

Aozora Bank's Initiatives for Customer-Oriented Business Management

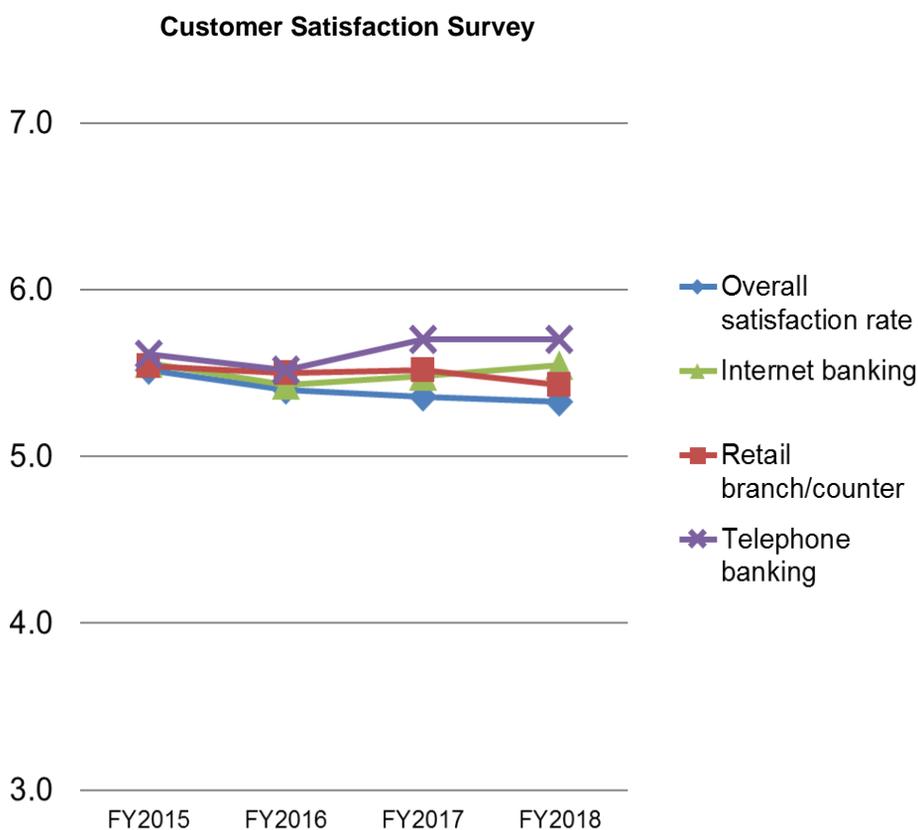
Aozora Bank offers financial products and services that are truly beneficial to its customers and monitors various achievement criteria based on the following policies. The Bank discloses and reviews progress on its initiatives for customer-oriented business management on a regular basis.

Please refer to the following pages for the status of the Bank's initiatives for customer-oriented business management as of the end of September 2019.

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

1. Customer Satisfaction Survey

- The Bank conducts customer satisfaction surveys on an annual basis to reflect its customers' diverse views in its business management. For FY2018, customer satisfaction with services for Internet banking and telephone banking grew or remained unchanged, while that with services at a retail branch/counter declined year-on-year. In terms of the latter, many customers commented on “wait time” and “customer services.”
- We will continue to make efforts to further enhance our services based on feedback from customers. (Main investigation is the street when publishing it on May 31, 2019 last time for implementation once a year.)



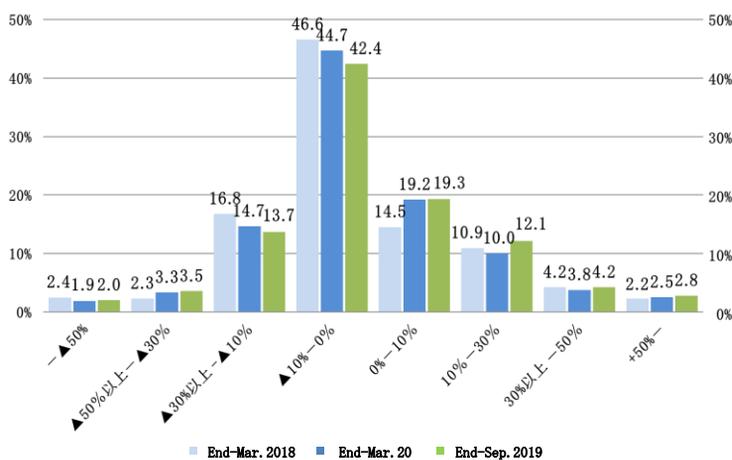
•Evaluation method :

