

【TRANSLATION】

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

Aozora Bank, Ltd.

Securities Code 8304

The Convocation Notice for the **91st** Ordinary General Meeting of Shareholders

■ Date & Time

June 25, 2024 (Tuesday)

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

■ Venue

KIOI CONFERENCE of TOKYO GARDEN TERRACE KIOICHO

Kioicho1-4, Chiyoda-ku, Tokyo
(Please refer to map on the last page)

■ Proposals for Resolution

Proposal No.1 Appointment of Nine Directors

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

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

- There will be no thank-you gift for attendees.
- The General Meeting of Shareholders will be livestreamed.
(Please see pages 9-10 for details.)
- Shareholders may exercise their voting rights in advance in writing or via the Internet.

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Message from the CEO

Representative Director, President and
Chief Executive Officer
Hideto Oomi



I would like to take this opportunity to thank all of our shareholders for their continued support. My name is Oomi, and I assumed the position of President in April of this year.

I am pleased to present herewith the Notice of Convocation of the 91st Ordinary General Meeting of Shareholders, which will be held on June 25, 2024 (Tuesday).

As a result of the aggressive measures taken in FY2023 to address the balance sheet issues of U.S. non-recourse office loan exposure and restructuring of the securities portfolio, profit attributable to owners of parent was a net loss of 49.9 billion yen, resulting in the suspension of the third quarter and the fourth quarter dividends for FY2023. We sincerely apologize that we were unable to meet the expectation of our shareholders.

In FY2024, we will further allocate resources to and enhance our customer-related businesses focused on "Aozora's Strategic Investments Business," which have been performing strongly.

On May 13, we announced a capital and business alliance with Daiwa Securities Group Inc. We are confident that the alliance will provide us with the capital to further expand our investments and loans in "Aozora's Strategic Investments Business" as well as enhanced products and services created through collaboration between a bank and a securities firm. This will enable us to grow beyond the limits of organic growth while capturing the growth of the broader Japanese economy. A joint steering committee has been established to explore collaboration across a wide range of areas, including wealth management, M&A, real estate related business, and support for growing companies.

In this fiscal year's Notice of Convocation, "Issues to be addressed" (starting on page 47) describes our response based on the issues that we addressed in FY2023 as described above and lessons learned from there, as well as our initiatives focusing on "Aozora's Strategic Investments Business" and the new capital and business alliance in FY2024. In addition, we have included messages to shareholders from the Directors and Audit & Supervisory Board Member candidates, who will lead the new management team FY2024 (starting on page 13). We hope you will take the time to review them.

With our new management team, we are committed to improving profitability and meeting the expectations of our shareholders. We sincerely ask for your continued support.

Before the General Meeting of Shareholders

From the date of receipt of the Convocation Notice to June 24, 2024 (Monday)

See disclosure documents

▶ Aozora website dedicated to the General Meeting of Shareholders
<https://www.aozorabank.co.jp/english/ir/stock/meeting/>

(Note) Disclosure documents are posted on the Tokyo Stock Exchange's (TSE) website (Information Service Regarding Companies Listed on the TSE).
 → <https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show#Show>

Please visit the above-mentioned TSE website, enter "Aozora Bank" in "Stock name (company name)" or "8304" (the Bank's securities code) in "Code", select "Basic information" and then "Publicly available documents / PR information", and see information in the "Convocation Notice of the General Meeting of Shareholders / General Meeting of Shareholders materials" section under "Publicly available documents".

(Note) In addition to the above, these documents are also posted on the website of PRONEXUS INC.
 → <https://d.sokai.jp/8304/teij/>

The main contents of the Convocation Notice are also available on the smartphone
<https://p.sokai.jp/8304/>

Exercise your voting rights in advance

Validity Date: No later than 5:15 p.m. on June 24, 2024 (Monday)

We encourage you to exercise your voting rights in advance using any one of the methods described below. If you participate in the General Meeting via livestream, we also ask that you please exercise your voting rights in advance.

Please check pages 7-8 for details.

PC Smartphone Mailing

Please write your vote of approval or disapproval

Send pre-planned questions

Acceptance period: No later than 5 p.m. on June 21 (Friday) 2024

■ We welcome you to send us pre-planned questions regarding meeting agenda in advance of the General Meeting of Shareholders either in writing or via e-mail. While we will be unable to respond individually to any question or comment, we will pick from those with a high interest among shareholders during the General Meeting and upload the questions/comments along with the Bank's responses to the Aozora website at a later date.

Mailing address: General Meeting of Shareholders Administration Group
 Corporate Communication Division, Aozora Bank, Ltd.
 6-1-1, Kojimachi, Chiyoda-ku, Tokyo 102-8660

E-mail address: shitsumon2024@aozorabank.co.jp

On the day of the General Meeting of Shareholders

For those participating in the General Meeting of Shareholders in person

Venue, date and time

KIOI CONFERENCE
 of TOKYO GARDEN TERRACE KIOICHO
 Kioicho1-4, Chiyoda-ku, Tokyo

June 25 (Tuesday) 2024
 (reception opens at 9:00 a.m.)

▶ For details, please see page 11.

Information regarding the General Meeting of Shareholders

There will be no thank-you gift for attendees

There will be no Drink Corner set up by the Bank

For those participating in the General Meeting of Shareholders via livestream

Date of livestream

June 25, 2024
 (on Tuesday from 10:00 a.m.)

The General Meeting of Shareholders will be livestreamed via the Internet.

▶ For details, please see pages 9-10 as well as the "Notice on the General Meeting of Shareholders Livestream" enclosed with the Convocation Notice for the 91st Ordinary General Meeting of Shareholders.

After the end of General Meeting of Shareholders

See post disclosure regarding the General Meeting of Shareholders

See presentation materials

See answers to questions submitted in advance of the General Meeting of Shareholders

See the result of exercised voting rights

We will upload a video of the General Meeting to the Aozora website. We plan to make the video available starting in early July once preparations are complete.

Aozora website dedicated to the General Meeting of Shareholders
<https://www.aozorabank.co.jp/corp/ir/stock/meeting/>

Dear Shareholders,

Hideto Oomi
Representative Director and President, Chief Executive Officer
Aozora Bank, Ltd.
1-1, Kojimachi 6-chome, Chiyoda-ku, Tokyo

The Convocation Notice for the 91st Ordinary General Meeting of Shareholders


You are cordially invited to participate in Aozora Bank Ltd.'s 91st Ordinary General Meeting of Shareholders as described below.

Upon the convocation of this General Meeting of Shareholders, electronic provision measures have been taken for information related to Reference Materials for the General Meeting of Shareholders (matters subject to measures for electronic provision), which is posted as "the Convocation Notice for the 91st Ordinary General Meeting of Shareholders" on the websites mentioned below. We ask for your cooperation in visiting any one of these websites to see details.

Aozora website: A site dedicated to the General Meeting of Shareholders	https://www.aozorabank.co.jp/english/ir/stock/meeting/	
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Tokyo Stock Exchange website: Information Service Regarding Companies Listed on the TSE	https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Shou=Show	
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On the TSE website, please enter "Aozora Bank" in "Stock name (company name)" or "8304" (the Bank's securities code) in "Code", select "Basic information" and then "Publicly available documents / PR information", and see information in the "Convocation Notice of the General Meeting of Shareholders / General Meeting of Shareholders materials" section under "Publicly available documents".

PRONEXUS website: A site for Reference Materials for the General Meeting of Shareholders	https://d.sokai.jp/8304/teiji/	
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If you do not intend to visit the venue on the day of the General Meeting, you may exercise your voting rights in advance in writing or via the Internet. **We will ask for your cooperation in exercising your voting rights by no later than 5:15 p.m. on June 24 (Monday) 2024, in consideration of the following "Reference Materials for the General Meeting of Shareholders."**

We will provide a livestream of the General Meeting (with viewer participation) for our shareholders who reside in remote areas or do not intend to visit the venue, so please feel free to make use of this alternative (please refer to pages 9–10).

Thank you for your cooperation.

(Note) For instructions on how to exercise voting rights, please refer to the "Notice on Exercise of Voting Rights" on pages 7–8.

1. Date & Time Tuesday, June 25, 2024 at 10:00 a.m.

2. Place KIOI CONFERENCE of TOKYO GARDEN TERRACE KIOICHO
Kioicho1-4, Chiyoda-ku, Tokyo

3. Agenda of the meeting

- Reports**
1. Business Report, Consolidated Financial Statements and Reports of Audit Results of Consolidated Financial Statements by the Independent Auditor and the Audit & Supervisory Board for the 91st fiscal year (from April 1, 2023 to March 31, 2024)
 2. Reports on the Financial Statements for the 91st fiscal year (from April 1, 2023 to March 31, 2024)

Proposals for Resolution:

- Proposal No. 1:** Appointment of Nine Directors
- Proposal No. 2:** Appointment of One Audit & Supervisory Board Member
- Proposal No. 3:** Appointment of Two Alternate Audit & Supervisory Board Members

End

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- ◎ In the case of attendance by proxy, please present a document that proves the delegated authority at the reception desk as well as Exercise of Voting Rights Form (Under the Articles of Incorporation, attending the General Meeting of Shareholders as a proxy is limited to only one other shareholder with voting rights).
 - ◎ Pursuant to laws and regulations and the provision of the Bank's Articles of Incorporation, notes to the consolidated financial statements and notes to the non-consolidated financial statements among the matters subject to measures for electronic provision are omitted from the document that refers to matters subject to measures for electronic provision (Convocation Notice of the 91st Ordinary General Meeting of Shareholders).
As such, the business report, consolidated financial statements and non-consolidated financial statements described in the said document are part of the documents audited by the Independent Auditor who prepared accounting audit reports and by the Audit & Supervisory Board who prepared audit reports.
 - ◎ Please note that, in the event of any necessary revision to the matters subject to measures for electronic provision, we will inform you of the original and revised matters on the Aozora website and Tokyo Stock Exchange website as well as the PRONEXUS INC. website that posts Reference Materials for the General Meeting of Shareholders.
 - ◎ For the 91st Ordinary General Meeting of Shareholders, we have sent the document that refers to matters subject to measures for electronic provision (Convocation Notice of the 91st Ordinary General Meeting of Shareholders) to all shareholders, regardless of whether they have requested delivery of printed copies.

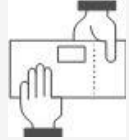
Notice on Exercise of Voting Rights

Once you have reviewed the Reference Materials for the General Meeting of Shareholders (pages 12 to 36), we ask that you please exercise your voting rights regarding each proposal.

The following three methods may be used to exercise your voting rights. Shareholders who will not attend the meeting in person are encouraged to vote using either method B or C.

A Attend the Shareholder's Meeting

- Date & Time:
June 25, 2024 (Tuesday) 10:00 a.m.




Please present the "Exercise of Voting Rights Form" enclosed with the Convocation Notice for the 91st Ordinary General Meeting of Shareholders at the reception desk.

Please also have your Convocation Notice for the 91st Ordinary General Meeting of Shareholders (this document) on hand.

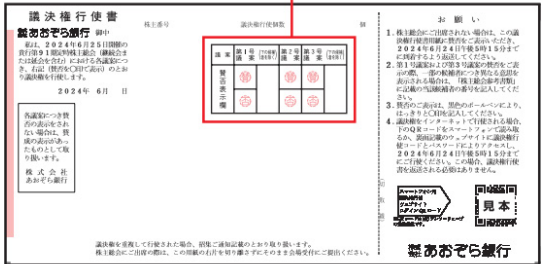
B Exercise Your Voting Rights in Writing

- Validity Date:
No later than 5:15 p.m.
on June 24, 2024 (Monday)



Please write your vote of approval or disapproval on the "Exercise of Voting Rights Form" enclosed with the Convocation Notice for the 91st Ordinary General Meeting of Shareholders and return the form to us by mail so that it arrives no later than the expiration of the Exercise Period.

How to fill out the Exercise of Voting Rights Form



Please write your vote of approval or disapproval

Proposal No. 1 Proposal No. 3

Approval of all candidates >> ○ on 「賛」
Disapproval of all candidates >> ○ on 「否」
Disapproval of specific candidate(s) >> ○ on 「賛」,
then fill in the identification number of the candidate(s) of whom you disapprove

Proposal No. 2

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

見本


株式会社 三井住友銀行

Electronic platform for executing voting rights (for institutional investors)

Institutional investors may exercise their voting rights for the 91st Ordinary General Meeting of Shareholders through the electromagnetic form operated by ICJ Inc.

C Exercise your Voting Rights via the Internet

- Validity Date:
No later than 5:15 p.m.
on June 24, 2024 (Monday)



"Smart Voting" Method

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



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

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



* QR code is a registered trademark of DENSO WAVE INCORPORATED.

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

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

Exercise of the Voting Rights Code and Password Method

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



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



Input the "Exercise Code"
Click "Log in"

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




Enter your password.
Please create a new password for use the next time you log in.
Click "Register"

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

- If you decide to exercise your voting rights in writing or via the Internet more than once, please note the following.
 - If you exercise your voting rights more than once in writing, the exercise made with the most recent reissue of the Exercise of Voting Rights Form shall prevail.
 - If you exercise your voting rights more than once via the Internet, the last exercise made shall prevail.
 - If you exercise your voting rights both in writing and via the Internet, the exercise via the Internet shall prevail.
- If neither approve nor disapprove is selected for a proposal item, the proposal shall be considered to be approved.

Information regarding the General Meeting of Shareholders livestream



The General Meeting of Shareholders will be livestreamed via the Internet. For details, please refer to the descriptions below as well as the "Notice on the General Meeting of Shareholders livestream" enclosed with the Convocation Notice for the 91st Ordinary General Meeting of Shareholders.

What is the General Meeting of Shareholders livestream (with viewer participation)?



- This service enables the shareholders who will not attend the General Meeting in person to be able to view a livestream of the event via the Aozora website dedicated to the General Meeting of Shareholders upon verification of shareholder status with a valid ID and password.
- **Shareholders viewing the livestream are not considered attendees as defined in the Companies Act. As such, they cannot exercise their voting rights on the day of the General Meeting. We encourage them to cast their vote in writing or via the Internet by 5:15 p.m., on Monday, June 24, 2024. In addition, shareholders viewing the livestream cannot propose any questions or motions as specified under the Companies Act of Japan, but may send comments to the General Meeting of Shareholders Administration Group while watching the video feed.**

How to participate in the General Meeting of Shareholders livestream



- If you join the General Meeting via livestream, please visit the log-in screen and enter your ID (shareholder number) and password (zip code) indicated on the "Exercise of Voting Rights Form." For details, please refer to the "Notice on the General Meeting of Shareholders livestream" enclosed with the Convocation Notice for the 91st Ordinary General Meeting of Shareholders.
- The livestream display has a comment field. Any comments forwarded to us are not deemed as questions under the Companies Act. However, we plan to post or reply to these questions on Aozora's website on the day of or at a later date following the General Meeting, unless they include any personal information or inappropriate content, such as a message that may constitute a personal attack.

Other notice regarding the General Meeting of Shareholders livestream

- Video/sound distortion or temporary suspension may occur due to network issues or system failure. The Bank is not responsible for any damages incurred by shareholders for reasons mainly attributable to the aforementioned network issues or system failure.
- Any expenses incurred from accessing the livestream, including communication devices, Internet connection fees and communication charges, shall be borne by shareholders.
- The livestream is available only to shareholders who were on the Bank's shareholder list as of March 31, 2024. Other shareholders may not view the livestream.
- We have taken every possible measure in order to livestream the General Meeting. However, shareholders may be unable to join the General Meeting in cases where the livestream is suspended due to any contingency, such as an unstable network environment and system failure, or cancelled due to unforeseen circumstances.
- Actions including video/sound recording and broadcasting of the livestream are prohibited in order to protect shareholders' image rights.
- The livestream of the General Meeting will be recorded from the back of the venue, and due care will be taken not to include images of attending shareholders. However, please be aware that some shareholders may unavoidably appear on the stream for reasons mainly attributable to the venue.

Contact

- ID (shareholder number) and password (zip code)

Sumitomo Mitsui Trust Bank, Limited. (Shareholders registry administrator):
General Meeting of Shareholders Dedicated Virtual Support Line

TEL: 0120-782-041 (toll-free, Japanese only)

Weekdays: 9:00 a.m.–5:00 p.m. (excluding weekends and holidays)

- How to view the General Meeting of Shareholders livestream

General Meeting of Shareholders Virtual Help Desk

TEL: 0120-245-022 (toll-free, Japanese only)

Wednesday, June 5, 2024 to Monday, June 24, 2024 — Weekdays: 9:00 a.m.–5:00 p.m. (excluding weekends and holidays)

Tuesday, June 25, 2024 (the date of the General Meeting): from 9:00 a.m. through until meeting's end

- Other inquiries regarding the General Meeting of Shareholders

Aozora Bank, Ltd.:
General Meeting of Shareholders Administration Group, Corporate Communication Division

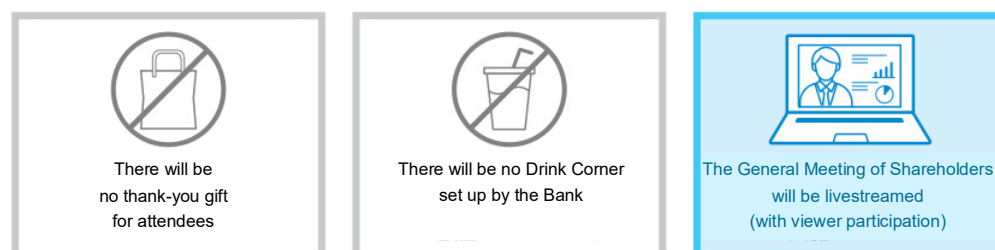
TEL: 03-6752-1111 (main number, Japanese only)

Weekdays: 9:00 a.m.–5:00 p.m. (excluding weekends and holidays)

Post disclosure regarding the General Meeting

- We will upload a video of the General Meeting to the Aozora website (<https://www.aozorabank.co.jp/english/ir/stock/meeting/>). We plan to make the video available starting in early July once preparations are complete.

Information regarding the General Meeting of Shareholders

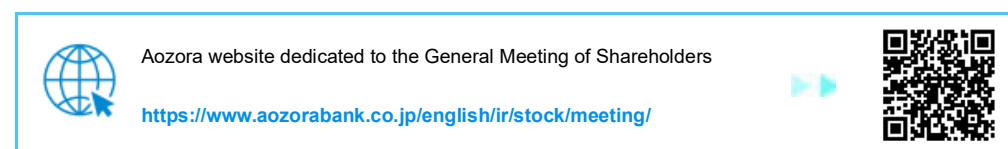


Important information regarding the venue of the General Meeting of Shareholders

- We will ensure continuous ventilation and disinfection of equipment and facilities at the venue.
- If you feel unwell during the General Meeting of shareholders, please contact Aozora staff.
- Aozora staff tasked with organizing the General Meeting will only be allowed to do so upon undergoing a health check, including body temperature, and wearing a face mask. There will be no thank-you gift for attendees.
- There will be no Drink Corner or Retail Showroom set up by the Bank.

Information updates until the date of the General Meeting

- Details about the operation of the General Meeting of shareholders stated on this Convocation Notice for the 91st Ordinary General Meeting of Shareholders are subject to change and updates. Shareholders are encouraged to check the latest information on the Aozora website (<https://www.aozorabank.co.jp/english/ir/stock/meeting/>) before visiting the venue on the date of the General Meeting.



End

Reference Materials for the General Meeting of Shareholders

Proposals and Reference Matters

Proposal No.1 Appointment of Nine Directors

At the close of this Ordinary General Meeting of Shareholders, the term of office of all eight directors shall expire. This is to propose, therefore, that nine directors be elected. Candidates are shown below, and the matters concerning each candidate are described on pages 13 to 30. The appointment of Mr. Hiromasa Kawashima shall be effective upon completion of Daiwa Securities Group Inc.'s payment of the total paid-in amount for the third party allotment to a payment handling financial institution (scheduled payment date : July 1, 2024) , pursuant to the Capital and Business Alliance Agreement dated May 13, 2024 between the Bank and Daiwa Securities Group Inc., described on page 58.

Candidate No.	Name	Current Positions and Areas of Responsibility	Board Meeting Attendance	Number of years served as director at the close of this General Meeting
1	For Reappointment Inside Koji Yamakoshi	Director, Chairman and Executive Officer	Attended all 13 Board meetings during the relevant fiscal year	4 years
2	For Reappointment Inside Hideto Oomi	Representative Director, President and Chief Executive Officer	Attended all 13 Board meetings during the relevant fiscal year	3 years
3	For Reappointment Inside Masayoshi Ohara	Representative Director, Deputy President and Executive Officer	Attended all 10 Board meetings during the relevant fiscal year, after his appointment as Director	1 year
4	For Reappointment Outside Independent director Sakie Tachibana Fukushima	Director	Attended all 13 Board meetings during the relevant fiscal year	2 years
5	For Reappointment Outside Independent director Hideyuki Takahashi	Director	Attended all 10 Board meetings during the relevant fiscal year, after his appointment as Director	1 year
6	For Reappointment Outside Independent director Hideaki Saito	Director	Attended all 10 Board meetings during the relevant fiscal year, after his appointment as Director	1 year
7	New Candidate Inside Takashi Kato	Senior Managing Executive Officer	—	—
8	New Candidate Outside Independent director Koichi Tadano		—	—
9	New Candidate Outside Hiromasa Kawashima		—	—

Candidate No.

