

# Corporate Governance Report

Last Update: December 16, 2024

## **Aozora Bank, Ltd.**

Representative Director and President

Hideto Oomi

Contact: Business Strategy Division 03-6752-1111

Securities Code: 8304

<https://www.aozorabank.co.jp/english/>

The corporate governance of Aozora Bank, Ltd. ('Aozora' or 'the Bank') is described below.

## **I. Basic Policy on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information**

### **1. Basic Policy**

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

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

In order to improve efficiency through the separation of management oversight and business execution as well as pursue transparency, the Board of Directors, including multiple outside directors, determines basic management policy and management strategies, and oversees the execution of business operations. Executive officers, including the Representative Directors, conduct daily business operations with authority delegated from the Board of Directors.

The Management Committee is the highest decision-making body for the execution of daily business, and is comprised of members from among the Executive Officers, who are approved and appointed by the Board of Directors. This structure improves the speed of decision-making, while at the same time the Executive Officers' Meeting, which comprises all Executive Officers, is held in order to exchange important information. Sub-committees are also established to improve efficiency in the execution of business operations.

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

#### **[Reasons for Non-compliance with the Principles of the Corporate Governance Code]**

The Bank makes ongoing efforts to strengthen corporate governance and judges that it is compliant with all the principles of the Corporate Governance Code.

#### **[Disclosure Based on the Principles of the Corporate Governance Code]**

##### **Principle 1.4 (Strategic Shareholdings)**

In principle, Aozora does not have cross-shareholdings where the associated benefits and risks are not commensurate with the capital costs and where the purpose of the investment is not clearly identified

In the event that the Bank acquires shares as a strategic shareholding, the Investment Committee, a sub-committee of the Management Committee, has authority to make a decision based on whether the associated risks and benefits are commensurate with the capital costs, such as its contribution to the interest of the Bank's shareholders, RORA\*-based profitability and business development potential. Following the Bank's share purchase as part of strategic shareholdings, the Investment Committee regularly monitors the status, risk-based profitability and other factors regarding the strategic shareholdings portfolio, and the Bank will exit from any investment where continued holding is determined to be unattractive after careful consideration of the impact of market developments and other relevant matters. The Investment Committee also reports the results of the monitoring and transaction policy to the Board of Directors.

"Strategic shareholdings" in this Corporate Governance Report is equivalent to "investments in equity securities held for other than pure investment (specified equity securities)" in the Securities Report.

The Bank promotes Aozora's Strategic Investments Business that is intended to support the growth, structural transformation and revitalization of corporate customers by forming a strategic capital or business alliance, offering solution-based proposals through dialog with company senior management and leveraging the Group's operations. When dividends and capital gains are expected as a result of its commitment to the management of corporate customers for the enhancement of corporate value, the Bank proactively holds their shares (equity investments with a primary focus on engagement).

With regard to its strategic shareholdings in FY2023, the Bank sold four positions and acquired seven positions. As of March 31, 2024, it held 55 strategic equity positions (approximately 5% of the consolidated total net assets), of which 46 were held as equity investments with a primary focus on engagement.

When exercising the voting rights of shares held, the Bank fully exercises its voting rights from the perspective of whether or not each agenda item is expected to make a contribution to the medium- to long-term increase in value/sustainable growth of Aozora’s business partners or the Bank’s medium- to long-term economic benefit based on the “Guidelines for Exercising Voting Rights” approved by the Integrated Risk Committee.

\* RORA: Return on Risk-weighted Assets

This measure shows the level of income the Bank earns from gains against shareholding risk, which is calculated by a formula “Annual Revenue divided by Risk Asset Amount.”

**Principle 1.7 (Related Party Transactions)**

The Bank discloses material facts related to transactions with its subsidiaries and major shareholders (related party transactions) and transactions involving conflicts of interest with directors, after confirming such transactions with directors and respective business divisions and making regular reports to the Board of Directors in accordance with the relevant laws and regulations. As a rule, the Bank obtains advance Board approval for transactions involving conflicts of interest with directors, in accordance with the Regulations of the Board of Directors.

**[Supplementary Principle 2.4.1] (Ensuring diversity in the workplace through the career development of female, non-Japanese, and mid-career professionals)**

Aozora aims to “respect one’s colleagues and support professional growth of all team members” as one of Aozora’s Key Priorities, which are established to guide the implementation of our management philosophy, and strive to ensure diversity, equity and inclusion across the Group through a range of training programs, including the unconscious bias program. We intend to work towards the recruitment and retention of human resources with diverse values and backgrounds whom we need to achieve our management strategy by establishing an environment where employees can fully demonstrate their abilities.

Since FY2021, the Bank has expanded its human resources development and environment policies and strengthened initiatives to ensure diversity mainly in the promotion of core personnel by setting target percentages for female, non-Japanese and mid-career managers. The percentage of mid-career managers has already reached 54%, which contributes to the diversity of our senior management who are at a decision-making level.

<Independently determined measurable diversity targets and results>

| Categories             | Current ratios | Ratios to be achieved | Target           |
|------------------------|----------------|-----------------------|------------------|
| Female managers        | 14.2%          | 20% or over           | March 31, 2028   |
| Female deputy managers | 39.3%          | 40% or over           | March 31, 2028   |
| Non-Japanese managers  | 1.3%           | 3% or over            | March 31, 2028   |
| Mid-career managers    | 53.9%          | 40% or over           | To be maintained |

|  |     |              |                |
|--|-----|--------------|----------------|
| Percentage of eligible male employees taking childcare leave | 90% | 100% or over | March 31, 2028 |
|--|-----|--------------|----------------|

(Note)

- Managers: Total of general managers and group managers
- Deputy managers: One level below managers
- Non-Japanese managers: Include those working in domestic/overseas subsidiaries excluding GMO Aozora Net Bank
- Percentage of eligible male employees taking childcare leave = (a) Number of male employees who took childcare leave during FY2023 / (b) Number of male employees with children born during FY2023. The resulting percentage is rounded down to a single decimal place. Please note that the aforementioned (a) includes employees who have children born in or before FY2022 but have newly taken childcare leave in FY2023. As a result, the percentage could exceed 100%.
- Base date: As of March 31, 2024

<Policies and actions at human resources development and establishing an internal working environment to ensure diversity>

| Polices   | Actions  |
|---|--|
| [Policy 1]<br>Recruitment and internal promotion with a focus on diversity as well as capability        | <ul style="list-style-type: none"> <li>• Continue to hire mid-career as well as new grads</li> <li>• Enhance hiring of more female employees as “Sogo-shoku” (professional carrier category)</li> <li>• Focus more on diversity-driven promotions</li> </ul>                                       |
| [Policy 2]<br>Support female employees’ career development  | <ul style="list-style-type: none"> <li>• Encourage female employees to gain experience in new business areas</li> <li>• Support female employees’ career development through the female leadership development training and other programs</li> </ul>  |
| [Policy 3]<br>Improve Aozora’s working environment in order for all employees to play more active roles | <ul style="list-style-type: none"> <li>• Focus on investments in human resources from the perspective of both internal and external rewards</li> <li>• Continue initiatives to enhance employee engagement</li> <li>• Create a safe working environment for employees with disabilities</li> </ul> |

|  |
|--|
| FY2023   |
| <ul style="list-style-type: none"> <li>• New graduates: 53 (32 males, 21 females), Mid-career: 30 (18 males, 12 females)</li> <li>• Held hiring seminars for female new graduates</li> </ul> |

|   |
|---|
| <ul style="list-style-type: none"> <li>• Please refer to the above &lt;Independently determined measurable diversity targets and results&gt;.</li> </ul>  |
| <ul style="list-style-type: none"> <li>• Implemented career support initiatives, including internal short-term trainee program and job support program (in-house side jobs)</li> <li>• Number of female leadership development training: 1, with 10 female attendees</li> </ul>             |
| <ul style="list-style-type: none"> <li>• 3.5% increase in pay-scale</li> <li>• Employee survey results: “Comfortable workplace” 79%, “Job satisfaction” 56%</li> <li>• Received the 2021 Tokyo Governor’s Excellent Company Award for the Employment of People with Disabilities</li> </ul> |

**Principle 2.6 (Enhanced Function as Owner of Corporate Pension Fund Assets)**

The Bank appoints asset management professionals to its Aozora Pension Fund Office with the objective of enhancing its functions as an asset owner of corporate pension funds. In addition, the Bank has established an Asset Management Committee, which consists of experienced members in areas such as human resources, financial control, risk management and market transactions. The Asset Management Committee performs duties including determining asset allocation, selecting appropriate pension fund trustees and monitoring the status of their fund management with the help of external asset management consultants. It also selects pension fund trustees that have adopted Japan’s stewardship code and properly monitors their performance through stewardship activities and quarterly reporting meetings.

**Principle 3.1 (i) (Management Philosophy, Strategy, and Plan)**

The Aozora Group has clearly stated its management philosophy as basic management and business policies, which is comprised of Aozora Mission, Aozora Vision and Aozora’s Key Priorities. For details, please visit our website using the links below.

<https://www.aozorabank.co.jp/english/company/philosophy/>

The Bank announced its new Mid-term Plan “Aozora 2025” (FY2023–25) on May 17, 2023. For details, please visit our website using the links below.

<https://www.aozorabank.co.jp/english/ir/library/plan/>

Aozora’s risk-return profile in the domestic market is expected to return to a normal level mainly in light of higher interest rates in response to the Bank of Japan’s policy changes. Following this, we have set our basic risk-taking policy for FY2024, which is to 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 consideration capital efficiency. On May 13, 2024, Aozora formed a capital and business alliance with Daiwa Securities Group Inc. The specific areas of the collaboration are (i) wealth management, (ii) real estate related business, (iii) M&A and (iv) growth company support. Both groups will continue to discuss and aim to increase the added value provided to our customers through expanding the collaboration across a wide range of areas.

**Principle 3.1 (ii) (Basic Policy and Guidelines)**

Please refer to “I.1. Basic Policy” of this report and “Principle 5.1 (Constructive Dialogue with Shareholders)” below.

**Principle 3.1 (iii) (Procedures for Determining Remuneration for Senior Management and Directors)**

Please refer to “II.1. Organization Structure and Business Operations, Director Remuneration” of this report.

