

Aozora Bank's Initiatives for Customer-Oriented Business Management

Aozora Bank offers financial products and services that are truly beneficial to its customers and monitors various achievement criteria based on the following policies. The Bank discloses and reviews progress on its initiatives for customer-oriented business management on a regular basis.

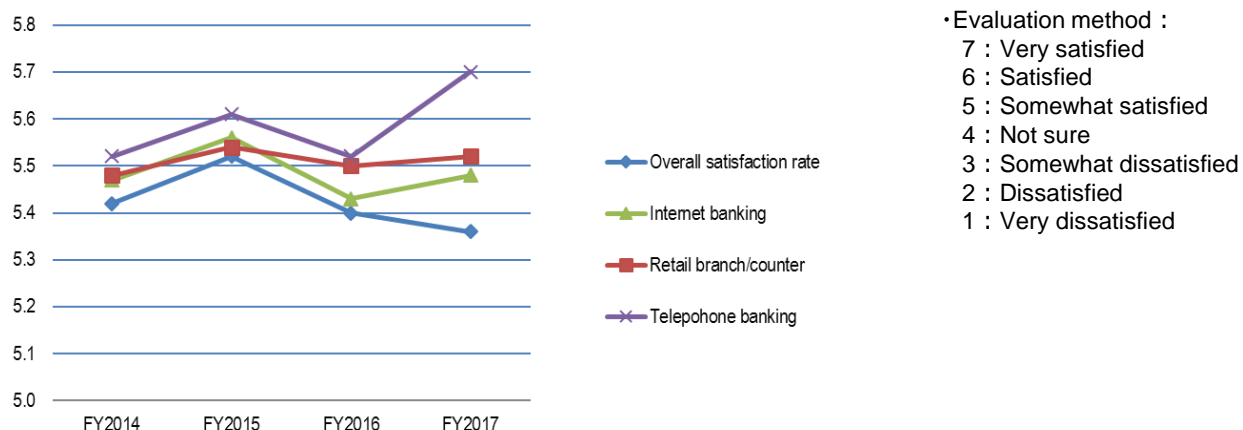
Please refer to the following pages for the status of the Bank's initiatives for customer-oriented business management as of the end of September 2018.

	Policies	Achievement criteria
Sales initiatives	I . Courteous and specialized consulting services	<ol style="list-style-type: none"> 1. Customer Satisfaction Survey 2. [Common KPI] Rate of Customers by Investment P/L 3. Investment Trust Product AUM and Customer Count of Investment Trust Holders 4. Product Line-up 5. Top 10 Funds by Sales of Investment Trust 6. Core Fund Balance and Ratio to Total Investment Trust 7. Cost and Return/Risk and Return of Top 20 Funds by Balance of Investment Trust under Custody [Common KPI] Investment period of 5 years or more [Voluntary KPI] Including investment period of less than 5 years 8. Number of Specialized Retail Training Programs/Study Sessions and Participation Rate 9. FP Headcount and FP Consultation Count 10. Remodeling of Branches 11. Improvements Based on Customer's Voice
	II . Financial products that contribute to the development of customer assets	
	III . Follow-up services	
Initiatives in developing framework	IV . HR development	
	V . Organization	
	VI . Branch, infrastructure	
	VII . Systems	

1. Customer Satisfaction Survey

- The Bank conducts customer satisfaction surveys on an annual basis to reflect its customers' diverse views in its business management. For FY2017, our efforts in ensuring courteous services by telephone operators to each and every one of our customers have resulted in an improvement in satisfaction of customers using telephone banking services. We are committed to making further efforts to satisfy our customers. (Same as announced on June 28,2018)

[Figure 1] Customer Satisfaction Survey



«Bank Retail Service Survey: Aozora ranked first among 116 banks across Japan in retail counter service ranking»

The Bank ranked first among 116 banks across Japan in terms of retail counter services in the 14th Bank Retail Service Survey (published in Nikkei Veritas on October 14, 2018) for its courteous customer service and easy-to-understand explanations of products. We will continue to provide differentiated services/products and ensure responsive and customized approach as well as trusted partnerships to live up to our customers' trust.

* The Bank Retail Service Survey was jointly conducted by Nikkei Inc. and Nikkei Research Inc., covering 116 banks across Japan for their retail counter services and product line-up.