1

Koji Yamakoshi

61 years old
(Date of birth: July 22, 1962)

For reappointment

Inside

Number of years served as director 4 years
(At the close of this Ordinary General Meeting of Shareholders)

Board Meeting Attendance (FY2023) Attended all 13 Board meetings during the relevant fiscal year



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

Apr. 1986	The Nippon Credit Bank, Ltd. (currently Aozora Bank, Ltd.)
Apr. 2007	General Manager of Special Finance Division
Dec. 2009	Deputy Head of Specialty Finance Group, and General Manager of Special Situations Division
July 2012	Executive Officer, Deputy Head of Specialty Finance Group
Nov. 2012	Executive Officer, Head of Specialty Finance Group
July 2016	Managing Executive Officer, Head of Specialty Finance Group
Jan. 2017	Managing Executive Officer, Head of Specialty Finance Group, and General Manager of Global Real Estate Structured Debt Division
July 2018	Managing Executive Officer, Head of Business Banking Group and Head of Corporate Banking Group
July 2019	Senior Managing Executive Officer, Head of Business Banking Group and Head of Corporate Banking Group
June 2020	Director, Senior Managing Executive Officer, Head of Business Banking Group and Head of Corporate Banking Group
July 2020	Director, Senior Managing Executive Officer, Head of Corporate Banking Group
June 2021	Representative Director, Deputy President and Executive Officer, Head of Corporate Banking Group
July 2021	Representative Director, Deputy President and Executive Officer
Apr. 2024	Director, Chairman and Executive Officer (current)

Number of Bank's shares Owned by Candidate

5,555

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

Reason for nomination as a candidate for director

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 been responsible for a wide range of business operations and involved in the overall management of the Group as Director, Chairman and Executive Officer (since April 2024), after serving as Representative Director and Deputy President (since June 2021), and he has a thorough knowledge of the Group's overall business operations. The Bank believes he is an adequate candidate because of his deep insight in financial businesses as well as extensive experience and sound judgment.

Matters concerning interests

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

Matters concerning Directors and Officers liability insurance contract

Mr. Yamakoshi is currently a director of the Bank, and the Bank has entered into a directors and officers liability insurance contract with insurance companies as stipulated in Article 430-3, paragraph (1) of the Companies Act, in which he is included as an insured party. The said contract covers compensations for damages and legal dispute fees that an insured party may incur due to claims for damages caused by the insured parties' acts (including failure to act) based on their positions as directors and officers, and the Bank has assumed the costs of insurance premiums in full for all of the insured parties with respect to this insurance contract. In case this proposal is approved and resolved, and he assumes the position of Director, he will be included as an insured party. The Bank plans to renew the said insurance contract under the same terms and conditions during his term of office.

Message to our shareholders

In FY2023, as Representative Director and Deputy President, I discussed and made decisions on important business execution policies and deepened discussions in the best interest of our customers as Chairman of the Customer Protection Committee. In addition, I have promoted alliance strategies to enhance Aozora's corporate value, and we have successfully concluded a capital and business alliance with Daiwa Securities Group Inc. in May of this year. In FY2024, as Director and Chairman, I will chair the Board of Directors and shift my focus to enhancing our corporate governance by improving the effectiveness of the Board of Directors. As a moderator of the Board of Directors, I will ensure that constructive discussions are held based on a sound check-and-balance relationship between directors who execute business and outside directors who supervise the execution of the business, and that discussions are conducted effectively so that they are tailored to the importance of each agenda item, and that each director's experience and skills are demonstrated through active question-and-answer sessions. The Company will also ensure that the experience and skills of each director are demonstrated through active question-and-answer sessions.

Candidate No.

2

Hideto Oomi

58 years old
(Date of birth: July 19, 1965)

For reappointment

Inside

Number of years served as director 3 years
(At the close of this Ordinary General Meeting of Shareholders)

Board Meeting Attendance Attended all 13 Board meetings during the relevant fiscal year (FY2023)



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

Apr. 1989	The Nippon Credit Bank, Ltd. (currently Aozora Bank, Ltd.)
Aug. 2007	General Manager of Leveraged Finance Division
Dec. 2009	General Manager of Acquisition & Project Finance Division
Oct. 2011	General Manager of Hiroshima Branch
Nov. 2012	General Manager of Business Strategy Division
July 2016	Executive Officer, Special Assignment
July 2019	Managing Executive Officer, Head of Corporate Strategy Unit, Office of Corporate Secretary and Special Assignment
June 2020	Managing Executive Officer, Head of Corporate Strategy Unit, Head of Trust Business Group, Office of Corporate Secretary and Special Assignment
Apr. 2021	Managing Executive Officer, Head of Strategic Investments Group, Head of Trust Business Group, Head of Corporate Strategy Unit and Office of Corporate Secretary
June 2021	Representative Director, Deputy President and Executive Officer, Head of Strategic Investments Group, Head of Trust Business Group, Head of Corporate Strategy Unit and Office of Corporate Secretary
July 2021	Representative Director, Deputy President and Executive Officer, Head of Strategic Investments Group and Head of Trust Business Group
Apr. 2022	Representative Director, Deputy President and Executive Officer, Head of Institutional Business Promotion Group
Apr. 2024	Representative Director, President and Chief Executive Officer (CEO) (current)

Number of Bank's shares Owned by Candidate

10,311

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

Reason for nomination as a candidate for director

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 led all of the Aozora Group as Representative Director, President and Chief Executive Officer (since April 2024), after serving as Representative Director, Deputy President (since June 2021) and has a thorough knowledge of the Bank group's overall business operations. The Bank believes he is an adequate candidate because of his deep insight in financial businesses as well as extensive experience and sound judgment.

Matters concerning interests

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

Matters concerning Directors and Officers liability insurance contract

Mr. Oomi is currently a director of the Bank, and the Bank has entered into a directors and officers liability insurance contract with insurance companies as stipulated in Article 430-3, paragraph (1) of the Companies Act, in which he is included as an insured party. The said contract covers compensations for damages and legal dispute fees that an insured party may incur due to claims for damages caused by the insured parties' acts (including failure to act) based on their positions as directors and officers, and the Bank has assumed the costs of insurance premiums in full for all of the insured parties with respect to this insurance contract. In case this proposal is approved and resolved, and he assumes the position of Director, he will be included as an insured party. The Bank plans to renew the said insurance contract under the same terms and conditions during his term of office.

Message to our shareholders

We deeply apologize that we were unable to meet the expectations of our shareholders in FY2023.

However, at a time when society is undergoing major changes, we believe that the time has come for Aozora Group's highly specialized businesses, in which we have expertise, to be of service to society through "Aozora's Strategic Investments Business" to support our customers' business and assets in their "Fostering," "Change" and "Recovery" phases.

We are confident that the capital and business alliance with Daiwa Securities Group Inc. will provide us with the capital to further expand our investments and loans in "Aozora's Strategic Investments Business" as well as enhanced products and services created through collaboration between a bank and a securities firm, enabling us to grow beyond the limits of organic growth while capturing the growth of the Japanese economy.

We are committed to contributing to the growth of the Japanese economy and to provide returns to our shareholders through increased corporate value.

Candidate No.

3

Masayoshi Ohara

60 years old
(Date of birth: August 28, 1963)

For reappointment

Inside

Number of years served as director 1 year
(At the close of this Ordinary General Meeting of Shareholders)

Board Meeting Attendance (FY2023) Attended all 10 Board meetings during the relevant fiscal year, after his appointment as Director



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

Apr. 1988	The Nippon Credit Bank, Ltd. (currently Aozora Bank, Ltd.)
Oct. 2011	General Manager of Financial Institutions Division I
July 2012	General Manager of Human Resources Division
Aug. 2013	Deputy Chief Risk Officer (CRO) and General Manager of Market Risk Management Division
July 2014	Executive Officer, Head of Financial Markets Group
July 2017	Managing Executive Officer, Head of Financial Markets Group
July 2018	Managing Executive Officer, CRO and Chief Credit Risk Officer (CCRO)
July 2019	Senior Managing Executive Officer, CRO and CCRO
July 2021	Senior Managing Executive Officer and CRO
June 2023	Director, Senior Managing Executive Officer and CRO
Apr. 2024	Representative Director, Deputy President and Executive Officer (current)

Number of Bank's shares Owned by Candidate

3,011

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

■ Reason for nomination as a candidate for director

Mr. Masayoshi Ohara has been engaged in a broad range of banking businesses such as the markets business and has made a considerable contribution to the corporate management as an Executive Officer and Head of Financial Markets Group (since July 2014) and subsequently CRO and CCRO. He has been responsible for a wide range of business operations and involved in the overall management of the Group as Representative Director and Deputy President (since April 2024) and he has a thorough knowledge of the Group's overall business operations. The Bank believes he is an adequate candidate because of his deep insight in financial businesses as well as extensive experience and sound judgment.

■ Matters concerning interests

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

■ Matters concerning Directors and Officers liability insurance contract

Mr. Ohara is currently a director of the Bank, and the Bank has entered into a directors and officers liability insurance contract with insurance companies as stipulated in Article 430-3, paragraph (1) of the Companies Act, in which he is included as an insured party. The said contract covers compensations for damages and legal dispute fees that an insured party may incur due to claims for damages caused by the insured parties' acts (including failure to act) based on their positions as directors and officers, and the Bank has assumed the costs of insurance premiums in full for all of the insured parties with respect to this insurance contract. In case this proposal is approved and resolved, and he assumes the position of Director, he will be included as an insured party. The Bank plans to renew the said insurance contract under the same terms and conditions during his term of office.

■ Message to our shareholders

In FY2023, we decided to fundamentally address two balance sheet issues, U.S. non-recourse office loan exposure and the securities portfolio, with the aim of mitigating future risks and better ensuring future growth.
In addition, from the perspective of enhancing risk governance, the Board of Directors discussed the clarification of our risk appetite framework when developing the business plan for FY2024. We adopted the basic policy of "accumulating sustainable and stable earnings through sound risk-taking, enhancing capital adequacy, and achieving corporate growth, that will lead to the realization of the Bank's management philosophy of "contribute to the development of society through the creation of new value-added financial services".
While Aozora's domestic customer-related business remains strong, the new capital and business alliance will restore our risk tolerance and enable us to accelerate the growth of "Aozora's Strategic Investments Business" by strengthening customer development and product supply capabilities, and we will work to further enhance our corporate value.

Candidate No.

4

Sakie Tachibana Fukushima

74 years old
(Date of birth: September 10, 1949)

For reappointment	Outside	Independent director
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Number of years served as director 2 years
(At the close of this Ordinary General Meeting of Shareholders)

Board Meeting Attendance (FY2023) Attended all 13 Board meetings during the relevant fiscal year



Brief Personal History, Positions, Areas of Responsibility 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 (through April 2015)
June 2016	Outside Director, Ushio Inc. (current) (*)
June 2019	Outside Director, KONICA MINOLTA, INC.
June 2020	Outside Director, Kyushu Electric Power Company, Incorporated (current)
June 2022	Outside Director, Aozora Bank, Ltd. (current)

(*) Ms. Sakie Tachibana Fukushima will retire from the position of Outside Director of Ushio Inc. at the close of the firm's ordinary general meeting of shareholders scheduled on June 27, 2024.

Number of Bank's shares Owned by Candidate

782

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

Reason for nomination as a candidate for director and expected roles

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 has a wealth of experience, credentials and deep insight as a member of senior management of corporate institutions, as well as extensive knowledge of the management of global human resources and corporate governance. She has appropriately supervised the management of the Bank as an Outside Director since June 2022. The Bank, having high regard for her experience and capabilities, requests the continued appointment as Outside Director, as the Bank 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 medium- to long-term, if she is elected as an Outside Director.

Matters concerning interests and independence

There are no other particular business related interests between Ms. Fukushima and the Bank. Ms. Fukushima is nominated as Outside Director and also as Independent Director in accordance with the requirements of the Tokyo Stock Exchange, Inc.

Matters concerning Limited Liability contract and Directors and Officers liability insurance contract

The Bank has an agreement with Ms. Fukushima regarding the liability limit stipulated in Paragraph 1 - Article 423 of the Companies Act, pursuant to Paragraph 1 - Article 427, which is stating that in case of "bona fides without any significant delinquency", the amount of the liability limit is in accordance with the amount stipulated in Paragraph 1 - Article 425. In case this proposal is approved and resolved, and she assumes the position of Outside Director, this agreement continues to be effective.

Ms. Fukushima is currently a director of the Bank, and the Bank has entered into a directors and officers liability insurance contract with insurance companies as stipulated in Article 430-3, paragraph (1) of the Companies Act, in which she is included as an insured party. The said contract covers compensations for damages and legal dispute fees that an insured party may incur due to claims for damages caused by the insured parties' acts (including failure to act) based on their positions as directors and officers, and the Bank has assumed the costs of insurance premiums in full for all of the insured parties with respect to this insurance contract. In case this proposal is approved and resolved, and she assumes the position of Outside Director, she will be included as an insured party. The Bank plans to renew the said insurance contract under the same terms and conditions during her term of office.

(Note) The family register name of Sakie Tachibana Fukushima is Sakie Tachibana.

Message to our shareholders

In the midst of a rapidly changing global economic environment, we have been faced with dealing with the U.S. real-estate and securities portfolio issues and it was a year that we have been actively involved in and engaging in serious discussions with the management team in not only regular Board of Directors meetings but also frequent extraordinary meetings as outside director. Simultaneously, we have built an ecosystem that grows together with customers by leveraging the characteristics of each business across the entire Group, under the key words "Fostering, Change, and Recovery," which are the three phases where the Group will leverage its strengths in order to establish "Aozora's Strategic Investments Business" model toward medium- to long-term corporate value enhancement. Also, we have discussed about diverse options including a potential alliance with other companies in light of the current market trend by reassessing the Bank's strengths and weakness as an organization as well a financial institution. Strategy is all about execution and results, and I will continue to make every effort to supervise "execution of offensive and defensive strategies" to maximize the Bank's corporate value by taking the perspective of shareholders as investors and utilizing my 30 years of experience in corporate governance and human capital businesses, including U.S. companies.

Candidate No.

5

Hideyuki Takahashi

67 years old
(Date of birth: April 20, 1957)

For reappointment	Outside	Independent director
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Number of years served as director 1 year
(At the close of this Ordinary General Meeting of Shareholders)

Board Meeting Attendance (FY2023) Attended all 10 Board meetings during the relevant fiscal year, after his appointment as Director



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

Apr. 1980	The Industrial Bank of Japan Ltd. (currently Mizuho Bank, Ltd.)
Apr. 2007	Senior Corporate Officer, Executive Officer, Strategic Planning Group, Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)
Apr. 2009	Managing Executive Officer, Head of Financial Institutions, Mizuho Corporate Bank, Ltd.
Apr. 2010	Managing Executive Officer, CFO, Head of Financial Control & Accounting Group, Mizuho Corporate Bank, Ltd.
Apr. 2012	Managing Executive Officer, Group CFO, Mizuho Financial Group, Inc.
Apr. 2013	Director and Deputy President, Group CFO, Mizuho Financial Group, Inc.
Apr. 2014	Director, Mizuho Financial Group, Inc.
June 2014	Director and Deputy Chairman of the Board of Directors, Chairman of the Audit Committee, Chairman of the Risk Committee, Mizuho Financial Group, Inc.
June 2017	President & CEO, Mizuho Research Institute Ltd. (currently Mizuho Research & Technologies, Ltd.)
June 2019	Chairman, The Kyoritsu Co., Ltd. Outside Director, Sunshine City Corporation (current)
June 2020	Outside Corporate Auditor, Hanwa Co., Ltd. (current) Outside Director, Audit & Supervisory Committee Member, WOWOW Inc. (current)
Jan. 2022	Representative Director and President, Topaz Advisory, Inc.
Jan. 2023	Advisor, Topaz Capital Inc.
June 2023	Outside Director, Aozora Bank, Ltd. (current)

Number of Bank's shares Owned by Candidate

61

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

■ Reason for nomination as a candidate for director and expected roles

Mr. Hideyuki Takahashi has served as Deputy President and Group CFO, and Deputy Chairman of the Board of Directors of Mizuho Financial Group, Inc. as well as Representative Director and President of Mizuho Research & Technologies, Ltd. and he has a wealth of experience, credentials and deep insight as a member of senior management of corporate institutions in the banking and non-financial sectors, as well as extensive knowledge of finance and accounting and corporate governance of financial institutions. He has appropriately supervised the management of the Bank as an Outside Director since June 2023.

The Bank, having high regard for his experience and capabilities, requests his appointment as an Outside Director, as the Bank 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 medium- to long-term, if he is elected as an Outside Director.

■ Matters concerning interests and independence

There are no other particular business related interests between Mr. Takahashi and the Bank. Mr. Takahashi is nominated as Outside Director and also as Independent Director in accordance with the requirements of the Tokyo Stock Exchange, Inc.

■ Matters concerning Limited Liability contract and Directors and Officers liability insurance contract

The Bank has an agreement with Mr. Takahashi regarding the liability limit stipulated in Paragraph 1 - Article 423 of the Companies Act, pursuant to Paragraph 1 - Article 427, which is stating that in case of "bona fides without any significant delinquency", the amount of the liability limit is in accordance with the amount stipulated in Paragraph 1 - Article 425. In case this proposal is approved and resolved, and he assumes the position of Outside Director, this agreement continues to be effective.

Mr. Takahashi is currently a director of the Bank, and the Bank has entered into a directors and officers liability insurance contract with insurance companies as stipulated in Article 430-3, paragraph (1) of the Companies Act, in which he is included as an insured party. The said contract covers compensations for damages and legal dispute fees that an insured party may incur due to claims for damages caused by the insured parties' acts (including failure to act) based on their positions as directors and officers, and the Bank has assumed the costs of insurance premiums in full for all of the insured parties with respect to this insurance contract. In case this proposal is approved and resolved, and he assumes the position of Outside Director, he will be included as an insured party. The Bank plans to renew the said insurance contract under the same terms and conditions during his term of office.

■ Message to our shareholders

The Japanese economy is at a significant turning point with the Nikkei Stock Average has reached its highest level in 34 years, and the Bank of Japan has decided to lift its negative interest rate policy. On the other hand, the global economy is becoming increasingly uncertain due to the emergence of geopolitical risks, extreme weather conditions caused by global warming, and drastic changes in the competitive landscape due to digitalization.

In response to this challenging business environment, the Bank has taken fundamental actions in FY2023 and significantly reduced future risks by addressing balance sheet issues. This decision was made after verification by the Audit and Compliance Committee and discussions at the Board of Directors meetings.

In FY 2024, under the leadership of our new President, Mr. Oomi, we will continue to rebuild the risk structure of our balance sheet and vigorously promote our strategies to further grow our customer-related business, with focus on our strength in Aozora's Strategic Investments Business.

In order to respond to such a challenging business environment, it is essential to have a governance framework that emphasizes speed and resilience. As an Outside Director, I am committed to contributing to the sustainable growth of the Bank with a focus on supervision and monitoring.

Candidate No.

6

Hideaki Saito

61 years old
(Date of birth: May 6, 1963)

For reappointment	Outside	Independent director
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Number of years served as director 1 year
(At the close of this Ordinary General Meeting of Shareholders)

Board Meeting Attendance (FY2023) Attended all 10 Board meetings during the relevant fiscal year, after his appointment as Director



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

Apr. 1986	The Norinchukin Bank
Apr. 1989	Chief Researcher, Banking Bureau, Ministry of Finance
Apr. 1998	The Boston Consulting Group
July 2006	Partner and Managing Director, The Boston Consulting Group
Apr. 2010	Managing Director, Cisco Systems G.K.
Apr. 2011	Senior Managing Director, Cisco Systems G.K.
Feb. 2013	President and CEO, NEXTIA Life Insurance Co., Ltd. (currently AXA Life Insurance Co., Ltd.)
July 2019	Partner, Bain and Company
Aug. 2021	President and CEO, Japan Systems Co., Ltd. (current)
Jan. 2022	Representative Director, NetCam Systems Corporation (current)
May 2023	Director, Blueship. Co., Ltd.
June 2023	Outside Director, Aozora Bank, Ltd. (current)
Mar. 2024	Director and Representative Executive Officer, Blueship Co., Ltd. (current)

Number of Bank's shares Owned by Candidate

154

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

■ Reason for nomination as a candidate for director and expected roles

Mr. Hideaki Saito has served as President and CEO of AXA Direct Life Insurance Co., Ltd., President and CEO of Japan Systems Co., Ltd. and Partner of consulting firms and he has a wealth of experience, credentials and deep insight as a member of senior management of corporate institutions and as a strategic consultant, as well as extensive knowledge of DX/IT. He has appropriately supervised the management of the Bank as an Outside Director since June 2023. The Bank, having high regard for his experience and capabilities, requests the continued appointment as Outside Director, as the Bank 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 medium- to long-term, if he is elected as an Outside Director.

■ Matters concerning interests and independence

There are no other particular business related interests between Mr. Saito and the Bank. Mr. Saito is nominated as Outside Director and also as Independent Director in accordance with the requirements of the Tokyo Stock Exchange, Inc.

■ Matters concerning Limited Liability contract and Directors and Officers liability insurance contract

The Bank has an agreement with Mr. Saito regarding the liability limit stipulated in Paragraph 1 - Article 423 of the Companies Act, pursuant to Paragraph 1 - Article 427, which is stating that in case of "bona fides without any significant delinquency", the amount of the liability limit is in accordance with the amount stipulated in Paragraph 1 - Article 425. In case this proposal is approved and resolved, and he assumes the position of Outside Director, this agreement continues to be effective.

Mr. Saito is currently a director of the Bank, and the Bank has entered into a directors and officers liability insurance contract with insurance companies as stipulated in Article 430-3, paragraph (1) of the Companies Act, in which he is included as an insured party. The said contract covers compensations for damages and legal dispute fees that an insured party may incur due to claims for damages caused by the insured parties' acts (including failure to act) based on their positions as directors and officers, and the Bank has assumed the costs of insurance premiums in full for all of the insured parties with respect to this insurance contract. In case this proposal is approved and resolved, and he assumes the position of Outside Director, he will be included as an insured party. The Bank plans to renew the said insurance contract under the same terms and conditions during his term of office.

