

Aozora Bank's Initiatives for Customer-Oriented Business Management

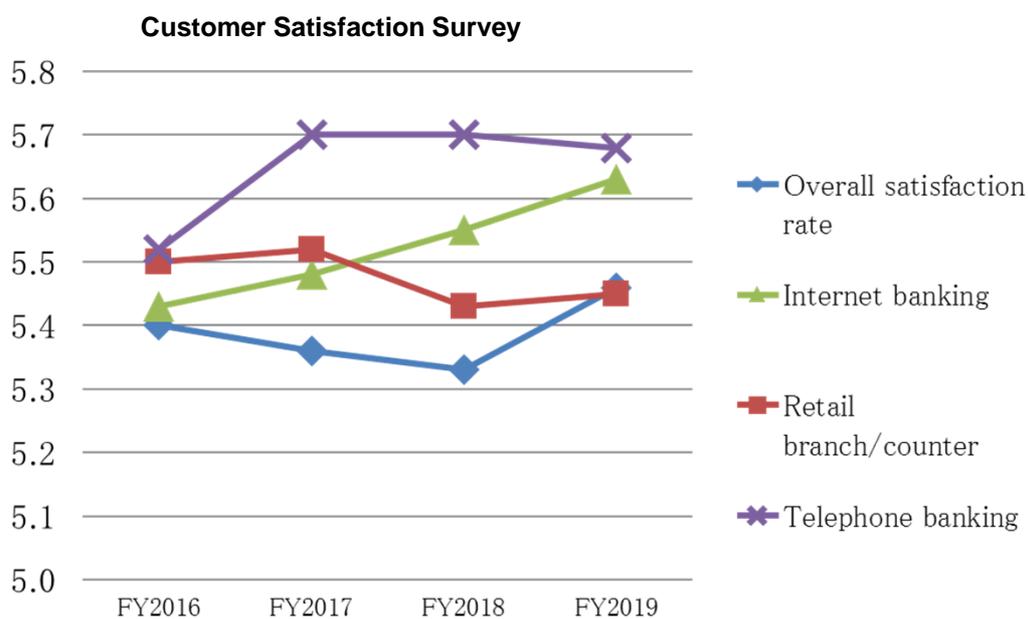
Aozora Bank offers financial products and services that are truly beneficial to its customers and monitors various achievement criteria based on the following policies. The Bank discloses and reviews progress on its initiatives for customer-oriented business management on a regular basis.

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 2020.

	Policies	Achievement criteria
Sales initiatives	I. Courteous and specialized consulting services	<ol style="list-style-type: none"> 1. Customer Satisfaction Survey 2. [Common KPI] 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. Aozora 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 Customers' Voice
	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. (As the survey is conducted once a year, the result shown below is the same as the one publicized on May 29, 2020.)



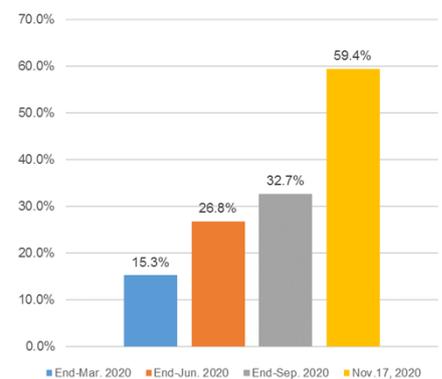
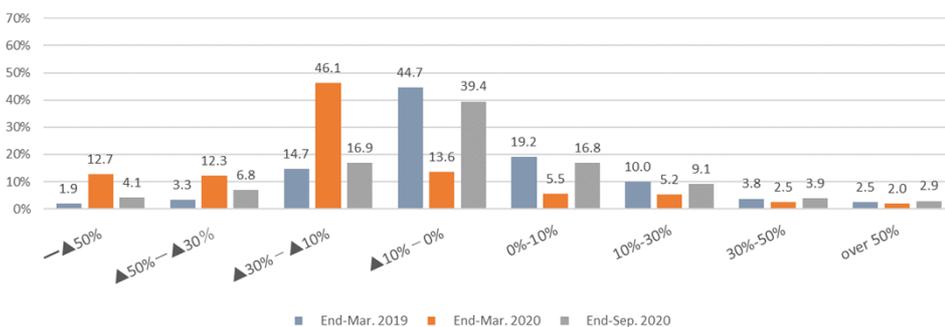
- Evaluation method :
 - 7 : Very satisfied
 - 6 : Satisfied
 - 5 : Somewhat satisfied
 - 4 : Not sure
 - 3 : Somewhat dissatisfied
 - 2 : Dissatisfied
 - 1 : Very dissatisfied

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

- In the first half of FY2020, the base price of funds such as the key products, “Zenzo series”, increased, and the ratio of customers who achieved positive investment trust returns rose significantly from 15.3% in FY 2019 to 32.7%. In the latest status, it has risen to 59.4% as of November 17.
- 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.)
- The Bank added a new product, “Juunen Toiro”, to our core fund lineup in April 2020. “Juunen Toiro” is designed to achieve a 30% base price increase over 10 years in its investment strategy. In addition, we offer the product as a no-load (no fee required at purchase) investment trust. It has been well received by many customers as a new core product contributing to their mid- to long-term asset management.
- 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