**Principle 3.1 (iv) (Policies and Procedures for Nominating Director and Audit & Supervisory Board Member Candidates, and Appointing and Dismissing Senior Management)**

Please refer to “II.2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration <Basic Policy for Nominating Directors and Audit & Supervisory Board Member Candidates, and Appointing and Dismissing Senior Management Including the CEO>, <Procedure for Nominating Directors, and Appointing and Dismissing Senior Management Including the CEO> and <Procedure for Nominating Audit & Supervisory Board Members>” of this report.

**Principle 3.1 (v) (Reasons for Appointing, Dismissing and Nominating Individual Director and Audit & Supervisory Board Member Candidates, and Appointing and Dismissing Senior Management)**

Please refer to the convocation notice for the Ordinary General Meeting of Shareholders for proposals regarding the appointment of Director and Audit & Supervisory Board Member candidates, available on the Bank’s website at the link below.

<https://www.aozorabank.co.jp/english/ir/stock/meeting/pdf/2024stockmtg.pdf>

**Supplementary Principle 3.1.3 (TCFD Framework-related Disclosures and Sustainability Initiatives)**

The Aozora Group promotes sustainability initiatives as an integral part of its business strategy and incorporates the perspective of “social values” into its business and activities as a business entity, with the aim of contributing to all stakeholders, including society, customers, shareholders and employees, realizing a more sustainable society and enhancing the Group’s corporate value.

For the Aozora Group’s sustainability initiatives as well as specific measures for addressing climate change, human capital, diversity and other issues, please refer to “2 [Sustainability Policy and Initiatives]” in Part 1, Chapter 2 of the Securities Report and the Annual Report.

[Securities Report]

<https://www.aozorabank.co.jp/corp/ir/library/securityreport/> (Japanese only)

[Annual Report]

<https://www.aozorabank.co.jp/english/ir/library/disclosure/>

**Supplementary Principle 4.1.1 (Disclosure of Summary and Scope of Matters Delegated to Management)**

Please refer to “IV.1.2. Framework for Ensuring the Effective Execution of Director Duties” of this report.

**Principle 4.9 (Independence Criteria)**

Please refer to “II.1 Organization Structure and Business Operations, Independent Directors/Audit & Supervisory Board Members” of this report.

**Supplementary Principle 4.10.1 (Authority, Role and Independence of the Nomination and Remuneration Committee)**

Please refer to “II.1 Organization Structure and Business Operations, Directors, Status, Composition and Chairperson of Non-Mandatory Committees, and Supplementary Explanation” of this report.

**Supplementary Principle 4.11.1 (Policies and Procedures for Nominating Directors)**

Please refer to “II.2 Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration <Oversight and Audit>, <Basic Policy for Nominating Directors and Audit & Supervisory Board Member Candidates, and Appointing and Dismissing Senior Management Including the CEO> and <Procedure for Nominating Directors, and Appointing and Dismissing Senior Management Including the CEO>” of this report.

**Supplementary Principle 4.11.2 (Directors Holding Concurrent Positions at Other Companies)**

Please refer to “II.1 Organization Structure and Business Operations, Directors, Outside Directors’ Relationship with the Bank (2)” of this report.

**Supplementary Principle 4.11.3 (Analysis and Evaluation of Board Effectiveness)**

The Bank works to further enhance the effectiveness of its Board of Directors through a continuous improvement process (PDCA cycle) of analyzing and evaluating Board effectiveness each fiscal year as well as considering and providing solutions to new and existing issues.

<Self-evaluations by board members>

The Board of Directors continues to perform self-evaluations in light of its fiduciary duties and accountability to the Bank's shareholders, aiming to achieve the Bank’s sustainable growth and enhanced corporate value over the mid- to long-term, based on the assessment of, and views on, its management and oversight functions that leverage directors' and Audit and Supervisory Board members' knowledge, experience and capabilities. The Board implemented self-evaluations again this year based on a survey among all of the board members present during the target period, and the results were shared among the Board of Directors after thorough discussions.

#### <Board structure>

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

In addition to retaining an Audit and Supervisory Board, the Bank also has a Nomination and Remuneration Committee, of which half the members are outside directors and is chaired by an outside director, as well as an Audit and Compliance Committee, which is comprised of only outside directors. Both committees act to complement and check the Board's function to oversee executive officers, including representative directors.

Outside directors' meetings were convened three times throughout FY2023 to allow for the discussion and exchange of views on multiple topics, including Aozora's executive structure, key business issues in light of a highly volatile business environment, and the functioning of the Board of Directors, from an independent outside director's perspective.

The following are main topics discussed at the Board of Directors meeting in light of prior explanation to, and multiple round-table sessions with, board members:

- Review of progress on the business plan for FY2023, the first year under the new Mid-term Plan
- Management status and response policy regarding U.S. non-recourse office loans
- Management status and response policy regarding the securities portfolio
- Business operations of GMO Aozora Net Bank, a subsidiary of the Bank
- Integrated risk report, compliance program, and basic principles regarding the annual internal audit plan
- Quarterly financial results, and revisions to full-year earnings and dividend forecasts
- Formulation of the business plan for FY2024
- Nomination of independent outside director and Audit & Supervisory Board member candidates
- CEO candidate nomination and shifting to a new management team under the CEO successor plan
- Consideration of opportunities for forming alliances with other companies

The Board of Directors also approved the nomination of independent outside director candidates as well as the CEO candidate nomination under the CEO successor plan after these proposals were discussed at the Nomination and Remuneration Committee and proposed to the Board. Following the appointment of the new CEO, the change to a new executive management team was completed on April 1, 2024.

#### <Assessment of the Board's performance in FY2023>

In FY2023, the Board assessed that its roles and responsibilities continued to be properly fulfilled under the aforementioned framework through constructive discussions and an exchange of ideas on important issues, including business strategy, as well as the effective oversight and monitoring of management executives. The Board also assessed that overall Board management was proper and effective.

For FY2024, the Board of Directors will address management issues in light of self-evaluations, while proactively utilizing committees under the Board, outside directors' meetings and other functions, with the aim to enhance the propriety and effectiveness of its roles and responsibilities through the PDCA cycle.

#### **Supplementary Principle 4.14.2 (Training Policy for Directors and Audit & Supervisory Board Members)**

Please refer to "II.1 Support Framework for Outside Directors and Outside Audit & Supervisory Board Members" of this report.

#### **Principle 5.1 (Constructive Dialogue with Shareholders)**

<Policies to promote constructive dialogue with shareholders>

The Bank takes every opportunity to engage shareholders in constructive dialogue, including at the General Meeting of Shareholders, in order to contribute to sustainable growth and the further enhancement of the Bank's corporate value over the medium to long-term.

The Bank gives due consideration to the views and concerns expressed in its communications with shareholders, and provides a clear explanation of the Bank's management policy in an effort to gain the understanding of shareholders. The Bank is also committed to responding appropriately to shareholders and other stakeholders, respecting individual points of view.

The Bank promotes constructive dialogue with shareholders through the following measures.

The Chief Executive Officer (CEO) oversees the Bank's overall communications with shareholders to ensure that constructive dialogue is maintained.

The Chief Financial Officer (CFO) oversees investor relations activities. The Corporate Communication Division, in charge of investor relations, cooperates with the Financial Control and Financial Management divisions and, in conjunction with other relevant divisions (such as business strategy and legal divisions), supports the Bank's IR activities and constructive dialogue between shareholders and management.

In addition to individual meetings with shareholders and institutional investors, the Bank holds conference calls and presentations for investors and analysts. The Bank also actively participates in individual and institutional investor conferences held by securities firms, with the goal of further enhancing communications with shareholders and investors.

The Bank discloses information related to presentation meetings via its website and its shareholder newsletter ("Aozora Tsushin"). Using questionnaires, the Bank makes an effort to understand the views and concerns of its shareholders.

The CEO and CFO periodically report the details of dialogue with shareholders to the Board of Directors and Management Committee. The Bank considers appropriate responses to the views and concerns expressed by shareholders, reflecting them in business operations as necessary.

The Bank carefully manages insider information obtained in its dialogue with shareholders, in accordance with the Bank’s internal procedures for preventing insider trading, and verifies information to be disclosed with the assistance of outside counsel.

[Communications with shareholders]

In FY2023, the Bank conducted the following events to facilitate communications with shareholders.

- Teleconferences and presentation meetings with institutional investors and analysts: 8 meetings held
- One-on-one meetings with domestic/overseas institutional investors and analysts: 183 companies participated in total
- Retail investors meetings: 3 meetings held

For details, please refer to the Annual Report.

<https://www.aozorabank.co.jp/english/ir/library/disclosure/>

### **Principle 5.2 (Preparation and Announcement of Business Strategy/Plan)**

As seen in the new Mid-term Plan “Aozora 2025” (FY2023–25) announced on May 17, 2023, we set targets for ROE, a capital efficiency index that is highly correlated with PBR (Price/Book value Ratio), at 8% for FY2025, the final year of our Mid-term Plan (and 10% in the medium- to long-term).

For the achievement of these ROE targets, we have established goals for business-related profit per employee to measure productivity and business-related profit RORA to gauge funding efficiency as our KPIs. To this end, we remain focused on improving profitability by business group and actively investing in human capital as a foundation for our initiatives.

For details, please refer to “FY2022 Financial Results and New Mid-term Plan (FY2023–25)” on our website.

<https://www.aozorabank.co.jp/english/ir/library/plan/>

We will continue working to sustainably grow our corporate value to reach a PBR of 1x through a range of initiatives designed to achieve our ROE targets as well as striving to enhance the quality of our disclosures, including progress on the Mid-term Plan.

[Action to Implement Management that is Conscious of Cost of Capital and Stock Price] (Update: July 16, 2024)

For actions to implement management’s consideration of cost of capital and share price, please refer to “FY2023 Financial Results Investors Meeting” (Page 41) on our website.

