



Annual Report
(Integrated Report)

2022

April 1, 2021 - March 31, 2022

Aozora Mission

Mission

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

Aozora Vision

Vision

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

Aozora's Key Priorities

Action

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

Editorial Policy

The purpose of this document is to provide our stakeholders with an overview of the Aozora Group and information regarding its value-creation initiatives. This document provides financial and non-financial information, taking into consideration the International Integrated Reporting Framework published by the International Integrated Reporting Council as well as the Ministry of Economy, Trade, and Industry's "Guidance for Collaborative Value Creation". This document is an Annual Report (document explaining the Bank's business operations and financial condition) created in compliance with Article 21 of the Banking Act.

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Forward-Looking Statements

This annual report contains forward-looking statements regarding the Bank's financial condition and results of operations. These forward-looking statements, which include the Bank's views and assumptions with respect to future events, involve certain risks and uncertainties. Actual results may differ from forecasts due to changes in economic conditions and other factors.

CEO Message to Our Stakeholders



Kei Tanikawa

Representative Director and President
Chief Executive Officer (CEO)

To our stakeholders

I would like to extend my appreciation to all of Aozora's stakeholders for their ongoing interest and support. I would also like to extend my deepest sympathies to everyone who has been affected by the global COVID-19 pandemic and increasing geopolitical risk.

Based on our Mid-term Plan which we announced in May 2020, entitled "Aozora 2022", we have been focused on our Strategic Investments Business which is designed to foster new business and support corporate restructuring and business recovery through selective risk-taking as part of the "Aozora Mission" to "contribute to the development of society through the creation of new value-added financial services", as described in our Management Philosophy.

Despite the significant impact of COVID-19 throughout the year, both in Japan as well as overseas, the overall global economic environment in FY2021 continued on its recovery trend. I am pleased to report that our full-year earnings exceeded the forecast as a result of our strong customer-related business.

We also announced the establishment of the "Aozora Sustainability Targets" in September 2021, which span each business and support group across the entire Aozora Group, and are proactively promoting initiatives designed to achieve these targets.

FY2022, the final year of the "Aozora 2022" Mid-term Plan, will be an important year to establish a sound foundation for our future business as we develop our next Mid-term Plan in light of the further acceleration of the transition of our customers' industrial structure. While we expect our customer-related business initiatives, including Aozora's Strategic Investments Business, that we are currently working on to grow, we will at the same time strive to achieve our earnings forecast through careful analysis and appropriate judgment of a wide range of risks in the face of large-scale changes in the financial markets amid rising inflation and emerging geopolitical risk.

This Annual Report is designed to provide an easy-to-understand explanation of Aozora and its value creation initiatives for all of our stakeholders. We hope that it proves useful in providing a deeper understanding of our company.

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

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Value Creation Process

The Aozora Group is a manageably sized organization with approximately 6.7 trillion yen in assets and 20 domestic offices and seven overseas offices, making us a unique financial group that has developed its business globally and throughout Japan.

The Aozora Group places a high priority on continuing to take on new business challenges in order to provide even higher quality services to our corporate and retail customers as part of the previously mentioned "Aozora Mission" to "contribute to the development of society through the creation of new value-added financial services".

In addition to conducting our Customer Satisfaction Survey, which we have continued in order to determine whether we are adequately meeting the needs of our customers and business partners, we also verify and disclose the progress of our retail customer-oriented business management.

Through close collaboration with each of the Group companies, including, Aozora Bank, our New York, London, and Hong Kong subsidiaries, GMO Aozora Net Bank, Aozora Loan Services, Aozora Securities, Aozora Regional Consulting, Aozora Investment Management, Aozora Real Estate Investment Advisors, ABN Advisors, and Aozora Corporate Investment, as well as partnerships with regional financial institutions all over Japan and a wide range of partner companies, we are striving to create a business that has never existed before.

The success we achieved in our business areas of strength within "Aozora's Strategic Investments Business", which includes leveraged finance and real estate finance as key sources of revenue, as well as equity investments, environmental finance, recovery finance, and M&A advisory as growth businesses, was the result of these aforementioned efforts.

The approximately 2,400 Group employees involved in these characteristic business initiatives will contribute to smart risk-taking in new areas through our skill base and organizational flexibility. We have organized "Aozora's Key Priorities (Action)", into seven categories focused on team work and respecting a diverse range of values and working styles.

As a result of these initiatives, we have achieved high profitability and efficiency characterized by a high ROE and ROA, as well as a low OHR. Our policy is to expand our financial and non-financial capital through the generation of added value in order to maintain financial strength, as well as to continue reinvesting in the foundations and capital needed for sustainable creation of added value and stable shareholder returns.

Sustainable Human Capital

We derive our competitive edge from its "sustainable human capital", and in addition to designating it as a "Key Sustainability Issue (ESG Materiality)" as described below, Aozora strives to create a corporate culture that enables employees with diverse viewpoints and values feel fulfilled in their work and play active roles.

Our human resources strategy is designed to evaluate and develop teamwork, expertise, and taking on new challenges through our three career courses, "Global Professional", "Regional Professional", or "IT Professional", as well as a contract employment system that allows employees with a high level of expertise to play active roles regardless of seniority. We strive to support the promotion of employees to more senior positions by assessing candidates' ability and performance, and as a result, our percentage of managers who are mid-career recruits exceeds 40%, while our employees' average years of service is approximately 15 years for both men and women, which are the characteristics of Aozora's human resource.

In order to implement our mission to continue taking on new business challenges, executives and employees are encouraged to extend beyond the scope of their own roles and work closely with other business groups, Group companies, and various partner companies. We believe that "co-work" is essential, and we offer various training programs that respect the career plans and initiatives of employees with a diverse range of values. In order to further promote "co-work", we have launched a training platform within the

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Aozora internal portal website designed to make use of a wide range of training programs, teaching materials, and expertise from each business group. We have created a system that allows anyone to learn independently, and many of our employees have taken advantage of it.

In addition, we started the "Digital Talents Development Program" in FY2021 with the aim of changing our way of thinking and expanding the range of options for transforming our business. We expect to expand our DX human resources base while leveraging it to support putting the acquired skills into practice as well as our customers' digitalization needs.

In response to the COVID-19 pandemic, working styles have become more diversified over the past two years. We are focused on gathering more feedback from employees and increasing the participation rate of our ongoing employee questionnaire. Currently, about 80% of respondents said that Aozora has a comfortable working environment while approximately 60% of respondents find value in their job, and management's aim is to promote initiatives designed to improve these points.

As mentioned above, we are working to ensure a level of diversity in our hiring for managerial positions that play a core part in corporate management, and over 40% of our managers are mid-career recruits. Starting in FY2021, we have set new goals and tracked the progress of initiatives designed to contribute to workplace where our employees can play active roles, including increasing the percentage of female managers and creating a safe working environment for employees with disabilities.

Key Sustainability Issues and Aozora's Sustainability Targets

Currently, our society is facing a set of unprecedented changes, such as industrial transition, a worsening climate crisis, prolonged pandemics, demographic changes, digitalization and cyber risk, rising geopolitical risk, increased consideration of human rights issues, and financial market volatility triggered by inflation.

In light of these social trends, the expectations and requests from our stakeholders, and the importance of the Aozora Group's corporate management, we have positioned areas integral to realizing its Management Philosophy as Key Sustainability Issues (ESG Materiality). Approximately 200 topics were identified from among current environmental and social issues, and these items were classified into 20 categories. This process led to multiple discussions within the Sustainability Committee, and the following eight items have been designated as having ESG Materiality: (1) response to climate change, (2) respect for human rights, (3) promoting industrial transition, (4) realizing financial inclusion, (5) promoting digitalization, (6) protecting and providing for the next generation, (7) sustainability of human capital, and (8) governance and compliance. The reasoning behind these selections and the overlap with current initiatives and business strategies are described in this Annual Report, but we will focus on designing initiatives to address each item while continuing to review them as appropriate via an effective PDCA cycle.

As mentioned earlier, we announced the establishment of the "Aozora Sustainability Targets" in September 2021, which span each business and support group across the entire Aozora Group, and are proactively promoting initiatives designed to achieve them.

Of the above eight materiality categories, we are working to realize financial inclusion for start-up companies and companies experiencing financial hardship due to existing debt and promoting the industrial transition of our business partners who wish to transform themselves by setting goals. In addition, we have also set goals centered on Aozora's strengths, such as sustainable finance as a response to climate change and consulting for retail customers to aid them in passing on businesses and assets to the next generation. We made positive progress in each category during FY2021, the first year of this initiative.

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Aozora's Strategic Investments Business

As I have previously discussed, Aozora has developed specialized business areas as a result of our continued efforts to embark on new ventures in order to provide even better services to our corporate and retail customers.

As our society faces a set of unprecedented changes and the shift towards decarbonization and industrial transition continues to accelerate, we believe we have now entered a crucial turning point that will enable us to contribute to the development of our business partners and society as a whole by focusing on these business areas.

Our Strategic Investments Business is a practical initiative designed to foster new industries and proactively support the business restructuring and revitalization of our business partners who wish to transition to new business areas through long-term contributions via financing from debt to equity in addition to proposals and dialogue with their management teams.

We are also promoting the "Aozora venture ecosystem", which is a support service for venture companies still in the early stages of development that utilizes the Aozora Group network. We provide a wide range of services to venture companies to support their growth, including providing growth financing from debt to equity as well as GMO Aozora Net bank's embedded financial services.

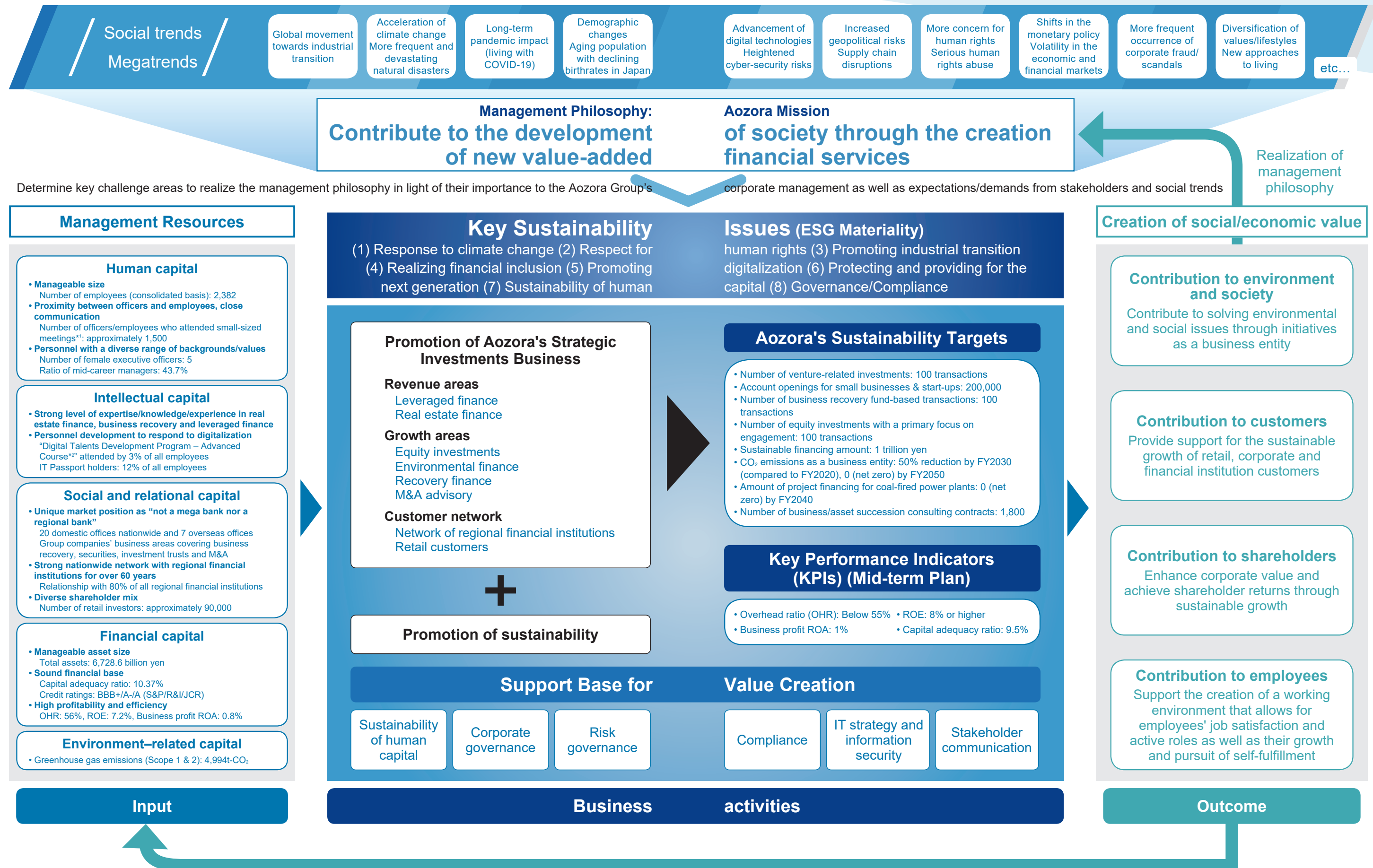
We are also engaged in leveraged finance, environmental finance, and M&A advisory services for companies that have grown to maturity and are working towards industrial transition, both in Japan and overseas. We also leverage the Aozora Group's skills and expertise in order to meet the needs of our retail customers, such as by providing M&A advisory services to meet their business succession needs.

As a way to contribute to the business recovery of regional areas, we work together with regional financial institutions across Japan to develop "recovery finance" initiatives that fully leverages Aozora Loan Services' operations.

In addition to private equity investments, we have also begun making equity investments with a primary focus on engagement. Aozora regards its customers as business partners who it works together with to find solutions to issues. By engaging in dialogue to better understand their business, we strive to realize growth alongside them through active involvement and management advice.

Aozora's Strategic
Investments Business
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Process of Value Creation



(Note) All figures are taken from business results in FY2021 or as of the end of March 31, 2022.

*1 For small-sized meetings, please refer to page 105.

*2 For "Digital Talents Development Program – Advanced Course," please refer to pages 73-74.

Message from the Executive Officer in Charge of Sustainability Management

Promotion of Sustainability Management

Global efforts towards decarbonization, the long-term impact of the COVID-19 pandemic, and the digital transformation spreading in our society are having a profound effect on people's lifestyles and corporate business processes, while at the same time, the industrial structure itself is going through rapid changes.

Amidst these trends, many companies are launching initiatives designed to realize a more sustainable society, but over the past year, societal demands for action, especially regarding climate and human rights issues, has become more widespread and the solutions to these issues encompass the entire supply chain up to and including our own business activities.

Financial institutions are expected to leverage their crucial role in society and promote green innovation and transition through sustainable finance in order to realize a decarbonized society, and we recognize the importance in this day and age of developing finance business initiatives that take sustainability into account.

In order to "proactively contribute to the sustainable development of society" as part of its "Aozora Action" Management Philosophy, the Aozora Group strives to incorporate sustainability into the Group's financial services and activities as a business entity and promote sustainability initiatives while working closely with senior management.

Last year, we took steps to improve the quality of our sustainability management framework by establishing the Sustainability Committee, with our CEO as Chairperson, as a way to discuss and find solutions to important sustainability-related issues as well as the Liaison Meeting of Group Sustainability in order to promote Group governance of sustainability issues.



Tomomi Akutagawa

Director, Senior Managing Executive Officer
in charge of Sustainability Management

Key Sustainability Issues

We also announced "Aozora's Sustainability Targets", which are designed to be management goals within the Aozora Group's focus and specialty areas. In addition to responding to climate change, our aim is to develop initiatives designed to solve social and environmental issues through our business operations by setting these mid- to long-term KPIs as a way to contribute to important issues within Aozora's Strategic Investments Business such as financial inclusion and industrial transition as well as protect our customer's important assets and provide for the next generation.

This June, the Bank designated eight items as Key Sustainability Issues (ESG Materiality), which includes responding to climate change and human rights issues in addition to "Aozora's Sustainability Targets", in light of the importance of double materiality to both the Aozora Group's corporate management as well as to Aozora's stakeholders.

Responding to Climate Change

Regarding our own carbon-neutral initiatives, 100% of the energy used at our Head Office located in the Sophia Tower in Yotsuya is derived from renewable energy sources, and we are currently considering switching to green energy for our data center in order to further reduce CO2 emissions related to our business activities.

We have recently established a new division focused on promoting environmental finance in Japan as well as overseas and are accelerating our sustainable finance initiatives. In addition, we have established the "Aozora ESG Support Framework", which has been evaluated by a third-party organization, and supports our customers' efforts to address environmental issues by providing comprehensive solutions that include decarbonization consulting services to SMEs based on the goals of the Paris Climate Agreement.

We are aiming to become carbon-neutral by 2050 by further strengthening our approaches towards decarbonization as a business operator as well as proactively supporting our customers' responses to climate change and transition to decarbonized operations through engagement.



Responding to Social Issues

In the social sphere, the importance of human capital in business management strategy has come into greater focus as a result of the long-term impact of the COVID-19 pandemic as well as megatrends seen over the past 10 years.

The Aozora Group is working to strengthen its diversity and inclusion initiatives by establishing human resources development and workplace policies which are designed to ensure a diversity of talent among our employees that play a central role in management, and we have set target percentages for female, non-Japanese, and mid-career managers. In addition, we will continue to implement initiatives designed to promote the efforts of our female employees and create a comfortable workplace for employees with disabilities. We believe these efforts are critical to enhancing the Bank's corporate value over the mid- to long-term.

Our aim is to expand the range of Aozora's social contribution activities. This includes actively promoting company-sponsored volunteer activities and recruiting volunteers from among Aozora employees on a trial basis in order to raise awareness of sustainability issues among Aozora's officers and employees, in addition to increasing our monetary contributions to causes that are difficult to support solely through financial services.

Towards Social Justice

Last year, Aozora adopted both the United Nations Global Compact, an international initiative that seeks to address environmental and human rights issues, and the Equator Principles, a framework designed to avoid and mitigate the impact from environmental and social issues related to large-scale development project finance. We are currently preparing to adopt the United Nations Responsible Banking Principles, a framework for ensuring that the Bank's management and business operations align with the Sustainable Development Goals and the Paris Climate Agreement.

As the global situation has become even more unstable and uncertain since the crisis in Ukraine broke out, it is now the time for society to make appropriate choices from the perspective of "Just Transition", and our intention is to actively contribute to the sustainable development of society. I would like to take this opportunity to thank all of our stakeholders for their continued support.

Key Sustainability Issues (ESG Materiality)

The Aozora Group's "Materiality" refers to "key challenge areas to realize the management philosophy in light of their importance to the Group's corporate management as well as expectations/demands from stakeholders and social trends".

Amid fast-changing social trends, stakeholders' expectations for the role of companies in addressing challenges are becoming more insightful, diverse and complex.

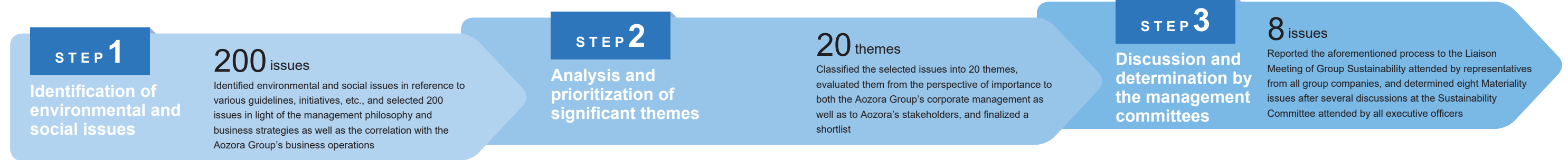
In this business environment, the Aozora Group has designated eight Materiality items as "key challenge areas" as a means to create maximum social and economic value through the targeted allocation of limited managerial resources to specific business areas where the Group's strengths lie.

Materiality Issue Identifying Process

The Bank has identified Materiality issues as described below in light of double materiality, which takes into account the importance to both the Aozora Group's corporate management as well as Aozora's stakeholders, including expectations/demands from them and social trends.

In addition to the three steps below, the Bank has been also conducting listening surveys of internal and external stakeholders as well as outside experts in conjunction with the preparation of our next Mid-term Plan.

The Aozora Group will continue to flexibly review Materiality issues in response to changes in the business environment and incorporate them into the management plan through the development of an effective PDCA cycle, including the addition and revision of Materiality-tied KPIs (Aozora's Sustainability Targets).



Social trends / Megatrends

Global movement towards industrial transition
Impact of climate change More frequent and devastating natural disasters
Long-term pandemic impact (living with COVID-19)
Demographic changes Aging population with declining birthrates in Japan
Advancement of digital technologies Heightened cyber-security risks
More concern for human rights Serious human rights abuse
More frequent occurrence of corporate fraud/scandals
etc.

Importance to stakeholders

Issues that are important to society but may have a relatively low impact on corporate management	Issues that need to be urgently addressed and may have a significant impact on the Aozora Group's corporate management
	Issues that may have a significant impact on the Aozora Group's corporate management

Importance to the Aozora Group

Determine key challenge areas to realize the management philosophy in light of their importance to the Group's corporate management as well as expectations/demands from stakeholders and social trends

Aozora's Mission
Contribute to the development of society through the creation of new value-added financial services

Key Sustainability Issues (ESG Materiality)

Response to climate change	Respect for human rights
Promoting industrial transition	Realizing financial inclusion
Promoting digitalization	Protecting and providing for the next generation
Sustainability of human capital	Governance/Compliance

Aozora Group's Sustainability

The Aozora Group has identified Materiality issues in reference to guidelines and initiatives from the following three perspectives:

<Assessing social trends in light of global issues and material environmental/social issues in Japan>

169 SDGs Targets, "SDGs Action Plan 2021" (SDGs Promotion Headquarters), "Action Plan of the Growth Strategy" (Government of Japan), and "Social Bond Guidelines" (Financial Services Agency)

<Assessing stakeholders' expectations/demands for corporations>

UN Global Compact, GRI Guidelines, ISO26000, and Stakeholder Capitalism Metrics

<Assessing expectations from investors as well as issues specific to the finance and banking sectors>

SASB Guidelines on the Commercial Bank Sector, assessment items of ESG rating agencies, including MSCI (USA) and FTSE (UK), and "JBA SDGs Report 2020-2021" (Japanese Bankers Association)

The following summarizes some points of contention discussed during the assessment of significant themes and at the management committee.



Why didn't you include "biodiversity" and "promotion of education for the next generation" in Materiality issues?

We understand both topics are socially significant and are potential Materiality candidates. However, we have not chosen them because, at this time, their impact on corporate management is relatively low compared to other Materiality issues. They are among the topics in the information-gathering phase, under research or as non-financial activity, including donation and volunteering. We will consider an approach towards them mainly through our financial initiatives and the expansion of our CSR activities.

Aren't "pursuit of sustainable and stable revenue opportunities" and "stakeholder communication" important to the Aozora Group's corporate management?

Aozora's Materiality refers to "challenging areas that should be addressed with concrete initiatives". We did not choose the above topics, which we believe are what we should constantly work on as a business entity at all times.

"Protecting and providing for the next generation" should be recognized as a broader issue, such as "response to demographic issues".

We have identified Materiality issues by narrowing down to the themes that are addressable through our focus business areas, including M&A advisory and business/property succession consulting services. We may set broader challenge areas, such as "response to demographic issues", if our business activity expands going forward.

Materiality Issues, Specific Initiatives and Associated Business Strategies

Materiality	Reasons for Identification as Materiality Issues	Specific Initiatives	Corresponding SDGs
Response to climate change	- We understand that responding to climate change is one of the global issues that companies should address as a top priority - We properly leverage our financial intermediary function as a financial institution toward the realization of a decarbonized society through support for companies' efforts to become carbon-neutral, spreading green energy and technological innovation - If our response to climate change falls far behind other financial institutions or significantly fails to meet expectations from our stakeholders, including investors and customers, the Aozora Group's businesses could incur a material adverse impact mainly due to a loss of business opportunities, damage to our investment and loan portfolio and a deterioration in our reputation	- Expanding environmental finance domestically and overseas (e.g. renewable energy, transition finance, decarbonization innovation finance, financing for green buildings) (pages 41, 59) - Providing consulting services on decarbonization for mid-sized companies and SMEs as well as sustainable finance (page 60) - Consideration of environmental/social issues and response to the Equator Principles in investment and loan originations (pages 54, 63) - Development of an integrated risk management framework, including enhanced scenario analysis, and the strengthening of risk tolerance (pages 63, 65) - Reduction of GHG emissions as a business entity (Scope1 & 2) (page 61) - Phased measurement and reduction of GHG emissions (Scope 3) in the investment and loan portfolios (pages 58, 63) - Developing a roadmap towards becoming carbon-neutral, including within the investment and loan portfolios (page 58)	     
Respect for human rights	- Any involvement in or neglect of human rights abuses may pose the risks of legal compliance violation, administrative penalty, social criticism and loss of reputation - It is natural that Aozora Bank does not violate human rights as a business entity. We also eliminate human rights abuse, discrimination and corruption from any business activities involving the Group and take proper measures for improvement as needed	- Consideration of human rights in business activities (investments, loans, etc.) and as a business entity (collaboration with partners in the supply chain including outsourcing) (page 56) - Ensuring a corporate culture that respects human rights through initiatives and training to prevent discrimination, harassment and other abuses in the workplace (pages 127, 132) - Ensuring anti-bribery and corruption measures (page 101)	 
Promoting industrial transition	- The Aozora Group promotes its Strategic Investments Business that is designed to support customers' growth and restructuring through highly professional financial services that it has developed mainly through specialty finance business - Amid the accelerating industrial transition on a global scale due to the long-term impact of the pandemic, responses to climate change and the advancement of digital technologies, we strive to realize Aozora's mission to "contribute to the development of society through the creation of new value-added financial services" by financially supporting customers' efforts to address business environment changes	- Promotion of equity investments with a primary focus on engagement that is designed to support corporate structural transformation (pages 30, 38, 66) - Support for corporate structural transformation mainly through leveraged finance, equity investments, environmental finance and M&A advisory (pages 30-33) - Support for solving management issues faced by regional financial institutions and their customers through Aozora's regional financial institution network (pages 33, 35)	  
Realizing financial inclusion	- We understand that allowing everyone to access and use financial services required to capture opportunities for economic activity is a critical mission for financial institutions - The Aozora Group strives to contribute to the growth of customers and the revitalization of regional communities through the promotion of its Strategic Investments Business as a means to realize financial inclusion in Japan by focusing on: (1) support for companies and small business owners in their start-up phase, start-ups & small businesses and venture firms and (2) support for business recovery and restart in regional communities	- Offering a broad range of services through one-stop service for venture companies at each phase of growth by leveraging Aozora's Venture Ecosystem Support Framework, and supporting their funding needs (pages 31, 32, 66) - Support for venture companies' funding needs by utilizing venture debt funds available through Aozora Corporate Investment (page 38) - Providing a broad range of financial services and business support for small businesses and start-ups by GMO Aozora Net Bank's (pages 31, 32, 50-51, 66) - Support for companies' business turnaround and restart through recovery funds provided by Aozora Loan Services (pages 31, 32, 42, 66) - Responding to the business recovery finance needs of our corporate and regional financial institution customers and providing recovery finance for assets adversely impacted by the COVID-19 pandemic as well as DIP finance (pages 31, 32, 42)	  
Promoting digitalization	- We understand that the advancement of digital technologies and progress of digital transformation (DX) are an irreversible trend that will create new business opportunities and, at the same time, have a wide-ranging impact on a broad array of corporate and personal activities, including the loss of existing business areas as well as the change of traditional business practices and lifestyles - The Aozora Group supports its customers' DX initiatives through services backed by its network of IT companies as well as B Spark's and GMO Aozora Net Bank's digital technologies, and also strive to further improve customer convenience mainly in the retail banking business by utilizing digital technologies. Our DX initiatives include further developing digitally proficient human resources and embarking on digital marketing and other business areas	- Providing corporate customers with DX support services and solutions through B Spark (page 48) - Expansion of embedded finance service and BaaS business available through GMO Aozora Net Bank (pages 50-51) - Offering more convenient services through the development and use of data infrastructure, improvement of service capabilities primarily through digital marketing (pages 49, 102) - Strengthening the system to develop digitally proficient human resources (pages 49, 74, 102)	
Protecting and providing for the next generation	- In our aging society, seniors live a fulfilling 100-year life while having needs for asset succession, and SMEs and small businesses, which underpin the competitiveness of Japanese industries, seek ways to find successors and suitable personnel for business succession. Aozora Bank understands that providing support for their asset/business succession to the next generation is one of its significant initiatives as a financial institution from the perspective of contributing to the sustainability of the society - The Aozora Group will remain responsive to customer needs that are expected to grow and become more diverse by providing M&A advisory and business succession consulting services mainly through ABN Advisors as well as asset succession consulting and associated services in the retail banking business	- Response to the business/asset succession needs of small business owners and affluent individuals (pages 33, 36, 39) - Support for mid- to long-term wealth building (pages 36, 67) - Enhancement of business/services through a research project on financial gerontology (page 67)	
Sustainability of human capital	- As competition for talent is becoming fiercer on the back of the demographic issues, any personnel shortage/outflow as well as insufficient progress of skill/expertise transfer to the next generation mainly due to the slow development of the HR system and working environment have a material impact on the sustainability of Aozora Group's corporate management - Human resources anchor the Aozora Group's competitiveness as personnel skill, expertise and experience have a critical impact on its value creation. We will promote initiatives designed to maintain and improve the sustainability of human capital that supports value creation in order to sustainably provide highly professional and distinctive financial services mainly through its Strategic Investments Business	- Personnel redeployment and mid-career recruiting in line with business strategies, understanding of the skill portfolio across the Bank, and optimal allocation of employees (page 71) - Knowledge transfer of the specialized skills and expertise of more senior employees, developing successors in each business area and generation (pages 71-72) - Support for the creation of a working environment that allows for employees' job satisfaction and active roles (page 76) - Investments in human resource development and career support that are carefully tailored to employees pursuing more active and independent roles (pages 72-75) - Strengthening of the Digital Talents Development Program (pages 49, 74, 102) - Creation of a working environment that allows employees with a diverse range of backgrounds/values to play active roles, enhancement of diversity and inclusion (pages 75-76, 78-81)	 
Governance/ Compliance	- Improper corporate governance, neglect of compliance, triggering of damage to creditworthiness and delayed response to system failures have a material impact on all of the stakeholders involved in the operations of financial institutions as well as the sustainability of corporate management, such as through administrative penalty, cancellation of business and loss of social confidence - The Aozora Group strives to maintain its management discipline and ensure soundness through the enhancement of the proper risk governance framework in response to external environmental changes as well as stronger initiatives to ensure adherence to compliance requirements	- Transparent corporate governance (page 82 onwards) - Strong risk control for sound risk-taking, enhancement of a risk management framework (pages 96, 98-99, 119) - Enhancement of compliance and risk management frameworks (pages 100-101) - Ongoing enhancement of cybersecurity (page 102) - Stable operation of the information system, prevention of large-scale system failures, earliest possible system restoration, and appropriate response to customers (page 103) - Increase in capital efficiency, development of an appropriate capital management system (page 120) - Strengthening of the customer protection management system, appropriate management of customer information (page 125) - Increased quality and effectiveness in the internal audit system (page 97) - Development and improvement of the crisis management system (page 124)	

CFO Message

FY2021 Financial Results

Net Revenue	103.0 billion yen
Change (year-on-year)	+6.4 billion yen
Business Profit	47.8 billion yen
Change (year-on-year)	+5.1 billion yen
Profit attributable to owners of parent	35.0 billion yen
Change (year-on-year)	+6.0 billion yen
Full-year dividend per common share	149 yen
4Q dividend per common share	45 yen

The Japanese economic environment in FY2021 was heavily impacted by the COVID-19 pandemic throughout the year, but saw sustained improvement overall as industrial production and exports remained relatively strong against the backdrop of a global economic recovery. However, the service industry remained in a difficult position due to the impact of preventative measures such as the quasi-state of emergency. The United States experienced general economic recovery as a result of the full-scale roll out of vaccinations and the progress in economic normalization. However, inflationary trends became the major focus from January of this year. Although the increased inflation was mainly due to supply constraints, not only the price of goods but prices of a wide range of items, such as rental rates and other service prices, started to increase.

Under these conditions, our FY2021 net revenue was 103 billion yen, an increase of 6.4 billion yen compared to the previous year, business profit was 47.8 billion yen, an increase of 5.1 billion yen compared to the previous year, and net earnings were 35 billion yen, an increase of 6 billion yen compared to the previous year, reflecting strong customer-related business. Each of these results represented an increase over last year and also exceeded our forecast.

Net interest income was 51.6 billion yen, an increase of 1.5 billion yen compared to the previous year mainly due to the increase in the loan outstandings.



Akira Sakai

Senior Managing Executive Officer
Chief Financial Officer (CFO)

Non-interest income was 51.3 billion yen, an increase of 4.9 billion yen year-on-year. Customer-related business revenue, such as loan-related fee income, gains from limited partnerships, and earnings from investment product sales to retail customers, were strong throughout the fiscal year.

G&A expenses were 57.7 billion yen, an increase of 2.8 billion yen year-on-year. Personnel expenses increased due to the hiring of additional staff in our business areas of focus, while IT-related expenses increased mainly for cybersecurity, infrastructure development, and compliance with regulations related to Aozora's market operations.

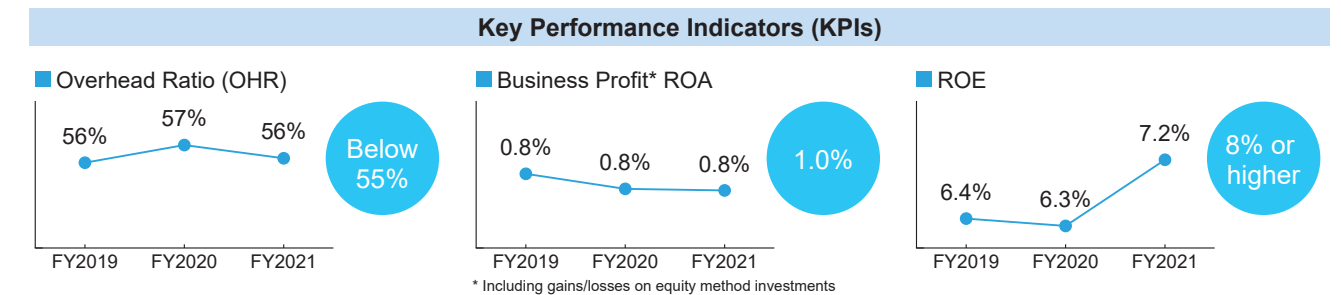
Credit-related expenses were a net expense of 3.7 billion yen (compared to a net expense of 4.3 billion yen in the previous year). The ratio of loan loss reserves to total loans was 1.46% as of March 31, 2022 and remained at an adequate level. NPL claims (consolidated basis) decreased by 5.9 billion to 21.4 billion yen compared to March 31, 2021, mainly due to progress in the work-out of non-performing loans. The ratio of NPL claims to total claims was 0.63%, a decline of 28 basis points.

The FY2021 full-year dividend was 149 yen per common share based on our dividend policy of a target dividend payout ratio of 50%. This represented a 25 yen increase year-on-year, and 21 yen higher compared to the original forecast.

Progress of Mid-term Plan (Aozora 2022)

As shown in the graph below, the three Key Performance Indicators (KPIs) for FY2021 fell slightly short of our final targets announced in our Mid-term Plan entitled "Aozora 2022". However, the OHR and ROE both improved compared to the previous year as customer-related business remained strong and we continued our focused approach to cost-control.

In spite of the uncertain business environment, Aozora aims for stable and sustainable growth through our Strategic Investments Business while maintaining efficiency as one of our key strengths. We will continue to make progress towards achieving our KPI targets in FY2022 as the final year of our Mid-term Plan.



FY2022 Earnings and Dividend Forecasts

We expect customer-related business, primarily focused on our active Strategic Investments Business initiatives, to continue its growth trend. However, we also expect volatile financial market conditions to continue due to inflation and increasing geopolitical risk. Consequently, we're taking a cautious stance regarding the management of our securities portfolio.

In light of these factors, net revenue is projected to be 103 billion yen, level with last year, and profit attributable to owners of parent is forecasted to be 36 billion, a 3% increase compared to FY2021. Aozora's mid- to long-term dividend policy is based on

	FY2021 results	FY2022 forecast
Net revenue	103 billion yen	103 billion yen
Profit attributable to owners of parent	35 billion yen	36 billion yen
Dividend (Dividend payout ratio)	149 yen (50%)	154 yen (50%)

a target dividend payout ratio of 50% of net earnings. The FY2022 full-year dividend target of 154 yen per common share will be flexibly managed on a quarterly basis in light of Aozora's actual results.

Capital and Shareholder Return Policies

In our "Aozora 2022" Mid-term Plan, we established a capital and dividend policy that aims to maintain a proper balance among "stable shareholder returns", "strategic investments" and "financial strength". While, Aozora's capital adequacy ratio (domestic standard) targets are 9% on a full implementation (of the Basel III) basis and 9.5% on an operational basis, our capital adequacy ratio as of March 31, 2022 was 10.37%. This is slightly higher than the target level. While we still have excess capital that we intend to deploy effectively through our Strategic Investments Business, we will make gradual investments in consideration of both profitability and risk in light of the uncertain business environment, and we're currently operating with

approximately 10% as a target capital adequacy ratio for FY2022.

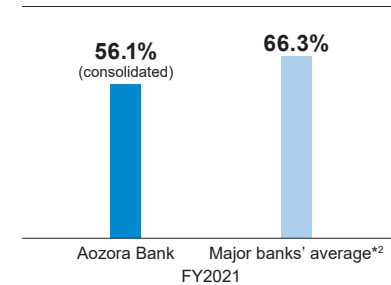
As in the past, management's intent is to deliver a cash dividend with a target payout ratio of 50%. As I previously mentioned, the FY2022 dividend forecast is 154 yen per common share based on our FY2022 earnings forecast. We intend to continue our quarterly dividends.

Aozora will continue to manage its finances and capital with an aim towards promoting sustainable growth and enhancing our corporate value. I would like to take this time to thank all of Aozora's stakeholders for their continued support.

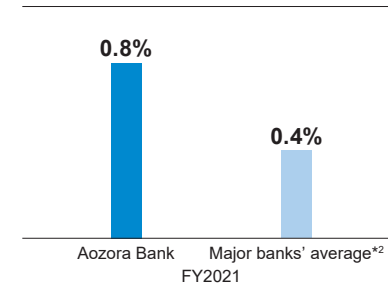
Financial Highlights

(Note) Amounts expressed in 100 million yen have been rounded down one decimal place.

