

## Aozora Bank's Initiatives for Customer-Oriented Business Management

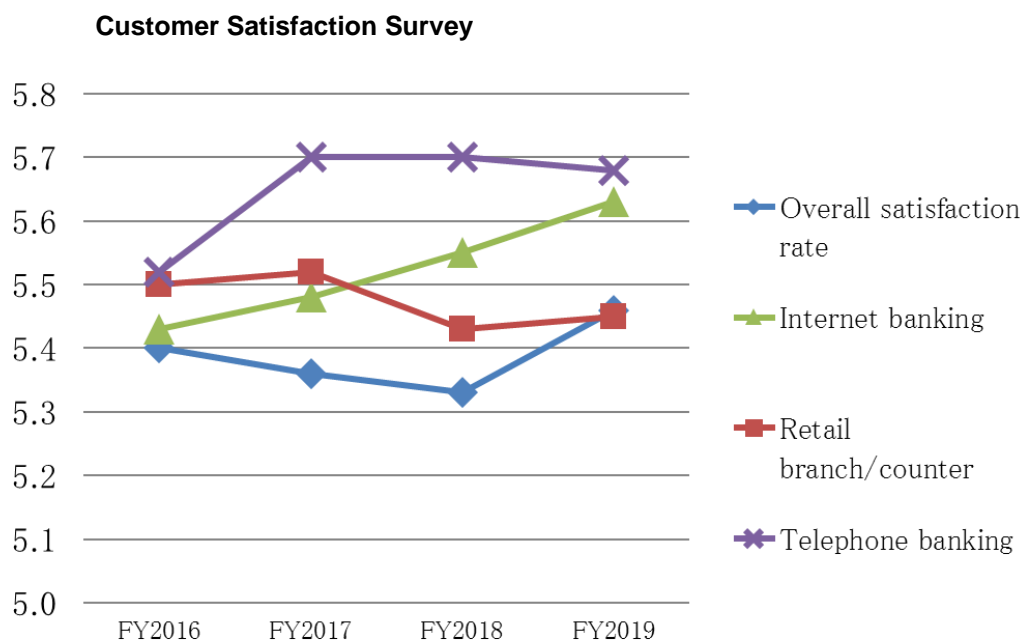
Aozora Bank offers financial products and services that are truly beneficial to its customers and monitors various achievement criteria based on the following policies. The Bank discloses and reviews progress on its initiatives for customer-oriented business management on a regular basis.

Please refer to the following pages for the status of the Bank's initiatives for customer-oriented business management as of the end of March 2020.

	Policies	Achievement criteria
Sales initiatives	I. Courteous and specialized consulting services	<ol style="list-style-type: none"> <li>1. Customer Satisfaction Survey</li> <li>2. [Common KPI] Customers by Investment P/L</li> <li>3. Investment Trust Product AUM and Customer Count of Investment Trust Holders</li> <li>4. Product Line-up</li> <li>5. Top 10 Funds by Sales of Investment Trust</li> <li>6. Core Fund Balance and Ratio to Total Investment Trust</li> <li>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</li> <li>8. Number of Specialized Retail Training Programs/Study Sessions and Participation Rate</li> <li>9. FP Headcount and FP Consultation Count</li> <li>10. Remodeling of Branches</li> <li>11. Improvements Based on Customers' Voice</li> </ol>
	II. Financial products that contribute to the development of customer assets	
	III. Follow-up services	
Initiatives in developing framework	IV. HR development	
	V. Consulting services	
	VI. Branch and infrastructure	
	VII. Explanation on fees	
	VIII. Feedback from customers	

## 1. Customer Satisfaction Survey

- The Bank conducts customer satisfaction surveys on an annual basis to reflect its customers' diverse views in its business management. In FY2019, overall satisfaction reached the highest level in the last three years, and in particular, satisfaction with Internet banking, including the ease of use of smartphone dedicated screens, increased significantly. We will continue to respond to the customers' voice and make good use of their feedback to enhance our services, and strive to make continuous improvements to satisfy our customers.



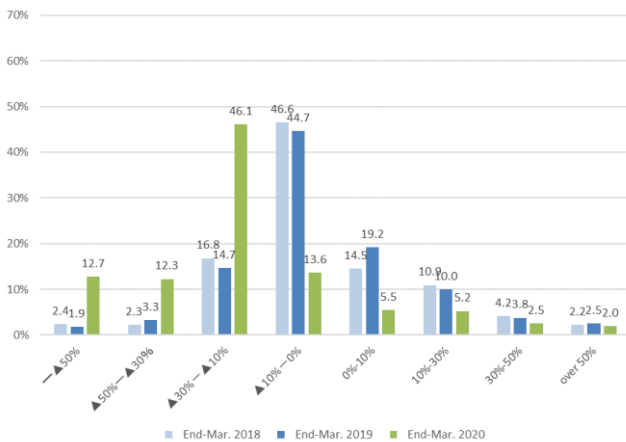
• Evaluation method :

- 7 : Very satisfied
- 6 : Satisfied
- 5 : Somewhat satisfied
- 4 : Not sure
- 3 : Somewhat dissatisfied
- 2 : Dissatisfied
- 1 : Very dissatisfied

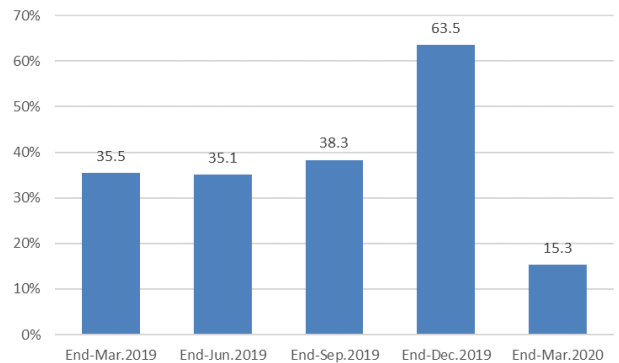
2. [Common KPI] Customers by Investment P/L

