to achieve sustainable growth as the "Primary Secondary Bank: the partner of choice" by further leveraging its core competencies and unique market position relative to that of megabanks and regional financial institutions in order to contribute to the development of Japan's economy and society.

②Key Strategies

Sharpen “6 Areas of Focus”

Aozora will embrace and further enhance the “6 Areas of Focus” of its current business model. The Bank will promote selection and concentration based on redeployment of resources in line with the Aozora’s risk appetite framework with the intention of providing differentiated products and services and leveraging the Bank’s core competencies.

＜ Business Model “6 Areas of Focus” ＞

(i) Retail Banking for Senior Generation Mass-Affluent Customers
(ii) Business Solutions for Corporate Customers
(iii) Partnerships with Regional Financial Institutions
(iv) Specialty Finance
(v) International Business
(vi) Diversified Global Investments and Risk Consulting

Enhance risk management

In order to preserve its financial strength and institutional discipline under a broad range of future market and economic conditions, Aozora intends to continue conducting risk management based on discipline and best practices across all of its investment and lending activities. These activities align with the Bank’s commitment to a strong risk management framework and the maintenance of sound management practices, predictive control and proactive risk management.

Build for the future

Building for the future, Aozora launched its Internet banking business in July 2018 through GMO Aozora Net Bank jointly with GMO Internet Group. The new bank aims to become a “No.1 technology bank benefitting customers” by combining and leveraging the strengths of each partner.

In addition, Aozora will continue to selectively explore growth opportunities in both the domestic and overseas markets and deploy capital for investments or acquisitions in order to enter new businesses which are expected to have synergy or the potential to further strengthen or leverage the Bank’s business model.

(Analysis of Operating Results and Financial Conditions)

The results of Aozora Group for FY2018 are as follows.

Total assets were 5,255.0 billion yen as of March 31, 2019, an increase of 342.2 billion yen, or 7.0%, compared to March 31, 2018.

Loans were 2,779.8 billion yen, an increase of 168.6 billion yen, or 6.5%, from March 31, 2018. Domestic loans increased 49.0 billion yen, while overseas loans increased 119.5 billion yen. Securities increased by 101.0 billion yen, or 8.9%, from March 31, 2018, to 1,240.8 billion yen.

Total liabilities were 4,806.3 billion yen, an increase of 330.7 billion yen, or 7.4%, compared to March 31, 2018. Total core funding (deposits, negotiable certificates of deposit, debentures and bonds) was 3,514.6 billion yen, an increase of 286.1 billion yen, or 8.9%, from March 31, 2018.

Net assets were 448.7 billion yen, representing an increase of 11.4 billion yen, or 2.6%, from March 31, 2018. Net assets per common share were 3,844.08 yen, as compared to 3,735.00 yen per common share as of March 31, 2018.

For FY2018, net revenue was 83.8 billion yen, a decrease of 3.6 billion yen, or 4.2% year on year, and business profit was 34.4 billion yen, a decrease of 6.2 billion yen, or 15.3%. Profit attributable to owners of parent was 36.1 billion yen, a decrease of 6.9 billion yen, or 16.1%.

Net interest income was 50.2 billion yen, an increase of 1.2 billion yen, or 2.5% year on year as the Bank maintained its focus on risk and return. The increase was primarily due to higher average asset balances offsetting a slight narrowing in the net interest margin.

Non-interest income was 33.5 billion yen, a decrease of 4.8 billion yen, or 12.7% year on year. The decline was mainly due to lower net trading revenues on customer transactions as well as poor results in the Bank's trading activities. Gains on bond transactions increased compared to the previous year.

General and administrative expenses were 49.4 billion yen, a year-on-year increase of 2.5 billion yen, or 5.5%, mainly due to incremental expenses associated with the Bank's business areas of focus and new internet banking operations. As the Bank continued its focus on cost control, the actual expenses were lower than the full-year budget of 52.0 billion yen.

Consolidated business profit was 34.4 billion yen, a decrease of 6.2 billion yen, or 15.3%.

Credit-related expenses were a net expense of 1.0 billion yen, mainly due to higher provisions to the general loan loss reserve as a result of loan originations, particularly in the fourth quarter, as well as to specific loan reserves, mainly for domestic loans, offsetting the reversal of general loan loss reserves reflecting lower loan-loss experience. Gains/losses on stock transactions were a gain of 13.2 billion yen mainly due to gains from the sale of Japanese equity ETFs and a portion of domestic equity investments. Ordinary profit was 47.7 billion yen, a decrease of 10.1 billion yen, or 17.6%.

Total income taxes (corporation tax, resident tax, business tax and deferred income taxes) were a net expense of 13.7 billion yen, as compared to a net expense of 15.4 billion yen in FY2017.

As a result of the above factors, profit attributable to owners of parent was 36.1 billion yen, a decrease of 6.9 billion yen, or 16.1% year on year. Net income per common share (basic) was 309.67 yen, as compared to 369.16 yen per common share (basic) in FY2017.

For this fiscal year the Bank has decided to pay a full-year dividend per common share of 154 yen.

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

On April 1 2018, the former Institutional Banking Group ('IBG') was divided into Institutional Banking Group ('IBG') and Allied Banking Group ('ABG'). Specialized Banking Group ('SBG') was divided into Specialty Finance Group ('SFG') and International Finance Group ('IFG').

The below mentioned profit by segment for FY2017, which is calculated as net revenue minus general and administrative expenses by each segment, was adjusted according to the new reportable segments.

Profit/loss by segment for FY2018, which is calculated as net revenue minus general and administrative expenses by each segment, was: a loss of 0.0 billion yen (a profit of 2.2 billion yen in FY2017) for RBG; a profit of 8.6 billion yen (8.1 billion yen) for IBG; a profit of 4.1 billion yen (4.8 billion yen) for ABG; a profit of 10.2 billion yen (9.7 billion yen) for SFG; a profit of 6.1 billion yen (4.8 billion yen) for IFG; and a profit of 6.2 billion yen (11.9 billion yen) for FMG.

The Bank consolidated every ten common shares into one common share on October 1, 2017. Per share information is presented as if the share consolidation was effective at the beginning of the previous accounting period.