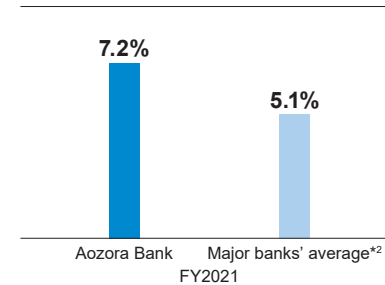
Overhead Ratio (OHR)



Business Profit*1 ROA



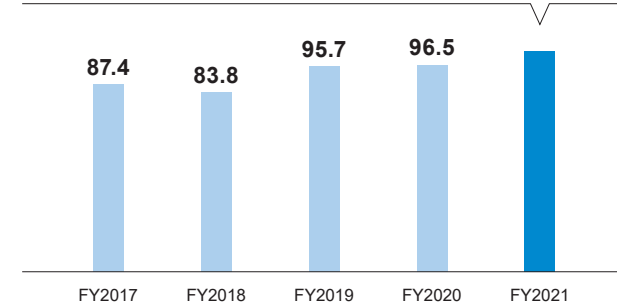
ROE



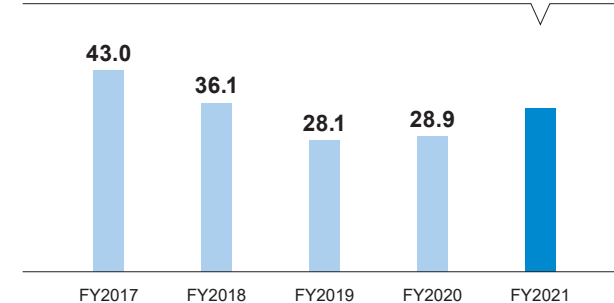
*1 Business profit includes gains/losses on equity method investments

*2 Based on each major bank's financial results material (MUFG, SMFG, Mizuho FG, Resona HD, Sumitomo Mitsui Trust HD and Shinsei)

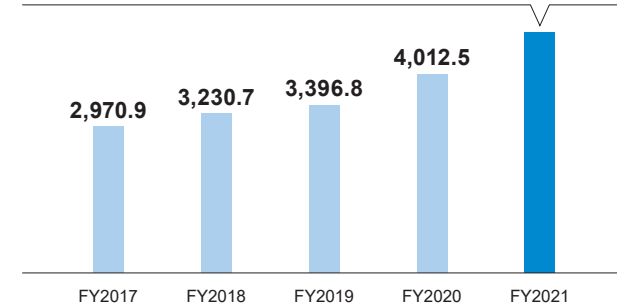
Consolidated net revenue (billion yen) 103.0



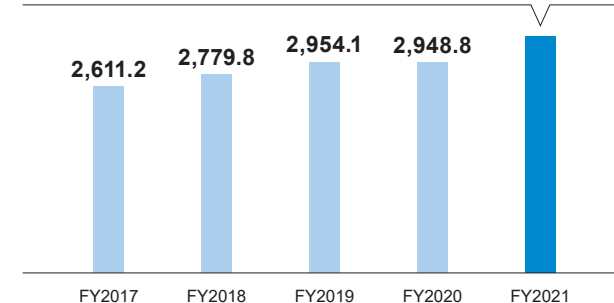
Profit attributable to owners of parent (billion yen) 35.0



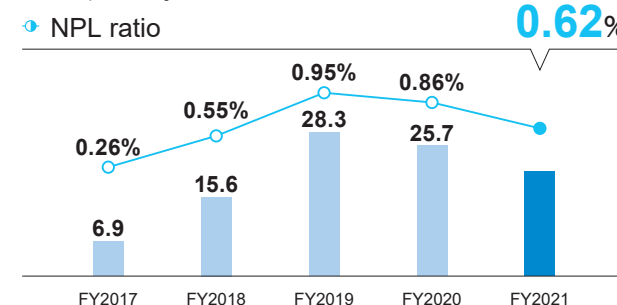
Deposits / Negotiable certificates of deposit (billion yen) 4,871.5



Loans and bills discounted (billion yen) 3,317.1

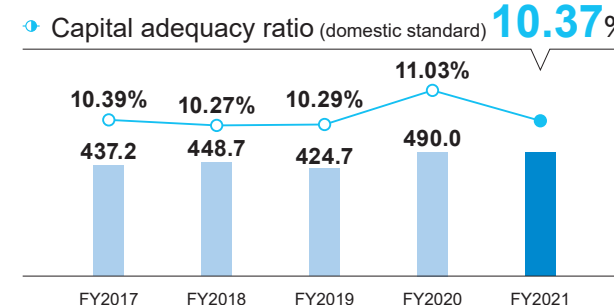


Non-performing loans based on FRL* (non-consolidated) (billion yen) 20.6

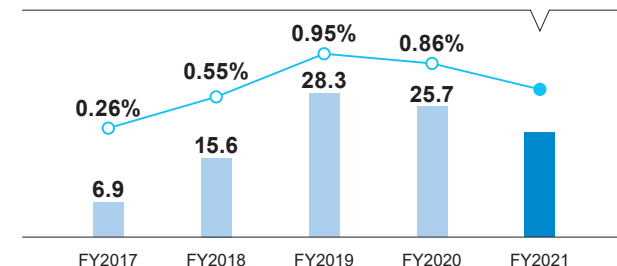


* Financial Reconstruction Law

Consolidated net assets (billion yen) 487.2

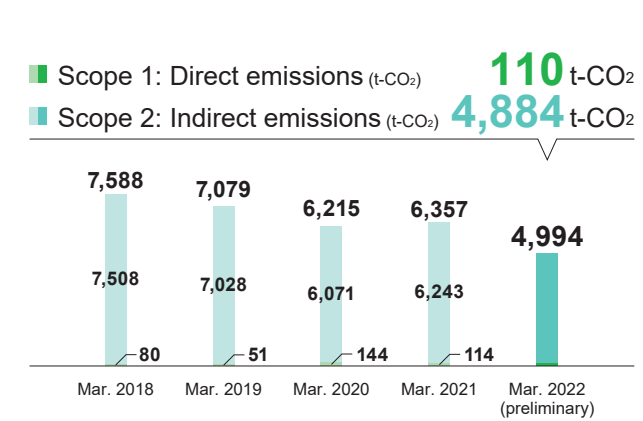


NPL ratio 0.62%

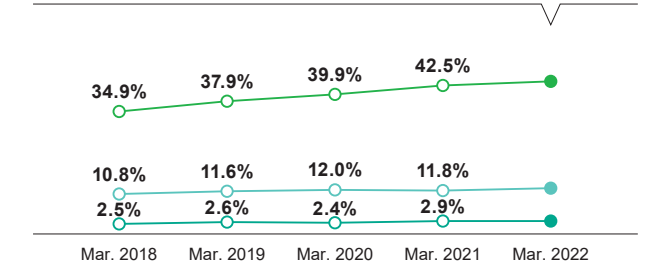


Non-financial Highlights

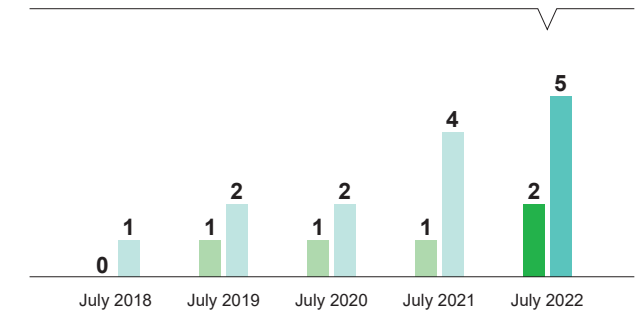
CO₂ emissions



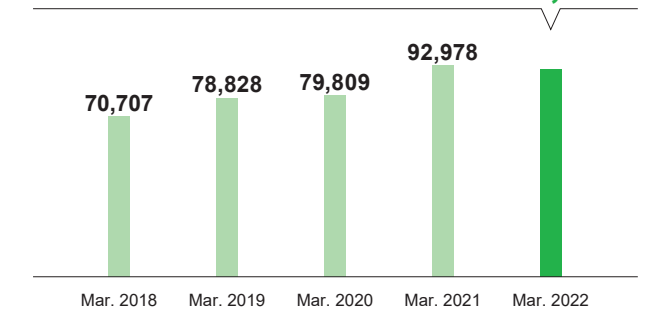
- Percentage of managers who are mid-career recruits **43.7%**
- Percentage of female managers **12.5%**
- Percentage of non-Japanese managers **2.9%**



Number of female directors 2 Number of female executive officers 5



Number of retail investors 91,453



Support for External Initiatives / Evaluation by Third Parties



Task Force on Climate-related Financial Disclosures



Principles for Financial Action for the 21st Century



Equator Principles



The United Nations Global Compact
Aozora Bank signed the United Nations Global Compact in 2022 in support of its 10 principles in the areas of human rights, labor, the environment and anti-corruption, and the Bank's management remains committed to the achievement of these goals.



MSCI Japan Empowering Women Index



FTSE Blossom Japan Sector Relative Index



Certification as a 2022 Health and Productivity Management Organization



"Eruboshi" certification



"Kurumin" certification

The inclusion of Aozora Bank, Ltd. in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of Aozora Bank, Ltd. by MSCI or any of its affiliates. The MSCI index are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

Non-financial Information Index

Environmental data (bank offices located in Japan)

Items	FY2019	FY2020	FY2021 (preliminary)
Amount of greenhouse gas emissions (t-CO ₂)	(preliminary)		
Scope 1 (direct energy consumption)	144	114	110
Scope 2 (indirect energy consumption) ^{*1}	6,071	6,243	4,884
Scope 3 (business trip) ^{*2}	–	64	64
Direct energy consumption			
City gas (thousand m ³)	19	20	19
Heavy oil/Kerosene (kl)	12	5	5
Gasoline/Light oil (kl)	30	24	23
Indirect energy consumption ^{*3}			
Electricity (thousand kWh)	12,400	13,052	12,794
Vapor (GJ)	193	50	0
Hot water (GJ)	1,154	1,515	1,499
Cold water (GJ)	4,454	5,481	6,112
Wastes ^{*4}			
Amount (t)	214	168	173
Recycled amount (t)	174	123	123
Recycling ratio (%)	81%	73%	71%
Amount of printing paper purchased (t)	72	50	47

^{*1} Measurement starting from FY2020, including overseas bank offices and major group companies (consolidated subsidiaries including overseas subsidiaries)

^{*2} Measurement starting from FY2020

^{*3} Measurement starting from FY2020, including overseas bank offices and major group companies (consolidated subsidiaries including overseas subsidiaries)

^{*4} Excluding general industrial wastes in branch offices.

Social data

Employee data (non-consolidated)

Category	FY2017	FY2018	FY2019	FY2020	FY2021
No. of employees	1,787	1,878	1,928	1,933	1,966
Male	950	982	1,024	1,034	1,056
(53%)	(52%)	(53%)	(53%)	(54%)	(54%)
Female	837	896	904	899	910
(47%)	(48%)	(47%)	(47%)	(46%)	(46%)
Temporary employees	206	177	142	125	117
Locally hired overseas staff	29	30	32	32	41
Employee composition					
New grad	60%	59%	58%	58%	59%
Mid-career	40%	41%	42%	42%	41%
Average age	42.7	42.8	43.1	43.3	43.4
Male	44.0	44.1	44.1	44.0	43.9
Female	41.2	41.4	41.9	42.5	42.8
Average length of service (year)	14.5	14.5	14.6	14.9	15.1
Male	14.5	14.6	14.5	14.5	14.6
Female	14.5	14.4	14.8	15.4	15.8

Category	FY2017	FY2018	FY2019	FY2020	FY2021
Average annual salary (1,000 yen)	7,913	8,037	7,930	8,089	8,232
Male	9,576	9,758	9,618	9,719	10,073
Female	5,822	5,948	5,899	6,171	6,203
Annual salary gap (male =100)	61	61	61	63	62
No. of new grads	54	62	61	65	70
Male	21	25	39	46	41
(39%)	(40%)	(64%)	(71%)	(59%)	(59%)
Female	33	37	22	19	29
(61%)	(60%)	(36%)	(29%)	(41%)	(41%)
No. of mid-career hires	88	80	63	46	33
Male	45	43	45	32	26
(51%)	(54%)	(71%)	(70%)	(79%)	(79%)
Female	43	37	18	14	7
(49%)	(46%)	(29%)	(30%)	(21%)	(21%)
Male/female ratio (new grads and mid-career)					
Male	46%	48%	68%	70%	65%
Female	54%	52%	32%	30%	35%
New grad/mid-career ratio					
New grad	38%	44%	49%	59%	68%
Mid-career	62%	56%	51%	41%	32%
Retention of new grads 3 years after employed	91%	94%	87%	87%	95%
No. of retirees (non-mandatory retirement)	39	50	53	47	47
(2.2%)	(2.7%)	(2.8%)	(2.4%)	(2.4%)	(2.4%)
Female managers ratio	10.8%	11.6%	12.0%	11.8%	12.5%
Non-Japanese managers ratio ^{*1}	2.5%	2.6%	2.4%	2.9%	2.9%
Mid-career managers ratio	34.9%	37.9%	39.9%	42.5%	43.7%
Employees' monthly average overtime hours ^{*2}	9.0 hours	8.3 hours	8.9 hours	10.3 hours	11.8 hours
Days of paid leave used (annual average)	14.8	15.5	15.6	13.3	14.4
Employees with disabilities	No. of employees	20	22	25	29
(as of June when submitting a report to authorities)	Employment ratio	1.7%	1.8%	2.0%	2.2%
No. of Child Leaver users	40	65	41	61	55
(83%)	(86%)	(72%)	(82%)	(78%)	(78%)
Male	14	15	14	24	22
(67%)	(58%)	(47%)	(65%)	(58%)	(58%)
Female	26	50	27	37	33
(96%)	(100%)	(100%)	(100%)	(100%)	(100%)
Female reinstatement ratio after Child Leave	88%	91%	100%	100%	100%
No. of unpaid Nursing Leave users	0	0	0	1	1
No. of paid Nursing Leave users	15	16	15	19	19
No. of employees suffering work-related accidents	10	7	14	6	3
No. of applicants for secondary employment ^{*3}	–	–	–	16	31
Work-from-Home users ratio ^{*4}	1%	2%	32%	62%	60%
Training hours per employee ^{*5}	–	–	–	30.8	32.5
Total of training hours ^{*5}	–	–	–	59,533	63,951
Total of training participants ^{*5}	–	–	–	5,184	11,393
Training cost per employee (1,000 yen) ^{*6}	31.3	37.4	35.9	26.3	27.3

^{*1} Data of employees of domestic and overseas group companies, excluding GMO Aozora Net Bank

^{*2} Non-statutory overtime hours of employees except those in supervisory or managerial positions

^{*3} Application for secondary employment started in FY2020.

^{*4} Work-from-Home Program started in FY2017. The ratios were as of March-end of each fiscal year.

^{*5} Date has been compiled since FY2020.

^{*6} Cost for external instructors and financial support for self-development

Aozora Sustainability Targets

In September 2021, Aozora Bank announced the establishment of Aozora's "Sustainability Targets" as the common targets for business groups and support units across the Aozora Group.

For each of these targets, we have set KPIs for our initiatives aimed at: (i) realizing "Financial Inclusion" by providing growth support for venture companies as a key theme of Aozora's Strategic Investments Business and contributing to regional communities through business recovery, (ii) promoting "Industrial Transition" through equity investments with a primary focus on engagement, (iii) response to climate change towards the realization of decarbonization, and (iv) protecting and providing for the next generation through consulting services for the succession of our customers' wealth assets. We will drive the implementation of initiatives across the Aozora Group for the achievement of these targets.

(The progress and achievement of these targets are taken into consideration as key qualitative assessments in determining the evaluation and remuneration of executive officers.)

Status of female employees

	July 2018	July 2019	July 2020	July 2021	July 2022
① Executive officers	1 (4.8%)	2 (9.1%)	2 (9.1%)	4 (16.7%)	5 (18.5%)
	March 2018	March 2019	March 2020	March 2021	March 2022
② General managers	10 (11.2%)	10 (11.4%)	11 (11.3%)	11 (11.5%)	11 (9.6%)
③ Group managers	55 (10.7%)	60 (11.7%)	64 (12.1%)	64 (11.8%)	71 (13.2%)
④ Total of (②+③)	65 (10.8%)	70 (11.6%)	75 (12.0%)	75 (11.8%)	82 (12.5%)
⑤ Deputy managers	89 (31.2%)	98 (32.9%)	105 (33.3%)	107 (33.5%)	123 (37.1%)
⑥ Female managers	837 (46.8%)	896 (47.7%)	904 (47.0%)	899 (46.5%)	910 (46.3%)

Social contribution

Category	FY2017	FY2018	FY2019	FY2020	FY2021
CSR expenses (million yen)	—	15	—	35	35
No. of participants in Basic Banking Seminar (in Sophia University) *	331	389	382	382	367

* Aozora-sponsored seminars for Sophia University. The Bank's officers and employees offer seminars (14 sessions) every fiscal year. Total of participants are shown.

Governance

Corporate governance (status of activity of the Board of Directors and each committee)

Items	FY2017	FY2018	FY2019	FY2020	FY2021
Composition of the directors and the Board of Directors meeting					
No. of persons	8	8	8	8	8
No. of outside directors	4	4	4	4	4
No. of female directors	0	0	1	1	1
No. of Board of Directors meetings held	13	15	14	15	15
Average attendance ratio of the Board of Directors meeting (%)	100.0%	96.6%	100.0%	100.0%	100.0%
Nomination and Remuneration Committee					
No. of Nomination and Remuneration Committee meetings held	7	6	7	7	6
Average attendance ratio of the Nomination and Remuneration Committee (%)	100.0%	94.4%	100.0%	100.0%	100.0%
Audit and Compliance Committee					
No. of Audit and Compliance Committee meetings held	7	7	7	6	6
Average attendance ratio of the Audit & Compliance Committee (%)	100.0%	100.0%	100.0%	100.0%	100.0%

Compliance

Items	FY2017	FY2018	FY2019	FY2020	FY2021
No. of cases opened by the Aozora Hotline (whistleblowing system)					
Total	8	6	13	7	10
Internal contact point	8	6	7	4	4
External contact point*	—	—	6	3	6
No. of compliance incidents					
Cease and desist notice by relevant government ministries and agencies	0	0	0	0	0
Suspension of operation/business due to misconduct	0	0	0	0	0
Criminal accusation due to an incident or an accident violating a law	0	0	0	0	0

* An external contact point was established in FY2019.

Progress of Aozora's Sustainability Targets

Promoting Aozora's Strategic Investments Business

Realizing "Financial Inclusion"

◆ Growth Support for Venture Companies

	FY2021-FY2030 Targets	FY2021 Results
Number of Venture-related Investments:	100 transactions	12
GMO Aozora Net Bank Small businesses & start-ups:	200,000 account openings	23,600 (approx.)

◆ Contributing to Regional Communities through Business Recovery

	FY2021-FY2025 Targets	FY2021 Results
Number of Business Recovery Fund-based transactions:	100 transactions	21

Promoting "Industrial Transition"

◆ Investments Designed to Support Structural Transformation

	FY2021-FY2025 Targets	FY2021 Results
Number of equity investments with a primary focus on engagement:	100 transactions	33

Response to Climate Change

◆ Sustainable Financing Amount

	FY2021-FY2030 Targets	FY2021 Results
	Total: 1 trillion yen	148.5 billion yen
	Includes Environmental Financing of 700 billion yen	137.7 billion yen

◆ CO₂ Emissions as a Business Entity

	By FY2030 Targets	By FY2050* Targets	FY2021 Results
	↓ 50% reduction (compared to FY2020)	0 (net zero) *Or as early as possible	4,994 t-CO ₂

◆ Amount of Project Financing for Coal-fired Power Plants

	By FY2040 Targets	As of March 31, 2022
	0 (zero)	29.2 billion yen

Protecting and Providing for the Next Generation

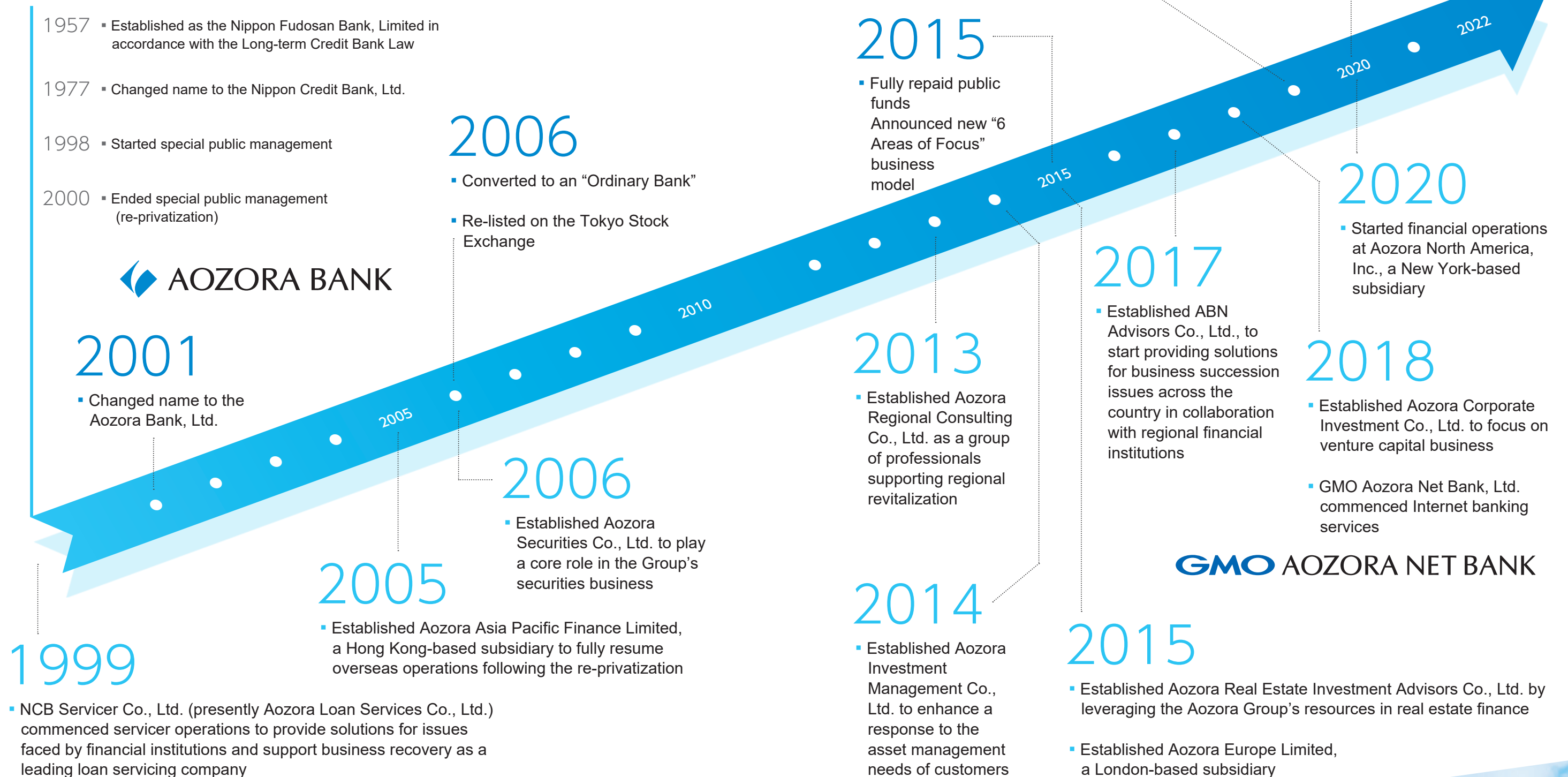
◆ Business/Asset Succession Consulting

	FY2021-FY2025 Targets	FY2021 Results
Number of Consulting contracts:	1,800	314

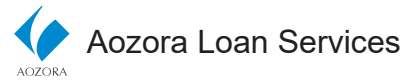
Timeline of the Aozora Group's History

The Aozora Group has always responded to the needs of the times in advance, and continued to act as one of the pioneers in real estate finance, business recovery, buyout finance and other business areas since the inception of these markets.

By leveraging our track record and expertise accumulated in these business areas, we are promoting Aozora's Strategic Investments Business towards realizing the Aozora Mission to "contribute to the development of society through the creation of new value-added financial services".



The Aozora Group (Major Consolidated Subsidiaries)



Location: 1-13-5 Kudankita, Chiyoda-ku, Tokyo, Japan
Hulic Kudan Building
Start of Servicer Operations: September 17, 1999

Yukio Sekizawa
Representative Director and President



Major Business

Distressed loan servicing

Strengths

Loan servicing responding to the needs of regional financial institutions and their clients

- Proven experience and track record in its 22-year business history, which enables the support of a broad range of customers' efforts to address their issues
- Strong awareness of compliance and full respect for the protection of debtors' interests as the Aozora Group's loan servicer
- Response to a range of needs through its network of regional financial institutions across the country

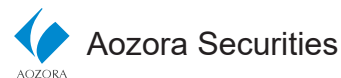
Purchase of distressed and bank loans by leveraging the Aozora Group's strength in business recovery investments

- Cash flow assessment backed by the distinctive business analysis capabilities developed as a group company of a bank
- Long-term holding of loan receivables in order to support customers' business recovery and relaunch
- 19 funds originated to date since the first fund in 2004

Mid- to Long-term Strategy

Stronger presence as a business recovery loan servicer that aims to support customers' business recovery and relaunch

1. Contribution to the sustainable growth of regional communities by offering support for customers' reduction of excessive debt levels and business recovery
2. Expansion of its asset portfolio in order to establish a sustainable business base while taking into consideration ESG factors and investment return
3. Ensuring a more competitive operating base through collaboration with related parties inside and outside the company as well as DX and other initiatives



Location: 6-1-1 Kojimachi, Chiyoda-ku, Tokyo, Japan
Established: January 23, 2006

Katsuyuki Ozaki
Representative Director and President



Major Businesses

- Offering multiple options for retail investors' asset management, such as structured bonds
- Providing regional banks and other institutional investors with asset management solutions, such as privately offered investment trusts

Strengths

- Cultivation of investors' needs, product development and enhanced follow-ups as the Aozora Group's securities company by capitalizing on the Group's expertise

Mid- to Long-term Strategy

- Improvement of information disclosure and product proposal capabilities in accordance with the customer-oriented business management policy
- Expansion of the retail customer base by providing a broader range of products and utilizing online channels
- Increase in the AUM of privately offered investment trusts by working closely with regional financial institutions as part of integrated banking and securities services
- Proactive involvement in new product and service development as the Aozora Group's securities company in order to strengthen securities platform features



Aozora Regional Consulting

Location: 6-1-1 Kojimachi, Chiyoda-ku, Tokyo, Japan
Established: March 21, 2013

Nobuyuki Horiuchi
Representative Director and President



Major Businesses

- Advisory services for regional financial institutions on their credit planning and support for the management improvement of their clients
- Advisory services regarding planning for the invigoration of regional economies
- Advisory services for regional financial institutions on providing solutions to the management issues faced by their customers

Strengths

- Track record of providing a broad range of advisory services for regional financial institutions
- Track record of offering innovative and wide-ranging solutions to the issues of regional companies
- A group of experts in the areas of marketing, business improvement support and regional revitalization
- Distinctive network across industrial, academic, governmental and financial sectors

Mid- to Long-term Strategy

- Full commitment towards the enhanced management of regional financial institutions and the reinvigoration of regional economies as a member of Aozora Bank's Regional Finance Partner Bank Task Force



Aozora Investment Management

Location: 6-1-1 Kojimachi, Chiyoda-ku, Tokyo, Japan
Established: February 4, 2014

Takayoshi Nomura
Representative Director and President



Major Business

- Investment management services

Strengths

- Customer-oriented product design – Offering diversified investment opportunities on a global scale provided through excellent management approaches
- Enhanced follow-ups – Customized support for product distributors
- Timely delivery of information – Value-added information delivery to beneficiaries

Mid- to Long-term Strategy

- Full commitment to protecting and growing customers' assets while aiming to become a reliable asset management company
- Development and provision of products that meet the needs and best interests of customers
- Working on ESG and SDGs in pursuit of growth as an asset management company



Location: 6-1-1 Kojimachi, Chiyoda-ku, Tokyo, Japan
Established: January 6, 2015

Takashi Imai
Representative Director and President



Major Businesses

- Development and management of real estate investment funds
- Intermediation of beneficiary rights in real estate, private placement of interests in collective investment schemes
- Real estate finance consulting
- Referral of tenants, real estate agencies/professionals, etc. (business matching)

Strengths

- Resources of the Aozora Group with strengths in real estate finance
- Aozora Bank's broad network of regional financial institutions
- Disciplined fund and risk management in accordance with the criteria applicable to financial institutions

Mid- to Long-term Strategy

- Development of new funds that match diverse investor needs in order to offer products to various investor segments in addition to regional financial institutions
- Maintaining and improving the performance of existing funds while responding flexibly to a changing environment



Location: 4-3 Nibancho, Chiyoda-ku, Tokyo, Japan
Nibancho Cashew Building 3F
Established: May 24, 2017

Shinya Kawabata
Representative Director and President



Major Business

- Providing solutions to business succession needs in the SME market as an M&A advisory subsidiary of Aozora Bank

Strengths

- High-level expertise regarding M&A and business succession developed as an Aozora Group company
- Excellent track record and wide-ranging information gathering capability covering all regions of Japan
- Providing customized solutions by leveraging the financial expertise and broad network of funds and regional financial institutions across Japan

Mid- to Long-term Strategy

- Providing solutions tailored to a wide range of customer needs to maintain and develop their business, including business succession through M&A, with the aim of contributing to the development of the Aozora Group's M&A business



Aozora Corporate Investment

Location: 6-1-1 Kojimachi, Chiyoda-ku, Tokyo, Japan
Established: April 24, 2018

Akifumi Kubo
Representative Director and President



Major Business

- Venture capital investment
Managing "AOZORA HYBRID Investment Limited Partnership, II" as a core fund

Strengths

- "Venture debt"(*1) investments by leveraging knowledge of equity and debt finance
Response to the needs of start-ups to avoid the dilution of management's ownership stake and ensuring financing sources at a firm's critical growth phase
- Offering one-stop services as the window to the entire Aozora Group by utilizing its network to serve customer needs at each growth phase
- (*1) A general term for financial products with features of both equity and debt finance, such as convertible bonds and straight corporate bonds with stock options

Mid- to Long-term Strategy

- Increase investment balances to the FY2022 target of 5.0 billion yen
- Improvement of operational expertise by strengthening collaboration with major overseas venture capital firms, as well as support for venture companies' efforts to enhance their corporate value from a mid- to long-term perspective by promoting the Aozora Venture Ecosystem Support Framework



Location: 1-2-3 Dogenzaka, Shibuya-ku, Tokyo, Japan
Shibuya FUKURAS Building
Launch of Internet Banking Operations: July 17, 2018

Takeshi Yamane
(Left) President,
Representative Director
Takehito Kaneko
(Right) Chairman,
Representative Director



Major Business

Internet banking operations

GMO Aozora Net Bank's features

- 1) Lowest level of bank transfer fees in the industry*
- 2) Online application for business loans without requiring financial statements, collateral or guarantors for approval
- 3) "Simple Embedded Finance Services" that allow corporate customers to incorporate banking service components into their services
- 4) Leading player in providing embedded finance services, including Bank APIs
- 5) Debit card with the highest level of cashback rates*

* Based on data compiled by GMO Aozora Net Bank as of June 30, 2022

Strengths

- In-house system development backed by technological capabilities
- Delivery of the five values of "safety", "speed", "price", "convenience" and "new experience" regarding services/solutions developed through in-house systems

Mid- to Long-term Strategy

Innovative services based on the following three areas of focus:

- No. 1 Bank among small businesses and start-ups
- No. 1 Embedded Finance Services
- No. 1 tech-first banking services

Aozora Asia Pacific Finance Limited

Location: Suites 1501-03, Two Exchange Square, 8
Connaught Place, Central, Hong Kong, P.R.C.
Established: June 29, 2005

Ryouhei Sasaki
Managing Director



Major Businesses

- Finance-related services in the Asia-Pacific region
- Providing corporate loans, etc. as a Hong Kong-based moneylender

Strengths

- Established presence in the Asia-Pacific loan market by taking advantage of Hong Kong as a financial hub in Asia
- Allocation of professionals with business experience in East Asia, Southeast Asia, South Asia and Oceania

Mid- to Long-term Strategy

- Focus on sustainable finance and debt fund investments in the Asia-Pacific region
- Development of expanded capabilities as Aozora Group's R&D center (operating base for new business) in Asia, particularly in the Greater China region

Aozora Europe Limited

Location: 1st Floor, 80 Cheapside, London,
EC2V 6EE, United Kingdom
Established: December 15, 2015

Tsuyoshi Sasaki
Managing Director



Major Businesses

- Investment management of corporate loans in Europe
- Wide range of information collection/analysis operations in Europe

Strengths

- Providing finance-related services to customers in European countries in accordance with applicable laws and regulations
- High-quality portfolio tailored to wide-ranging sectors in Europe
- Local network in major financial markets, including London

Mid- to Long-term Strategy

- Steady building of high-quality asset portfolio, mainly in consideration of changes in the social/industrial structure and geopolitical risk
- Planning and promotion of new business in conjunction with the development of the Aozora Group's operations inside and outside Japan
- Gathering, analyzing, and delivering information regarding ESG and SDGs

AOZORA NORTH AMERICA, INC.

Location: 1270 Avenue of the Americas,
Suite #1701, New York, NY 10020 U.S.A.
Business Commencement: September 1, 2020

Anthony Pui
President



Major Business

- Investment management of North American corporate loans

Strengths

- Portfolio monitoring and risk management by in-market professionals with North American corporate loan expertise. Located closer to counterparties and issuers compared to Japan

Mid- to Long-term Strategy

- Manage the portfolio in line with current investment guidelines and risk appetite, while flexibly responding to the U.S. economic environment, government policy, etc.

Aozora's Strategic Investments Business

- Promoting Industrial Transition and Realizing Financial Inclusion -

► A Changing World

The world is facing unprecedented changes. There continues to be a wide range of direct and indirect effects on business activity as a result of the COVID-19 pandemic and, more recently, the Russia-Ukraine conflict. Far ranging changes in business operations and lifestyles as a result of the development of digital technologies and the progress of industrial transition towards realizing a decarbonized society are also underway. That being said, we expect the emergence of corporations that intend to take advantage of the changing business landscape in order to capitalize on new opportunities and promote corporate evolution.

► Aozora Group Services Designed to Help Customers Take on New Challenges

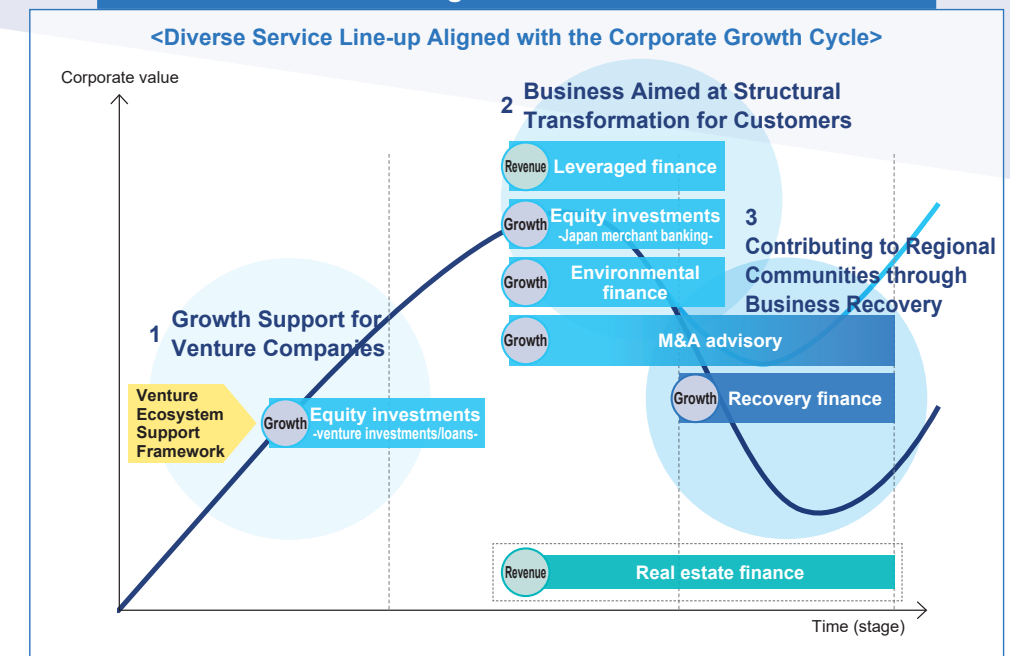
As our customers develop business structure transformation initiatives or work on a business turnaround, we expect that the demand for equity financing that enables firms to take on these risks and opportunities to only increase. The Aozora Group will continue to promote its Strategic Investments Business as a way to support its customers in taking on new challenges by fostering communication and developing new ideas with the management teams of our business partners through long-term engagement consisting of investments and financing ranging from debt to equity. We will also help cultivate the development of new industries and actively support business restructuring and recovery for companies looking to take on new business challenges in order to realize sustainable growth in tandem with our customers.

As a major player in real estate and leveraged finance since the inception of these markets, the Aozora Group has developed a broad base of risk management knowledge (through credit analysis, financial structuring, documentation, etc. at the time of financing) and leverages this knowledge in its equity investments and corporate loans. Our equity investments, which include business recovery, real estate, and buyout ventures, exceed 190 billion yen (as of March 31, 2022), and we generate stable revenue each year through well-timed and diversified investments. We have also strengthened our risk management framework by establishing an office dedicated exclusively to equity analysis within our Credit Group.

► A New Partnership with Our Customers through Equity Investments with a Primary Focus on Engagement

Traditionally, Japanese banks have provided capital to corporate customers not only through loans but also through cross-shareholdings. Banks are trusted by their corporate clients with providing advice on a wide range of issues, and by being familiar with their clients' businesses, are well-positioned to offer value-added advice regarding business decisions and the associated risks. After the collapse of the bubble economy, we saw progress in the work-out of non-performing loans and the dissolution of cross-shareholdings as the business relationship between companies and banks continued to evolve. However, companies that have been forced to transition into new business approaches require partners who understand their businesses and can provide consultations on critical management issues. The Aozora Group continues to make new investments in the equities of its corporate and financial institution customers and engages in dialogue with them in order to obtain a deeper understanding of their business and proactively provide management advice. Known as "equity investments with a primary focus on engagement", Aozora will utilize this approach to form new partnerships with its customers through disciplined risk-taking. In FY2022, we established the Merchant Banking Division, a division dedicated to investing in our corporate customers, and are working to further develop human resources with the skill and expertise capable of building partnerships and researching analytical methods to gain a deeper understanding of our customers' business.

Aozora's Strategic Investments Business



► Diverse Service Line-up Aligned with the Corporate Growth Cycle

A broad range of services are required to support each stage in the corporate growth cycle. "Aozora's Strategic Investments Business" will seek to utilize our high level of expertise cultivated through investments and financing ranging from debt to equity in order to develop a wide range of solutions designed to promote industrial transition and realize financial inclusion.

1. Growth Support for Venture Companies

The Aozora Group is promoting its "Venture Ecosystem Support Framework", which provides support services for venture companies in the early stages of development by utilizing Aozora's network. We provide a wide range of services that align with a venture company's stage of growth, including growth funds ranging from debt to equity and GMO Aozora Net Bank's embedded finance services.

2. Business Aimed at Structural Transformation for Customers

We are proactively developing domestic and overseas "leveraged finance", "environmental finance", and "M&A advisory" initiatives for companies that have reached their maturation point and are aiming to transform their business structure.

In addition to private equity investments, we have also begun to make equity investments with a primary focus on engagement. Our aim is to achieve growth in tandem with our customers by working to understand their operations through dialogue with them as business partners working together to solve issues as well as by actively involving ourselves in their management and providing advice.

3. Contributing to Regional Communities through Business Recovery

One of the Aozora Group's strengths is "recovery finance" that fully utilizes the resources of our group company Aozora Loan Services as a way of contributing to regional communities through business recovery in collaboration with regional financial institutions across Japan.

Among the wide range of services the Aozora Group provides, we have positioned "leveraged finance" and "real estate finance" as revenue drivers and will continue to focus on these areas while building upon our strong track record. Amidst major changes in the industrial structure, we have positioned "equity investments", "environmental finance", "recovery finance" and "M&A advisory" as growth businesses which are expected to grow going forward alongside our customers' increasing needs for support.