■ Message to our shareholders

Since assuming the position of Outside Director of the Bank in June of last year, I have endeavored to appropriately supervise and monitor various areas of the Bank's management, mainly through discussions at the Board of Directors. As for the financial results for the FY2023, we have made objective judgments based on accurate fact recognitions, and also discussed about mid-term growth scenarios. To ensure appropriate monitoring, I have actively sought to understand and address significant management challenges by directly engaging with relevant departments, in addition to the board of directors meetings. For instance, in the IT sector, we have conducted in-depth discussions on areas that require strengthening to showcase the unique qualities of the Bank, as well as areas where efficiency improvements can be pursued. As I mentioned when assuming this position last year, I remain committed to provide the essence of my experience in various industries and business categories in order to maximize the Bank's corporate value.

Candidate No.

7

Takashi Kato

59 years old
(Date of birth: January 20, 1965)

New Candidate

Inside

Number of years
served as director -

Board Meeting
Attendance -
(FY2023)



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

Apr. 1989	The Nippon Credit Bank, Ltd. (currently Aozora Bank, Ltd.)
Aug. 2010	General Manager of Treasury Investment Division
July 2012	Deputy Head of Financial Markets Group, and General Manager of Treasury Investment Division
July 2014	Deputy Head of Financial Markets Group
July 2016	Executive Officer, General Manager of Kansai Branch, and General Manager of Kansai Financial Institutions Division
July 2018	Executive Officer, Head of Financial Markets Group
July 2019	Managing Executive Officer, Head of Financial Markets Group
July 2021	Senior Managing Executive Officer, Head of Allied Banking Group
July 2023	Senior Managing Executive Officer, Head of Corporate Strategy Unit and Office of Corporate Secretary (current)

Number of Bank's shares Owned by
Candidate

6,664

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

■ Reason for nomination as a candidate for director

Mr. Takashi Kato has been engaged in a broad range of banking businesses such as the markets business and has made a considerable contribution to the corporate management as an Executive Officer (since July 2016) and Head of Financial Markets Group and subsequently Head of Allied Banking Group, and currently as a Senior Managing Executive Officer and Head of Corporate Strategy Unit. The Bank believes he is an adequate candidate because of his deep insight in financial businesses as well as extensive experience and sound judgment.

■ Matters concerning interests

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

■ Matters concerning Directors and Officers liability insurance contract

Mr. Kato is currently a Senior Managing Executive Officer of the Bank, and the Bank has entered into a directors and officers liability insurance contract with insurance companies as stipulated in Article 430-3, paragraph (1) of the Companies Act, in which he is included as an insured party. The said contract covers compensations for damages and legal dispute fees that an insured party may incur due to claims for damages caused by the insured parties' acts (including failure to act) based on their positions as directors and officers, and the Bank has assumed the costs of insurance premiums in full for all of the insured parties with respect to this insurance contract. In case this proposal is approved and resolved, and he assumes the position of Director, he will be included as an insured party. The Bank plans to renew the said insurance contract under the same terms and conditions during his term of office.

■ Message to our shareholders

I joined the Bank in 1989. After working in the Financial Markets Group and Corporate and Financial Institutions Business Group, I was appointed as Executive Officer and General Manager of the Kansai Branch in July 2016. After that, I have served as Head of the Financial Markets Group, Head of the Allied Banking Group, and in my current position as Head of the Corporate Strategy Unit and Office of Corporate Secretary. Amidst the continuing major changes in the global social and financial environment in the post-pandemic period, including the persistent inflationary environment, we posted a loss of 49.9 billion yen for FY2023 due to our decision to make provisions and recognize losses on certain assets, and we made the decision to suspend the third quarter and the fourth quarter dividends for FY2023. As Head of the Corporate Strategy Unit, I would like to extend my sincerest apologies for the inconvenience and concern this has caused our shareholders. In FY2024, the Bank of Japan has finally begun to normalize its monetary policy, and we expect significant changes and developments in the domestic financial market, which is our home ground. As Chief Financial Officer, I will continue to do my best to restore the trust of our stakeholders, including our shareholders, at the earliest time possible.

Candidate No.

8

Koichi Tadano

69 years old
(Date of birth: July 3, 1954)

New Candidate	Outside	Independent director
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Number of years served as director -

Board Meeting Attendance (FY2023) -



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

Apr. 1977	Marubeni Corporation
June 1988	Tadano Iron Works Co., Ltd. (currently Tadano Ltd.)
June 1991	General Manager of Office of the President, Tadano Ltd.
Jan. 1997	Director and President of FAUN GmbH (currently Tadano Faun GmbH)
June 1997	Director, Tadano Ltd.
Apr. 1999	Director and Managing Executive Officer, Tadano Ltd.
Apr. 2001	Director and Senior Managing Executive Officer, Tadano Ltd.
Apr. 2002	Representative Director and Senior Managing Executive Officer, Tadano Ltd.
June 2003	President, CEO, and Representative Director, Tadano Ltd.
Apr. 2021	Chairman of the Board and Representative Director, Tadano Ltd. (current)

Number of Bank's shares Owned by Candidate -

■ Reason for nomination as a candidate for director and expected roles

Mr. Koichi Tadano has served as President, CEO, and Representative Director and Chairman of the Board and Representative Director of Tadano Ltd. and has demonstrated leadership as the top manager of the Company for many years. He has a wealth of experience, credentials and deep insight by playing a pivotal role in management, as well as extensive knowledge of global business. The Bank having high regard for his experience and capabilities, requests an appointment as Outside Director candidate, as the Bank 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 medium- to long-term, if he is elected as an Outside Director.

■ Matters concerning interests and independence

There are no other particular business related interests between Mr. Tadano and the Bank. Mr. Tadano is nominated as Outside Director and also as Independent Director in accordance with the requirements of the Tokyo Stock Exchange, Inc.

■ Matters concerning Limited Liability contract and Directors and Officers liability insurance contract

In case this proposal is approved and resolved, and he assumes the position of Outside Director, the Bank will enter into an agreement with Mr. Tadano regarding the liability limit stipulated in Paragraph 1 - Article 423 of the Companies Act, pursuant to Paragraph 1 - Article 427, which is stating that in case of "bona fides without any significant delinquency", the amount of the liability limit is in accordance with the amount stipulated in Paragraph 1 - Article 425.

In case this proposal is approved and resolved, and Mr. Tadano assumes the position of Outside Director, he will be included as an insured party of the directors and officers liability insurance contract as stipulated in Article 430-3, paragraph (1) of the Companies Act, that the Bank has executed with insurance companies. The said contract covers compensations for damages and legal dispute fees that an insured party may incur due to claims for damages caused by the insured parties' acts (including failure to act) based on their positions as directors and officers, and the Bank has assumed the costs of insurance premiums in full for all of the insured parties with respect to this insurance contract. The Bank plans to renew the said insurance contract under the same terms and conditions during his term of office.

■ Message to our shareholders

I have served as president of Tadano Ltd, a company specializing in the design manufacturing and sales of lifting equipment such as cranes, from 2003 to 2021, for a total of 18 years. During my term of office as president, I focused on expanding overseas sales while maintaining domestic sales in Japan, and as a result, the proportion of overseas sales, which was initially 30%, now accounts for two-thirds of our total sales.

Managing a manufacturing company, which can be categorized as a part of capital investment industry, requires a long-term perspective and a global outlook at all times, and I believe I can contribute to the Bank by making use of the experience I have cultivated in the past.

Currently, the world is facing complex, fast, and extreme changes with the increasing geopolitical risks and rapid technological advancements in digitalization, such as AI, and we are witnessing a significant turning point in our history. Although I have no prior experience in the financial sector, I am committed to contributing to the enhancement of the Bank's corporate value and exerting my efforts in supervising and supporting management from different perspectives.

Candidate No.

9

Hiromasa Kawashima

55 years old
(Date of birth: July 18, 1968)

New Candidate Outside

Number of years
served as director -

Board Meeting
Attendance -
(FY2023)



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

Apr. 1992	Daiwa Securities Co. Ltd.
Oct. 2012	Head of Executive Office, Daiwa Securities Group Inc. Head of Executive Office, Daiwa Securities Co. Ltd.
Apr. 2016	Head of Internal Audit Department, Daiwa Securities Group Inc. Head of Internal Audit Department, Daiwa Securities Co. Ltd.
Apr. 2020	Audit & Supervisory Board Member, Daiwa Securities Co. Ltd. Audit & Supervisory Board Member, Daiwa Real Estate Asset Management Co. Ltd.
June 2020	Member of the Board, Daiwa Securities Group Inc.
Apr. 2024	Senior Managing Director, Daiwa Securities Group Inc. (current) Executive Managing Director, Daiwa Securities Co. Ltd. (current)

Number of Bank's shares Owned by
Candidate -

■ Reason for nomination as a candidate for director and expected roles

Mr. Hiromasa Kawashima, after serving in the Human Resources Division and the Investment Banking Division at Daiwa Securities Group Inc., served successively as Managing Director of the Executive Office and Internal Audit Department, and he is currently serving as Senior Managing Director of Daiwa Securities Group Inc. He has a wealth of experience, credentials and knowledge in Human Resources and Internal Audit. He is a candidate nominated by Daiwa Securities Group Inc. following the Bank's execution of the Capital and Business Alliance Agreement with Daiwa Securities Group Inc., on May 13, 2024. The Bank believes his participation in the management as an Outside Director will further deepen collaboration of the two companies, and the Bank expects him to provide appropriate advice to ensure the purpose of the alliance is achieved.

■ Matters concerning interests

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

■ Matters concerning Limited Liability contract and Directors and Officers liability insurance contract

In case this proposal is approved and resolved, and he assumes the position of Outside Director, the Bank will enter into an agreement with Mr. Kawashima regarding the liability limit stipulated in Paragraph 1 - Article 423 of the Companies Act, pursuant to Paragraph 1 - Article 427, which is stating that in case of "bona fides without any significant delinquency", the amount of the liability limit is in accordance with the amount stipulated in Paragraph 1 - Article 425.

In case this proposal is approved and resolved, and Mr. Kawashima assumes the position of Outside Director, he will be included as an insured party of the directors and officers liability insurance contract as stipulated in Article 430-3, paragraph (1) of the Companies Act, that the Bank has executed with insurance companies. The said contract covers compensations for damages and legal dispute fees that an insured party may incur due to claims for damages caused by the insured parties' acts (including failure to act) based on their positions as directors and officers, and the Bank has assumed the costs of insurance premiums in full for all of the insured parties with respect to this insurance contract. The Bank plans to renew the said insurance contract under the same terms and conditions during his term of office.

(Note) The appointment of Mr. Hiromasa Kawashima shall be effective upon completion of Daiwa Securities Group Inc.'s payment of the total paid-in amount for the third party allotment to a payment handling financial institution (scheduled payment date : July 1, 2024) , pursuant to the Capital and Business Alliance Agreement dated May 13, 2024 between the Bank and Daiwa Securities Group Inc., described on page 58.

■ Message to our shareholders

Since joining Daiwa Securities in 1992, I have mainly engaged in operations in the Human Resources Division and Investment Banking Division. After serving as Head of the Executive Office and Head of Internal Audit Department, I have served as Audit & Supervisory Board Member of Daiwa Securities Co. Ltd since April 2020, and served as Director of Daiwa Securities Group Inc. for 4 years since June 2020. I currently serve as Deputy Head of Corporate Planning, Deputy Head of Human Resources and Head of Legal of Daiwa Securities Group. I believe that the capital and business alliance between the Bank and Daiwa Securities Group will make it possible for the two companies, which have different strengths and management resources, to work together to improve their consulting and solution capabilities for issues addressed by individual and corporate clients. I will strive to further deepen the collaboration between the two companies toward the enhancement of the Bank's corporate value by leveraging the experience and knowledge I have accumulated at securities companies.

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

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

Candidate is shown below.

Candidate for Audit & Supervisory Board Member

Toraki Inoue

67 years old
(Date of birth: September 6, 1956)

For reappointment	Outside	Independent Audit & Supervisory Board Member
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Number of years served as Audit & Supervisory Board Member

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

The meetings of the Audit & Supervisory Board attendance (FY 2023)

Attended all 14 meetings of the Audit & Supervisory Board during the relevant fiscal year
Attended all 13 Board meetings during the relevant fiscal year



Brief Personal History, Positions and Concurrent Major Posts

Dec. 1985	Registration CPA
June 1987	New York Office, ANDERSEN
Oct. 1995	National Partner, ANDERSEN
Oct. 1997	Worldwide Partner, ANDERSEN
July 1999	Partner, KPMG AZSA LLC (formerly Asahi & Co.)
July 2008	Toraki Inoue Certified Public Accountant Office (current)
June 2010	Representative Director and President, Accounting Advisory Co., Ltd (current)
June 2011	Outside Audit & Supervisory Board Member, Pioneer Corporation
Sept. 2011	Supervisory Director, GLP J-REIT (current)
Apr. 2012	Guest Professor of International Accounting Study Group, Expert Graduate School, Chuo University
Apr. 2013	Instructor of Global Business Study Group, Expert Graduate School, Meiji University
Mar. 2016	Outside Audit & Supervisory Board Member, Kao Corporation
June 2016	Outside Audit & Supervisory Board Member, Aozora Bank, Ltd. (current)
Apr. 2017	Instructor of International Accounting Study Group, Expert Graduate School, Chuo University
Oct. 2018	Standing Corporate Auditor, Kyulux, Inc. (current)
Nov. 2020	Outside Audit & Supervisory Board Member, ETVOS Co., Ltd. (current)
June 2024	Outside Audit & Supervisory Board Member, Hokuetsu Corporation (scheduled) (*)

(*) Scheduled to be elected as an Outside Audit & Supervisory Board Member of Hokuetsu Corporation at its annual general meeting of shareholders scheduled to be held on June 27, 2024.

Number of Bank's shares Owned by Candidate

273

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

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

Mr. Toraki Inoue is qualified for the responsibilities as an outside Audit & Supervisory Board Member because he is an expert of accounting with qualification of a certified public accountant. And his position is independent from the day-to-day management responsibilities of the operations and activities of the Bank.

Matters concerning interests and independence

There are no other particular business related interests between Mr. Inoue and the Bank. Mr. Inoue is nominated as Outside Audit & Supervisory Board Member and also as Independent Audit & Supervisory Board Member in accordance with the requirements of the Tokyo Stock Exchange, Inc.

Matters concerning Limited Liability contract and Directors and Officers liability insurance contract

The Bank has an agreement with Mr. Inoue regarding the liability limit stipulated in Paragraph 1 - Article 423 of the Companies Act, pursuant to Paragraph 1 - Article 427, which is stating that in case of "bona fides without any significant delinquency", the amount of the liability limit is in accordance with the amount stipulated in Paragraph 1 - Article 425. In case this proposal is approved and resolved, and he assumes the position of Outside Audit & Supervisory Board Member, this agreement continues to be effective.

Mr. Inoue is currently an Outside Audit & Supervisory Board Member, and the Bank has entered into a directors and officers liability insurance contract with insurance companies as stipulated in Article 430-3, paragraph (1) of the Companies Act, in which he is included as an insured party. The said contract covers compensations for damages and legal dispute fees that an insured party may incur due to claims for damages caused by the insured parties' acts (including failure to act) based on their positions as directors and officers, and the Bank has assumed the costs of insurance premiums in full for all of the insured parties with respect to this insurance contract. In case this proposal is approved and resolved, and he assumes the position of Outside Audit & Supervisory Board Member, he will be included as an insured party. The Bank plans to renew the said insurance contract under the same terms and conditions during his term of office.

Message to our shareholders

In fiscal year 2023, the Bank did not postpone any balance sheet issues and timely settled the accounts.

From a fair and objective standpoint independent from the Bank, I conducted monitoring of discussions between the Executive Directors and Outside Directors at Board Meeting of Directors and informal meetings of the Board of Directors concerning a series of such processes, as well as the process of decision-making, to confirm that the responses were appropriate. With regard to these accounting processes, I confirmed the appropriateness of the accounting processes by hearing the audit methods and audit results from the Accounting Auditor multiple times and exchanging opinions.

As the role of Outside Audit & Supervisory Board Members, I believe that it is important to monitor the appropriate implementation of business strategies and business operations, including future business alliances, by attending meetings of the Board of Directors and other bodies and by collecting reports on business operations from execution units, and to actively provide opinions as necessary. I will do my utmost effort to contribute to the development of the Bank by continuing monitoring based on my experience in accounting, finance and corporate management.

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

In order to prepare for a vacancy in the number of Audit & Supervisory Board Members as required by law, it is proposed to appoint two alternate Audit & Supervisory Board Members, with the consent of the Audit & Supervisory Board.

Mr. Koji Himeno is the candidate for a substitute to the Standing Audit & Supervisory Board Member and Mr. Kenzo Oka is the candidate for a substitute to the Audit & Supervisory Board Members other than the Standing Audit & Supervisory Board Member.

The candidates are shown below.

Candidates for Alternate Audit & Supervisory Board Member

Candidate No.

1

Koji Himeno

56 years old
(Date of birth: December 3, 1967)

Inside



■ Brief Personal History, Positions and Concurrent Major Posts

Apr. 1991	The Nippon Credit Bank, Ltd. (currently Aozora Bank, Ltd.)
Oct. 2011	Joint General Manager, HR Division
Aug. 2013	General manager, Ueno Branch
Oct. 2014	Joint General Manager, Corporate Business Division II
July 2016	Joint General Manager, attached to Chief Risk Officer and Chief Credit Risk Officer
Jan. 2017	Joint General Manager, Credit Risk Management Division
Apr. 2019	General manager, Kanazawa Branch
Apr. 2021	Joint General Manager, Corporate Administration and Service Division
July 2021	General Manager, Corporate Administration and Service Division
Apr. 2024	Joint General Manager, Office of Audit & Supervisory Board (current)
July 2024	General Manager, Office of Audit & Supervisory Board (scheduled)

Number of Bank's shares Owned by Candidate

200

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

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

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

■ Matters concerning interests

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

■ Matters concerning Limited Liability contract and Directors and Officers liability insurance contract

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

Once Mr. Himeno assumes his office as an Audit & Supervisory Board Member, he will be included as an insured party of the directors and officers liability insurance contract as stipulated in Article 430-3, paragraph (1) of the Companies Act, that the Bank has executed with insurance companies. The said contract covers compensations for damages and legal dispute fees that an insured party may incur due to claims for damages caused by the insured parties' acts (including failure to act) based on their positions as directors and officers, and the Bank has assumed the costs of insurance premiums in full for all of the insured parties with respect to this insurance contract. The Bank expects that the relevant insurance contract will be updated without amendment of its detail, regardless of his assumption.

Candidate No.

2

Kenzo Oka

66 years old
(Date of birth: July 14, 1957)

Outside



■ Brief Personal History, Positions and Concurrent Major Posts

Apr. 1982	SEISHUN PUBLISHING Co., Ltd.
Apr. 1997	Registration CPA
Oct. 1998	Century Audit Corporation (currently Ernst & Young Shin Nihon LLC)
May 2000	Partner, Century Audit Corporation
July 2008	Senior Partner, Shin Nihon LLC (currently Ernst & Young Shin Nihon LLC)
June 2016	Chairman, Chiyoda Subchapter, Tokyo Chapter, JICPA
Dec. 2019	CPA Examination Commissioner (current)
July 2020	Kenzo Oka Certified Public Accountant Office (current)
Jan. 2022	Registration CFE
June 2023	Outside Audit & Supervisory Board Member, Yokohama Shintoshin Center Corporation (current)
Sept. 2023	Auditor, Yokohama City University (current)

Number of Bank's shares Owned by Candidate 100

The above states the shares held directly by the candidate. (Fractional shares are rounded off.)

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

Mr. Kenzo Oka is qualified for the responsibilities of an outside Audit & Supervisory Board Member and is the candidate for alternate outside Audit & Supervisory Board Member because he is expected to contribute to the Bank's management from the following background: Holding a CPA, he has extensive experience, achievements and specialized knowledge as an accounting specialist and is independent from the day-to-day management responsibilities for the bank's operations and activities.

■ Matters concerning interests and independence

There are no other particular business related interests between Mr. Oka and the Bank. Mr. Oka is the candidate for alternate outside Audit & Supervisory Board Member, so when he assumes the office of Audit & Supervisory Board Member, he is the candidate for independent Audit & Supervisory Member in accordance with the requirements of the Tokyo Stock Exchange, Inc.

■ Matters concerning Limited Liability contract and Directors and Officers liability insurance contract

When Mr. Oka assumes the office of Audit & Supervisory Board Member, the Bank will enter into a contract with Mr. Oka to the effect that, if he is without knowledge and is not grossly negligent in performing the duties of Audit & Supervisory Board Member, the liabilities of the Audit & Supervisory Board Member under Paragraph 1 - Article 423 of the Companies Act shall be limited to the amount stipulated by Paragraph 1 - Article 425 of the Companies Act in accordance with the provisions of Paragraph 1 - Article 427 of the Companies Act. Once Mr. Oka assumes his office as an Audit & Supervisory Board Member, he will be included as an insured party of the directors and officers liability insurance contract as stipulated in Article 430-3, paragraph (1) of the Companies Act, that the Bank has executed with insurance companies. The said contract covers compensations for damages and legal dispute fees that an insured party may incur due to claims for damages caused by the insured parties' acts (including failure to act) based on their positions as directors and officers, and the Bank has assumed the costs of insurance premiums in full for all of the insured parties with respect to this insurance contract. The Bank expects that the relevant insurance contract will be updated without amendment of its detail, regardless of his assumption.

End

The items described in the Note 1–4 (pages 37–40) below are excerpts from the Bank’s Corporate Governance Report.

Note 1 Composition of the Board of Directors

1. The Board of Directors shall not have more than twelve (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 diversity and combination, with wealth of knowledge and expertise in areas including banking and finance, financial accounting, risk management, legal and compliance and so forth in addition to deep insight of the Bank Group’s business.
4. The Board of Directors shall be composed of internal Directors who possess extensive knowledge and experience in business execution and outside Directors who supervise management from an objective standpoint. 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 a half or more.