- In the second half of FY2019, the base price of investment trusts such as the Bank's key products, "Zenzo series", increased, and the ratio of customers who achieved positive investment trust returns rose from 38.3% at the end of September 2019 to 63.6% by the end of December of the same year.
- However, after the beginning of this year, the market has been disrupted due to the influence of the new coronavirus and the base price of each investment trust such as "Zenzo series" dropped significantly. As a result, the ratio of customers achieving positive investment trust returns was 15.3%, a decrease by 23.0% compared to September 2019. (See the following graphs: Trend of Customers with Plus in Investment P/L (end-Mar. 2019 – end-Mar. 2020))
- 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.
- 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 offered in or before 2016 has risen with the elapse of each investment period. Five Zenzo series funds were switched to stable bond investments after exceeding the target base price of 11,500 yen and then redeemed on or before the maturity date. (See the following graph: Zenzo series offered in or before 2016.)
- We will continue to pay due attention to the investment status of funds purchased by our customers and provide detailed follow-up services.

Customers by Investment P/L



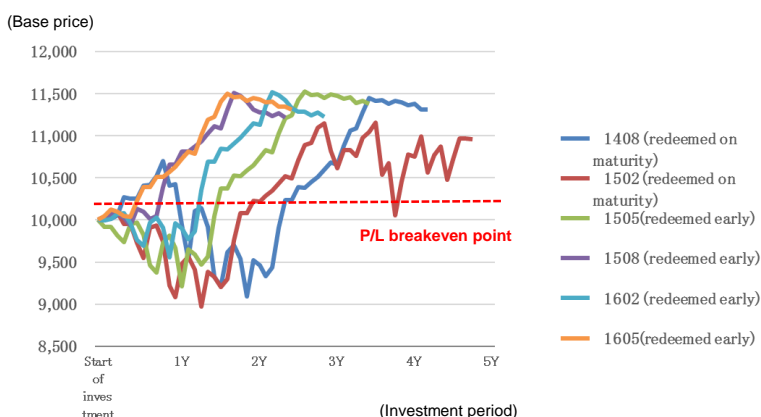
Trend of Customers with Plus in Investment P/L (end-Mar. 2019 – end-Mar. 2020)



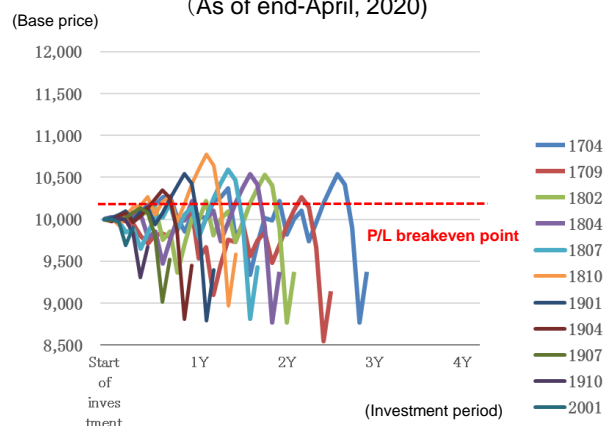
It's already canceled, it's investment trust, a profit and loss aren't included.

Zenzo Series Investment Status

Zenzo series offered in or before 2016



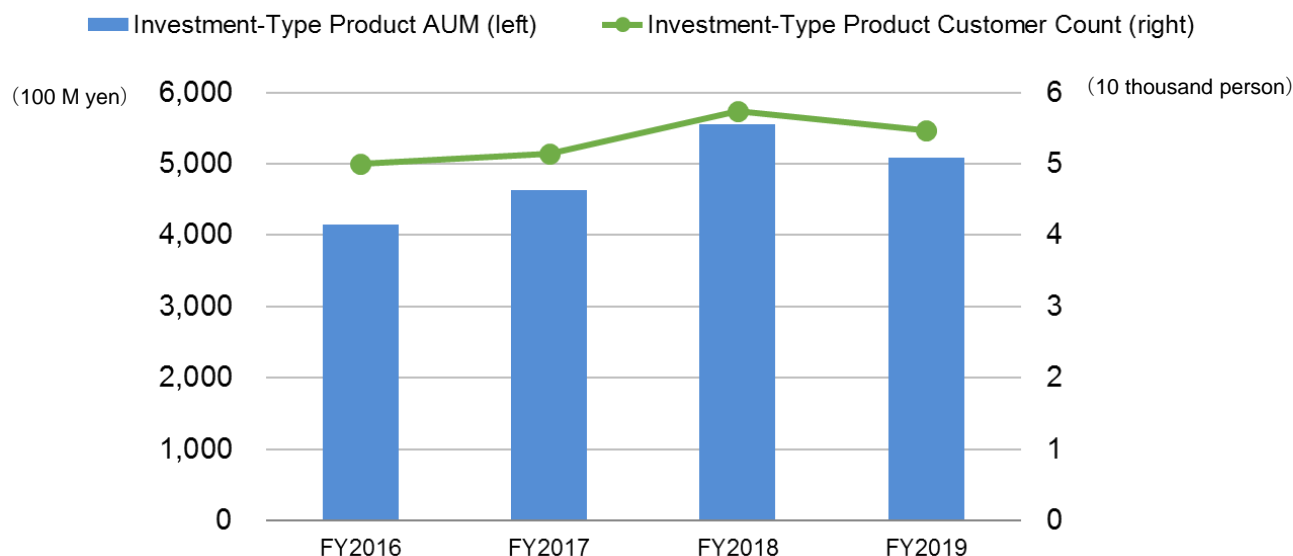
Zenzo series offered in or after 2017 (As of end-April, 2020)



### 3. Investment-Type Product AUM and Customer Count

- In FY2019, due to the impacts of the market turmoil in the fourth quarter, Investment-type product AUM and customer count decreased slightly.