* Retail counter services consist of four assessment items: overall branch environments/services, customer services at retail counters, explanation on products at retail counters, telephone handling skills



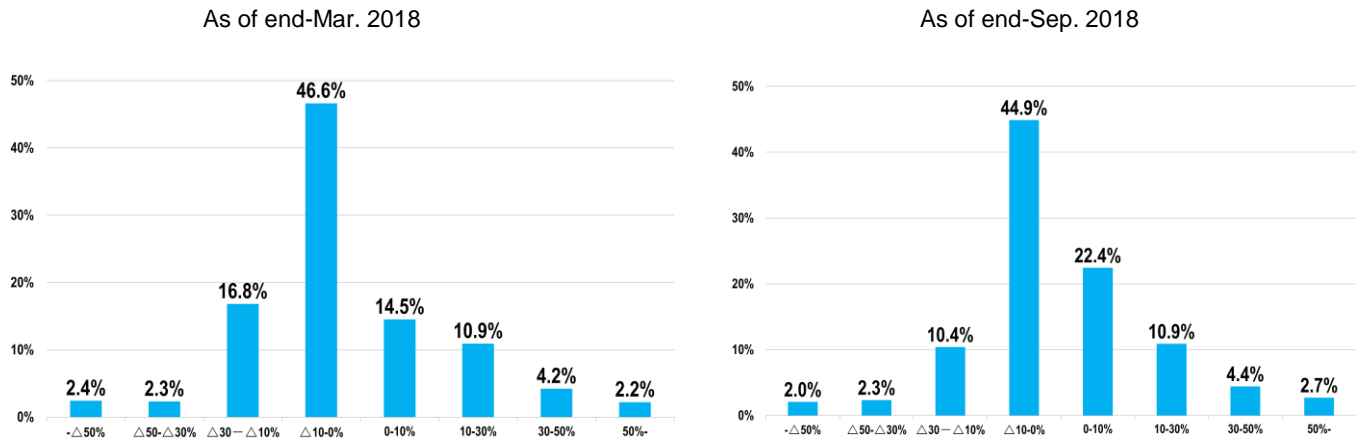
※ Source (Nikkei Veritas on October 14, 2018)

※ This item was translated by the Aozora Bank and the responsibility for translation is on our side.

2. [Common KPI] Rate of Customers by Investment P/L

- As of the end of September 2018, 40.4% of customers recorded positive investment trust returns, which was an increase from 31.8% as of the end of March 2018. Owing to favorable market conditions, market value grew with the base price hike.

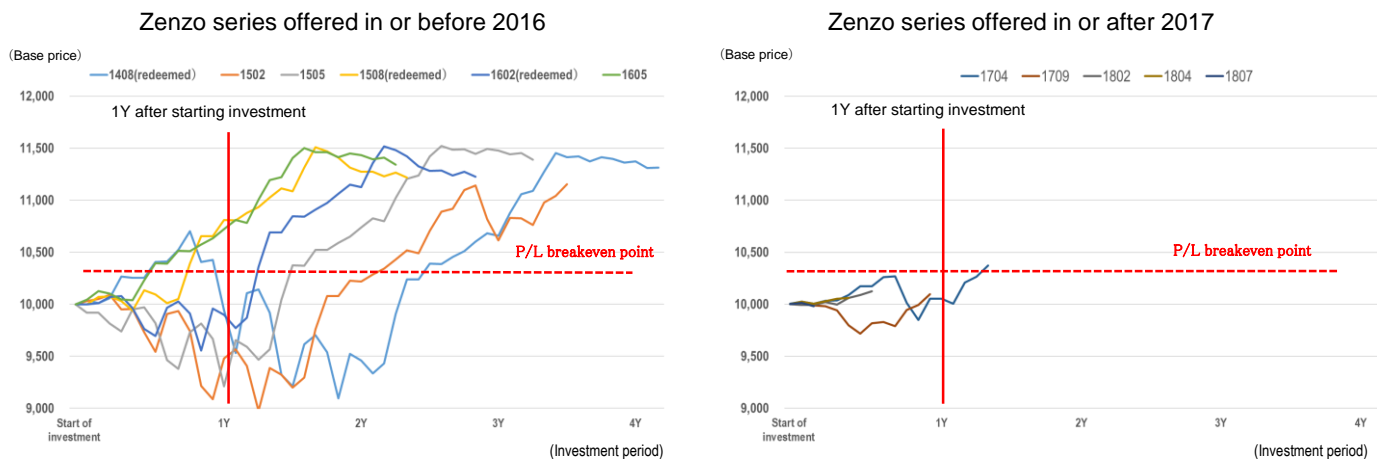
[Figure 2] Rate of Customers by Investment P/L



* Calculated based on P/L of investment trusts outstanding as of end-Mar. 2018 and end-Sep. 2018, excluding P/L of cancelled investment trusts.