Note 2 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 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 diversity and combination, with wealth of knowledge and expertise in areas including banking and finance, financial accounting, risk management, legal and compliance and so forth in addition to deep insight of the Bank 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 core financial rules and regulations, finance and accounting
3. Be fair, impartial, and able to perform duties from an independent standpoint
4. Be able to earn the trust of the Bank’s stakeholders
5. Have the ability to communicate effectively with shareholders, the Board of Directors, and senior management to ensure management soundness and transparency

Reappointment of Directors and Audit & Supervisory Board Members

For reappointment of Directors and Audit & Supervisory Board Members, 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 shall be considered each fiscal year. The maximum term of office of each official corporate title of full-time director shall be determined by the internal regulations of the Management Committee. The maximum term of office of outside directors shall be 10 terms 10 years. The maximum term of office of outside Audit & Supervisory Board Members shall be 3 terms 12 years.

Basic Guidelines for Appointing and Dismissing Senior Management

- (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

Formulation of CEO succession plan

Formulate a succession plan that includes the following, with the aim of securing potential CEO successors who can contribute to the sustainable enhancement of the Bank's corporate value for a smooth transition in the future.

1. Overall policy including roadmap
2. Capability requirements for CEO in light of the strategic directions and environmental changes
3. Candidate selection and training plan

Note 3 Procedures 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.

Note 4 Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members

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













1. (1) A person who currently is, or has been during the last ten years prior to his/her appointment, 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 appointment, had also served as an Executive of the Bank or its subsidiaries in the 10 years prior to his/her appointment as such Director, Accounting Advisor and/or Audit and Supervisory Board Member.
2. 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.
3. 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.
4. A person who has been any of the following (1) to (3) during the last ten years prior to his/her appointment.
(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 fellow subsidiaries of the Bank
5. 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.)
6. 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.

Note 5 Skill and Expertise of Directors and Audit & Supervisory Board Members

The Bank has established the Board of Directors, Audit & Supervisory Board Members and the Audit and Supervisory Board as a company with the Audit and Supervisory Board, and has adopted a corporate governance system to ensure management discipline and mutual supervision.

From the perspective of ensuring efficiency, objectivity and transparency, the Board of Directors consists of internal officers who are well-versed in business execution and outside officers who oversee management from an objective standpoint. In order to achieve sustainable growth and enhance corporate value over the medium to long term, its focus is on "global affairs," "IT/DX," and "sustainability," which require higher levels of expertise, in addition to a wealth of knowledge on "corporate management," "banking and finance," "financial accounting," "legal, compliance/risk management" and "human capital," which are the foundations of financial institution management.

	Name	Committee to which the candidate is planned to belong			
		Nomination and Remuneration Committee	Audit & Compliance Committee		
Directors	Inside Directors	 Koji Yamakoshi			
		 Hideto Oomi	●		
		 Masayoshi Ohara			
		 Takashi Kato			
	Outside Directors	 Sakie Tachibana Fukushima <small>Independent director</small>	● Chairperson		
		 Hideyuki Takahashi <small>Independent director</small>		● Chairperson	
		 Hideaki Saito <small>Independent director</small>	●		
		 Koichi Tadano <small>Independent director</small>		●	
		 Hiromasa Kawashima			
	Board Members	Inside Board Member	 Satoshi Hashiguchi		Observer
Outside Board Members		 Toraki Inoue <small>Independent director</small>		Observer	
		 Junichi Maeda <small>Independent director</small>		Observer	

Upon approval of Proposal 1 and 2 following the close of this year's General Meeting of Shareholders, the Bank plans to appoint the following Directors and Audit & Supervisory Board Members (to be decided at the Board of Director's Meeting following the close of this year's General Meeting of Shareholders).

Expertise of Directors and Audit & Supervisory Board Members								
	Corporate management	Banking and finance	Financial accounting	Legal, Compliance/Risk Management	Human capital	Global Affairs	IT/DX	Sustainability
	●	●		●		●		
	●	●				●	●	
		●		●	●			●
		●		●		●		
	●				●	●		●
	●	●	●	●			●	
	●	●				●	●	
	●					●		
		●		●	●			
		●		●		●		
	●		●	●		●		
	●	●		●	●			

* Not all of the expertise that each Director or Audit & Supervisory Board Member possesses

Business Report

- Fiscal Year 2023 -

(April 1, 2023 — March 31, 2024)

1. Current Status of the Bank

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

The global economy in FY2023 looked to central banks in major European cities and the U.S. continued to raise interest rates in line with inflation but then policy rates were left unchanged across the board from the middle of the fiscal year amidst rising concerns of an economic slowdown. A measure of caution given prevailing geopolitical risks continues, and there are concerns about the impact on the global economy of the prolonged conflict in Ukraine and the worsening situation in the Middle East.

In the domestic economy, the recovery trend continued with a movement toward economic normalization, and wage increases at major companies reached the highest level in 30 years on the back of rising prices. Accordingly, the Bank of Japan decided to end its prolonged monetary easing policy, including the lifting of its negative interest rate policy, on the basis that a virtuous cycle of wages and prices had been established and the price stability target of 2% was expected to be achieved in a sustainable and stable manner.

In financial markets, the domestic long-term interest rate (10-year JGB yield) remained in the 0.3% range since April. However, it subsequently rose to the 0.9% range when the Bank of Japan's Monetary Policy Meeting in October decided to allow long-term interest rates to exceed 1%. Eventually reversing course, the rate started to decline, and although the large-scale monetary easing policy ended in March, it was in the 0.7% range by the end of the fiscal year. The Nikkei recovered from the 28,000 level in April to the 33,000 level in June, mainly in response to requests by the Tokyo Stock Exchange to improve its low PBR. The Nikkei continued to rise, reaching its highest level in history since 1989 in February and exceeding the 40,000 level at the end of the fiscal year. The Japanese yen depreciated against the backdrop of rising U.S. long-term interest rates, and the yen weakened from a low of 130 yen range in April to the low 150 yen range in November, subsequently strengthening against the backdrop of a decline in U.S. long-term interest rates. However, even after the Bank of Japan changed its monetary policy in March, it was confirmed that accommodative financial conditions would continue for the time being, and the yen weakened to a low of 150 yen at the end of the fiscal year.

In the United States, in the first half of the fiscal year, the Fed raised interest rates against the backdrop of a more resilient economy, and long-term interest rates (10 year Treasury yield) rose from the 3.3% range in April to over 5% in October. Since then, the Fed has kept its policy rate unchanged, and expectations of a rate cut have increased, reaching the low 4% range at the end of the fiscal year. The U.S. office real estate market remained extremely illiquid, with office real estate prices continuing to decline due to COVID-19's widespread adoption of remote work arrangements and rising interest rates. However, as the pace of interest rate increases has eased and some metro areas have begun to shift from remote work to working in the office, office real estate sales transactions have gradually begun to take place. The U.S. stock market remained strong, and the DJIA recovered from 33,000 at the beginning of the period to 35,000 in July. After that, it was on a downward trend on the back of a rise in long-term interest rates, but as expectations of a rate cut returned, the DJIA rose again and reached a record high in February, rising to the 39,000 level at the end of the fiscal year.

[Main Business Activities of the Corporate Group]

Aozora Bank Group consists of Aozora Bank, 25 consolidated subsidiaries and 1 affiliated company accounted for using the equity method that provide a variety of financial services, such as financial instruments, trust, investment management, investment advisory, M&A advisory services and venture capital investment, in addition to our primary banking business, and distressed loan servicing.

[Analysis of Operating Results and Financial Conditions]
The results of Aozora Group for FY2023 are as follows.

(i) Operating Results

(Unit: Billions of yen)

Net revenue	50.9	Net income (loss) attributable to owners of parent	(49.9)
Change from FY2022	(8.6)	Change from FY2022	(58.6)
Business profit (loss)	(8.5)	Full-year dividend per common share	76 yen
Change from FY2022	(11.1)	4Q dividend	0 yen

(Unit: Billions of yen)

	FY2022	FY2023	Change
Net revenue ※1	59.5	50.9	(8.6)
Net interest income	51.0	42.0	(9.0)
Non-interest income	8.4	8.8	0.3
General and administrative expenses	(59.3)	(61.8)	(2.4)
Gains (losses) on equity method investments	2.3	2.3	(0.0)
Business profit ※2	2.5	(8.5)	(11.1)
Credit-related expenses	(1.7)	(46.9)	(45.2)
Gains (losses) on stock transactions	8.4	1.6	(6.8)
Other	(2.0)	(0.9)	1.1
Ordinary profit (loss)	7.3	(54.8)	(62.1)
Extraordinary profit (loss)	(0.0)	1.6	1.6
Income (loss) before income taxes	7.3	(53.1)	(60.5)
Total income taxes	(0.6)	1.4	2.1
Net income (loss)	6.6	(51.7)	(58.3)
Net loss attributable to non-controlling interests	2.0	1.8	(0.2)
Net income (loss) attributable to owners of parent	8.7	(49.9)	(58.6)

Reference: Business-related profit (Business profit + Gains (losses) on stock transactions: management accounting basis)

	FY2022	FY2023	Change
Customer-related business excl. retail and financial market-related business	33.8	42.8	8.9
Retail business	(5.2)	(4.1)	1.0
Financial market-related business	(17.5)	(45.6)	(28.0)

※1 Net revenue = (Interest income – Interest expenses)

+ (Trust fees + Fees and commissions - Fees and commissions payments)

+ (Gain on trading account transactions - Loss on trading account transactions)

+ (Other ordinary income - Other ordinary expenses)

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

+ Gains (losses) on equity method investments

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

For FY2023, net revenue was 50.9 billion yen, a decrease of 8.6 billion yen year-on-year, and business profit (loss) was (8.5) billion yen (for FY2022, 2.5 billion yen). Net income (loss) attributable to owners of parent was (49.9) billion yen (for FY2022, 8.7 billion yen).

Net revenue from customer-related business mainly driven by Aozora's Strategic Investments Business was 42.8 billion yen with an 8.9 billion yen increase year-on-year.

Net interest income on loans increased by approximately 7.0 billion yen year-on-year due to increases in both average loan outstandings and lending margins. Net interest income on securities decreased by approximately 8.0 billion yen due to a narrower securities margin caused by higher U.S. interest rates and net interest income on other assets, including liquidity reserves, decreased by approximately 8.0 billion yen mainly due to higher overseas interest rates. As a result, net interest income was 42.0 billion yen, a decrease of approximately 9.0 billion yen year on year.

Loan-related fee income from mainly from increased business activity in the LBO financing was strong and GMO Aozora Net Bank's fee income was strong (170% compared to previous year), resulting in a 7.0 billion yen increase in net fees and commissions year-on-year. With respect to the planned restructuring of the securities portfolio, the Bank sold foreign currency ETFs and MBS, resulting in a realized loss. As a result gains/losses on bond transactions decreased by 7.4 billion yen year-on-year and non-interest income was 8.8 billion yen, an increase of 0.3 billion yen year-on-year.

General and administrative expenses were 61.8 billion yen, an increase of 2.4 billion yen from the previous year. Personnel expenses increased by 1.1 billion yen as a result of continued investments in human capital.

Gains/losses on equity method investments were a net gain of 2.3 billion yen.

Business profit (loss) was (8.5) billion yen (for FY2022, 2.5 billion yen).

The Bank reviewed property valuations from a forward-looking perspective and strengthened its reserves by making additional provisions for non-recourse loans secured by office properties in the U.S.; Credit-related expenses were a net expense of 46.9 billion yen, compared to a net expense of 1.7 billion yen in the previous year. Gains/losses on stock transactions were a net gain of 1.6 billion yen, a decrease of 6.8 billion yen from the previous year.

As a result of the above factors, ordinary profit (loss) was (54.8) billion yen (for FY2022, 7.3 billion yen), income (loss) before income taxes was (53.1) billion yen (for FY2022, 7.3 billion yen) and net income (loss) attributable to owners of parent was (49.9) billion yen (for FY2022, 8.7 billion yen). Net loss attributable to owners of parent per share (basic) was 427.22 yen, as compared to net income per share (basic) of 74.67 yen in FY2022.

For this fiscal year, the Bank paid a full-year dividend per common share of 76 yen.

Business profit (loss) by reportable segments

	(Unit: Billions of yen)		
	FY2022	FY2023	Change
Institutional Banking Group	3.0	6.5	3.5
Structured Finance Group	18.9	27.8	8.9
International Business Group	15.7	11.2	(4.5)
Market Group	(17.5)	(45.6)	(28.0)
Customer Relations Group	(2.4)	(2.9)	(0.5)

The Bank has designated Institutional Banking Group, Structured Finance Group, International Business Group, Market Group, and Customer Relations Group as reportable segments for the purpose of the disclosures contained herein.

Each reportable segment consists of the following business groups.

Institutional Banking Group

: Corporate Banking Group and M&A Advisory Group

Structured Finance Group

: Acquisition & Structured Finance Group, Environment Business Group, Special Situations Group and Real Estate Finance Group

International Business Group

: International Finance Group and Asia Investment Group

Market Group

: Financial Markets Group

Customer Relations Group

: Allied Banking Group and Retail Banking Group

The Bank calculates its business profit (loss) as Business revenue minus General and administrative expenses. Business revenue includes 'Consolidated net revenue', 'Gains (losses) on equity method investments', and 'Gains (losses) on stock transactions.'

(ii) Financial Conditions

Total assets were 7,603.0 billion yen as of March 31, 2024, an increase of 418.9 billion yen, compared to March 31, 2023.

Loans and bills discounted were 4,071.2 billion yen, an increase of 189.9 billion yen from March 31, 2023. Domestic loans increased by 87.9 billion yen. Overseas loans increased by 101.9 billion yen.

Securities decreased by 92.1 billion yen from March 31, 2023, to 1,186.5 billion yen.

Total liabilities were 7,211.9 billion yen, an increase of 458.9 billion yen compared to March 31, 2023. Total core funding (deposits, negotiable certificates of deposit and bonds payable) was 5,957.7 billion yen, an increase of 312.6 billion yen from March 31, 2023. The balance of retail deposits was 3,654.8 billion yen, a decrease of 84.8 billion yen compared to March 31, 2023.

Total equity was 391.0 billion yen, a decrease of 40.0 billion yen from March 31, 2023. This decrease is primarily due to a decrease of 63.4 billion yen in retained earnings, offset by increases of 9.0 billion yen in accumulated other comprehensive income and 14.2 billion yen in non-controlling interests. Net assets per common share were 3,285.94 yen, as compared to 3,751.95 yen per common share as of March 31, 2023.

[Management Philosophy]

Aozora Mission

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

Aozora Vision

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

Aozora's Key Priorities

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

[Issues to be addressed]

(i) Issues to be addressed

- Profit attributable to owners of parent for FY2023 was a net loss of 49.9 billion yen as a result of significantly reducing future risks by addressing balance sheet issues: making provisions to loan loss reserves for U.S. non-recourse office loans as well as restructuring the securities portfolio. We believe that these issues were attributable to: (1) undue risk-taking in specific areas of business and (2) an inadequate level of practical measures to be prepared for higher than expected market volatility.
- We closely examined these issues and then clearly established a new and very basic risk appetite policy. As our risk-taking policy for FY2024, we have set out the following: (1) Ensure revenue growth by increasing investments and loans through the focused allocation of capital and resources to Aozora's Strategic Investments Business intended primarily for the domestic market while taking into account capital efficiency; (2) With regard to overseas investments and loans, undertake a more disciplined origination approach overall through proper exposure management on a yen basis while remaining cautious about forex and other trends; and (3) In the Market Group, restructure the securities portfolio to achieve sustainable revenue over the medium to long term by striking a proper balance between domestic and overseas assets.
- Our customer-related business focusing on Aozora's Strategic Investments Business has been experiencing steady growth. In FY2024, we intend to continue the focused allocation of resources to this business in order to strongly support our customers' business and assets in their "Fostering," "Change" and "Recovery" phases. In the "Fostering" phase, we will enhance our "start-ups support ecosystem framework" to promote support for start-ups, which is one of Aozora's strengths, in the environment where full-scale start-up support and fostering are gaining momentum. In the "Change" phase, companies are actively restructuring their business through M&A in response to a rapidly changing society. Following this, we will work to meet a diverse range of customer needs, including LBO finance. For the "Recovery" phase, our group company Aozora Loan Services has a long-standing proven track record. We will continue to proactively address the recovery financing needs of regional financial institutions and distressed businesses by leveraging our network of regional financial institutions.
- We will continue making investments in our human capital and allocate resources to our focus areas of business.
- With regard to our initiatives for sustainability, we will work towards steady progress in achieving Aozora's Sustainability Targets.

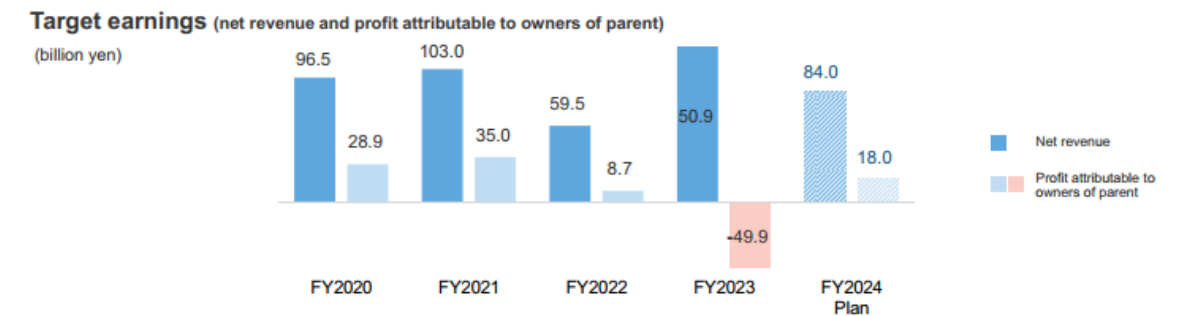
Risk appetite and FY2024 risk-taking policy

Basic risk appetite policy
Focus on achieving a higher level of capital adequacy and business growth by accumulating sustainable and stable earnings through the efficient management and utilization of managerial resources, including capital, balance sheet and human resources, as well as sound risk-taking, with the aim to realize the Aozora Group's management philosophy: "Contribute to the development of society through the creation of new value-added financial services"
Risk appetite policy (medium-term policy)
<ul style="list-style-type: none"> With regard to U.S. non-recourse office loans and securities portfolio management, resolve balance sheet issues by correcting over-reliance on overseas assets Implement initiatives to support the "fostering," "change" and "recovery" of customers' businesses and assets by focusing our managerial resources on Aozora's Strategic Investments Business, with a view to realizing the Bank's management philosophy Enhance capital adequacy through the achievement of sustainable and stable earnings by taking risks within the scope of the Bank's risk management capabilities and business strengths
Risk-taking policy for FY2024
<ul style="list-style-type: none"> Seek revenue growth by increasing investments and loans through the focused allocation of capital and resources to Aozora's Strategic Investments Business intended primarily for the domestic market while taking into account capital efficiency With regard to overseas investments and loans, take selective origination measures overall through proper exposure management on a yen basis while remaining cautious about forex and other trends In the Market Group, restructure the securities portfolio to achieve sustainable revenue over the medium to long term by striking a proper balance between domestic and overseas assets

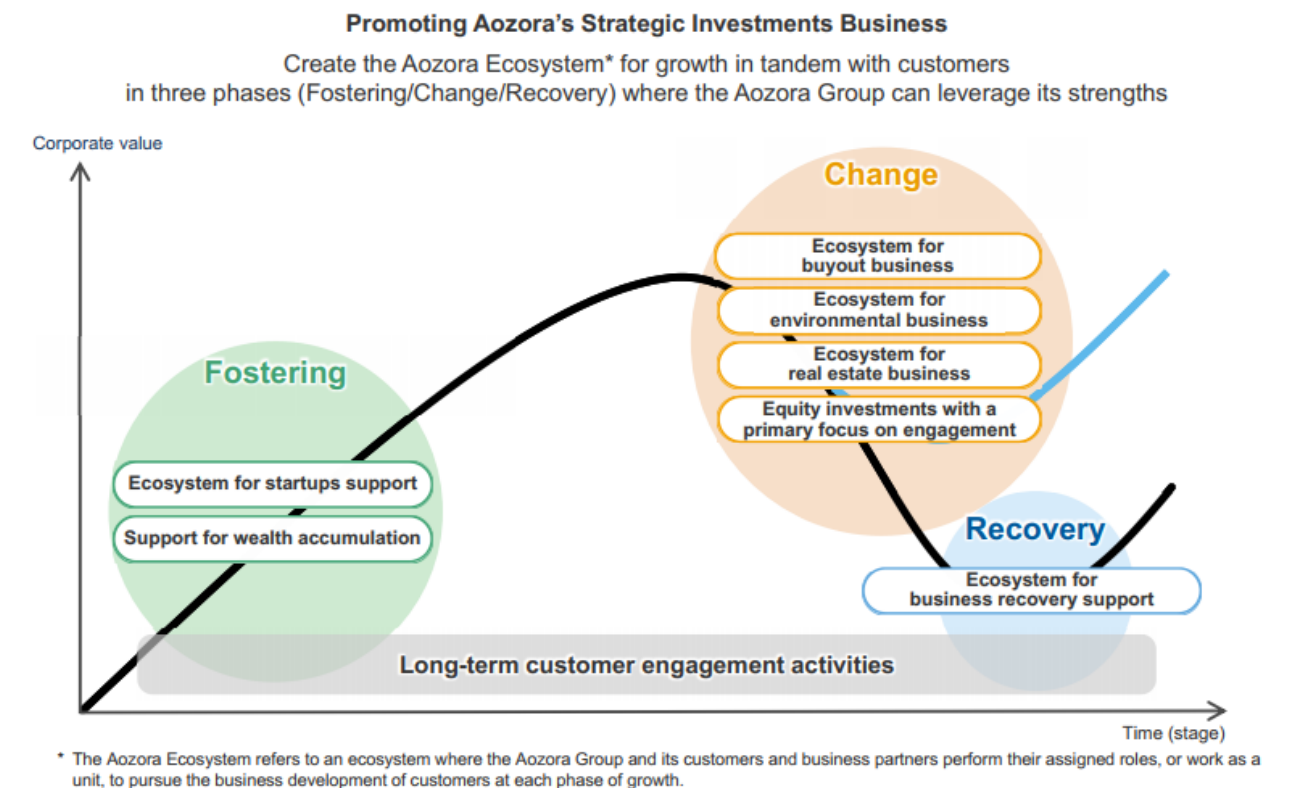
FY2024 plan

Key performance indicators (KPIs)		FY2021	FY2022	FY2023	FY2024 plan
Capital efficiency	ROE	7.1%	1.9%	-	4.6%
Financial strength	Capital adequacy ratio	10.4%	9.4%	9.2%	9.2%
Productivity	Business-related profit*1 per employee	19 million yen	4 million yen	-2.5 million yen	9 million yen
Profitability	Business-related profit RORA*2	1.1%	0.2%	-0.1%	0.5%
Earnings level	Profit attributable to owners of parent	35.0 billion yen	8.7 billion yen	-49.9 billion yen	18.0 billion yen