(Reference)

Summary of consolidated revenue and expenses (JPY 100 million)

	FY2017	FY2018	Change
Net revenue ※1	874	838	(36)
Net interest income	490	502	12
Net fees and commissions	113	129	15
Net trading income	170	83	(87)
Gains/losses on bond transactions	6	49	42
Net other ordinary income excluding gains/losses on bond transactions	92	73	(19)
General and administrative expenses	(468)	(494)	(25)
Business profit ※2	406	344	(62)
Credit-related expenses	87	(10)	(97)
Gains/losses on stock transactions	80	132	52
Other	5	11	5
Ordinary profit	579	477	(101)
Extraordinary profit	(0)	(0)	0
Profit before income taxes	579	477	(101)
Total income taxes	(154)	(137)	16
Profit	424	340	(84)
Loss attributable to non-controlling interests	5	21	15
Profit attributable to owners of parent	430	361	(69)

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

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

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

[Challenges Facing the Bank]

The Aozora Group, based on its management philosophy: “Aozora is firmly established in the Japanese financial system and is truly committed to contributing to the economic and social growth of the country”, has focused on offering products/services by leveraging its core competencies, while maintaining the “6 Areas of Focus” in its business with the aim of becoming the “Primary Secondary Bank: the partner of choice” under the Mid-term Plan (FY2018-20), and has pursued risk management that supports sound risk-taking and selectively entering new business areas.

In FY2018, Aozora worked towards developing new products and further improving its ability to offer services/make proposals to customers, in addition to the launching of Internet banking operations by GMO Aozora Net Bank, Ltd. However, due to lower than expected retail and financial institution transaction revenues, as well as the trading business, which was affected by the significant change of the global financial markets in the second half of the year, FY2018 business results fell short of the targets announced at the beginning of the year.

In Japan, the banking sector continued to face increasingly challenging business conditions, including sustained low interest rates and a declining/aging population. In order to respond appropriately to these conditions, Aozora intends to pursue sustainable growth in corporate value by developing an efficient business model and improving growth momentum.

(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)

	FY2015	FY2016	FY2017	FY2018
Ordinary Income	1,240	1,347	1,488	1,601
Ordinary Profit	557	517	579	477
Profit attributable to owners of parent	434	438	430	361
Comprehensive Income	231	352	386	309
Net Assets	4,054	4,203	4,372	4,487
Total Assets	45,929	45,860	49,127	52,550

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

B. Assets and Profit or Loss of the Bank

(Unit: JPY 100 million)

		FY2015	FY2016	FY2017	FY2018
Deposits		29,453	28,664	29,803	31,966
	Time Deposits	23,006	22,185	22,811	24,653
	Other	6,447	6,479	6,991	7,313
Debentures (Long-Term Credit Bank Bond)		2,194	1,206	647	513
Bonds Payable (Excluding Long-Term Credit Bank Bond)		400	1,256	1,928	2,325
Loans and Bills Discounted		25,158	25,383	26,247	27,821
	Retail	36	28	23	19
	Small/ Medium Companies	17,674	18,236	19,827	21,541
	Other	7,447	7,118	6,396	6,260
Trading Assets		3,373	2,106	1,796	1,998
Trading Liabilities		2,698	1,977	1,302	1,777
Securities		9,874	10,106	12,099	13,149
	Government Bonds	280	80	80	-
	Other	9,593	10,026	12,018	13,149
Total Assets		45,896	45,834	49,072	52,058
Domestic Exchange Transactions		83,040	87,594	78,742	72,592
Foreign Exchange Transactions		USD million 9,103	USD million 6,469	USD million 7,244	USD million 9,450
Ordinary Profit		JPY million 54,460	JPY million 50,081	JPY million 56,948	JPY million 51,335
Profit		JPY million 42,631	JPY million 43,475	JPY million 42,015	JPY million 38,043
Net Income per Share		JPY 36.55	JPY 372.73	JPY 360.17	JPY 326.06
Trust Assets		-	-	-	7,973
Trust Fees		JPY million -	JPY million -	JPY million -	JPY million 189

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

(3) Employees of the Corporate Group

	March 31, 2019		March 31, 2018	
	Banking Business	Other Operations	Banking Business	Other Operations
Number of Employees	2,032	161	1,815	247

(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, 2019. (21 as of March 31, 2018)

Overseas: None as of March 31, 2019. (None as of March 31, 2018)

In addition to the above, the Bank has 3 overseas representative offices as of March 31, 2019 (3 as of March 31, 2018):

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

Subsidiaries:

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

Aozora North America, Inc.: Delaware, USA
Aozora Investments LLC: Delaware, USA

ii. List of agencies of the Bank

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

iii. Agent activities operated by the Bank

None

B) Other operations

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

(5) Capital Investments of the Corporate Group

A) Total Capital Investments

(Unit: JPY million)

Operation Segment	Amount
Banking	9,576
Other	31
Total	9,608

B) Establishment of Material Facilities, etc.

(Unit: JPY million)

Operating Segment	Company Name	Description	Amount
Banking	The Bank	Replacement of Market Business System	1,747
	GMO Aozora Net Bank, Ltd.	Introduction of Internet Banking System	5,972

(Notes) The amounts in the table above show fixed assets, etc. recorded in FY2018

(6) Parent company and major subsidiaries

A) Parent company

None

B) Subsidiaries

(As of March 31, 2019)

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

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

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

[Principal Business Alliances]

1. The Bank provides cash dispensing services and balance inquiry services through the use of automatic cash dispensers and collaboration with Resona Bank, Limited., Saitama Resona Bank, Limited, Mizuho Bank, Ltd., MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank, Limited, Mitsubishi UFJ Trust and Banking Corporation, Mizuho Trust & Banking Co., Ltd., Shinsei Bank, Limited and the Shoko Chukin Bank, Ltd.

2. The Bank joined hands to provide account holder confirmation services for cash transfer using automatic cash dispensers with Resona Bank, Limited., Saitama Resona Bank, Limited, Mizuho Bank, Ltd., MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation, Shinsei Bank, Limited, the Shoko Chukin Bank, Ltd., the Japan Net Bank, Limited, Seven Bank, Ltd., Rakuten Bank, Ltd., AEON Bank, Ltd., Citibank, N.A., SMBC Trust Bank Ltd., SBI Sumishin Net Bank, Ltd., Sony Bank Incorporated, Jibun Bank Corporation, Shinhan Bank Japan, Daiwa Next Bank, Ltd., ORIX Bank Corporation, GMO Aozora Net Bank Ltd., Lawson Bank, Inc., Mitsubishi UFJ Trust and Banking Corporation, Sumitomo Mitsui Trust Bank, Limited, Shinkin Banks which are members of the National Association of Shinkin Banks, Shinkumi Banks which are members of the Shinkumi Federation Bank and Rokin banks which are members of the Federation of Labour Bank Workers Union of Japan.