[https://www.aozorabank.co.jp/english/ir/library/presentation/pdf/investorsmeeting\\_fy2024.pdf#page=42](https://www.aozorabank.co.jp/english/ir/library/presentation/pdf/investorsmeeting_fy2024.pdf#page=42)

## **2. Capital Structure**

|                                     |           |
|-------------------------------------|-----------|
| Percentage of Overseas Shareholders | Below 10% |
|-------------------------------------|-----------|

**[Status of Major Shareholders]**

| <b>Company Name</b>  | <b>Number of Shares</b> | <b>Percentage (%)</b> |
|--|-------------------------|-----------------------|
| Daiwa Securities Group Inc.                                    | 33,056,300              | 23.88                 |
| The Master Trust Bank of Japan, Ltd. (Trust Account)           | 16,552,600              | 11.96                 |
| Custody Bank of Japan, Ltd. (Trust Account)                    | 3,567,860               | 2.57                  |
| The Nomura Trust and Banking Co., Ltd. (Trust Account 2052255) | 3,500,000               | 2.52                  |
| BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)                     | 2,036,760               | 1.47                  |
| STATE STREET BANK WEST CLIENT - TREATY 505234                  | 1,082,561               | 0.78                  |
| JP MORGAN CHASE BANK 385781                                    | 947,945                 | 0.68                  |
| JP MORGAN CHASE BANK 385794                                    | 946,452                 | 0.68                  |
| STATE STREET BANK AND TRUST COMPANY 505001                     | 918,960                 | 0.66                  |
| MSIP CLIENT SECURITIES   | 876,551                 | 0.63                  |

|  |      |
|--|------|
| Controlling Shareholder (excluding Parent Company) | None |
| Parent Company                                     | None |

Supplementary Explanation:

“Status of Major Shareholders” is based on total shares outstanding (excluding treasury shares) recorded in the Shareholder Registry as of September 30, 2024.

Daiwa Securities Group Inc. submitted a Change Report dated August 14, 2024, stating their holdings with its joint shareholders Daiwa Securities Co. Ltd. and Daiwa Asset Management Co. Ltd. as of August 7, 2024, as follows. However, excluding the portion held by Daiwa Securities Group Inc., they are not included in the above “Status of Major Shareholders” as the Bank was unable to confirm the actual number of shares held by these shareholders as of September 30, 2024.

The proportion of shares held based on the Change Report to the number of shares issued (including treasury shares) has been rounded to two decimal places.

<Company Name> Daiwa Securities Group Inc.  
 <Address> 9-1, Marunouchi 1-Chome, Chiyoda Ward, Tokyo  
 <Number of Shares> 33,056,300

<Shareholding Ratio> 23.65%

<Company Name> Daiwa Securities Co. Ltd.

<Address> 9-1, Marunouchi 1-Chome, Chiyoda Ward, Tokyo

<Number of Shares> 214,900

<Shareholding Ratio> 0.15%

<Company Name> Daiwa Asset Management Co. Ltd.

<Address> 9-1, Marunouchi 1-Chome, Chiyoda Ward, Tokyo

<Number of Shares> 2,414,300

<Shareholding Ratio> 1.73%

Sumitomo Mitsui Trust Asset Management Co., Ltd. submitted a Change Report dated August 21, 2024, stating their holdings with its joint shareholder Nikko Asset Management Co., Ltd. as of August 15, 2024, as follows. They are not included, however, in the above "Status of Major Shareholders" as the Bank was unable to confirm the actual number of shares held by the aforementioned shareholders as of September 30, 2024.

The proportion of shares held based on the Change Report to the number of shares issued (including treasury shares) has been rounded to two decimal places.

<Company Name> Sumitomo Mitsui Trust Asset Management Co., Ltd.

<Address> 1-1, Shibakoen 1-Chome, Minato Ward, Tokyo

<Number of Shares> 3,705,800

<Shareholding Ratio> 2.65%

<Company Name> Nikko Asset Management Co., Ltd.

<Address> 7-1, Akasaka 9-Chome, Minato Ward, Tokyo

<Number of Shares> 2,551,900

<Shareholding Ratio> 1.83%

Nomura Securities Co., Ltd. submitted a Change Report dated November 7, 2024, stating their holdings with its joint shareholder Nomura International plc as of October 31, 2024, as follows. They are not included, however, in the above "Status of Major Shareholders" as the Bank was unable to confirm the actual number of shares held by the aforementioned shareholders as of September 30, 2024.

The proportion of shares held based on the Change Report to the number of shares issued (including treasury shares) has been rounded to two decimal places.

<Company Name> Nomura Securities Co., Ltd.

<Address> 13-1, Nihonbashi 1-Chome, Chuo Ward, Tokyo

<Number of Shares> 424,183

<Shareholding Ratio> 0.30%

<Company Name> Nomura International plc  
 <Address> Angel Lane, London EC4R 3AB, United Kingdom  
 <Number of Shares> 1,133,944  
 <Shareholding Ratio> 0.81%

<Company Name> Nomura Asset Management Co., Ltd.  
 <Address> 2-1, Toyosu 2-Chome, Koto Ward, Tokyo  
 <Number of Shares> 4,678,500  
 <Shareholding Ratio> 3.35%

The Statements of Large-Volume Holdings received during the period from December 1, 2024 to the filing date of this report have not been reflected.

### 3. Corporate Attributes

|   |  |
|---|--|
| Listed Stock Market and Market Section                                    | Tokyo Stock Exchange Prime Market          |
| Fiscal Year-End   | March                                      |
| Type of Business  | Banks                                      |
| Number of Employees (Consolidated) as of the End of Previous Fiscal Year  | More than 1000                             |
| Sales (Consolidated) as of the End of Previous Fiscal Year                | From ¥100 billion to less than ¥1 trillion |
| Number of Consolidated Subsidiaries as of the End of Previous Fiscal Year | From 10 to less than 50                    |

### 4. Measures to Protect Minority Shareholders when Conducting Transactions with Controlling Shareholder

N/A

### 5. Other Special Circumstances which may have Material Impact on Corporate Governance

Aozora entered into a Capital and Business Alliance Agreement with Daiwa Securities Group Inc. on May 13, 2024. Following this, the Bank issued new shares through a third party allotment to Daiwa Securities Group Inc., which completed its payment procedures for the capital increase on July 1, 2024. Under this Agreement, Daiwa Securities Group Inc. has the right to appoint one person as a candidate for outside director of the Bank as long as it remains a shareholder of the Bank with a 15% or more voting rights stake. At the 91st Ordinary General Meeting of

Shareholders held on June 25, 2024, a proposal for appointing one person nominated by Daiwa Securities Group Inc. as a candidate for director of the Bank was approved and, as a result, the Bank became an equity method affiliate of Daiwa Securities Group Inc. The Bank expects that the involvement of the representative from Daiwa Securities Group Inc. in the management as an Outside Director will further deepen the alliance between Daiwa Securities Group Inc. and the Bank through their expert advice on the Bank’s management and ensure fulfilling the purpose of the alliance. In the event of taking certain actions, the Bank may need to consult with Daiwa Securities Group Inc. beforehand according to the Capital and Business Alliance Agreement, while prior approval from Daiwa Securities Group Inc. is not required in any case in order to avoid restricting the Bank’s autonomy in its management and business operations.

Daiwa Securities Group Inc. has separately announced that it also acquired Aozora’s common shares held by existing shareholders in two steps in off-market trading.

The Capital and Business Alliance will enable the Aozora Group to facilitate further strengthen its retail business and to accelerate the growth of “Aozora’s Strategic Investments Business” through capital strengthening. While both companies have identified the specific areas of collaboration to be (i) corporate finance, (ii) support for growing companies, (iii) M&A, (iv) real estate-related business, and (v) wealth management, both companies will continue to discuss expanding the collaboration across a wider range of areas, which the Bank expects will contribute to further accelerating the enhancement of the Bank’s corporate value.

[Measures for ensuring independence from other affiliated companies from the perspective of protecting minority shareholders]

Of the Bank’s nine directors (including five outside directors), one person was nominated by Daiwa Securities Group Inc. in accordance with the Capital and Business Alliance Agreement between the two parties on May 13, 2024, and then appointed as a director. In cases where a proposal that could cause a conflict of interests between Aozora and Daiwa Securities Group Inc. is submitted to the Bank’s Board of Directors, the aforementioned director shall not take part in any relevant deliberations and resolutions.

**II. Corporate Governance Framework and Business Management Organization for Decision-making, Business Execution, and Management Oversight**

**1. Organization Structure and Business Operations**

|                        |  |
|------------------------|--|
| Organization Structure | Company with Audit & Supervisory Board |
|------------------------|--|

**[Directors]**

|   |    |
|---|----|
| Maximum Number of Directors Stipulated in Articles of Incorporation | 12 |
|---|----|

|  |           |
|--|-----------|
| Term of Office Stipulated in Articles of Incorporation | 1 year    |
| Chairperson of the Board                               | Chairman  |
| Number of Directors                                    | 9         |
| Appointment of Outside Directors                       | Appointed |
| Number of Outside Directors                            | 5         |
| Number of Independent Directors                        | 4         |

Outside Directors' Relationship with the Bank (1)

| Name                         | Attribute               | Relationship with the Bank* |   |   |   |   |   |   |   |   |   |   |  |
|------------------------------|-------------------------|-----------------------------|---|---|---|---|---|---|---|---|---|---|--|
|                              |                         | a                           | b | c | d | e | f | g | h | i | j | k |  |
| Sakie Tachibana<br>Fukushima | From a separate company |                             |   |   |   |   |   |   |   |   |   |   |  |
| Hideyuki<br>Takahashi        | From a separate company |                             |   |   |   |   |   |   |   |   |   |   |  |
| Hideaki Saito                | From a separate company |                             |   |   |   |   |   |   |   |   |   |   |  |
| Koichi Tadano                | From a separate company |                             |   |   |   |   |   |   |   |   |   |   |  |
| Hiromasa<br>Kawashima        | From a separate company |                             |   |   |   |   |   | ○ | ○ |   |   |   |  |

\*Categories for "Relationship with the Bank"

- “o” Director presently falls or has recently fallen under the category
- “Δ” Director fell under the category in the past
- “●” A close relative of the director presently falls or has recently fallen under the category
- “▲” A close relative of the director fell under the category in the past
- a. Executive of the Bank or its subsidiaries
- b. Non-executive director or executive of a parent company of the Bank
- c. Executive of a fellow subsidiary company of the Bank
- d. Party whose major client is the Bank or an executive thereof
- e. Major client of the Bank or an executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary compensation or other assets from the Bank, in addition to director remuneration
- g. Major shareholder of the Bank (or an executive of a major shareholder in the case of a corporate shareholder)
- h. Executive of a client of the Bank (who does not fall under categories d, e, or f) (the director himself/herself only)
- i. Executive of a company with which the Bank has mutually appointed outside directors (the director himself/herself only)
- j. Executive of a company or organization that receives donations from the Bank (the director himself/herself only)
- k. Others