*1 Business profit + Gains/losses on stock transactions.
*2 (Business profit + Gains/losses on stock transactions)/Risk-weighted assets



Business strategy for FY2024



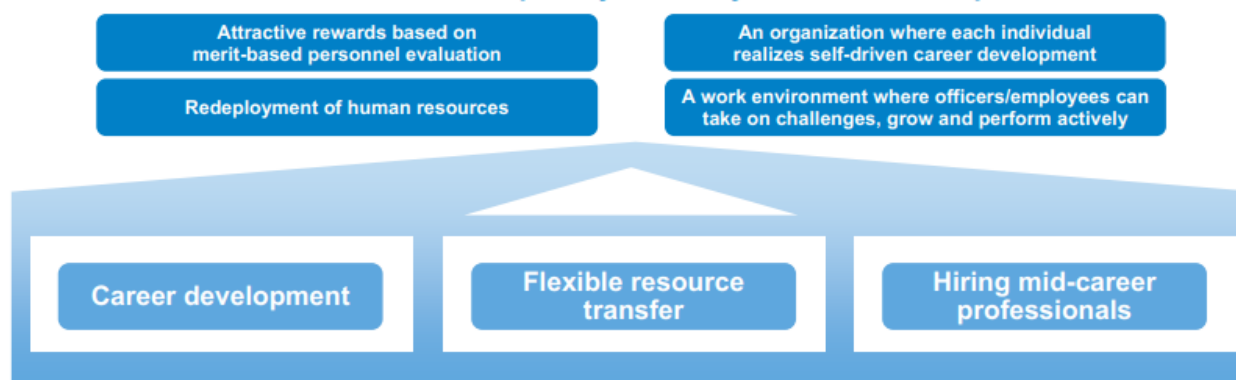
Business strategy for FY2024 —By segment—

		FY2022 results	FY2023 results	FY2024 business strategy
Institutional Banking Group	Asset size	1 trillion yen	1.1 trillion yen	<ul style="list-style-type: none"> Strengthening of solutions-oriented approach, including promoting sustainable finance and selling derivatives Expansion of Aozora's start-ups support ecosystem framework Promoting M&A advisory to meet business succession needs
	Business-related profit	3.0 billion yen	6.5 billion yen	
	Business-related profit ROE	6.3%	14.6%	
Structured Finance Group	Asset size	1.7 trillion yen	1.8 trillion yen	<ul style="list-style-type: none"> Response to increasing needs for mid/large-sized LBO financing Focus on large-sized renewable energy projects and new/renewable energy areas Response to a diverse range of business recovery needs Selective origination of domestic real estate transactions
	Business-related profit	18.9 billion yen	27.8 billion yen	
	Business-related profit ROE	15.7%	22.5%	
International Business Group	Asset size	0.9 trillion yen	1 trillion yen	<ul style="list-style-type: none"> Business operations focused on exposure management on a yen basis as well as portfolio quality Capitalizing on Asian growth through Vietnam-based OCB
	Business-related profit	15.7 billion yen	11.2 billion yen	
	Business-related profit ROE	30.0%	20.1%	
Market Group	Asset size	0.4 trillion yen	0.3 trillion yen	<ul style="list-style-type: none"> Restructuring of the securities portfolio for sustainable earnings over the medium and long term by reviewing a balance between domestic and overseas assets
	Business-related profit	-17.5 billion yen	-45.6 billion yen	
	Business-related profit ROE	-39.2%	-210.3%	
Customer Relations Group	Asset size	0.1 trillion yen	0.1 trillion yen	<ul style="list-style-type: none"> Allied Banking Group: Development of business utilizing platform functions, including distribution of Aozora-arranged transactions Retail Banking Group: Development of BANKTM business, promoting AUM-focused consulting
	Business-related profit	-24 billion yen	-29 billion yen	
	Business-related profit ROE	-25.9%	-25.7%	

Investments in Human Capital

FY2023 results
<p>Increase investments in human capital as a key driver for creation of corporate value</p> <ul style="list-style-type: none"> Resource shifting to business areas of focus (progress towards the annual plan: achieved) Uniform pay-scale increase of 10,000 yen, starting monthly salary of 265,000 yen (highest among major banks for university graduates in 2024) Talent development program for Aozora's Strategic Investment Business, Digital Talents Development Program, enhanced training (e.g. female leadership development training, Manager Training, PC skill development program, English proficiency enhancement program)
<p>Support each employee in achieving enhanced job satisfaction and self-driven career development</p> <ul style="list-style-type: none"> Communication forums for sharing of management philosophy Conducting and utilizing engagement surveys Relaxed dress codes Career consultant staffing and increased HR interviews with employees mainly on their career paths (2.1 times year-on-year) Increased participants in the internal short-term trainee program (2.5 times year-on-year)

Increase investments in human capital by 2 billion yen in FY2025 compared to FY2022



Progress on Aozora Sustainability

Progress on Aozora's Sustainability Targets	Results	Targets			
	FY2023	FY2025	FY2030	FY2040	FY2050
Target 1: Investments Designed to Support Structural Transformation					
Growth Support for Venture Companies					
Number of venture-related investments	Total: 75 transactions	130			
GMO Aozora Net Bank Small businesses & startups	Total: 107K transactions	200K			
Contributing to Regional Communities through Business Recovery					
Number of business recovery fund-based transactions	Total: 98 transactions	150			
Investments Designed to Support Structural Transformation					
Number of equity investments with a primary focus on engagement	Total: 91 transactions	130			
Target 2: Response to Climate Change					
Sustainable financing amount	Total: 647.0 billion yen	1 trillion yen by FY2027			
↳ Includes environmental financing of	Total: 474.0 billion yen	700 billion yen			
Becoming Carbon Neutral					
CO2 emissions as a business entity (Scope 1 & Scope 2, compared to FY2020)	To be disclosed in the Annual Report (late July)	0 (net zero)			
CO2 emissions in the investment and loan portfolio (Scope 3: Category 15)	To be disclosed in the Annual Report (late July)	0 (net zero)			
Amount of project financing for coal-fired power plants	Outstandings: 25.7 billion yen	0			
Target 3: Retail Banking Platform					
Business/asset succession consulting	Total: 698 transactions	1,000			
Number of consulting contracts					
Number of customers receiving non-financial services	685 customers / year	3,000 / year			
Target 4: Diversity & Inclusion (diversity of core personnel)					
Percentage of female managers / female deputy managers	14.2% / 39.3%	20% / 40% (End-Mar. 2028)			
Percentage of male employees taking childcare leave	90%	100% (End-Mar. 2028)			
Percentage of non-Japanese managers	1.3%	3% (End-Mar. 2028)			
Percentage of mid-career managers	53.9%	Maintain 40% or higher			

Aozora Bank entered into a capital and business alliance agreement with Daiwa Securities Group Inc. dated May 13, 2024. The outline of the alliance is as follows.



- Established provider of specialized finance, including LBO finance, real estate finance, and venture debt
- Strong and long-standing regional financial institutions network across Japan

- Expertise in the Wealth Management Business Model
- Global network in M&A business
- Strong presence in support of raising capital and exit transactions via IPO

- Through collaboration between Daiwa Securities Group and Aozora Group, both of which have complementary strengths and management resources, we expect to significantly improve our consulting and solution capabilities for issues faced by our retail and corporate customers
- We are committed to enhancing our profitability and achieving sustainable growth in shareholder value by creating further value-added through this new business collaboration and by accelerating the growth of “Aozora’s Strategic Investments Business” made possible by the capital increase

The shareholding ratio* of Daiwa Securities Group will be 15.54% after the capital increase through a third-party allotment

* Shareholding ratio to the total number of issued shares excluding treasury shares

(ii) Key risks

Among the many risk factors posed by the environment in which Aozora Group operates in FY2024, the following are identified as the key risks. We work to enhance risk management by discussing risk appetites and developing our business plan based on these key risks.

Increase in Credit Costs

- Increase in credit costs due to the economic downturn caused by the delay in interest rate cuts by U.S. and European central banks, the acceleration of inflation caused by the delay in the Bank of Japan’s rate hike, the deterioration of the economic environment caused by sudden fluctuations in interest rates, stock prices, and foreign exchange rates, and deterioration in the U.S. real estate market due to the limited progress on company return to the office policies and high U.S. interest rates
- Changes in the market environment in response to heightened geopolitical risks such as the Russia-Ukraine war and the intensification of the Israeli-Gaza conflict, and a concentrated election year marked by the U.S. presidential election
- Decline in corporate value of borrowers that are slow to take action on climate change and respect for human rights

Deterioration in unrealized gains or losses on securities portfolio

- Financial market turmoil caused by financial instability of other financial institutions and geopolitical tensions
- Continued unrealized losses on the Bank’s securities due to the economic downturn caused by the delay in interest rate cuts by U.S. and European central banks, the acceleration of inflation caused by the delay in the Bank of Japan’s rate hike, the deterioration of the economic environment caused by sudden fluctuations in interest rates, stock prices, and foreign exchange rates, and persistently high U.S. and European interest rates
- Changes in the market environment in response to heightened geopolitical risks such as the Russia-Ukraine war and the intensification of the Israeli-Gaza conflict, and a concentrated election year marked by the U.S. presidential election

Instability of funding

- Changes in the market environment in response to heightened geopolitical risks such as the Russia-Ukraine war and the intensification of the Israeli-Gaza conflict, and a concentrated election year marked by the U.S. presidential election
- Adverse funding environment arising from the economic downturn caused by the delay in interest rate cuts by U.S. and European central banks, the acceleration of inflation caused by the delay in the Bank of Japan’s rate hike, the deterioration of the economic environment caused by sudden fluctuations in interest rates, stock prices, and foreign exchange rates
- Deterioration in cash flow or increase in funding costs mainly due to a decline in market liquidity caused by financial market turmoil
- Deterioration of cash flow on a scale and at a speed greater than expected due to the dissemination of information via social networking services, such as in the event of deterioration in the Bank’s reputation

Outbreak of crises such as cyberattacks and system failures

- Serious impact on part or all of Aozora Bank Group’s business due to cyberattacks and serious system failures (including third parties)
- Suspension of service provision to customers, information leakage, occurrence of unauthorized remittances, and loss of Aozora Group’s corporate value due to such events

Occurrence of crises such as large-scale disasters

- Serious impact on part or all of Aozora Group’s operations due to natural disasters, terrorism, armed attacks, pandemics, etc.
- Negative impact on inability to maintain social infrastructure and damage to Aozora Group’s corporate value due to suspension of service provision to customers

Decline in competitiveness due to changes in social and industrial structures

- Loss of growth opportunities due to delays in responding to irreversible environmental changes, such as the transformation of the global industrial structure following the COVID-19 pandemic and the rapid development of digital technologies such as generative AI, or exposure to new risks due to environmental changes in Aozora’s specialty
- Intensified competition due to the entry into the banking industry from other industries, delays in responding to deregulation of the scope of banking services, and decline in profitability due to the commoditization of financial products
- Increase in foreign currency funding costs and lost sustainable finance opportunities due to lower ESG ratings resulting from external evaluation as reluctant to promote sustainability
- Loss of Aozora Group’s corporate value due to the combination of the above factors

Inadequate measures against financial crimes, occurrence of internal fraud and information leaks

- Inadequate measures against money laundering, terrorist financing, proliferation of finance and other financial crimes, inadequate response to other economic sanctions under the Foreign Exchange and Foreign Trade Law and inadequate measures to eliminate antisocial forces, as well as violation of insider trading regulations, leakage of customer information, etc., which may result in penalties or administrative action, and damage to Aozora Group’s corporate.
- Risk of damage to corporate value and losses due to inappropriate behavior by officers and employees that is inconsistent with customer-oriented business operations or deviates from social norms, etc.

Sustainability of Human Resources

- Shortage or outflow of personnel who can respond to changes in the business environment and who have the necessary skill sets for focused business areas, resulting in the Aozora Group’s inability to develop strategies and achieve sustainable growth, and missed revenue opportunities

(2) Assets and Profit or Loss of the Corporate Group and the Bank

A) Assets and Profit or Loss of the Corporate Group

(Unit: Millions of yen)

	FY2020	FY2021	FY2022	FY2023
Ordinary Income	155,755	134,737	183,292	246,299
Ordinary Profit (loss)	38,982	46,294	7,356	(54,816)
Net income (loss) attributable to owners of parent	28,972	35,004	8,719	(49,904)
Comprehensive Income	79,781	13,611	(38,507)	(42,703)
Total Equity	490,006	487,265	431,119	391,078
Total Assets	5,916,866	6,728,653	7,184,070	7,603,002

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

B) Assets and Profit or Loss of the Bank

(Unit: Millions of yen)

	FY2020	FY2021	FY2022	FY2023
Deposits	3,855,140	4,597,581	5,115,374	5,184,442
Time deposits	2,346,518	2,386,837	2,232,558	2,273,276
Other	1,508,621	2,210,743	2,882,816	2,911,166
Bonds payable	198,365	168,959	147,773	181,397
Loans and bills discounted	2,918,317	3,230,905	3,710,072	3,880,684
Retail	1,385	1,192	14,213	10,129
Small/ Medium companies	2,238,984	2,516,346	2,777,723	2,899,556
Other	677,948	713,366	918,135	970,997
Trading account assets	154,611	133,008	151,229	173,713
Trading account liabilities	140,451	129,227	121,877	165,078
Securities	1,445,782	1,494,578	1,319,450	1,194,907
Government bonds	29,773	51,352	18,381	42,530
Other	1,416,009	1,443,225	1,301,068	1,152,376
Total assets	5,735,238	6,446,916	6,767,805	6,942,657
Domestic exchange transactions	8,656,941	10,150,717	8,559,530	10,350,288
Foreign exchange transactions	USD million 8,848	USD million 3,800	USD million 4,155	USD million 5,883
Ordinary profit (loss)	41,473	41,014	3,180	(60,992)
Net income (loss)	29,526	29,854	(8,127)	(50,792)
Net income (loss) per share	JPY 253.01	JPY 255.69	JPY (69.60)	JPY (434.82)
Trust assets	730,209	879,535	871,414	905,987
Trust fees	386	444	379	370

- (Notes) 1. Figures are rounded down to the nearest unit specified.
2. The balance of 'Deposits' and 'Other' under 'Deposits' includes negotiable certificates of deposit.
3. 'Trust assets' is assets in trust pertaining to trust business under the Act on Engagement in Trust Business by a Financial Institution (the Concurrent Business Act).

(3) Employees of the Corporate Group

	March 31, 2024	
	Banking Business	Other Operations
Number of Employees	2,266	210

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

(4) Major Branches and Offices of the Corporate Group

A) Banking operations

i. Major Branches and Number of Branches

The Bank:

Domestic: Head office, Sapporo, Sendai, Shinjuku, Nihonbashi, Shibuya, Ueno, Ikebukuro, Chiba, Yokohama, Kanazawa, Nagoya, Kyoto, Kansai, Osaka, Umeda, Hiroshima, Takamatsu, Fukuoka, BANK Branch

Total 20

Overseas: None

In addition to the above, the Bank has 3 overseas representative offices:

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

Subsidiaries:

GMO Aozora Net Bank, Ltd.: Tokyo Head office
Aozora Regional Consulting Co., Ltd.: Tokyo Head office
Aozora Asia Pacific Finance Limited: Hong Kong, People's Republic of China
Aozora Europe Limited: London, United Kingdom
Aozora North America, Inc.: New York, USA
AZB Funding: Cayman Islands, British West Indies
AZB Funding 2: Cayman Islands, British West Indies
AZB Funding 3: Cayman Islands, British West Indies
AZB Funding 4 Limited: Dublin, Ireland
AZB Funding 5: Cayman Islands, British West Indies
AZB Funding 6: Cayman Islands, British West Indies
AZB Funding 7: Cayman Islands, British West Indies
AZB Funding 8 Limited: Dublin, Ireland
AZB Funding 9 Limited: Dublin, Ireland
AZB Funding 10 Limited: Dublin, Ireland
AZB Funding 11 Limited: Dublin, Ireland
AZB Funding 12 Limited: Dublin, Ireland
Aozora APF (Ireland) Limited: Dublin, Ireland

Affiliated corporation, etc:

Orient Commercial Joint Stock Bank : Ho Chi Minh, Vietnam

ii. List of agencies of the Bank

None

iii. Agent activities operated by the Bank

Corporate name of the Principal Bank
GMO Aozora Net Bank, Ltd.

B) Other operations

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

(5) Capital Investments of the Corporate Group

A) Total Capital Investments

(Millions of yen)

Operating Segment	Amount
Banking	8,810
Other	69
Total	8,880

B) Establishment of Material Facilities, etc.

(Millions of yen)

Operating Segment	Company Name	Description	Amount
Banking	The Bank	Network infrastructure and information system construction	2,283
		Fuchu Computer Center equipment construction, etc.	912
		Market system development	759
	GMO Aozora Net Bank, Ltd.	Internet banking system enhancement and development	1,918

(Note) The amounts in the table above show fixed assets, etc. recorded in FY2023

(6) Parent company and major subsidiaries, etc.

- A) Parent company
None
B) Major subsidiaries, etc.

(As of March 31, 2024)

Company Name	Location	Principal Business Activities	Stated Capital	Voting Rights held by the Bank (%)	Other
GMO Aozora Net Bank, Ltd.	Shibuya-ku, Tokyo	Banking business	(Millions of JPY) 21,629	85.12%	—
Aozora Loan Services Co., Ltd.	Chiyoda-ku, Tokyo	Distressed loan servicing	(Millions of JPY) 500	67.60%	—
Aozora Securities Co., Ltd.	Chiyoda-ku, Tokyo	Financial instruments business	(Millions of JPY) 3,000	100.00%	—
Aozora Regional Consulting Co., Ltd.	Chiyoda-ku, Tokyo	Business consulting services	(Millions of JPY) 10	100.00%	—
Aozora Investment Management Co., Ltd.	Chiyoda-ku, Tokyo	Investment management services	(Millions of JPY) 450	100.00%	—
Aozora Real Estate Investment Advisors Co., Ltd.	Chiyoda-ku, Tokyo	Investment advisory services	(Millions of JPY) 150	100.00%	—
ABN Advisors Co., Ltd.	Chiyoda-ku, Tokyo	M&A advisory services	(Millions of JPY) 200	100.00%	—
Aozora Corporate Investment Co., Ltd.	Chiyoda-ku, Tokyo	Venture capital investment	(Millions of JPY) 15	100.00%	—
Aozora Asia Pacific Finance Limited	Hong Kong, People's Republic of China	Financial services	(Thousands of USD) 0	100.00%	—
Aozora Europe Limited	London, United Kingdom	Financial services	(Thousands of GBP) 1,000	100.00%	—
Aozora North America, Inc.	New York, USA	Financial services	(Thousands of USD) 411	100.00%	—
AZB Funding	Cayman Islands, British West Indies	Investment vehicle	(Thousands of USD) 0	—	—
AZB Funding 2	Cayman Islands, British West Indies	Investment vehicle	(Thousands of USD) 0	—	—
AZB Funding 3	Cayman Islands, British West Indies	Investment vehicle	(Thousands of USD) 0	—	—
AZB Funding 4 Limited	Dublin, Ireland	Investment vehicle	(Thousands of EUR) 0	—	—
AZB Funding 5	Cayman Islands, British West Indies	Investment vehicle	(Thousands of USD) 0	—	—
AZB Funding 6	Cayman Islands, British West Indies	Investment vehicle	(Thousands of USD) 0	—	—
AZB Funding 7	Cayman Islands, British West Indies	Investment vehicle	(Thousands of USD) 0	—	—
AZB Funding 8 Limited	Dublin, Ireland	Investment vehicle	(Thousands of USD) 0	—	—
AZB Funding 9 Limited	Dublin, Ireland	Investment vehicle	(Thousands of USD) 0	—	—
AZB Funding 10 Limited	Dublin, Ireland	Investment vehicle	(Thousands of EUR) 0	—	—
AZB Funding 11 Limited	Dublin, Ireland	Investment vehicle	(Thousands of USD) 0	—	—
AZB Funding 12 Limited	Dublin, Ireland	Investment vehicle	(Thousands of USD) 0	—	—
Aozora APF (Ireland) Limited	Dublin, Ireland	Investment vehicle	(Thousands of USD) 0	—	—
Orient Commercial Joint Stock Bank	Ho Chi Minh, Vietnam	Banking business	(Billions of VND) 20,601	15.00%	—

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

[Principal Business Alliances]