3. The Bank signed an arrangement with JAPAN POST BANK Co., Ltd., to provide cash dispensing services and balance inquiry services through the use of automatic teller machines on January 6, 2001, and automatic teller machine account holder confirmation services on March 23, 2009. In addition, the Bank replaced its branch ATMs with JAPAN POST ATMs on August 27, 2018 in cooperation with JAPAN POST BANK which provides ATM installation services.

4. The Bank entered into a partnership with Seven Bank, Ltd. starting on August 27, 2018, regarding the provision of cash dispending services, balance inquiry services and ATM card PIN number change services.

5. The Bank signed an arrangement with Aozora Securities Co., Ltd. to provide financial intermediary services such as structured notes for corporate and retail customers on August 1, 2006.

6. The Bank arranged a business alliance with Tokio Marine & Nichido Life Insurance Co., Ltd. for the joint provision of life insurance products (excluding private pension insurance) on October 1, 2002.

7. The Bank formed a comprehensive business alliance with the Bank of Yokohama, Ltd. in the investment banking area on May 24, 2007.

8. The Bank formed a comprehensive business alliance with the Toho Bank, Ltd. relating to loan business on August 6, 2007.

9. Based on the comprehensive master agreement on November 20, 2007, the Bank formed a business alliance with Sumitomo Trust & Banking Group (currently Sumitomo Mitsui Trust Group).

10. On August 20, 2009, the Bank formed a strategic business partnership with Tsukuba Bank, Ltd., aiming to expand its customer base in order to enhance competitiveness and profitability. Tsukuba Bank, Ltd. was formed following the conclusion of a merger agreement between Kanto Tsukuba Bank and Ibaraki Bank on March 1, 2010.

11. The Bank formed a comprehensive business alliance with the Hokkaido Bank, Ltd. in the area of agricultural sector finance on August 26, 2009.

12. The Bank concluded a master agreement for the formation of a strategic business partnership with Kirayaka Bank, Ltd. on February 9, 2011 to take full advantage of their strengths and enhance their responsiveness to various customer needs. The Bank concluded an agreement for business matching with Kirayaka Bank, Ltd. on February 6, 2013.

13. On September 26, 2011, the Bank, Daiwa Securities Capital Markets (currently Daiwa Securities Co. Ltd.) and Daiwa PI Partners Co. Ltd. (both consolidated subsidiaries of Daiwa Securities Group Inc.) announced an M&A finance business alliance and an agreement to establish the joint-venture company Aozora Daiwa Finance Co., Ltd.

14. On February 6, 2013, the Bank reached an agreement for business matching with THE SENDAI BANK, LTD.

15. On March 4, 2013, the Bank launched the “Aozora Cash Card Plus” which features the addition of a Visa debit card function provided by Visa Worldwide (Japan) Co., Ltd.

16. On March 15, 2013, the Bank signed an agreement for business recovery support with THE HOWA BANK, LTD., the Miyazaki Taiyo Bank, Ltd. and the Minami-Nippon Bank, Ltd.

17. On March 26, 2013, the Bank reached an agreement for business matching with TOMATO BANK, LTD.

18. On November 8, 2013, the Bank concluded an agreement for cross border M&A advisory services with Oversea-Chinese Banking Corporation Limited (Head Office: Singapore).

19. On November 14, 2013, the Bank signed an agreement with KANEMATSU CORPORATION related to support for overseas business expansion through cross border business matching.

20. On June 19, 2014, the Bank reached an agreement for cross border M&A advisory services with PT Bank Central Asia TBK (Head Office: Jakarta, Republic of Indonesia).

21. On November 28, 2014, the Bank concluded an agreement for cross border M&A advisory services with KASIKORNBANK PUBLIC COMPANY LIMITED (Head Office: Bangkok, The Kingdom of Thailand).

22. The Bank formed a comprehensive business alliance with CTBC Financial Holding Co., Ltd. (Head Office: Taipei, Republic of China) on June 19, 2015, aimed at strengthening business cooperation in Asia, mainly in Taiwan.

23. On March 28, 2016, the Bank reached an agreement for regional revitalization with Bank of the Ryukyus, Limited.

24. On May 23, 2016, the Bank concluded an agreement for cross border M&A advisory services with BDO Unibank, Inc. (Head Office: Makati, Republic of the Philippines)

25. The Bank entered into a capital and business alliance regarding a joint venture Internet bank, which will be operated by Aozora Trust Bank (currently GMO Aozora Net Bank, Ltd.), with GMO Internet, Inc. on June 24, 2016 and with GMO CLICK Holdings, Inc. (currently GMO Financial Holdings, Inc.) on July 21, 2016.

26. The Bank formed a comprehensive business alliance with Ho Chi Minh City Securities Corporation (Head Office: Ho Chi Minh City, Viet Nam) on November 8, 2017, aimed at strengthening business cooperation for two-way cross border M&A advisory services.

27. The Bank formed a business alliance with Beijing Zhongguancun Kejin Technology Co., Ltd. and Mercuria Investment Co., Ltd. on February 8, 2019, aimed at business development and strengthening cooperation among the three companies.

(7) Assignment of Operations

None

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

The Bank assumed direct responsibility for the trust business operations from consolidated subsidiary GMO Aozora Net Bank, Ltd. through a company split in October 2018. GMO Aozora Net Bank, Ltd. changed its corporate name from Aozora Trust Bank, Ltd. on June 1, 2018, and started its Internet banking business in July 2018.

In addition, consolidated subsidiary Aozora North America, Inc. changed its corporate name from Aozora Investment, Inc. on March 5, 2019.