- Meanwhile, about 60% of customers consisted primarily of those with an investment P/L rate ranging from minus 10% to 0% recorded negative returns.
- The Bank selects core funds that are most suitable for mid-to long-term investments from products with a relatively low risk or products investing in diverse assets and offer them to customers for their asset development over a mid-to long-term period. For FY2018-1H, core funds accounted for 53.2% of the total investment trusts purchased by customers. Negative returns as of the end of September 2018 are attributable to insufficient results due to a short investment period since the establishment of the funds.
- Zenzo series, key products of core funds, are designed to diversify investments and tenors by purchasing global stocks and bonds in stages, thereby gradually generating returns. The base price of Zenzo series that have been sold has risen with the elapse of each investment period. “Zenzo 1408,” the first fund of Zenzo series, was switched to stable bond investments after exceeding the base price of 11,500 yen in January 23, 2018 and matured on December 10, 2018.
- We will continue to pay due attention to the investment status of funds purchased by our customers and provide detailed follow-up services.

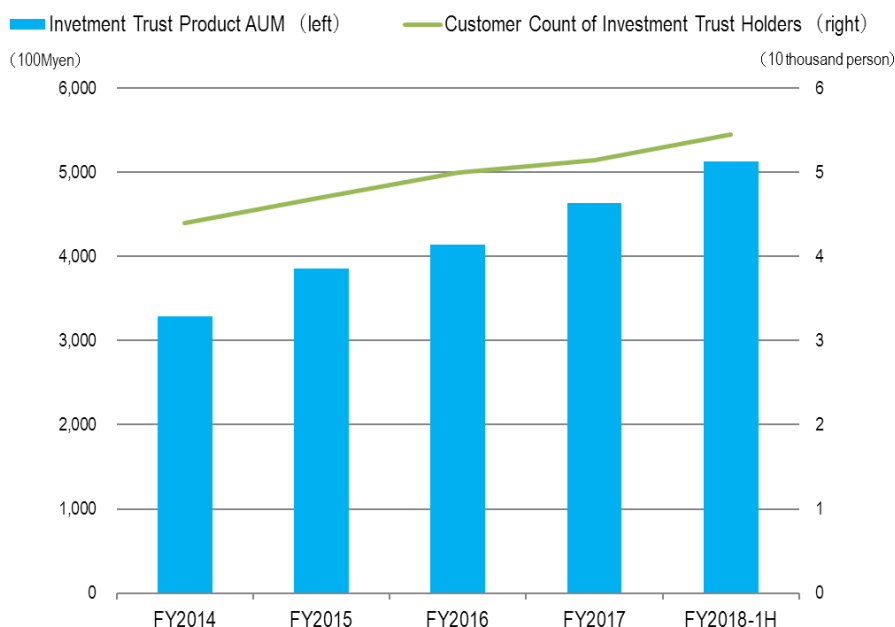
[Figure 3,4] Zenzo Series Investment Status



3. Investment Trust Product AUM and Customer Count of Investment Trust Holders

- Investment trust product AUM and customer count have steadily increased thanks to a rise in the number of customers purchasing products including investment trusts and structured bonds for the first time.

[Figure 5] Investment Trust Product AUM and Customer Count of Investment Trust



4. Product Line-up

- The Bank offers a broad range of products designed to meet the diverse needs of its customers.
- We provide unique products leveraging the expertise of the Aozora Bank Group, including 17 funds in collaboration with Aozora Investment Management and 24 structured bonds (retail bonds) with Aozora Securities Co., Ltd.

[Figure 6] Product Line-up (as of end-Sep. 2018)

< Investment Trust >

Subject for Investment	End-Sep.2018	
	No. of Products	Share
Equities	48	37%
Domestic	19	15%
Developed Market	6	5%
Emerging Market	10	8%
Global	13	10%
Bonds	38	29%
Domestic	4	3%
Developed Market	9	7%
Emerging Market	8	6%
Global	11	8%
HY	6	5%
REITs	14	11%
Domestic	3	2%
Overseas	7	5%
U.S.	4	3%
Balance	24	18%
Domestic	2	2%
Overseas	22	17%
Other	6	5%
Total	130	100%
Of which, no-load	19	15%