Outside Directors' Relationship with the Bank (2)

| Name                      | Independent Director | Supplementary Explanation   | Reasons for Appointment   |
|---------------------------|----------------------|---|---|
| Sakie Tachibana Fukushima | Yes                  | <p><b>Main Concurrent Posts</b><br/>           President and Representative Director, G&amp;S Global Advisors Inc. Outside Director, Kyushu Electric Power Company, Incorporated</p> <p><b>Relationship with Aozora customers, etc.</b><br/>           None</p> | <p>Ms. Sakie Tachibana Fukushima has served as a Director of Korn/Ferry International (U.S. Headquarters), a U.S. listed firm, as well as President and Chairperson of Korn/Ferry Japan. She has also served as an outside director of several Japanese listed companies and she has a wealth of experience, credentials and deep insight as a top management of corporate institutions, as well as extensive knowledge of the management of global human resources and corporate governance. She has appropriately supervised the management of the Bank as an Outside Director since June 2022. The Bank has high regard for her experience and capabilities and expects her to provide overall oversight and advice on the execution of duties by executive officers, from an objective perspective, toward the enhancement of the Bank's corporate value over the mid- to long-term.</p> <p>In addition, she is not in conflict with the independence standards set by the Tokyo Stock Exchange and meets the Independence Criteria for Outside Directors and Outside Audit &amp; Supervisory Board Members set by the Bank.</p> <p>She was selected again as an independent director as it was determined that there is no risk of a conflict of interest with general shareholders.</p> |

|   |  |  |   |
|---|--|--|---|
| <p style="text-align: center;">Hideyuki<br/>Takahashi</p> | <p style="text-align: center;">Yes</p> | <p><b>Main Concurrent Posts</b><br/>Outside Director,<br/>Sunshine City<br/>Corporation<br/>Outside Corporate<br/>Auditor, Hanwa Co., Ltd.</p> <p><b>Relationship with<br/>Aozora customers, etc.</b><br/>None</p> | <p>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 &amp; Technologies, Ltd. and he has a wealth of experience, credentials and deep insight as a top management of corporate institutions in the banking and non-financial sectors, as well as extensive knowledge of 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.</p> <p>The Bank has high regard for his experience and capabilities and expects him to provide overall oversight and advice on the execution of duties by executive officers, from an objective viewpoint, toward the enhancement of the Bank's corporate value over the mid- to long-term.</p> <p>In addition, he is not in conflict with the independence standards set by the Tokyo Stock Exchange and meets the Independence Criteria for Outside Directors and Outside Audit &amp; Supervisory Board Members set by the Bank.</p> <p>He was selected as an independent director as it was determined that there is no risk of a conflict of interest with general shareholders.</p> |
|---|--|--|---|

|               |     |   |  |
|---------------|-----|---|--|
| Hideaki Saito | Yes | <p><b>Main Concurrent Posts</b><br/> President and CEO,<br/> Japan Systems Co., Ltd.<br/> Representative Director,<br/> NetCam Systems<br/> Corporation<br/> Director and<br/> Representative<br/> Executive Officer,<br/> Blueship Co., Ltd.</p> <p><b>Relationship with<br/> Aozora customers, etc.</b><br/> None</p> | <p>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 top management of companies in the non-financial sector and 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 has high regard for his experience and capabilities and expects him to provide overall oversight and advice on the execution of duties by executive officers, from an objective viewpoint, toward the enhancement of the Bank's corporate value over the mid- to long-term. In addition, he is not in conflict with the independence standards set by the Tokyo Stock Exchange and meets the Independence Criteria for Outside Directors and Outside Audit &amp; Supervisory Board Members set by the Bank. He was selected as an independent director as it was determined that there is no risk of a conflict of interest with general shareholders.</p> |
|---------------|-----|---|--|

|                    |     |  |   |
|--------------------|-----|--|---|
| Koichi Tadano      | Yes | <p><b>Main Concurrent Post</b><br/>Chairman of the Board and Representative Director, Tadano Ltd.</p> <p><b>Relationship with Aozora customers, etc.</b><br/>None</p>  | <p>Mr. Koichi Tadano has served as President, CEO, and Representative Director as well as 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 in overall management, as well as extensive knowledge of global business.</p> <p>The Bank has high regard for his experience and capabilities and expects him to provide overall oversight and advice on the execution of duties by executive officers, from an objective perspective, toward the enhancement of the Bank's corporate value over the medium- to long-term. In addition, he is not in conflict with the independence standards set by the Tokyo Stock Exchange and meets the Independence Criteria for Outside Directors and Outside Audit &amp; Supervisory Board Members set by the Bank.</p> <p>He was selected as an independent director as it was determined that there is no risk of a conflict of interest with general shareholders.</p> |
| Hiromasa Kawashima |     | <p><b>Main Concurrent Posts</b><br/>Senior Managing Director, Daiwa Securities Group Inc.<br/>Executive Managing Director, Daiwa Securities Co. Ltd.</p> <p><b>Relationship with Aozora customers, etc.</b><br/>None</p> | <p>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 and knowledge mainly in the Human Resources and Internal Audit sectors. He was selected as an Outside Director of the Bank after being appointed as a candidate 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,</p>   |

|  |  |  |  |
|--|--|--|--|
|  |  |  | <p>and expects him to provide appropriate advice on the Bank's management to ensure the purpose of the alliance is achieved.</p> <p>Mr. Kawashima belongs to Daiwa Securities Group Inc., a major shareholder of the Bank, and has not been designated as an independent director of the Bank. However, the Bank expects that the involvement of the person from Daiwa Securities Group Inc. in the management as Outside Director will further deepen the alliance between Daiwa Securities Group Inc. and the Bank through his expert advice on the Bank's management and ensure fulfilling the purpose of the alliance.</p> |
|--|--|--|--|

|  |                    |
|--|--------------------|
| <p>Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee</p> | <p>Established</p> |
|--|--------------------|

## Status, Composition and Chairperson of Non-Mandatory Committees

|                         | Committee Corresponding to<br>Nomination Committee | Committee Corresponding to<br>Remuneration Committee |
|-------------------------|--|--|
| Name of Committee       | Nomination & Remuneration<br>Committee             | Nomination & Remuneration<br>Committee               |
| Total Number of Members | 3  | 3  |
| Full-time Members       | 0  | 0  |
| Full-time Directors     | 1  | 1  |
| Outside Directors       | 2  | 2  |
| Outside Experts         | 0  | 0  |
| Other                   | 0  | 0  |
| Chairperson             | Outside Director                                   | Outside Director                                     |

### Supplementary Explanation:

The Nomination & Remuneration Committee performs the functions of both a Nomination Committee and a Remuneration Committee. Six meetings of the Nomination & Remuneration Committee were held in FY2023.

The Nomination & Remuneration Committee mainly comprises independent outside directors and is chaired by an independent outside director in order to ensure its independence.

The Nomination & Remuneration Committee has the authority delegated by the Board of Directors, and provides opinions to the Board of Directors regarding the appointment of director candidates, Audit & Supervisory Board members and other important employees. It also complements the oversight of representative directors and executive officers and conducts checks and balances on them by determining the remuneration of the Board of Directors and executive officers and providing opinions to each Audit & Supervisory Board Member regarding the remuneration of the Audit & Supervisory Board Members.

In addition to the Nomination & Remuneration Committee, the Bank has also voluntarily established the Audit & Compliance Committee.

Please refer to "II.2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration" of this report for details.

### [Audit & Supervisory Board Members]

|   |             |
|---|-------------|
| Establishment of Audit & Supervisory Board  | Established |
| Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation | 5           |
| Number of Audit & Supervisory Board Members   | 3           |

Cooperation between Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Division:

The Audit & Supervisory Board maintains close coordination with accounting auditors through regular meetings (10 held in FY2023), exchanging ideas and information on internal controls for auditing and financial reporting.

The Audit & Supervisory Board receives regular reports from the Internal Audit Division (five received in FY2023) on internal audit policy and results, aimed at ensuring efficient and effective auditing. The standing Audit & Supervisory Board Member meets with the Bank's Internal Audit Division (at least once a month) to receive audit reports and exchange ideas and information as necessary, in addition to weekly meetings with the Head of the Internal Audit Division.

The standing Audit & Supervisory Board Member (Office of Audit & Supervisory Board), Internal Audit Division and Accounting Auditor hold quarterly three-way audit discussions regarding risk awareness, in addition to sharing audit plans and results.

The Bank's Audit & Supervisory Board decides upon the basic policies and evaluation criteria regarding the appointment and dismissal of the Accounting Auditor and makes a comprehensive judgment on the appointment of the Accounting Auditor based on the appropriate evaluation standards.