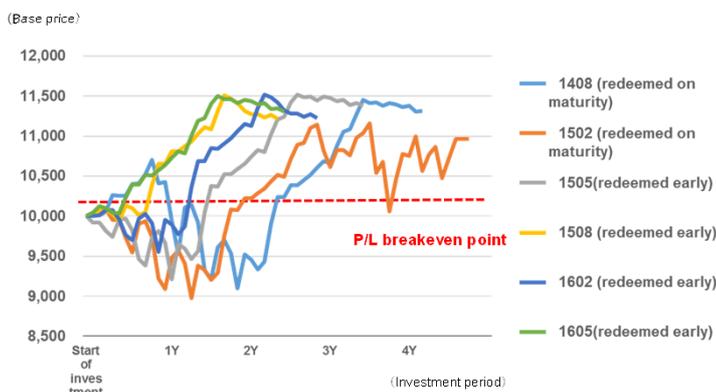
Trend of Customers with Plus in Investment P/L (end-Mar. 2020 – Nov.17, 2020)



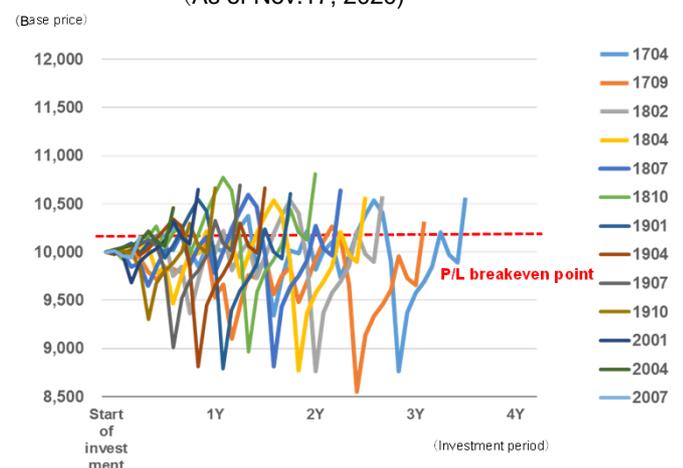
* It's already canceled, it's investment trust, a profit and loss aren't included.

Zenzo Series Investment Status

Zenzo series offered in or before 2016



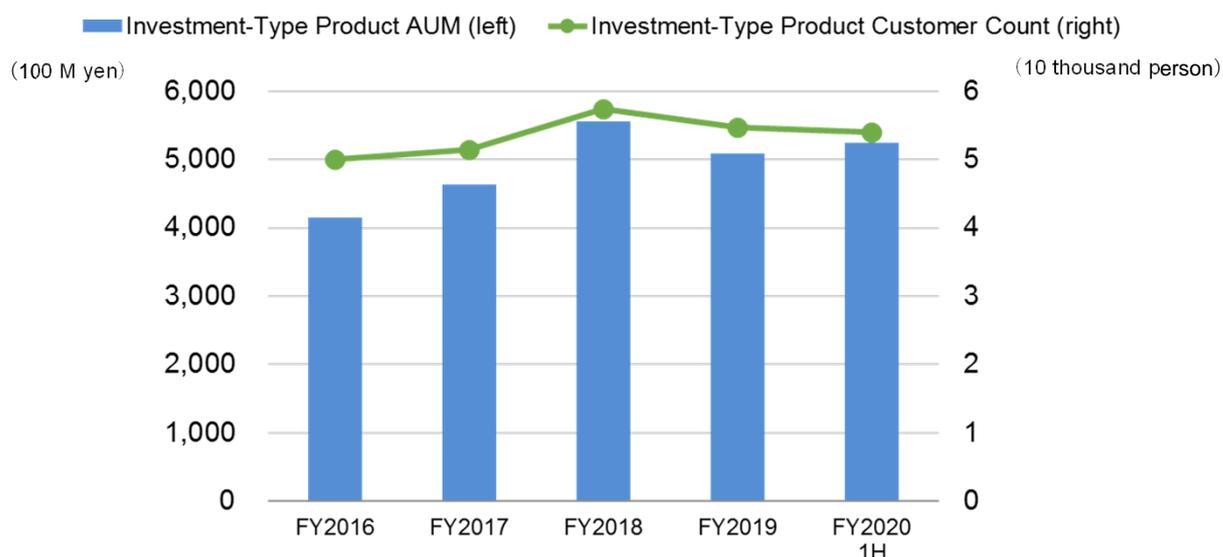
Zenzo series offered in or after 2017 (As of Nov.17, 2020)



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 decreased, but in the first half of FY2020, it turned to increase from FY2019.

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 21 funds in collaboration with Aozora Investment Management and 19 structured bonds (retail bonds) with Aozora Securities Co., Ltd.

Product Line-up (as of end-Sept. 2020)

<Investment Trust>

Subject for Investment	End-Sep. 2020	
	No of Products	Share
Equities	49	36%
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	30	22%
Domestic	2	1%
Overseas	28	20%
Other	6	4%
Total	137	100%
Of which, no-load	20	15%

<Life Insurance>

Product Type	End-Sep. 2020	
	No of Products	Share
Single Premium	4	29%
Yen	0	0%
Variable Annuity	0	0%
Fixed Annuity	1	25%
Variable Whole Life	0	0%
Fixex Whole Life	3	75%
Care/Meridal Insurance	0	0%
Foreign currency	10	71%
Variable Annuity	0	0%
Fixed Annuity	3	30%
Variable Whole Life	0	0%
Fixed Whole Life	6	60%
Fixed Endorsement	1	10%
Total	14	100%
Installment	8	89%
Yen	2	25%
Whole Life Insurance	1	13%
Medical/Cancer Insurance	3	38%
Education Endowment Insurance	0	0%
Pension/Endowment Insurance	0	0%
Care Insurance	2	25%
Foreign currency	1	11%
Pension Insurance	1	100%
Total	9	100%
Products with fee disclosure	13	57%

<Structured Bond, Foreign Bond>

Reference Index/Denominated	End-Sep. 2020	
	No of Products	Share
NKY225	1	5%
NKY225-EUR50	5	26%
NKY225-S&P500	13	68%
AUD/Yen	0	0%
Total	19	100%

5. Top 10 Funds by Sales of Investment Trust

➤ In FY2020, the top 10 funds by Sales are as follows.