Aozora Bank is developing initiatives aimed at creating new business through close cooperation among each of its business groups and group companies as well as in collaboration with regional financial institutions and a wide range of partner companies.

Revenue Areas

■ Leveraged Finance

Amid the accelerating trend towards corporate structural transformation, needs for M&A are expanding, from major corporations to mid-sized companies and SMEs. The Bank works to arrange/provide LBO loans, propose syndicated loans and build a high-quality portfolio through private equity investments.

For overseas corporate loans, Aozora strives to ensure a flexible portfolio management aimed at risk diversification and maintaining/improving credit quality through coordinated monitoring by the Head Office and New York and London-based subsidiaries.

■ Real Estate Finance

In our real estate finance business, we intend to actively incorporate sustainable finance, which is increasingly gaining momentum in the real estate industry, in addition to real estate non-recourse loans and corporate loans. For equity finance, we will continue to make value-added proposals by leveraging our knowledge and insights of the real estate sector while selectively making equity investments with a primary focus on engagement as well as more typical equity investments in real estate.

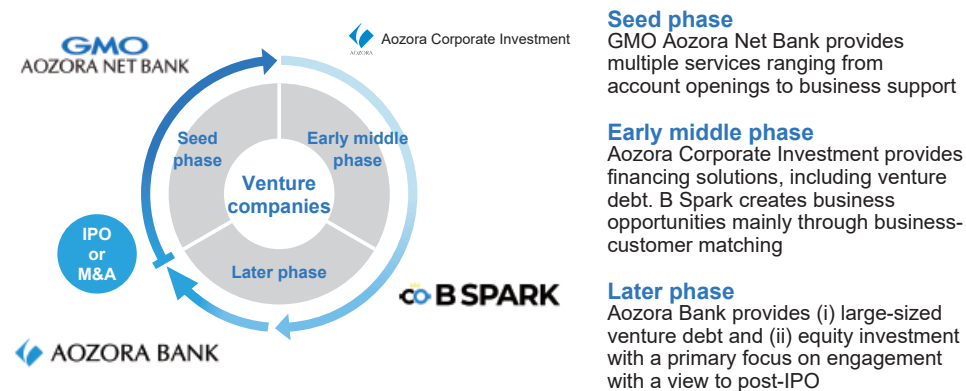
In addition, we offer financial products in tie-ups with Aozora Real Estate Investment Advisors, B Spark (a DX support company) and Vietnam-based Orient Commercial Joint Stock Bank (OCB) as well as wide-ranging financial services by leveraging the Aozora Group's wealth of expertise in the real estate area, such as business matching designed to meet diverse real estate needs, including more boutique real estate products.

Growth Areas

■ Equity Investments

Aozora intends to promote equity investments with a primary focus on engagement, an approach where we purchase our customers' equities and work closely with them towards their growth by offering advice through active involvement in their management while facilitating dialogue focused on gaining a deeper understanding of their business.

In our investments and loans to venture companies, we will provide assistance that contributes to the mid- to long-term enhancement of their corporate value mainly by providing venture debt funds available through Aozora's Venture Ecosystem Support Framework, our venture company support service that utilizes Aozora's network.



■ Environmental Finance

Aozora flexibly responds to emerging needs, including ongoing large-scale solar power development projects and transition finance towards decarbonization, and serves the needs of local communities through financing arrangements and syndicated loans in collaboration mainly with regional financial institutions

Through financing for renewable energy projects, which are growing in the U.S. and European markets ahead of other regions, we aim to explore new innovative areas by leveraging our expertise domestically and overseas and support the development of advanced energy-related projects in Japan as well as throughout Asia.

■ Recovery Finance

By leveraging our over-20-year experience in recovery finance led by Aozora Loan Services, we remain committed to contributing to regional communities as a leading domestic player by responding to the business recovery financing needs of regional customers and providing recovery finance for assets adversely impacted by the COVID-19 pandemic as well as DIP finance.

■ M&A Advisory

ABN Advisors is further strengthening its framework specializing in business succession-related M&A advisory services in response to business succession needs that are growing amid the recent trend towards corporate structural transformation. ABN Advisors will provide a wide range of solutions in collaboration with the Retail Banking Group while leveraging our network of regional financial institutions.

For cross-border M&A projects, we intend to focus on Vietnam-related transactions with high M&A demand from Japanese companies in collaboration with OCB, our local business and capital partner.

Customer Network

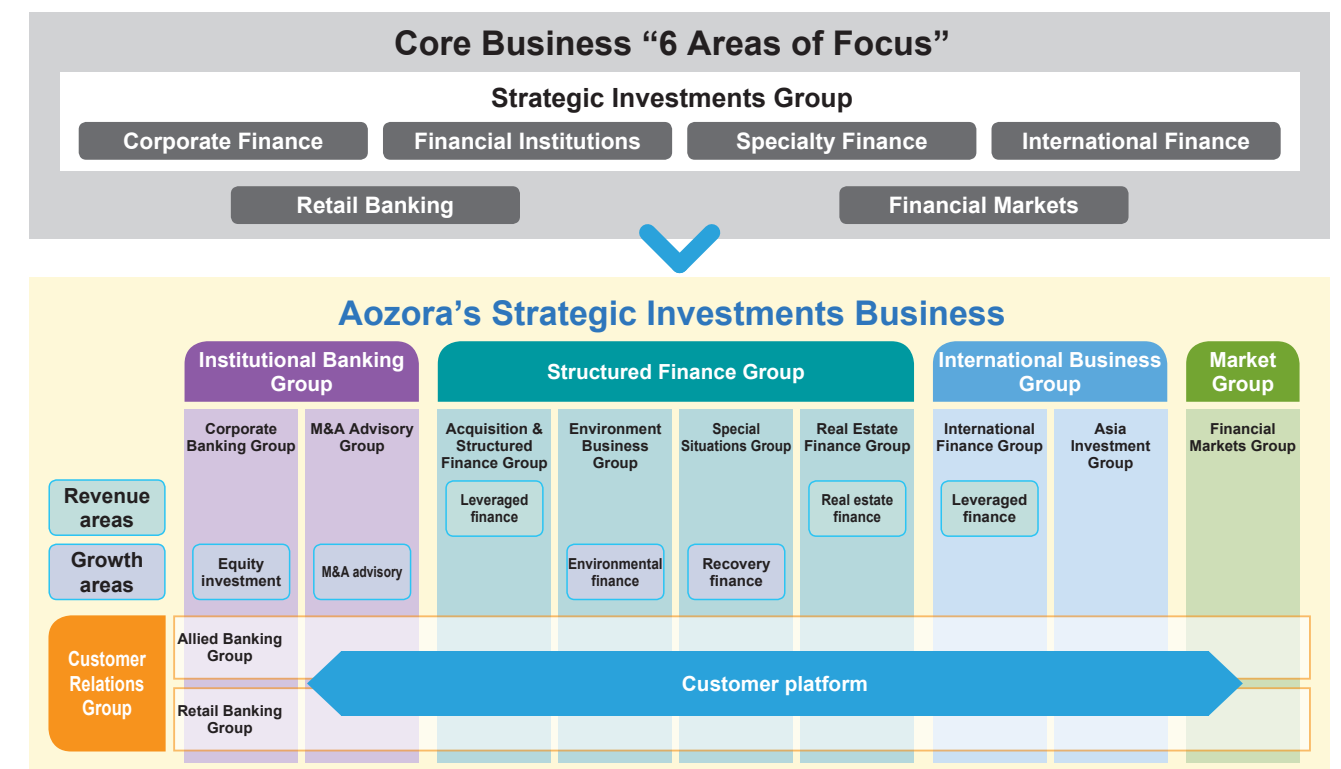
■ Network of Regional Financial Institutions

Our Regional Finance Partner Bank Task Force is now in place to utilize our nationwide network of regional financial institutions that has been in place for over 60 years as well as our wide-ranging financial capabilities across the Aozora Group developed over time. We aim to flexibly and quickly respond to the diverse needs of our regional financial institution customers. These needs may require providing business recovery/succession support, securities investment and risk management support, retail business support regarding Aozora Investment Management's publicly offered investment trusts sold through regional financial institutions as well as a broad range of services tailored to regional companies by promoting collaboration with our business groups and group companies.

■ Retail Customers

We provide solutions to diverse customer needs, including business succession support for SMEs and small business owners as well as real estate investment support for affluent individuals, by leveraging the strengths of our group companies and other corporate banking groups through the retail customer base as a common platform across the Aozora Group. Aozora provides comprehensive financial services through specialized consulting at traditional branches located across Japan as well as the highly convenient BANK™ service. We also actively offer sales of financial products with the ultimate aim of increasing investment trust AUM balances.

Based on a selection and concentration approach promoted under our "6 Areas of Focus" business model, Aozora has evolved its organizational structure in order to drive "Aozora's Strategic Investments Business".

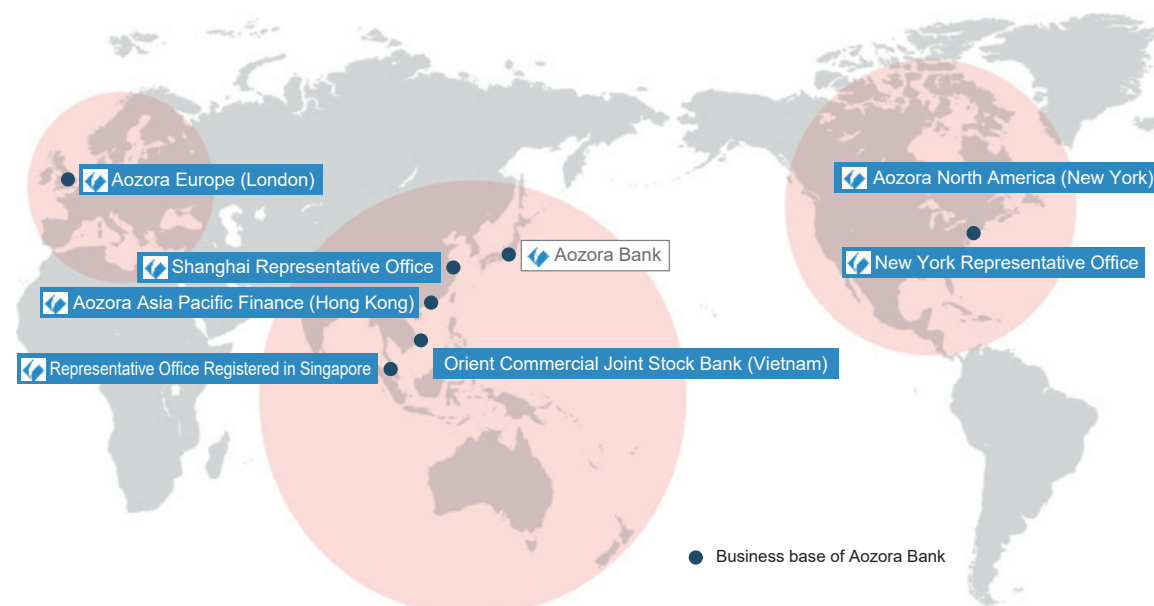


Aozora Network

Domestic Network



Overseas Network



Customer Relations Group

Allied Baking Group (ABG)

Major Businesses

- Provision of bank bonds, a wide range of derivative-embedded deposits/loans, private placement investment trusts, as well as other trust-related investment products
- Offering opportunities for regional financial institutions to participate in syndicated loans, LBO finance, etc., originated by the Bank
- Support for the establishment of securities investment management systems and risk management frameworks
- Support for "customer-oriented business management" in the asset management of regional financial institutions' retail customers
- Offering collaborative proposals to regional financial institutions' corporate clients regarding solutions to business challenges including reducing foreign exchange exposure risk, raw materials/fuel price fluctuation risk hedging, business improvement, and business succession



Takashi Kato
Senior Managing Executive Officer
Head of Allied Banking Group



Naoko Tanaka
Executive Officer
Deputy Head of Allied Banking Group



Akemi Hashimoto
Managing Executive Officer
General Manager of Kansai Branch

ABG's Advantages

- Strong network built by engaging in a broad array of transactions with regional financial institutions across Japan for over 60 years
- Nationwide sales structure led by our "Regional Finance Partner Bank Task Force", which contributes to solving problems faced by regional financial institutions who support local economies by leveraging the financial services that the Aozora Group has developed over the years
- Publicly offered investment trusts offered by Aozora Investment Management and multifaceted support based upon the sales structure of regional banks and their securities subsidiaries who sell investment trusts as Aozora's sales agents in line with their "customer-oriented business management" policies

Mid- to Long-term Strategy

- We will promote the full array of financial services of the Aozora Group throughout Japan by combining our strong network of regional financial institutions nationwide, the trust that our regional financial institution customers have built within their communities, and our regional network centered on our local branches.
- We will deepen the activities of the "Regional Financial Partner Bank Task Force" to contribute to solving the increasingly complex and diverse issues faced by our regional financial institution customers.

Online Seminar on Business Recovery during the COVID-19 Pandemic

In June 2021, we held an online seminar for our regional financial institution customers to introduce examples of business recovery during the COVID-19 pandemic.

As an increasing number of mid-sized companies and SMEs have fallen into the vicious cycle of excessive debt due to the pandemic, this seminar was held as a response to requests from our regional financial institution customers who feel the need for quick business recovery support for their customers without postponing addressing the issue.

The seminar was attended by more than 200 regional financial institution customers, and introduced several examples of the use of servicers, which allow for a flexible response, as a means to resolve issues that have become difficult to handle for a variety of reasons.

The Aozora Group will continue to provide a wide range of timely information to support our regional financial institution customers in resolving their business challenges.

Customer Relations Group

Retail Banking Group (RBG)

Major Businesses

- Offering comprehensive consulting services related to business succession and wealth transfer in addition to wealth accumulation and asset management
- Provision of BANK™, a highly convenient financial service that allows customers to engage in a broad range of transactions, including account openings, via a smartphone app
- Support for customers' mid- to long-term wealth accumulations, mainly by providing "Aozora Core Funds"

RBG's Advantages

- Comprehensive Consulting Services**
Providing a wide range of consulting services to retail customers, SMEs, and business owners regarding transferring their businesses and assets to the next generation
Specialized consulting services via the "Financial Advisor Office", an organization within the Head Office consisting of certified tax accountants and financial planners with extensive professional experience, in cooperation with sales offices/branches
- BANK™ Services**
Creating new value through "BANK The Teiki (time deposit)" and ordinary deposits, both of which provide attractive interest rates, "BANK The Savings" (Automatic Piggy Bank), "BANK The Debit" (a cashless debit card service), and "BANK The Story"
- Product Development**
Joint development with Aozora Investment Management of products that take sustainability into consideration (please refer to page 67)



Jun Nakashima

Executive Officer
Head of Retail Banking Group

Mid- to Long-term Strategy

The Bank will conduct business based on a policy of customer-oriented business management and will provide comprehensive solutions that not only address asset management issues but also the diverse needs of our customers by utilizing the Aozora Group's network. The monitoring results regarding the achievement criteria designed to ensure proper implementation of this policy are published semiannually in the "Aozora Bank's Initiatives for Customer-Oriented Business Management" report. (Currently, there are 36 achievement criteria. Please refer to our website for details.)

Customer-oriented Business Management (introduction of initiatives)

Customer Satisfaction Surveys

Overall customer satisfaction in FY2021 was high, with more than 80% of customers responding that they were satisfied as a result of enhanced BANK™ services which were achieved through functional improvements. However, we also received feedback such as "branches are located too far away", based on which we will work to improve, such as by further expanding our points of contact. For more details regarding the "Customer Satisfaction Survey Results", please visit our website.

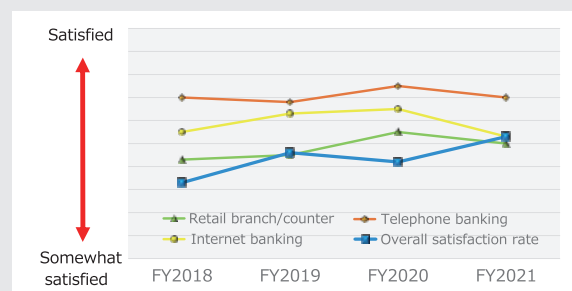
Diversification of points of contact with customers

In addition to our branch locations, we have also begun using "WORKSTYLING SHARE", a system of multi-location corporate satellite offices, as new locations to meet with customers in cooperation with Mitsui Fudosan Co., Ltd. as a means to enhance customer convenience.

We have also introduced online consulting tools which enable our customers to meet with us without having to leave home.

Asset Accumulation Support by "Aozora Core Funds"

In FY2021, investment trust net assets under management grew by 143%, with major contributions from the Aozora Core Funds, which grew by 173% during the same year.



Institutional Banking Group

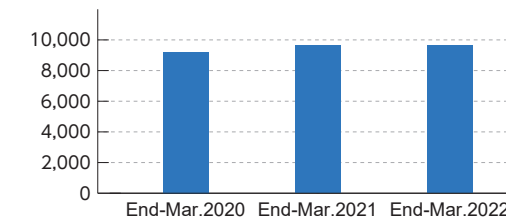
Corporate Banking Group (CBG): Corporate Banking

Major Businesses

- Loan services for corporate customers
 - 1) Corporate finance
 - 2) Structured finance
- Delivery of high value-added financial solutions to corporate customers in cooperation with other business groups
 - 1) Products that meet market risk-hedging needs
 - 2) Equity investments with a primary focus on engagement
 - 3) Equity-related finance, etc.

CBG (Corporate Banking)

Asset Balances (JPY 100M)



Kazuhiro Yasuda

Managing Executive Officer
Head of Corporate Banking Group
(Corporate Banking)



Akemi Hashimoto

Managing Executive Officer
General Manager of Kansai Branch

CBG (Corporate Banking)'s Advantages

- A flat and open organization with the ability to respond promptly through cross-sectoral cooperation
- Ability to provide investment and financing opportunities ranging from loans to equity as well as products that meet market risk hedging needs

Mid- to Long-term Strategy

We will focus on close communication with our corporate customers and provide them with high value-added financial solutions.

- We will proactively pursue new lending opportunities in response to business succession and business recovery. Also, we will focus on regional development and business collaborations with regional financial institutions.
- We will work with the Financial Markets Group to provide high value-added products tailored to customers' market risk hedging needs, including interest rates, foreign exchange, and commodities instruments.
- Regarding equity investments with a primary focus on engagement and equity finance, we will collaborate with other business groups to actively support our customers' structural transformation and business restructuring through close communication with their management and our proposals that contribute to enhancing corporate value including DX support, transition toward decarbonization, and M&A.

Strengthening Proposal-based Sales Approach

CBG is promoting equity investments with a primary focus on engagement that aim to realize structural transformation in order to achieve Aozora's Sustainability Targets. Based on close communication with our customers with the goal of enhancing their corporate value, we strive to deepen our understanding of their overall business and develop initiatives designed to address their management challenges. While continuing to maintain the trustworthy and prompt handling of issues that has been highly praised by our customers based on the results of our annual customer satisfaction survey, we will strive to further enhance our proposal-based sales approach by expending the effort necessary to improve our capacity to better understand our customers' overall business, identify their issues in a timely and appropriate manner, and provide qualitative and quantitative proposals and information.

Institutional Banking Group

Corporate Banking Group (CBG): Merchant Banking

Major Businesses

- Investment in corporate customers
 - Equity investments with a primary focus on engagement
 - Venture debt
- Capital and business alliances with other companies, planning of training programs that contribute to advancing sales skills, etc.

CBG (Merchant Banking)'s Advantages

- As a unit that specializes in investments, the Merchant Banking unit is staffed with professionals with extensive experience and expertise regarding investments and loans obtained while working in specialty finance, credit divisions, etc.

Mid- to Long-term Strategy

- For customers who wish to adapt themselves to a changing environment, we will contribute to the support of structural transformation and business restructuring by offering a full range of financing, from debt to equity.
- As CBG professionals, we will work closely with other business groups to enhance equity investments with a primary focus on engagement and offer new transactions and services to our customers, including the provision of risk capital and solutions to management issues.



Jun Shinozaki

Managing Executive Officer
Head of Corporate Banking Group
(Merchant Banking)

Equity Investments with a Primary Focus on Engagement

Traditionally, banks have provided risk capital in the form of both loans and equity as a way to more fully support corporate growth. Companies also trusted banks' business approaches and consulted with them on a variety of matters. After the collapse of the bubble economy, as banks' credit decisions became stricter and cross-shareholdings were dissolved, transactions between banks and corporations have continued to decline, and, as a result, banks no longer play the role they once did. Amid the historic turning point in the industrial structures, companies that are developing structural transformation and business restructuring initiatives are once again looking for providers of risk capital as well as partners who understand their business and can consult with them on management issues. Aozora Bank is working to establish a new role akin to the role banks assumed in the past by providing risk capital ranging from debt to equity for companies that need to transition to new business areas, engaging in close communication with their management teams, and giving strategic advice that contributes to improving their corporate value. We refer to this approach as "equity investments with a primary focus on engagement".

Venture Debt

For Japanese venture companies that have a strong need for funding but have no other way of raising capital other than issuing new shares, we will provide venture debt through venture funds and other vehicles managed by Aozora Corporate Investment. Venture debt is a general term for financial products with the features of both equity and debt, such as convertible bonds and bonds with share acquisition rights. This allows venture companies to raise the funds necessary for business growth while avoiding equity dilution. In addition, the Aozora Group also leverages its extensive network to provide one-stop support services tailored to each growth phase of venture companies.

Institutional Banking Group

M&A Advisory Group (MAG)

Major Businesses

- M&A advisory services
- Consulting services regarding M&A strategies, business growth/recovery strategies, business succession, etc.
- Support for customers' overseas business expansion, mainly in Asia, and corporate valuations

MAG's Advantages

- One-stop support to large companies and SMEs for domestic and cross-border M&A
- Expertise and extensive network established over many years, both in Japan and overseas
- Services provided by a team of experienced professionals, most of whom have long careers in M&A and the private equity businesses.
- Offering customized solutions to meet customers' needs in collaboration with other business groups engaged in commercial lending and buyout/succession funds
- Support for customers' cross-border M&A and overseas business by leveraging alliances with financial institutions across Asia, including Orient Commercial Joint Stock Bank (OCB) in Vietnam

Mid- to Long-term Strategy

Provide high value-added solutions to meet the changing needs of our customers, both domestic and overseas, from large-scale transactions to business succession services for SMEs, while leveraging the Aozora Group's capabilities. Through our M&A advisory services, we will contribute to the development of society as well as provide support for the enhancement of our customers' corporate value, structural transformation, and addressing issues including business succession.

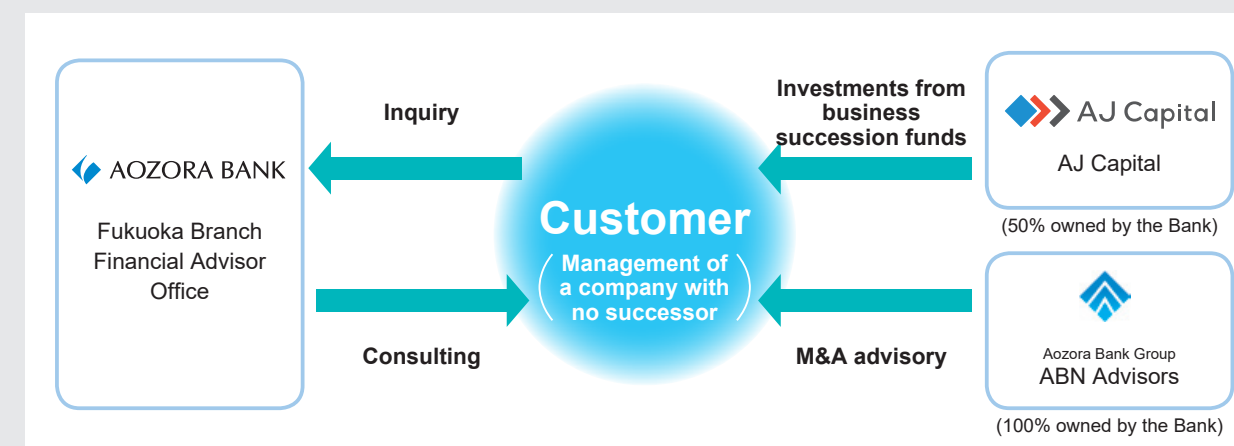


Shu Takahashi

Executive Officer
Head of M&A Advisory Group

Business Succession Leveraging the Aozora Group's Strengths

The wide range of consulting services provided by the Financial Advisor Office and the customized support provided by ABN Advisors were able to provide significant reassurance to a customer of the Fukuoka Branch with business succession needs, and business ownership was successfully transitioned through a business succession fund managed by AJ Capital.



Structured Finance Group

Acquisition & Structured Finance Group (ASG)

Major Businesses

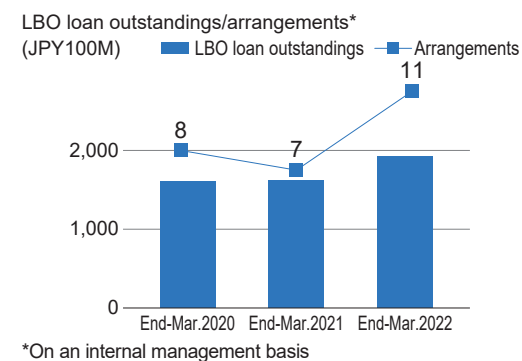
- Transaction arrangement for LBO, MBO and other M&A-related financing, loan execution, syndicated loan origination
- LP investments in private equity funds
- Arrangement of structured finance transactions and execution of investments and loans

ASG's Advantages

- Ongoing involvement in large transactions as one of the leaders in the LBO financing market.
- Strong network with a large number of private equity funds, including global funds
- Offering of advisory and financing services in collaboration with the M&A Advisory Group, including through our Group companies and investment funds
- High level of expertise, excellent mobility/flexibility, and extensive domestic/global experience and track record

Mid- to Long-term Strategy

We will capture opportunities for target M&A-related finance investments and loans stemming from the business succession needs of small business owners and carve-out strategies of major companies for selection/concentration of their business operations. In addition, we will further enhance the efficiency of investments and loans by strengthening our ability to underwrite mid- to large-sized projects, building upon our strong distribution capabilities, and provide attractive investment and loan opportunities to regional financial institutions and other customers.



LBO Market Trends

In FY2021, the M&A market continued to be active resulting in a record number of transactions, which included business succession, carve-out (sales of subsidiaries and businesses, etc.) resulting from the selection and concentration of major listed companies, and the privatization of listed companies, as the domestic LBO market also continued to be active. The number and volume of LBO finance transactions undertaken by Aozora have also reached record high levels, and Aozora is further strengthening its presence in the market. This trend is expected to continue into the post-COVID-19 world and the size of the market is projected to expand even further.



Hiroki Nakazato

Executive Officer
Head of Acquisition & Structured Finance Group,
Head of Environment Business Group

Structured Finance Group

Environment Business Group (EBG)

Major Businesses

- Transaction arrangement, loan execution, and syndicated loan origination for environment-related project finance with a focus on renewable energy
- LP investments in environment-related equity and infrastructure funds

EBG's Advantages

- High level of expertise, knowledge and network developed through a wide range of structured finance initiatives, both domestically and overseas
- Application of a broad range of financing technologies to renewable energy projects including solar, wind, and geothermal power generation projects, gas-fired power generation projects that include energy storage facilities, and transition financing designed to promote the cleaner operation of existing thermal power plants
- Superior speed, flexibility, and extensive domestic and international experience

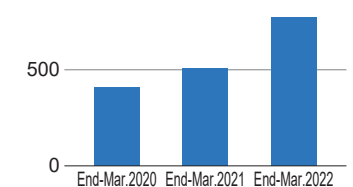
Mid- to Long-term Strategy

The Aozora Group is committed to achieving "Aozora's Sustainability Targets", which call for a cumulative total of 1 trillion yen in sustainable financing by FY2030, including 700 billion yen in environmental financing. In Japan, we will collaborate with regional financial institutions through syndicated and other loans in order to contribute to the expansion of clean energy, particularly solar power generation, and the development of local economies while broadening the scope of our business to include non-FIT* projects, offshore wind power generation, and biomass power generation. Overseas, our aim is to accumulate knowledge by participating in financing projects in Europe and the United States, which are leading countries in environmental financing, and to expand our business in Asia while consolidating the wide breadth of information obtained through our overseas offices.

By taking on environmental financing in new areas such as plastic recycling and hydrogen plant facilities, we will continue to support innovations in decarbonization technology.

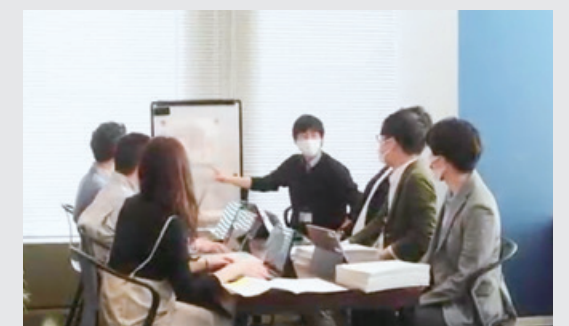
* FIT: Feed-in Tariff

Domestic and Overseas Renewable Energy Project Finance Outstandings (JPY100M)



Environmental Finance Development Framework

As we focus on executing and originating sustainable finance to achieve Aozora's Sustainability Targets, the team in charge of environmental finance within the Acquisition & Structured Finance Division elevated to become a separate division, and the new Infrastructure and Environment Finance Division was established in January 2022. Furthermore, in April 2022, the Division was merged with the team with responsibility for overseas project finance within the International Business Division to create a more global framework.



Structured Finance Group

Special Situations Group (SSG)

Major Businesses

- Initiatives to address the recovery finance needs of regional financial institutions and their corporate customers
- Investments, loans, and recovery support for distressed companies
- Establishment and management of recovery funds focused on specific regions and industries

SSG's Advantages

- Over 20 years of experience in the recovery business
- Network consisting of over 80% of the nation's regional financial institutions

Mid- to Long-term Strategy

We will expand recovery finance support for companies and assets affected by the COVID-19 pandemic. We will also strengthen our recovery business initiatives for the next generation, including DX promotion and overseas expansion, as well as support the business revitalization of regional financial institutions' customers through our recovery funds.

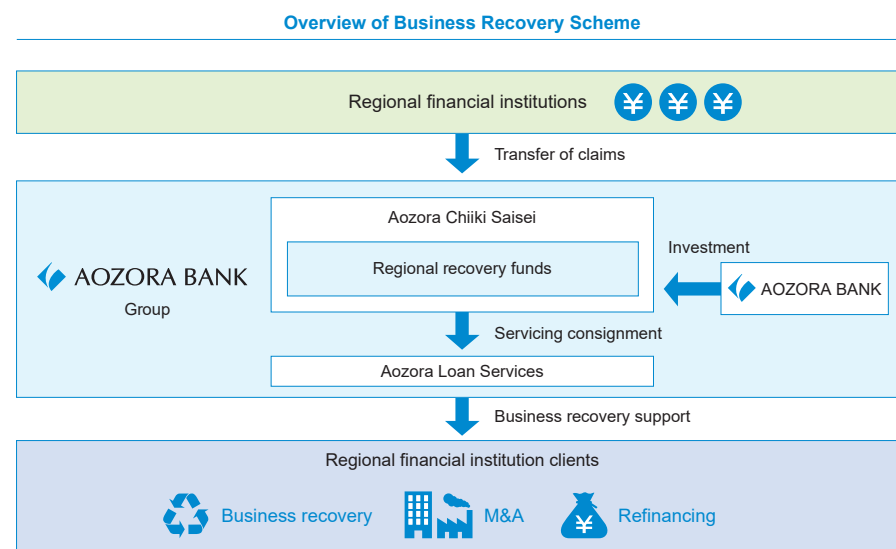


Takashi Hagio

Executive Officer
Head of Special Situations Group

Business Recovery Focus

Through our subsidiary Aozora Loan Services, a leading company in the servicing industry, the Aozora Group has extensive expertise as well as the strengths of a comprehensive business recovery network. The Group is committed to contributing to the revitalization of regional economies and industries through its recovery business.



Structured Finance Group

Real Estate Finance Group (RFG)

Major Businesses

- Non-recourse loans secured by commercial real estate in Japan, North America, and London
- Loans to real estate development companies and REITs
- Investments in real estate funds focused on Japan, Europe, and the U.S. real estate markets



Fumihiko Hirose

Senior Managing Executive Officer
Head of Real Estate Finance Group



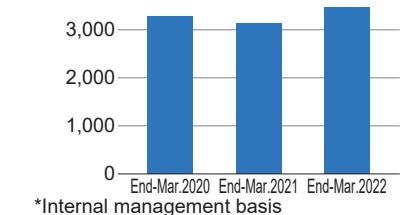
Kouji Igarashi

Executive Officer
Deputy Head of Real Estate Finance Group

RFG's Advantages

- Ability to manage specialized real estate financing based on the experience, track-record, and expertise accumulated over the years since our establishment in 1957 as the Nippon Fudosan Bank, Limited

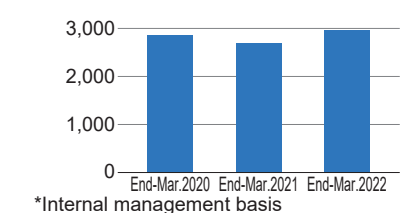
Domestic real estate non-recourse loan outstandings* (JPY 100M)



Mid- to Long-term Strategy

In order to build a globally diversified commercial real estate loan and investment portfolio, we will target real estate for which demand is expected to continue to grow in line with social and economic changes, and will focus on real estate in regions and uses where potential growth is expected. We will further leverage our capabilities by collaborating with GMO Aozora Net Bank to provide new financial services to the real estate industry and will actively engage in real estate-related sustainable finance.

Overseas real estate non-recourse loan outstandings* (JPY 100M)



Establishment of a Private Placement Real Estate Fund "Aozora Fund V"

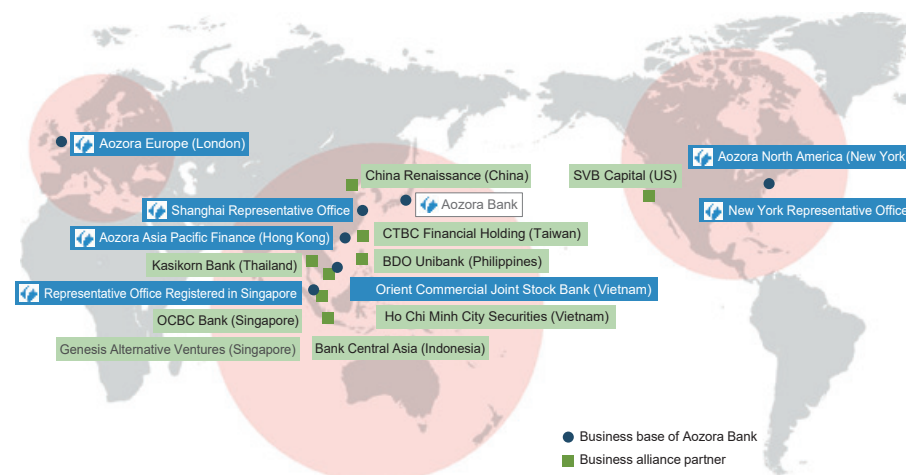
Aozora Real Estate Investment Advisors ("AREIA") borrowed non-recourse loans from a regional bank and established the "Aozora Fund V", which invested in a retail and office complex located in Aichi Prefecture. As asset manager, AREIA strives to leverage the expertise developed by the Aozora Group through years of experience in real estate-related investments in order to stabilize and then improve performance of the fund.

International Business Group

International Finance Group (IFG)

Major Businesses

- North American/European corporate finance
- Structured finance, aircraft finance
- Investments in U.S. and European debt funds, etc.



IFG's Advantages

- Globally diversified loan portfolio
- Flexible and timely responses to changes in credit conditions
- Centralized management of credit risk through the sharing of credit policies and governance of Aozora's subsidiaries

Mid- to Long-term Strategy

We will maintain and improve our seamless monitoring framework and risk management capabilities through close cooperation between local offices in North America and Europe and the Head Office in Tokyo, and flexibly manage our portfolio to diversify risks and maintain/improve credit quality.

In addition, we intend to keep abreast of cutting-edge financial expertise and new global financial trends in the U.S. and Europe, and promote investments and loans, including in new areas, in consideration of SDGs.

Developing Global Human Resources

Aozora conducts training to support employees in acquiring the skills necessary to engage in global business while hiring local professionals under its business management policy of contributing to the development of the global economy.

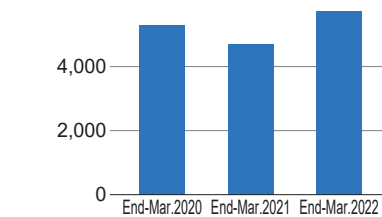
Aozora provides its employees in Japan with overseas business training sessions at overseas offices through its "Overseas Office Challenge Program" and "Short-term Overseas Trainee Program". The Bank also conducts international finance related training sessions at international business-related divisions in the Head Office for trainees from other divisions.



Mitsuhiro Segawa

Executive Officer
Head of International Finance Group,
Deputy Head of Asia Investment Group

Overseas corporate loan outstandings*
(JPY 100M)



*North American/European corporate loan outstandings (internal management basis)

International Business Group

Asia Investment Group (AIG)

Major Businesses

- Fund LP investments mainly in the Asia-Pacific region
- Corporate lending in the Asia-Pacific region
- Support for cross-border M&A and overseas expansion of our customers through our network with local partners, such as financial institutions mainly in Asia
- Promotion of business in Vietnam — collaboration with Orient Commercial Joint Stock Bank (OCB)

AIG's Advantages

- Years of experience and results based on the consolidation of human resources, knowledge, information, networks, and other resources in our Asia-focused businesses
- Long-standing collaborations with local partners, including business alliance partners, and investments and loans by carefully selecting quality investments
- Long-term strategic partnership with OCB, offering unique and specialized financial services that incorporate the rapid economic growth in Vietnam

Mid- to Long-term Strategy

AIG will enhance its network that consists of the Head Office, our offices located in Asia, and local partners including business alliance partners as well as grow investments and loans while being conscious of product and country-specific allocations in order to work towards the sustainable development of the Aozora Group's Asian business.

Moreover, AIG will build and diversify its portfolio through Fund LP investments (in equity/debt funds) as well as loan initiatives, while paying attention to global trends and the market environment.

Through further collaboration with OCB, AIG will strive to contribute to the growth of OCB and the development of the Aozora Group by promoting its business in Vietnam with OCB as a platform.