These evaluation standards are considered based on an overview of the auditing company, audit results, quality control framework, audit implementation framework applied to the Bank, an executive evaluation, whether there are any reasons for disqualification as well as other evaluation criteria deemed important. The Bank follows a basic policy for making judgements on the appointment (or reappointment) of the Accounting Auditor that, upon completion of the above-mentioned evaluation, focuses on the audit company's particular knowledge of financial institution operations, experience with bank audits, framework for the provision of appropriate audit services to Aozora or the Aozora Group, discussions with the management/ability to provide executives with information or advice, appropriate collaboration with the Audit & Supervisory Board and Internal Audit Division. It is the Bank's policy to dismiss or decline reappointment in the event of the occurrence of statutory reasons for dismissal or the Bank's decision that it would be difficult for the Accounting Auditor to adequately perform other duties.

|  |           |
|--|-----------|
| Appointment of Outside Audit & Supervisory Board Members | Appointed |
| Number of Outside Audit & Supervisory Board Members      | 2         |
| Number of Independent Audit & Supervisory Board Members  | 2         |

Outside Audit & Supervisory Board Members' Relationship with the Bank (1)

| Name          | Attribute                   | Relationship with the Bank* |   |   |   |   |   |   |   |   |   |   |   |   |  |
|---------------|-----------------------------|-----------------------------|---|---|---|---|---|---|---|---|---|---|---|---|--|
|               |                             | a                           | b | c | d | e | f | g | h | i | j | k | l | m |  |
| Toraki Inoue  | Certified Public Accountant |                             |   |   |   |   |   |   |   |   |   |   |   |   |  |
| Junichi Maeda | From a separate company     |                             |   |   |   |   |   |   |   |   | △ |   |   |   |  |

\*Categories for "Relationship with the Bank"

- “○” Presently falls or has recently fallen under the category
- “△” Fell under the category in the past
- “●” A close relative presently falls or has recently fallen under the category
- “▲” A close relative fell under the category in the past
- a. Executive of the Bank or its subsidiary
- b. Non-executive director or accounting advisor of the Bank or its subsidiaries
- c. Non-executive director or executive of a parent company of the Bank
- d. Audit & Supervisory Board Member of a parent company of the Bank
- e. Executive of a fellow subsidiary company of the Bank
- f. Party whose major client is the Bank or an executive thereof
- g. Major client of the Bank or an executive thereof
- h. Consultant, accountant or legal professional who receives a large amount of monetary compensation or other assets from the Bank, in addition to Audit & Supervisory Board Member remuneration
- i. Major shareholder of the Bank (or an executive of a major shareholder in the case of a corporate shareholder)
- j. Executive of a client of the Bank (who does not fall under categories f, g, or h) (the Audit & Supervisory Board member himself/herself only)
- k. Executive of a company, with which the Bank has mutually appointed outside directors (the Audit & Supervisory Board member himself/herself only)

- I. Executive of a company or organization that receives donations from the Bank (the Audit & Supervisory Board member himself/herself only)
- m. Others

Outside Audit & Supervisory Board Members' Relationship with the Bank (2)

| Name          | Independent Audit & and Supervisory Board Member | Supplementary Explanation  | Reasons for Appointment   |
|---------------|--|--|---|
| Toraki Inoue  | Yes  | <p><b>Main Concurrent Posts</b><br/>           Toraki Inoue Certified Public Accountant Office Representative Director and President, Accounting Advisory Co., Ltd.<br/>           Supervisory Director, GLP J-REIT<br/>           Standing Corporate Auditor, Kyulux, Inc.<br/>           Outside Audit &amp; Supervisory Board Member, ETVOS Co., Ltd.<br/>           Outside Audit &amp; Supervisory Board Member, Hokuetsu Corporation</p> | <p>Mr. Toraki Inoue was formerly a Worldwide Partner at Arthur Andersen and is qualified for the responsibilities as an outside Audit and Supervisory Board Member because he has substantial experience, expertise and insight as a public accountant and accounting expert, and his position is independent from the day-to-day management responsibilities of the operations and activities of the Bank. In addition, he is not in conflict with the independence standards set by the Tokyo Stock Exchange and meets the Independence Criteria for Outside Directors and Outside Audit &amp; Supervisory Board Members set by the Bank.</p> <p>He was selected as an independent Audit and Supervisory Board member as it was determined that there is no risk of a conflict of interest with general shareholders.</p> |
| Junichi Maeda | Yes  | <p><b>Main Concurrent Post</b><br/>           None</p>   | <p>Mr. Junichi Maeda is qualified for the responsibilities as an outside Audit and Supervisory Board Member because he has substantial experience and insight in finance and banking operations, and his position is independent from the day-to-day management responsibilities of the operations and activities of the Bank. In addition, he is not in conflict with the independence standards set by the Tokyo Stock Exchange and meets the Independence Criteria for Outside Directors and Outside Audit &amp; Supervisory Board Members set by the Bank.</p>  |

|  |  |  |  |
|--|--|--|--|
|  |  |  | He was selected as an independent Audit and Supervisory Board member as it was determined that there is no risk of a conflict of interest with general shareholders. |
|--|--|--|--|

**[Independent Directors/Audit & Supervisory Board Members]**

|  |   |
|--|---|
| Number of Independent Directors/ Audit & Supervisory Board Members | 6 |
|--|---|

Matters relating to Independent Directors/Audit & Supervisory Board Members:

The Bank has designated four Outside Directors and all Outside Audit & Supervisory Board members who are not in conflict with the independence standards set by the Tokyo Stock Exchange and meets the Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members set by the Bank as independent directors.

Mr. Hiromasa Kawashima belongs to Daiwa Securities Group Inc., a major shareholder of the Bank, and has not been designated as an independent director of the Bank.

The Bank's Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members is as follows:

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

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

Outside Directors: 5

Outside Audit & Supervisory Board Members: 2

**[Incentives]**

|                         |  |
|-------------------------|--|
| Incentive for Directors | Performance-based Bonus, Stock Options |
|-------------------------|--|

Supplementary Explanation:

Please refer to “II.1 Organization Structure and Business Operations, Director Remuneration” of this report.

|                             |                             |
|-----------------------------|-----------------------------|
| Recipients of Stock Options | Full-time Directors, Others |
|-----------------------------|-----------------------------|

Supplementary Explanation:

In addition to annual base remuneration, the Bank grants equity compensation type stock options to full-time directors and executive officers in order for them to share the risks and benefits of stock price fluctuations with shareholders, and to further motivate directors to contribute to the enhancement of Aozora’s corporate value and an increase in the share price over the medium to long-term.

## [Director Remuneration]

|  |                            |
|--|----------------------------|
| Disclosure of Individual Directors' Remuneration | Not disclosed individually |
|--|----------------------------|

Supplementary Explanation:

<Remuneration: total by officer segment, subtotal by remuneration category and the number of officers (million yen)>

(1) Directors (excluding outside directors) — Remuneration in total: 223, Number of officers: 5

|  |     |
|--|-----|
| (Breakdown) Base remuneration          | 177 |
| Performance-based remuneration (bonus) | -   |
| Non-cash remuneration (stock option)   | 45  |

(2) Standing ASB member (excluding outside ASB members) — Remuneration in total: 29, Number of officers: 1

|  |    |
|--|----|
| (Breakdown) Base remuneration          | 29 |
| Performance-based remuneration (bonus) | -  |
| Non-cash remuneration (stock option)   | -  |

(3) Outside directors — Remuneration in total: 56, Number of officers: 6

|  |    |
|--|----|
| (Breakdown) Base remuneration          | 56 |
| Performance-based remuneration (bonus) | -  |
| Non-cash remuneration (stock option)   | -  |

(4) ASB members — Remuneration in total: 24, Number of officers: 3

|  |    |
|--|----|
| (Breakdown) Base remuneration          | 24 |
| Performance-based remuneration (bonus) | -  |
| Non-cash remuneration (stock option)   | -  |

- Includes one director, two outside directors and one outside ASB members who retired at the close of the 90th Ordinary General Meeting of Shareholders on June 22, 2023.

|   |             |
|---|-------------|
| Policy for Determining Remuneration Amounts and Calculation Methods | Established |
|---|-------------|

Disclosure of Policy for Determining Remuneration Amounts and Calculation Methods:

<Policy and Procedure for Determining Director/Executive Officer Remuneration>

Policy and Procedure for Determining Director/Executive Officer Remuneration

In order to pursue its mission to “contribute to the development of society through the creation of new value-added financial services,” Aozora recognizes the necessity of providing proper incentives and a work environment that allows successful and high-potential employees to perform their duties consistently while maintaining high morale, motivation, and pride.

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

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

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

2. Remuneration framework appropriately reflecting the Bank's performance.

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

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

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

4. Remuneration methodology that supports effective governance

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

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

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

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

Chairperson of the Committee: Sakie Tachibana Fukushima, Outside Director

Member: Hideaki Saito, Outside Director

Member: Hideto Oomi, Representative Director and President

The Nomination and Remuneration Committee members in charge of determining the amount of each director's remuneration for FY2023 are as follows:

Chairperson of the Committee: Sakie Tachibana Fukushima, Outside Director

Member: Hideaki Saito, Outside Director

Member: Kei Tanikawa, Representative Director and President

(Note) On April 1, 2024, Mr. Hideto Oomi took office as Representative Director and President, replacing Mr. Kei Tanikawa, and became a member of the Nomination and Remuneration Committee.

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

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

(1) Base remuneration

Base remuneration comprises fixed amount which is fixed, varies with the type of position (full-time or part-time), job title and responsibility to be paid monthly while employed. We use data of an outside specialized agency to check and benchmark whether the level of base remuneration amounts is appropriate before determining it.

Base remuneration for the President and Deputy President is determined by taking into account job responsibilities and experience based on the range of remuneration set for each position.

(2) 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 the Nomination and Remuneration Committee 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 of KPIs, such as ROE, capital adequacy ratio, business-related profit per employee (business profit + gains/losses on stock transactions) 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, capital adequacy ratio, business-related profit per employee and business-related profit RORA as KPIs are key indicators for the targets in the Bank's Mid-term 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 the assessment of undue risk and occurrence of serious compliance incidents, the implementation/introduction of measures and strategies, including the launch of new

businesses, from a mid- to long-term perspective, as well as the progress and achievement of the Bank-announced sustainability initiative targets are also fully considered as qualitative evaluation indicators to determine bonus amounts.

Targets and results (FY2023) of the indicators related to performance-based remuneration paid in FY2023 are stated below. Based on FY2023 results, bonuses (performance-based remuneration) were not paid to the Standing Audit & Supervisory Board Member.

|                            | FY2023 Announced Forecast* <sup>2</sup> | FY2023 Results    |
|----------------------------|---|-------------------|
| Business profit            | 25.5 billion yen                        | -8.5 billion yen  |
| Net earnings* <sup>1</sup> | 24.0 billion yen                        | -49.9 billion yen |

|  | Mid-term Plan Targets* <sup>2</sup> | FY2023 Results   |
|--|-------------------------------------|------------------|
| ROE  | 8% or higher                        | _* <sup>3</sup>  |
| Capital adequacy ratio                             | Minimum 9%                          | 9.2%             |
| Business-related profit per employee* <sup>4</sup> | 20.0 million yen                    | -2.5 million yen |
| Business-related profit RORA* <sup>5</sup>         | 1.3%                                | -0.1%            |

\*1 Profit attributable to owners of parent

\*2 Mid-term Plan “Aozora 2025” (FY2023–25)

\*3 Not applicable as profit attributable to owners of parent was a net loss

\*4 Business profit + Gains/losses on stock transactions

\*5 (Business profit + Gains/losses on stock transactions)/Risk-weighted assets

### (3) Equity compensation type stock options (stock acquisition rights as non-monetary compensation)

The Nomination and Remuneration Committee discussed ratios of cash remuneration and equity compensation type stock options (stock acquisition rights as non-monetary compensation) 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. Equity compensation type stock options are granted within a specific period following the end 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 fulltime directors within 150 million yen a year (7,500 shares per year) was approved at the 81st Ordinary General Meeting of Shareholders on June 26, 2014. The Bank had four full-time directors as of the end of the 81st Ordinary General Meeting of Shareholders.