Top 10 Funds by Sales of Investment Trust

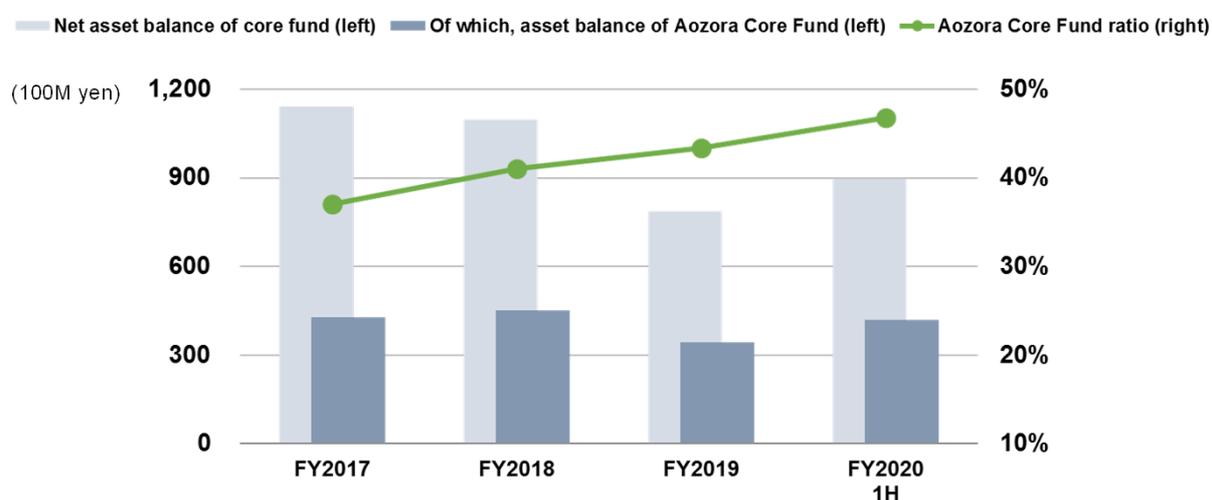
Rank	Fund name	Asset	Managed by	Monthly Dividend Type	Aozora Core Fund	Fee (Tax Included)
1	Aozora New Global Core Fund (limited addition) 2020-I	Balanced	AIM		○	0.00%
2	Aozora New Global Diversified Fund (limited addition) 2020-07	Balanced	AIM		○	2.75%
3	Robot/Technology related Stock Fund -Robotech-	Overseas stock	Daiwa AM			3.30%
4	Daiwa J-REIT Open (monthly distribution type)	Domestic REIT	Daiwa AM	○		1.65%
5	Pictet Global Income Equity Fund (monthly settlement type)	Overseas stock	Pictet AM	○		3.30%
6	JPM Global Healthcare Fund	Overseas stock	JP Morgan AM			3.30%
7	Daiwa US-REIT Open (monthly settlement type) Course B(without FX hedge)	Overseas REIT	Daiwa AM	○		2.75%
8	Tokio Marine Japanese Yen Asset Balance Fund (monthly settlement type)	Balanced	Tokio Marine AM	○	○	1.65%
9	Stock Index Fund 225	Domestic stock	Daiwa AM			1.65%
10	Morgan Stanley Global Premium Stock Open (without FX hedge)	Overseas stock	MUFG AM			3.30%

* The funds have been offered as “Aozora Core Funds” with no-load (0% purchase fee) since October 2020.

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

➤ In the first half of FY2020, the net asset balance of core fund accounted for 47.0% of the net asset balance of total investment trusts.

Aozora Core Fund Balance and Ratio to Total Investment Trust



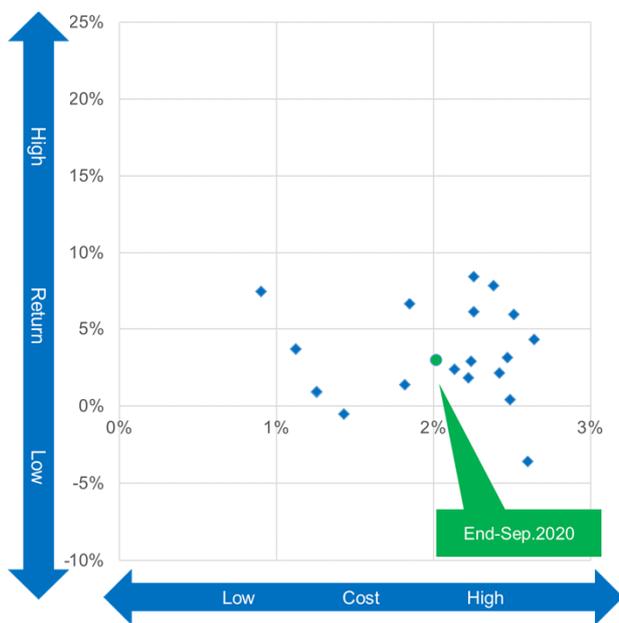
7. [Common KPI] Cost and Return/Risk and Return of Top 20 Funds by Balance of Investment Trust under Custody (investment period of five years or more)

➤ For top 20 funds by balance with an investment period of five years or more that accounted for 39.0% of the total balance of investment trusts under custody, the average return improved from FY 2019.