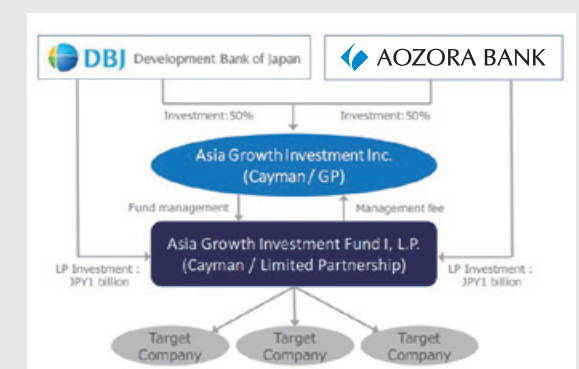
Shin Kato

Executive Officer
Head of Asia Investment Group

Joint Establishment of Asia Investment Fund with Development Bank of Japan

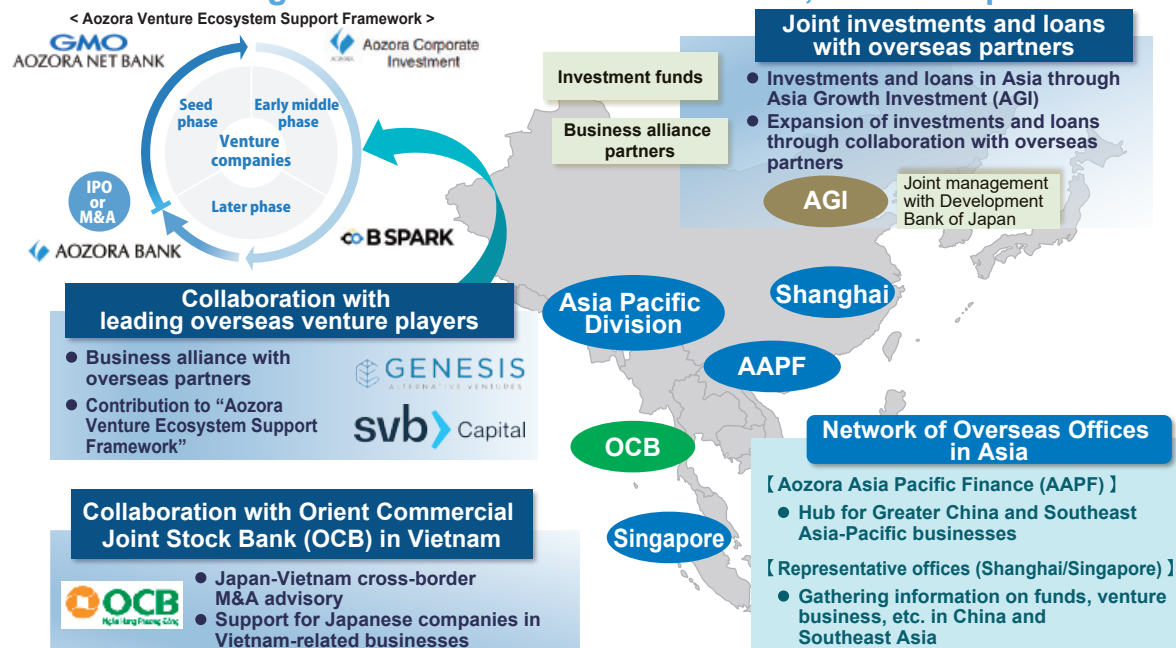
In July 2021, Aozora Bank, in collaboration with the Development Bank of Japan Inc. (DBJ), established the Asia Growth Investment Fund I, L.P., a jointly managed fund targeting investments in and loans to mid-sized companies and SMEs located in South East Asia.

Aozora's strategy for capitalizing on the rapid economic growth in South East Asia has been to develop business partnerships with major financial institutions in the region and to make investments in private equity funds. We intend to strengthen our financing initiatives through this opportunity to more closely partner with DBJ, which has considerable business experience in the region.



Aozora's Asia Network

–Launch of “Strategic Investments Business” in Asia, enhanced partner strategy–



Collaboration with OCB in Vietnam

Japan-Vietnam cross-border M&A advisory

Vietnam continues to be in high demand as a business expansion destination for Japanese companies, and there is a particularly strong demand for “In-Out” M&A transactions with local companies. Aozora Bank and OCB are actively supporting Japanese companies entering the Vietnamese market through joint M&A proposals.

In 2021, the number of Japan-Vietnam (In-Out) M&A transactions (on a publicly announced basis) was approximately 20, which is the second highest among ASEAN countries, after Singapore.

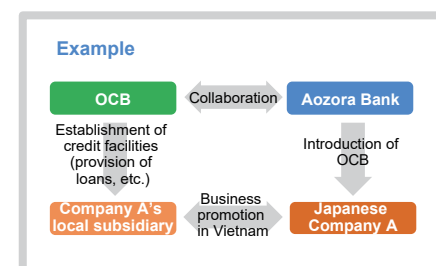
M&A transaction examples

	Sector	Form of investment
Project A	Solar power generation project	Capital participation
Project B	Real estate project	Capital participation
Project C	Industrial park	Acquisition
Project D	Warehouse for rent	Acquisition
Project E	Waste disposal	Capital participation

Support for Japanese companies in Vietnam-related business

We are seeking to create synergy through our collaboration with OCB, which includes the provision of OCB's financial services, such as deposits, loans, trade finance, and foreign currency remittance, to the Vietnamese subsidiaries of our Japanese corporate clients, as well as business matching through our local network.

In addition, OCB Japan Desk staff members dispatched by Aozora Bank assist not only its clients but also the clients of regional financial institutions in their efforts to expand their business overseas.



Market Group

Financial Markets Group (FMG)

Major Businesses

- Derivatives sales & trading
- ALM/Securities investments

FMG's Advantages

- Delivery of a full suite of tailor-made financial products through direct consultations that meet a wide range of customer needs
- Risk-control through flexible portfolio management that responds promptly and decisively to emerging risks

Mid- to Long-term Strategy

We will strive to generate derivatives-related revenue by offering new products that correctly capture market trends and the needs of our retail, corporate, financial institution, and other customers, as well as sales support for our customer business groups and effective risk management. We will build well-diversified securities investment portfolios and secure stable revenue through investment and financing projects in line with “Aozora's Sustainability Targets” while maintaining proper risk control. We will continue to focus on balancing stability and cost control in our yen and foreign currency funding.



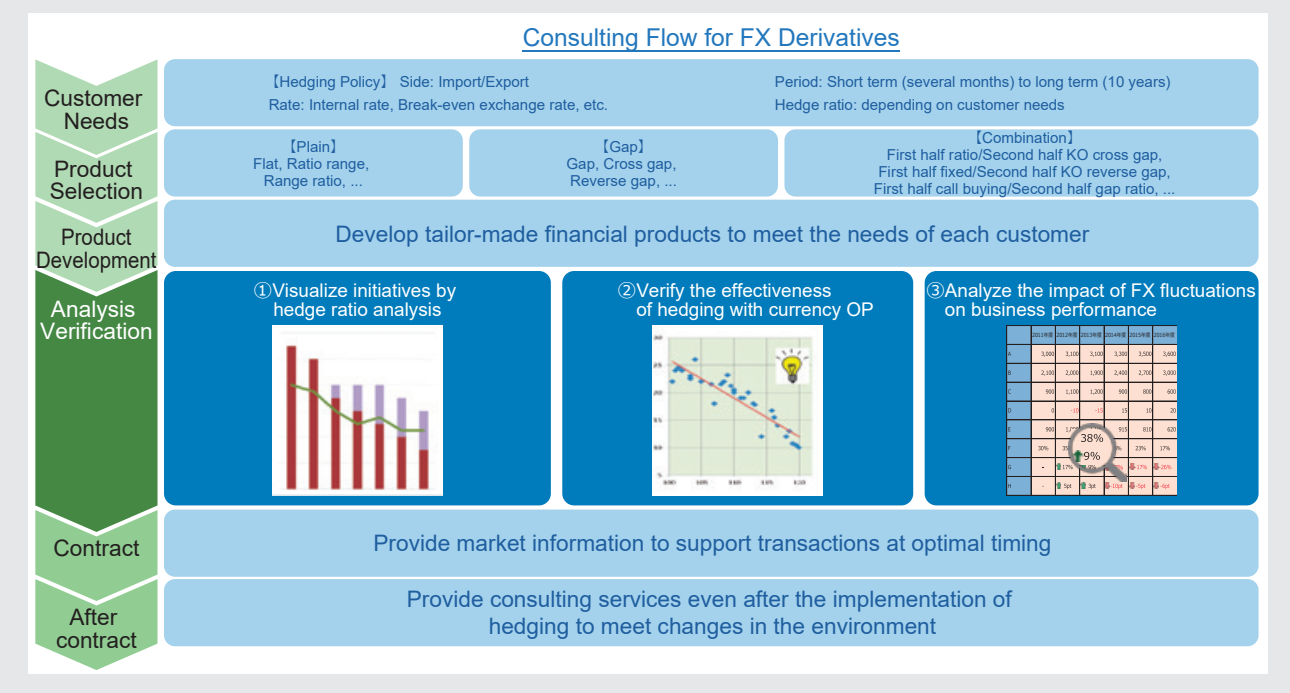
Tetsuji Okuda

Managing Executive Officer
Head of Financial Markets Group

Risk Consulting Services Using Derivatives (forex, interest rate, commodity, weather, etc.)

In addition to forex and interest rate derivatives, Aozora offers a wide range of derivative products, including commodity and weather derivatives, to meet the diverse hedging needs of our customers.

For example, for customers with forex hedging needs, we develop tailor-made financial products and provide consulting services even after putting in place hedge positions in order to respond to subsequent changes in the market environment.



Promotion of Digitalization

Aozora Bank understands that the advancement of digital technologies and progress of digital transformation (DX) are irreversible trends that will create new business opportunities and, at the same time, have a wide-ranging impact on a broad array of corporate and personal activities, including the loss of existing business areas as well as the change of traditional business practices and lifestyles.

The Aozora Group supports its customers' DX initiatives through services backed by its network of IT companies as well as B Spark Inc.'s and GMO Aozora Net Bank's digital technologies, and also strives to further improve customer convenience mainly in the retail banking business by utilizing digital technologies.

The Bank's DX initiatives include further digital talents development and embarking on digital marketing and other business areas.

Responding to Customers' DX Needs – B Spark Inc.

The Bank strives to meet the digitalization needs of customers through B Spark Inc., which is a DX support company established as a joint venture with B Dash Ventures Inc., a major independent IT venture capital firm.

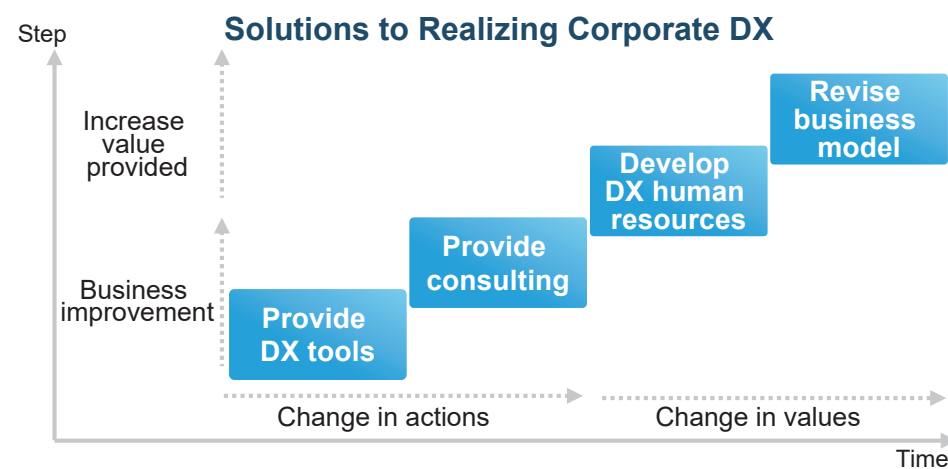
B Spark Inc. engages in cutting-edge DX support services and solutions by matching regional needs for digitalization with venture firms. It focuses particularly on providing DX services designed to streamline the operations of the real estate, construction and other sectors with high regional needs.



B Spark Inc.'s founding members including Mr. Zaitoku, Representative Director (center)

Strengths of B Spark Inc.

- B Dash Ventures' (the Bank's joint venture partner) start-up industry network
- Aozora's network of regional financial institutions
- Contribution to the development of regional economies and the business growth of start-ups through DX services by leveraging both parties' networks



Examples

- Provide DX tools: Provide DX services tailored to each industry and designed to rationalize operations
Example industries: Real estate/construction, shipping, medical, e-commerce
- Provide DX consulting services
Example: Refer medical institutions that seek business process re-engineering with digital tools to get rid of inefficient operations, including traditional administrative work, to cost-effective venture consulting firms

Digital Talents Development / Framework Enhancement

In FY2021, the Bank launched its Digital Talents Development Program for all employees.

A range of training is available to support their proactive engagement in DX. This program also includes higher levels of training courses, which have been attended by many employees to date.

In FY2022, the Bank provides category-specific training to Digital Business Strategist, Service Designer (UI/UX) and Data Scientist.

Digital Business Strategist 	Manages overall business ideas/plans with a digital mindset. Works to start up businesses as proposed in initial ideas/plans while promoting relevant initiatives, including collaborations within the Bank and with non-financial sectors.
Service Designer 	Supports the Digital Business Strategist in implementing proposed ideas/plans and works to develop specific services/products based on initial ideas/plans from the perspective of customers.
Data Scientist 	Identifies and gathers data required to resolve issues, and processes such data for practical analysis. Also, performs data analysis by using the developed data infrastructure and hypothetical thinking to identify points to be improved.

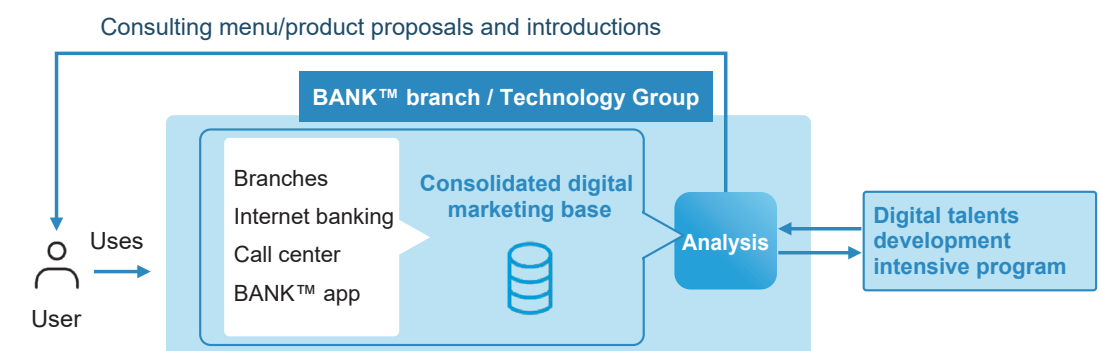
Please also refer to "Digital Talents Development Program" on page 74.

Extensive use in business operations

The Bank focuses on promoting data-driven business operations, starting from our retail banking business. It works to develop an integrated data infrastructure that allows for gathering and using a broad range of data in order for employees attending category-specific training under the Digital Talents Development Program to utilize data in the Technology Group.

In FY2022, the Bank intends to focus on digital talents development as a key approach to ensure a range of options for business transformation, such as shifting its thinking process to consideration/judgment based on quantitative data, as well as the sustainability of human capital from the perspective of managing the Aozora Group.

<Example: Use of data in the Retail Banking Group>



GMO Aozora Net Bank Initiatives

Overview of GMO Aozora Net Bank

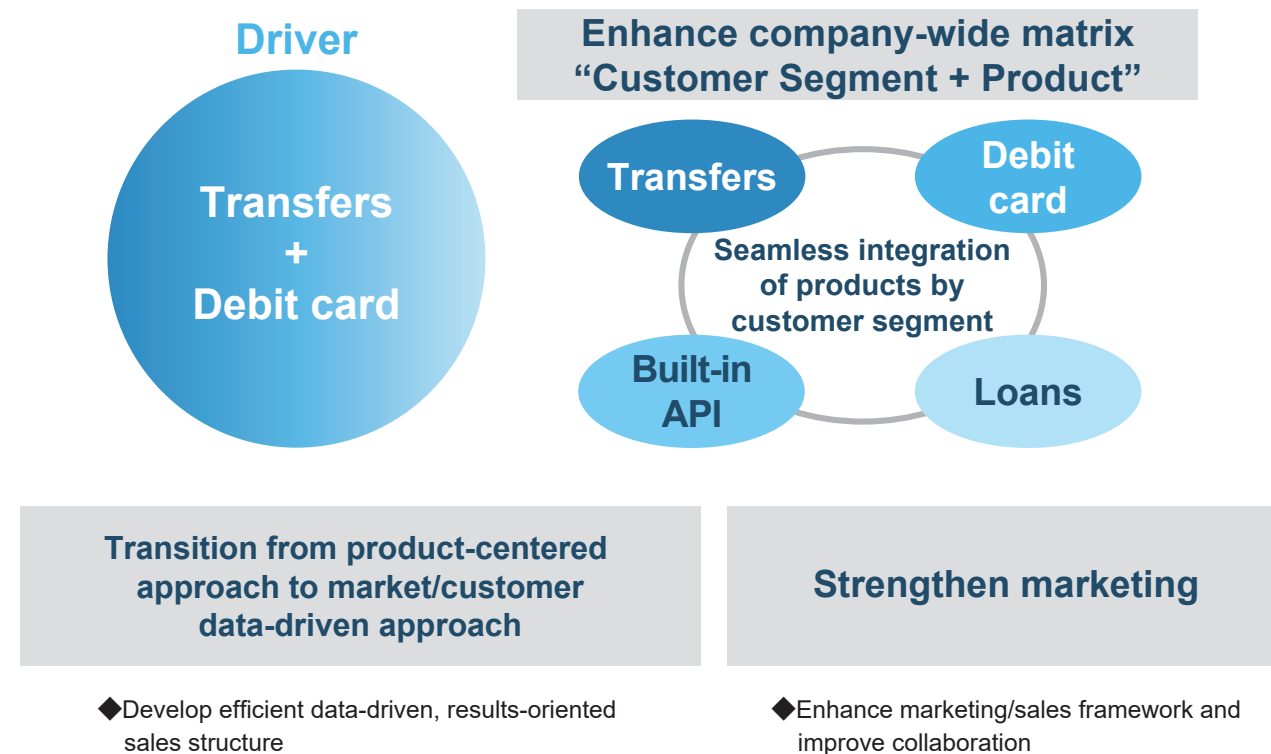
GMO Aozora Net Bank ("GANB") was launched in July 2018 as an Internet Bank that leverages the strengths of both the Aozora Group and GMO Internet Group. Under its corporate vision of "All for our customers. Strive to be the No. 1 Tech Bank", GANB aims to establish itself as a progressive bank that defies easy categorization through its expertise in "Banking and IT" while combining its technology, distinctive perspective, broad range of tools, knowledge and specialized network. As a bank with a next-generation tech-first approach, GANB has been developing and offering a range of services designed to support customers' growth through providing the five values of "safety", "speed", "price competitiveness", "convenience", and "new experience".

In July 2021, GANB announced its mid- to long-term strategies that focus on the three objectives of "No. 1 Bank among Small Businesses and Start-ups", "No. 1 Embedded Finance Services" and "No. 1 Tech-first Banking Services" and continues to provide innovative services for corporate customers through leveraging in-house systems development backed by its technological capabilities.

Concentration on Attracting New Start-ups and Small Companies + SMEs

GANB has seen a steady increase in its number of corporate accounts by focusing on new account openings for start-ups and small companies that need support in launching their businesses.

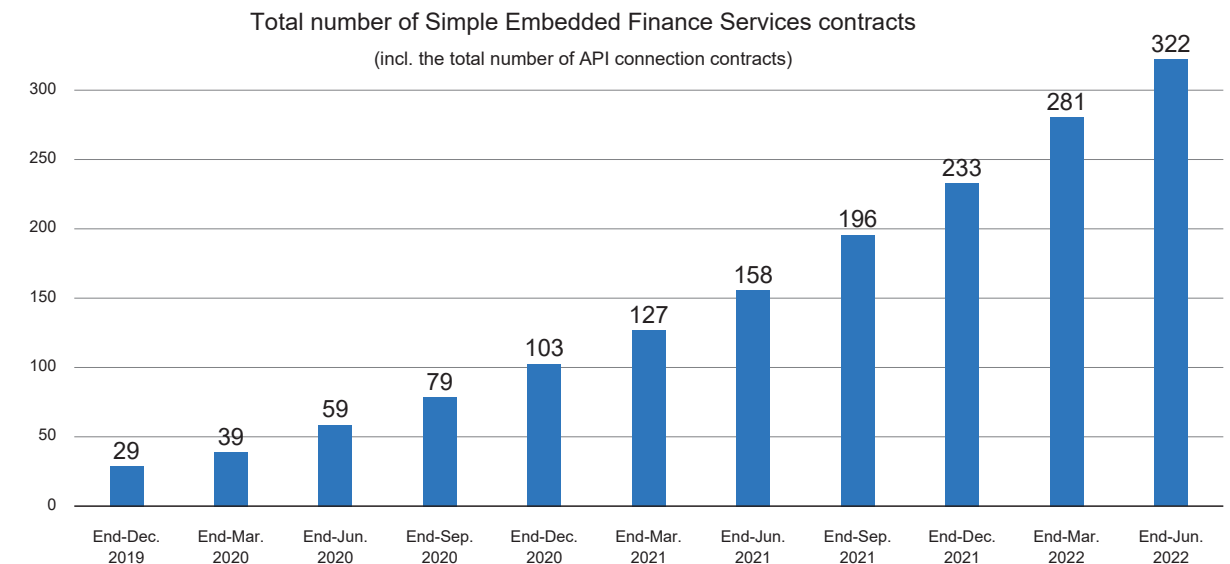
To flexibly respond to the specific needs of its corporate customer segments, including SMEs, GANB strives to propose best-suited products and services from its distinctive lineup, such as Bank APIs, "Simple Embedded Finance Services", "Anshin 100,000 yen" (overdraft protection up to 100,000 yen as an automatic feature for corporate accounts) and "Anshin Wide" (corporate loan up to 10 million yen with no submission of financial statements for approval), in addition to transfer and debit card services as its major revenue growth drivers.



Initiatives to Spread Embedded Finance

GANB is strongly promoting its "Simple Embedded Finance Services", which offer each of its banking functions as a standalone service, to corporate customers pursuing growth in the digital business market. GANB's broad range of banking service components, including Bank APIs, allow every user easy and smooth implementation of digital services embedded with banking functions.

Above all, GANB earns high praise from corporate customers who have succeeded in streamlining their operations using Bank APIs, including automated bank transfers and payment reconciliations. 322 companies have signed Simple Embedded Finance Services contracts with GANB (as of June 30, 2022).



Features of Simple Embedded Finance Services



* Data compiled by GMO Aozora Net Bank as of the end of August 2021

Sustainability Promotion

Sustainability Implementation

To proactively contribute to the sustainable development of society, the Aozora Group incorporates sustainability into the Group's financial services and activities as a business entity and promotes sustainability initiatives with the aim of contributing to all stakeholders, including society, customers, shareholders and employees, as well as the realization of a more sustainable society, while working closely with senior management.

The Bank has updated its Key Sustainability Issues (ESG Materiality) as established in its Mid-term Plan and designated eight items as having ESG Materiality, which includes responding to climate change and human rights issues in addition to "Aozora's Sustainability Targets", in light of double materiality, which takes into account the importance to both the Aozora Group's sustainable growth as well as the extent of their impact on impact on the Bank's stakeholders.

(For more information regarding ESG Materiality, please see page 10.)

Aozora's Mission Contribute to the development of society through the creation of new value-added financial services

Determine key challenge areas to realize the management philosophy in light of their importance to the Group's corporate management as well as expectations/demands from stakeholders and social trends

Key Sustainability Issues (ESG Materiality)

Response to climate change
Respect for human rights
Promoting industrial transition
Realizing financial inclusion
Promoting digitalization
Protecting and providing for the next generation
Sustainability of human capital
Governance/Compliance

Sustainability Implementation Framework

In FY2021, the Aozora Group established the Sustainability Committee under the oversight of the Management Committee and with the CEO as Committee Chair-person as a way to discuss and find solutions to important sustainability-related issues across the entire Group. The principal discussion items from the committee are discussed with and reported/submitted for approval to the Board of Directors. In addition, the Bank took steps to improve the quality of its sustainability management framework by establishing the Liaison Meeting of Group Sustainability in order to promote Group governance of sustainability issues.

Established in April 2021, the Sustainability Management Division consists of full-time staff as well as additional members who serve concurrently in the Corporate Strategy Unit, Business Groups, Finance Group, Risk Management Groups, and Human Resources Unit. The Sustainability Management Division engages in cross-divisional activities as a vehicle to drive sustainability

Items discussed, decided, and reported

- Established the Business Operation Policy for sustainability promotion
- Established Aozora's "Sustainability Targets (to be added/ revised as appropriate)"
- Adopted the Equator Principles and the United Nations Global Compact
- Established the Aozora Bank Group Outsourcing Policy. Revised the Investment and Lending Policies regarding Environmental & Societal Issues
- Revise the ESG Materiality (plan)
- Adopt the Principles for Responsible Banking (plan)

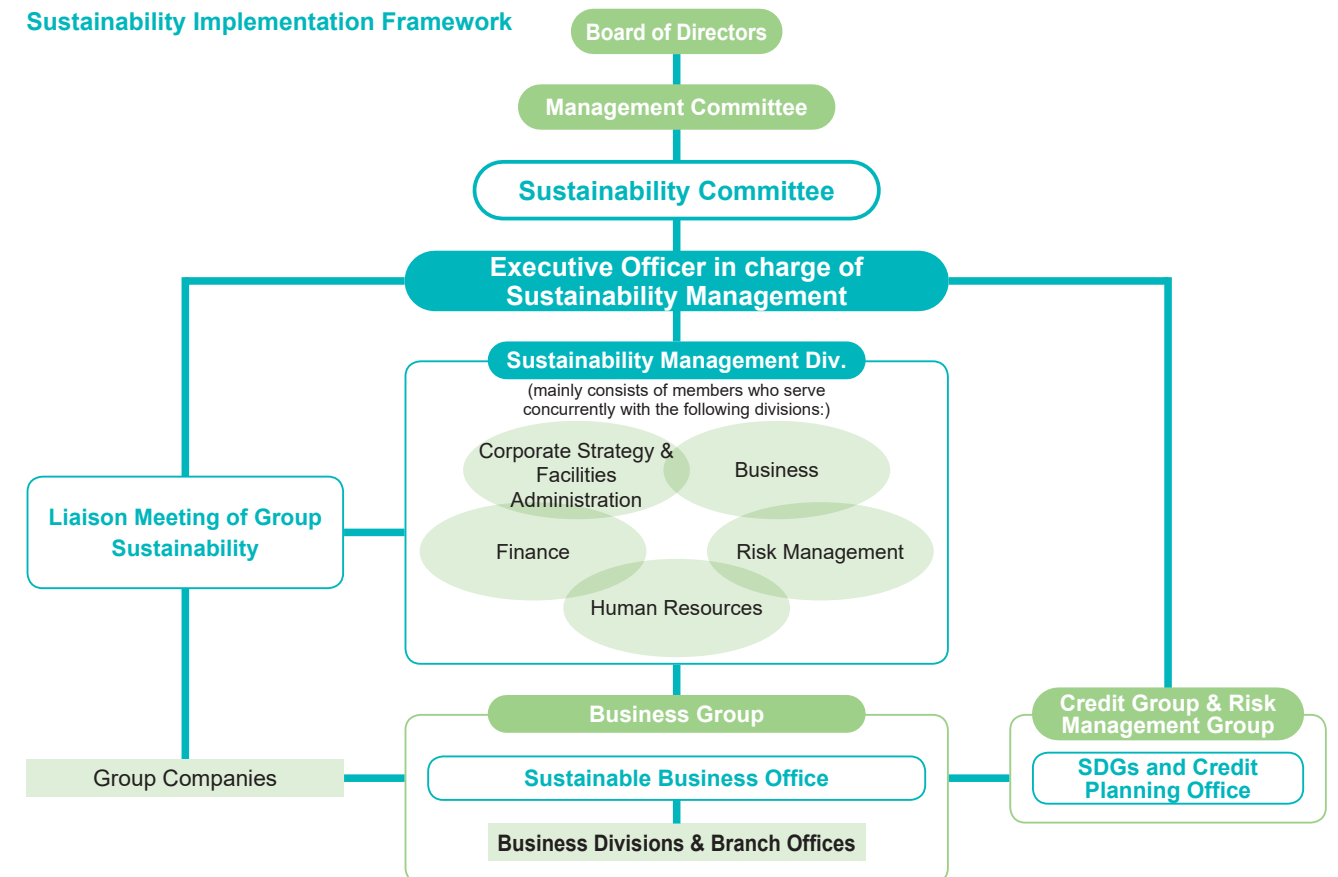
within the Aozora Group.

In addition, the SDGs/Credit Planning Office has been established within the Credit Risk Management Group and determines whether the Bank's investments and loans may have any risk or negative impact on the environment or society, and also shares examples of

specific initiatives alongside the formulation and dissemination of checklists in order to support the Business Groups in gathering information regarding the progress and status of environmental and social initiatives undertaken by their customers. The business groups have also established the Sustainable Business Office in order to provide comprehensive solutions based on the ESG support framework, including decarbonization consulting for SME

customers (please refer to page 60). In addition, the Infrastructure and Environment Finance Division was established as part of the business group and implemented a framework for proactively promoting environment-related project finance by combining Aozora's knowledge and experience regarding domestic and overseas project finance (please refer to pages 41 and 59).

Sustainability Implementation Framework



Delivery of Sustainability Information across the Group

For a better understanding of sustainability issues across the Aozora Group, we actively deliver relevant information in-house.

The Sustainability Promotion Division publishes an internal SDGs e-newsletter which started in August 2020 and has covered approximately 30 sustainability-related topics. As a new challenge for FY2021, we began disseminating information from new perspectives, such as by having officers and employees from group companies take turns writing about their company's initiatives and introducing advanced examples from overseas.

In addition, we also provide a wide range of learning opportunities, such as e-learning for all Group officers and employees, basic courses at "Aozora University" where officers and employees can freely participate, and sustainable finance seminars conducted by outside lecturers.

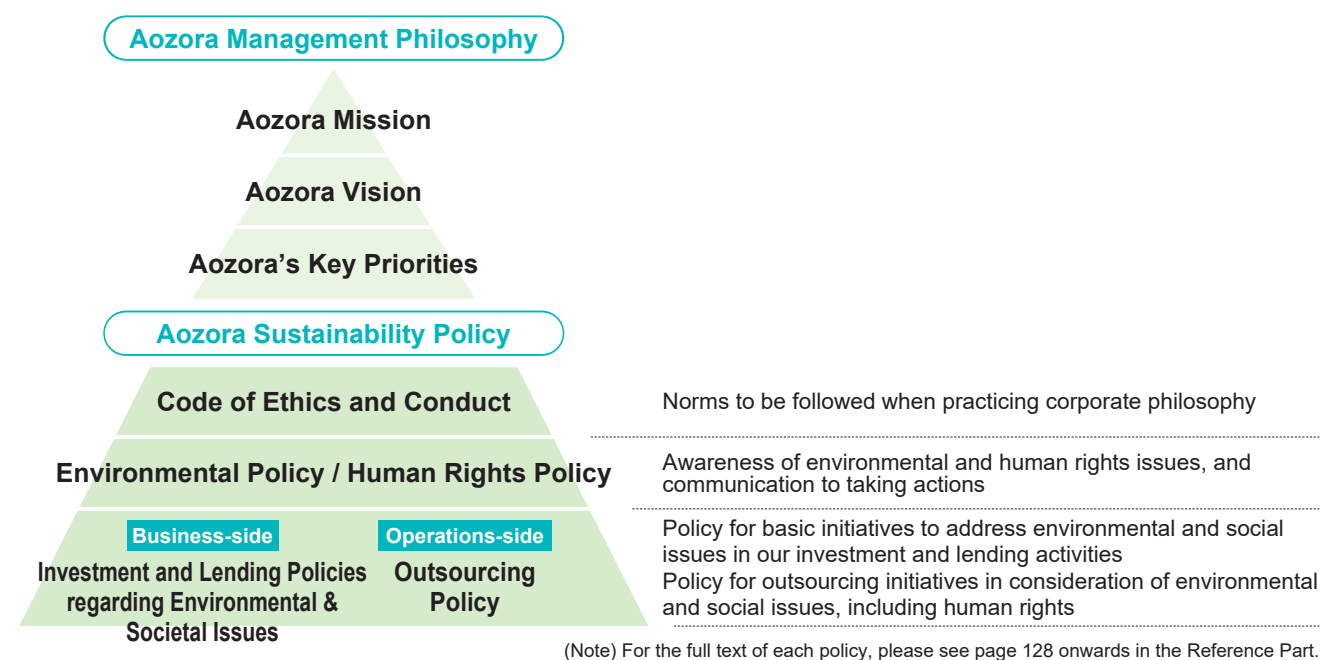


(SDGs Newsletter created by our Singapore Office)

Sustainability Policy Framework

A global trend has emerged where companies are expected to play an increasing role in developing environmental measures, protecting human rights, eliminating unfair labor practices, and preventing corruption. Society's demand for action, especially regarding climate and human rights issues, has become more widespread and the solutions to these issues encompass not only a company's activities as a business entity but also across the entire supply chain. The Aozora Group has incorporated guidelines designed to respond to sustainability issues into its Code of Ethics and Conduct, in which all Group officers and employees put into practice our corporate philosophy. Aozora has also developed an "Environmental Policy", "Human Rights Policy", and a set of "Investment and Lending Policies regarding Environmental and Societal Issues" in order to better inform all of our stakeholders

about our attitude and goals regarding this approach to sustainability management and further clarify our policy for responding to specific business operations. In FY2021, we developed our "Outsourcing Policy" in order to clarify our policy for handling purchasing and outsourcing as a business entity. All of these policies are available on Aozora's website. Aozora adopted both the United Nations Global Compact, an international initiative that seeks to address environmental and human rights issues, and the Equator Principles, a framework designed to avoid and mitigate the impact from environmental and social issues related to large-scale development project finance.



Investment and Lending Policies regarding Environmental & Societal Issues

The Aozora Group intends to develop financing initiatives to support its customers' efforts to address environmental and social issues as well as new products and services. The Aozora Group also recognizes environmental and social risks and strives to make improvements through dialogue with customers whose businesses may have a negative impact on the environment and society and work to reduce environmental and social risks by restricting or cease to extend credit when no improvement can be made. In accordance with the investment and lending policies

approved by the Management Committee, the Aozora Group reviews all investment/loan transactions to assess any risk to or negative impact on the environment and society. If a risk or negative impact is identified, the transaction is screened in terms of risk/impact severity as well as the customer's efforts to resolve corresponding environmental and social issues, and then submitted to the Credit Committee or the Investment Committee for approval.

	Investment and Lending Policies regarding Environmental & Societal Issues				
	Business Promotion	Risk Management			
Purpose	Promotion of investments and loans that support customers' initiatives to address environmental and social issues	Determine the feasibility of specific loans by verifying customers' business operations, including relevant supply-chains involved, from the perspective of environmental and social issues			
Specific Initiatives	(Examples of investment and lending) • Project finance for renewable energy • Financing for environmental innovations • Transition finance • Financing for green buildings • Green loans/bonds • Social loans/bonds • Sustainability-linked loans/bonds • Equity investments such as investments in funds whose goal is to solve environmental and social issues	Credit prohibited	Businesses, etc., deemed illegal		
			Inhumane weapons		
			Coal-fired Power Generation		
		Credit restricted	Project Finance (Equator Principles)		Deforestation
			Coal Mining		Large-scale agriculture
			Oil & Gas		Palm oil
		Checklist-based information gathering	Large-scale Hydroelectric Power Generation		Tobacco Manufacturing
Nuclear Power			Shipping		
		Plastics		Mining	

<Initiatives in sectors that have or may have a negative impact on the environment and society>

Credit prohibited on a cross-sectoral basis	
Businesses, etc., deemed illegal	- Illegal acts, acts violating international rules on environmental issues and human rights, customers associated with businesses involving acts against the public order/ conventional morality, customers indirectly assisting such acts, anti-social elements - Businesses which have a negative impact on wetlands registered under the Ramsar Convention - Businesses which have a negative impact on UNESCO World Heritage sites (with the exception of businesses that have received the advanced consent of the government of the relevant country and UNESCO) - Businesses which violate the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) (in consideration of the reservation clause of each country) - Customers that are associated with businesses involved in child labor or forced labor

Cross-sectoral credit that requires close attention	
	- Businesses which have a negative impact on the regional societies of indigenous peoples - Businesses that require the expropriation of land leading to the involuntary relocation of inhabitants

Restricted or prohibited credit to specific sectors	
Coal-fired Power Generation	The Aozora Bank Group will not provide financing for the construction of new coal-fired power plants or expansion of coal-fired power generation facilities. Furthermore, the Group will proactively provide investments and loans to support its customers' initiatives that help contribute to the transition to a decarbonized society, including carbon dioxide capture, usage, and storage technologies.
Coal Mining	When considering making investments or loans for the development of a new coal mine, the Aozora Bank Group will verify the customer's consideration of environmental and social issues. The Aozora Bank Group will not make any investment or loan for mountaintop removal (MTR) coal mining which has a substantial impact on the environment, nor for the development of new coal mines that supply power generation operators with coal.
Oil & Gas	When considering making investments or loans for oil sands, shale oil & gas, oil & gas pipelines, and development in the Arctic Circle (the area 66°33'north of the Equator), the Aozora Bank Group will verify the customer's consideration of environmental and social issues.
Large-scale Hydroelectric Power Generation	When considering making investments or loans for new large-scale hydroelectric power generation (with an embankment of 15 meters or higher, as well as output of 30,000KW or above), the Aozora Bank Group will verify the customer's consideration of environmental and social issues.
Deforestation	When considering making investments or loans for businesses involved in deforestation, the Aozora Bank Group will verify the customer's consideration of environmental and social issues.
Large-scale agriculture	When considering making investments or loans for businesses involved in large-scale agriculture in areas with inadequate legal systems regarding environmental/social issues, the Aozora Bank Group will verify the customer's attitude and efforts to address environmental and social issues.
Palm Oil	When providing investments or loans for the development of palm oil plantations, the Aozora Bank Group requests its customers to make an NDPE (No Deforestation, No Peat, No Exploitation) commitment. When considering making investments or loans for businesses associated with the distribution, etc., of palm oil, the Aozora Bank Group will verify the customer's consideration of environmental and social issues, including whether they have obtained RSPO (Roundtable on Sustainable Palm Oil) certification.
Tobacco Manufacturing	When considering making investments or loans related to tobacco manufacturing, the Aozora Bank Group will verify the customer's consideration of environmental and social issues, including health hazards as well as child and forced labor.
Inhumane weapons	The Aozora Bank Group will not make any investment or loan related to the manufacturing of inhumane weapons such as cluster munitions.
Nuclear Power	When considering investments or loans for nuclear power-related businesses, the Aozora Bank Group will gather information regarding the customer's consideration of and stance on addressing environmental and social issues.
Plastics	When considering investments or loans for plastic-related businesses, the Aozora Bank Group will gather information regarding the customer's consideration of and stance on addressing environmental and social issues.
Shipping	When considering investments or loans for ship-related businesses, the Aozora Bank Group will gather information regarding the customer's consideration of and stance on addressing environmental and social issues.
Mining	When considering investments or loans to the mining industry, the Aozora Bank Group will gather information regarding the customer's consideration of and stance on addressing environmental and social issues.

Aozora Bank Group Outsourcing Policy

The Bank has developed a Sustainability Policy framework that clearly states our commitment to making society even better by communicating and working together with our customers and other stakeholders. To achieve this, the Aozora Group has developed an “Outsourcing Policy” in order to promote environmentally and socially responsible outsourcing activities throughout the supply chain that conform with international guidelines such as the “United Nations Global Compact” and “Guiding Principles on Business and Human Rights”.

Overview of the Aozora Bank Group Outsourcing Policy

- Fairness in choosing suppliers
- Compliance with laws, regulations, and social norms
- Consideration of the importance of human rights and the environmental issues, such as climate change and biodiversity
- Collaboration and communication with suppliers

Based on this policy, Aozora will comply with all relevant laws and regulations in its outsourcing activities and implement fair, impartial, and transparent procedures based on the principle of free competition.