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

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

<Policy on determination of Audit & Supervisory Board Member remuneration and calculation>

ASB members discuss and determine individual remuneration amounts by considering discussions and proposals made at the Nomination and Remuneration Committee. ASB members only receive base remuneration (fixed remuneration), which is paid on a monthly basis during their tenure in accordance with the policy below. The upper limit of total Audit & Supervisory Board Members' base remuneration is 60 million yen based on the resolution at the 73rd Ordinary General Meeting of Shareholders on June 23, 2006. The Bank had three ASB members as of the end of the 73rd Ordinary General Meeting of Shareholders.

(1) Base remuneration

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

#### **[Support Framework for Outside Directors and Outside Audit & Supervisory Board Members]**

<Support Framework for Outside Directors>

1. The Bank's independent outside directors actively contribute to discussions at Board of Directors meetings, as well as meetings convened by the Nomination & Remuneration Committee which comprises a majority outside directors and the Audit & Compliance Committee comprised solely of outside directors, making recommendations as necessary. Outside directors also exchange information with other board and committee members, as well as maintaining contact with senior management and collaborating with the Audit & Supervisory Board and its members. The Bank has established the Corporate Secretary Office to serve as liaison and coordinator between outside directors and senior management.
2. As secretariat for the Board of Directors and Board-level committees, the Corporate Secretary Office collaborates with respective business groups to provide directors with the information needed to execute their duties, supports directors at meetings, and arranges meetings with divisions throughout the Bank as necessary.
3. The Bank provides materials related to agenda items to the Board of Directors and Board-level committees in advance of meetings to allow directors sufficient time to review. In addition, upon

preparation by the secretariat, the Bank sends the minutes of meetings to each director and committee member to verify the accuracy of the statements recorded.

4. The Bank sends minutes and other information pertaining to management-level committees (Management Committee, etc.) to outside directors periodically to keep them informed about the progress of business execution, as well as communicate important information regarding the Bank's business, finance, and organization.

<Support Framework for Outside Audit & Supervisory Board Members>

1. The Bank has established the Office of Audit & Supervisory Board to support Audit & Supervisory Board Members in the execution of their duties.
2. The Office of Audit & Supervisory Board supports outside Audit & Supervisory Board Members by providing them with necessary documents including reports and informing them about meetings and other matters related to the Audit & Supervisory Board and the Board of Directors. In addition, upon preparation by the secretariat, the Bank sends the minutes of meetings to each outside Audit & Supervisory Board Member to verify the accuracy of the statements recorded and ensure proper information storage.
3. The Bank periodically sends minutes and other information pertaining to management-level committees to outside Audit & Supervisory Board Members to keep them informed about the progress of business execution.

<Training for Directors and Audit & Supervisory Board Members>

The Bank occasionally invites experts from outside the Bank to conduct training seminars for all directors and Audit & Supervisory Board Members. For newly appointed outside directors and outside Audit & Supervisory Board Members, the executive officer in charge of each business group conducts orientations to explain the Bank's business operations.

**[Current Status of a Person Who Left the Office of Representative Director and President]**

Name of Advisor who previously served as Representative Director and President

| Name         | Position | Duties  | Working forms/terms                    | Date of retiring from President | Tenure |
|--------------|----------|---|--|---------------------------------|--------|
| Kei Tanikawa | Advisor  | Maintenance and enhancement of good relationships with stakeholders<br>Response to inquiries from President | Part-time<br>Eligible for remuneration | March 31, 2024                  | 1 year |

Other matters

- The roles of Advisor are the maintenance and enhancement of good relationships with stakeholders. Advisor also responds to inquiries from President, if any, while remaining fully independent of the decision-making body.
- The appointment of Advisor was resolved at the Nomination and Remuneration Committee and reported to the Board of Directors.

## **2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration (Overview of Current Corporate Governance System)**

The Bank's corporate governance system is organized as follows.

<Audit and Management Oversight>

### **1. Board of Directors**

The Board of Directors establishes important business policies and oversees the execution of duties by executive officers entrusted with daily business operations. Moreover, the Bank convenes "independent outside directors' meetings" comprised only of outside directors multiple times throughout the year to allow for the discussion and exchange of views on key business issues and management of the Board from an independent outside director's perspective.

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 the "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 mix of experience, with a 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 Aozora 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.

### **2. Audit and Supervisory Board**

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

### **3. Nomination & Remuneration Committee**

The Nomination and Remuneration Committee, the majority of which comprises outside directors, recommends candidates for Board and Audit & Supervisory Board Members as well as other important positions. In addition, the Nomination and Remuneration Committee determines the remuneration of

directors and executive officers and makes recommendations to each Audit & Supervisory Board Member regarding their remuneration.

#### 4. Audit & Compliance Committee

The Audit and Compliance Committee, which comprises outside directors, reviews the adequacy and effectiveness of matters relevant to the establishment of internal control systems, including internal and external audits, risk management, compliance, and credit audits.

##### <Execution of Duties>

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

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

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

In order to realize Aozora's basic corporate governance policy, the Board of Directors complies with the following basic guidelines for nominating directors and Audit & Supervisory Board Members, and appointing and dismissing senior management including the CEO while taking into account the proper scope and diversity of the positions.

- Basic Guidelines for Nominating Director Candidates

Candidates should:

1. Possess substantial management knowledge and expertise
2. Have superior insight, be able to make management decisions and exercise sound judgment
3. Be committed to the duties of the Bank's director
4. Be able to earn the trust of the Bank's stakeholders, including shareholders
5. In the case of outside directors, be able to conduct management oversight and offer appropriate advice

The composition of the Board of Directors shall take into consideration diversity and mix of experience, with a 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 Aozora Group's business.

- Basic Guidelines for Nominating Audit & Supervisory Board Member Candidates

Candidates should:

1. Possess substantial management knowledge and expertise
2. Have knowledge of important financial rules and regulations, finance and accounting
3. Be objective, impartial, and able to perform duties from an independent standpoint
4. Be able to earn the trust of the Bank's stakeholders
5. Have the ability to communicate effectively with shareholders, the Board of Directors, and senior management to ensure management soundness and transparency

- Reappointment of Directors and Audit & Supervisory Board Members

For reappointment of Directors and Audit & Supervisory Board Members, 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 or 10 years.

The maximum term of office of outside Audit & Supervisory Board Members shall be 3 terms or 12 years.

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

(1) Basic Guidelines for Appointing Senior Management

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

(2) Basic Guidelines for Dismissing Senior Management

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

- Basic Guidelines for Appointing and Dismissing the CEO

(1) Basic Guidelines for Appointing the CEO

In addition to the Basic Guidelines for Appointing Senior Management:

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

(2) Basic Guidelines for Dismissing the CEO

In addition to the Basic Guidelines for Dismissing Senior Management:

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

- Formulation of CEO succession plan

We have formulated a succession plan that incorporates the items below, with the aim of securing potential CEO successors who can contribute to the sustainable enhancement of the Bank's corporate value for smooth business succession in the future.

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

Please refer to the end of this report for details regarding the expertise of each Director and Audit & Supervisory Board Member.

<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.

<Limitation of Liability Agreement>

As stated in Part 1, IV, 6 “State of Corporate Governance” (1)-1-(4) of the 91st (FY2023) Securities Report, the Bank has agreed with directors (excluding executive officers) and Audit & Supervisory Board Members to a “Minimum Liability Amount” pursuant to Article 425 (1) of the Companies Act for liabilities under Article 423 (1) of said Act.

<Directors and Officers Liability Insurance>

As stated in Part 1, IV, 4 “State of Corporate Governance” (1)-1-(6) of the 91st (FY2023) Securities Report, the Bank has entered into liability insurance contracts with an insurance company for its officers as stipulated in Article 430-3, Paragraph 1 of the Companies Act, which includes Directors, Audit & Supervisory Board Members and Executive Officers as insured parties.

**3. Reasons for Adoption of Current Corporate Governance System**

The Bank maintains a company with Audit & Supervisory Board structure and has established the Nomination & Remuneration Committee and the Audit & Compliance Committee, both of which comprises a majority of outside directors, to provide supplementary supervision and enhanced management oversight. The Bank believes that this corporate governance structure is most effective in realizing the management philosophy and policy of the Bank. Going forward, the Bank intends to conduct regular reviews of its governance framework and functions, making revisions as necessary to ensure compatibility with its management policy.