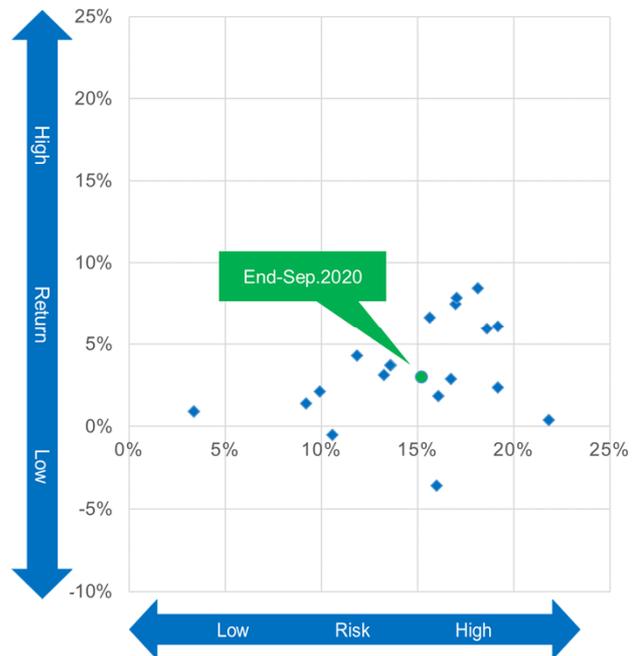
Cost and Return/Risk and Return of Top 20 Funds by Balance of Investment Trust under Custody (investment period of five years or more)

- Weighted average as of end-Sept. 2020 (cost 2.0%, risk 15.2%, return 3.0%)
- 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%)

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



Risk and Return



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

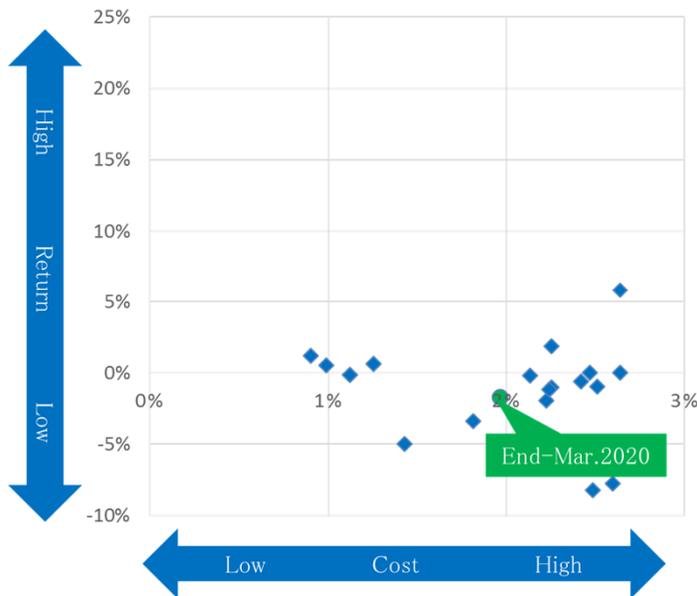
	Fund name	Cost	Risk	Return
1	Nissay Australia High Income Stock Fund (monthly settlement type)	2.5%	21.8%	0.4%
2	Pictet Global Income Equity Fund (monthly settlement type)	2.5%	13.3%	3.1%
3	Japan Excellent	2.3%	19.2%	6.1%
4	Daiwa J-REIT Open (monthly dividend type)	1.1%	13.6%	3.7%
5	Tokio Marine Japanese Yen Asset Balance Fund (monthly settlement type)	1.3%	3.4%	0.9%
6	Daiwa US-REIT Open (monthly) Course B (without FX hedge)	2.2%	16.1%	1.8%
7	Major Next Generation U.S. Stock Fund	2.3%	18.1%	8.4%
8	Aozora Japanese Equity Focus Strategy Fund	2.2%	16.7%	2.9%
9	Stock Index Fund 225	0.9%	17.0%	7.5%
10	Brazil Bond Open (monthly settlement type)	2.1%	19.2%	2.4%

	Fund name	Cost	Risk	Return
11	MHAM Australian Dollars Bond Fund (monthly dividend type)	1.8%	9.2%	1.4%
12	Short-term Australian Bond Open (monthly dividend type)	1.4%	10.6%	-0.5%
13	JPM Global Healthcare Fund	2.5%	18.6%	5.9%
14	High Dividend Global REIT Premium Fund (without yen hedge course)	2.6%	16.0%	-3.6%
15	Sumitomo Mitsui U.S. High Yield Bond Fund (no fX hedge type)	2.4%	9.9%	2.1%
16	Daiwa J-REIT Open	1.1%	13.6%	3.7%
17	Global High Dividend Equity Open	1.8%	15.6%	6.6%
18	GW Seven Eggs	2.6%	11.9%	4.3%
19	Asia High Yield REIT Fund	2.4%	17.0%	7.9%
20	Tokio Marine Japanese Yen Asset Balance Fund (monthly settlement type)	1.3%	3.4%	0.9%