#### Investment-Type Product AUM and Investment-Type Product Customer Count



### 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 18 funds in collaboration with Aozora Investment Management and 57 structured bonds (retail bonds) with Aozora Securities Co., Ltd.

#### Product Line-up (as of end-Mar. 2020)

##### <Investment Trust>

Subject for Investment	End-Sep. 2020	
	No of Products	Share
Equities	49	37%
Domestic	19	14%
Developed Market	6	4%
Emerging Market	10	7%
Global	14	10%
Bonds	38	28%
Domestic	4	3%
Developed Market	9	7%
Emerging Market	8	6%
Global	11	8%
HY	6	4%
REITs	14	10%
Domestic	3	2%
Overseas	7	5%
U.S.	4	3%
Balance	27	20%
Domestic	2	1%
Overseas	25	19%
Other	6	4%
<b>Total</b>	<b>134</b>	<b>100%</b>
Of which, no-load	19	14%

##### <Life Insurance>

Product Type	End-Sep. 2020	
	No of Products	Share
Single Premium	4	27%
Yen	0	0%
Variable Annuity	0	0%
Fixed Annuity	1	7%
Variable Whole Life	0	0%
Fixed Whole Life	3	20%
Care/Meridal Insurance	0	0%
Foreign currency	11	73%
Variable Annuity	0	0%
Fixed Annuity	3	20%
Variable Whole Life	0	0%
Fixed Whole Life	7	47%
Fixed Endorsement	1	7%
<b>Total</b>	<b>15</b>	<b>100%</b>
Installment	7	88%
Yen	2	25%
Whole Life Insurance	2	25%
Fixed Life Insurance	0	0%
Medical/Cancer Insurance	3	38%
Education Endowment Insurance	0	0%
Pension/Endowment Insurance	0	0%
Care Insurance	2	25%
Foreign currency	1	13%
Pension Insurance	1	13%
<b>Total</b>	<b>8</b>	<b>100%</b>
Products with fee disclosure	14	61%

##### <Structured Bond, Foreign Bond>

Reference Index/Denominated	End-Sep. 2020	
	No of Products	Share
NKY225	7	12%
NKY225·EUR50	38	67%
NKY225·S&P500	12	21%
AUD/Yen	0	0%
<b>Total</b>	<b>57</b>	<b>100%</b>

## 5. Top 10 Funds by Sales of Investment Trust

➤ In FY2019, the top 10 funds by Sales are as follows.

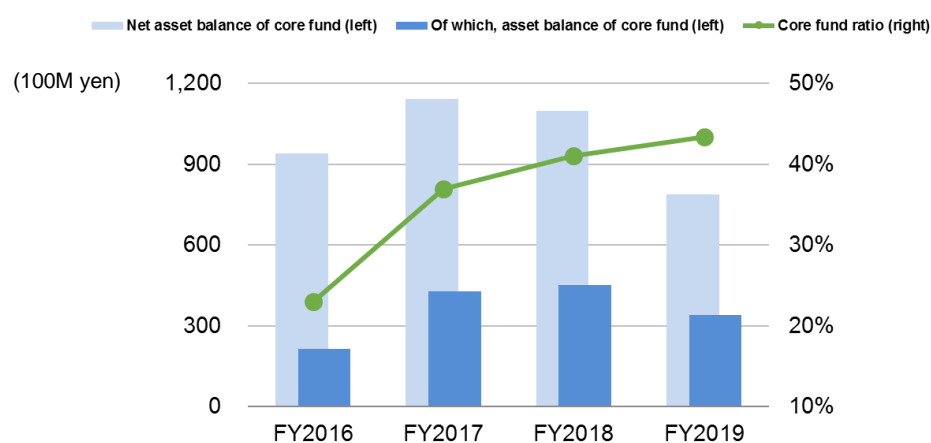
### Top 10 Funds by Sales of Investment Trust

Rank	Fund Name	Asset	Managed by	Monthly Dividend Type	Core Fund	Fee (Tax Included)
1	Pictet Global Income Equity Fund (monthly settlement type)	Overseas stock	Pictet AM	○		3.30%
2	Tokio Marine Japanese Yen Asset Balance Fund (monthly settlement type)	Balanced	Tokio Marine AM	○	○	1.65%
3	Nissay Australia High Income Equity Fund (monthly settlement type)	Overseas stock	Nissay AM	○		3.30%
4	Daiwa US-REIT Open (monthly settlement type) Course B(without FX hedge)	Overseas REIT	Daiwa AM	○		2.75%
5	Daiwa J-REIT Open (monthly distribution type)	Domestic REIT	Daiwa AM	○		1.65%
6	Nomura Target Income Fund (3% Target Amount Dividend Type)	Balanced	Nomura AM		○	2.20%
7	Stock Index Fund 225	Domestic stock	Daiwa AM			1.65%
8	Morgan Stanley Global Premium Stock Open (with FX hedge)	Overseas stock	MUFG AM			3.30%
9	Robot/Technology related Stock Fund -Robotech-	Overseas stock	Daiwa AM			3.30%
10	Aozora New Global Diversified Fund (limited addition) 2020-01	Balanced	AIM		○	2.75%

## 6. Core Fund Balance and Ratio to Total Investment Trusts

➤ In FY2019, the net asset balance of core fund accounted for 43.0% of the net asset balance of total investment trusts.