2. Matters Concerning Directors and Audit & Supervisory Board Members

(1) Directors and Audit & Supervisory Board Members

(As of March 31, 2019)

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	—	—
Kei Tanikawa	Deputy President Executive Officer (Representative Director) Head of Trust Business Group ("TBG")	—	—
Yukio Sekizawa	Director and Senior Managing Executive Officer CFO	—	—
Shunsuke Takeda	Director (outside)	Advisor, ORIX Corporation	—
Hiroyuki Mizuta	Director (outside)	Representative Director & Chairman, TOKYO TOWER Co., Ltd	—
Ippei Murakami	Director (outside)	Special Advisor, Nisshin Seifun Group Inc.	—
Tomonori Ito	Director (outside)	Professor, School of International Corporate Strategy, Hitotsubashi University Business School	—
		Outside Board Member, PARCO Co., LTD.	
		Outside Board Member, Electric Power Development Co., Ltd.	
Satoshi Hashiguchi	Audit & Supervisory Board Member (full-time)	—	—
Kiyoto Hagiwara	Audit & Supervisory Board Member (outside)	—	—
Toraki Inoue	Audit & Supervisory Board Member (outside)	Toraki Inoue Certified Public Accountant Office	Holds CPA qualification
		Representative Director and President, Accounting Advisory Co., Ltd.	
		Supervisory Director, GLP J-REIT	
		Outside Audit & Supervisory Board Member, Kao Corporation	
		Auditor, Kyulux, Inc.	

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

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

Name	June 27, 2018	July 1, 2018	October 1, 2018
Kei Tanikawa	Deputy President Executive Officer (Representative Director) Head of Business Banking Group("BBG") and Head of Corporate Banking Group ("CBG")	Deputy President Executive Officer (Representative Director)	Deputy President Executive Officer (Representative Director) Head of Trust Business Group ("TBG")

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

(Unit : JPY million)

Category	Number of Recipients	Remuneration and Benefits
Directors	9	356
Audit & Supervisory Board Members	4	53
Total	13	410

(Notes) 1. The number of recipients and the remuneration and benefits include those of a director and an audit & supervisory board member who retired at the close of the 85th Annual General Shareholders' Meeting held on June 27, 2018.

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 at the 81st Annual General Shareholders' Meeting held on June 26, 2014 in addition to the aforementioned ceiling.

3. The base remuneration ceiling for audit & supervisory board members was determined as 60 million yen per year at the 73rd Annual General Shareholders' Meeting held on June 23, 2006.

4. The remuneration and benefits for directors include the bonus to directors in the amount of 84 million yen in this fiscal year.

5. The remuneration and benefits for directors include equity compensation type stock options in the amount of 41 million yen granted to full-time directors.

(3) Limited Liability Contract

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

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

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

(As of March 31, 2019)

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

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

(As of March 31, 2019)

Name	Term served	Attendance at Board meetings, etc.	Remarks or other activities performed at Board meetings, etc.
Shunsuke Takeda	11 yrs 10 ms	Attended all 15 Board meetings during the relevant fiscal year	Expressing opinions and offering proposals based on substantial experience, achievements and expertise as a top management executive for financial institutions and business corporations.
Hiroyuki Mizuta	5 yrs 10 ms	Attended all 15 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	4 yrs 10 ms	Attended 14 out or 15 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	4 yrs 10 ms	Attended 12 out of 15 Board meetings during the relevant fiscal year	Expressing opinions and offering proposals based on substantial experience in financial institutions, expertise as a professor of a graduate school, and substantial knowledge and achievement as an executive of business corporations.
Kiyoto Hagiwara	3 yrs 10 ms	Attended all 15 Board meetings during the relevant fiscal year Attended all 14 meetings of the Audit & Supervisory Board during the relevant fiscal year	Expressing opinions and making proposals based on substantial experience and insight in the finance and banking business
Toraki Inoue	2 yr 10 ms	Attended all 15 Board meetings during the relevant fiscal year Attended all 14 meetings of the Audit & Supervisory Board during the relevant fiscal year	Expressing opinions and making proposals based on substantial experience in Auditor and Supervisor of business corporations and insight as a CPA

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

(Unit: JPY million)

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

4. Stock Data of the Bank

(1) Number of Shares (In thousands)

Authorized Shares	289,828
Number of Stocks Issued	118,289

(Notes) 1. The Number of Stocks Issued includes treasury shares of 1,611 thousand.
2. The number of shares is in thousands, rounded down to the nearest thousand.

(2) Number of Stockholders as of the End of This Fiscal Year 80,391

(3) Major Shareholders

(As of March 31, 2019)

Name of Shareholder	Contributed Capital	
	Number of Shares Held (in thousands)	Percentage of Total Outstanding Shares
The Master Trust Bank of Japan, Ltd. (Trust Account)	9,474	8.11%
Japan Trustee Services Bank, Ltd. (Trust Account)	6,279	5.38%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,218	1.90%
Japan Trustee Services Bank, Ltd. (Trust Account 5)	2,168	1.85%
STATE STREET BANK WEST CLIENT-TREATY 505234	2,001	1.71%
JP MORGAN CHASE BANK 385151	1,827	1.56%
JPMorgan Securities Japan Co., Ltd.	1,615	1.38%
Japan Trustee Services Bank, Ltd. (Trust Account 1)	1,439	1.23%
Japan Trustee Services Bank, Ltd. (Trust Account 2)	1,358	1.16%
GOLDMAN SACHS INTERNATIONAL	1,328	1.13%

(Notes) 1. 'The major shareholders' are top 10 shareholders, excluding treasury shares held by the Bank (1,611 thousand shares), described in the above table.
2. 'Number of Shares Held' is in thousands and rounded down to the nearest thousand.
3. 'Percentage of Total Outstanding Shares' is rounded down to two decimal places.
4. 'Percentage of Total Outstanding Shares' is calculated excluding treasury shares held by the Bank (1,611 thousand shares).
5. In the above table, we have calculated the number of common shares and its percentage held by each shareholder based upon the Bank's Shareholder Registry as of March 31, 2019.

(4) Other Major Issues Concerning Shares

None

5. Stock Options

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

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

(Notes) 1. Option holders (grantees) can only exercise the granted Stock Options (their holdings) in whole at once during the ten day period immediately following the day on which the holder ceases to be in the position of a Director and Executive Officer of the Bank (and, in case of the 1st Series, the same period following the day on which the holder ceases to be in the position of a Director).