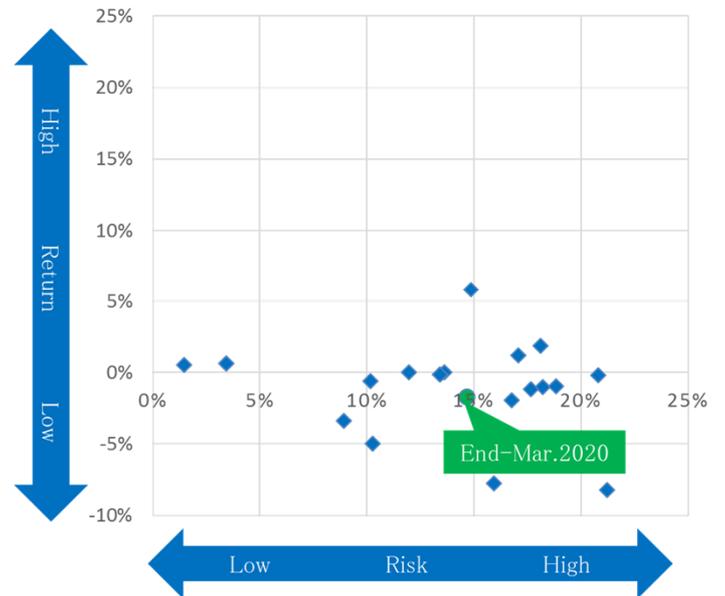
7. [Common KPI] Cost and Return/Risk and Return of Top 20 Funds by Balance of Investment Trust under Custody (investment period of five years or more)

Cost and Return

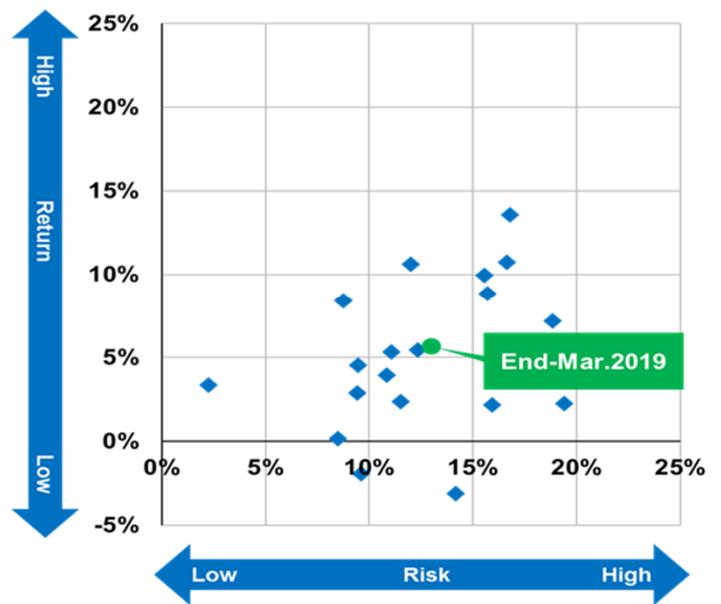
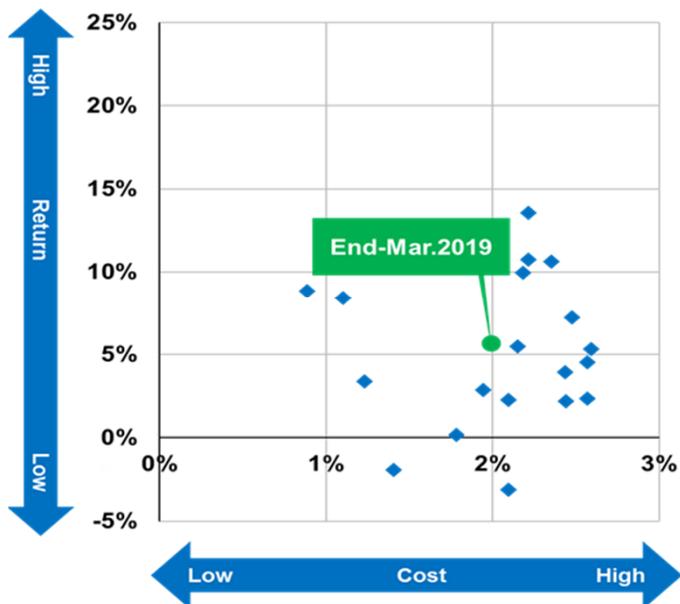
[As of end-Mar. 2020]



Risk and Return



[As of end-Mar. 2019]



*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. [Common 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)

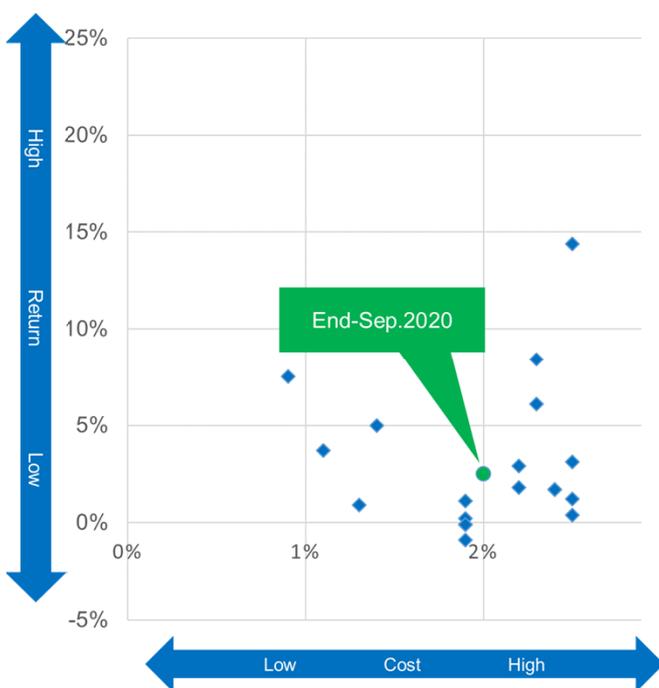
➤ For top 20 funds by balance of investment trust under custody including those with investment period of less than five years that accounted for 66.6% of the total balance of investment trusts under custody, the average return improved from FY2019.