Protection of Human Rights

<Human Rights Policy>

The Aozora Group’s Code of Ethics and Conduct, in which Group officers and employees put into practice our corporate philosophy, states that “The Aozora Group understands and respects the dignity and human rights of all people, including its customers, officers, and employees, while striving to eliminate discrimination”.

We have also adopted the “United Nations Global Compact” international initiative and support its 10 principles concerning the areas of human rights, labor, the environment and anti-corruption while developing initiatives to address these issues with the full commitment of our management team. Aozora has also developed its “Human Rights Policy”, “Investment and Lending Policies regarding

Environmental and Societal Issues”, and “Outsourcing Policy” in order to better inform all of our stakeholders about our approach and goals regarding these initiatives and further clarify our policy for responding to specific business operations. The Aozora Group has stated on our website that it “intends to fulfill its responsibility in eliminating any business activities from its Group operations that are in opposition to the protection and promotion of human rights as well as any exploitative practices including slavery, forced labor, human trafficking, child abuse, etc., and is dedicated to complying with applicable local laws and regulations in the regions in which it conducts business”.

<Human Rights Initiatives>

Aozora established a Human Rights Awareness Committee to incorporate human rights concept into its corporate culture in order to develop business activities and a workplace that more effectively respect human rights. Human rights seminars are held twice a year for all employees in order to increase their awareness of human rights issues. In FY2021, these seminars covered themes of “Thinking about Gender” and “Thinking about Business and Human Rights”.

We participate in annual human rights slogan campaigns sponsored by the Japanese Bankers Association and Industrial Federation for Human Rights (Tokyo) every year. In FY2021, out of 695 officers and employees that came up with 1,028 slogans, one received an honorable mention from the Japanese Bankers Association while another was given an “Excellence Award” by the Industrial Federation for Human Rights (Tokyo). Aozora strives to increase awareness about human rights issues by getting our employees to think about human rights as a familiar theme and delivering their own personal messages on the topic.



Responding to Climate Change

Aozora recognizes that responding to climate change is a global issue that corporations must prioritize. As such, we are dedicated to leveraging our strengths in business operations as well as making continued efforts to reduce CO2 emissions as a business entity and developing a risk-focused business management platform.

As the global trend towards becoming carbon-neutral continues to accelerate, the Bank also recognizes that it must promote even more focused and effective initiatives. In line with this, we developed a set of new “Aozora Carbon Neutral Initiatives” as part of its FY2022 Business Plan.

April 2021 onwards		
Business	• Project financing for renewable energy • Investments and loans in green buildings	• Sustainable Financing Target (1 trillion yen by FY2030) • Sustainable Financing (green loans, social loans, sustainability-linked loans) • Establishment of Environment Finance Division • Creation of “Aozora ESG Support Framework”
Business entity	• Relocation of the head office (to Sophia Tower in Yotsuya) (use of insulated glass, natural ventilation, roof greening, automatic dimming control and LED lighting)	• Use of green-sourced electricity at the Head Office and Fuchu Annex (completed at Head Office, study in process at Fuchu Annex) • Measure Scope 1 and 2 emissions across all Group companies (started)
Business base	• Support for TCFD recommendations • Creation of “Group Environmental Policy” • Creation of “Investment and Lending Policies regarding Environmental & Societal Issues” • Recognition of climate change as a top-priority issue	• Quantitative scenario analysis regarding physical and transition risks, resilience checks • Begin measuring a portion of Scope 3 emissions (category 15) • Creation of “Group Outsourcing Policy” • Adoption of “Equator Principles”, review of “Investment and Lending Policies regarding Environmental & Societal Issues”



Aozora Carbon Neutral Initiatives

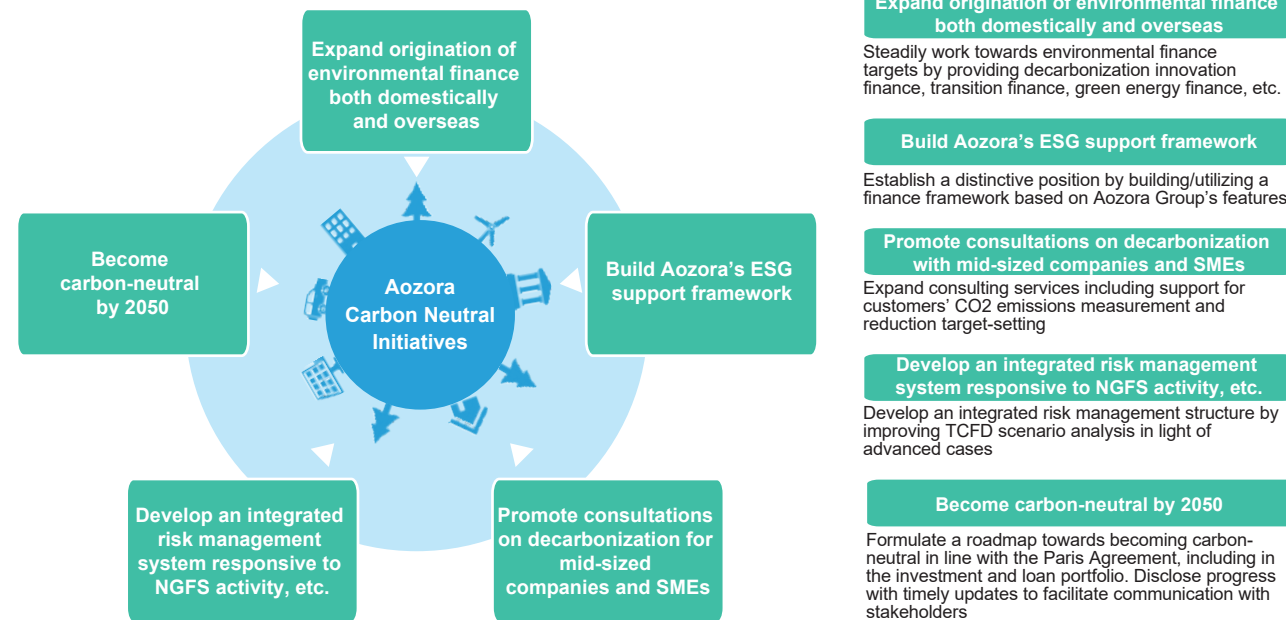
In the FY2022 Business Plan, we announced the “Aozora Carbon Neutral Initiatives”, which consolidated all of our initiatives designed to address environmental issues and defined the Aozora Group’s role in realizing a decarbonized society.

Within our business activities, our aim is to provide transition finance, clean energy finance, and decarbonization innovation finance, etc., by expanding the origination of environmental finance both domestically and overseas more than ever before. We are also working to contribute to our customers’ initiatives designed to address environmental issues by providing comprehensive solutions, including consulting, to our mid-sized and SME customers regarding their decarbonization efforts by collaborating with companies that specialize in environmental

consulting.

We will strengthen our scenario analysis in response to the TCFD recommendations, including the quantitative analysis of transition risk and physical risk associated with climate change, and review the calculation methods/measurements of our borrowers’ GHG emissions in order to quickly assess the Scope 3 emissions in our investment portfolio. Coupled with promoting decarbonization efforts as a business entity based on these initiatives, Aozora is also aiming to become carbon-neutral by 2050 while actively supporting our customers’ climate change initiatives and transition towards decarbonization through engagement.

<Aozora Carbon Neutral Initiatives>



Roadmap to Becoming Carbon-neutral

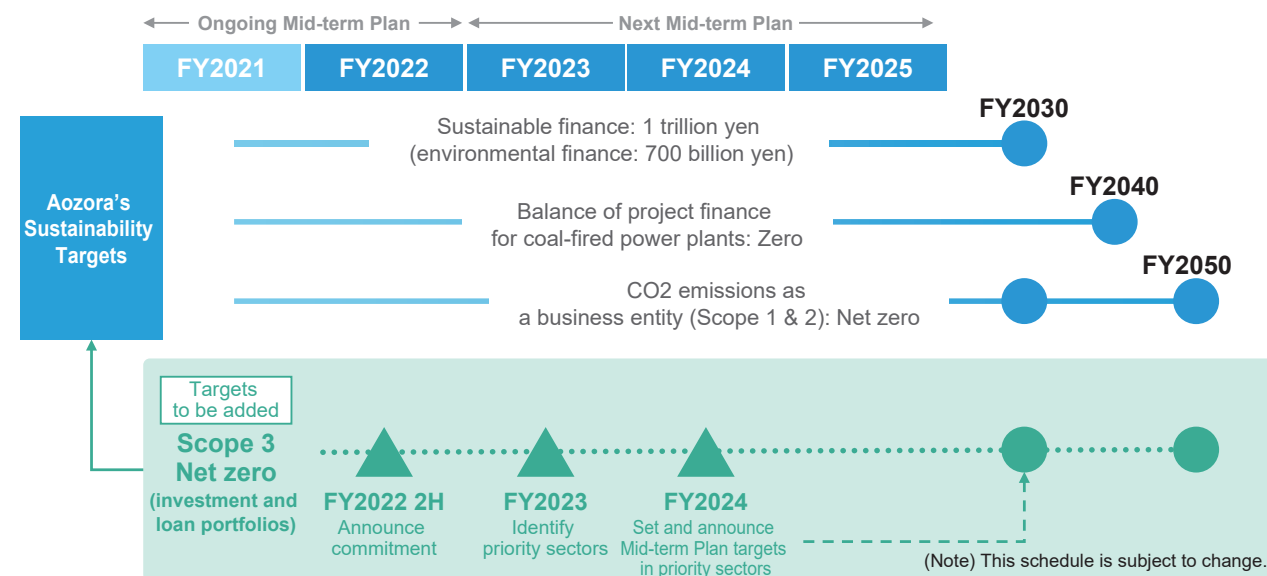
The Aozora Group has developed a roadmap to becoming carbon-neutral in line with the Paris Agreement and will work towards the creation of a concrete action plan.

Based on the "Aozora Sustainability Targets" we announced last year, the Bank has pledged 1 trillion yen in sustainable financing by FY2030, which includes environmental financing of 700 billion yen,

and to achieve net zero CO2 emissions as a business entity (Scope 1 and 2) by FY2050.

In addition, the Bank is also considering aiming for net zero CO2 emissions in its investment and loan portfolio (Scope 3) by 2050. We will continue to make periodic updates regarding these measurements and promote communication with our stakeholders through proper disclosures.

<Roadmap to become carbon-neutral>

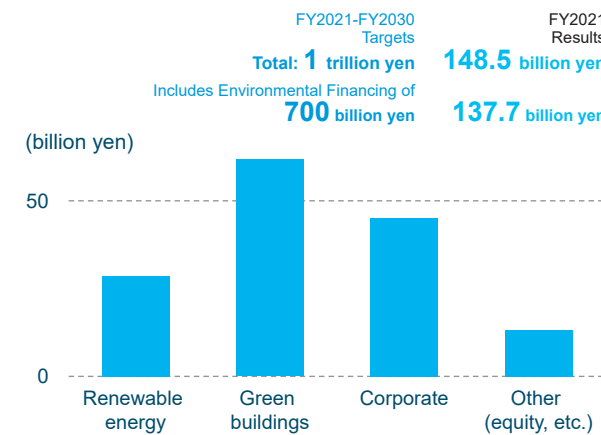


Initiatives on Environmental Issues through Sustainable Finance

The Aozora Group understands that utilizing their financial intermediary function to provide finance for companies' initiatives to become carbon-neutral, expanding the use of green energy and technological innovation towards decarbonization is a mission-critical role for financial institutions to realize a decarbonized society.

In FY2021, we set the sustainable financing amount of 1 trillion yen (including environmental financing of 700 billion yen) by FY2030 as part of Aozora's Sustainability Targets. We will strive to achieve these targets across the Group by continuing to proactively provide environment-related project finance and green building finance with a focus on renewable energy as well as by promoting corporate finance, including green loans and sustainability-linked loans.

◆ Sustainable Financing Amount



◆ Environment-related renewable energy project finance

- Establishment of the Infrastructure and Environment Finance Division that is positioned as a growth area
- Promotion of the further expansion of green energy finance inside and outside Japan, the transition of existing power-generating facilities, and the exploration of new areas of innovation towards becoming carbon-neutral by leveraging our domestic and overseas knowledge and experience

◆ Green building finance

- Proactive origination of loans and equity finance for certified green buildings inside and outside Japan

◆ Corporate finance

- In FY2021, origination of green loans, social loans and sustainability-linked loans led by the Bank
- Established Aozora's ESG Support Framework and started providing solutions, including consultations on decarbonization

Domestic and Overseas Environment-related Renewable Energy Project Finance

The Aozora Group has been proactively providing renewable energy project finance in Japan, mainly for solar and wind power, since the introduction of the Feed in Tariff (FIT) in 2012. We remain committed to contributing to the expansion of green energy and the development of regional economies in Japan by collaborating with regional financial institutions, including through providing syndicated loans.

For the origination of project finance, we flexibly respond to emerging needs, including portfolio transactions with the consolidation of multiple small-sized solar power generation projects as well as secondary transactions, by leveraging our cutting-edge expertise, knowledge and network we have developed with a proven track record in structured finance domestically and overseas.



As the global trend towards realizing a decarbonized society gained momentum, Aozora Bank established the Infrastructure and Environment Finance Division in January 2022 by integrating domestic and overseas project finance teams with the aim of further promoting finance domestically and overseas by leveraging our collective knowledge and expertise. The Division is comprised of professionals from diverse backgrounds, including the banking sector, power generation business and third-party rating agencies.

The Aozora Group intends to expand its domestic business to offshore wind, geothermic and biomass power. It will also promote transition finance in Japan and Asia and take on new challenge areas, including innovation finance to support technological innovation towards decarbonization by building knowledge through its participation in infrastructure projects in environmental finance in developed countries, such as the U.S. and Europe (please refer to “Environment Business Group” in the Structured Finance Group section on page 41).

Financing for Green Buildings

The Aozora Group actively provides green building finance that considers environmental impact. In Japan, Aozora provides finance for “A”-class buildings as rated in the CASBEE^{*1} Certification, a comprehensive building evaluation system largely based on environmental performance and environmental load reduction levels. In FY2021, we provided financing for advanced logistics facilities that offer services designed to improve the labor environment for people working inside and outside the building. For overseas lending, our investments and loans include North

American office buildings that are rated as “Platinum” or “Gold” according to the LEED^{*2} Certification, a U.S. system that comprehensively evaluates the environmental performance of buildings. We will continue to promote our debt and equity financing both domestically and overseas with the aim of achieving Aozora’s Sustainability Targets.

^{*1} CASBEE (Comprehensive Assessment System for Built Environment Efficiency)

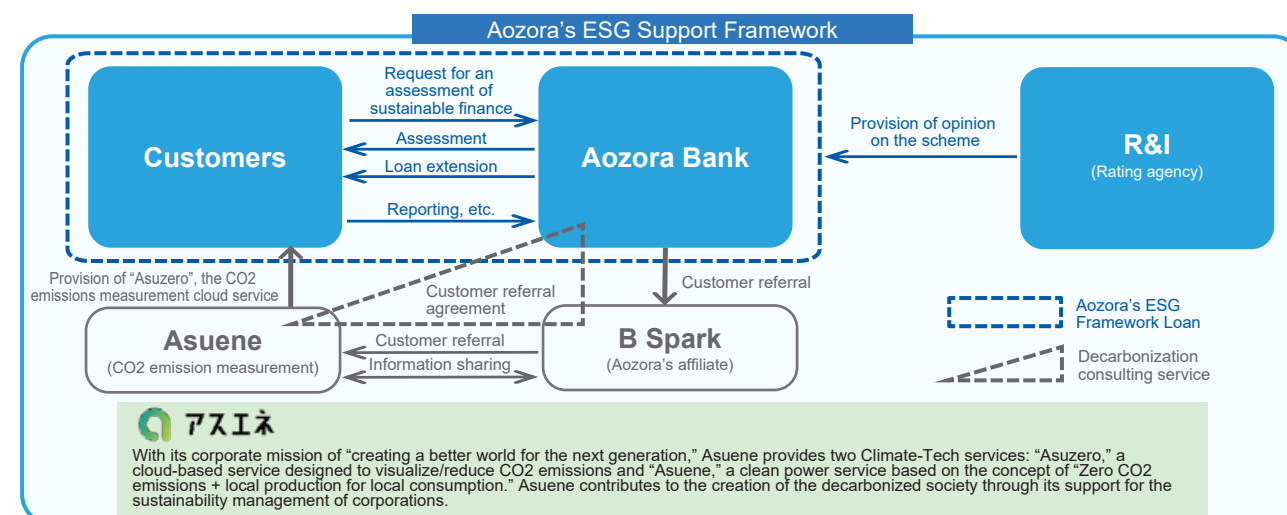
^{*2} LEED (Leadership in Energy and Environmental Design)

Aozora’s ESG Support Framework

In FY2021, the Bank began to proactively provide sustainable finance tailored to corporations (corporate finance certified by a third-party body) and this approach has been steadily expanding, including the origination of green loans, social loans and sustainability-linked loans.

In June 2022, the Bank established Aozora’s ESG Support Framework to further support the decarbonization initiatives of its corporate customers. Based on this framework, we collaborate with Asuene

Inc. to provide the Bank’s corporate customers with consultations for their decarbonization initiatives by introducing “Asuzero”, a cloud-based service provided by Asuene Inc. that is designed to visualize and reduce CO2 emissions. The Bank also supports the efforts of its customers, mainly mid-sized companies and SMEs, through Aozora’s ESG Support Framework Loans where the Bank conducts its own assessment of their sustainable finance initiatives.



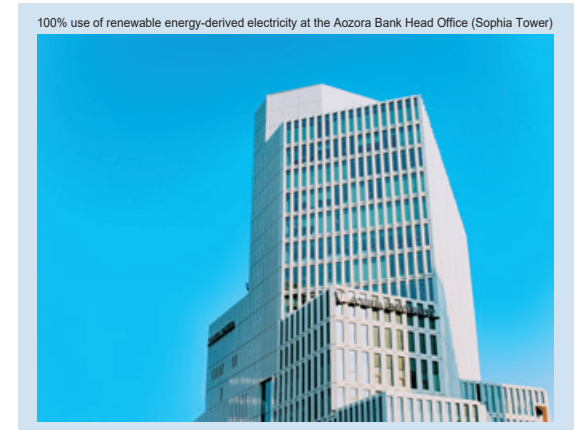
Reduction of CO2 Emissions and Electricity Usage

Aozora's head office in Yotsuya is in the Sophia Tower which has been using only renewable energy-driven electricity since June 2020. In addition, the head office is equipped with highly insulated glass, a natural ventilation system and rooftop greenery. With office areas employing LED lighting with automatic dimming controls, the building also minimizes power consumption compared to the level of traditional equipment.

We remain focused on reducing greenhouse gas emissions at our Fuchu Annex, which also serves as a data center, and are studying the possibility of adopting and using renewable energy sources for electricity at the building in FY2024.

Since 2013, Aozora has been promoting the replacement of company cars used at its head office and branch locations to hybrid and other eco-friendly vehicles, which accounted for 93% of our fleet as of May 2022.

We will drive initiatives to reduce environmental load as a business entity by promoting the replacement to energy-saving equipment/devices as well as adopting self-supply sources and responding to vendors.



Environmentally Aware Purchasing

Aozora works to reduce paper consumption in offices and promotes the use of eco-friendly paper. By collaborating with Daio Paper Corporation, one of our customers, we have introduced printing paper and business cards made from FSC (Forest Stewardship Council)* materials to replace those the Bank had used during the course of its business. As a business entity, Aozora intends to contribute to forest preservation as well as the realization of a decarbonized society.

^{*FSC®} (Forest Stewardship Council®) A non-profit organization aimed to promote responsible forestry management on a global scale. The FSC label identifies responsibly managed forests and responsibly sourced forest products that are qualified in terms of environmental preservation, social benefits and economic sustainability.



Recycling of Waste Material / Initiatives to Reduce Plastic Waste

Aozora recycles documents that have reached the end of their storage period rather than disposing of them by incineration (approximately 30 tons annually) and also converts data storage media that are no longer required into new energy sources in the form of solid fuel during the waste processing (approximately 300 kg annually). Through these and other measures, such as the 100% recycling of head office waste excluding burnable waste (approximately 25 tons annually), the Bank continues to be proactive in the recycling of waste materials.

As a way to actively promote a reduction of environmental load, the Bank introduced eco-friendly materials, such as environment-conscious plastic cups and biodegradable straws, and Rainforest Alliance Certified* coffee beans to its cafeterias at the head office and Fuchu Annex in conjunction with their reopening in April 2021.

^{*Certification} verifying that products or raw materials are produced by using an approach that leads to the enhancement of three key sustainability elements (society, economy and environment)

Response to Task Force on Climate-related Financial Disclosures (TCFD) Recommendations

The Aozora Group affirmed its support for the TCFD (Task Force on Climate-related Financial Disclosures) recommendations in March 2020. As one of the most important global issues, Aozora positions responding to climate change as a Key Sustainability Issue (ESG

materiality) and is developing initiatives based on the recommendations while taking steps to further enhance the quality of its climate change-related disclosures. The Bank's progress towards these initiatives in FY2021 is outlined as follows.

Major Progress towards the TCFD Recommendations in FY2021

Governance	- Board of Directors' resolution to establish "Aozora's Sustainability Targets" - Establishment of "Sustainability Committee" and "Liaison Meeting of Group Sustainability" - Creation of "Aozora Group Outsourcing Policy"
Strategy	- Establishment of Sustainable Finance Targets (1 trillion yen by FY2030 (including Environmental Financing Amount: 700 billion yen) - Establishment of "Environment Finance Division", combining knowledge and experience regarding domestic and overseas project finance - Creation of "Aozora's ESG Support Framework" - Quantitative scenario analysis regarding physical and transition risks, resilience checks
Risk Management	- Adoption of the "Equator Principles" (review of "Investment and Lending Policies regarding Environmental & Societal Issues") - Identification of climate change as materiality issue, clarify process for identifying materiality issues
Metrics and Targets	- Establishment of net zero targets for Scope 1 and 2 emissions (aiming to become carbon-neutral by 2050) - Begin measuring Scope 1 and 2 emissions across all Group companies - Begin measuring/setting targets for Scope 3 emissions (category 15: investment and loan portfolio)

Governance: Establishment of Sustainability Targets, Sustainability Committee, and Group Outsourcing Policy

In FY2021, the Aozora Group announced the establishment of "Aozora's Sustainability Targets" based on the Board of Directors' resolution as a set of management targets within its specialty/focus areas. Aozora established the Sustainability Committee under the oversight of the Management Committee and with the CEO as Chairperson as a way to discuss and find solutions to important sustainability-related issues across the entire Group. The principal discussion items from the committee are discussed with and reported/submitted for approval to the Board of Directors as necessary. In addition, the Bank took

steps to improve the quality of its sustainability management framework by establishing the Liaison Meeting of Group Sustainability in order to promote Group governance of sustainability issues. Furthermore, the Aozora Group has developed an "Outsourcing Policy" and positioned it as one of its Sustainability policies in order to promote environmentally and socially responsible outsourcing activities throughout the supply chain that conform with international guidelines such as the "United Nations Global Compact" and "Guiding Principles on Business and Human Rights".

Strategy: Quantitative scenario analysis regarding physical and transition risks, resilience checks

The TCFD recommends that companies perform analyses of multiple climate change scenarios in order to demonstrate the flexibility and resilience of their corporate planning and strategy.

The Aozora Group has performed quantitative scenario analysis of physical and transition risks up through 2050.

Overview of Scenario Analysis Results

Identification of Important Sectors	Performed analysis on the priority of risk to the Bank's credit portfolio based on the climate change impact information received from outside sources as well as a risk map of the exposure from each sector of the credit portfolio Based on the results of analysis, identified the real estate sector, in which the Bank has a large amount of exposure, and the raw materials sector (paper manufacturing, chemicals, etc.), which is heavily impacted by climate change and the Bank has material level of exposure as important sectors
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	Transition Risk	Physical Risk
Scenario	IEA (International Energy Association) World Energy Outlook 2021 STEPS/SDS STEPS (Stated Policy Scenario): Scenarios derived from the publically announced environmental policies of each country SDS (Sustainable Development Scenario): Scenarios consistent with the goals of the Paris Agreement	IPCC (Intergovernmental Panel on Climate Change) RCP 8.5 Scenario (4°C scenario)/ RCP 2.6 scenario (2°C scenario) RCP: Representative Concentration Pathways
Method of analysis	Preliminary calculation of loss reserves increases after assessing the degree of effect on corporate customers' business results (damage to their creditworthiness) based on parameter changes	Preliminary calculation of loss reserves increases arising from damage to properties after assessing the rate of damage due to the properties inundated with floods/high tides (effects of direct harm and suspended business activities)
Subject of analysis	Domestic and overseas real estate sector (excluding non-recourse loans, REITs) as well as raw materials sector (accounted for 13.2% of total loans*) *as of March 31, 2021	Domestic and overseas non-recourse loans for security properties (non-recourse loans accounted for 15.1% of total loans*) *as of June 30, 2021
Results of analysis	Recognized that the raw materials sector is comparatively easily influenced by rising costs from carbon price increases expected by 2050	Limited number of properties with a risk of damage due to flooding/high tides as many are solid security properties and located in areas less susceptible to disasters
Additional credit costs	Total increase of 2-4 billion yen by 2050	Total increase of 1 billion yen by 2050

Suggested Result

Limited impact on the Bank's credit portfolio

Risk Management: Adoption of Equator Principles

The Equator Principles are a risk management framework for identifying, assessing, and managing environmental and social risks when financing projects are intended to serve as a common baseline for due diligence and monitoring in order to support the decision-making of financial institutions that have adopted them.

Large-scale development projects can have a significant impact on local ecosystems and communities. The Aozora Group has adopted the Equator Principles in order to take the appropriate precautions to avoid and mitigate this impact when providing financing designed to support societal development.

Metrics and Targets: Steadily begin measuring/setting targets for Scope 3 emissions (category 15: investment and loan portfolio)

The Aozora Group is committed to working towards net zero Scope 3 greenhouse gas (GHG) emissions by 2050, and has begun measuring these emissions based on the target range recommended by the TCFD. In FY2021, we measured the GHG emissions from our coal-fired power generation project finance initiatives (five projects, 620 kT-CO₂* in GHG emissions). We will continue to make periodic updates regarding these measurements and promote communication with our

stakeholders through proper disclosures.

* Annual GHG emissions are calculated based on actual values for projects in which a certain period of time has passed since the start of operation and are based on planned values for projects that are not in operation or have been in operation for only a short period of time. Aside from projects that are not in operation, GHG emissions from projects that have been in operation for only a short time are 153 kT-CO₂ when the planned values are apportioned over the actual operation period.

The TCFD recommends the disclosure of climate change-related risks and opportunities based on a framework of “governance”, “strategy”, “risk management”, and “metrics and targets”. The Aozora Group’s progress based on these metrics are as follows (as of June 2022).

Governance Disclose the organization’s governance around climate-related risks and opportunities

- Announced that Aozora will “actively contribute to the sustainable growth of society” in our management philosophy
- Created and updated our “Code of Ethics and Conduct”, “Aozora Bank Group Environmental Policy”, “Aozora Bank Group Outsourcing Policy”, and “Investment and Lending Policies regarding Environmental and Societal Issues” as Aozora Group’s sustainability policy as approved by the Board of Directors/Management Committee
- Incorporated climate change risks into each of the key risks, which were approved by the Board of Directors
- Established “Aozora’s Sustainability Targets” based on the Board of Directors’ resolution as a set of management targets within its specialty/focus areas
- Established the Sustainability Committee with our CEO as Chairperson, In addition, established the Liaison Meeting of Group Sustainability in order to promote Group sustainability initiatives
- Appointed an Executive Officer in charge of Sustainability Management. In addition, established the Sustainability Management Division as an independent division

Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning

- Recognized SDG/ESG issues, including climate-related risks and opportunities, in the Mid-term Plan as economic and social challenges from an environmental perspective and identified focus SDG/ESG initiatives in each business group
- Established and announced sustainable financing targets (including environmental finance) for FY2030 as part of our climate-related targets
- Incorporated a “Sustainability Business Management Policy” into our business plan
- Recognized the following climate change-related business opportunities:
 - Develop domestic and overseas environmental finance initiatives, including clean-energy finance, transition finance, decarbonization innovation finance initiatives developed by our Infrastructure and Environment Finance Division
 - Provide comprehensive solutions, such as problem-solving consulting, to our SME customers regarding their decarbonization efforts based on “Aozora’s ESG Support Framework
 - Increase sales opportunities for socially important and environmentally friendly financial products, such as “Juunen Toiro” and “Manten Kansoku”
- Established a Green Bond Framework for renewable energy projects and green buildings, based on which a green bond was issued
- Carbon-related assets* accounted for 4.0% of total loans
 - Secured credit exposure not heavily concentrated on carbon-related assets

* Assets tied to the energy and utilities sectors based on the definition of carbon-related assets provided in the TCFD recommendations, excluding water utilities and renewable energy producers
- Recognized long-term opportunities
 - Increased financing opportunities for social infrastructure development that utilizes digital innovation and new technology developments related to controlling, collecting, and using CO2 emission as a way to enhance our ability to adapt to climate change
 - Increased diversity of transaction opportunities with retail customers who share our new value of “contributing to the realization of a low-carbon society”
- Recognized long-term risks
 - Transition risks: risks arising from a credit portfolio impacted by the effects on borrower’s business operations and financial conditions associated with the shift to a decarbonized society and the ongoing replacement of existing products and services in order to keep pace with new low-carbon technologies and customers’ changing preferences
 - Physical risks: risks arising from a credit portfolio impacted by the physical damage caused by natural disasters and/or abnormal weather associated with climate change, such as a greater frequency/scale of storm and flood damage, as well as risks and adverse impacts posed to the business operations of the Bank and its customers caused by a greater frequency of cases of heatstroke or viral pandemics arising as a result of progressive global warming

- Conducted scenario analysis based on the aforementioned factors in order to gauge the long-term impact on the Bank’s credit portfolio based on the hypothetical scenarios of a rise in global temperature of either 4°C or 2°C by 2050. Confirmed that the analysis shows that both the transition and physical risks will have a limited impact on the Bank’s credit portfolio (see pages 62-63)
- Plan to continue improving and expanding the scope of scenario analysis as well as strengthen our methods for reflecting the financial impact on the Bank’s credit portfolio

Risk Management Disclose how the organization identifies, assesses, and manages climate-related risks

- Recognized the need to manage climate change risk as a financial risk trigger within traditional financial risk categories, including credit risk, market risk, liquidity risk and operational risk, and integrate the management of this risk into our existing risk management framework
- Incorporated climate change risk into the Bank’s “Key Risks” and identified the following specific risks:
 - Deterioration of credit quality: an increase in the Bank’s credit costs due to the decreased corporate value of borrowers who are slow to respond to decarbonization efforts and human rights issues
 - Delay in Aozora’s structural/business model transformation: adverse impact to the Group’s reputation due to loss of sustainable financing opportunities and subordination to other companies in the Banking industry due to being seen as slow to respond to and reluctant to disclose decarbonization efforts
- Review Investment and Lending Policy regarding Environmental and Societal Issues in accordance with the current business environment, societal demands, and changes in business activities, etc.
 - For any credit transactions that are believed to fall under the “prohibited credit” category, forward them to the Credit Committee or Investment Committee, both of which are responsible for making credit decisions by comprehensively reviewing the background, features, and other factors of each transaction
 - Will avoid financing new projects which involve coal-fired thermal power stations as well as expansion of existing power generating facilities
 - Adopted the Equator Principles, a common framework to identify, assess and manage environmental and social risks when considering making investments or loans for projects involving any kind of development
- Plan to consider a framework to control risk through improved quantitative analysis of climate change scenarios

Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities

- Established targets (Aozora’s Sustainability Targets) (For our results, please refer to page 21.)
 - Sustainable Financing Amount: 1 trillion yen by FY2030 (including Environmental Financing Amount: 700 billion yen)
 - Amount of Project Financing for Coal-fired Power Plants: 0 by FY2040
 - CO₂ Emissions as a Business Entity (Scope 1 and 2): 50% reduction by FY2030 (compared to FY2020), 0 (net zero) emissions by FY2050
- Currently developing a roadmap towards eliminating GHG emissions (Scope 3: category 15) from the Bank’s investment and lending portfolio and becoming carbon-neutral by 2050
- Aozora currently monitors the following measurement metrics:

Units: t-CO ₂		FY2017	FY2018	FY2019	FY2020	FY2021 (preliminary basis)
CO ₂ Emissions	Scope 1* Direct Emissions	80	51	144	114	110
	Scope 2* Indirect Emissions	7,508	7,028	6,071	6,243	4,884
	Scope 3** Other forms of indirect emissions	—	—	—	64	64
	Total	7,588	7,079	6,215	6,421	5,058

* Starting in FY2020, Scope 1 and Scope 2 measurements include emissions from overseas bank offices and major Group companies (consolidated subsidiaries including their overseas subsidiaries).

** The Bank began measuring Scope 3 GHG emissions related to employees’ business trips in FY2020.

In addition, we have taken a step-by-step approach to measuring Scope 3 (category 15: investment and loan portfolio) emissions since FY2021. In FY2021, we measured emissions from our coal-fired power generation project finance initiatives (five projects, 620 kt-CO₂ in GHG emissions).

Sustainability Integrated into Our Business

Investments Designed to Support Structural Transformation

Amid the accelerating industrial transition on a global scale, Aozora understands that promoting “industrial transition” is one of its key business areas from the perspective of contributing to realizing a sustainable society through financial support for companies' efforts to address business environment changes. Based on this, we have set KPI targets for the number of equity investments with a primary focus on engagement. We intend to facilitate dialogue with our customers for a

deeper understanding of their business and serve as a financial partner that works in tandem with them towards the enhancement of corporate value through support by leveraging the Aozora Group's strengths. (Please refer to "A New Partnership with Our Customers through Equity Investments with a Primary Focus on Engagement" on page 30 and "Equity Investments with a Primary Focus on Engagement" on page 38.)

Growth Support for Venture Companies

Aozora understands that realizing “financial inclusion” is one of its key business areas from the perspective of supporting the growth of promising companies. Based on this, we have set KPI targets for the number of venture-related investments and the number of account openings for small businesses and start-ups. Aozora's Venture Ecosystem Support Framework is designed to offer one-stop services for the entire Group to serve customer needs at each growth phase, including Aozora Corporate Investment's venture debt funds. GMO Aozora Net Bank develops systems in-house by leveraging its technology capabilities and provides a range of services that closely match the needs of its corporate customers in the start-up phase in pursuit of becoming “No. 1 Bank among small businesses and start-ups.” (Please refer to “Growth Support for Venture Companies” on page 31 and “Equity Investments” on page 32, “Venture Debt” on page 38 and “GMO Aozora Net Bank Initiatives” on page 50.)

Contributing to Regional Communities through Business Recovery

Aozora has set KPI targets for the number of business recovery fund-based transactions. Recovery funds operated by Aozora Loan Services with an over-20-year business history have a high percentage of business continuity after business recovery and allow for realizing financial inclusion among a wide variety of customers. We remain committed to contributing to the invigoration and sustainable growth of regional communities through support for the business recovery and relaunch of mid-sized companies, SMEs and small business owners that perform actively in their regions. (Please refer to “Contributing to Regional Communities through Business Recovery” on page 31, “Online Seminar on Business Recovery during the COVID-19 Pandemic” on page 35 and “Business Recovery Focus” on page 42.)

Promoting “Industrial Transition”

◆ Investments Designed to Support Structural Transformation

	FY2021-FY2025 Targets	FY2021 Results
Number of equity investments with a primary focus on engagement:	100 transactions	33

Realizing “Financial Inclusion”

◆ Growth Support for Venture Companies

	FY2021-FY2030 Targets	FY2021 Results
Number of Venture-related Investments:	100 transactions	12
GMO Aozora Net Bank Small businesses & start-ups:	200,000 account openings	23,600 (approx.)

◆ Contributing to Regional Communities through Business Recovery

	FY2021-FY2025 Targets	FY2021 Results
Number of Business Recovery Fund-based transactions:	100 transactions	21

Protecting and Providing for the Next Generation

Business/Asset Succession Consulting

In our aging society, seniors live a fulfilling 100-year life while having needs for asset succession and SMEs and small businesses, which underpin the competitiveness of Japanese industries, seek a way to identify a successor and quality personnel for smooth business succession. Aozora understands that providing support for their asset/business succession to the next generation is one of its key business areas. Based on this, we have set KPI targets for the number of asset/business succession consulting contracts. We will also further improve the quality of our business and services through research on financial gerontology

◆ Business/Asset Succession Consulting

	FY2021-FY2025 Targets	FY2021 Results
Number of Consulting contracts:	1,800	314

in order to protect senior customers and serve their needs mentioned above. (Please refer to “Retail Banking Group” in the “Customer Relations Group” section on page 36 and “Business Succession Leveraging the Aozora Group's Strengths” on page 39.)

Bequest Agreement/Partnership Regarding Testamentary Trust

The Aozora Group provides testamentary trust services as part of its asset succession consulting. Aozora has entered into an agreement or partnership with organizations serving as a bequest recipient. They offer a wide variety of options to our customers who wish to predetermine the distribution of monetary assets for a rainy day, consider using last money for a specific charitable project of interest or, despite their level of interest, have little knowledge about the details of the donation process and bequest recipients.

Alliance partners as bequest recipients	Examples of project themes and support through donation
Sophia School Corporation	- Support for the school attendance of students - Support for educational research and related environmental improvement
National Federation of UNESCO Associations in Japan	- Educational support for natural disaster areas - Educational support for developing countries - Medical, healthcare and food support - Support for the Heritage for the Future project as well as World Heritage activities - Educational support for the next generation
The Nippon Foundation	- Kids support - Support for persons with disabilities - Support for disaster recovery - Support for developing countries - Support for cultural and educational activities

Support for Retail Customers' Mid- to Long-term Wealth Building

Among other investment trust funds, “Aozora Core Funds” are funds specifically selected by the Bank and available as a no-load product (0% purchase fee). Aozora New Global Core Fund (limited addition type) (also known as “Juunen Toiro”) offered since 2020 and Aozora Ultimate Diversified Global Sustainability Equity Fund (also known as “Manten Kansoku”) released in 2022 are designed for “long-term investment” and “asset diversification” purposes in line with Aozora's basic policy of “supporting customers' mid- to long-term wealth accumulation.” They are also aimed at



contributing to the environment and society, with sustainability taken into consideration as an influential factor for the mid- to long-term corporate stock value at the time of selecting investment targets.

Topics

Aozora Gallery

“Aozora Gallery” is now open at the Bank's Head Office. Based on the concept of “Art cheers up Japan,” the gallery is designed to offer customers an opportunity to feel “the healing power of art and the joy of visiting our office”. The inaugural event was held with the support of the NPO “Art de Vivre” under the title of “Art de Vivre Exhibition - A World of Artworks Created by People with Disabilities -”.



Initiatives to Contribute to Society

The Aozora Group works to address social issues through both the provision of financial services and participation in CSR activities as a way to “contribute to the sustainable development of society” and “participate in society as a ‘good corporate citizen’” as stated in our Management Philosophy and Code of Ethics and Conduct.