< Life Insurance >

Product type	End-Sep.2018	
	No. of Products	Share
Yen	9	43%
Variable Annuity	0	0%
Fixed Annuity	1	5%
Variable Whole Life	1	5%
Fixed Whole Life	7	33%
Care/Medical Insurance	0	0%
Foreign Currency	12	57%
Variable Annuity	1	5%
Fixed Annuity	4	19%
Variable Whole Life	0	0%
Fixed Whole Life	7	33%
Total	21	100%
Product type	No. of Products	Share
Yen	11	100%
Whole life Insurance	1	9%
Fixed Life Insurance	3	27%
Medical/Cancer Insurance	4	36%
Education Endowment Insurance	0	0%
Pension/Endowment Insurance	0	0%
Care Insurance	3	27%
Total	11	100%
Products with fee disclosure	18	56%

< Structured bond >

Reference index	End-Sep.2018	
	No. of structure bonds	Share
NKY225	6	25%
NKY225 - EUR50	15	63%
NKY225 - S&P500	0	0%
Dual currency bond (JPY/AUD)	3	13%
Total	24	100%

5. Top 10 Funds by Sales of Investment Trust

- In FY2018-1H, many customers purchased our core fund Zenzo series and the top 2 funds accounted for 50.0% of the total of investment trusts purchased by customers.

[Figure 7] Top 10 Funds by Sales of Investment Trust

< FY2017 >

Rank	Fund name	Asset	Managed by	Monthly dividend type	Core fund	Fee (tax included)
1	Nomura Pimco Global Income Strateg Fund Course A (with FX hedge, semi-annual dividend type)	Balanced	Nomura AM		○	2.70%
2	Aozora New Global Diversified Fund (limited addition)2017-04 Zenzo	Balanced	AIM		○	2.70%
3	Aozora New Global Diversified Fund (limited addition)2017-09 Zenzo	Balanced	AIM		○	2.70%
4	Nissay Australia High Income Equity Fund (monthly settlement type)	Overseas stock	Nissei AM	○		3.24%
5	Japan Excellent	Domestic stock	Daiwa AM			3.24%
6	Aozora New Global Diversified Fund (limited addition)2018-02 Zenzo	Balanced	AIM		○	2.70%
7	Robot/Technology-related Stock Fund - Robotech	Overseas stock	Daiwa AM			3.24%
8	Daiwa FE Global Value (with FX hedge)	Overseas stock	Daiwa AM			3.24%
9	Daiwa FE Global Value (without FX hedge)	Overseas stock	Daiwa AM			3.24%
10	Nomura Pimco Global Income Strategy Fund Course C (with FX hedge, monthly dividend type)	Balanced	Nomura AM	○	○	2.70%