### 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 five years or more)**

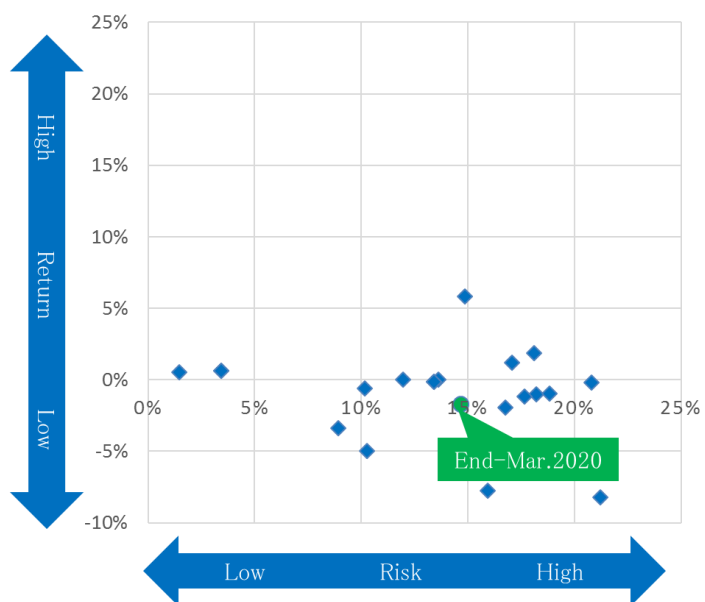
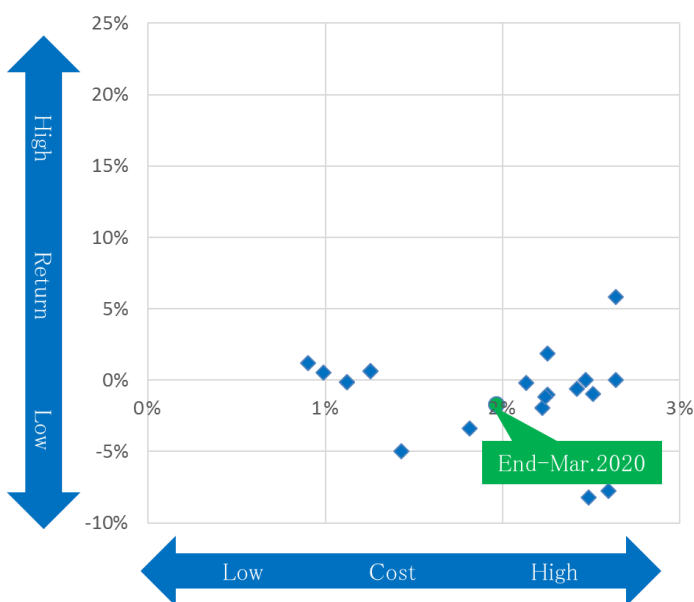
➤ For top 20 funds by balance with an investment period of five years or more that accounted for 46.7% of the total balance of investment trusts under custody, the average return declined from the end of March 2019 due to unstable market conditions.

**Cost and Return/Risk and Return of Top 20 Funds by Balance of Investment Trust under Custody (investment period of five years or more)**

- Weighted average as of end-Mar. 2020 (cost 2.0%, risk 14.7%, return ▲1.7%)
- Weighted average as of end-Mar. 2019 (cost 2.0%, risk 13.0%, return 5.6%)
- Weighted average as of end-Mar. 2018 (cost 1.9%, risk 12.5%, return 3.2%)

**Cost and Return  
[As of end-Mar. 2020]**

**Risk and Return**



**Cost, Risk and Return of Top 20 Funds by Balance of Investment Trust under Custody as of end-Mar. 2020 (investment period of five years of more)**

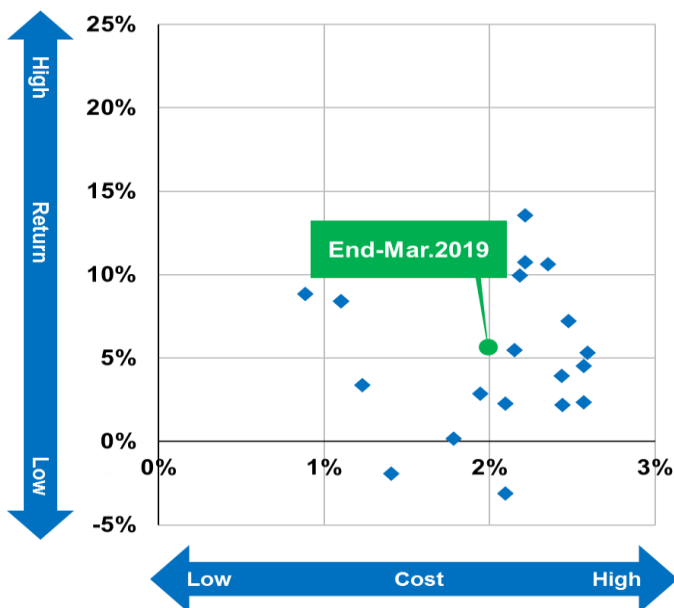
	Fund name	Cost	Risk	Return
1	Nissay Australia High Income Equity Fund (monthly settlement type)	2.5%	21.2%	-8.2%
2	Pictet Global Income Equity Fund (monthly settlement type)	2.5%	13.6%	0.0%
3	Daiwa J-REIT Open (monthly distribution type)	1.1%	13.4%	-0.2%
4	Tokio Marine Japanese Yen Asset Balance Fund (monthly settlement type)	1.3%	3.4%	0.6%
5	Japan Excellent	2.3%	18.2%	-1.0%
6	Stock Index Fund 225	0.9%	17.1%	1.2%
7	Daiwa US-REIT Open (monthly settlement type) Course B(without FX hedge)	2.2%	16.8%	-1.9%
8	Major Next Generation U.S. Stock Fund	2.3%	18.1%	1.9%
9	Brazil Bond Open (monthly settlement type)	2.1%	20.8%	-0.2%
10	Aozora Japanese Equity Focus Strategy Fund	2.2%	17.7%	-1.1%