1. In alliance with the following financial institutions, we provide cash payment and balance inquiry services using ATM.
Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Resona Bank, Limited, Saitama Resona Bank, Limited, Sumitomo Mitsui Trust Bank, Limited, Mizuho Trust & Banking Co., Ltd., Mitsubishi UFJ Trust and Banking Corporation, The Shoko Chukin Bank, Ltd., SBI Shinsei Bank, Limited
2. In alliance with Japan Post Bank, Co., Ltd. (“Japan Post Bank”), we provide cash deposit, payment, and balance inquiry services using ATM. In addition, we have installed Japan Post Bank ATMs in our branches.
3. In alliance with Seven Bank, Ltd., we provide cash deposit, payment, balance inquiry, and cash card PIN change services using ATM.
4. In alliance with Tokio Marine & Nichido Life Insurance Co., Ltd., we jointly offer life insurance (excluding individual annuities).
5. In alliance with Visa Worldwide Japan Co., Ltd., we offer “Aozora Cash Card Plus” added with “Visa debit card” features.
6. We have formed a capital and business alliance with GMO Internet Group, Inc., GMO Financial Holdings, Inc., and GMO Aozora Net Bank, Ltd. to jointly operate Internet banking businesses.
7. We have formed a business alliance with the following partners for M&A business.
Sangyo Sosei Advisory Inc., DOGAN, Inc., Meinan M&A co.,Ltd.
8. We have various business alliances with domestic financial institutions as follows.
 - Comprehensive business alliance between the two groups of companies : Sumitomo Mitsui Trust Bank, Limited
 - Comprehensive business alliance in the area of investment banking business for corporations : The Bank of Yokohama, Ltd.
 - Comprehensive business alliance for overall loan operations : The Toho Bank, Ltd.
 - Strategic business alliance to expand customer base by enhancing competitiveness and profitability : Tsukuba Bank, Ltd.
 - Comprehensive business alliance in agriculture : The Hokkaido Bank, Ltd.
 - Strategic business alliance to strengthen responsiveness to diverse customer needs : The Kirayaka Bank, Ltd.
 - Business alliance for business matching : The Kirayaka Bank, Ltd., THE SENDAI BANK LTD., TOMATO BANK, LTD.
 - Business alliance for business recovery support : The Howa Bank, Ltd., The Miyazaki Taiyo Bank, Ltd., The Minami-Nippon Bank, Ltd.
 - Business alliance for regional revitalization : Bank of The Ryukyus, Limited
 - Business alliance for customer support services related to regional economic revitalization : THE TOTTORI BANK, LTD., The Miyazaki Taiyo Bank, Ltd.
 - Business alliance to realize decarbonization and carbon neutrality : THE TOTTORI BANK, LTD.
 - Business alliance for DX support services (alliance with our affiliate B Spark Inc.) : The Ehime Bank, Ltd., THE TOTTORI BANK, LTD., TOMATO BANK, LTD., Osaka Prefectural Credit Federation of Agricultural Co-operatives, and 2 other companies
9. We have business alliances with overseas financial institutions as follows.
 - Business alliance for cross-border M&A operations
Oversea-Chinese Banking Corporation Limited (Head office: Singapore),
PT Bank Central Asia TBK (Head office: Jakarta, Indonesia),
KASIKORNBANK PUBLIC COMPANY LIMITED (Head office: Bangkok, Thailand),
BDO Unibank, Inc. (Head office: Makati, Philippines)

- Comprehensive business alliance to strengthen cooperation in the Asian region centered on Taiwan : CTBC Financial Holding Co., Ltd. (Head office: Taipei, Republic of China)
- Comprehensive business alliance to strengthen cooperation in two-way cross-border M&A operations : Ho Chi Minh City Securities Corporation (Head office: Ho Chi Minh, Vietnam)
- Business alliance to strengthen relationships and expand business, etc. : Formed in three companies - Aozora, Beijing Zhongguancun Kejin Technology Co. Ltd., and Mercuria investment Co., Ltd.
- Business alliance to promote cross-border M&A between Japan and China, etc. : China Renaissance Holdings Limited. (Head office: Beijing, China)
- Capital and business alliance for the purpose of collaboration and provision of M&A advisory and other investment banking operations in Vietnam (15% investment as of June 30, 2020) : Orient Commercial Joint Stock Bank (Head office: Ho Chi Minh, Vietnam)
- Business alliance to strengthen support for startup companies : Formed in three companies – Aozora, SVB Capital (Head Office: California, U.S.A.), and Aozora Corporate Investment Co., Ltd. (Wholly-owned subsidiary of Aozora Bank)
- Business alliance to strengthen support for startup companies : Formed in three companies – Aozora, Genesis Alternative Ventures Pte Ltd (Head office: Singapore), and Aozora Corporate Investment Co., Ltd.

On May 13, 2024, The bank entered into a capital and business alliance agreement with Daiwa Securities Group Inc.

As a result, Daiwa Securities Group Inc. plans to subscribe for a third-party allotment of new shares to be issued by the Bank and acquire 21,500,000 of the Bank's common shares (the ratio of the total number of issued shares after the third-party allotment (excluding treasury stock) is 15.54%).

In addition, the Bank intends to appoint one person nominated by Daiwa Securities Group as a candidate for outside director of the Bank at the Ordinary General Meeting of Shareholders (to be held on June 25, 2024) (subject to completion of Daiwa Securities Group's payment of the total paid-in amount for the Capital Increase Through Third Party Allotment to a payment handling financial institution). As a result of the above, the Bank will become an equity method affiliate of Daiwa Securities Group Inc.

(7) Assignment of Operations

None

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

None

2. Matters Concerning Directors and Audit & Supervisory Board Members

(1) Directors and Audit & Supervisory Board Members

(As of March 31, 2024)

Name	Current Positions and Areas of Responsibility	Major Concurrent Post	Other
Kei Tanikawa	President Executive Officer (Representative Director) CEO	—	—
Koji Yamakoshi	Deputy President Executive Officer (Representative Director)	—	—
Hideto Oomi	Deputy President Executive Officer (Representative Director) Head of Institutional Business Promotion Group	—	—
Masayoshi Ohara	Director and Senior Managing Executive Officer, Chief Risk Officer (CRO)	—	—
Ippei Murakami	Director (outside)	Special Advisor, Nisshin Seifun Group Inc. Chair of the Board of Trustees, Kwansei Gakuin	—
Sakie Tachibana Fukushima	Director (outside)	President and Representative Director, G&S Global Advisors Inc. Outside Director, Ushio Inc. Outside Director, Kyushu Electric Power Company, Incorporated	—
Hideyuki Takahashi	Director (outside)	Outside Director, Sunshine City Corporation Outside Corporate Auditor, Hanwa Co., Ltd. Outside Director, Audit & Supervisory Committee Member, WOWOW Inc.	—
Hideaki Saito	Director (outside)	President and CEO, Japan Systems Co., Ltd. Representative Director, NetCam Systems Corporation Director and Representative Executive Officer, Blueship Co., Ltd.	—
Satoshi Hashiguchi	Audit & Supervisory Board Member (full-time)	—	—
Toraki Inoue	Audit & Supervisory Board Member (outside)	Toraki Inoue Certified Public Accountant Office Representative Director and President, Accounting Advisory Co., Ltd. Supervisory Director, GLP J-REIT Auditor, Kyulux, Inc. Outside Audit & Supervisory Board Member ETVOS Co., Ltd.	Holds CPA qualification
Junichi Maeda	Audit & Supervisory Board Member (outside)	Outside Director, Custody Bank of Japan, Ltd.	—

(Note) 1. Messrs. Ippei Murakami, Hideyuki Takahashi, Hideaki Saito and Ms. Sakie Tachibana Fukushima, outside directors, and Toraki Inoue and Junichi Maeda, outside audit & supervisory board members, meet the definition of independent directors based on the rules of Tokyo Stock Exchange.

2. Changes in positions and responsibilities as of April 1, 2024:

Kei Tanikawa Director and Executive Officer
(Mr. Kei Tanikawa will retire from Director and Executive Officer as term expires after the 91st Ordinary General Meeting of Shareholders as of June 25, 2024.)
Koji Yamakoshi Director, Chairman and Executive Officer
Hideto Oomi Representative Director, President and Chief Executive Officer
Masayoshi Ohara Representative Director, Deputy President and Executive Officer

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

1) Remuneration of Directors and Audit & Supervisory Board members

FY2023 (period as from April 1, 2023 through March 31, 2024) (Unit: Millions of yen)

Category	# of officers	Remuneration in total		
		Fixed Base	Performance Based (Bonus)	Non-cash Incentives (Stock Options)
Directors (excl. Outside Directors)	5	223	177	—
Full-time ASB Member (excl. Outside ASB Members)	1	29	29	—
Outside Directors	6	56	56	—
Outside ASB Members	3	24	24	—

(Note) The above table includes one director, two outside directors and one outside ASB Member who retired at the close of the 90th General Meeting of Shareholders on June 22, 2023. Based on the performance of the FY2023, bonuses were not paid to the internal directors, taking into consideration the results.

2) Policy and Procedure for Determining Director/Executive Officer Remuneration Basic Policy for Determining Director, Audit & Supervisory Board Member, and Executive Officer Remuneration-

(Policy for Determining Remuneration for Directors)

In order to pursue our mission to “contribute to the development of society through the creation of new value-added financial services”, the Bank believes it is necessary to provide a setting that encourages high-potential employees to work consistently with high morale, motivation and pride to make sound business decisions.

To this end, the Bank has designed a remuneration system based on the following basic policy.

- Remuneration Framework in line with the Bank’s Vision
The Bank aims to build a compensation framework that reflects business performance in line with its objectives and values.
- 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.
- Remuneration framework serving the interests of stakeholders including shareholders
The Bank will adopt a remuneration framework that is consistent with the values of stakeholders, including shareholders.
- Remuneration methodology guaranteeing effective governance
In determining remuneration, the Bank will ensure transparency and independence from any specific influences.

(Policy on Determination of the Amount or Calculation Method of Remuneration for Directors)

The Nomination and Remuneration Committee (hereinafter referred to as "NRC"), which consists mainly of outside directors in order to ensure transparency, independence and objectivity in the determination process, is authorized by the Board of Directors to determine the amount of each director's remuneration in accordance with the policy approved by the Board of Directors based on the policy recommendations of the NRC on determining individual remuneration.

The NRC consists of the following members, which determined the individual compensation for directors for the FY2023:

Chairperson of the Committee: Sakie Tachibana Fukushima, Outside Director
 Other Committee Members: Hideaki Saito, Outside Director
 Kei Tanikawa, Representative Director and President

(Note) On April 1, 2024, Hideto Oomi assumed the position of Representative Director, President, and the NRC member, replacing Kei Tanikawa.

The Bank pays, in principle, fixed base remuneration, performance-based bonus and equity compensation type stock options to directors (other than outside directors), and only fixed base remuneration to outside directors.

It was resolved at the 82nd General Meeting of Shareholders on June 26, 2015 to set the aggregate annual remuneration ceiling for directors at 600 million yen, including basic remuneration as well as the performance bonus. The Bank had eight directors (including four outside directors) as of the end of 82nd General Meeting of Shareholders.

(a) Base Remuneration (Fixed Base Remuneration)

Base remuneration comprises a fixed amount payable during each month of service, which varies with the type of position (full-time or part-time), job title and responsibility. We use data from an outside specialized agency to check and benchmark whether the level of base remuneration amounts is appropriate before determining it.

The guideline for base remuneration for the President and Deputy President(s) is set through a band-range applicable to each position (title) which determines their respective fixed base remuneration to reflect their responsibilities and experience.

(b) Bonus (Performance-based remuneration)

The bonus amount is initially set at the equivalent of 40% of the individual basic remuneration amount (the "Base Bonus Amount"). The individual amount of bonus (performance-based remuneration) payable at a certain time after the close of each fiscal year is then decided by NRC by applying a rate within the pre-determined scope ranging from 0% to 250% of the Base Bonus Amount for every full-time director while considering key indicators during each fiscal year as shown below. Specifically, the rate and bonus amount is determined by considering the following indicators and the Bank's performance during the applicable period.

- Achievement rates of Business Profit and Net Earnings
- Achievement rates of KPIs (Key Performance Indicators) such as ROE(Return on Equity), the Capital Adequacy Ratio, business-related profit (Business profit + Gains/losses on stock transactions) per employee, and business-related profit RORA ((Business profit + Gains/losses on stock transactions) / Risk-weighted assets)
- Assessment of undue risk and occurrence of serious compliance incidents
- Implementation/introduction of measures and strategies, including the launch of new businesses, from a mid- to long-term perspective
- Progress and achievement of the Bank-announced sustainability initiative targets

Among the above key indicators, achievement rates of Business Profit and Net Earnings are the basic indicators that determine business results. Achievement rates of ROE, the Capital Adequacy Ratio, business-related profit (Business profit + Gains/losses on stock transactions) per employee, and business-related profit RORA ((Business profit + Gains/losses on stock transactions) / Risk-weighted assets) as KPIs are key indicators for the targets in the Bank's Mid-Term Business Plan. These achievement rates, therefore, are taken into account as quantitative evaluation indicators to determine bonus amounts. In order to encourage not only enhancement of short-term business performance but also business implementation from a mid- to long-term perspective, factors such as undue risk taking, making serious compliance violations, the implementation/introduction of measures and strategies from a mid- to long-term perspective, including the launch of new businesses, and progress and achievement of the Bank-announced sustainability initiative targets are also fully considered as qualitative evaluation indicators.

Targets and results (FY2023) of the indicators related to performance-based remuneration are stated below. Based on the performance of the FY2023, bonuses were not paid to the internal directors, taking into consideration the results.

	FY2023 Announced Forecast at the beginning of the FY2023	FY2023 Results
Business Profit	25.5 billion yen	(8.5) billion yen
Net Earnings *1	24.0 billion yen	(49.9) billion yen

	Mid-term Targets *2	FY2023 Results
ROE	8%	—*3
Capital Adequacy Ratio	9% or higher	9.2%
Business-related profit per employee *4	20.0 million yen	(2.5) million yen
Business-related profit RORA *5	1.3%	(0.1)%

*1 Profit attributed to owners of parent

*2 Mid-term Business Plan Targets, "Aozora 2025" (FY2023~2025)

*3 It is not listed due to the net loss attributable to owners of parent

*4 Business-related profit=Business profit+Gains/losses on stock transactions

*5 Business-related profit / Risk-weighted assets

(c) Equity compensation type stock options (as non-cash incentives)

The NRC discussed ratios of cash remuneration and equity compensation type stock options so that the stock options can be one of the proper incentives for sustainable growth, and set the ratio at 25% of the Base Remuneration amount, payable at a certain time after the close of each fiscal year.

The number of options to be granted is determined based on a resolution of the Board of Directors in accordance with the "Equity Compensation Type Stock Options Manual".

A resolution that share acquisition rights will be allotted in addition to base remuneration to full-time directors within 150 million yen a year (and up to 7,500 options per year) was approved at the 81st General Meeting of Shareholders on June 26, 2014. At the time of the conclusion of this General Meeting of Shareholders regarding, there were four full-time directors.

Further details are described under section 5, "Matters Pertaining to the Equity Compensation Type Stock Options."

(Grounds that the Judgements Made by the Board of Directors Regarding each Director's Yearly Remuneration as Decided by the NRC Conform to and are Consistent with the Aforementioned Policies:)

In determining the individual amount of remuneration for each director, the Board of Directors respects the decision made by the NRC meetings and is confident in its judgement that said Committee meeting has made a fair determination. The Board of Directors has reasonable grounds to believe that said Committee meeting has performed due analysis on the achievement of business results and managerial contribution by each director upon deliberate reflection based on multiple points of views in conformity with the policy on determining remuneration.

(Policy on Determination of ASB Member Remuneration and Calculation)

ASB members discuss and determine individual remuneration amounts by considering discussions and proposals made at the NRC.

The Bank pays only the fixed base remuneration payable during each month of service in accordance with the policy below. The upper limit of total ASB members' base remuneration is 60 million yen based on the resolution at the 73rd General Meeting of Shareholders on June 23, 2006. The Bank had three ASB members as of the end of 73rd General Meeting of Shareholders.

Base Remuneration (Fixed Base Remuneration)

Base remuneration amount is fixed and varies with work status (full-time or part-time), assigned audit duties, remuneration for directors, etc. We use data from an outside specialized agency to check whether the level of base remuneration amounts is appropriate before determining it.

(3) Limited Liability Contract

Name	Limited Liability Contract
Ippei Murakami	For each liability set out in Article 423-1 of the Companies Act, they are liable for up to the total monetary amount set out in Article 425-1 of the Companies Act.
Sakie Tachibana Fukushima	
Hideyuki Takahashi	
Hideaki Saito	
Satoshi Hashiguchi	
Toraki Inoue	
Junichi Maeda	

(4) Indemnity Agreement

No items to report.

(5) Summary of Directors and Officers Liability Insurance Contract

The Bank has entered into a directors and officers liability insurance contract with insurance companies as stipulated in Article 430-3, paragraph (1) of the Companies Act, insuring the Directors, Audit & Supervisory Board Members, and Executive Officers, etc., of the Bank and its subsidiaries. The said insurance contract covers compensation for damages and legal dispute fees that an insured party may incur due to claims for damages caused by the insured parties' acts (including failure to act) committed by them in connection with their duties as officers, etc. of the Bank and its subsidiaries.

The Bank and its subsidiaries bear the entire premium for the contract. However, in order to ensure that the appropriateness of the execution of duties by the insured is not impaired, there are certain exemptions; for example, damages that the insured has caused intentionally or with gross negligence will not be covered.

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

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

(As of March 31, 2024)

Name	Concurrent Post and Other Status	Relationship with the Bank
Ippei Murakami	Special Advisor, Nisshin Seifun Group Inc.	—
	Chair of the Board of Trustees, Kwansei Gakuin	—
Sakie Tachibana Fukushima	President and Representative Director, G&S Global Advisors Inc.	—
	Outside Director, Ushio Inc.	—
	Outside Director, Kyushu Electric Power Company, Incorporated	—
Hideyuki Takahashi	Outside Director, Sunshine City Corporation	—
	Outside Corporate Auditor, Hanwa Co., Ltd.	—
	Outside Director, Audit & Supervisory Committee Member, WOWOW Inc.	—
Hideaki Saito	President and CEO, Japan Systems Co., Ltd.	—
	Representative Director, NetCam Systems Corporation	—
	Director and Representative Executive Officer, Blueship Co., Ltd.	—
Toraki Inoue	Toraki Inoue Certified Public Accountant Office	—
	Representative Director and President, Accounting Advisory Co., Ltd	—
	Supervisory Director, GLP J-REIT	Customer (loans, etc.)
	Auditor, Kyulux, Inc.	—
Junichi Maeda	Outside Audit & Supervisory Board Member ETVOS Co., Ltd.	—
	Outside Director, Custody Bank of Japan, Ltd.	—

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

(As of March 31, 2024)

Name	Term served	Attendance at Board meetings, etc.	Remarks or other activities performed at Board meetings, etc.
Ipppei Murakami	9 yrs 10 ms	Attended all 13 Board meetings during the relevant fiscal year	He was expected to provide overall oversight and to offer advice on the execution of duties by executive officers, with an objective viewpoint, toward the enhancement of the Bank's corporate value over the mid- to long-term, based on his wealth of experience, credentials and deep insight as a top management of corporate institution and educational institution. He has fulfilled his role and conducted management oversight through actively expressing opinions at the Board meetings based on the said viewpoint.
Sakie Tachibana Fukushima	1 yr 10 ms	Attended all 13 Board meetings during the relevant fiscal year	She was expected to provide overall oversight and to offer advice on the execution of duties by executive officers, with an objective viewpoint, toward the enhancement of the Bank's corporate value over the mid- to long-term, based on her wealth of experience, credentials and deep insight as an executive of many domestic/global corporate institutions. She has fulfilled her role and conducted management oversight through actively expressing opinions at the Board meetings based on the said viewpoint.
Hideyuki Takahashi	10 ms	Attended 10 Board meetings during the relevant fiscal year	He was expected to provide overall oversight and to offer advice on the execution of duties by executive officers, with an objective viewpoint, toward the enhancement of the Bank's corporate value over the mid- to long-term, based on his wealth of experience, credentials and deep insight as a member of senior management of corporate institutions in the banking and non-financial sectors. He has fulfilled his role and conducted management oversight through actively expressing opinions at the Board meetings based on the said viewpoint.
Hideaki Saito	10 ms	Attended 10 Board meetings during the relevant fiscal year	He was expected to provide overall oversight and to offer advice on the execution of duties by executive officers, with an objective viewpoint, toward the enhancement of the Bank's corporate value over the mid- to long-term, based on his wealth of experience, credentials and deep insight as a member of senior management of corporate institutions and a strategic consultant. He has fulfilled his role and conducted management oversight through actively expressing opinions at the Board meetings based on the said viewpoint.
Toraki Inoue	7 yrs 10 ms	Attended all 13 Board meetings during the relevant fiscal year. Attended all 14 Audit & Supervisory Board meetings during the relevant fiscal year	Expressing opinions and making proposals at the Board meetings and Supervisory Board meetings based on substantial experience in Auditor and Supervisor of business corporations and insight as a CPA.
Junichi Maeda	10 ms	Attended 10 Board meetings during the relevant fiscal year. Attended all 10 Audit & Supervisory Board meetings during the relevant fiscal year	Expressing opinions and making proposals at the Board meetings and the Audit & Supervisory Board meetings based on substantial experience and insight in the finance and banking business.

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

(Unit: Millions of yen)

	Number of Recipients	Remuneration and Benefits from the Bank	Remuneration and Benefits from the Bank's Parent, etc.
Total Remuneration and Benefits	9	80	—

4. Share Data of the Bank

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

- (Notes) 1. The number of shares Issued includes treasury shares of 1,467 thousand.
2. The number of shares is in thousands, rounded down to the nearest thousand.