2. The 1st Series was issued to Directors only.

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

(1) Stock Options held by directors of the Bank as of March 31, 2019

Name of Stock Options	Holders	Number of Stock Options(units)	Number of Common Shares to be Delivered upon Exercise of Options (shares)	Number of Holders
1st Series	Directors of the Bank (Other than Outside Directors)	1,352	13,520	2
2nd Series		720	7,200	4
3rd Series		1,007	10,070	4
4th Series		942	9,420	4
5th Series		1,085	10,850	4

(Notes) Stock options in the 2nd Series, the 3rd Series and the 4th Series include options held by two Directors as of the fiscal year ended March 31, 2019 which were granted prior to their appointments as Director of the Bank.

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

Name of Stock Options	Grantees (Recipients)	Number of Stock Options(units)	Number of Common Shares to be Delivered upon Exercise of Options (shares)	Number of Holders
5th Series	Executive Officers of the Bank	1,469	14,690	17

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, Kentaro Fukada Tatsuya Hiraki Masashi Tsurumi	236	Reason for acknowledgment of the fees by the Audit & Supervisory Board ('the ASB): The ASB of the Bank received documents and direct explanation from the independent accounting auditors, analyzed and confirmed audit items, audit hours of prior years and year-to-year changes in audit fees. The ASB then compared the audit plan of the previous business year with actual performance and verified the achievement of the audit, in order to consider and assess audit items in the audit plan in the relevant business year, audit hours and details of the audit framework and appropriateness of the estimated audit remuneration. As a result, the ASB acknowledged the remuneration for the independent accounting auditors, in accordance with the Article 399-1 of the Companies Act. Non-audit services: Comfort letter for issuance corporate bonds, etc.

(Notes) 1. The amounts in the table above are in million yen and rounded down to the nearest million.

2. When including the Bank's subsidiaries in the total, independent auditor fees for this fiscal year were 280 million yen.

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

(2) Limited Liability Contract

None

(3) Other Matters Related to Accounting Auditors

i. Determination of dismissal or non-reappointment of auditors

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

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

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

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

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

None

8. Framework for Ensuring the Appropriateness of Business Operations

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

Aozora Bank shall determine the following basic policies concerning development of a system for appropriate business (internal control programs), of the Bank and the Bank’s subsidiaries, based on the Companies Act and 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 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 (CEO), 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 and 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 important 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.

5. Ensure Appropriate Operations 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 "Management of Group Companies" to ensure appropriate and effective operation of the business at the Bank's subsidiaries.

(2) The Bank ensures appropriate business 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 the Bank's 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. not to violate the Arm's Length Rule.

(4) To ensure credibility and appropriateness of the financial reporting of the Bank and the Bank's subsidiaries, on a consolidated basis, the Bank develops a system for proper internal control over financial reporting by establishing the Procedure "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 business activities of each 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 and Directors, Audit & Supervisory Board Members and Employees of the Bank's Subsidiaries to the Audit & Supervisory Board Members

(1) Audit & Supervisory Board members may directly require the directors, employees, etc. of the Bank and the Bank's subsidiaries to make a report on issues, including implementation status of the Hot Line program and details of whistle blowers' reports when needed.

(2) Directors and employees, etc. of the Bank and the Bank's subsidiaries shall make a report to the Audit & Supervisory Board Members when they find violations against laws and regulations, or problems, which may cause serious damage, at the Bank or the Bank's subsidiaries.

9. Matters Related to Prohibition of Unfair Treatment to Personnel Reporting to Audit & Supervisory Board Members

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 Audit & Supervisory 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 advice 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 Programs:

1. Framework for Ensuring that Directors and Employees Perform Their Duties in Accordance with Laws, Regulations and the Articles of Incorporation
   - The Bank has the Code of Conduct and Ethics master policy, which is a code of conduct for all management and employees, 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 its businesses. The Board of Directors prepares a compliance program annually and verifies its progress semi-annually.
   - The Bank nominates several candidates, with consideration for independence, as outside directors, who are then approved and appointed at the General Meeting of Shareholders. Four of the eight directors of the Bank are independent outside directors as of the end of this fiscal year. The Nomination and Remuneration Committee, where the majority of the members are outside directors, and the Audit and Compliance Committee, which comprises outside directors, complement the supervisory function and fulfill check-and-balance function for Representative Directors and Executive Officers, by checking and verifying responsible matters multi-dimensionally and professionally, being entrusted by the Board of Directors.
   - The Compliance Management Division conducts "Compliance Training for Executive Officers" and "Compliance Leaders Training." The Division also maintains a training environment through e-learning and conducts compliance seminars regularly 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 the anti-money laundering/counter-terrorist financing measures, and addresses insider trading through centralized control of insider information.
   - The Customer Protection Committee, which comprises members including the Executive Officer in charge of compliance and governance, meets once a month and verifies the framework for customer protection.
   - The Bank has "the Aozora Hotline Program" as a whistle-blower program. The Bank also has a Compliance Monitoring Program, which enables the General Manager of the Compliance Management Division to ask employees via e-mail if there are any improper incidences.
   - The Internal Audit Division conducts an internal audit based on the Annual Internal Audit Plan approved by the Board of Directors each fiscal year. The Division reports monthly to the Chief Executive Officer (CEO) and the Management Committee, semi-annually to the Audit & Compliance Committee and the Board of Directors and quarterly to the Audit & Supervisory Board (ASB).

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

3. Safekeeping and Management of Records regarding Execution of Fiduciary Responsibilities of Directors
   - The Bank appropriately manages and keeps important documents such as the minutes of the meetings of the Board of Directors, the Management Committees and other various committees and the relevant written approval documents for the mandatory period, based on laws, regulations and internal policies and procedures.

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, the Investment Committee, as well as the responsible departments, to detect, evaluate and control the risks. The Bank appoints the Chief Risk Officer from amongst Executive Officers as a responsible person for risk management.
   - The Bank has set the basic policies and internal rules that stipulate the scope of risks to be controlled, their definitions, risk characteristics and evaluations, and monitoring and control of the risks. Each risk management division controls the risks in an appropriate manner within the framework. The Board of Directors, the Audit & 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 audits of the effectiveness and legitimacy of risk controls, and reports the results to the Chief Executive Officer (CEO) and the Management Committee monthly, to the Audit & Compliance Committee and the Board of Directors semi-annually, and to the ASB quarterly.
   - The Bank has drawn up a Business Contingency Plan (BCP) and verifies its effectiveness on an as-needed basis. All officers including the Chief Executive Officer (CEO) and employees of the Bank participate in various training programs and seminars such as non-workday drills to raise awareness of crisis management and improve its effectiveness.