FY2021 CSR Activity

CSR activity expenses	35 million yen
No. of employee volunteers	248

Donations to Support Countermeasures against the COVID-19 Pandemic

FY2021 Donations

Medical Support	Donations to the All Japan Hospital Association, Vietnam National COVID-19 Vaccine Fund
Economic Support	Donations to Good Neighbors Japan, Second Harvest Japan

The long-term impact of the COVID-19 pandemic continues to have a profound effect on people's lives and economic/employment conditions. In FY2021, Aozora provided support for families and children facing economic hardships through donations made to Good Neighbors Japan, which operates a single-parent family foodbank, and Second Harvest Japan, a food bank organization that provides food support for those in need. The Bank intends to offer continued support, including donations, to areas in urgent need of support that may be difficult to address through existing business operations or financial services.

Participation in Volunteer Activities

At Aozora Bank, we believe it is important for each of our employees to participate in society as a “good corporate citizen” and be more mindful of social issues. To this end, we strive to provide our employees with opportunities to participate in volunteer activities. In October 2021, we began to organize trials for volunteer activities that could be done online or at home so that employees could participate regardless of what division or office they belong to without being concerned about COVID-19 risks. These volunteer initiatives included transcribing books into text data that can be read aloud by a synthetic voice for the visually impaired in addition to donating towels or cloths to flood victims who need them for restoration work, including daily cleaning. Employees from across the Aozora Group, including not only the head office but also overseas offices and branch locations throughout Japan, participated in these initiatives and were afforded the opportunity deepen their understanding of social issues.



Volunteers from the Kyoto Branch (towel and cloth volunteers)

Regional/Community Contributions

Local Cleanup Efforts

Tokyo's Chiyoda Ward, where our head office is located, designates June 6 and November 6 every year as the Chiyoda Ward cleanup days in an effort to promote cleaning and beautification activities. Volunteers from the Bank participated in a cleanup effort around the head office and Sophia University campus on November 8, 2021 as part of its environmental preservation and regional contribution activities after a long hiatus due to the COVID-19 pandemic. Employees and students of Sophia University also participated, leading to a total 62 volunteers who took precautionary measures against COVID-19 and assisted in the cleanup effort for the first time in over 2 years.



Support for Regional Revitalization Projects

Aozora supports regional revitalization projects designed to address regional issues by utilizing mechanisms such as the corporate version of the hometown tax payment system. These donations are an opportunity to deepen our relationship with local residents, and our aim is to contribute to solutions for social issues through our financial business outside of our CSR activities.



Ceremony to commemorate Aozora's financial donation at the Choshi City Hall

Donations to Cities/Prefectures

City/Prefecture	Organization/Cause
Sapporo City, Hokkaido	Sapporo City Development through the Support Hotto Fund
Miyagi Prefecture	New energy/environment-related industry creation/development “Driving Miyagi” Program
Choshi City, Chiba	“Learning” Creation Program utilizing the Choshi City assets and facilities
Aichi Prefecture	Demonstration Research Area Management Program, PRE-STATION AI Program
Kyoto City	Donation of a rest tent to the Kyoto City Zoo
Osaka Prefecture	Osaka Smart Senior Life Program
Kobe City	“Children's Book Forest” Support Project
Hiroshima City	Construction of a soccer stadium
Kagawa Prefecture	Kagawa Health Point Program
Fukuoka Prefecture	Bio-industry base promotion program

Joint Projects with Sophia University

In 2017, we relocated our head office to the Sophia Tower on the Sophia University Campus. We take this opportunity to strengthen our collaboration by providing finance-themed lectures as well as conducting joint research and social contribution activities with Sophia University.

Basic Banking Seminar in collaboration with Sophia University

Since 2017, we have held a Basic Banking Seminar as a formal course in collaboration with the Faculty of Economics, Sophia University. Aozora's officers/employees with years of experience in the banking operations conduct lectures with a focus on the role of banks and their relationship with the economy and society as a way to support the enhancement of financial literacy among the next-generation of students. The Seminar was held 14 times in FY2021 and attended by 367 students, mainly juniors from the Faculty of Economics. Thus far, 14 Aozora employees have given guest lectures on a wide range of themes including “People's Lives and Banks” and “New Investment Opportunities and Banks”.



Support for Creating Learning Spaces for New Members of Society through Industry-Academia Collaboration

Sophia University's Professional Studies program is a new form of industry-academia collaboration that allows businesses and the university to work together to create learning spaces. In its role as an advisory partner, Aozora offers advice regarding topics such as the needs of companies and the acceptable international standards required on the frontlines of business.

Working with the “+Re” Volunteer Community

Aozora supports Sophia University's volunteer community, “+RE”, in their efforts to collect disposable contact lens cases. By recycling the collected lens cases, the group is able to contribute to the reduction of CO2 emissions released when the cases are burned along with normal garbage. In September 2021 the Bank placed a disposable contact lens recycle box in its head office and collected 10,712 contact lens cases in FY2021.

Sustainability of Human Capital

Hiroshi Kaneko
Executive Officer
Head of Human
Resources Unit

Aozora Group's HR Strategy

The Aozora Group is a manageably sized entity with approximately 2,400 employees, consistently working hard to create added value and offering highly specialized financial services. The composition of Aozora's workforce is unique, with a mid-career hire rate that is relatively high for a domestic bank: new grad hires represent only 60% of new employees while mid-career hires account for 40%. As a result of our unique composition, we are able to provide our customers with financial services by leveraging our skill base and organizational flexibility. Aozora strives to

promote a workplace environment that always respects individual viewpoints and working styles, encourages employees to freely express opinions, and prioritizes teamwork, as demonstrated by the small gap in average length of tenure between male and female employees. We have established three basic policies for HR strategy to successfully leverage these advantages and features, and implemented HR measures that help employees perform well and promote organizational growth while responding to generational and environmental changes.

Aozora Bank's basic data (non-consolidated)

	Total	Male	Female
Number of employees	1,966	1,056	910
Average age	43	44	43
Average tenure (year)	15.1	14.6	15.8
Average annual income (1,000 yen)	8,232	10,073	6,203
Workforce composition	New grad: 59%, Mid-career: 41%		

As of March 31, 2022

Basic policies for HR strategy and main features of the HR framework

1. Performance-based HR system	Main features
We strive to establish a consistent HR system based not on seniority but capabilities and job responsibilities	Offer three career courses: Global Professional, Regional Professional, and IT Professional
	Employ contract employees with a high level of expertise who can play active roles regardless of age
2. Professionalism and skills enhancement	
We encourage employees to improve their professional skill sets	Establish a compensation system that incentivizes employees to take on new challenges
	Implement a unique competency assessment system that accurately assesses and works to develop an employee's expertise, teamwork, and a willingness to take on new challenges
3. Diversity and Inclusion	
We strive to build a dynamic organization where employees with diverse backgrounds can play important roles	Promote fairness, equity, and transparency in the performance evaluation system by clarifying the rules for promotions/salary increases and disclosing the Bank's salary structure
	Prioritize ability and performance when considering promotions, not seniority



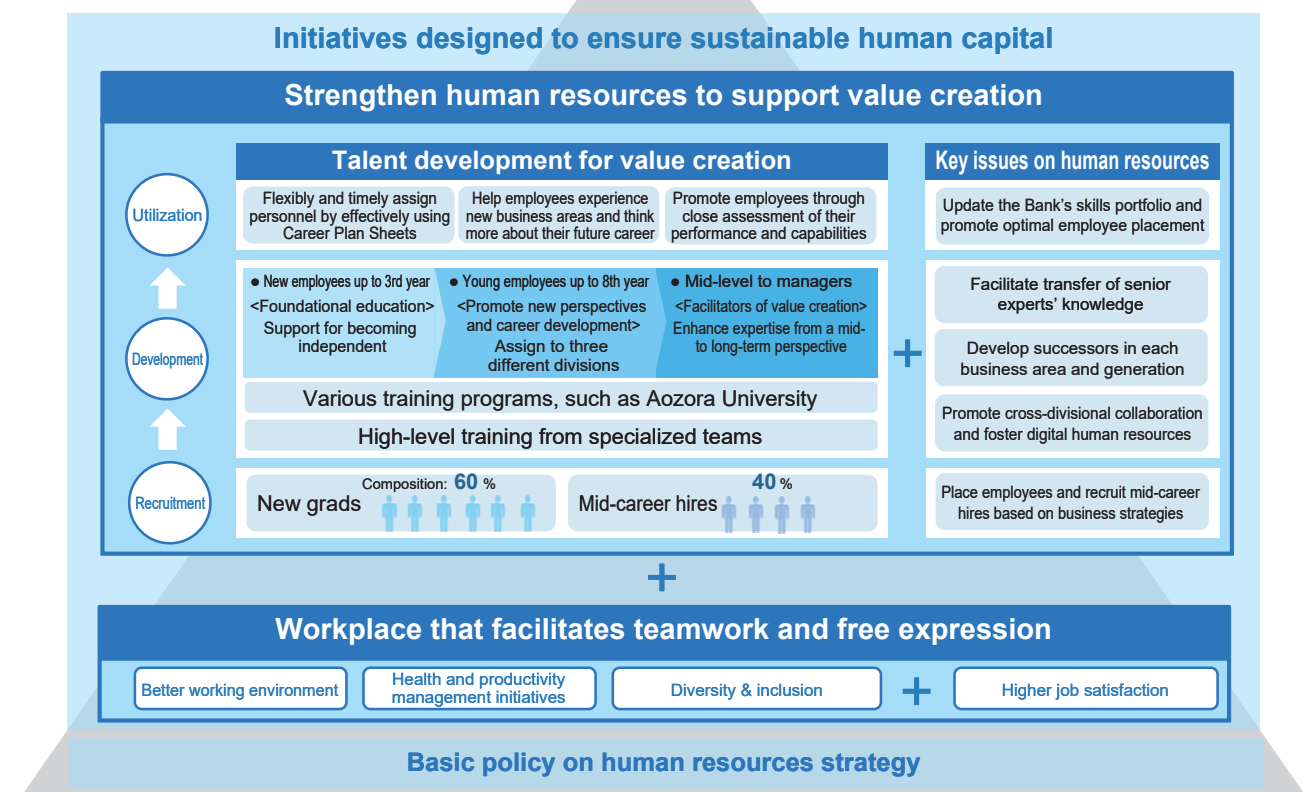
Ensuring Sustainability of Human Resources

Amid rapid changes in the business environment, we have continued to improve our HR system by closely aligning our human resources strategy with Aozora Group's management strategy and business model. In FY2020, Aozora started working on HR Reform designed to help Aozora grow into a financial group that facilitates teamwork and further encourages employees to accept new challenges, and established a new HR system that facilitates teamwork and further encourages employees to accept new challenges, and established a new HR system that will turn the Bank into a more sustainable organization.

In FY2021, we reviewed our senior employee programs as a way to ensure that the Aozora Group continues to be a dynamic financial institution even five or 10 years in the future. For example, we have established new positions for those 55 or over, such as the Professional Fellow, emphasizing the important role of sharing experience and expertise with the next generation. We have also introduced new work schedules, including the "4 days on, 3 days off" and "short time work" systems,

which enables senior employees to choose a working style suitable for their individual life and career plans. Ensuring the sustainability of human capital is the business foundation of the Aozora Group, and we are focused on encouraging our senior employees to pass on their knowledge and expertise, fostering successors in each business area/generation, and transferring employees to other divisions/recruiting mid-career hires based on business strategy as key topics regarding ensuring sustainability across the Group. We position human capital as the main source of the Group's competitive advantage, and will continue to further enhance our working environment that enables employees to play active roles with a high level of job satisfaction. We have developed systems to aid in the visualization of employees' skill sets, experience levels, and career orientations by compiling a database based on Career Plan Sheets created by each employee. We will also seek to better understand the Bank's skill portfolio and promote the optimum placement of employees by using this database.

Grow into a financial group that facilitates teamwork and encourages employees to take on new challenges



Recruitment and Development of Human Resources that Support Value Creation

Aozora's recruitment strategy targets both new grads and mid-career hires. We have successfully recruited mid-career hires with high potential and expertise. New grads are placed into a three-year "foundational education" period, during which they participate in HR-sponsored position-specific training and receive guidance from more experienced employees in their workplace under a unique employee support framework entitled "OJT Trainer" and "Follower". Junior employees learn business basics and experience various operations at three different divisions, in principle, during their first eight years, which enables them to develop a wider perspective and obtain more opportunities in their career path as prospective upper-management candidates.

Mid-level employees and managers in their 30s and 40s, who support core management functions, are placed in positions that enable them to strengthen their management capabilities and expertise in the mid- to long-term, and also encourage them to pass on their knowledge of specialized financial services, one of

Aozora's strengths, and create new added-value. Aozora strives to promote employees to higher positions through assessment of their abilities and performance. While accounting for 41% of Bank employees, the percentage of managers that are mid-career hires is 44%. Employees with diverse backgrounds have the opportunity to play active roles at the Bank, regardless of their status as a mid-career hire. Attracting superior talent that supports value creation is one of the major strengths of Aozora's HR strategy.

Data	2020	2021
Number of recruited employees	New grad	65
	Mid-career	46
Employee ratio	New grad	58%
	Mid-career	42%
Manager ratio	New grad	57%
	Mid-career	43%
Retirees (not mandatory retirement)	47(2.4%)	47(2.4%)

Aozora's Human Resources Development

We believe that employee development is an important investment for ensuring the sustainability of human capital. Aozora's human resources development strategy is based on offering of a wide range of training programs to encourage employees to take on new challenges while respecting their diverse career plans and individual initiatives. For example, Aozora University, which was launched over 10 years ago, offers training seminars open to all employees, and the Bank's skill-building support initiative encourages employees to freely select from a wide range of subjects and also provides financial support of up to 50,000 yen a year. Our aim is to encourage employees to take charge of their own growth and development based on their own needs and aspirations.

We conduct a combination of on-line and in-person training programs, and the Yotsuya Head Office is equipped with a lecture hall which can seat up to 120 participants. Furthermore, the majority of these lectures are developed in-house; the Human Resources Division

sponsors seminars for each role and experience level, from new hires to senior employees, and the Business Groups, such as the Corporate Banking Group and Retail Banking Group, have specialized development teams that offer presentations on high-level business topics. These development teams are comprised of employees with coaching and other teaching certifications as well as experienced specialists in order to provide practical and high quality training.

Data	2020	2021
Number of participants	5,184	11,393
Total training hours	59,533	63,951
Training hours per employee	30.8	32.5
Training cost per employee*	26,300 yen	27,300 yen

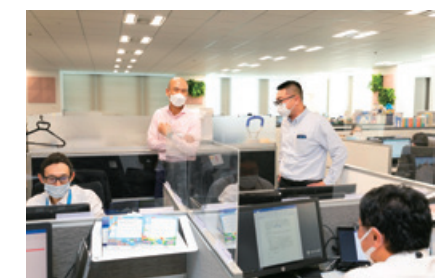
*Cost for external instructors and financial support for self-development

Key initiatives

Area	Contents	FY2021
Training for junior employees	Basic training for junior employees during their first three years	27 days 317 participants
Support for OJT	OJT Trainers training, Followers training	18 days in total 97 participants
Management capability building	New Managers Training, New GMs Training Managers Training (360 degree feedback, coaching)	5 days 99 participants
Experience expansion, career design	Internal short-term trainee program, qualification programs such as Real Estate Appraiser Career training for Regional Professional, Career Ownership Training	Trainee: 20 participants/6 divisions Career training and Career Ownership Training: 5 days 111 participants
Global talent development, business management skills development	English proficiency enhancement program, such as support for English lessons Overseas Trainee Program (assign trainees to Aozora Group's overseas offices) Advanced Education Program (send employees to domestic graduate schools and companies)	English proficiency enhancement program: 31 participants Overseas trainee program: 3 participants Dispatch to Graduate school: 2 participants Companies: 3 participants
Digital talents development	IT literacy enhancement program by literacy level (details are explained on the next page) Support for IT Passport Qualification	Advance course: 66 participants IT Passport: 291 holders
Communication Forum	Online forum where employees in Japan can develop closer communication and stronger teamwork	20 days 604 participants
Aozora University	Internal and external specialists give lectures on a wide range of topics, including investment banking business, business recovery support, DX, and SGDs	Lectures: 40 sessions 4,592 participants
Skill-building support initiatives	Financial support to encourage employees to acquire any of 60 qualifications useful for banking business. Additional financial support of up to 50,000 yen per year is offered when employees complete self-development programs	459 applicants

Specialist Training Teams

ACATS (Aozora Credit Analysis Training School)	ACATS consists of four members from the Corporate Banking Group. The team teaches junior employees and mid-career hires the basics of sales activities for our corporate clients while offering updated information on new focus areas, such as the investment banking business, in order to foster high-level financial professionals ●FY2021: 29 seminars, 110 days and 2,457 participants
AAaA (Aozora Academy at Aoyama)	AAaA (also known as "Quattro A") is a training center where a team of specialized training staff in charge of RBG human resource development is stationed. In order to implement customer-oriented business management, the team provides sales staff with the skills necessary to deliver consulting services based on life planning so that they can meet a wide range of customer needs as consultants. AAaA also works as a key platform for sales activities for financial institutions, as the team trains the sales staff and training staff of financial institution customers. ●FY2021: 12 seminars, 86 days and 578 participants
AFITs (Aozora Financial Institutions' Training school)	AFITs belongs to the business group in charge of sales planning and supervision for regional financial institutions. The team fosters employees' ability to create a solid, long-term network with regional financial institutions by sharing the knowledge of a wide range of financial services including provision of asset management products and solutions to business challenges and also conducts role playing exercises. ●FY2021: 41 seminars, 42 days and 615 participants



Creation of Training Platform

To create unique financial services in the midst of the diversification and specialization of banking business, Aozora emphasizes “co-work”, close employee collaboration that transcends business divisions and operations. We believe that employees should look beyond their own direct responsibilities and seek to more broadly understand the Bank’s business areas and their peers’ work as a whole.

In FY2021, the Bank established a “training platform” in its portal site. This enables all employees to easily and freely access and review the Business Groups’ training menus, training menus, materials, and knowledge as a means to facilitate voluntary study of various topics. About 30 divisions distribute approximately 100 material

sets via the platform, and training materials remain fresh by including video, audio, and training/seminar materials of in-person trainings. Using this platform, those who have no experience in certain business areas can easily acquire elementary and mid-level skills, and employees in the Regional Professional career path are encouraged to take on tasks in areas where they are inexperienced. Junior employees are advised to take courses to meet the minimum number of credits during their first three years. Since its introduction in October 2021, the number of views has reached 2,000 per month. The Bank will further utilize the platform as an effective tool to prioritize teamwork, encourage employees to take on new challenges, and support each employee’s career plan.

Digital Talents Development Program

Aozora believes that the voluntary study of digitalization can change an individual’s thinking process and increase opportunities for business reform. Accordingly, in FY2021, the Bank introduced the Digital Talents Development Program which is designed to enhance all employees’ IT literacy. This program offers opportunities to all employees by developing courses suitable for the roles and operations of a wide range of staff members from junior to the management-level, not just core IT professionals. In FY2022, we added three courses to

enhance the program.

We send employees who have completed an Intensive Course on promoting digitalization in FY2021 to divisions with strong needs for IT skills to enable the participants to apply what they learned to actual operations. We have found this to be an effective approach to developing core IT professionals while solving IT issues within each division. We will further strengthen this approach in the hope that our small and large achievements across all groups will lead to business reform.

FY2022 Digital Talents Development Program

Course	Participant	Detail
【Existing】Management course ① (for the management-level)	Executive Officer President of subsidiaries	Study sessions are regularly held. External experts talks about timely topics, such as global trend and long-term big pictures in the financial industry.
【New】Management course ② (for managers)	Managers	External instructors teach mindset for DX and basic skills to foster bridge persons who link IT with businesses. To accept as many participants as possible, 2-day hands-on workshops on weekends are planned.
【Existing】Advance course ① (for applicants)	75 (1st half) 40 (2nd half)	This intensive course aims at fostering DX leaders for each Group. External lecturers explain topics, such as DX business strategist, service designer (UI/UX) and data science.
【New】Advance course ② (for applicants)	50	This is a one-year e-learning course on AI use, aiming at fostering DX leaders for each Group. The course has three steps of Elementary, Basic and Practical. It was developed by Kwansei Gakuin University and IBM
【Existing】Standard course ① (all employees)	All employees	This course consists of three components to enhance employees’ IT literacy. ① Support for IT Passport acquisition ② Aozora University ③ Udem’s e-learning program
【New】Standard course ② (young employees)	30 (1st half) to be decided (2nd half)	Workshops (4-day seminars + team activities) on new businesses and service planning are held for young employees. Seminars on social issues and information on DX and team activities on business framework will be offered.

Support for Career Development

Another benefit of Aozora’s manageable size is that officers and employees generally know one another quite well. The HR Division and Group Heads closely monitor employees’ preferences, capabilities, and aptitude before deciding on transfers based on the Career Plan Sheets, which are submitted by each employee annually. This process has resulted in strong support for career development and flexible transfers.

The Bank also has training programs, such as the Regional Professional Career Training and Short-term Internal Trainee Program, as well as other programs, such as the Job-posting Program (internal recruitment system) and Job Support Program (temporarily assigning applicants to their preferred divisions). Employees can effectively combine training and business experience to achieve their career plans.

In FY2021, we established the Real Estate Appraisers Development Program as part of the employee training and expert career development support framework as way to foster the next generation of employees engaged in the real estate business, one of the Aozora Group’s strengths. Two applicants are working in the Appraisal Division in order to acquire the Real Estate Appraiser

qualification.

Under the Job Support Program, employees who work at branch offices are also assigned to support the operations at the Yotsuya Head Office. This program is designed to create new opportunities for career development by leveraging Aozora’s strengths, such as its comfortable working environment and infrastructure. To aid employees in playing active roles outside of the Bank and to achieve the goals of their individual life plans, we have established the Secondary Employment Guidelines and Career Support Leave Program. Obtaining a second job is a useful way to enhance job satisfaction at the Bank through developing employees’ abilities and second career opportunities, as well as enhancing their self-fulfillment.

Data	2020	2021
Participants in career development programs	110	131
Users of career support programs	45	90
Applicants for second jobs	16	31

Career Support Training/ Initiatives

Program	Overview
Regional Professional Career Training	Training for Regional Professional to clarify their personal strengths and values in order to further demonstrate leadership, and rethink about future career path
Career Ownership Program	Training that urges employees aged around 50 to proactively think their career design their life plan
Short-term Internal Trainee Program	Intensive program that allows employees to learn unexperienced businesses in other divisions for short periods
Job-posting	Internal job-posting program that supports employees in realizing their career aspirations. Approximately 50 positions posted a year
Career Course Conversion	Program that allows Global Professional, Regional Professional and IT Professional to change their career track
Job Support	Career development system where employees can temporarily take on new job responsibilities in their preferred division while staying in their current position
Overseas Trainee Program	Internal job-posting program that dispatches young or mid-level employees to work at an overseas office for two years so that they can gain experience working overseas
Mushashugyo	Program that dispatches young or mid-level employees to work at other business entities to enhance their creativity and expertise
【New】Real Estate Appraiser Program	Program that allow employees to work at Appraisal Division while studying to acquire Real Estate Appraiser qualification. The Bank pays all fees for school, exam and intern training
Aozora Career Support Leave Program	Program that supports flexible working styles to match employees’ life plans. Employees may apply for leaves when they study abroad, have to relocate due to their spouse’s transfer or have fertility treatment
Lifting restrictions on second employment	The Bank lifted restrictions on second employment (only when self-employed or serving as external companies’ officer) in FY2020. The Bank has established Second Employment Guidelines
Job Return Program	Program to re-employ the Bank’s retirees

Positive Workplace and High Job Satisfaction

To ensure the sustainability of our human capital and enhance corporate value, we believe that it is important to foster a comfortable working environment where employees can pursue long careers. It is also necessary to enhance job satisfaction by respecting employees' diverse values and career plans. We have implemented several programs for flexible working schedules and a better work-life balance. About 80% of employees use the Flextime Program, which lacks a defined core time, and over 60% efficiently make use of the Work-from-Home/Mobile Work Program. This combination of programs has been well received as the new working style within the "New Normal" that arose as a result of the COVID-19 pandemic. We have also begun improving our programs and infrastructure even before the pandemic started, and these efforts have led to 80% of Employee Satisfaction Survey respondents agreeing that "Aozora is a comfortable workplace."

On the other hand, only 60% of respondents selected

positive answers regarding job satisfaction. We learned from the Survey that measures need to be taken to improve job satisfaction and ensure the sustainability of our workforce. Since FY2021, we have encouraged supervisors and their employees to have periodic 1-on-1 meetings. We will plan additional initiatives and workplace management configurations through seeking to understand the key factors that lead to greater individual job satisfaction and utilizing these findings.

Data	2020	2021
Flextime Program users	1,570	1,615
Work-from-home ratio	62%	60%
Average days of paid leave used	13.3	14.4

(Note) Please refer to page 118 for more information regarding initiatives to increase job satisfaction.

Health and Productivity Management Initiatives

Aozora and the Aozora Bank Health Insurance Society have worked closely to improve the Bank's working environment so that employees can pursue long careers. For example, we offer financial support for health checkups and gynecological exams for employees and their families, and implement stress checks, regular health checkups, and Occupational Health Physician follow-up sessions for employees. The Health Management Office, located in the Head Office, has medical staff trained in internal medicine and dentistry who can respond to employees' needs for physical/mental health management and medical services.

In FY2021, the Health Management Office implemented three workplace vaccination programs for employees and their families. In total, 6,942 people received COVID-19 vaccinations. The goal of this initiative was to support the operation of financial services indispensable for maintaining society by protecting employees from becoming infected.

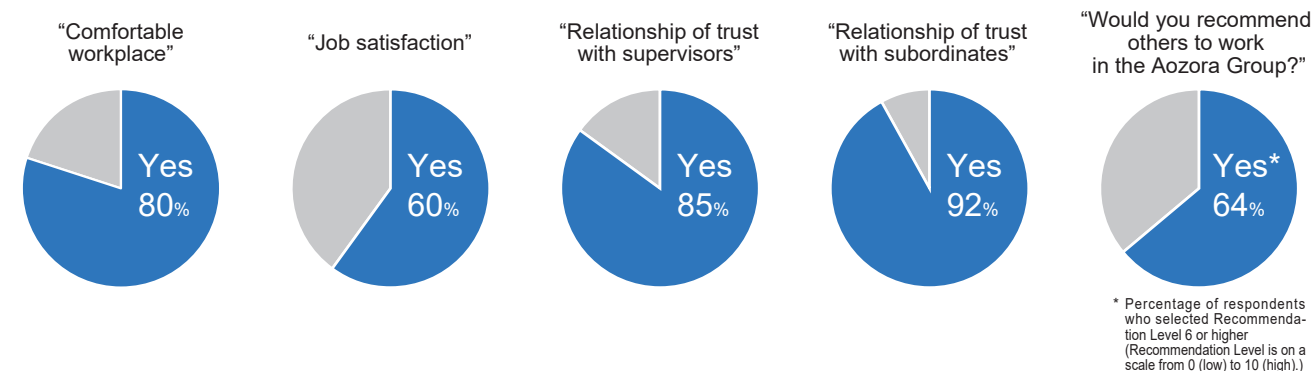
Aozora regularly monitors its employees working hours

through objective attendance data, such as PC logs, and our Occupational Health Physician gives guidance on reducing overtime work. In FY2021, our employees' average monthly overtime was 11 hours and 50 minutes, higher than the result from FY2020. We have strengthened initiatives designed to require managers to set targets for the "reduction of overtime as a means of health management by encouraging employees to prioritize tasks for greater efficiency".

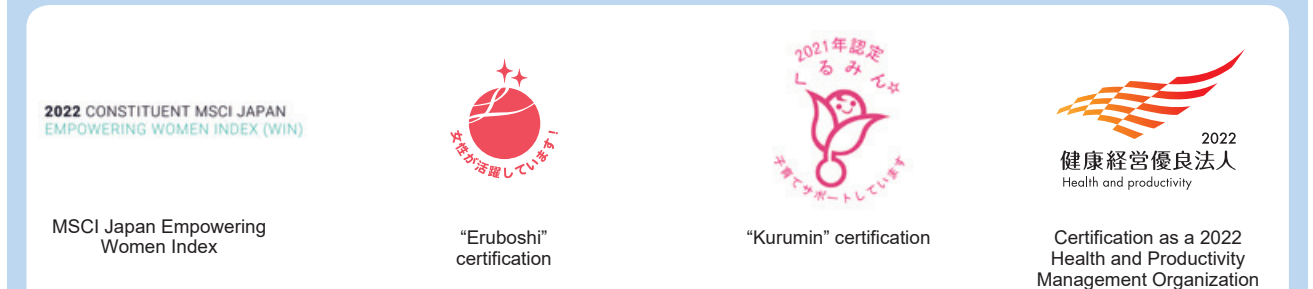
Data	2020	2021
Applicants for financial support for full-scale health checkups (employees)	1,499	1,487
Applicants for financial support for full-scale health checkups (family members)	329	335
<Ref> Average financial support: Male 49,500 yen, Female 71,500 yen		
Covid-19 workplace vaccinations (3 shots): 6,942 recipients		
Average monthly statutory overtime hours per employee*	10 hours, 20 minutes	11 hours, 50 minutes

*Non-statutory overtime hours of employees except those in supervisory or managerial positions

Aozora Group Employees Survey Results



Evaluation by Third Parties



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Diversity & Inclusion

Amid rapid changes in the business environment, establishing a working environment where employees with diverse backgrounds can play important roles is essential for enabling the Bank's sustainable growth.

The Aozora Group strives to enhance diversity & inclusion by respecting each employee's values and career plans while supporting employees' flexible working styles in addition to further encouraging employees to respect diversity and strengthen the sense of unity within the Group. In order to achieve these goals, we have implemented a wide range of employee training programs, including unconscious bias training.

Initiatives for Diversity-oriented Career Support of Core Talent

We believe that securing diversity in the managers who play core roles in business management is important. Since FY2021, we have established HR development policies and set target ratios of female managers, non-Japanese managers, and mid-career managers.

1. Human Resource Development Policies

Polices	Actions
[Policy 1] Diversity-oriented recruitment and consistent merit-based evaluation	- Continue to employ mid-career hires as well as new graduates - Hold recruitment events for women
[Policy 2] Support female employees' career development	- Encourage female employees to gain experience in new business areas by implementing a wide range of training programs - Improve development programs, such as the internal short-term trainee program
[Policy 3] Improve Aozora's working environment in order to support employees with diverse backgrounds	- Promote flexible working styles and use of paid leave for better work-life balance - Hold interview sessions and seek feedback from domestic and overseas employees to consistently improve the working environment

2. Goals and Progress

Categories	Current ratios	Ratios to be achieved	Target
Female managers	11.8% → 12.5%	13% or over	March 31, 2023
Female deputy managers	33.5% → 37.1%	35% or over	
Non-Japanese managers	2.9% → 2.9%	3% or over	
Mid-career managers	42.5% → 43.7%	40% or over	Ongoing

(Note)

- Managers are designated as those in a position of supervision or management as stated in the Labor Standards Act: Total of general managers and group managers
- Deputy Managers are one position below managers
- Non-Japanese managers: including those working in domestic/overseas subsidiaries excluding GMO Aozora Net Bank
- "Current ratios" shows the change from March 31, 2021 to March 31, 2022

Creating Opportunities for Female Employees

We believe in the importance of creating an organization that promotes female empowerment and enables anyone to play active roles regardless of gender in order to recruit and retain excellent female employees in light of expected workforce shortages. As stated above, we are working to strengthen our initiatives designed to achieve target ratios for female managers and managerial candidates in addition to the recruitment, training, and utilization of female employees in order to expand the core talent pool.

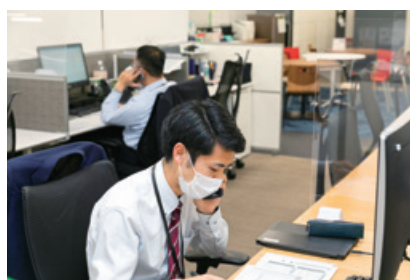
In FY2020, we abolished "Ippan-shoku (non-professional career category)" and eliminated career course-based limitations on roles and responsibilities. This has further enabled our female employees to pursue their career goals.

Based on the current HR system, we have expanded our core talent pool by hiring female employees with

high potential and expertise. We have created the Professional Career Training and Short-term Internal Trainee Program for employees whose positions are classified as "Professional" based on their current career course, which has enabled our female employees to gain a wider range of job experience in order to strengthen their business skills and mindset. Some female employees who were engaged in back office work as sales assistants have started to work as front sales staff while assisted by supervisors and peers. We carefully assess each employee's efforts and assign them to other divisions as a way to broaden their expertise. We will continue to promote effective recruitment, training, and assignment approaches in order to steadily encourage female employees to play leading roles.

Female employees' data

	July 2018	July 2019	July 2020	July 2021	July 2022
① Executive officers	1 (4.8%)	2 (9.1%)	2 (9.1%)	4 (16.7%)	5 (18.5%)
	March 2018	March 2019	March 2020	March 2021	March 2022
② General managers	10 (11.2%)	10 (11.4%)	11 (11.3%)	11 (11.5%)	11 (9.6%)
③ Group managers	55 (10.7%)	60 (11.7%)	64 (12.1%)	64 (11.8%)	71 (13.2%)
④ Total of (② + ③)	65 (10.8%)	70 (11.6%)	75 (12.0%)	75 (11.8%)	82 (12.5%)
⑤ Deputy managers	89 (31.2%)	98 (32.9%)	105 (33.3%)	107 (33.5%)	123 (37.1%)
⑥ Female employees	837 (46.8%)	896 (47.7%)	904 (47.0%)	899 (46.5%)	910 (46.3%)



Creating a Comfortable Working Environment for Employees with Disabilities

The Bank has developed a safe working environment where employees with disabilities have important responsibilities across a wide range of operations based on their aptitude, such as handling deposits, lending and foreign exchange operations, document management and IT, as well as playing active roles in a variety of divisions. In FY2021, the percentage of Bank employees with disabilities was 2.4%. In FY2021, we became the first bank to receive the Tokyo Metropolitan Government's "Excellent Company Award for the Employment of People with Disabilities". Our efforts such as "taking the views of employees with disabilities into account" and "providing a working environment where anyone can work comfortably regardless of disability status" have been highly praised.

Creating a comfortable workplace

Many staff members, including Occupational Health Physicians, nurses, public health nurses, mental health & welfare counselors, and job coaches, assist employees with disabilities to meet their individual needs. For example, when an employee with vision impairment joined the Bank, we consulted with the employees to develop accommodations for them before they began working, such as introducing

reading and text resizing software as well as enhanced vision equipment. The Bank strives to flexibly respond to the individual needs of those with either physical or mental disabilities by creating an environment in which they feel comfortable expressing their views, such as during regularly held communication sessions.

Raising awareness of disabilities

The Bank holds Small Meetings, as we did in FY2021, designed to promote close communication between our CEO (as well as other executive officers) and employees with disabilities. The participants have active discussions around improving the workplace. Those with hearing impairments often depend on clear enunciation and reading other people's mouth movements in order to understand conversations. Currently, this has been made difficult, as wearing masks in order to prevent the spread of COVID-19 has become commonplace. We are

working to further improve the workplace by soliciting ideas from employees. The Bank encourages employees with disabilities to discuss disability-related issues and their personal viewpoints via our intranet in order to raise awareness Bank-wide.

Initiatives for employees with disabilities

We are striving to proactively listen to the concerns of employees with disabilities. For example, we introduced the "UD Talk®" app, which translates speech into text for people with hearing impairments, and electronic memo pads based on the requests of employees with hearing impairments.

Employees with hearing

impairments played a leading role in producing tools such as the Aozora Ear Mark and Communication Support Board. The Bank works closely with employees with disabilities to address any issues they encounter, even in their daily life. We also take into account the feelings of individual employees who do not wish to disclose their disabilities. Our goal is to take into account the unique perspectives of employees with disabilities, and this section of the Annual Report was also created based on their feedback.



Opinions from employees with disabilities

Q. Has the Bank provided a comfortable working environment?

When I joined the Bank, my office introduced reading and text resizing software as well as enhanced vision equipment. I still sometimes struggle to see certain things, but I feel comfortable continuing to discuss the matter with the Bank.

I'm happy about step-free floors and barrier-free bathrooms in my office.

Aozora Ear Mark

I communicate closely with my supervisors about my conditions. When I'm having a rough day, I take more frequent breaks and adjust my workload, if needed. I feel like I can work while properly managing my health.

An article I wrote was posted on the Bank's portal site. I'm happy because it was an opportunity to raise awareness of disabilities and hopefully everyone will read it and learn more about me.

Thanks to the Aozora Ear Mark, more employees recognize my difficulties, and try to communicate with me by using tools, such as the Communication Support Board, electronic memo pad, and UD Talk® app. I don't have a problem talking to just one person, but in group conversations I sometimes cannot communicate smoothly. I hope to keep sharing tips for communicating smoothly with those who have hearing disabilities.

My division has senior employees with disabilities, and they perform just as well as people without disabilities. I was surprised because I only realized after they disclosed their conditions to me. One of the good things about working at Aozora is that everyone can work together regardless of their health status.

CSR Initiatives

In order to address disability-related issues from a societal perspective, Aozora conducts programs at mental healthcare facilities and employment transition support centers that are designed to support people with disabilities in maintaining stable employment. We also gave presentations on the Bank's disability-related initiatives at various workshops, including the Vocational Rehabilitation Workshop sponsored by the Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers. Having direct conversations with people with disabilities and their supporters has led to new discoveries and changed the way we think about these issues. We will continue our efforts to contribute to a society where people with disabilities can work comfortably.



UD Talk®



Electronic memo pad



Meeting led by employees with disabilities

Corporate Governance

Corporate Governance Philosophy

The objective of establishing Aozora's corporate governance policy is to ensure management discipline and create a framework for checks and balances in order to continue reflecting our management philosophy in the execution of daily business operations. For this purpose, the Bank continues to work toward a more transparent corporate governance structure by focusing on the proper establishment and operation of its governance framework as one of the primary management initiatives.

Management adheres to compliance with laws and regulations in all areas of business execution. Management identifies a broad range of risks that regularly occur in business operations and assesses their potential impact on the Bank's business in order to ensure optimal transparency, maintain strong internal controls and strengthen a framework for the effective balancing of risk and return.

In order to improve efficiency through the separation of management oversight and business execution as well

as transparency by establishing an appropriate corporate governance system, the Board of Directors, including multiple outside directors, determines basic management policy and management strategies, and oversees the execution of business operations. Executive officers, including the Representative Directors, conduct daily business operations with authority delegated by the Board of Directors. The Management Committee is the highest decision-making body for the execution of daily business, and is comprised of members from among the Executive Officers, who are approved and appointed by the Board of Directors. This structure improves the speed of decision-making, while at the same time the Executive Officers' Meeting, which comprises all Executive Officers, is held in order to exchange important information. Sub-committees are also established to improve efficiency of the execution of business operations.

Aozora Bank's Corporate Governance Structure

The Audit and Supervisory Board (ASB) and its members monitor and verify the execution of director duties, mainly from a legal perspective. Board-level committees, such as the Nomination and Remuneration Committee and the Audit and Compliance Committee, both of which are mainly comprised of outside directors, are entrusted by the Board of Directors to perform supplementary supervision of representative directors and executive officers and function as a check and balance on management.

<Board of Directors>

The Board of Directors establishes important basic policies for business operations and oversees the execution of duties by executive officers entrusted with daily business operations. Moreover, the outside directors' meetings are comprised of only the four outside directors and are convened multiple times throughout the year to allow for the discussion and exchange of views on topics, including Aozora's executive structure, key business issues and the operation of the Board of Directors, from an independent outside director's perspective.