	Fund name	Cost	Risk	Return
11	MHAM Australian Dollars Bond Fund (monthly dividend type)	1.8%	8.9%	-3.4%
12	Short-term Australian Bond Open (monthly dividend type)	1.4%	10.3%	-5.0%
13	High Dividend Global REIT Premium Fund (without yen hedge course)	2.6%	15.9%	-7.8%
14	Sumitomo Mitsui U.S. High Yield Bond Fund (no FX hedge type)	2.4%	10.2%	-0.6%
15	Daiwa US-REIT Open (monthly settlement type) Course B(without FX hedge)	1.1%	13.4%	-0.1%
16	Tokio Marine Japanese Yen Asset Balance Fund (annual settlement type)	1.3%	3.4%	0.6%
17	GW Seven Eggs	2.6%	12.0%	0.0%
18	Daiwa JGB Fund (monthly dividend type)	1.0%	1.5%	0.5%
19	JPM Medical Care Stock	2.5%	18.8%	-1.0%
20	Morgan Stanley Global Premium Stock Open (without FX hedge)	2.6%	14.9%	5.8%

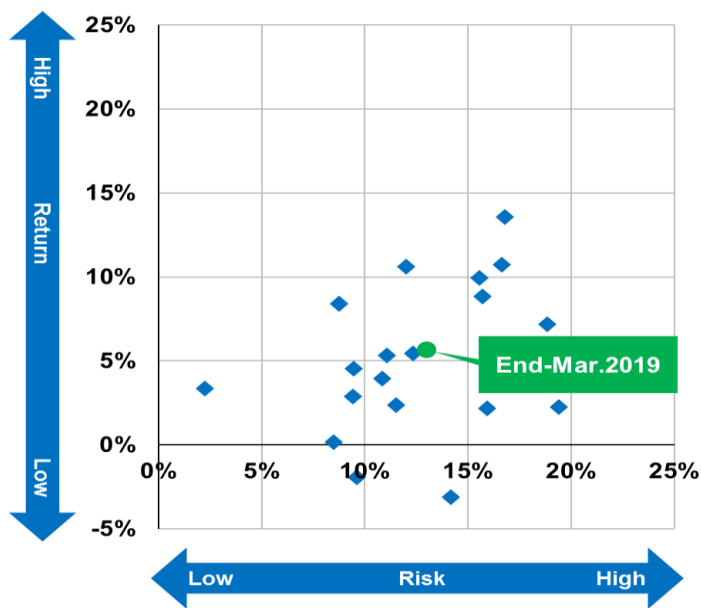
7. [Common KPI] Cost and Return/Risk and Return of Top 20 Funds by Balance of Investment Trust under Custody (investment period of five years or more)

Cost and Return

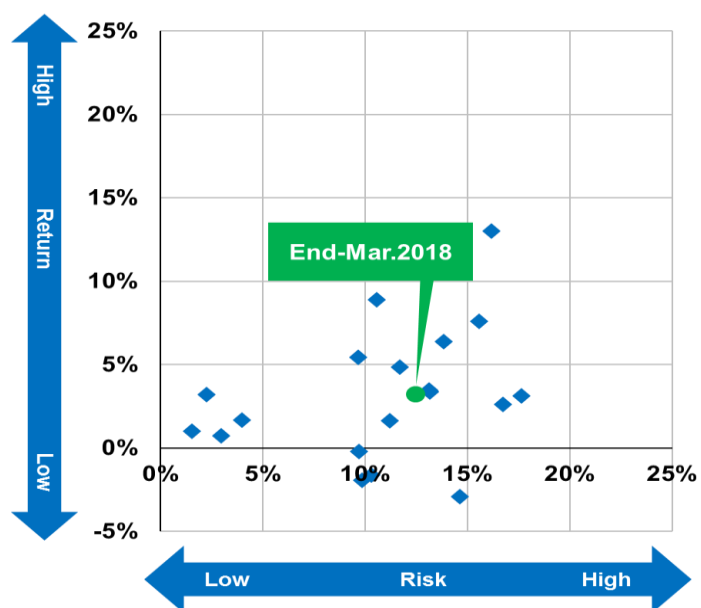
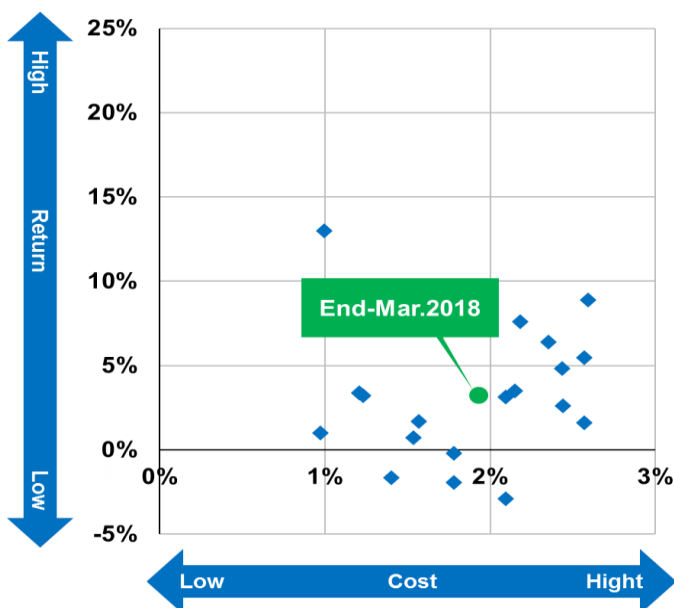
[As of end-Mar. 2019]



Risk and Return



[As of end-Mar. 2018]



\*Calculated using top 20 funds by balance of investment trusts under custody as of the base date