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

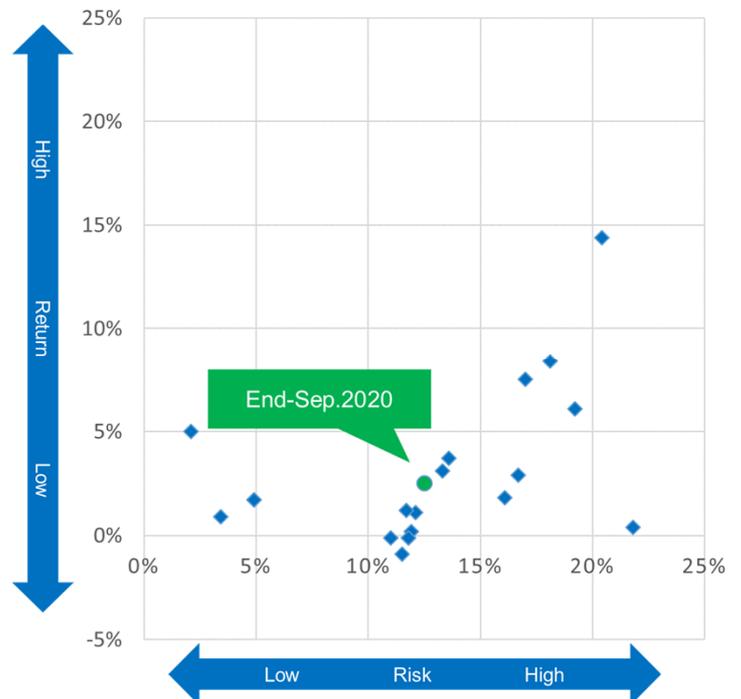
- Weighted average as of end-Sept. 2020 (cost 2.0%, risk 12.5%, return 2.5%)
- Weighted average as of end-Mar. 2020 (cost 2.1%, risk 13.2%, return ▲ 2.5%)
- Weighted average as of end-Mar. 2019 (cost 2.1%, risk 10.4%, return 3.5%)

Cost and Return

[As of end-Sept. 2020]



Risk and Return



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

	Fund name	Cost	Risk	Return
1	Nissay Australia High Income Stock Fund (monthly settlement type)	2.5%	21.8%	0.4%
2	Nomura Pimco Global Income Strategy Fund Course A (with FX hedge, semi-annual)	2.4%	4.9%	1.7%
3	Aozora New Global Diversified Fund (limited addition) 2017-09	1.9%	11.5%	-0.9%
4	Aozora New Global Core Fund (limited addition) 2020-1	1.4%	2.1%	5.0%
5	Pictet Global Income Equity Fund (monthly settlement type)	2.5%	13.3%	3.1%
6	Aozora New Global Diversified Fund (limited addition) 2018-02	1.9%	11.8%	-0.1%
7	Aozora New Global Diversified Fund (limited addition) 2017-04	1.9%	11.0%	-0.1%
8	Japan Excellent	2.3%	19.2%	6.1%
9	Daiwa J-REIT Open (monthly dividend type)	1.1%	13.6%	3.7%
10	Tokio Marine Japanese Yen Asset Balance Fund (monthly settlement type)	1.3%	3.4%	0.9%

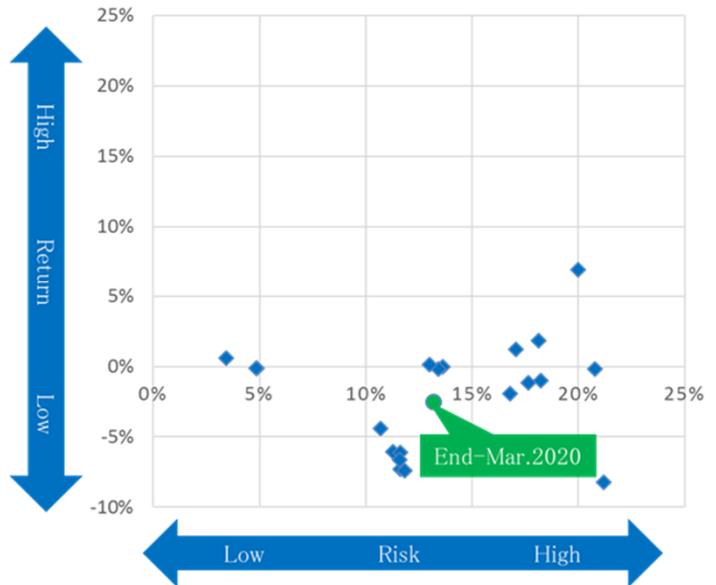
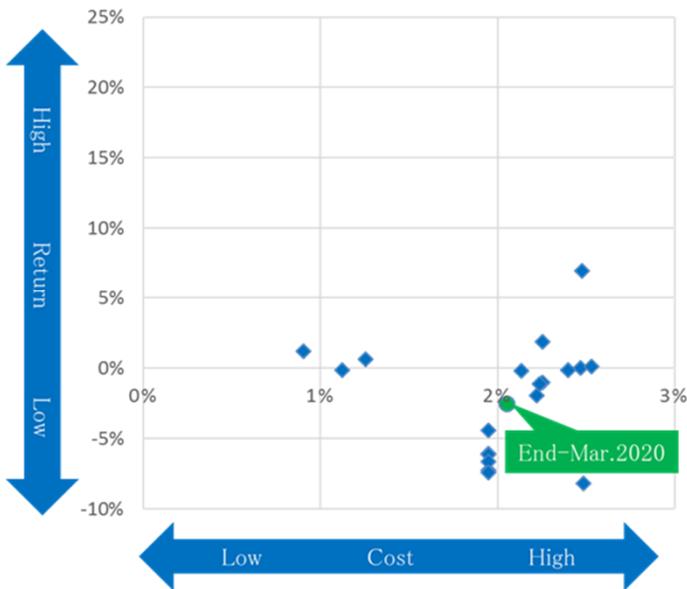
	Fund name	Cost	Risk	Return
11	Robot/Technology related Stock Fund -Robotech-	2.5%	20.4%	14.4%
12	Aozora New Global Diversified Fund (limited addition) 2018-07	1.9%	11.9%	0.2%
13	Aozora New Global Diversified Fund (limited addition) 2018-04	1.9%	11.8%	-0.1%
14	Daiwa US-REIT Open (monthly) Course B (without FX hedge)	2.2%	16.1%	1.8%
15	Aozora New Global Diversified Fund (limited addition) 2018-10	1.9%	12.1%	1.1%
16	Major Next Generation U.S. Stock Fund	2.3%	18.1%	8.4%
17	Daiwa FE Global Value (with FX hedge)	2.5%	11.7%	1.2%
18	Aozora Japanese Equity Focus Strategy Fund	2.2%	16.7%	2.9%
19	Nomura Pimco Global Income Strategy Fund Course C (with FX hedge, monthly settlement)	2.4%	4.9%	1.7%
20	Stock Index Fund 225	0.9%	17.0%	7.5%