5. Framework for Ensuring the Appropriateness of Business Operations of the Bank and Subsidiaries
   - The Bank has a Master Policy “Management of Group Companies” which encompasses management, compliance and risk management frameworks. Executive officers and divisions responsible for business promotion of the Bank’s 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 which comprise the Chief Executive Officer (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 “Conflict of Interest Management and Compliance with Arm’s Length Rule”, in order to properly manage any transactions between the Bank or its subsidiaries and customers, 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 comprises the Executive Officer in charge of compliance and governance, verifies semi-annually the management of conflicts of interests.

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

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

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

9. Matters Concerning Wholly-owned Subsidiaries

None

10. Matters Concerning Transactions with the Parent Company

None

11. Matters Concerning Accounting Advisor

None

12. Other

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

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

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

As announced in “Mid-Term Plan FY2018-2020” in May 2018, the Bank has made it a policy to set the dividend payout ratio at 50% of consolidated net income (profit attributable to owners of parent). The Bank has made it a principle to give back performance-based returns to the shareholders through dividend payments and to maintain a relatively stable cash dividend, and continue to pay dividends on common shares on a quarterly basis.

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

Consolidated balance sheet as of March 31, 2019

(In millions of yen)

(Assets)		(Liabilities)	
Cash and due from banks	618,716	Deposits	3,102,804
Monetary claims bought	51,121	Negotiable certificates of deposit	127,927
Trading assets	199,928	Debentures	51,360
Money held in trust	35,098	Call money and bills sold	51,723
Securities	1,240,838	Payables under repurchase agreements	49,658
Loans and bills discounted	2,779,894	Payables under securities lending transactions	450,860
Foreign exchanges	49,480	Trading liabilities	177,764
Other assets	232,697	Borrowed money	320,559
Tangible fixed assets	23,641	Bonds payable	232,586
Buildings, net	12,060	Other liabilities	202,680
Land	9,235	Provision for bonuses	3,460
Leased assets, net	58	Provision for bonuses for directors (and other officers)	82
Construction in progress	32	Retirement benefit liability	9,784
Other tangible fixed assets	2,254	Provision for retirement benefits for directors (and other officers)	2
Intangible fixed assets	18,572	Provision for credit losses on off-balance-sheet instruments	860
Software	18,504	Provision for contingent loss	387
Other intangible fixed assets	67	Reserves under special laws	8
Retirement benefit asset	3,671	Deferred tax liabilities	1
Deferred tax assets	23,368	Acceptances and guarantees	23,825
Customers' liabilities for acceptances and guarantees	23,825	Total liabilities	4,806,337
Allowance for loan losses	(45,004)	(Net assets)	
Allowance for investment loss	(800)	Capital stock	100,000
		Capital surplus	87,377
		Retained earnings	259,021
		Treasury shares	(3,312)
		Total shareholders' equity	443,087
		Valuation difference on available-for-sale securities	23,501
		Deferred gains or losses on hedges	(17,111)
		Foreign currency translation adjustment	(291)
		Remeasurements of defined benefit plans	(667)
		Total accumulated other comprehensive income	5,431
		Share acquisition rights	357
		Non-controlling interests	(166)
		Total net assets	448,710
Total assets	5,255,048	Total liabilities and net assets	5,255,048

Consolidated statement of income

(for the year ended March 31, 2019)

(In millions of yen)

Ordinary income		160,136
Interest income	97,426	
Interest on loans and discounts	59,183	
Interest and dividends on securities	36,152	
Interest on call loans and bills bought	5	
Interest on receivables under resale agreements	(0)	
Interest on receivables under securities borrowing transactions	0	
Interest on deposits with banks	926	
Other interest income	1,158	
Trust fees	372	
Fees and commissions	14,230	
Trading income	8,340	
Other ordinary income	22,995	
Other income	16,770	
Recoveries of written-off claims	1,070	
Reversal of provision for credit losses on off-balance-sheet instruments	134	
Other	15,565	
Ordinary expenses		112,339
Interest expenses	47,141	
Interest on deposits	7,391	
Interest on negotiable certificates of deposit	8	
Interest on debentures	146	
Interest on call money and bills sold	975	
Interest on payables under repurchase agreements	962	
Interest on payables under securities lending transactions	8,804	
Interest on borrowings and rediscounts	1,149	
Interest on bonds	1,846	
Other interest expenses	25,857	
Fees and commissions payments	1,653	
Other ordinary expenses	10,729	
General and administrative expenses	49,332	
Other expenses	3,483	
Provision of allowance for loan losses	1,637	
Other	1,845	
Ordinary profit		47,796
Extraordinary income		0
Gain on disposal of non-current assets	0	
Extraordinary loss		1
Loss on disposal of non-current assets	1	
Profit before income taxes		47,794
Income taxes-current	13,478	
Income taxes-deferred	288	
Total income taxes		13,767
Profit		34,027
Loss attributable to non-controlling interests		(2,103)
Profit attributable to owners of parent		36,130

Consolidated statement of changes in net assets

(for the year ended March 31, 2019)

(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	87,345	243,190	(3,351)	427,184
Changes of items during period					
Dividends of surplus			(20,300)		(20,300)
Profit attributable to owners of parent			36,130		36,130
Disposal of treasury shares		32		39	71
Net changes of items other than shareholders' equity					
Total changes of items during period	-	32	15,830	39	15,902
Balance as of March 31, 2019	100,000	87,377	259,021	(3,312)	443,087

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	35,343	(25,581)	(1,070)	(156)	8,535	331	1,183	437,234
Changes of items during period								
Dividends of surplus								(20,300)
Profit attributable to owners of parent								36,130
Disposal of treasury shares								71
Net changes of items other than shareholders' equity	(11,842)	8,469	779	(510)	(3,103)	25	(1,349)	(4,426)
Total changes of items during period	(11,842)	8,469	779	(510)	(3,103)	25	(1,349)	11,475
Balance as of March 31, 2019	23,501	(17,111)	(291)	(667)	5,431	357	(166)	448,710

Non-consolidated balance sheet as of March 31, 2019

(In millions of yen)