**III. Implementation of Measures for Shareholders and Other Stakeholders**

**1. Measures to Revitalize the General Meeting of Shareholders and Ensure Smooth Exercise of Voting Rights**

|  |                           |
|--|---------------------------|
|  | Supplementary Explanation |
|--|---------------------------|

|   |   |
|---|---|
| Early Notification of the General Meeting of Shareholders | The June 2024 General Meeting of Shareholders decided that the start date of measures for electronic provision shall be May 28, 2024 and the dispatch date of the Convocation Notice shall be June 5. Both dates were earlier than the statutory due date. Information subject to the measures for electronic provision is posted on three sites including the Aozora website and TSE's website.  |
| Scheduling Shareholders' Meetings Avoiding Peak Days      | In principle, the Bank avoids peak days when scheduling shareholders' meetings.   |
| Electronic Exercise of Voting Rights                      | Exercise of voting rights via the Internet<br>1. "Smart Voting" method<br>2. Accessing the Bank's website dedicated to exercise of the voting right   |
| Participation in Electronic Voting Platform               | The Bank has utilized the ICJ voting platform since the 75th Ordinary General Meeting of Shareholders held in June 2008.  |
| Providing Convocation Notice in English                   | The Bank prepares a full English translation of the convocation notice, which, together with the Japanese version, is submitted to the Tokyo Stock Exchange, registered on the ICJ voting platform, and posted on the websites of Aozora and PRONEXUS Inc.  |
| Other   | <ul style="list-style-type: none"> <li>We welcome pre-planned questions in advance either in writing or via e-mail.</li> <li>During the General Meeting of Shareholders, business reports and other agenda items are projected on to a large screen for ease of understanding mainly in the form of slides.</li> <li>We have provided a livestream of the General Meeting of Shareholders (with viewer participation) for our shareholders who reside in remote areas or do not intend to visit the venue since the 88th General Meeting of Shareholders held in June 2021. Shareholders viewing the livestream may send comments while watching the video feed. We introduce and answer those with a high interest among shareholders during the General Meeting of Shareholders as a means to facilitate communications with our shareholders.</li> <li>All of the questions submitted in advance, questions and answers raised at the General Meeting of Shareholders as well as comments sent during the livestream session are disclosed on the Aozora website at a later date following the General Meeting.</li> </ul> |

## 2. IR Activities

|  | Supplementary Explanation  | Briefings by CEO |
|--|--|------------------|
| Establishment/ Announcement of Disclosure Policy | The Bank's disclosure policy outlining its basic policy, procedure and framework for information disclosure is provided on the Aozora website. |                  |

|   |  |     |
|---|--|-----|
| Regular Investor Briefings for Individual Investors                 | The Bank explains its business and earnings results at regular presentation meetings held for individual investors.  | Yes |
| Regular Investor Briefings for Analysts and Institutional Investors | The Bank holds financial results telephone conferences for domestic analysts and institutional investors on a quarterly basis as well as financial results investors meetings on a half-yearly basis.<br>The Bank also strives to enhance communication by actively holding small-sized meetings and one-on-one meetings with domestic analysts and institutional investors. | Yes |
| Regular Investor Briefings for Overseas Investors                   | The Bank strives to enhance communication by actively holding one-on-one meetings with overseas institutional investors while also promoting management's IR activities and participating in conferences hosted by securities companies.   | Yes |
| Posting of IR Materials on Website                                  | Materials such as financial results-related information, securities reports, annual reports, shareholders' meeting-related materials and IR presentation materials are made available on the Bank's website.   |     |
| Establishment of Division in Charge of IR                           | The Bank's Corporate Communication Division includes IR Group 1, responsible for domestic and overseas investor relations, and IR Group 2, responsible for retail investor-related matters.  |     |

### 3. Measures to Ensure Due Respect for Stakeholders

|   | Supplementary Explanation  |
|---|--|
| Stipulation of Internal Rules for Respecting the Position of Stakeholders | The "Code of Conduct and Ethics," which has been established and disclosed as the Bank's internal rules, sets forth the following:<br>As finance professionals, the Aozora Group strives to realize its mission to "contribute to the development of society through the creation of new value-added financial services," along with its vision to "adapt to a rapidly changing world while remaining a trusted, valued and specialized financial service provider." Through the contribution to the well-being of all of our stakeholders, including society, customers, shareholders, society and our officers/employees, we seek to achieve sustainable growth and the creation of mid- to long-term corporate value. |

|  |   |
|--|---|
| Implementation of Environmental Activities, CSR Activities etc.  | <p>&lt;Social Contribution Activities&gt;</p> <p>The Aozora Group works towards the “sustainable growth of society” and promotes the “participation in society as a good corporate citizen,” as set forth in its Code of Ethics and Conduct, with the aim to provide solutions to social challenges through both financial services and social contribution activities.</p> <p>By defining social contribution as “an activity without compensation to provide solutions to challenges that are important to society but may not be fully supported due to difficulties in direct contribution through business,” we promote initiatives to contribute to society by focusing on issues in urgent need of support and topics of high interest to our officers/employees as key areas of donations and volunteering.</p> <p>For the details of our initiatives, please refer to the Annual Report and the Aozora website.</p> <p>Annual Report:<br/> <a href="https://www.aozorabank.co.jp/english/ir/library/disclosure/">https://www.aozorabank.co.jp/english/ir/library/disclosure/</a></p> <p>Website (sustainability):<br/> <a href="https://www.aozorabank.co.jp/english/sustainability/">https://www.aozorabank.co.jp/english/sustainability/</a></p> |
| Development of Policies on Information Provision to Stakeholders | <p>The Bank has established a disclosure policy that stipulates its principles and systems regarding information disclosure. In addition to information disclosure required by laws and regulations, we also strive to disclose useful corporate information that helps its stakeholders, including customers, shareholders and investors, better understand the Bank in a fair, voluntary and proactive manner.</p>  |
| Other  | <p>Please refer to the Annual Report.<br/> <a href="https://www.aozorabank.co.jp/english/ir/library/disclosure/">https://www.aozorabank.co.jp/english/ir/library/disclosure/</a></p>  |

#### IV. Matters Related to the Internal Control System

##### 1. Basic Policy on Internal Control System and Progress of System Development

Aozora 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 a Nomination & Remuneration Committee to deliberate appointment and remuneration of Directors and Executive Officers as well as an 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 and puts in place a compliance risk management framework 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 annually develops, as "Compliance Program," a specific action plan to put in place a compliance risk management framework 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 has established a supervising division for legal risk management. We aim to enhance our legal risk management framework by developing internal rules and regulations for legal risk management, checking and disseminating signs of a possible revision in law systems, appropriately responding to and managing legal disputes, as well as identifying, analyzing, assessing and verifying legal risks in specific business areas.
- (6) 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.
- (7) 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.
- (8) 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.
- (9) 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. The Bank will also develop a

customer-oriented business management framework with the aim to offer products and other services that contribute to the best interests of our customers.

- (10) 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.
- (11) 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 has established a 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, the 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 positions the type and level of risks (risk appetite) it assumes to achieve its business strategies and financial plan as a business management framework. The risk appetite undergoes a review by the Board of Directors, based on the risk appetite statement, and is reflected in the Bank's Mid-term Plan and business plan for each fiscal year. The Bank also 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 market risk, credit risk, liquidity risk and operational risk (including system risk to respond to cyber security as well as crisis and disaster risks) 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) The 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, the Audit Group shares information as necessary with ASB members, Audit & Supervisory Board and Accounting Auditors for cooperative purposes.

## 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) We maintain adequate human resources to ensure the business execution of the Bank and its subsidiaries business through the hiring and training of employees.
- (6) To the extent not violating laws and regulations, the Internal Audit Group audits the business activities of each of the Bank's subsidiaries.

## 6. Ensure Effective Auditing by ASB Members

- (1) The Bank establishes 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 Standing ASB member. In addition, decisions on transfer, promotion, compensation and punishment of such employees require the consent by 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 are expected to 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).

## **2. Basic Policy on Elimination of Anti-Social Forces**

### **1. Basic Policy**

- Aozora Bank and its subsidiaries are committed to preventing transactions of any kind with so-called anti-social elements.
- Prior to entering into any transaction, the Bank conducts extensive checks of all potential customers using its comprehensive database in order to eliminate possible transactions with antisocial elements. The Bank also conducts regular checks of existing customers and, in the event an inappropriate transaction is detected, the Bank takes necessary steps to immediately cancel the transaction with the cooperation of the relevant external institutions.
- The Bank exercises the utmost caution and prudence when interacting with suspected anti-social elements and remains resolute in its efforts to reject all violent and unjustified demands that may result in unwarranted payouts or the provision of funding to such elements.

### **2. Status of Framework Development**

- The Bank's Code of Conduct and Ethics, with which officers and employees of the Bank and its subsidiaries are expected to comply, includes a clause on the elimination of anti-social elements. The Code clearly delineates the Bank's policy regarding the prevention of any involvement by anti-social elements in the Bank's management, as well as losses or damages that may be incurred as a result of such involvement. The Bank has also established various internal rules which include the Procedure for Elimination of Anti-Social Elements and the Manual for Prevention of Unjustified Demands.
- The Compliance Management Division, which supervises the Bank's measures against anti-social elements, has established the Financial Crime Management Office which formulates policy regarding anti-social elements and manages relevant Bank and subsidiary information.
- The Bank assigns a supervisor in charge of anti-social element policy to the Compliance Management Division and each retail branch. The supervisor is also responsible for the prevention of unjust demands, as stipulated under the Act on Prevention of Unjust Acts by Organized Crime Group Members.
- As part of the Bank's framework for preventing transactions with anti-social elements, the Bank has included an anti-social element elimination clause in banking transaction contracts (basic agreements for lending transactions), deposit agreements, and business consignment contracts.

- The Bank is committed to eliminating all transactions with potentially high-risk customers including anti-social elements. Prior to entering into any transaction, the Bank vets potential customers for any possible connection to anti-social elements and performs regular checks on transactions already in progress. Any information pointing to a connection with anti-social elements is promptly reported to the Compliance Management Division and the Credit Examination Division. The Compliance Management Division manages all Bank and subsidiary information related to antisocial elements.
- The Bank keeps senior management and the Board of Directors informed about the framework for eliminating anti-social elements through regular reporting, and senior management is immediately informed of any inappropriate transaction that may be discovered. A cancellation policy is formulated with timely and appropriate reports to management, and the relevant transaction is cancelled under the full participation and direction of senior management.
- The Bank maintains close contact with government offices in charge of police matters and takes part in training activities and meetings held by organizations such as the National Center for Removal of Criminal Organizations, the Tokubouren (a public interest incorporated association within the Tokyo Metropolitan Police Department for preventing violent crime), and the Association for the Prevention of Violent Crime. The Bank also continues to strengthen collaborations with external third parties, such as lawyers who specialize in antiracketeering measures.

## V. Other

### 1. Adoption of Anti-Takeover Measures

|                                    |             |
|------------------------------------|-------------|
| Adoption of Anti-Takeover Measures | Not Adopted |
|------------------------------------|-------------|

Supplementary Explanation:

The Bank will take into consideration the necessity and value of anti-takeover measures, takeover bids related to treasury shares, capital policy resulting in transfer of corporate control or significant dilution, and adopt appropriate procedures while providing sufficient explanation to its shareholders.