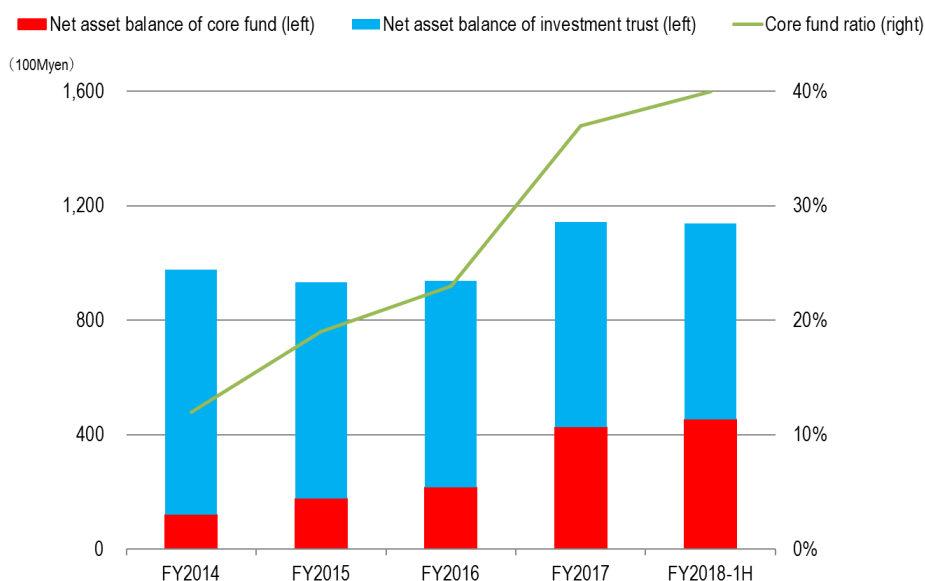
< FY2018-1H >

Rank	Fund name	Asset	Managed by	Monthly dividend type	Core fund	Fee (tax included)
1	Aozora New Global Diversified Fund (limited addition)2018-07 Zenzo	Balanced	AIM		○	2.70%
2	Aozora New Global Diversified Fund (limited addition)2018-04 Zenzo	Balanced	AIM		○	2.70%
3	Nissay Australia High Income Equity Fund (monthly settlement type)	Overseas stock	Nissei AM	○		3.24%
4	Japan Excellent	Domestic stock	Daiwa AM			3.24%
5	Daiwa J-REIT Open (monthly dividend type)	J-REIT	Daiwa AM	○		1.62%
6	Robot Technology Related Equity Fund - Robotech -	Overseas stock	Daiwa AM			3.24%
7	Next Generation USA Equity Fund	Overseas stock	Mitsubishi UFJ Kokusai AM			3.24%
8	Asia High Yield REIT Fund	Emerging REIT	Sumitomo Mitsui AM	○		2.70%
9	Brazil Bond Open (monthly settlement type)	Emerging C bond	Daiwa AM	○		3.24%
10	Pictet Global Income Equity Fund (monthly dividend type)	Overseas stock	Pictet Asset Management	○		3.24%

6. Core Fund Balance and Ratio to Total Investment Trusts

- In FY2018-1H, the core fund ratio to the total investment trusts rose to 39.8%, owing to a steady increase in the number of customers investing in core funds with core funds accounting for a 53.2% share.

[Figure 8] Core Fund Balance and Ratio to Total Investment Trust



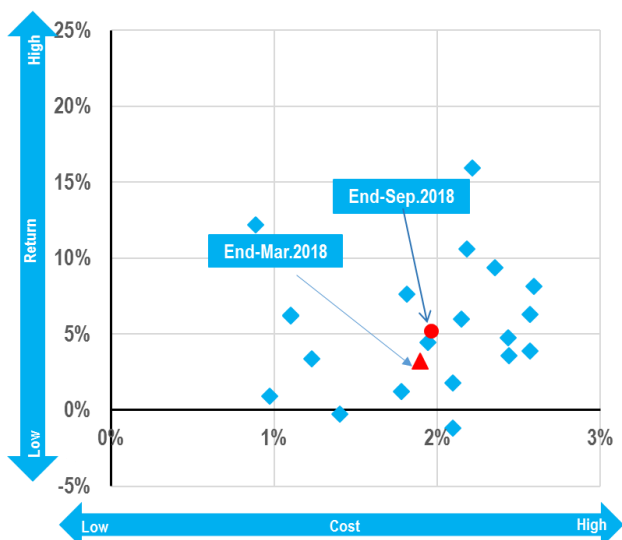
7. [Common KPI] Cost and Return/Risk and Return of Top 20 Funds by Balance of Investment Trust under Custody (investment period of 5 years or more)

➤ For top 20 funds by balance with an investment period of 5 years or more that accounted for 37.7% of the total balance of investment trusts under custody, the average risk and return improved from the end of March 2018.

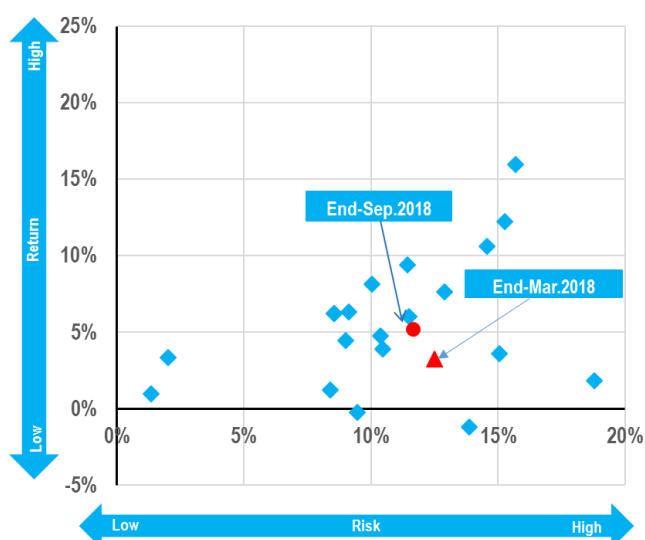
[Figure 9] Cost and Return/Risk and Return of Top 20 Funds by Balance of Investment Trust under Custody (investment period of 5 years or more)

- Weighted average as of end-Mar. 2018 (cost 1.9%, risk 12,5%, return 3.2%)
- Weighted average as of end-Sep. 2018 (cost 2.0%, risk 11.7%, return 5.2%)

Cost and Return



Risk and Return



*Calculated using top 20 funds by balance of investment trusts under custody with an investment period of 5 years or more as of end-Sep. 2018