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

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

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

**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 five years)**

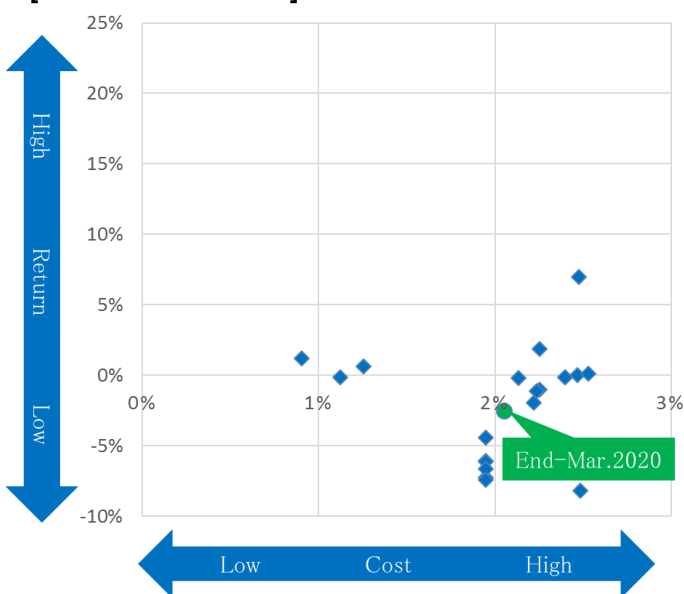
➤ For top 20 funds by balance of investment trust under custody including those with investment period of less than five years that accounted for 67.1% of the total balance of investment trusts under custody, the average return declined from the end of March 2019 due to unstable market conditions.

**Cost and Return/Risk and Return of Top 20 Funds by Balance of Investment Trust under Custody (investment period of five years or more)**

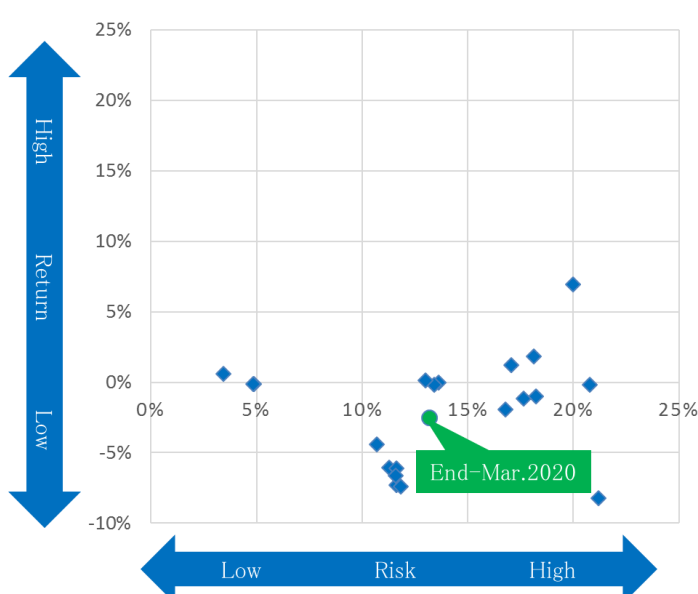
- Weighted average as of end-Mar. 2020 (cost 2.1%, risk 13.2%, return ▲2.5%)
- Weighted average as of end-Mar. 2019 (cost 2.1%, risk 10.4%, return 3.5%)
- Weighted average as of end-Mar. 2018 (cost 2.1%, risk 10.4%, return 5.1%)

**Cost and Return**

[As of end-Mar. 2020]



**Risk and Return**



**Cost, Risk and Return of Top 20 Funds by Balance of Investment Trust under Custody as of end-Mar. 2020 (including investment period of less than five years)**

	Fund name	Cost	Risk	Return
1	Nissay Australia High Income Equity Fund (monthly settlement type)	2.5%	21.2%	-8.2%
2	Nomura Pimco Global Income Strategy Fund Course A (with FX hedge, semi-annual dividend type)	2.4%	4.9%	-0.1%
3	Aozora New Global Diversified Fund (limited addition) 2017-09	2.0%	11.3%	-6.1%
4	Pictet Global Income Equity Fund (monthly settlement type)	2.5%	13.6%	0.0%
5	Aozora New Global Diversified Fund (limited addition) 2018-02	2.0%	11.6%	-6.1%
6	Aozora New Global Diversified Fund (limited addition) 2017-04	2.0%	10.7%	-4.4%
7	Daiwa J-REIT Open (monthly distribution type)	1.1%	13.4%	-0.2%
8	Tokio Marine Japanese Yen Asset Balance Fund (monthly settlement type)	1.3%	3.4%	0.6%
9	Japan Excellent	2.3%	18.2%	-1.0%
10	Robot/Technology related Stock Fund -Robotech-	2.5%	20.0%	7.0%

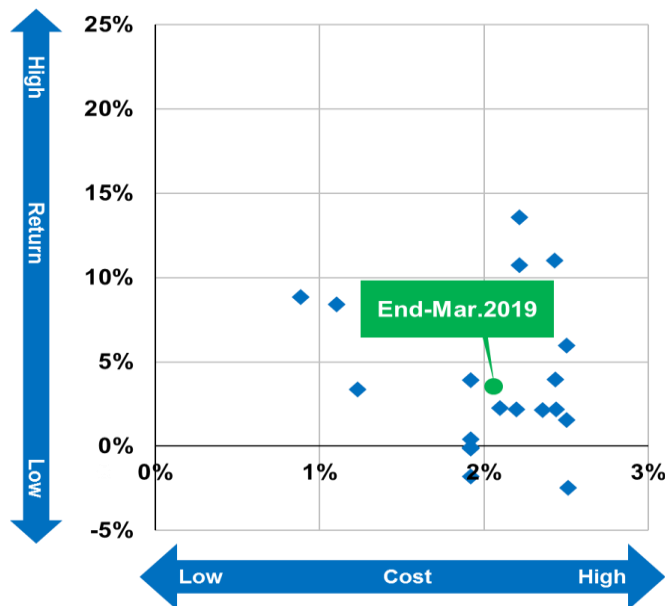
	Fund name	Cost	Risk	Return
11	Aozora New Global Diversified Fund (limited addition) 2018-07	2.0%	11.6%	-7.3%
12	Aozora New Global Diversified Fund (limited addition) 2018-04	2.0%	11.6%	-6.6%
13	Stock Index Fund 225	0.9%	17.1%	1.2%
14	Daiwa US-REIT Open (monthly settlement type) Course B(without FX hedge)	2.2%	16.8%	-1.9%
15	Aozora New Global Diversified Fund (limited addition) 2018-10	2.0%	11.8%	-7.4%
16	Major Next Generation U.S. Stock Fund	2.3%	18.1%	1.9%
17	Daiwa FE Global Value (with FX hedge)	2.5%	13.0%	0.1%
18	Nomura Pimco Global Income Strategy Fund Course C (with FX hedge, monthly dividend type)	2.4%	4.8%	-0.1%
19	Brazil Bond Open (monthly settlement type)	2.1%	20.8%	-0.2%
20	Aozora Japanese Equity Focus Strategy Fund	2.2%	17.7%	-1.1%