7. [Common 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)

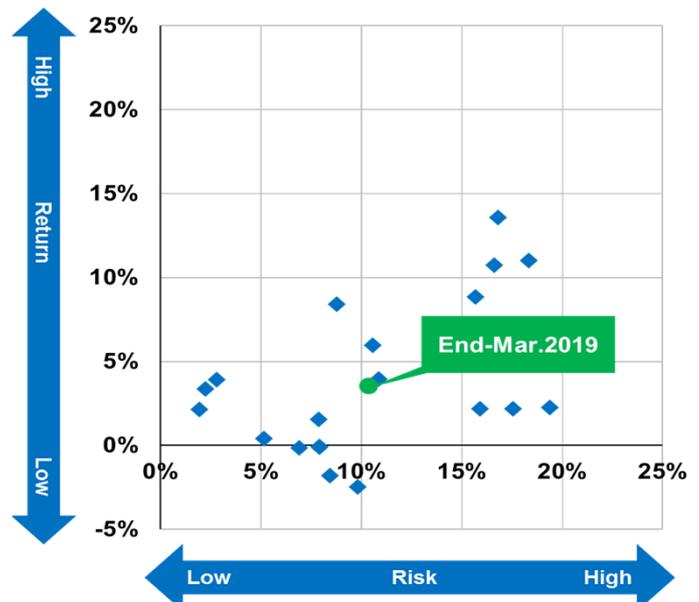
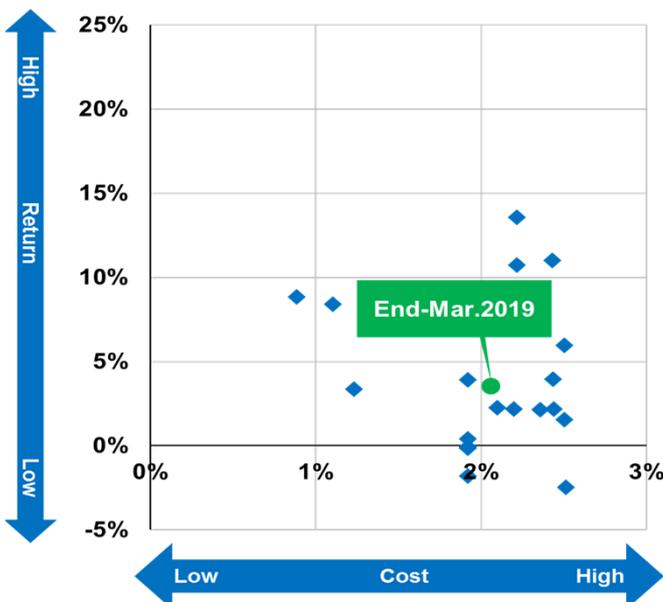
Cost and Return

Risk and Return

[As of end-Mar. 2020]



[As of end-Mar. 2019]



*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

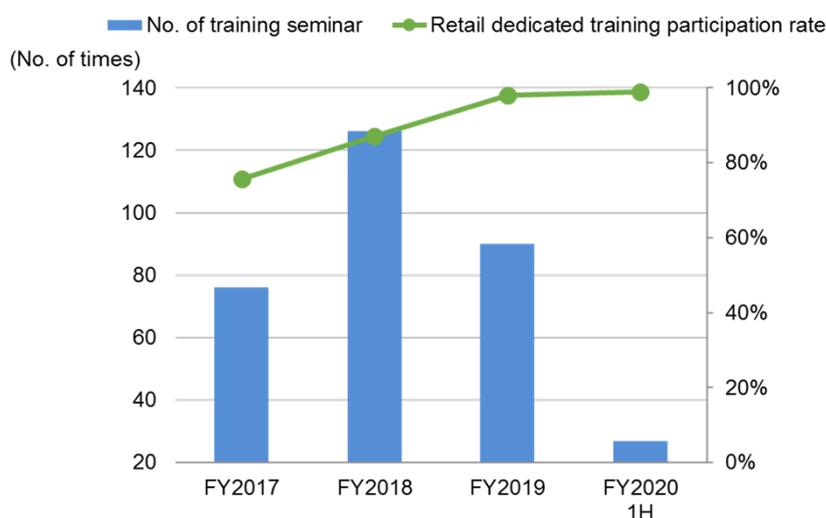
*Return: total return for the last five years (converted monthly return to annual return); for funds with an investment period of less than five years, calculated based on the period since the establishment