*Cost: sales charge rate/5 + custody fee rate

*Return: total return for the last 5 years (converted monthly return to annual return)

*Risk: average deviation of monthly return for the last 5 years (converted to annual return)

[Figure 10] Cost/Risk/Return of Top 20 Funds by Balance of Investment Trusts under Custody (investment period of 5 years or more)

	Fund name	Cost	Risk	Return
1	Nissay Australia High Income Equity Fund (monthly settlement type)	2.4%	15.1%	3.6%
2	Daiwa J-REIT Open (monthly dividend type)	1.1%	8.5%	6.2%
3	Pictet Global Income Equity Fund (monthly dividend type)	2.4%	10.4%	4.8%
4	Brazil Bond Open (monthly settlement type)	2.1%	18.8%	1.8%
5	Tokio Marine Japanese Yen Asset Balance Fund (monthly settlement type) (Yensokai)	1.2%	2.0%	3.4%
6	High Dividend Global REIT Premium Fund (without JPY hedge)	2.6%	10.4%	3.9%
7	Next Generation USA Equity Fund	2.2%	15.7%	15.9%
8	Daiwa US-REIT Open (monthly) Course B (without FX hedge)	2.2%	14.6%	10.6%
9	Asia High Yield REIT Fund	2.4%	11.4%	9.4%
10	Short-term Australian Bond Open (monthly dividend type)	1.4%	9.5%	-0.3%

	Fund name	Cost	Risk	Return
11	MHAM Australian Dollars Bond Fund (monthly dividend type)	1.8%	8.4%	1.2%
12	Stock Index Fund 225	0.9%	15.3%	12.2%
13	Mexico Bond Open (monthly settlement type)	2.1%	13.9%	-1.2%
14	Daiwa J-REIT Open	1.1%	8.5%	6.2%
15	Sumitomo Mitsui U.S. High Yield Bond Fund (no FX hedge type)	2.6%	9.1%	6.3%
16	GW Seven Eggs	2.6%	10.0%	8.1%
17	Sumitomo Mitsui Global REIT Open	2.1%	11.5%	6.0%
18	Daiwa JGB Fund (monthly dividend type)	1.0%	1.3%	0.9%
19	Global High Dividend Equity Open	1.8%	12.9%	7.6%
20	Global 3 Assets Fund	1.9%	9.0%	4.5%

*Parts highlighted in blue are Aozora's core funds most suitable for mid-to long-term investments selected from products with a relatively low risk or products investing in diverse assets

7. [Voluntary KPI] Cost and Return/Risk and Return of Top 20 Funds by Balance of Investment Trust under Custody (including investment period of less than 5 years)

- For top 20 funds by balance of investment trust under custody including those with investment period of less than 5 years that accounted for 77.9% of the total balance of investment trusts under custody, the average risk and return improved from end-Mar. 2018.

[Figure 11] Cost and Return/Risk and Return of Top 20 Funds by Balance of Investment Trust under Custody (including investment period of less than 5 years)

- Weighted average as of end-Mar. 2018 (cost 2.1%, risk 10.4%, return 5.1%)
- Weighted average as of end-Sep. 2018 (cost 2.1%, risk 7.9%, return 5.4%)



*Calculated using top 20 funds by balance of investment trusts under custody with an investment period of less than 5 years as of end-Sep. 2018

*Cost: sales charge rate/5 + custody fee rate

*Return: total return for the last 5 years (converted monthly return to annual return); for funds with an investment period of less than 5 years, calculated based on the period since the establishment

*Risk: average deviation of monthly return for the last 5 years (converted to annual return); for funds with an investment period of less than 5 years, calculated based on the period since the establishment.

[Figure 12] Cost/Risk/Return of Top 20 Funds by Balance of Investment Trust under Custody (including investment period of less than 5 years)