(2) Number of Shareholders as of the End of This Fiscal Year	142,204
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(3) Major Shareholders

(As of March 31, 2024)

Name of Shareholder	Contributed Capital	
	Number of Shares Held (in thousands)	Percentage of Total Outstanding Shares
The Master Trust Bank of Japan, Ltd. (Trust Account)	14,153	12.11%
Aya Nomura	7,905	6.76%
The Nomura Trust and Banking Co., Ltd. (Trust Account 2052255)	3,500	2.99%
CITY INDEX ELEVENTH CO., Ltd.	2,611	2.23%
Custody Bank of Japan, Ltd. (Trust Account)	2,347	2.00%
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	2,110	1.80%
JPMorgan Securities Japan Co., Ltd.	645	0.55%
BNYM SA/NV FOR BNYM FOR BNY GCM CLIENT ACCOUNTS M LSCB RD	605	0.51%
JP JPMSE LUX RE NOMURA INT PLC 1 EQ CO	592	0.50%
BNYMSANV RE GCLB RE JP RD LMGC	564	0.48%

- (Notes) 1. 'The major shareholders' are top 10 shareholders, excluding treasury shares held by the Bank (1,467 thousand shares), described in the above table.
2. 'Number of Shares Held' is in thousands and rounded down to the nearest thousand.
3. 'Percentage of Total Outstanding Shares' is rounded down to two decimal places.
4. 'Percentage of Total Outstanding Shares' is calculated excluding treasury shares held by the Bank (1,467 thousand shares).
5. In the above table, we have calculated the number of common shares and its percentage held by each shareholder based upon the Bank's Shareholder Registry as of March 31, 2024.

(4) Shares held by officers

None

(5) Other Major Issues Concerning Shares

None

5. Stock Options

The following outlines the Equity Compensation Type Stock Options held by directors of the Bank as of the end of the fiscal year, out of the Equity Compensation Type Stock Options, which had been issued to Directors (other than Outside Directors) and Executive Officers of the Bank as a part of executive compensation, pursuant to Articles 236, 238 and 240 of the Companies Act.

Name of Stock Options	Allotment Date	Number of Stock Options (units)	Number of Common Shares to be Delivered upon Exercise of Options (shares)	Issue Price per unit of Stock Options (in Yen)	Exercise Price per Share (in Yen)	Exercise Period
2 nd Series	July 14, 2015	2,297	22,970	43,800	1	July 15, 2015 ~ July 14, 2045
3 rd Series	July 15, 2016	3,433	34,330	34,200	1	July 16, 2016 ~ July 15, 2046
4 th Series	July 13, 2017	2,654	26,540	39,800	1	July 14, 2017 ~ July 13, 2047
5 th Series	July 13, 2018	2,554	25,540	38,320	1	July 14, 2018 ~ July 13, 2048
6 th Series	July 11, 2019	4,742	47,420	23,520	1	July 12, 2019 ~ July 11, 2049
7 th Series	July 10, 2020	6,411	64,110	15,370	1	July 11, 2020 ~ July 10, 2050
8 th Series	July 12, 2021	5,154	51,540	22,480	1	July 13, 2021 ~ July 12, 2051
9 th Series	July 8, 2022	5,642	56,420	23,960	1	July 9, 2022 ~ July 8, 2052
10 th Series	July 10, 2023	5,426	54,260	24,175	1	July 11, 2023 ~ July 10, 2053

- (Notes)
- Option holders (grantees) can only exercise the granted stock options (their holdings) in whole at once during the ten day period immediately following the day on which the holder ceases to be in the position of a Director and Executive Officer of the Bank.
 - The number of shares indicates those after one-for-ten reverse stock-split effective October 1, 2017.
 - The acquisition of stock options through transfer requires approval through a resolution by the Board of Directors.
 - When the General Meeting of Shareholders (or the Board of Directors if approval of the General Meeting of Shareholders is not required) approves a resolution to conclude a merger agreement under which the Bank will be a defunct company, an absorption-type company split agreement/ an incorporation-type company split plan under which the Bank will be a split company, or a share exchange agreement/ a share transfer plan under which the Bank will be a wholly-owned subsidiary, the Bank may acquire stock options, which are not exercised as of a day separately specified by the Board of Directors, without contribution on said day.

(1) Stock options held by directors of the Bank as of March 31, 2024

Name of Stock Options	Holders	Number of Stock Options(units)	Number of Common Shares to be Delivered upon Exercise of Options (shares)	Number of Holders
2 nd Series	Directors of the Bank (Other than Outside Directors)	240	2,400	3
3 rd Series		447	4,470	4
4 th Series		395	3,950	4
5 th Series		551	5,510	4
6 th Series		1,042	10,420	4
7 th Series		1,873	18,730	4
8 th Series		1,762	17,620	4
9 th Series		1,801	18,010	4
10 th Series		1,883	18,830	4

(Note) The Numbers of stock options include options granted prior to their appointments as Director of the Bank.

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

Name of Stock Options	Grantees (Recipients)	Number of Stock Options(units)	Number of Common Shares to be Delivered upon Exercise of Options (shares)	Number of Holders
10 th Series	Executive Officers of the Bank	3,543	35,430	22

6. Matters Concerning Independent Accounting Auditors

(1) Independent Accounting Auditors

(Unit: JPY million)

Name	Fees for This Fiscal Year	Other
Deloitte Touche Tohmatsu LLC Designated Limited Liability Partner, Shigehiko Matsumoto Arata Otake Kensuke Kurihara	243	Reason for acknowledgment of the fees by the Audit & Supervisory Board ("the ASB"): The ASB of the Bank received documents and direct explanation from the independent accounting auditors, analyzed and confirmed audit priority areas, audit items, audit hours of prior years and year-to-year changes in audit fees. The ASB then compared the audit plan of the previous business year with actual performance and verified the achievement of the audit, in order to consider and assess audit items in the audit plan in the relevant business year, audit hours and details of the audit framework and appropriateness of the estimated audit remuneration. As a result, the ASB acknowledged the remuneration for the independent accounting auditors, in accordance with the Article 399-1 of the Companies Act. Non-audit services: Comfort letter for issuance corporate bonds, etc.

- (Notes) 1. The amounts in the table above are in million yen and rounded down to the nearest million.
2. When including the Bank's subsidiaries in the total, independent auditor fees for this fiscal year were 299 million yen.
3. 'Fees for This Fiscal Year' as classified above includes both the fees related to the audit under the Companies Act and under the Financial Instruments and Exchange Act because such audit fees cannot be clearly separated.

(2) Limited Liability Contract

None

(3) Compensation Contract

None

(4) Other Matters Related to Independent Accounting Auditors

i. Determination of dismissal or non-reappointment of auditors

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

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

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

Of the Bank's major subsidiaries, the financial statements of Aozora Asia Pacific Finance Limited, Aozora Europe Limited, AZB Funding 4 Limited, AZB Funding 8 Limited, AZB Funding 9 Limited, AZB Funding 10 Limited, AZB Funding 11 Limited and AZB Funding 12 Limited are audited by audit firms which are in the same network as the Bank's audit firm.

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

None

8. Framework for Ensuring the Appropriateness of Business Operations

The summary of "Internal Control Programs" is as follows:

Aozora Bank (hereinafter the Bank) determines the following basic policies concerning development of a system for appropriate business (internal control programs) of the Bank and the Bank's subsidiaries based on the Companies Act and the Ordinance for Enforcement of the Companies Act.

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

- (1) The Bank develops Internal Rules concerning a compliance system including Master Policy "Code of Conduct and Ethics" as a code of conduct for officers and employees of the Bank to fulfill their duties while complying with laws and regulations, and asks the officers and employees to submit "Annual Acknowledgment of Code of Conduct and Ethics".
- (2) The Bank appoints two or more Outside Directors who have knowledge and experience in the management and supervise the execution of operations by the Bank from an independent perspective for the purpose of ensuring management disciplines and improving a supervisory function of the Board of Directors.
- (3) The Bank establishes Nomination & Remuneration Committee to deliberate appointment and remuneration of Directors and Executive Officers as well as Audit & Compliance Committee to assess matters concerning internal control. Both of the committees consists of mainly Outside Directors and deliberate such matters thoroughly and professionally as entrusted by the Board of Directors, and report the results of the deliberations to the Board of Directors.
- (4) The Bank establishes a division controlling compliance risk management and puts in place a compliance risk management system through developing Internal Rules concerning compliance matters, providing compliance training programs, checking the compliance status as well as developing and implementing remedial actions. The division controlling compliance risk management annually develops, as "Compliance Program", a specific action plan to put in place a compliance risk management system including responses to newly established and revised laws and regulations, development of Internal Rules and training programs and obtains approval by the Board of Directors. In addition, the division reports its progress to Audit & Compliance Committee and the Board of Directors on a regular basis.
- (5) The Bank establishes an Internal Audit Group which functions independently from all business groups. The Internal Audit Group audits the development and operation of the internal control system from an independent perspective based on the annual audit plan approved by the Board of Directors and periodically reports the status of internal audits to the Chief Executive Officer (CEO), Management Committee, Audit & Compliance Committee and the Board of Directors.
- (6) In order to prevent, discover early and remedy scandals caused by violations of laws or illicit behaviors, the Bank maintains "Aozora Hotline Program", a whistle-blower system which enables officers and employees of the Bank (including officers and employees within one year of their retirement) directly report to in-house and outside special contacts when they learn any cases which violate or may violate laws and regulations or Internal Rules.
- (7) The Bank develops a system necessary to remove any unjustified involvement by Anti-Social Elements and to eliminate or avoid all transactions with them including provision of funds. In addition, the Bank develops necessary systems to prevent money laundering, terrorist financing, and proliferation financing, and to comply with other economic sanctions under the Foreign Exchange and Foreign Trade Act.
- (8) The Bank establishes a customer protection system (management of customer explanation, customer support, customer information, outsourcing and prevention of conflict of interests) to protect customers and to improve customers' conveniences.
- (9) The Bank establishes a system necessary to prevent insider trading and unfair transactions by individual officers and employees where customer information is used by such officers and employees.
- (10) The Bank develops a system necessary to comply with bribery prevention-related laws and regulations as well as prevent corruption.

2. Ensure Efficient Execution of Duties & Responsibilities by Directors

To ensure prompt decision-making on business execution, the Bank establishes Management Committee consisting of members appointed by the Board of Directors from among Directors and Executive Officers and delegates the business execution-related authorities to such Committee. In addition, Management Committee establishes various committees consisting of committee members having professional expertise, experiences and judgment as its lower organizations and delegates its authorities to them.

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

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

4. Internal Rules and Structure to Manage Risk of Loss

- (1) The Bank defines a basic policy and a management procedure for risks recognized by the Bank and the Bank's Subsidiaries in Master Policy "Comprehensive Risk Management". Further, the Bank classifies risks arising from operations into a market risk, a credit risk, a liquidity risk and an operational risk (including system risk to respond to cyber security) and develops Internal Rules defining basic policies by risk category.
- (2) Each division in charge by risk category periodically reports the risk management status to Management Committee, Audit & Compliance Committee and the Board of Directors.
- (3) Internal Audit Group audits effectiveness and appropriateness of the risk management system and reports the results to Chief Executive Officer (CEO), Management Committee, Audit & Compliance Committee and the Board of Directors. In addition, such Group shares information as necessary with ASB Members, Audit & Supervisory Board and Accounting Auditors for cooperative purposes.
- (4) The Bank has established a "Business Continuity Plan (BCP)" to respond to risks potentially having a material impact on business continuity including large-scale natural disasters, system failures, cyberattacks, spread of infectious diseases, etc. The Chief Executive Officer (CEO) is responsible for all business responses in an emergency situation.

5. Ensure Appropriate Operations of the Bank and the Bank's Subsidiaries

- (1) The Bank defines the basic policies for management/control, compliance, and risk management systems of the Bank's subsidiaries in Master Policy "Management of Group Companies" to ensure appropriate and effective operation of the business in the Bank and the Bank's Subsidiaries.
- (2) The Bank and the Bank's Subsidiaries have established an integrated internal control system for the Bank and the Bank's subsidiaries while respecting their independence and autonomy. In addition, in conformance with applicable laws and restrictions, the Bank ensures that the Bank's policies and procedures including the "Code of Conduct and Ethics" are fully understood by the Bank's subsidiaries.
- (3) The Bank and the Bank's subsidiaries have established systems to control conflicts of interest and to prevent unreasonable damage to customers' interest as well as a system to cause the terms of transactions between the Bank and the Bank's Subsidiaries and between the Bank's Subsidiaries to comply with the Arm's Length Rule.
- (4) To ensure credibility and appropriateness of the financial reporting of the Bank and the Bank's subsidiaries on a consolidated basis, the Bank develops a system for proper internal control over financial reporting by establishing Procedure "Internal Control over Financial Reporting".
- (5) The Bank secures human resources necessary for business operations at the Bank and the Bank's subsidiaries through recruitment and training of human resources.
- (6) To the extent of not violating laws and regulations, Internal Audit Group audits business activities of each of the Bank's subsidiaries.

6. Ensure Effective Auditing by ASB Members

- (1) The Bank has established Office of Audit & Supervisory Board ("ASB") to support its members' duties and appropriately allocates employees to support such activities. The authority to give instructions to such employees belongs to ASB Members and such employees are interviewed and evaluated by the Standing ASB Member. In addition, decisions on transfer, promotion, compensation and punishment of such employees require the consent by the Standing ASB Member.
- (2) ASB Members may directly require the officers and employees of the Bank and the Bank's subsidiaries to make a report as necessary (including implementation status of the Hot Line program and details of whistle blowers' reports).
- (3) Officers and employees of the Bank and the Bank's subsidiaries immediately make a report to ASB Members whenever they find violations against laws and regulations at the Bank or the Bank's subsidiaries or any event which may cause a serious damage to the Bank or the Bank's subsidiaries. The officers and employees who report to ASB Members will not be unfairly treated due to any such reporting, which is clearly stated in HR Rules and other Internal Rules.
- (4) Officers and employees cooperate with ASB Members when auditing based on an audit plan annually developed by Audit & Supervisory Board (including a budget).
- (5) ASB Members may get advice as needed from external professionals including attorneys and certified accountants about auditing for effective audits.
- (6) The Bank incurs the various costs for execution of the ASB Members' responsibilities (including the expense related to Paragraph (5) above).

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

The following is a summary of the operational status of the Bank's basic policy for the development of Internal Control Programs:

1. Framework for Ensuring that Directors and Employees Perform Their Duties in Accordance with Laws, Regulations and the Articles of Incorporation
 - The Bank has decided upon a "Code of Conduct and Ethics", which stipulates laws and regulations that officers and employees must comply with while carrying out reasonable and necessary corporate activities in conformance with social norms and common sense. All officers and employees of the Aozora Bank Group must submit an "Annual Acknowledgment of the Code of Conduct and Ethics" to indicate that they have understood and will comply with the "Code of Conduct and Ethics".
 - The Bank nominates several candidates, with consideration for independence, for outside directors, who are then approved and appointed at the General Meeting of Shareholders. Four of the eight directors are independent outside directors as of the end of this fiscal year. The Nomination and Remuneration Committee, where the majority of the members are outside directors, and the Audit and Compliance Committee, which comprises outside directors, complement the supervisory function and fulfill check-and-balance function for Representative Directors and Executive Officers, by checking and verifying responsible matters from various professional standpoints, being entrusted by the Board of Directors.
 - The Bank has established a Compliance Management Division which is in charge of compliance risk management for the entire Aozora Bank Group. The Division has developed a set of internal policies based on the laws and regulations, etc. which must be complied with, and made efforts to develop and produce its compliance risk management framework by conducting training and making it known to maintain and improve the understanding and awareness of compliance issues among the Bank's officers and employees. Moreover, the Division develops an annual "Compliance Program", which is designed to be a concrete action plan for achieving the objectives of the compliance risk management framework, and delivers semiannual reports regarding the progress of the Program to the Management Committee, the Audit and Compliance Committee and the Board of Directors.
 - With respect to training and announcements based on the plan set at the beginning of the year, the Bank has put in place the environment that enables employees to attend these training and awareness programs from home or a remote environment as well as learning by video materials. The Bank has conducted training and awareness programs covering points to note from a compliance perspective to promote Aozora's Strategic Investment Banking Business and customer-oriented business conduct as well as timely material issues including cybersecurity and information management.
 - The Internal Audit Division conducts an internal audit based on the Annual Internal Audit Plan approved by the Board of Directors each fiscal year. The Division reports monthly to the Chief Executive Officer (CEO) and the Management Committee, as well as semi-annually to the Audit & Compliance Committee, the Board of Directors and quarterly to the Audit & Supervisory Board (ASB).
 - The Aozora Bank Group has established a whistle-blowing system, the Aozora Hotline Program, which is designed to prevent, aid in the early discover of, and take corrective action against the violation of laws and other misconduct. Every officer and employee (including those who left Aozora or Aozora Group within one year) can report any

- inappropriate activity which violate or may violate internal rules, laws, regulations, or other norms directly to the in-house and outside (a law firm) channels for whistle-blowers. The Division delivers a semiannual report on the operational status of the “Aozora Hotline Program” and the number of whistle-blowing cases to the Management Committee, the Audit and Compliance Committee and the Board of Directors.
- The Bank has affirmed its position against anti-social elements in its “Procedure for the Elimination of Anti-Social Elements”, and established various systems to eliminate intervention by and prevent business relationships with anti-social elements. The Bank has positioned the prevention of money laundering and financing for terrorism/measures against financial crimes such as Proliferation Financing and responses to economic sanctions under the Foreign Exchange and Foreign Trade Law as critical business challenges, has put a management framework into place and has maintained it.
 - With the heightened risks of money laundering etc. amid the multiple measures which the Bank provides with improved convenience in non-face-to-face transactions reflecting various customer needs, the Bank has been working on maintenance/enhancement of its fraud detection system through cross-referencing with various lists and transaction monitoring on a daily basis.
 - The Bank has developed internal rules for determining specific countermeasures for ensuring proper customer protection based on its “Customer Protection” Master Policy, which stipulates its basic policy on customer protection and initiatives for improving customer convenience. The Director in charge of customer protection management, who is appointed by the Board of Directors, supervises overall customer protection management. The Customer Protection Committee, which comprises members including the Executive Officer in charge of compliance and governance, holds meetings once a month to review the framework for customer protection.
 - While working on improvement of services to respond to growing needs for cashless/non-face-to-face transactions, for ensuring proper customer protection the Bank has verified/reviewed the standards for linking customer bank accounts to other accounts at fund transfer service providers and has also tightened verification system in terms of security in personal authentication of debit cards upon Internet banking system update.
 - In order to prevent insider trading by its officers and employees, the Bank has established and maintained a system in which the Compliance Management Division centralizes all important information collected by the Bank and strictly controls all confidential insider information.
 - The Bank has established Procedure “Anti-Bribery”, has put in place a structure and is continuously making it known in order to comply with anti-bribery laws and regulations in each country and prevent any corruption.
2. Ensure Efficient Execution of Duties and Responsibilities by the Directors
- The Management Committee is comprised of Executive Officers (including Representative Directors) appointed by the Board of Directors. The Management Committee convenes on a weekly basis and determines important matters related to the Bank’s daily operations, in accordance with the policies set forth by the Board of Directors. The Management Committee has the following sub-committees to which it delegates authority: the Asset and Liability Management Committee, the Integrated Risk Committee, the Credit Committee, the Investment Committee, the CAPEX Committee, the Customer Protection Committee and the Sustainability Committee. Sub-committees comprise members with substantive knowledge and experience in various aspects of the Bank’s business operations, as well as sound decision-making capabilities.
3. Safekeeping and Management of Records regarding Execution of Fiduciary Responsibilities of Directors
- The Bank appropriately manages and keeps important documents such as the minutes of the Board of Directors Meeting, the Management Committees and other various committees and the relevant written approval documents for the mandatory period, based on laws, regulations and internal rules.
4. Internal Rules and Framework for Managing Risk of Loss
- For the implementation of appropriate risk management, the Bank has established committees such as the Asset and Liability Committee and the Integrated Risk Committee and the responsible departments to control the risks, to specify, evaluate and control the risks. The Bank appoints the Chief Risk Officer (CRO) from amongst Executive Officers as a responsible person for risk management.
 - The Bank has set the basic policies and rules that stipulate the scope of risks to be

- controlled, their definitions, risk characteristics and evaluations, monitoring and control. Each risk management division controls the risks in an appropriate manner within the framework.
- The Bank has maintained a risk appetite framework. The Bank has also established a “risk appetite statement” and clarified basic risk-take policy.
 - For the management of cybersecurity risk which is becoming increasingly important, the Bank has established the system in which it sets up CyberSecurity Office and appoints personnel with high level of expertise to maintain the system, perform monitoring and deal with emergency situations. The Bank has also established a Computer Security Incident Response Team with the Chief Technology Officer (CTO) acting as a Chairman to be prepared for emergency situations at the Bank and the Bank’s Subsidiaries.
 - The Bank develops Business Continuity Plan (BCP) in preparation for large-scale disasters such as earthquakes occurring directly beneath the Tokyo metropolitan area, system failures and the spread of infectious diseases, and verifies its effectiveness by taking measures, including trainings. The Bank, thereby, secures operational resilience.
 - The Management Committee, the Audit & Compliance Committee and Board of Directors timely receive risk control reports from the risk management divisions in order to flexibly manage the risks in an appropriate manner.
 - The Internal Audit Division conducts audits of the effectiveness and legitimacy of risk controls, and reports the results to the Chief Executive Officer (CEO) and the Management Committee monthly, to the Audit & Compliance Committee and the Board of Directors semi-annually, to the ASB quarterly. The Internal Audit Division is always cooperating with the Accounting Auditors through joint audit activities including the ASB Members.
5. Framework for Ensuring the Appropriateness of Business Operations of the Bank and Subsidiaries
- Based on the Bank’s Master Policy entitled “Management of Group Companies” which encompasses management, compliance and risk management frameworks, Executive Officers responsible for business promotion of the group subsidiaries supervise management of the subsidiaries in collaboration with the relevant divisions, while each risk management division directly manages the relevant risk of the subsidiaries. The Bank and its subsidiaries have signed a “Master Advisory and Corporate Governance Agreement”, which defines specific issues agreed upon by the Bank and the subsidiaries for which the subsidiaries must consult with in advance or report to the Bank and other compliance requirements to ensure effectiveness of management.
 - In order to avoid any infringement upon customers’ interests in favor of the interests of the Bank and third parties, the Bank has developed a “Management of Conflict of Interest and Compliance with Arm’s Length Rule” Procedure so as to properly manage any transactions between the Bank or its subsidiaries and customers, which may result in conflicts of interest and ensure that terms and conditions of such transactions do not infringe upon the arm’s length rule. The Customer Protection Committee, which comprises the Executive Officer in charge of compliance and governance, verifies semi-annually the management of conflicts of interests.
 - The Bank is committed to developing and maintaining a proper internal control system in line with the Procedure “Internal Control Over Financial Reporting” to ensure the appropriateness and reliability of financial reporting of the Bank and the Bank’s subsidiaries on a consolidated basis. The Bank also evaluates the effectiveness of internal control for financial reporting and discloses the internal control report annually.
 - In order to secure the necessary talent for business continuity and corporate value enhancement within our bank group, we strategically hire a certain number of new graduates every year and provide long-term development opportunities. We also actively engage in career hiring to acquire professionals with expertise in specific areas. Additionally, we have established Aozora Career Building Support Programs such as training programs, initiatives to expand experience areas, and self-development support menus, aiming to cultivate individuals who can withstand changes in the business environment.
 - The Internal Audit Division conducts internal audits on the Bank and the subsidiaries in accordance with the Master Policy “Internal Audit” and the Procedure “Supervision and Governance of Group Companies.”
6. Framework for Ensuring the Effectiveness of Audit by ASB members
- The Bank has assigned a full-time general manager and staff to establish the Office of Audit & Supervisory Board (OASB). Under the supervision of the ASB members and ASB, the OASB is in charge of supporting the ASB members and administering the ASB meetings.