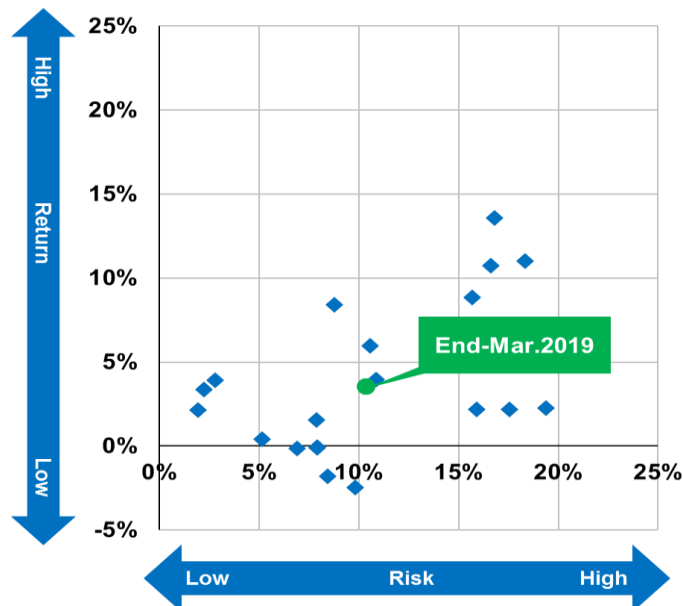
7. [Voluntary KPI] Cost and Return/Risk and Return of Top 20 Funds by Balance of Investment Trust under Custody (including investment period of less than five years)

Cost and Return

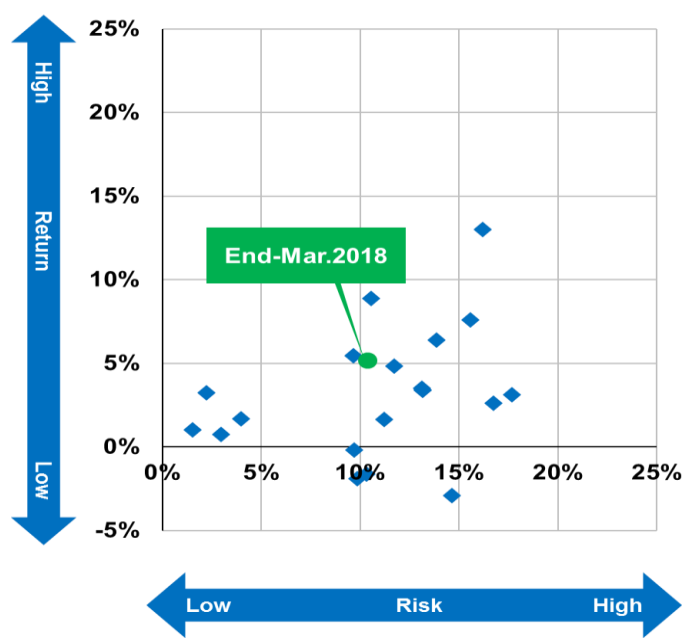
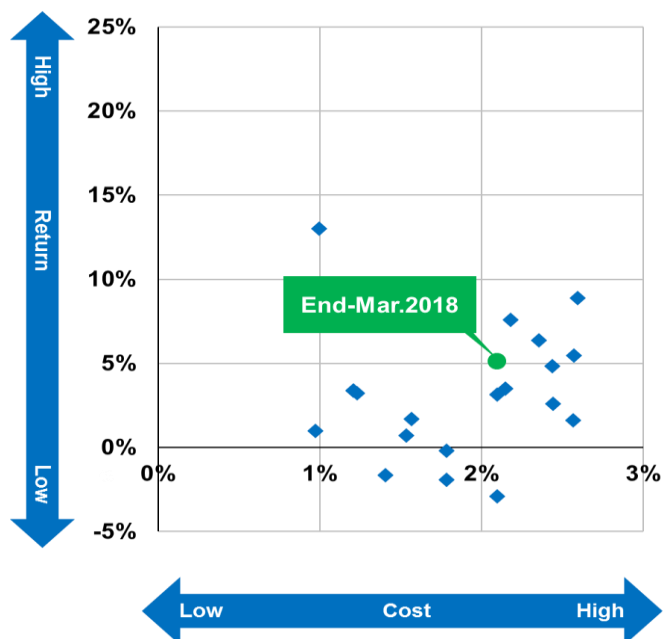
[As of end-Mar. 2019]



Risk and Return



[As of end-Mar. 2018]



\*Calculated using top 20 funds by balance of investment trusts under custody with an investment period of less than five years as of the base date