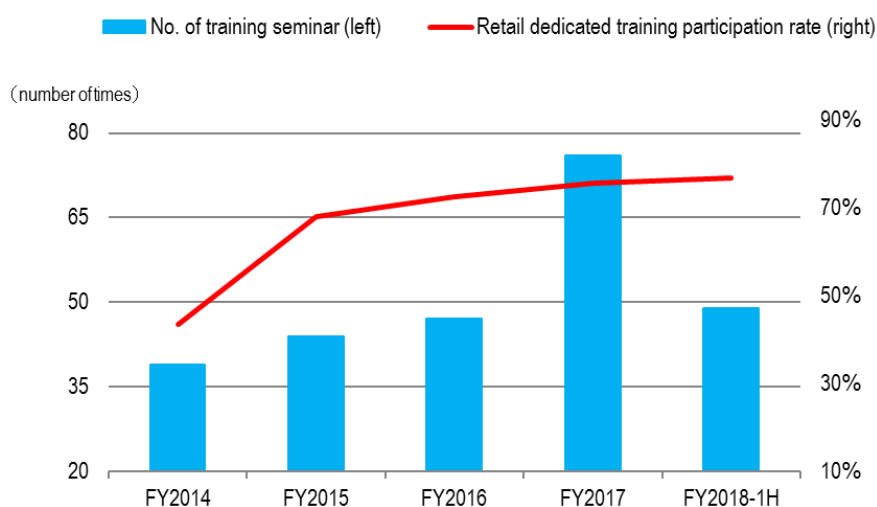
	Fund name	Cost	Risk	Return		Fund name	Cost	Risk	Return
1	Nissay Australia High Income Equity Fund (monthly settlement type)	2.4%	15.1%	3.6%	11	Aozora Japanese Equity Focus Strategy Fund	2.2%	17.0%	7.3%
2	Nomura Pimco Global Income Strateg Fund Course A (with FX hedge, semi-annual dividend type)	2.4%	1.8%	1.9%	12	Aozora Global Dividend Growth Equity Vega Fund (monthly dividend type)	2.5%	8.3%	-0.1%
3	Aozora New Global Diversified Fund (limited addition)2017-09 Zenzo	1.9%	3.0%	1.0%	13	Daiwa FE Global Value (with FX hedge)	2.6%	4.5%	2.8%
4	Aozora New Global Diversified Fund (limited addition) 2017-04 Zenzo	1.9%	3.9%	2.6%	14	Pictet Global Income Equity Fund (monthly dividend type)	2.4%	10.4%	4.8%
5	Japan Excellent	2.2%	14.5%	21.3%	15	Daiwa FE Global Value (without FX hedge)	2.6%	8.3%	8.7%
6	Aozora New Global Diversified Fund (limited addition) 2018-02 Zenzo	1.9%	1.0%	2.2%	16	Brazil Bond Open (monthly settlement type)	2.1%	18.8%	1.8%
7	Robot Technology Related Equity Fund - Robotech -	2.4%	14.8%	16.0%	17	Tokio Marine Japanese Yen Asset Balance Fund (monthly settlement type)	1.2%	2.0%	3.4%
8	Daiwa J-REIT Open (monthly dividend type)	1.1%	8.5%	6.2%	18	High Dividend Global REIT Premium Fund (without JPY hedge)	2.6%	10.4%	3.9%
9	Aozora New Global Diversified Fund (limited addition)2018-07 Zenzo	1.9%	1.1%	-1.3%	19	Next Generation USA Equity Fund	2.2%	15.7%	15.9%
10	Aozora New Global Diversified Fund (limited addition)2018-04 Zenzo	1.9%	0.6%	1.4%	20	Nomura PIMCO Global Income Strategy Fund Course C (with FX hedge, monthly settlement type)	2.4%	1.8%	1.9%

*Parts highlighted in blue are Aozora’s core funds most suitable for mid-to long-term investments selected from products with a relatively low risk or products investing in diverse assets

8. Number of Specialized Retail Training Programs/Study Sessions and Participation Rate

- The Bank has been enhancing its specialized retail training program in order to strengthen its sales personnel skills and to ensure courteous and comfortable services to its customers.

[Figure 13] Number of Retail Dedicated Seminars/Study Sessions and Participation Rate