(Assets)		(Liabilities)	
Cash and due from banks	**539,100**	Deposits	**3,068,732**
Cash	18,940	Current deposits	25,429
Due from banks	520,159	Ordinary deposits	470,564
Monetary claims bought	**26,512**	Deposits at notice	1,175
Trading assets	**199,898**	Time deposits	2,465,322
Derivatives of trading securities	6,641	Other deposits	106,239
Derivatives of securities related to trading transactions	5,036	Negotiable certificates of deposit	**127,927**
Trading-related financial derivatives	188,220	Debentures	**51,360**
Money held in trust	**18,107**	Debenture issuance	51,360
Securities	**1,314,968**	Call money	**51,723**
Local government bonds	31,811	Payables under repurchase agreements	**49,658**
Corporate bonds	50,157	Payables under securities lending transactions	**450,860**
Stocks	92,879	Trading liabilities	**177,764**
Other securities	1,140,119	Derivatives of securities related to trading transactions	12,867
Loans and bills discounted	**2,782,131**	Trading-related financial derivatives	164,897
Loans on bills	13,846	Borrowed money	**319,817**
Loans on deeds	2,622,401	Borrowings from other banks	319,817
Overdrafts	145,883	Bonds payable	**232,586**
Foreign exchanges	**49,480**	Other liabilities	**194,398**
Due from foreign banks (our accounts)	49,480	Income taxes payable	4,678
Other assets	**233,563**	Accrued expenses	7,270
Prepaid expenses	670	Unearned revenue	287
Accrued income	14,842	Variation margins of futures markets	549
Initial margins of futures markets	962	Derivatives other than for trading-liabilities	68,254
Variation margins of futures markets	59	Cash collateral received for financial instruments	65,642
Derivatives other than for trading-assets	62,715	Lease obligations	53
Cash collateral paid for financial instruments	85,657	Asset retirement obligations	1,910
Bond issuance cost	444	Other	45,750
Accounts receivable	52,618	Provision for bonuses	**3,179**
Other	15,591	Provision for bonuses for directors (and other officers)	**72**
Tangible fixed assets	**22,912**	Provision for retirement benefits	**9,245**
Buildings, net	11,935	Provision for credit losses on off-balance-sheet instruments	**837**
Land	9,235	Acceptances and guarantees	**24,103**
Leased assets, net	58	Total liabilities	**4,762,265**
Other tangible fixed assets	1,683	(Net assets)	
Intangible fixed assets	**12,182**	Capital stock	**100,000**
Software	12,115	Capital surplus	**87,377**
Other intangible fixed assets	66	Legal capital surplus	87,313
Prepaid pension cost	**4,272**	Other capital surplus	64
Deferred tax assets	**23,724**	Retained earnings	**252,837**
Customers' liabilities for acceptances and guarantees	**24,103**	Legal retained earnings	12,686
Allowance for loan losses	**(44,279)**	Other retained earnings	240,150
Allowance for investment loss	**(800)**	Retained earnings brought forward	240,150
		Treasury shares	**(3,312)**
		Total shareholders' equity	**436,903**
		Valuation difference on available-for-sale securities	**23,461**
		Deferred gains or losses on hedges	**(17,111)**
		Total valuation and translation adjustments	**6,349**
		Share acquisition rights	**357**
		Total net assets	**443,611**
Total assets	**5,205,876**	Total liabilities and net assets	**5,205,876**

(In millions of yen)

Ordinary income		**156,829**
Interest income	**94,919**	
Interest on loans and discounts	56,816	
Interest and dividends on securities	36,117	
Interest on call loans	5	
Interest on receivables under resale agreements	(0)	
Interest on receivables under securities borrowing transactions	0	
Interest on deposits with banks	798	
Other interest income	1,181	
Trust fees	**189**	
Fees and commissions	**15,026**	
Fees and commissions on domestic and foreign exchanges	177	
Other fees and commissions	14,848	
Trading income	**8,224**	
Income from securities and derivatives related to trading transactions	2,172	
Income from trading-related financial derivatives transactions	6,052	
Other ordinary income	**22,663**	
Gains on sales of bonds	7,659	
Other	15,003	
Other income	**15,806**	
Recoveries of written-off claims	605	
Reversal of provision for credit losses on off-balance-sheet instruments	138	
Gain on sales of stocks and other securities	13,294	
Gain on money held in trust	207	
Other	1,560	
Ordinary expenses		**105,493**
Interest expenses	**47,100**	
Interest on deposits	7,371	
Interest on negotiable certificates of deposit	8	
Interest on debentures	146	
Interest on call money	975	
Interest on payables under repurchase agreements	962	
Interest on payables under securities lending transactions	8,804	
Interest on borrowings and rediscounts	1,127	
Interest on bonds	1,846	
Interest on interest swaps	16,797	
Other interest expenses	9,059	
Fees and commissions payments	**2,644**	
Fees and commissions on domestic and foreign exchanges	122	
Other fees and commissions	2,522	
Trading expenses	**2,031**	
Expenses on trading securities and derivatives	2,031	
Other ordinary expenses	**10,900**	
Loss on foreign exchange transactions	5,732	
Loss on sales of bonds	2,174	
Loss on redemption of bonds	579	
Loss on devaluation of bonds	0	
Amortization of debenture issuance cost	36	
Amortization of bond issuance cost	267	
Expenses on derivatives other than for trading or hedging	322	
Other	1,788	
General and administrative expenses	**40,771**	
Other expenses	**2,045**	
Provision of allowance for loan losses	1,186	
Written-off of loans	149	
Other	709	
Ordinary profit		**51,335**
Extraordinary income		**0**
Gain on disposal of non-current assets	0	
Extraordinary losses		**1**
Loss on disposal of non-current assets	1	
Profit before income taxes		**51,334**
Income taxes-current	**13,058**	
Income taxes-deferred	**233**	
Total income taxes		**13,291**
Profit		**38,043**

Non-consolidated statement of changes in net assets

(for the year ended March 31, 2019)

(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 Retained earnings brought forward	Total retained earnings		
Balance at the beginning of current period	100,000	87,313	32	87,345	12,686	222,407	235,094	(3,351)	419,088
Changes of items during period									
Dividends of surplus						(20,300)	(20,300)		(20,300)
Profit						38,043	38,043		38,043
Disposal of treasury shares			32	32				39	71
Net changes of items other than shareholders' equity									
Total changes of items during period	-	-	32	32	-	17,743	17,743	39	17,814
Balance as of March 31, 2019	100,000	87,313	64	87,377	12,686	240,150	252,837	(3,312)	436,903