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

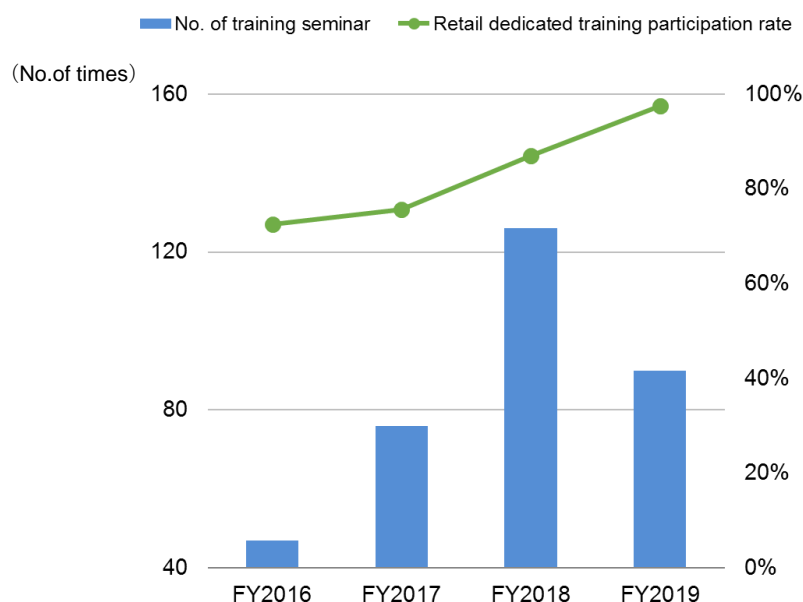
\*Return: total return for the last five years (converted monthly return to annual return); for funds with an investment period of less than five years, calculated based on the period since the establishment

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

## 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.

### Number of Retail Dedicated Seminars/Study Sessions and Participation Rate

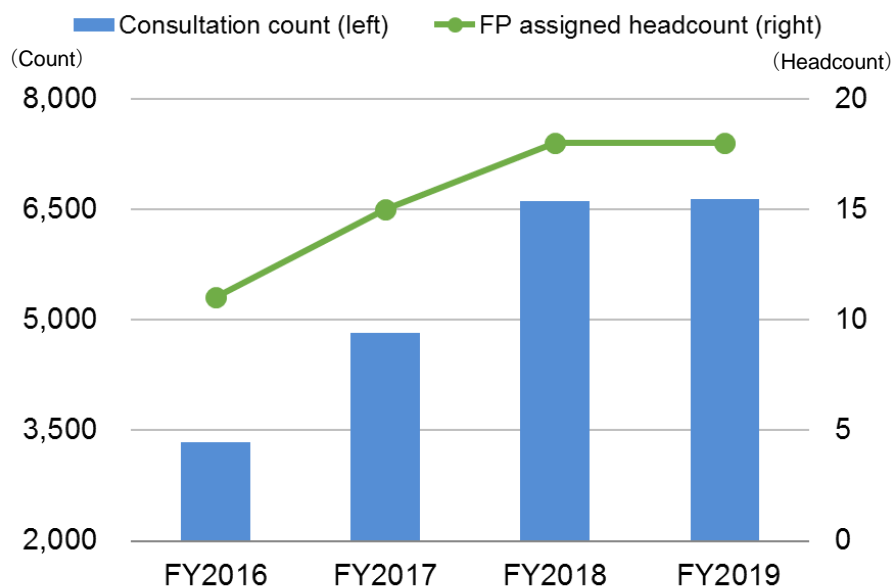


\*Participation rate= Number of Participants/Sales Headcount

## 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.

### 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.

### Remodeling Progress Since FY2016

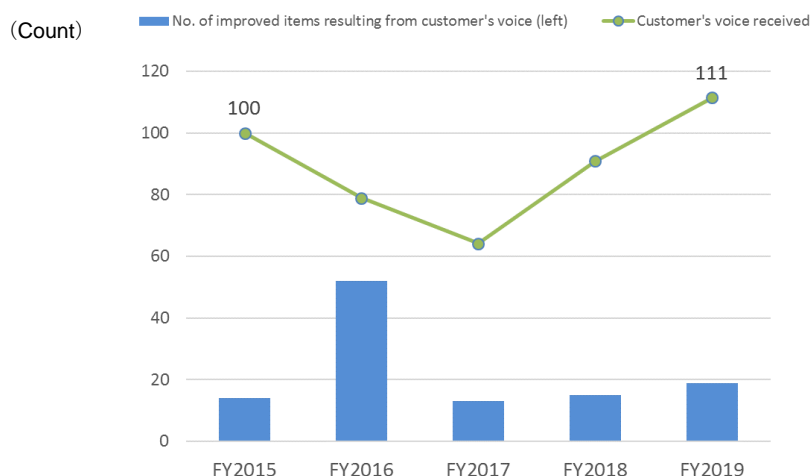
FY	Month/Date	Branch	Relocation/Remodel
2016	Sep.20	Takamatsu	Relocation
2017	May.8	H.O.Retail	Relocation
2018	Dec.25	Chiba	Relocation
2020	Jun.29 scheduled	Yokohama	Relocation

\*13 out of totaling 19 branches have been remodeled

## 11. Improvements Based on Customers' Voice

- In FY2019, the Bank received various opinions and requests from customers, including new measures regarding the launch of the BANK Branch in July 2019.
- We strive to make continuous improvements based on customers' feedback in order to better respond to their needs.

### Number of Improvements Based on Customer's Voice



\*Index with the customer's voice count in FY2015 being set as 100

### 《Major Improvements Based on Customer's Voice》

#### ① Starting the “Sign Language Interpreter Relay Service”

The Bank has started the “Sign Language Interpreter Relay Service” by telephone to enable customers who have disabilities in hearing and speaking to be accepted at the time of loss of cash cards and others.

#### ② Expanding the service on mid-term contract cancellation for time deposit

Cancellations (all cancellations) of Aozora Pocket Time Deposit became acceptable through Internet banking.

#### ③ Starting the authentication service by registered phone number

Customers are verified for the identity by making a phone call with the registered phone number during the application process on the Internet, and the initialization of one-time password can be completed by customers' operations.