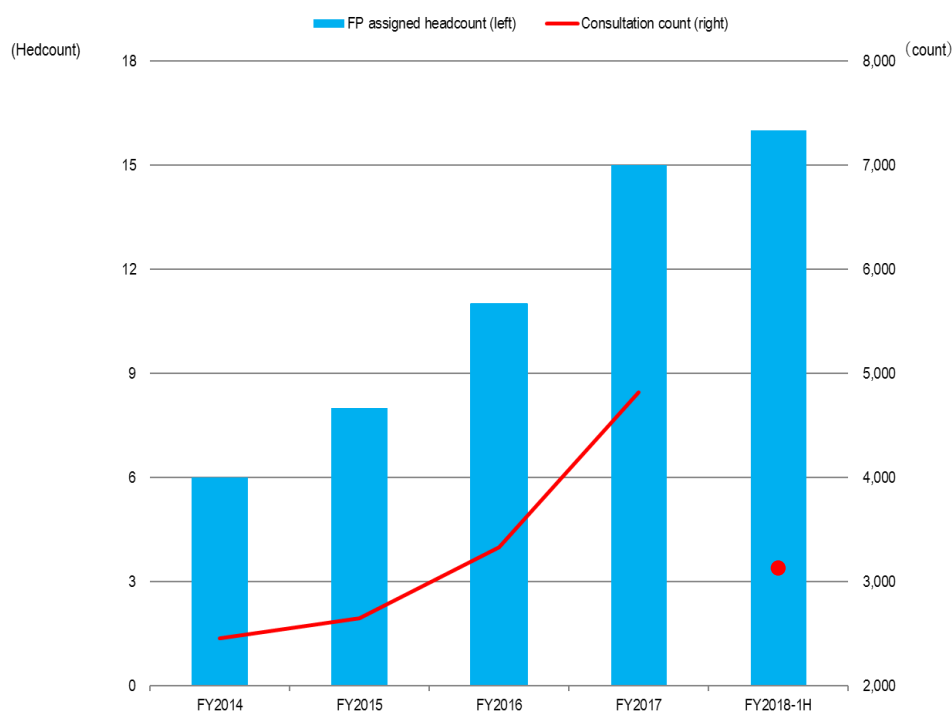


*Participation rate= Number of Participants/Sales Headcount

9. FP Headcount and FP Consultation Count

- In addition to Aozora's financial consultants (FCs) who select financial products catering to the needs of each and every customer, the Bank provides comprehensive consulting services by experienced financial planners (FPs) at the 19 branches across Japan.

[Figure 14] FP Headcount and FP Consultation Count



10. Remodeling of Branches

- Based on its “Urban Oasis” concept, the Bank continues to remodel its retail branches to offer an atmosphere where customers can consult in a comfortable and relaxed environment.

[Figure 15] Remodeling Progress Since FY2014

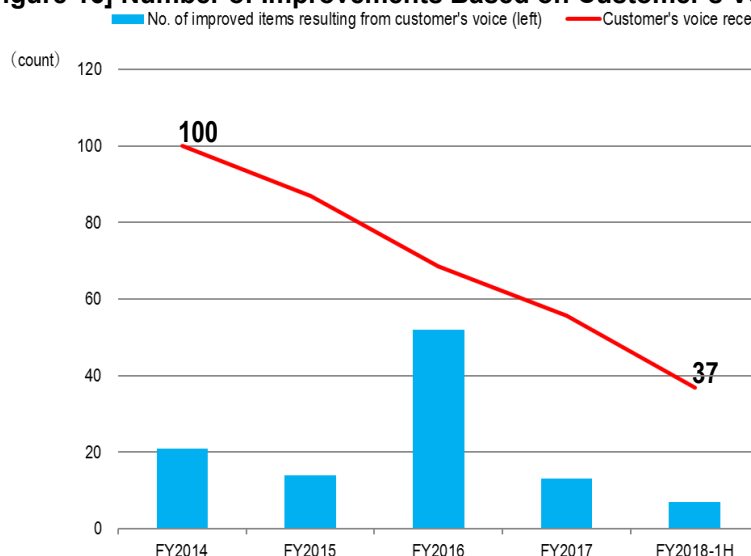
FY	Month/Date	Branch	Relocation/Remodel
2014	Jun.2	Shinjuku	Remodel
2015	Jun.29	Ikebukuro	Remodel
	Nov.24	Nagoya	Relocation
2016	Sep.20	Takamatsu	Relocation
2017	May 8	H.O. Retail	Relocation
2018	Dec.25	Chiba	Relocation

*13 out of totaling 19 branches have been remodeled

11. Improvements Based on Customer's Voice

- The Bank has been making all its efforts improve its services to respond to customer's voice.

[Figure 16] Number of Improvements Based on Customer's Voice



*Index with the number of customer's voice received in FY2014 being set as 100

◀Improvements Based on Customer's Voice▶

① **Extension of ATM operating hours**

From August 2018, the operating hours of ATMs of affiliated financial institutions including Japan Post Bank have been extended to 8:00 to 21:00 for weekdays/weekends/holidays.

② **Free of charge reissuance of ATM card in cases where customers forgot PIN**

The reissuance of an ATM card in cases where a customer forgot his/her PIN became free of charge as of May 2018.

③ **Simpler procedure for discontinuing e-DM service**

From December 2018, a customer can discontinue e-DM services via e-DMs he/she received besides Internet banking