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

9. Matters Concerning Wholly-owned Subsidiaries

None

10. Matters Concerning Transactions with the Parent Company

None

11. Matters Concerning Accounting Advisor

None

12. Other

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

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

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

The Bank will provide stable returns to shareholders in the form of dividend payment based on the result of net earnings in principle, while maintaining financial strength. In addition, the Bank will pay dividends on a quarterly basis.

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

Consolidated balance sheet as of March 31, 2024

		(Millions of yen)	
(Assets)		(Liabilities)	
Cash and due from banks	1,579,781	Deposits	5,634,992
Call loans and bills bought	17,269	Negotiable certificates of deposit	141,380
Monetary claims bought	68,093	Securities sold under repurchase agreements	29,903
Trading account assets	173,713	Cash collateral received for securities lent	260,689
Money held in trust	12,963	Trading account liabilities	165,078
Securities	1,186,561	Borrowed money	563,300
Loans and bills discounted	4,071,295	Bonds payable	181,397
Foreign exchanges	51,267	Other liabilities	199,472
Other assets	420,921	Provision for bonuses	4,646
Tangible fixed assets	23,159	Provision for bonuses for directors (and other officers)	76
Buildings, net	10,355	Retirement benefit liability	10,912
Land	9,235	Provision for credit losses on off-balance-sheet instruments	1,960
Leased assets, net	1,313	Reserves under special laws	8
Other tangible fixed assets	2,254	Deferred tax liabilities	21
Intangible fixed assets	18,962	Acceptances and guarantees	18,084
Software	18,895	Total liabilities	7,211,924
Other intangible fixed assets	67	(Equity)	
Retirement benefit asset	8,741	Share capital	100,000
Deferred tax assets	44,580	Capital surplus	87,498
Customers' liabilities for acceptances and guarantees	18,084	Retained earnings	228,444
Allowance for loan losses	(87,929)	Treasury shares	(3,015)
Allowance for investment loss	(4,463)	Total shareholders' equity	412,928
		Valuation difference on available-for-sale securities	(45,803)
		Deferred gains or losses on hedges	4,332
		Foreign currency translation adjustment	10,137
		Remeasurements of defined benefit plans	2,277
		Total accumulated other comprehensive income	(29,056)
		Share acquisition rights	532
		Non-controlling interests	6,673
		Total equity	391,078
Total assets	7,603,002	Total liabilities and equity	7,603,002

Consolidated statement of operations
(For the fiscal year ended March 31, 2024)

		(Millions of yen)	
Ordinary income			246,299
Interest income		166,436	
Interest on loans and discounts		131,308	
Interest and dividends on securities		26,964	
Interest on call loans and bills bought		812	
Interest income on securities purchased under resale agreements		(0)	
Interest on deposits with banks		1,523	
Other interest income		5,826	
Trust fees		370	
Fees and commissions		25,794	
Gain on trading account transactions		11,304	
Other ordinary income		27,590	
Other income		14,802	
Recoveries of written off receivables		758	
Other		14,043	
Ordinary expenses			301,116
Interest expenses		124,362	
Interest on deposits		14,384	
Interest on negotiable certificates of deposit		12	
Interest on call money and bills sold		463	
Interest expenses on securities sold under repurchase agreements		2,838	
Interest expenses on cash collateral received for securities lent		15,050	
Interest on borrowings and rediscounts		1,462	
Interest expenses on bonds		5,407	
Interest expenses on interest rate swaps		43,576	
Other interest expenses		41,166	
Fees and commissions payments		5,744	
Loss on trading account transactions		9,671	
Other ordinary expenses		40,794	
General and administrative expenses		62,424	
Other expenses		58,118	
Provision of allowance for loan losses		44,584	
Provision of allowance for credit losses on off-balance-sheet instruments		1,463	
Other		12,070	
Ordinary loss			54,816
Extraordinary income			1,870
Gain on disposal of non-current assets		0	
Reversal of foreign currency translation adjustments		1,869	
Extraordinary losses			227
Loss on disposal of non-current assets		7	
Impairment losses		220	
Loss before income taxes			53,174
Income taxes-current		810	
Income taxes-deferred		(2,247)	
Total income taxes			(1,437)
Net loss			51,737
Net loss attributable to non-controlling interests			1,832
Net loss attributable to owners of parent			49,904

Consolidated statement of changes in equity
(For the fiscal year ended March 31, 2024)

(Millions of yen)

	Shareholders' equity				
	Share Capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	100,000	87,481	291,898	(3,099)	476,280
Changes during period					
Dividends of surplus			(13,548)		(13,548)
Net loss attributable to owners of parent			(49,904)		(49,904)
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		17		84	101
Net changes in items other than shareholders' equity					
Total changes during period	-	17	(63,453)	84	(63,352)
Balance at end of period	100,000	87,498	228,444	(3,015)	412,928

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total equity
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	(45,449)	972	7,683	(1,328)	(38,122)	503	(7,541)	431,119
Changes during period								
Dividends of surplus								(13,548)
Net loss attributable to owners of parent								(49,904)
Purchase of treasury shares								(0)
Disposal of treasury shares								101
Net changes in items other than shareholders' equity	(353)	3,359	2,453	3,606	9,066	29	14,214	23,310
Total changes during period	(353)	3,359	2,453	3,606	9,066	29	14,214	(40,041)
Balance at end of period	(45,803)	4,332	10,137	2,277	(29,056)	532	6,673	391,078

Non-consolidated balance sheet as of March 31, 2024 (91st fiscal year end)

(Millions of yen)

(Assets)		(Liabilities)	
Cash and due from banks	1,201,608	Deposits	5,043,062
Cash	3,587	Current deposits	23,150
Due from banks	1,198,020	Ordinary deposits	2,627,967
Call loans	17,269	Saving deposits	55,109
Monetary claims bought	43,069	Deposits at notice	585
Trading account assets	173,713	Time deposits	2,273,276
Trading account securities derivatives for hedging	1,566	Other deposits	62,973
Trading account financial derivatives	172,146	Negotiable certificates of deposit	141,380
Money held in trust	5,367	Securities sold under repurchase agreements	29,903
Securities	1,194,907	Cash collateral received for securities lent	260,689
Government bonds	42,530	Trading account liabilities	165,078
Local government bonds	12,403	Trading account securities derivatives for hedging	1,607
Corporate bonds	103,137	Trading account financial derivatives	163,470
Stocks	45,934	Borrowed money	563,300
Other securities	990,901	Borrowings from other banks	563,300
Loans and bills discounted	3,880,684	Bonds payable	181,397
Bills discounted	6,457	Other liabilities	173,446
Loans on bills	3,628	Income taxes payable	370
Loans on deeds	3,722,527	Accrued expenses	6,123
Overdrafts	148,070	Unearned revenue	176
Foreign exchanges	51,267	Variation margins of futures markets	19
Due from foreign banks (our accounts)	51,267	Financial derivatives	122,070
Other assets	359,723	Cash collateral received for financial instruments	13,051
Prepaid expenses	1,445	Lease liabilities	1,444
Accrued revenue	22,384	Asset retirement obligations	1,886
Margin deposits for futures transactions	962	Other	28,301
Variation margins of futures markets	26	Provision for bonuses	3,955
Financial derivatives	92,052	Provision for bonuses for directors (and other officers)	70
Cash collateral paid for financial instruments	141,301	Provision for retirement benefits	10,491
Bond issuance costs	366	Provision for credit losses on off-balance-sheet instruments	1,794
Other	101,184	Acceptances and guarantees	24,084
Tangible fixed assets	22,459	Total liabilities	6,598,653
Buildings, net	10,111	(Equity)	
Land	9,235	Share capital	100,000
Leased assets, net	1,313	Capital surplus	87,498
Other tangible fixed assets	1,798	Legal capital surplus	87,313
Intangible fixed assets	9,892	Other capital surplus	185
Software	9,826	Retained earnings	200,411
Other intangible fixed assets	65	Legal retained earnings	12,686
Prepaid pension costs	5,663	Other retained earnings	187,724
Deferred tax assets	44,783	Retained earnings brought forward	187,724
Customers' liabilities for acceptances and guarantees	24,084	Treasury shares	(3,015)
Allowance for loan losses	(87,371)	Total shareholders' equity	384,894
Allowance for investment loss	(4,463)	Valuation difference on available-for-sale securities	(45,754)
		Deferred gains or losses on hedges	4,332
		Total valuation and translation adjustments	(41,422)
		Share acquisition rights	532
		Total equity	344,004
Total assets	6,942,657	Total liabilities and equity	6,942,657

Non-consolidated statement of operations
(For the fiscal year ended March 31, 2024 (91st fiscal year))

		(Millions of yen)
Ordinary income		221,737
Interest income	156,487	
Interest on loans and discounts	121,345	
Interest and dividends on securities	27,000	
Interest on call loans	872	
Interest income on securities purchased under resale agreements	(0)	
Interest on deposits with banks	1,346	
Interest income on interest rate swaps	3,489	
Other interest income	2,434	
Trust fees	370	
Fees and commissions	15,422	
Fees and commissions on domestic and foreign exchanges	168	
Other fees and commissions	15,254	
Gain on trading account transactions	11,304	
Net gain on trading account securities	8,275	
Net gain on trading account financial derivatives	3,029	
Other ordinary income	26,733	
Gain on sale of bonds	8,139	
Gain on financial derivatives	322	
Other	18,271	
Other income	11,417	
Recoveries of written off receivables	677	
Gain on sale of stocks and other securities	10,278	
Gain on money held in trust	60	
Other	401	
Ordinary expenses		282,729
Interest expenses	124,978	
Interest on deposits	15,000	
Interest on negotiable certificates of deposit	12	
Interest on call money	463	
Interest expenses on securities sold under repurchase agreements	2,838	
Interest expenses on cash collateral received for securities lent	15,050	
Interest on borrowings and rediscounts	1,462	
Interest expenses on bonds	5,407	
Interest expenses on interest rate swaps	43,576	
Other interest expenses	41,166	
Fees and commissions payments	2,094	
Fees and commissions on domestic and foreign exchanges	138	
Other fees and commissions	1,955	
Loss on trading account transactions	9,918	
Net loss on trading securities	9,918	
Other ordinary expenses	42,466	
Loss on foreign exchange transactions	8,233	
Loss on sale of bonds	23,188	
Loss on redemption of bonds	3,555	
Amortization of bond issuance costs	227	
Other	7,262	
General and administrative expenses	47,237	
Other expenses	56,033	
Provision of allowance for loan losses	44,125	
Write-off of loans	1,244	
Provision of allowance for credit losses on off-balance-sheet instruments	1,280	
Loss on sale of stocks and other securities	8,187	
Loss on devaluation of equity securities	450	
Other	745	
Ordinary loss		60,992
Extraordinary income		9,942
Gain on disposal of non-current assets	0	
Gain on liquidation of subsidiaries and associates	5,759	
Gain on capital reduction of subsidiaries and associates	4,183	
Extraordinary losses		67
Loss on disposal of non-current assets	7	
Impairment losses	59	
Loss before income taxes		51,116
Income taxes-current	(120)	
Income taxes-deferred	(203)	
Total income taxes		(323)
Net loss		50,792

Non-consolidated statement of changes in equity
(For the fiscal year ended March 31, 2024 (91st fiscal year))

(Millions of yen)

	Shareholders' equity								
	Share Capital	Capital surplus			Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings		
Balance at beginning of period	100,000	87,313	167	87,481	12,686	252,065	264,752	(3,099)	449,134
Changes during period									
Dividends of surplus						(13,548)	(13,548)		(13,548)
Net loss						(50,792)	(50,792)		(50,792)
Purchase of treasury shares								(0)	(0)
Disposal of treasury shares			17	17				84	101
Net changes in items other than shareholders' equity									
Total changes during period	-	-	17	17	-	(64,341)	(64,341)	84	(64,239)
Balance at end of period	100,000	87,313	185	87,498	12,686	187,724	200,411	(3,015)	384,894

(Millions of yen)

	Valuation and translation adjustments			Share acquisition rights	Total equity
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of period	(45,432)	972	(44,460)	503	405,177
Changes during period					
Dividends of surplus					(13,548)
Net loss					(50,792)
Purchase of treasury shares					(0)
Disposal of treasury shares					101
Net changes in items other than shareholders' equity	(321)	3,359	3,037	29	3,067
Total changes during period	(321)	3,359	3,037	29	(61,172)
Balance at end of period	(45,754)	4,332	(41,422)	532	344,004

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

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

May 13, 2024

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

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant: Shigehiko Matsumoto

Designated Engagement Partner,
Certified Public Accountant: Arata Otake

Designated Engagement Partner,
Certified Public Accountant: Kensuke Kurihara

Opinion

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements of Aozora Bank, Ltd. and its consolidated subsidiaries (the "Group"), namely, the consolidated balance sheet as of March 31, 2024, and the consolidated statement of operations and consolidated statement of changes in equity for the fiscal year from April 1, 2023 to March 31, 2024, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2024, and its consolidated financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Business Report and the accompanying supplemental schedules.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Companies Act of Japan for the conveniences of the reader.

Independent Auditors' Report for the Financial Statements (COPY)

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

May 13, 2024

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

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant: Shigehiko Matsumoto

Designated Engagement Partner,
Certified Public Accountant: Arata Otake

Designated Engagement Partner,
Certified Public Accountant: Kensuke Kurihara

Opinion

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the nonconsolidated financial statements of Aozora Bank, Ltd. (the "Company"), namely, the nonconsolidated balance sheet as of March 31, 2024, and the nonconsolidated statement of operations and nonconsolidated statement of changes in equity for the 91st fiscal year from April 1, 2023 to March 31, 2024, and a summary of significant accounting policies and other explanatory information, and the accompanying supplemental schedules.

In our opinion, the accompanying nonconsolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2024, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Nonconsolidated Financial Statements section of our report. We are independent of the Company in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Business Report and the accompanying supplemental schedules.

Our opinion on the nonconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the nonconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the nonconsolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Nonconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the nonconsolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of nonconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the nonconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Nonconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the nonconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these nonconsolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the nonconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the nonconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the nonconsolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the nonconsolidated financial statements, including the disclosures, and whether the nonconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Companies Act of Japan for the conveniences of the reader. "The accompanying supplemental schedules" referred to in the "Opinion" section of this English translation are not included in the attached financial documents.

The Audit & Supervisory Board's Report (COPY)

(Translation) The Audit & Supervisory Board's Report

The Audit & Supervisory Board (hereafter "ASB") prepared this ASB's Report, following deliberation, based on the Audit & Supervisory Board Member's (hereafter "ASB Member") Report prepared by each ASB Member, and make the following report on the execution of duties by Directors for the 91st business year that commenced on April 1, 2023 and ended on March 31, 2024.

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

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

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

2. Results of the Audit

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

May 17, 2024

The Audit & Supervisory Board of Aozora Bank, Ltd.
Standing Audit & Supervisory Board Member
Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)
Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)

Satoshi Hashiguchi
Toraki Inoue
Junichi Maeda

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

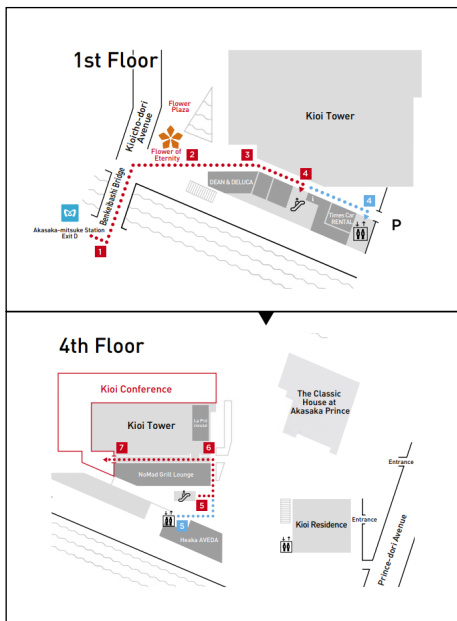
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Guide to the Venue for Ordinary General Meeting of Shareholders

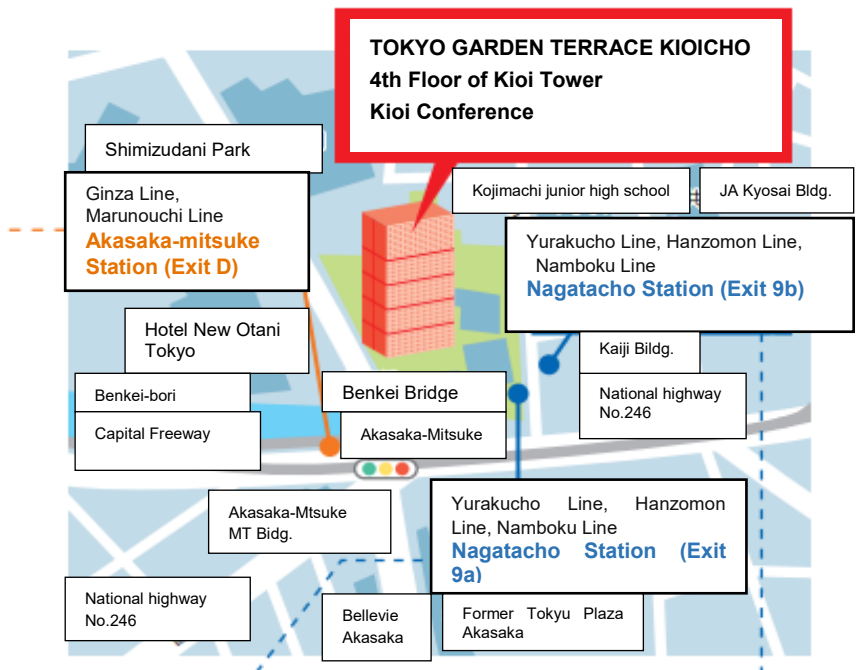
Place: **TOKYO GARDEN TERRACE KIOICHO Kioi Conference**
Kioicho 1-4, Chiyoda-ku, Tokyo

Access: **Directly connected to Nagatacho Station/ 1-minute walk from Akasaka-mitsuke Station**
Access to 5 Tokyo Metro lines (Yurakucho Line, Hanzomon Line, Namboku Line, Ginza Line and Marunouchi Line)

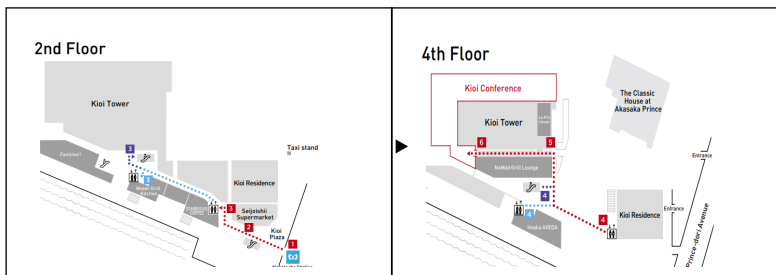
From Akasaka-mitsuke Station (Exit D)



Cross the Benkeibashi Bridge to the Kioi Tower.
From the first floor with restaurants and shops,
take the elevator or escalator up to the fourth floor.

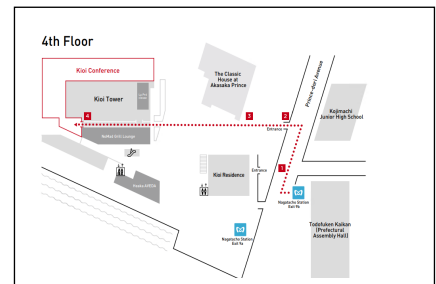


From Nagatacho Station (Exit 9a)



Walk through the connecting passageway from Exit 9a of the
Nagatacho Station to the second floor of Kioi Tower.
From there, take the elevator or escalator up to the fourth floor.

From Nagatacho Station (Exit 9b)



Walk straight from the entrance gate and enter
through the automatic doors of Kioi Tower.