<Audit and Supervisory Board>

The Bank operates under the Audit and Supervisory Board (ASB) system. The ASB performs business and accounting audits regarding the execution of duties by directors and executive officers in accordance with relevant laws and regulations. The ASB convenes all ASB members to receive reports on important audit matters and discuss or resolve them as needed.

<Nomination and Remuneration Committee>

The Nomination and Remuneration Committee, the majority of which comprises outside directors, provides the Board of Directors with recommendations, including prospective candidates for Board and ASB members as well as other important employees. In addition, the Nomination and Remuneration Committee determines the remuneration of directors and executive officers and makes recommendations to each ASB member regarding their remuneration.

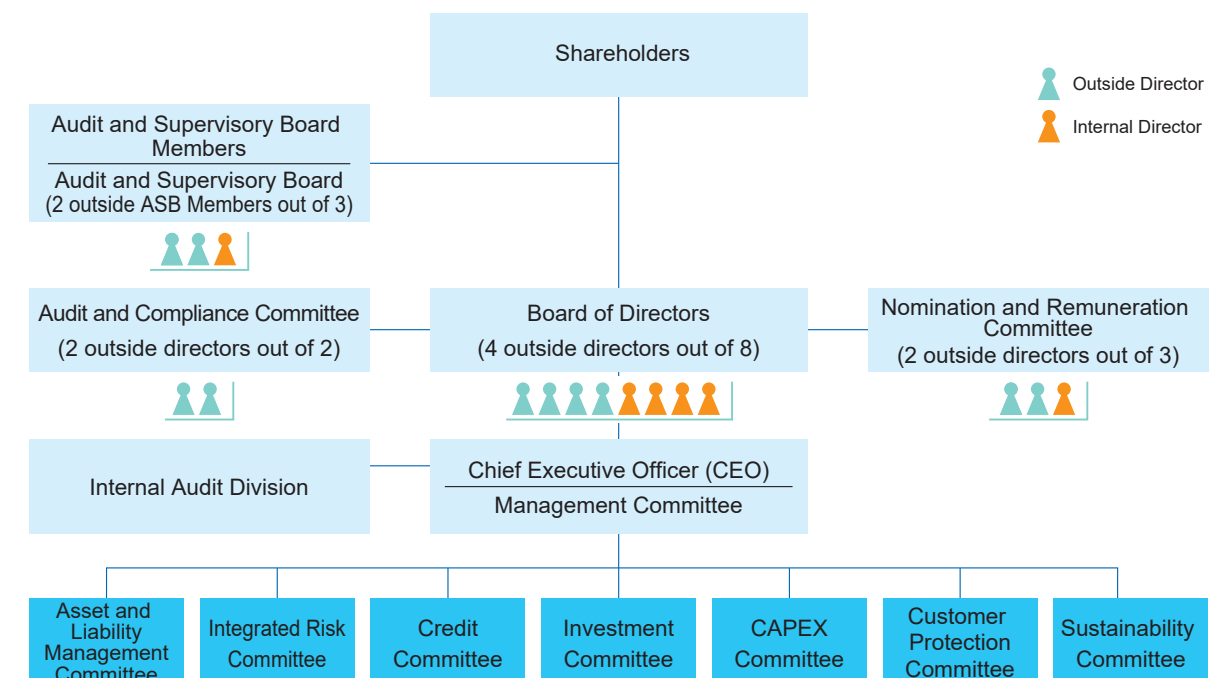
<Audit and Compliance Committee>

The Audit and Compliance Committee, which is comprised of outside directors, reviews the adequacy

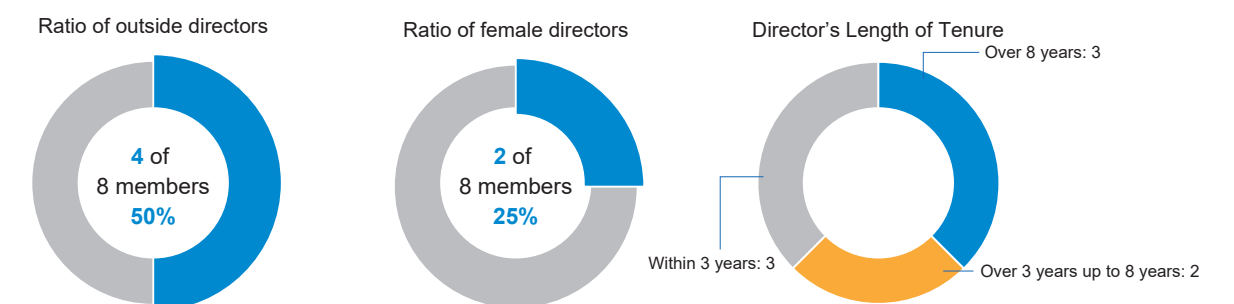
and effectiveness of matters relevant to the establishment of internal control systems, including internal and external audits, risk management, compliance, and credit audits.

For the execution of business below the Management Committee level, the Aozora Group is committed to developing proper and efficient operations through the development of internal rules and material revisions to them, enhancement of the risk management structure, and internal audits by the Internal Audit Division, in accordance with the basic policy for building the internal control system approved by the Board of Directors, the basic policy for compliance with laws and

regulations, and the basic policy for risk management. The Management Committee convenes weekly and determines important matters related to the Bank's execution of daily business in accordance with the policies set forth by the Board. The Management Committee has the following sub-committees to which it delegates authority: ALM Committee, Integrated Risk Committee, Credit Committee, Investment Committee, CAPEX Committee, Customer Protection Committee and Sustainability Committee. Sub-committees are comprised of members with substantive knowledge and experience in various aspects of the Bank's business operations, as well as sound decision-making capabilities.



<Board of Directors' Membership Structure>



(As of July 1, 2022)

Board of Directors, Audit and Supervisory Board Members

All the outside directors and outside Audit & Supervisory Board Members satisfy the requirements for independence set forth by the Tokyo Stock Exchange and the Bank's "Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members".
All qualified outside directors and outside Audit & Supervisory Board Members are designated as independent.

Outside Director (4 members)

	Title:	Outside Director (Independent)
	Name:	Hiroyuki Mizuta
	Length of tenure:	9 years
	Board meeting attendance:	100%
	Aozora shares owned:	4,831

Reason for appointment and expected role
Mr. Hiroyuki Mizuta has served as Director, President and Representative Executive Officer of Resona Holdings, Inc. and Representative Director and Chairman of TOKYO TOWER Co., Ltd and he has a wealth of experience, credentials and deep insight as a top management of corporate institutions in the banking and non-financial sectors, as well as extensive knowledge of banking retail business and corporate finance business. He has appropriately supervised the management of the Bank as an Outside Director since June 2013. The Bank has high regard for his experience and capabilities and expects him to provide overall oversight and advice on the execution of duties by executive officers, from an objective perspective, toward the enhancement of the Bank's corporate value over the mid- to long-term.

	Title:	Outside Director (Independent)
	Name:	Ippei Murakami
	Length of tenure:	8 years
	Board meeting attendance:	100%
	Aozora shares owned:	9,651

Reason for appointment and expected role
Mr. Ippei Murakami has served as President and Representative Director of Nisshin Seifun Group Inc. and Chair of the Board of Trustees of Kwansei Gakuin and he has a wealth of experience, credentials and deep insight as a top management of corporate institution and educational institution, as well as extensive knowledge of corporate finance and accounting. He has appropriately supervised the management of the Bank as an Outside Director since June 2014. The Bank has high regard for his experience and capabilities and expects him to provide overall oversight and advice on the execution of duties by executive officers, from an objective perspective, toward the enhancement of the Bank's corporate value over the mid- to long-term.

	Title:	Outside Director (Independent)
	Name:	Tomonori Ito
	Length of tenure:	8 years
	Board meeting attendance:	100%
	Aozora shares owned:	2,000

Reason for appointment and expected role
Mr. Tomonori Ito, after having experience with domestic and global financial institutions, has served as Professor of Department of International Corporate Strategy at Hitotsubashi University Business School and Professor of Institute for Business and Finance at Waseda University Business School and he has a wealth of experience and credentials in the global finance business and deep insight as Professor of a business school, as well as extensive knowledge of investment banking business including M&A. He has appropriately supervised the management of the Bank as an Outside Director since June 2014. The Bank has high regard for his experience and capabilities and expects him to provide overall oversight and advice on the execution of duties by executive officers, from an objective perspective, toward the enhancement of the Bank's corporate value over the mid- to long-term.

	Title:	Outside Director (Independent)
	Name:	Sakie Tachibana Fukushima
	Length of tenure:	–
	Board meeting attendance:	–
	Aozora shares owned:	–

Reason for appointment and expected role
Ms. Sakie Tachibana Fukushima has served as Director of Korn/Ferry International (U.S. Headquarters), a U.S. listed firm, as well as President and Chairman of Korn/Ferry Japan. She has also served as an outside director of several Japanese listed companies and she has a wealth of experience, credentials and deep insight as a top management of corporate institutions, as well as extensive knowledge of the management of global human resources and corporate governance. The Bank has high regard for her experience and capabilities and expects her to provide overall oversight and advice on the execution of duties by executive officers, from an objective perspective, toward the enhancement of the Bank's corporate value over the mid- to long-term.

Outside ASB Member (2 members)

	Title:	ASB Member (Independent)
	Name:	Kiyoto Hagiwara
	Length of tenure:	7 years
	Board meeting attendance:	100%
	ASB meeting attendance:	100%
	Aozora shares owned:	4,390

Reason for appointment
Mr. Kiyoto Hagiwara has served as an Auditor at the Bank of Japan and is qualified for the responsibilities as an outside Audit and 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.

	Title:	ASB Member (Independent)
	Name:	Toraki Inoue
	Length of tenure:	6 years
	Board meeting attendance:	100%
	ASB meeting attendance:	100%
	Aozora shares owned:	–

Reason for appointment
Mr. Toraki Inoue was formerly a Worldwide Partner at Arthur Andersen and is qualified for the responsibilities as an outside Audit and Supervisory Board Member because he has substantial experience and expertise as a public accountant and accounting expert, and his position is independent from the day-to-day management responsibilities of the operations and activities of the Bank.

Internal Director (4 members)

	Title:	Representative Director and President, Chief Executive Officer (CEO)
	Name:	Kei Tanikawa
	Length of tenure:	4 years
	Board meeting attendance:	100%
	Aozora shares owned:	17,208

Reason for appointment
Mr. Kei Tanikawa has been engaged in a broad range of banking businesses such as corporate banking and financial institutions and has made a considerable contribution to the corporate management as an Executive Officer (since July 2012), supervising multiple groups/divisions. He has deep insight in financial businesses as well as extensive experience and sound judgment.

	Title:	Representative Director and Deputy President
	Name:	Koji Yamakoshi
	Length of tenure:	2 years
	Board meeting attendance:	100%
	Aozora shares owned:	3,559

Reason for appointment
Mr. Koji Yamakoshi has been engaged in a broad range of banking businesses such as specialty finance and has made a considerable contribution to the corporate management as an Executive Officer (since July 2012) and subsequently Head of Specialty Finance Group and Head of Corporate Banking Group. He has deep insight in financial businesses as well as extensive experience and sound judgment.

	Title:	Representative Director and Deputy President
	Name:	Hideto Oomi
	Length of tenure:	1 year
	Board meeting attendance:	100%
	Aozora shares owned:	6,807

Reason for appointment
Mr. Hideto Oomi has been engaged in a broad range of banking businesses such as corporate banking and corporate strategy and has made a considerable contribution to the corporate management as an Executive Officer (since July 2016), supervising multiple groups/divisions. He has deep insight in financial businesses as well as extensive experience and sound judgment.

	Title:	Director, Senior Managing Executive Officer
	Name:	Tomomi Akutagawa
	Length of tenure:	3 years
	Board meeting attendance:	100%
	Aozora shares owned:	5,746

Reason for appointment
Ms. Tomomi Akutagawa has been engaged in a broad range of banking businesses such as financial management and has made a considerable contribution to the corporate management as an Executive Officer and Deputy CFO (since July 2014) and subsequently Head of Corporate Strategy Unit and CFO. She has deep insight in financial businesses as well as extensive experience and sound judgment.

Standing ASB Member (1 member)

	Title:	Standing ASB Member
	Name:	Satoshi Hashiguchi
	Length of tenure:	4 years
	Board meeting attendance:	100%
	ASB meeting attendance:	100%
	Aozora shares owned:	1,766

Reason for appointment
Mr. Satoshi Hashiguchi has been engaged in a broad range of banking businesses such as corporate banking, financial management and markets and became General Manager of the Internal Audit Division in October 2013. With his extensive experience and deep insight, he has been verifying internal controls from an objective standpoint independent of business execution as a General Manager of the Internal Audit Division.

(Note)

- Length of tenure refers to service as of June 22, 2022
- Board meeting and ASB meeting attendance refers to meetings held during FY2021
- Number of Aozora shares owned as of March 31, 2022

Messages from Outside Directors

Hiroyuki Mizuta

Chairperson of Audit and Compliance Committee



What is your opinion of Aozora Bank's internal control system, starting with the Bank's audit and compliance framework?

Banking operations are based fundamentally on being entrusted with deposits received from customers, and so I think ensuring management transparency is extremely important. In that sense, I think Aozora's hybrid internal control system, which includes the Board of Directors, Audit & Supervisory Board members, and the Audit and Compliance Committee, is functioning quite well. Of course, this is the result of frank discussions held among those who hold each of these positions. As the current business environment continues to change rapidly, invalidating much of the conventional knowledge and experience, it takes a great deal of effort to stay ahead of the times. We believe that it is more important than ever for all of our officers and employees to maintain a strong will that does not fear change.

We are currently doing everything we can to establish a new image of Aozora Bank, and I hope to continue doing so as one of its members.

<Brief Personal History and Concurrent Major Posts>

Nov. 2003	President and Representative Director, The Kinki Osaka Bank, Ltd. (currently Kansai Mirai Bank, Limited)
June 2006	Director, President and Representative Executive Officer, 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
June 2010	Outside Director, Nippon Dentsu Co., Ltd. Director, Nippon Television City Corporation (currently TOKYO TOWER Co., Ltd.)
June 2011	Representative Director and Chairman, TOKYO TOWER Co., Ltd.
June 2013	Director, Aozora Bank, Ltd. (current)
June 2016	Executive Advisor, Nippon Dentsu Co., Ltd.
June 2022	Adviser, TOKYO TOWER Co., Ltd. (current)

Ippei Murakami

Audit and Compliance Committee Member



What is your opinion of establishing a framework for ensuring the effectiveness of the Board of Directors?

I believe that President Tanikawa and his management team have worked hard to put a system in place to ensure the effectiveness of the Board of Directors, and this system is being managed to make sure it functions properly. However, I sometimes feel that there is a disconnect between the Board of Directors and the business groups when it comes to issues such as the process for taking the discussions held at the Board of Directors meetings and implementing them on the ground, tracking their progress, and the pace of changes being made within the indirect groups that support the business groups in charge of execution. I think that, going forward, there will be many situations that will require quick responses to changes in the business environment that deviate from the conventional banking system, and so it is crucial for us to improve our ability to properly convey management's intentions and other important information.

At the same time, we must also improve our ability to gather information. I think the Group companies we have established both in Japan and overseas now need to display real value, and it is urgently necessary to rebuild our information gathering system integrated with the Head Office that specializes in handling information separately from our sales activities. In my view, Aozora Bank will be able to demonstrate the indispensable role it plays and continue to exist within society by maintaining a flexible management/corporate structure that can deftly respond to any societal changes.

<Brief Personal History and Concurrent Major Posts>

Oct. 2007	President and Representative Director, Nisshin Seifun Group Inc.
Apr. 2011	Director and Senior Consultant
June 2011	Special Advisor (current)
June 2014	Director, Aozora Bank, Ltd. (current)
Apr. 2021	Chair of the Board of Trustees, Kwansei Gakuin (current)

Tomonori Ito

Chairperson of Nomination and Remuneration Committee



What are some of the key priorities and potential issues regarding the implementation of Aozora's Strategic Investments Business?

Aozora's Strategic Investments Business can be rephrased as "Japanese-style investment banking". "Japanese-style" here refers to how, after World War II, the main Japanese banks provided companies with funds in order to facilitate their growth (through lending and shareholding) which led to industrial development, and our intent is to perform this role once again. In Japan, there is a limited supply of equity as risk capital, but in Aozora's Strategic Investments Business, We will focus on equity-related business including equity investments with a primary focus on engagement, private equity, and M&A. Risk is an inherent aspect of equity investment, and so it is essential to train experienced bankers that can properly identify risks. Within our newly launched equity investments with a primary focus on engagement, we will invest in corporate equities from a long-term perspective, but unlike cross-shareholdings, we will also become "involved" investors similar to the Japanese banks of yore. We will firmly propose strategies to the management of companies we invest in that drive corporate growth and build business models that increase the rate of return on equity investments through that growth.

<Brief Personal History and Concurrent Major Posts>

Mar. 1990	Vice President of Investment Banking Group, Bank of Tokyo, Ltd. (currently MUFG Bank, Ltd.) Trust Company, New York
Aug. 1997	General Manager of Tokyo Branch and Head of Investment Banking, Union Bank of Switzerland (currently UBS)
June 1998	Head of Investment Banking and Managing Director, UBS Securities Japan Co., Ltd.
Apr. 2011	Visiting Professor, Graduate School of International Corporate Strategy, Hitotsubashi University
May 2012	Outside Board Member of PARCO CO., LTD.
Oct. 2012	Professor, Graduate School of International Corporate Strategy, Hitotsubashi University (currently Department of International Corporate Strategy, Hitotsubashi University Business School)
July 2013	Outside Corporate Auditor, AIN PHARMACIEZ INC.
June 2014	Director, Aozora Bank, Ltd. (current)
June 2016	Outside Director, Electric Power Development Co., Ltd. (current)
Apr. 2020	Adjunct Professor, Department of International Corporate Strategy, Hitotsubashi University Business School
Sept. 2021	Professor, Institute for Business and Finance, Waseda University Business School (current) Visiting Lecturer, Department of International Corporate Strategy, Hitotsubashi University Business School (current)
Apr. 2022	Specially-appointed Professor, Graduate School of Business Administration, Kyoto University of Advanced Science (current)
June 2022	Outside Director, Mitsui Sumitomo Insurance Co., Ltd. (current)

Sakie Tachibana Fukushima

Nomination and Remuneration Committee Member



Image taken during her remote address at the General Meeting of Shareholders in June 2022

A Message to our shareholders

I have been involved in Corporate Governance (CG) in the United States since 1995, when I became a member of the board of directors of the headquarters of the American company for which I was working. Since 2002, I have served as an outside director of 12 Japanese corporations, and so have experienced first-hand the changes in CG in both countries. Both governance structure and its implementation/operation are key for effective CG. In Japan, CG has been enhanced by the provision of more options for governance structure and by introducing the CG Code for its effective operation. This is the first time for me to work as an outside director of a financial institution, so I am now in a learning mode. A crucial role for an outside director in a Japanese company is to introduce benchmarks from outside to avoid management that "appears to be common sense by those in the company but appears devoid of common sense when viewed from outside." Based on my over 30-year experience engaged in the business strategies of various global companies and in human capital consulting, I have found that providing benchmarks from other companies is critical for Japanese companies because their top management often has experience working in only one company. In the midst of a drastically changing world environment including in the financial industry, I will do my best to maximize the Bank's corporate value by supervising the execution of offensive and defensive strategies from the perspective of our shareholders.

<Brief Personal History and Concurrent Major Posts>

Sept. 1974	Instructor, Department of East Asian Languages and Civilizations, Harvard University
June 1980	Braxton International
Sept. 1987	Bain & Company, Inc.
Aug. 1991	Korn/Ferry International-Japan (currently Korn/Ferry Japan)
May 1995	Member of the Board of Directors, Korn/Ferry International (U.S. Headquarters)
Sept. 2000	Regional Managing Director, Korn/Ferry International-Japan
July 2001	President and Representative Director, Korn/Ferry International-Japan
May 2009	Chairman and Representative Director, Korn/Ferry International-Japan
July 2010	President and Representative Director, G&S Global Advisors Inc. (current)
Apr. 2011	Vice Chairperson, Japan Association of Corporate Executives
June 2016	Outside Director, Ushio Inc. (current)
June 2019	Outside Director, Konica Minolta Inc. (current)
June 2020	Outside Director, Kyushu Electric Power Company, Incorporated (current)
June 2022	Director, Aozora Bank, Ltd. (current)

Skill and Expertise of Directors and Audit & Supervisory Board Members

(Note) Not all of the expertise that each Director or Audit & Supervisory Board Member possesses

		Committee members		Expertise of Directors and Audit & Supervisory Board Members						
		Nomination and Remuneration Committee	Audit & Compliance Committee	Corporate management	Banking and finance	Financial accounting	Legal, Compliance/Risk Management	Global Affairs	IT/DX	Sustainability
Outside Directors	Hiroyuki Mizuta		Chairperson	○	○		○			
	Ippei Murakami		○	○		○	○			
	Tomonori Ito	Chairperson			○			○		○
	Sakie Tachibana Fukushima	○		○				○		○
Internal Directors	Kei Tanikawa	○		○	○		○			
	Koji Yamakoshi				○		○	○		
	Hideto Oomi				○			○	○	
	Tomomi Akutagawa				○	○	○			○
Outside ASB Members	Kiyoto Hagiwara		Observer		○		○			
	Toraki Inoue		Observer	○		○	○	○		
Standing ASB Member	Satoshi Hashiguchi		Observer		○		○	○		

Analysis and Evaluation of Board Effectiveness

The Bank works to further enhance the effectiveness of its Board of Directors through a continuous process (PDCA cycle) of analyzing and evaluating Board effectiveness each fiscal year as well as considering and providing solutions to new and existing issues. In light of its fiduciary duties and accountability to the Bank's shareholders, the Board of Directors continues to perform self-evaluations of its effectiveness with the aim of promoting sustainable growth and enhancing the Bank's corporate value over the mid- to long-term based on the assessment of and views on its management and oversight functions that leverage directors' and Audit and Supervisory Board members' knowledge, experience and capabilities. The results of these self-evaluations are shared in thorough Board discussions.

The Bank's Board of Directors ensures objectivity and transparency as 50% of the Board are outside members.

In addition to retaining an Audit and Supervisory Board, the Bank also has a Nomination and Remuneration Committee, which is mainly comprised of outside directors and is also chaired by an outside director, as well as an Audit and Compliance Committee, which is comprised of only outside directors. Both committees act to complement the oversight of executive officers including representative directors and conduct checks and balances of them.

Three outside directors' meetings were convened throughout FY2021 to allow for the discussion and exchange of views on topics, including Aozora's executive structure, key business issues in light of the

changing business environment, and the operation of the Board of Directors, from an independent outside director's perspective. The Board of Directors confirmed the progress of the current Mid-term Plan and received reports mainly on ongoing initiatives in each area of business, including Aozora's Strategic Investments Business, as well as the newly established Aozora's Sustainability Targets. Following this, those topics discussed at the Board of Directors were incorporated into the Bank's management, and substantive discussions regarding the development of the Business Plan for FY2022, the final year of the Mid-term plan, took place over the course of several sessions. The Board of Directors also discussed and considered a clearer description of the composition of the Board of Directors and the independence criteria for outside directors. Furthermore, the Board approved the candidate for independent outside director that the Nomination & Remuneration Committee recommended after discussions.

In FY2021, the Board assessed that its roles and responsibilities continued to be properly fulfilled under the aforementioned framework through constructive discussions and exchange of ideas on important issues, including business strategy, as well as the highly effective oversight and monitoring of management executives. The Board also assessed that overall Board management was proper and effective. Going forward, the Bank will strive to make the Board's roles and responsibilities more effective and proper by utilizing committees under the Board as well as the outside directors' meeting.

Composition of the Board of Directors

1. The Board of Directors shall not have more than 12 Directors, which is the maximum number of Directors stipulated in the Articles of Incorporation.
2. Nomination of Director candidates shall be based on "Basic Policy for Nominating Directors and Audit & Supervisory Board Member Candidates, and Appointing and Dismissing Senior Management Including the CEO".
3. The Composition of the Board of Directors shall take into consideration its diversity of knowledge and expertise in areas including banking and finance, financial accounting, risk management, legal and

- compliance and other areas in addition to deep insight into the Aozora Group's business.
4. The Board of Directors shall be comprised of internal directors who possess extensive knowledge and experience in business execution and outside directors who supervise management from an independent perspective. Judgement of outside director's independence shall be made based on "Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members" and the percentage of independent outside directors, in principle, shall be half or more.

Board of Directors, Audit and Supervisory Board, and Committee Meetings

Name of Committee	Chaired by	Members	Meetings held in FY2021	Attendance
Board of Directors	President	Directors, Audit and Supervisory Board Members	15	100%
Audit and Supervisory Board (ASB)	Standing ASB Member	ASB Members	13	100%
Nomination and Remuneration Committee	Outside Director	Directors (Outside Directors comprise majority)	6	100%
Audit and Compliance Committee	Outside Director	Outside Directors	6	100%

Name of Committee	Chaired by	Members	Meetings held in FY2021	Purpose
Management Committee	CEO	Executive Officers appointed by the Board of Directors	54	Determine important matters related to daily business operations
Asset and Liability Management Committee	CFO	President, Executive Officers in charge	13	Determine important matters regarding asset and liability management
Integrated Risk Committee	CRO	President, Executive Officers in charge	19	Establish risk management policies, monitor risk management framework, maintain proper internal governance, launch new businesses/products
Credit Committee	CCRO	President, Executive Officers in charge	86	Approve credit transactions and related business policies
Investment Committee	CCRO	President, Executive Officers in charge	44	Approve individual investment transactions, establish appropriate investment policies, ensure accurate understanding of the Bank's overall investment portfolio, build and maintain a secure and profitable portfolio
CAPEX Committee (approval and management of IT-related proposals)	CTO	President, Executive Officers in charge	14	Approve and monitor IT projects required to realize Management Committee-approved business plans and strategies
CAPEX Committee (approval and management of facilities-related proposals)	Head of Corporate Strategy Unit	President, Executive Officers in charge	7	Approve and monitor facilities-related proposals required to realize Management Committee-approved business plans and strategies
Customer Protection Committee	Head of Compliance and Governance Unit	Executive Officers in charge	22	Review customer protection framework in five areas: customer explanation management, customer support management, customer information management, outsourcing management and conflict of interest management
Sustainability Committee *	CEO	Executive Officers in charge	1	Deliberate on and determine basic matters of sustainability promotion as well as important matters regarding sustainability promotion in the Bank's business and initiatives as a business entity

*The Sustainability Committee was established in January, 2022

Basic Policy for Nominating Directors and Audit & Supervisory Board Member Candidates, and Appointing and Dismissing Senior Management Including the CEO

<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 the Bank's 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

The Composition of the Board of Directors shall take into consideration its diversity of knowledge and expertise in areas including banking and finance, financial accounting, risk management, legal and compliance and other areas in addition to deep insight of the Aozora Group's business.

<Basic Guidelines for Nominating Audit & Supervisory Board Member Candidates>

Candidates should:

1. Possess substantial management knowledge and expertise
2. Have knowledge of important financial rules and regulations, finance and accounting
3. Be objective, 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

<Reappointment of Directors and Audit & Supervisory Board Members>

For reappointment of Directors and Audit & Supervisory Board Members, in addition to the above basic guidelines, performance of his/her duties and contribution to the Bank's management as Director/Audit & Supervisory Board Member during his/her term of office as well as the number of years since such candidate assumed the office of a Director/Audit & Supervisory Board Member shall be considered.

<Basic Guidelines for Appointing and Dismissing Senior Management (Executive Officers)>

(1) Basic Guidelines for Appointing Senior Management

1. Possesses substantial knowledge and expertise required for proper business operations
2. Has superior insight, ability to make decisions on business operations and exercise sound judgment
3. Demonstrates leadership skills and ability to assume responsibility for important management functions related to the Bank's business strategy

(2) Basic Guidelines for Dismissing Senior Management

1. Acts against the public interest
2. Becomes unable to perform duties due to health problems
3. Causes serious damage to the Bank's corporate value due to negligence

<Basic Guidelines for Appointing and Dismissing the CEO>

(1) Basic Guidelines for Appointing the CEO

In addition to the Basic Guidelines for Appointing Senior Management:

1. Has superior top management leadership skills
2. Has substantial management experience and achievements
3. Optimal candidate for the continued improvement of the Bank's corporate value

(2) Basic Guidelines for Dismissing the CEO

In addition to the Basic Guidelines for Dismissing Senior Management:

1. Fails to exercise top management leadership
2. Determined to be unqualified as CEO due to failure in fulfilling shareholders' mandate

Procedure for Nominating Directors, etc.

<Procedure for Nominating Directors, and Appointing and Dismissing Senior Management Including the CEO>
The Nomination & Remuneration Committee, of which the majority comprises outside directors, deliberates on the nomination of director candidates as well as the appointment and dismissal of the CEO and other senior management, 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 as well as appointing the CEO and other senior management in accordance with the basic guidelines for such nomination or appointment.

In cases where the CEO or other senior management falls under any of the above basic guidelines for dismissal, in principle, the Board of Directors will

determine whether or not to dismiss them in accordance with the recommendations of the Nomination & Remuneration Committee.

<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.

Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members

Outside Directors, Outside Audit & Supervisory Board Members and its candidates who do not fall under any of the following categories shall be deemed to be independent.

- (1) A person who currently is, or has been during the last 10 years prior to his/her taking office, an Executive (Executive Director, Executive Officer or other employee) of the Bank or its subsidiaries.
- (2) A person who had served as a Director, Accounting Advisor and/or Audit and Supervisory Board Member (excluding a person who served as an Executive) of the Bank or its subsidiaries at some time during the 10 years prior to his/her taking office, had also served as an Executive of the Bank or its subsidiaries in the 10 years prior to his/her taking office as such Director, Accounting Advisor and/or Audit and Supervisory Board Member.
- A person who is a major business partner (2% or more of consolidated net revenue of the Bank or consolidated net sales of the said major business partner) or an Executive thereof of the Bank or its subsidiaries.
- A consultant, accounting expert and/or legal expert, who has received large amounts of money or other assets (more than an average of JPY 10 million per year over the last three years) from the Bank or its subsidiaries in addition to any compensation received as a director/an Audit & Supervisory Board Member, and/or a person who belongs to a consulting firm, accounting firm and/or legal firm, etc. which has received large amounts of money or

other assets (2% or more of consolidated sale revenue of the said firm) from the Bank or its subsidiaries.

- A person who has been any of the following (1) to (3) during the last 10 years prior to his/her taking office.
 - (1) A person who has been an executive and/or non-executive director of the parent company of the Bank
 - (2) An Audit & Supervisory Board Member of the parent company of the Bank (limited to cases when the Audit & Supervisory Board Member shall be designated as Independent)
 - (3) A person who has been an executive of any subsidiaries of the Bank
- A person who has "recently" fallen under any of 1 through 4 above. ("recently" means where a time can be deemed to be substantively the same as the present. For example, a person is not independent if that person was a major business partner at the time when a matters to be proposed to the shareholders meeting regarding his/her appointment was decided.)
- A close relative (a spouse or family member within the second degree of kinship, excluding those who is not an "important person") falls under any of 1 through 5 above ("important person" means, for example, an executive officer/manager-level employee of a company, and in the case of 3 above, a holder of professional qualification such as a Certified Public Accountant and Attorney-at-Law). In the case of 1 above, those who fall under each item at present.

Policy and Procedure for Determining Director/Executive Officer Remuneration

<Basic Policy for Determining Remuneration for Directors>

In order to pursue its mission to "contribute to the development of society through the creation of new value-added financial services," Aozora recognizes the necessity of providing proper incentives and a work environment that allows successful and high-potential human resources to perform their duties consistently while maintaining high morale, motivation, and pride. To this end, the Bank has designed a remuneration system based on the following basic policy.

1. Remuneration framework in line with the Bank's vision

The Bank aims to build a compensation framework which reflects business performance in line with its objectives and values.

2. Remuneration framework appropriately reflecting the Bank's performance

The Bank's remuneration framework is based on "pay for performance" and reflects the Bank's commitment to sustainable growth, sound risk-taking through appropriate risk management, compliance, and customer protection.

3. Remuneration framework serving the interests of shareholders and other stakeholders

The Bank has adopted a remuneration framework that is consistent with the values of its shareholders and other stakeholders.

4. Remuneration methodology that supports effective governance

The Bank ensures that remuneration decisions are made with full transparency and free from any specific influence.

<Policy on Determination of the Amount or Calculation Method of Remuneration for Directors>

In order to ensure that the process for determining individual directors' remuneration is transparent, independent, and impartial, the Nomination and Remuneration Committee, which the Bank voluntarily established and mainly comprises outside directors entrusted by the Board of Directors, determines the amounts payable to each director in accordance with the Bank's policy of deciding the remuneration of individual directors as approved by the Board based on the Committee's recommendation.

The members of the Nomination and Remuneration Committee are as follows:

Chairperson of the Committee: Tomonori Ito, Outside Director

Member: Sakie Tachibana Fukushima, Outside Director

Member: Kei Tanikawa, Representative Director and President

The Nomination and Remuneration Committee members in charge of determining the amount of each director's remuneration for FY2021 were as follows:

Chairperson of the Committee: Shunsuke Takeda, Outside Director

Member: Tomonori Ito, Outside Director

Member: Kei Tanikawa, Representative Director and President

In principle, the Bank pays base remuneration (fixed remuneration), bonus (performance-based remuneration), and equity compensation type stock options (non-cash remuneration) to full-time directors and only base remuneration (fixed remuneration) to outside directors.

Base Remuneration (Fixed Remuneration)

Base remuneration, which comprises a fixed amount that varies by type of position (full-time or part-time), job title, and responsibilities, is paid on a monthly basis during the tenure of each director. Data from an outside specialized agency is used to determine whether the level of base remuneration is appropriate. For President and Deputy President, base remuneration is determined within a range of remuneration predetermined by the type of position while taking into consideration factors including the levels of their responsibilities and experience.

Bonus (Performance-based Remuneration)

Bonuses (performance-based remuneration) are initially set at the equivalent of 40% of the basic remuneration amount (the "Base Bonus Amount"), and the Nomination and Remuneration Committee determines the exact amount of bonus for individual full-time directors by applying a rate within a predetermined range of 0% to 250% of the Base Bonus Amount while considering the key performance indicators of the fiscal year as shown below. Bonuses are paid within a specific period following the end of each fiscal year. Specifically, the rate and bonus amount for each director are determined primarily based on the following key performance indicators, and also in consideration of the Bank's overall performance during the relevant fiscal year.

- Achievement rates of Business Profit and Net Earnings
- Achievement rates of KPIs (Key Performance Indicators) such as OHR (Over-head Ratio), ROA (Return on Assets) and ROE (Return on Equity)
- Achievement and maintenance of the Capital Adequacy Ratio
- Assessment of undue risk and occurrence of serious compliance violations
- Implementation and introduction of initiatives and strategies from a mid- to long-term perspective, including the launch of new businesses
- Progress and achievement of the Bank-announced sustainability initiative targets

Among the aforementioned performance indicators, the fundamental indicators of the Bank's business results are business profit and net earnings, while the key performance indicators, namely OHR, ROA, ROE and Capital Adequacy Ratio, are the main indexes for tracking the progress of the Bank's Mid-term Plan. The achievement rates of these indicators, therefore, are taken into account as quantitative evaluation criteria for determining bonus amounts. In order to encourage not just short-term results but also mid- to long-term business initiatives, the Bank also fully considers qualitative evaluation criteria for determining bonus amounts such as undue risk-taking, the occurrence of serious compliance violations, and the implementation/introduction of initiatives and strategies from a mid- to long-term perspective, including the launch of new businesses, as well as the progress and achievement of the Bank-announced sustainability initiative targets.

The targets and results of indicators tied to performance-based remuneration are stated below.

	FY2020 Announced Forecast	FY2020 Results	(Reference) FY2021 Announced Forecast (*4)	(Reference) FY2021 Results
Business profit	34.5 billion yen	42.6 billion yen	42.5 billion yen	47.8 billion yen
Net earnings (*1)	28.5 billion yen	28.9 billion yen	30.0 billion yen	35.0 billion yen

	Mid-term Plan Targets (*3)	FY2020 Results	(Reference) FY2021 Results
OHR	Below 55%	57.0%	56.1%
ROA (*2)	1%	0.8%	0.8%
ROE	8% or higher	6.3%	7.2%
Capital adequacy ratio	9% or higher	11.03%	10.37%

(*1) Profit attributable to owners of parent

(*2) Business profit ROA including gains/losses on equity method investments

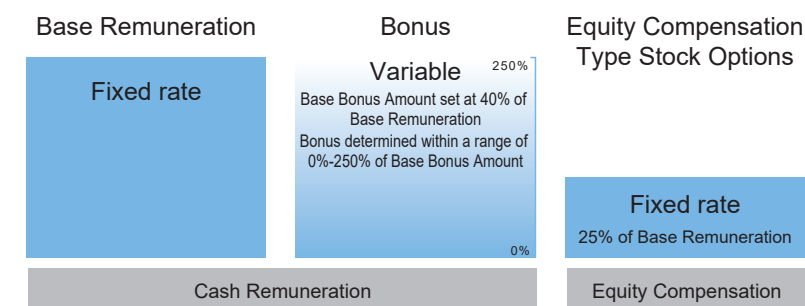
(*3) Mid-term Plan "Aozora 2022" (FY2020-22)

(*4) Original forecast announced in May 2021, which was revised in January 2022

Equity Compensation Type Stock Options (Subscription Rights to Shares as Non-cash Remuneration)

The Nomination and Remuneration Committee discusses and sets the proper ratio of cash remuneration to equity compensation type stock options (subscription rights to shares as non-cash remuneration) in order for stock options to be one of the longer term incentives to promote sustainable growth, and determines the exact number of stock options at the equivalent of 25% of base remuneration amount based on a resolution by the Board of Directors in accordance with the Equity Compensation Type Stock Options Manual. Equity compensation type stock options are granted within a specific period following the end of each fiscal year.

Full-time Director Remuneration Structure



<Reasons for the Board of Directors' Judgment that Remuneration for Individual Directors in FY2021 was in Accordance with the Above Policy>

The Nomination and Remuneration Committee determined the details of remuneration for individual directors from a multilateral perspective, including the analysis of business target achievements and each director's contribution to the Bank's business operations, while ensuring consistency with its policy of determining remuneration. The Board of Directors respected such determination while judging that it was made in accordance with the determination policy.

<Policy on Determination and Calculation of ASB Member Remuneration>

ASB members discuss and determine their individual remuneration amounts in consideration of deliberations and proposals made at Nomination and Remuneration Committee meetings. ASB members only receive base remuneration (fixed remuneration), which is paid on a monthly basis during their tenure in accordance with the policy below.

Base Remuneration (Fixed Remuneration)

Base remuneration comprises a fixed amount which is determined mainly in consideration of the type of position (full-time or part-time), assigned audit duties and details of director remuneration. Before determining base remuneration, data from an outside specialized agency is used to determine whether the level of base remuneration is appropriate.

<Remuneration of Directors and ASB Members (April 1, 2021-March 31, 2022)>

Category	#	Remuneration in total	(million yen)		
			Base	Bonus	Non-cash (stock options)
Directors (excl. outside directors)	5	285	171	70	43
ASB member (excl. outside ASB members)	1	29	29	—	—
Outside directors	4	56	56	—	—
Outside ASB members	2	24	24	—	—

(Note) 1. This includes one director who retired at the close of the 88th General Meeting of Shareholders on June 24, 2021.