*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

- In the first half of FY2020, the number of training programs decreased due to the impact of the spread of COVID-19.
- From the second half of FY2020 onward, the Bank has been enhancing its online program for retail training in order to develop sales personnel skills to ensure courteous and comfortable services to its customers, in light of the current environment.

Number of Retail Dedicated Seminars/Study Sessions and Participation Rate

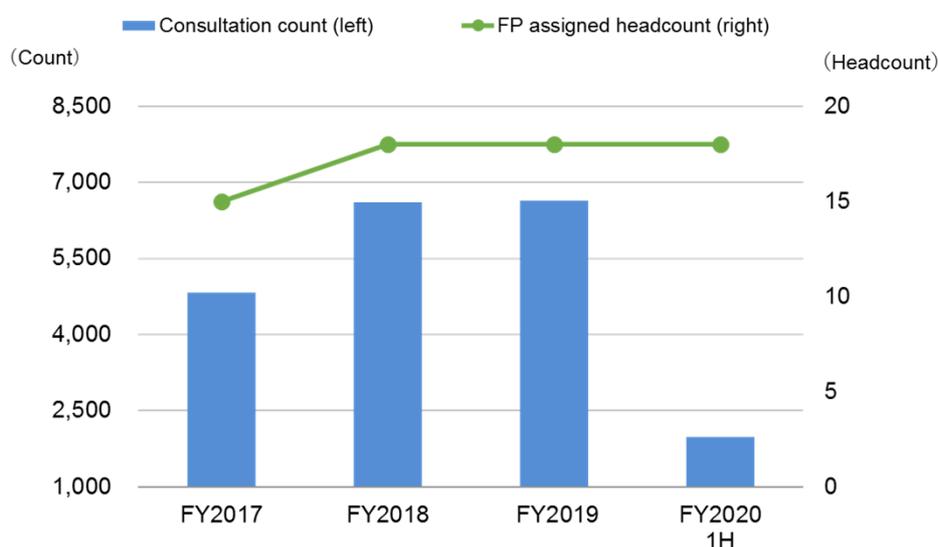


*Participation rate= Number of Participants/Sales Headcount

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.
- In April 2020, the Bank established Financial Advisory Office in RBG HQ. In the Office, staff members with Certified Public Tax Accountant qualification offer professional advice on business succession and inheritance to our customers.

FP Headcount and FP Consultation Count



10. Remodeling of Branches

- 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 FY2017

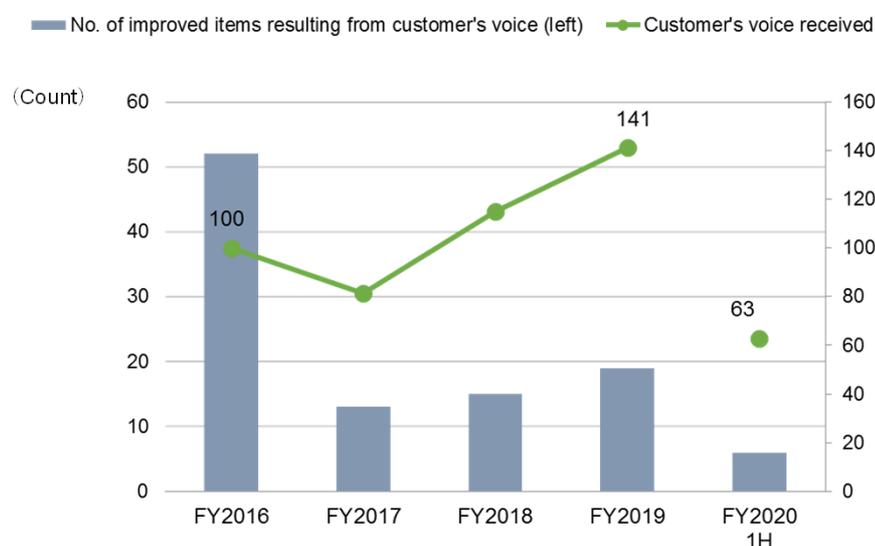
FY	Month/Date	Branch	Relocation/Remodel
2017	May.8	H.O.Retail	Relocation
2018	Dec.25	Chiba	Relocation
2020	Jun.29	Yokohama	Relocation
	Nov.24	Sapporo	Relocation
	Dec.21 scheduled	Nihonbashi/Ueno	Relocation

*14 out of totaling 19 branches have been remodeled. Sapporo Branch will be relocated again in August 2023.

11. Improvements Based on Customers' Voice

- In the first half of FY2020, the Bank continued to receive various opinions and requests from customers, including the products and services of the BANK Branch launched 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 FY2016 being set as 100

«Major Improvements Based on Customer's Voice»

Issuance of a list of structured bonds holding statement

In June 2020, we started a holding statement issuance service that allows customers to grasp the holding status of structured bonds in a list.