(In millions of yen)

	Valuation and translation adjustments			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at the beginning of current period	35,253	(25,581)	9,672	331	429,092
Changes of items during period					
Dividends of surplus					(20,300)
Profit					38,043
Disposal of treasury shares					71
Net changes of items other than shareholders' equity	(11,792)	8,469	(3,322)	25	(3,296)
Total changes of items during period	(11,792)	8,469	(3,322)	25	14,518
Balance as of March 31, 2019	23,461	(17,111)	6,349	357	443,611

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 14, 2019

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

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner Engagement partner	Certified Public Accountant	: Kentaro Fukada
Designated Unlimited Liability Partner Engagement partner	Certified Public Accountant	: Tatsuya Hiraki
Designated Unlimited Liability Partner Engagement partner	Certified Public Accountant	: Masashi Tsurumi

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, 2019 of Aozora Bank, Ltd. (the "Company") and its consolidated subsidiaries, and the related consolidated statements of income and changes in net assets for the fiscal year from April 1, 2018 to March 31, 2019, and a summary of significant accounting policies and other explanatory information.

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 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 entity's 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 entity's 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 Aozora Bank, Ltd. and its consolidated subsidiaries as of March 31, 2019, 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 14, 2019

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

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner Engagement partner	Certified Public Accountant	: Kentaro Fukada
Designated Unlimited Liability Partner Engagement partner	Certified Public Accountant	: Tatsuya Hiraki
Designated Unlimited Liability Partner Engagement partner	Certified Public Accountant	: Masashi Tsurumi

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, 2019 of Aozora Bank, Ltd. (the "Company"), and the related statements of income and changes in net assets for the 86th fiscal year from April 1, 2018 to March 31, 2019 and a summary of significant accounting policies and other explanatory information, 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 and the accompanying supplemental schedules 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 entity's 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 entity's 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 Aozora Bank, Ltd. as of March 31, 2019, 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 86th business year that commenced on April 1, 2018 and ended on March 31, 2019.

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 17, 2019

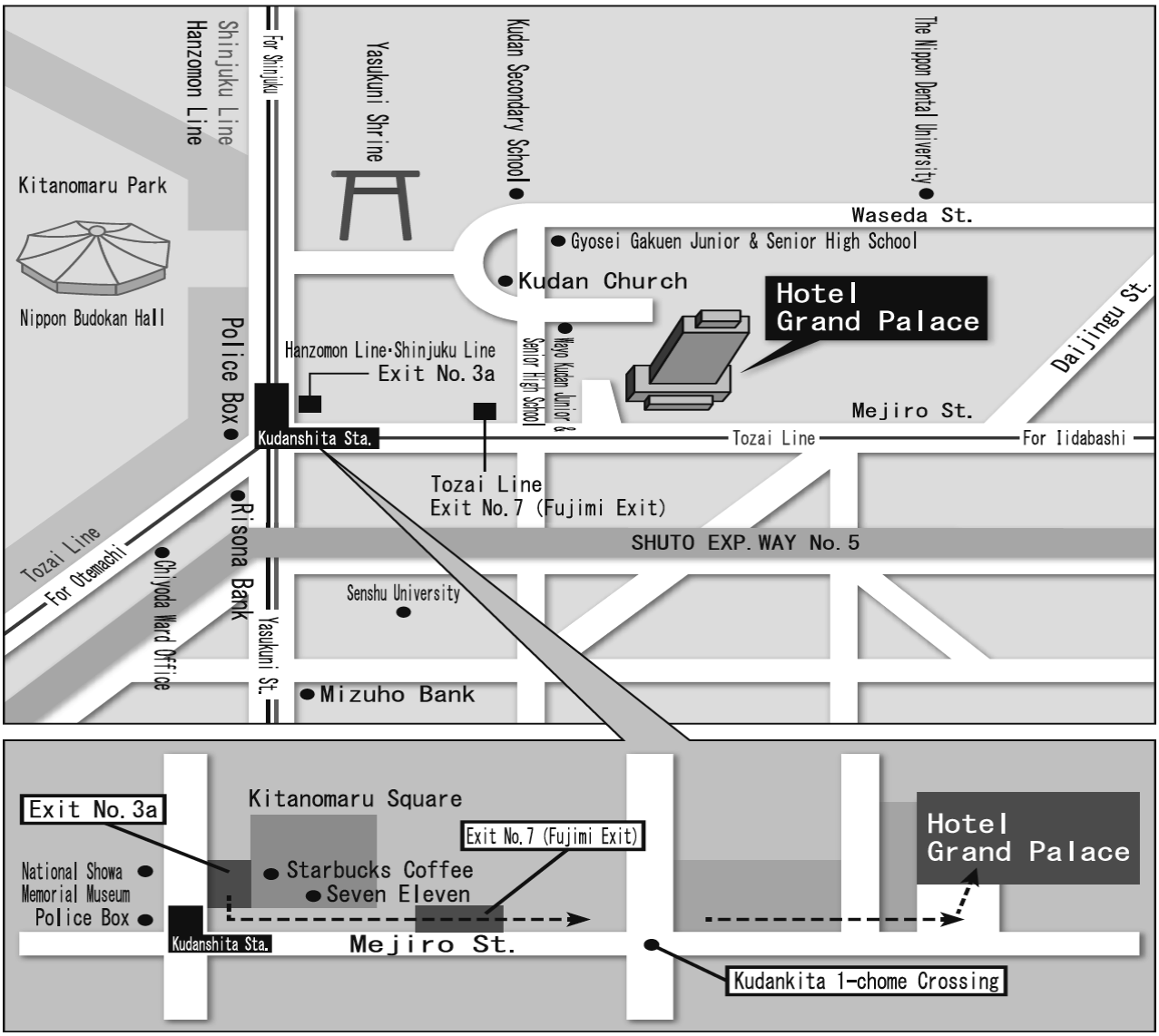
The Audit & Supervisory Board of Aozora Bank, Ltd.
Standing Audit & Supervisory Board Member Satoshi Hashiguchi
Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)
Kiyoto Hagiwara
Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)
Toraki Inoue

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

End

＜Memo＞

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