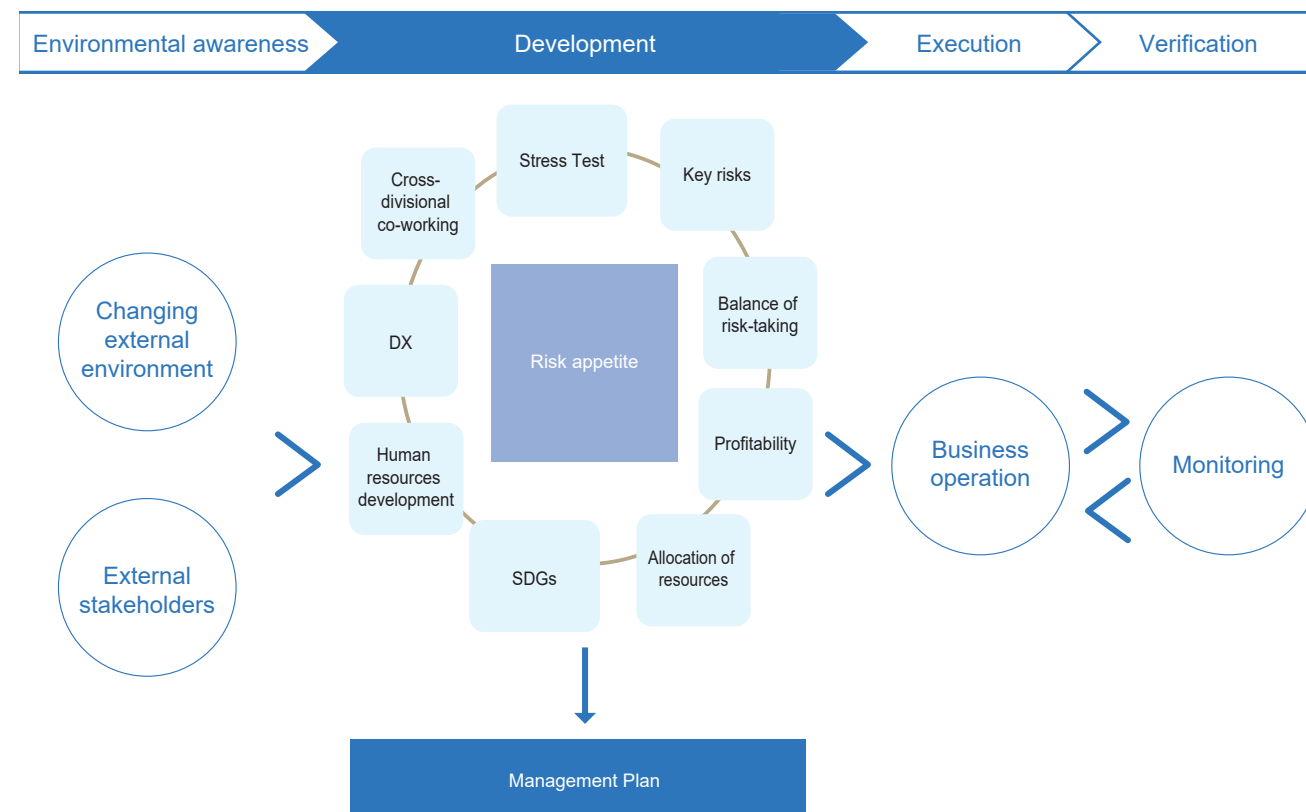
2. In FY2020, provision for directors' bonuses was 64 million yen. In June 2021, the Bank paid 56 million yen as bonuses to four directors (excluding outside directors) for their execution of duties during FY2020.

3. The bonus of 70 million yen is actually the provision for directors' bonuses recorded in FY2021. Following the determination of bonus (performance-based remuneration) amounts at the Nomination and Remuneration Committee on May 23, 2022, the Bank paid 105 million yen in June 2022 to four directors (excluding outside directors) for their execution of duties during FY2021.

Risk Appetite Framework

While the banking sector continues to experience significant changes in the operating environment, Aozora remains committed to the sustainable enhancement of its corporate value. In keeping with this commitment, the Bank continues to promote sound risk-taking through proper awareness of its business environment, including potential risks and the implementation of effective risk controls. The Aozora Group has established a risk appetite framework for business management that clearly identifies the type and level of risks (risk appetite) the Bank assumes to achieve its business strategies and financial plan. In recognition of the expectations of the Aozora Group's

stakeholders, including its shareholders and customers, as well as changes in the external operating environment, the Bank's Mid-term Plan and annual business plans are developed in consideration of a range of factors including the Bank's profitability, balance of risk-taking, resource allocation, and the results of stress tests. Business operations are based on the Bank's management plan under the oversight of the Management Committee and multiple other committees. These committees conduct monitoring of business operations while considering the progress against plan and awareness of the operating environment, which is also considered in subsequent business operations.



Internal Audit Management

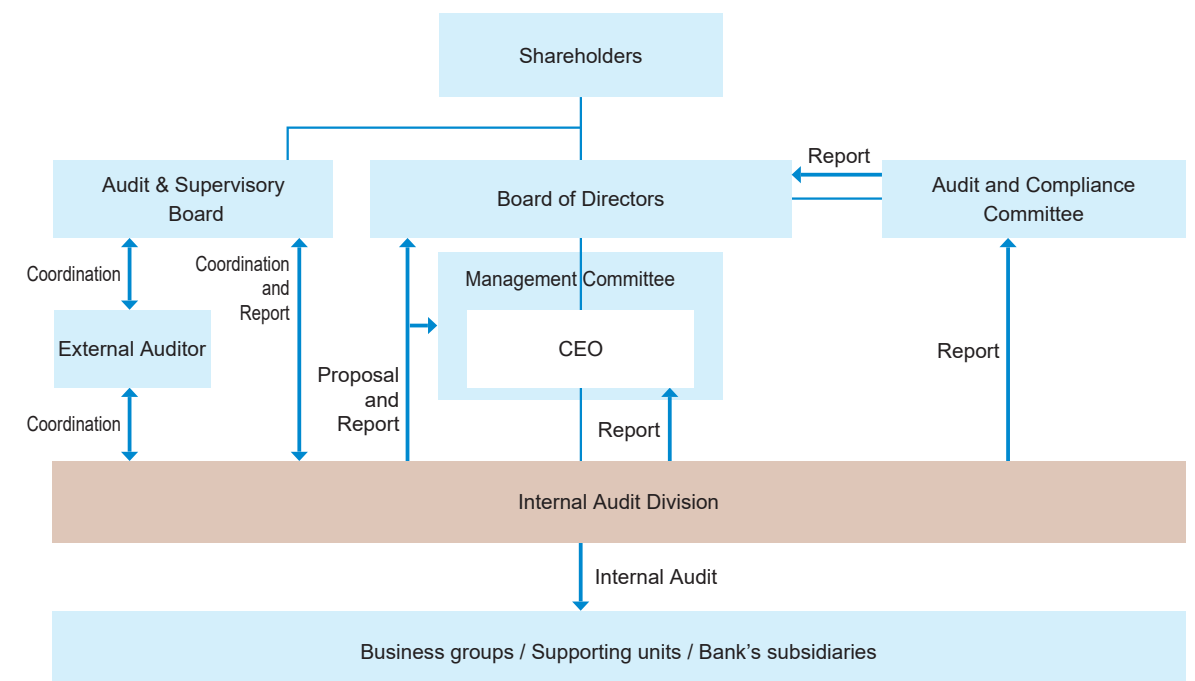
Role and Function

In order to add value to the Aozora Group's operations and help achieve its goals, the Bank's Internal Audit Division (IAD) operates independently from all other units/groups and objectively examines and evaluates whether the Group's internal controls are functioning properly and effectively while offering constructive and practical recommendations for business improvement. As of March 31, 2022, 29 employees were engaged in internal audits. Internal audits are conducted in line with the audit plans, which are formulated according to the Annual Internal Audit Plan approved by the Management Committee and the Board of Directors each fiscal year. When formulating the audit plan, IAD considers the frequency, complexity and available resources of audits based on the type and degree of inherent risk within each business/supporting unit and group companies as well as the status of internal controls. In consideration of the importance of risk management, IAD also conducts system audits and cross-sectional target audits as well as J-SOX audits that examine the effectiveness of internal controls related to financial reporting. IAD reports directly to the Chief Executive Officer and shares the status of the Group's internal controls mainly through periodic reporting. IAD also provides an independent evaluation of internal controls by presenting audit results to the Management Committee monthly and a summary of the audits directly to the Audit and Compliance Committee and the Board of Directors semi-annually. In order to better fulfill its mission, IAD cooperates with the Audit and Supervisory Board and its members by directly exchanging information and opinions, including the aforementioned audit reports and audit schedules. Furthermore, IAD strives to work closely with Audit & Supervisory Board members and the external Accounting Auditor by holding periodic group audit meetings where they exchange information and opinions.

Efforts to Improve Audit Quality and Effectiveness

The Bank's internal audits are conducted on a risk basis in accordance with the IIA's (Institute of Internal Auditors) international standards. In addition to an annual internal quality assessment, IAD periodically undergoes an external quality assessment by a third-party organization in order to further improve the Bank's internal audit. In order to improve the effectiveness of its internal audits, IAD conducts ongoing external recruitment of auditors with a high level of expertise. In addition, IAD supports and encourages its internal auditors to obtain professional certifications, such as Certified Internal Auditor (CIA) and Certified Information System Auditor (CISA).

Internal Audit System



Risk Governance

Basic Policy on Risk Management

The Aozora Group's basic policy is to leverage its financial intermediary function as a financial institution by strengthening its business groups' business operations while promoting our Strategic Investments Business which is designed to foster new business and support for industrial transition and our customers' growth, and business recovery initiatives. We prioritize strong risk management as a critical foundation for our group-wide value creation activities. Based on our corporate principles, the Aozora Group conducts sound risk-taking within a scope set by the

Masayoshi Ohara
Senior Managing
Executive Officer
Chief Risk Officer (CRO)



Masaki Onuma
Managing Executive Officer
Chief Credit Risk Officer
(CCRO)

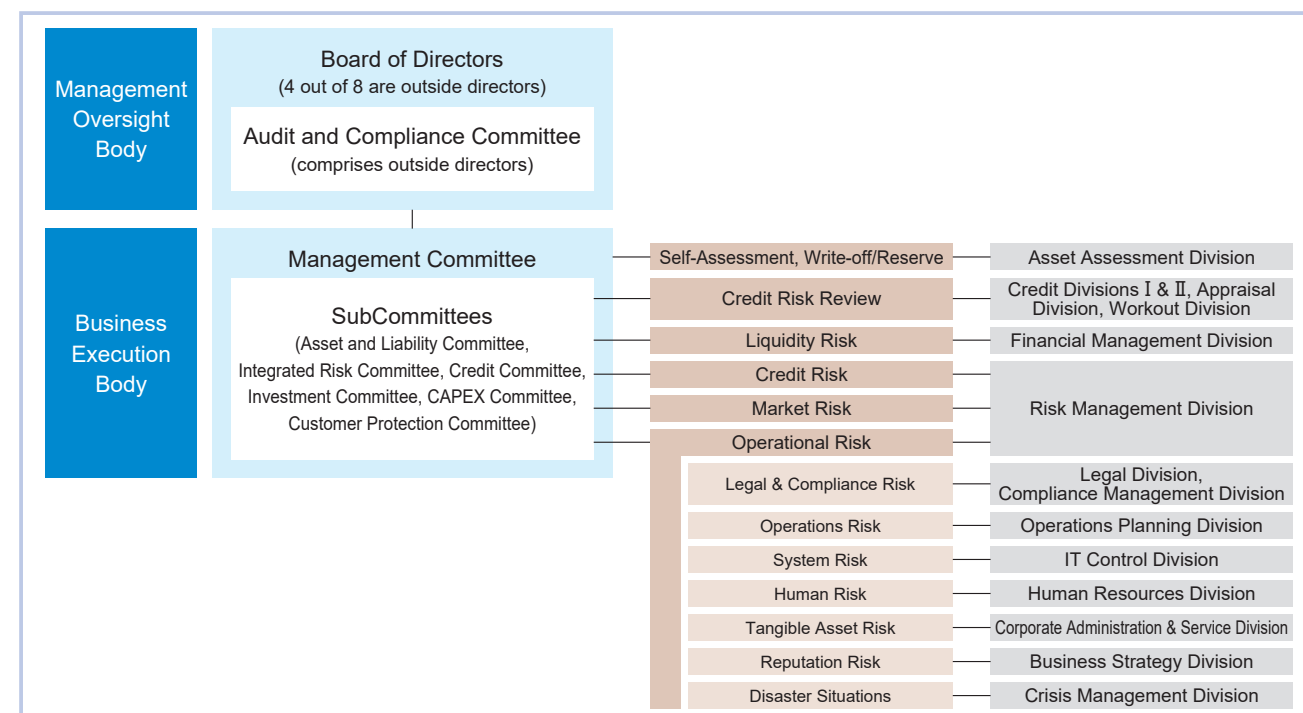


Board of Directors in order to enhance corporate value by balancing value creation with financial soundness while also recognizing the diverse risks associated with the execution of its operations as well as taking into consideration risks which may arise from new business. We also strive for a higher level of risk management through the establishment of a framework designed to properly identify and control individual and aggregate risks and appropriate management based on internal rules established by risk type.

Risk Governance Structure

The Aozora Group's risk governance structure is organized into two major groups. The first is the Board of Directors and the Audit and Compliance Committee which are primarily comprised of outside directors. The second major group is the Management Committee, which is mainly comprised of Aozora's executive officers, and subcommittees to which it delegates authority. In the normal course of business, the Management Committee and sub-committees analyze and take into consideration risks arising from the origination of loans and

investments and the delivery of services to customers as well as relevant business operations from a broad perspective. In addition, the status of risks is monitored and reported regularly or as needed, which leads to our flexible and timely responses. The status of risks is also regularly reported to the Board of Directors and the Audit and Compliance Committee where the appropriateness and effectiveness of risk management are discussed and reviewed mainly by outside directors in order to ensure the effectiveness of risk governance.



Key Risks

The Aozora Group recognizes the following items in its FY2022 business operations as its most significant risks (i.e. risks that pose the highest risk and potential impact for management in the coming year) among multiple risk factors identified in our business environment. We focus on key risks when discussing our risk appetite and in business planning, and also develop countermeasures that enable effective monitoring and flexible responses.

Key Risks	Countermeasures
Decrease in value of held securities due to market volatility	Despite growing uncertainties due to rising inflation and emerging geopolitical risk, Aozora has developed a risk management framework that allows for an appropriate response before issues, including losses, become serious by establishing various points regarding risk levels and losses. The Aozora Group also strives to maintain an efficient portfolio with high liquidity comprised of a balanced mix of risks, in addition to flexible risk control in light of market conditions and the financial environment through discussions of its policies as appropriate, rebalancing and resizing of its securities position, as well as hedging.
Deterioration in credit quality	The Aozora Group conducts disciplined investment and loan operations by originating individual investments in line with established loan management policies and investment plans while also conducting regular monitoring and reporting in addition to carefully observing the impact of supply chain disruptions and long-term inflation on business activity. The Aozora Group also maintains its selective origination regarding investment/loan transactions while carefully analyzing business risk and considering the diversification of its borrowers and investment/loan volumes. In addition, the Aozora Group conducts capital control, including stress testing, based on a set of established guidelines designed to limit credit concentration risk.
Unstable foreign currency funding	The Aozora Group has worked to develop a framework that ensures a sufficient level of liquidity available under stressed conditions along with monitoring and verification through periodic stress testing. The Aozora Group also continues to work towards long-term and stable foreign currency funding, including the ongoing issuance of foreign currency-denominated bonds, and diversifies its countermeasures, such as by establishing an emergency-use foreign currency funding facility.
IT Risks	The Aozora Group works to improve the awareness of all officers and employees regarding the ever-increasing threat of cyberattacks while maintaining and enhancing cyber-security tolerance across the Group through the evolution of multi-layered technical defense measures, enhancement of its detection capabilities, including monitoring, and response/recovery drills involving business groups. The Aozora Group also strives to maintain and enhance the effectiveness of its system failure response through measures such as the close sharing of information and conducting of drills.
Delay in the Aozora Group's structural/business transformation	For further details, please refer to "Strategic Investments Business" (page 30-) and "Sustainability Promotion" (page 52-).
Anti-money laundering, anti-terrorism financing and transactions with anti-social elements, insider trading	As part of its annual compliance program, the Aozora Group develops plans for and checks the status of its training programs, monitoring, dissemination of laws, regulations, and internal Bank rules as well as other activities. The Aozora Group also works to further establish and instill its Code of Ethics and Conduct through initiatives such as ongoing messages from top management in addition to requests for written pledges. The Aozora Group intends to develop an anti-money laundering customer management system and ensure the ongoing effectiveness of its response to the targets of economic sanctions as well as promote the further enhancement of these systems based on the revised Anti-Money Laundering Guidelines and Foreign Exchange Inspection Guidelines. The Aozora Group also continues to promote awareness of insider trading prevention among its officers and employees through the implementation of alerts, trainings, e-learning, and other measures.
Sustainability of human resources	The introduction of a new human resources system enables the Aozora Group to eliminate the barriers of age and restrictive career courses and appoint specialized personnel as a financial group that continues to take on new challenges as one unified team.

Compliance

Compliance Structure

Aozora Bank's Compliance Management and Legal Divisions are responsible for supervising compliance and developing internal rules regarding compliance while working to maintain and raise compliance awareness through a wide range of training and e-learning courses at regular intervals. As a specific action plan to realize our compliance framework, the Compliance Management Division annually develops compliance programs that are designed to deepen compliance awareness among the Aozora Group's officers and employees. The progress and achievement status is reported to the Audit and Compliance Committee and the Board of Directors on a semi-annual basis. In addition, Aozora has established a "Code of Ethics and Conduct" (page 129 in the Reference Part) that every officer and employee must comply with. Aozora's officers and employees, including group companies, all pledge on an annual basis that they understand and comply with the Code of Ethics and Conduct.

Social norms, common sense and expectations of

financial institutions are constantly evolving due to the impact of the prolonged COVID-19 pandemic and the expansion of digitalization. In addition to responding to changes in the external environment, the Aozora Group continues its operational initiatives to develop new products and services designed to achieve sustainable growth. If the Aozora Group fails to properly respond to changes in the external environment and business conditions, its business operations and transactions may be deemed to be in violation of laws and regulations, social norms, business practices and market conventions, or regarded as corporate activities lacking common sense, including from the perspective of customers, which could damage the Group's corporate value. To avoid any damage to our corporate value, the Aozora Group will continue to comply with all the laws and regulations applicable to all business operations, conduct sensible corporate activities based on social norms and common sense, and strive to further improve its compliance/risk management framework to respond to a wide range of changes in the environment.

Elimination of Anti-Social Elements

The Aozora Group clearly states in "Aozora Bank Group Basic Policy on the Elimination of Anti-Social Elements" (page 141 in the Reference Part) that the Group steadfastly confronts any anti-social elements that pose a threat to public order and safety while ensuring that it categorically blocks any relationship with such elements. Aozora has established and maintains close cooperative relationships with external specialist organizations,

including law enforcement agencies, Anti-Organized Crime Campaign Center of Tokyo, and attorneys. In addition, we refuse to perform any action that may serve to provide income/funding for anti-social elements, including but not limited to backdoor transactions, monetary contributions/membership fees, and subscribing to informational magazines.

Anti-Money Laundering Initiatives

The Aozora Group is aware that preventing financial crimes, including money laundering, financing of terrorism and proliferation financing, and responding to economic sanctions under the Foreign Exchange and Foreign Trade Act ("Anti-Money Laundering Measures") are important issues facing the global financial system. We have established a framework to comply with domestic and international laws, regulations and rules, while also making an on-going effort to further strengthen our Anti-Money Laundering Measures. For example, Aozora has developed internal policies and an organizational structure, which includes the establishment of a Financial Crime Management Office as a department overseeing anti-money laundering

issues, while conducting a review as needed to ensure their effectiveness. We also provide training for officers and employees regarding the prevention of financial crimes and the response to economic sanctions under the Foreign Exchange and Foreign Trade Act. In addition, we ensure that we verify the identity of customers and their transaction purpose at the time of account opening, which is followed by the ongoing monitoring of our customer transactions. We have also developed an internal structure that allows for immediate reporting to the relevant authorities regarding any suspicious transactions detected by our daily monitoring processes.

Toru Takahashi
Executive Officer
Head of Compliance &
Governance Unit



Anti-Bribery Initiatives

The Aozora Group has announced the "Basic Policy on Anti-bribery" (page 143 in the Reference Part), which prohibits all of Aozora's officers and employees from giving, offering or promising improper corporate hospitality, gifts and other benefits to public officials, etc.

in any country as well as from giving or receiving excessive corporate hospitality, gifts or other benefits beyond socially-acceptable limits. In addition, we continue to provide opportunities for all officers and employees to learn more about our anti-bribery policy.

Whistle-Blower Program

By exercising the Aozora Group's self-monitoring function, the Bank works to ensure early detection and correction of legal violations and misconduct to prevent the occurrence of any scandal. To this end, in addition to the job-related reporting line, we have established a whistle-blower program called "Aozora Hotline Program" in order to foster a clean, open, and fair corporate culture within the Aozora Group.

The Aozora Hotline Desk inside the Compliance Management Division and the HR Division's dedicated point of contact for harassment serves as the internal contact for whistle-blowers, while an outside law firm acts as the outside contact. It is also possible to make reports to our Standing Auditor & Supervisory Board member. This program is available to all officers and employees working for the Bank or its group companies (including rehired retirees, contract employees, part-timers, and temporary staff) as well as to all officers and employees within one year of retirement.

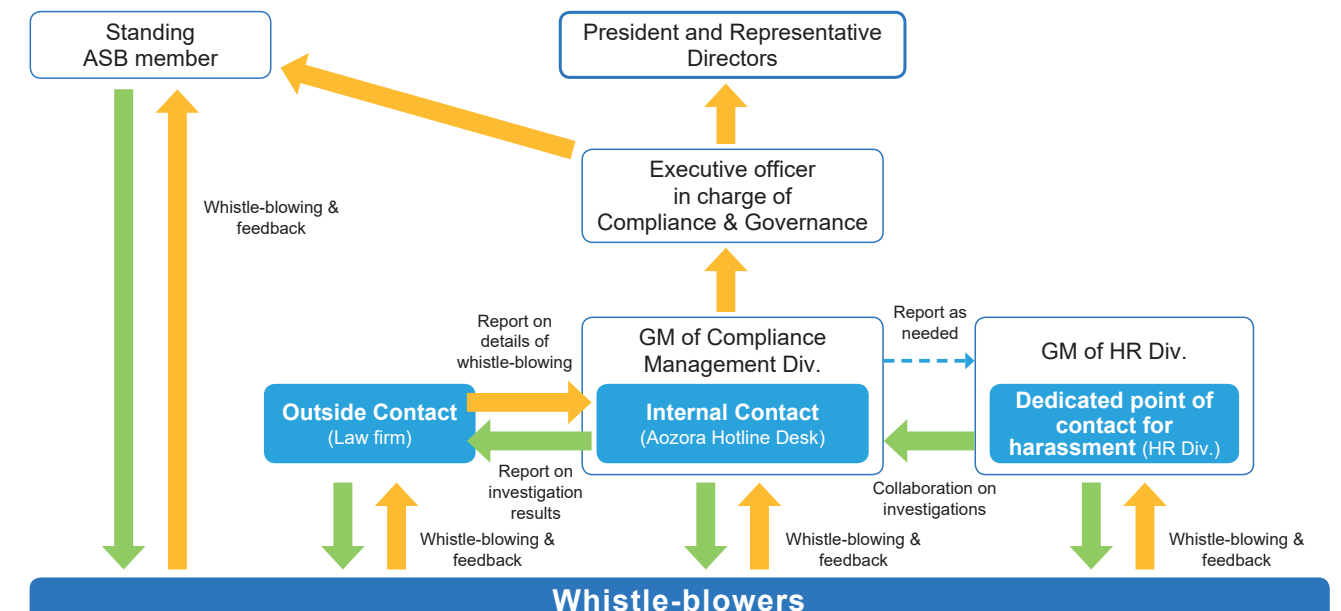
The Bank strives to create an easy-to-use environment regarding the whistle-blower program. It allows for anonymous reporting. In addition, all officers and

employees are provided with a small-sized card that includes the dedicated e-mail address and telephone number of the contact point and instructions on how to make a report, as well as a special postal envelope addressed to the contact point outside the Bank. The identity of a whistle-blower is kept strictly confidential, and any information that is related to the whistle-blower's complaint or could identify the whistle-blower is tightly controlled. Those who divulge such secrets are subject to disciplinary action and other strict measures in accordance with the Human Resources Manual. Whistle-blowers do not receive any unfavorable treatment because of making a report.

If any violation of the law or misconduct is confirmed as a result of whistle-blower investigations, the Bank will promptly take corrective and preventive measures. All officers and employees are obligated to cooperate with investigations.

In FY2021, there were no whistle-blower cases that had a significant impact on the management of the Aozora Group.

Whistle-Blower Reporting and Processing System



• Insider Trading Prevention • Customer Protection Management
• Tax Compliance

For more details, please see page 127.

IT Strategy and Information Security

Promoting Digitalization

Development of System Infrastructure to Promote Digitalization

In order to respond to future business developments as well as accelerate productivity and operational efficiency improvements, the Bank has developed a roadmap to system renewal and is working on system development in stages. We now position the core banking system as a non-strategic area and intend to develop unique and new functions in our peripheral systems outside of the core banking system, with the aim of more flexibly responding to changing business requirements. Based on this policy, as a framework for creating unique and new functions in our peripheral systems, we are considering and introducing an API integration platform that enables us to build a linkage between internal systems, including our core banking system, and external systems, as well as BPM (Business Process Management). We are also striving to develop a data infrastructure to promote data-driven business and data utilization as well as to create a data management and data governance system/framework to support the expanded use of our changing infrastructure.

Human Resource Development / Framework Enhancement

The Bank is focusing on improving the IT literacy of all officers and employees in order to accelerate

digitalization. We have prepared a Digital Talents Development Program, which is comprised of training courses designed for junior/mid-career employees, managers, and executives, and every year many officers and employees learn practical methods such as data utilization. Those who have completed the Digital Talents Development Program with an increased focus on digitalization, for example, work in marketing, business management and other areas for a period of time to build on-the-job experience for data utilization such as data analysis and data mart construction. We also promote initiatives to have them return their knowledge and experience to their own divisions. By collaborating with the Technology Group, they play a core role in driving our organization towards further digitalization. In the Technology Group, in order to secure and train talented IT engineers necessary for promoting DX (Digital Transformation), we have established an "IT Professional" position focused on an IT- and technology-oriented career plan and also set up a "DX Course" within our "Global Professional" position. We treat highly skilled personnel at an appropriate level commensurate with the market evaluation and develop an environment that fosters IT professionals over the long term and enables them to demonstrate their abilities regardless of their positions.

Cybersecurity

Environmental Awareness / Risk Awareness

Cybersecurity is one of Aozora's main focuses as a bank that has a responsibility for its customers' important assets and information. Security-related incidents such as information leaks or service outages caused by cyberattacks would not only have a significant impact on the Bank's management, including damages to our customers and affecting business continuity, but also may have a material impact on society as a whole. In order to provide reliable financial services, the Bank considers the stable operation of information systems to be one of its most important management issues. Based on this, we have established a security policy and system risk management policy, and with the active engagement of senior management, we work to maintain the cybersecurity framework and reduce risks across the Aozora Group.

Cybersecurity Management

The Bank's Chief Technology Officer (CTO) has responsibility for cybersecurity, regularly reports to the Board of Directors and management meetings regarding

the status and evaluation of risks as well as the progress of risk reduction plans, and establishes a framework that enables appropriate management decisions. When system vulnerability information is released on a daily basis or an incident that has a significant effect on society occurs at other companies, we promptly investigate its impact on the Bank, incorporate the details into our plan as appropriate, and report it to management. In addition, we also conduct cybersecurity exercises which include members of our management team.

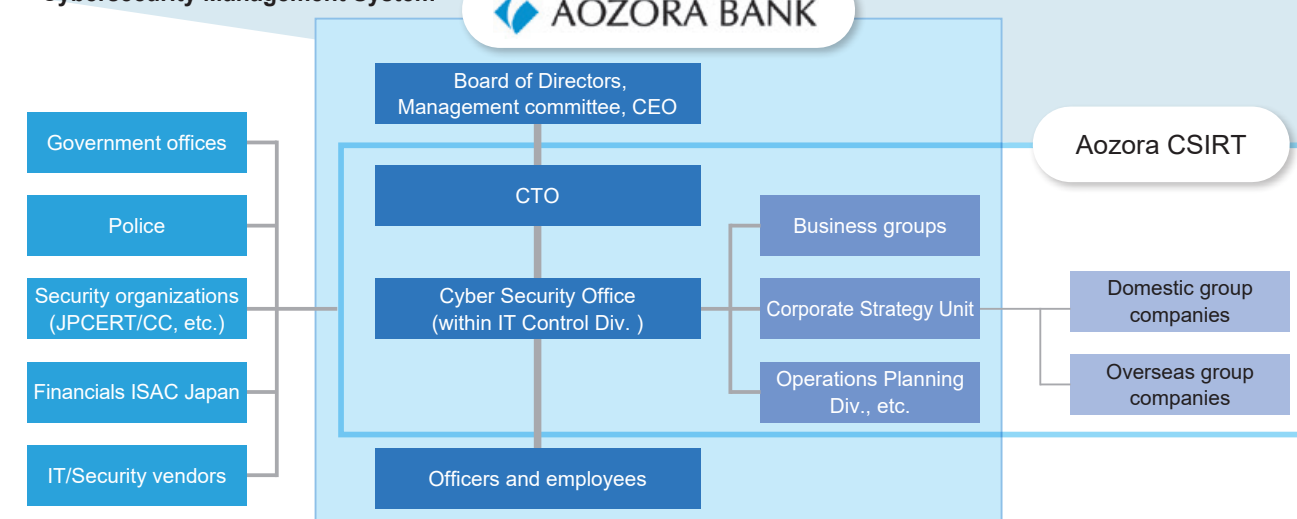
Aozora Computer Security Incident Response Team (CSIRT)

Aozora has established a framework in which the IT Control Division headed by the CTO is designated as the control division for overall system risks, and the Cyber Security Office established within the IT Control Division is designated as the cybersecurity department. The Cyber Security Office is staffed with specially trained personnel and manages systems development, monitoring and emergency responses. Aozora has also established a Cyber Security Incident Response Team (Aozora CSIRT), which spans across Aozora's related



Tomoyuki Yamada
Managing Executive Officer
Chief Technology Officer
(CTO)

<Cybersecurity Management System>



divisions and Group companies with the CTO as the chairperson and the IT Control Division's Cyber Security Office as the supervising department. By sharing risks inherent in the Bank and other companies' cybersecurity incidents within the Aozora Group and conducting ongoing cybersecurity training, we can prepare more effective emergency responses for the entire Group.

Ongoing Enhancement of Security

Aozora has implemented multi-layered technical countermeasures, including entrance measures that prevent unauthorized network intrusion, internal measures such as a detection system that presumes internal network attacks, and exit measures to prevent information leakage. The effectiveness of those measures is verified by penetration testing and other security assessments conducted by external experts. In addition, we continue working to raise security awareness mainly by conducting e-learning education for all officers and employees, online seminar-style

training based on employees' job duties and targeted email training. We are committed to strengthening the cyber-resilience of the entire Aozora Group in order to respond flexibly in the event of an incident by conducting system recovery training that presumes damage from ransomware attacks. We have been actively engaged in promoting work-from-home prior to the COVID-19 pandemic, and have implemented the necessary authentication systems in consideration of the balance between security and convenience.

Cooperation with Outside Parties

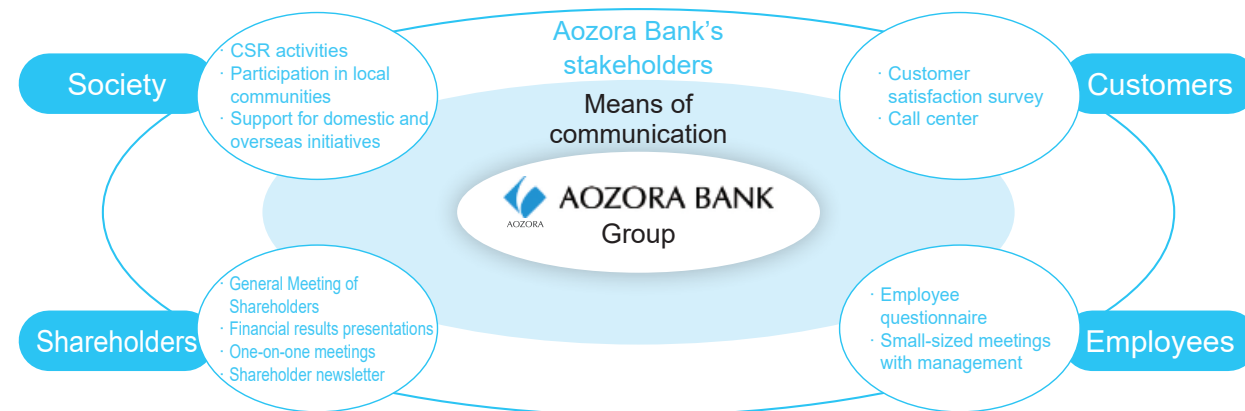
In addition to prompt reporting to the FSA and police in the event of an incident, we cooperate with government offices and related organizations, such as Financials ISAC Japan and JPCERT/CC (Japan Computer Emergency Response Team Coordination Center), while proactively transmitting and sharing incident information in order to improve the security of the Bank as well as society as a whole.

Preparing for Potential Large-scale System Failures

We believe that proper management of customer and confidential information as well as the stable operation of information systems are important management issues in order to prevent disruption in provision of financial services due to system issues, such as information system breakdowns or malfunctions, as well as information leaks caused by unauthorized access to our system. We will continue to develop necessary countermeasures in order to properly protect information assets and ensure the stable operation of information systems within the Bank. As a general rule, we conduct load tests in a systems environment equivalent to our production environment where software and other products are actually put into operation, including processing method and system updates, in order to prevent large-scale system failures, especially when executing large system changes such

as introducing new services and functions. We also determine operational rules to ensure a schedule with sufficient time for system updates. In order to detect potential system problems at an early stage, we conduct provisional initial operational checks immediately after the start of services when updating them for customers. When these services are affected by system failures, our Operations Group, Technology Group, and other related divisions work closely to promptly disclose information while recognizing the importance of providing appropriate responses for customers in addition to working on early system recovery. We are committed to improving Aozora's systems so as to provide appropriate guidance and responses to our customers.

Stakeholder Communication



Communication with Customers

Customer Questionnaire

Aozora strives to provide financial products and services that best suit the needs of its customers through clear explanations as well as highly specialized and customized consulting services in accordance with Aozora's "Basic Policy for Customer-Oriented Business Management".

We regularly conduct customer surveys regarding the Bank's "customer-oriented business management" and receive direct feedback from customers which allows us monitor the status of initiatives at our sales branches and improve our operations.

In addition, Aozora conducts a "Customer Satisfaction Survey" every year. The Bank takes customer feedback seriously and utilizes it to improve our services in order to increase customer satisfaction.

Customer Seminar

Aozora holds multiple seminars for its customers every year. In January 2022, the Bank held an online seminar for regional financial institutions in the Chugoku region as part of a project to celebrate the 60th anniversary of the opening of the Hiroshima Branch. Mr. Yanagiya, Chairman of Aozora Investment Management, spoke to the attendees on the topic "The Direction of the Japanese and World Economy and the Role of Finance in the Future". Many participants commented that they were very pleased by the energetic, content-rich discussions and appreciated the clear explanations of important issues and wished to attend an in-person seminar next time.



Mr. Shibasaki, General Manager, Hiroshima Branch

Mr. Yanagiya, Chairman, Aozora Investment Management

Communication with Shareholders

General Meeting of Shareholders

The 89th Ordinary General Meeting of Shareholders was held on June 22, 2022 (starting at 10:00 am) at the Tokyo Garden Terrace Kioi Conference hall located in Tokyo's Chiyoda ward.

As with last year, Aozora offered a livestream of the Ordinary General Meeting of Shareholders in addition to the in-person event, which allowed for the participation of shareholders who resided in remote areas or did not wish to attend in person. Of the total participants, 27 shareholders attended the event in person and approximately 150 attended via livestream.

During the Q&A session, management answered questions from those in attendance and responded to some of the comments left by those viewing the livestream. Sakie Tachibana Fukushima, a newly appointed Board Member, attended the meeting via video conference and delivered a message to all of the shareholders in attendance.



Video Streaming Event for Shareholders

In April 2022, Aozora held an online video streaming event as a way to show our gratitude for the daily support of our shareholders. During the event, we streamed a video which explained more about the Aozora's growth areas and gave our shareholders a clear image of Aozora's growth and a deeper understanding of our unique initiatives.

The following feedback was received via questionnaire from shareholders who watched the video.

I now have a better understanding of Aozora's initiatives. This was a good opportunity to learn about the Group companies.



I was able to get a glimpse of a new style of bank. I hope you hold more events like this in the future.



Watching the video made participation easy, but the video was hosted for only a short time.



Investors Meetings

Aozora strives for the timely and appropriate disclosure of information to enable all shareholders and investors to acquire deeper understanding of our management strategy and financial results. Following the release of our financial results, we actively conduct a series of investor relations events, such as investors meetings, one-on-one meetings and retail investors meetings, both in person and online.

<IR events conducted in FY2021>

Teleconferences and presentation meetings with institutional investors and analysts	Number of meetings held: 6
One-on-one IR meetings with domestic/overseas institutional investors and analysts	Total number of participating companies: 124
Retail investors meetings	Number of meetings held: 5 Number of participants: 2,064

Communication with Employees

Small-sized Meetings

Aozora holds small-sized meetings as a way to foster better communications between employees and management by leveraging our manageable size. The Bank holds approximately 200 small meetings annually that are made up of around 10 Group executives and employees each (approx. 1,500 participants total) which are designed to facilitate communication. A variety of topics are actively discussed at the meetings, including "Career motivation in the Aozora Group", "the Mid-term Plan", "Unconscious bias", "Talking about experiences with equities investment", and "Operational efficiency".

Employee Questionnaire

Since 2017, Aozora has conducted a voluntary employee questionnaire for all Group employees with the aim of improving its work environment. 1,745 Group employees answered the questionnaire sent out in November 2021 (a response rate of 76.2%).

Please see page 76, "Aozora Group Employees Survey Results".

Aozora Photo News

Numerous Aozora Group events are showcased (including customer seminars, donations to various organizations, employees who appear on TV) through photos displayed on the internal Aozora portal website. Aozora Photo News releases approximately 150 articles annually, and is a useful communication tool.

Aozora 1-on-1

As part of the Aozora HR reform as announced in our Mid-term Plan, "Aozora 2022", the Bank introduced the "Aozora 1-on-1" program in order to improve communication between supervisors and their employees. "Aozora 1-on-1" consists of regular 1-on-1 meetings between supervisors and their direct reports which are led by the employees. Meeting agendas include a wide-range of topics such as jobs, career and skills development, as well as daily feedback. In FY2021, approximately 450 employees began participating in "Aozora 1-on-1".

Message from management

Aozora's Chief Executive Officer (CEO) and the management team regularly communicate with Aozora Group's officers and employees as a way to make them better aware of our management philosophy and to also share corporate views and thoughts on business policy in a timely manner.



FY2022 entrance ceremony featured in Aozora Photo News