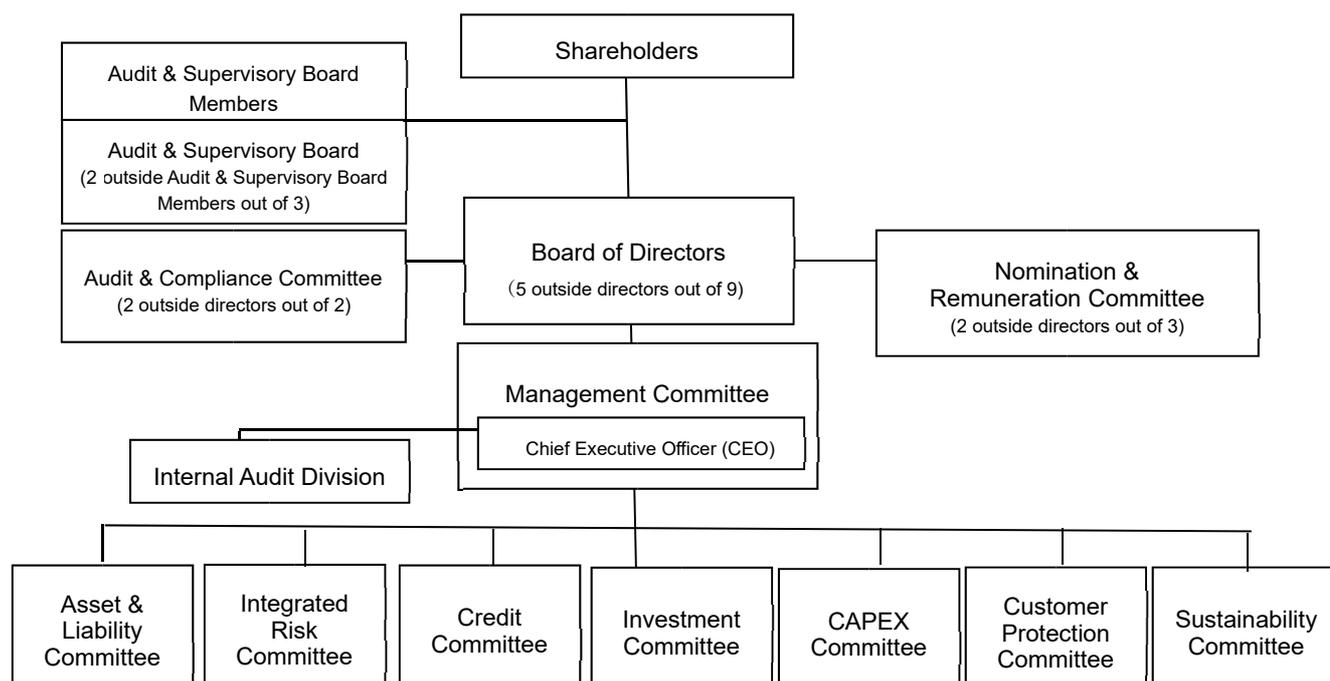
## 2. Other Matters Concerning Corporate Governance System

### Expertise of Directors and Audit & Supervisory Board Members

| Name                      | Position  | Inside/<br>Outside | Expertise*              |                        |                         |   |                  |                |       |                |
|---------------------------|---|--------------------|-------------------------|------------------------|-------------------------|---|------------------|----------------|-------|----------------|
|                           |   |                    | Corporate<br>Management | Banking and<br>finance | Financial<br>accounting | Legal,<br>Compliance/<br>Risk<br>Management | Human<br>capital | Global Affairs | IT/DX | Sustainability |
| Koji Yamakoshi            | Director and Chairman, Executive Officer                        | Inside             | ○                       | ○                      |                         | ○   |                  | ○              |       |                |
| Hideto Oomi               | Representative Director and President, Chief Executive Officer  | Inside             | ○                       | ○                      |                         |   |                  | ○              | ○     |                |
| Masayoshi Ohara           | Representative Director, Deputy President and Executive Officer | Inside             |                         | ○                      |                         | ○   | ○                |                |       | ○              |
| Takashi Kato              | Director and Senior Managing Executive Officer                  | Inside             |                         | ○                      |                         | ○   |                  | ○              |       |                |
| Sakie Tachibana Fukushima | Director  | Outside            | ○                       |                        |                         |   | ○                | ○              |       | ○              |
| Hideyuki Takahashi        | Director  | Outside            | ○                       | ○                      | ○                       | ○   |                  |                | ○     |                |
| Hideaki Saito             | Director  | Outside            | ○                       | ○                      |                         |   |                  | ○              | ○     |                |
| Koichi Tadano             | Director  | Outside            | ○                       |                        |                         |   |                  | ○              |       |                |
| Hiromasa Kawashima        | Director  | Outside            |                         | ○                      |                         | ○   | ○                |                |       |                |
| Satoshi Hashiguchi        | Standing Audit & Supervisory Board Member                       | Inside             |                         | ○                      |                         | ○   |                  | ○              |       |                |
| Toraki Inoue              | Audit & Supervisory Board Member                                | Outside            | ○                       |                        | ○                       | ○   |                  | ○              |       |                |
| Junichi Maeda             | Audit & Supervisory Board Member                                | Outside            | ○                       | ○                      |                         | ○   | ○                |                |       |                |

\* Does not represent all expertise of each person.

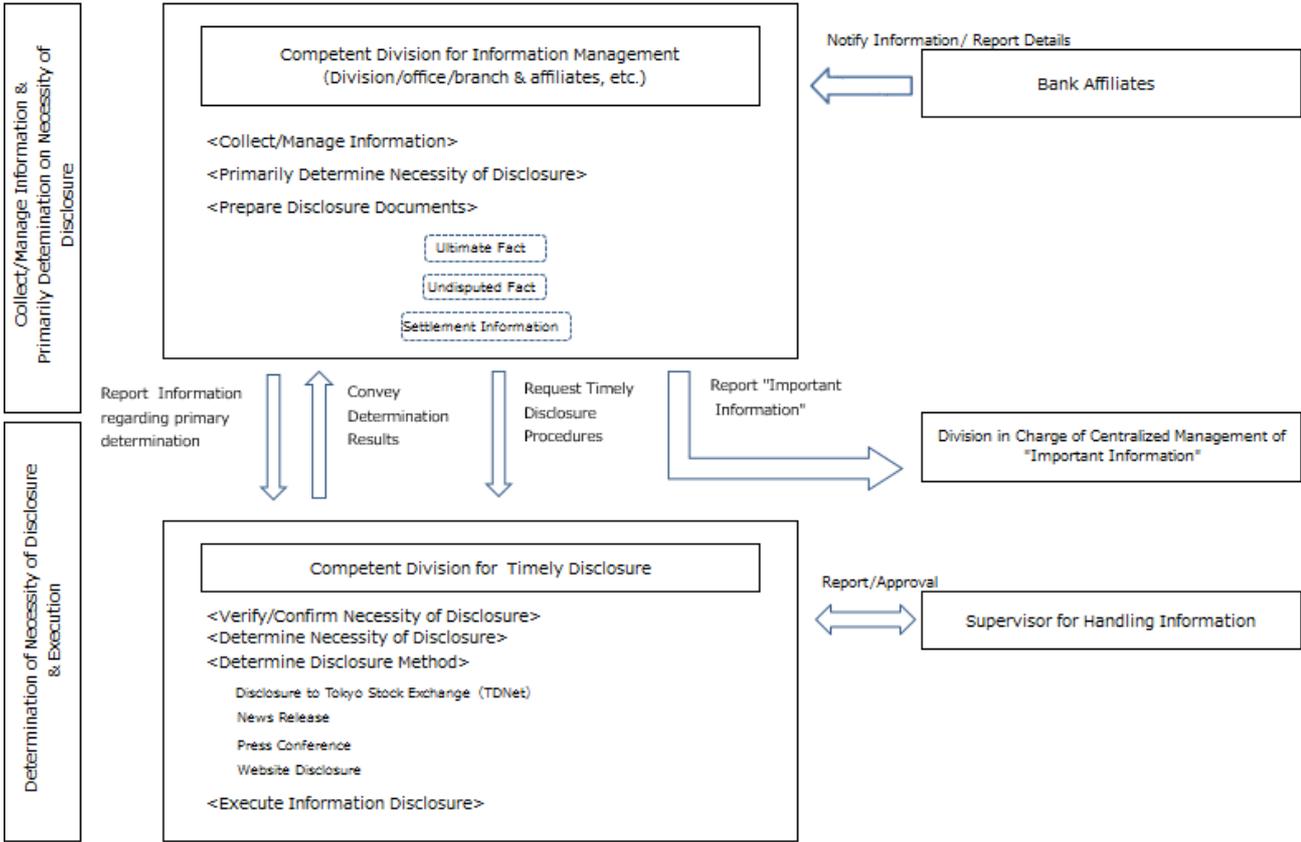
## Aozora's Corporate Governance Framework



| Name of committee                   | Chaired by                                | Members  | Frequency               | Purpose  |
|-------------------------------------|---|--|-------------------------|--|
| Board of Directors                  | Chairman                                  | Directors, Audit & Supervisory Board Members           | Quarterly, as necessary | Determine management policy, supervise duties of directors and executive officers  |
| Audit & Supervisory Board           | Standing Audit & Supervisory Board Member | Audit & Supervisory Board Members                      | Monthly (in principle)  | Report, discuss and approve important audit matters  |
| Nomination & Remuneration Committee | Outside Director                          | Directors (outside directors comprise majority)        | As necessary            | Recommend candidates for director, Audit & Supervisory Board Member, and other important roles to the Board of Directors<br>Determine remuneration for directors and important officers, and make recommendations regarding remuneration for Audit & Supervisory Board Members |
| Audit & Compliance Committee        | Outside Director                          | Outside Directors                                      | As necessary            | Supervise and review the effectiveness and suitability of internal control system construction including internal and external audits, risk management, compliance, and credit audits.   |
| Management Committee                | Chief Executive Officer                   | Executive Officers appointed by the Board of Directors | Weekly                  | Determine important matters related to daily business operations   |

(As of July 1, 2024)

# Outline of Aozora Bank's Timely Disclosure Framework



(As of July 1, 2024)