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

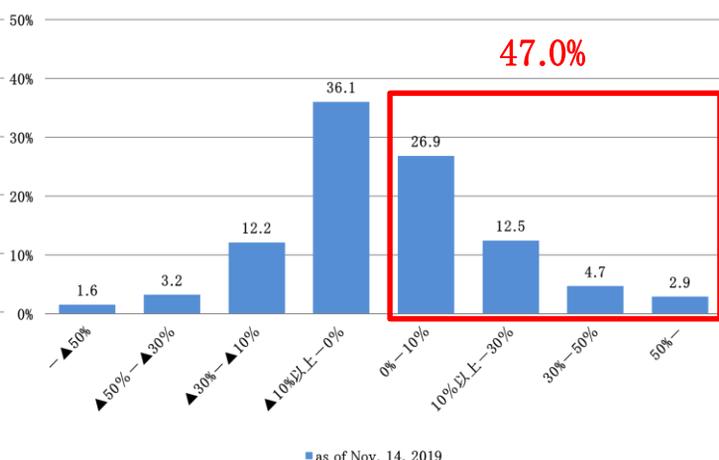
2. [Common KPI] Customers by Investment P/L

- As of the end of September 2019, 38.3% of customers achieved positive investment trust returns, which was an increase from 35.5% as of the end of March 2019. With a rise in the base price thanks to favorable results of the Bank's key products, Zenzo series that are designed to generate returns through diversified investments and tenors, eight out of nine offered in or after 2017 surpassed the base price of 10,000 yen as of November 14, 2019. As a result, the ratio of customers achieving profitability improved from 38.3% as of the end of September 2019 to 47.0%. (See the following graphs: Customers by Investment P/L (as of Nov. 14, 2019) and Zenzo series offered in or after 2017.)
- The Bank selects core funds that are most suitable for mid-to long-term investments from products with a relatively low risk or products investing in diverse assets and offer them to customers for their asset development over a mid-to long-term period.
- Zenzo series, key products of core funds, are designed to diversify investments and tenors by purchasing global stocks and bonds in stages, thereby gradually generating returns. The base price of Zenzo series that have been sold has risen with the elapse of each investment period. Five Zenzo series funds were switched to stable bond investments after exceeding the target base price of 11,500 yen and then redeemed on or before the maturity date. (See the following graph, Zenzo series offered in or before 2016.)
- We will continue to pay due attention to the investment status of funds purchased by our customers and provide detailed follow-up services.

Customers by Investment P/L



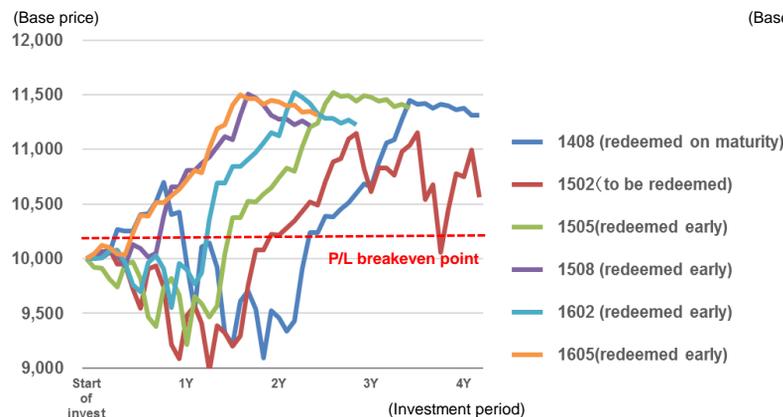
Customers by Investment P/L(As of Nov. 14, 2019)



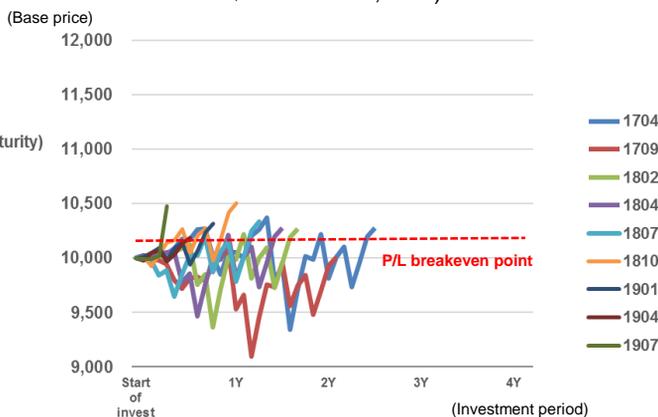
* It's already canceled, it's investment trust, a profit and loss aren't included.

Zenzo Series Investment Status

Zenzo series offered in or before 2016



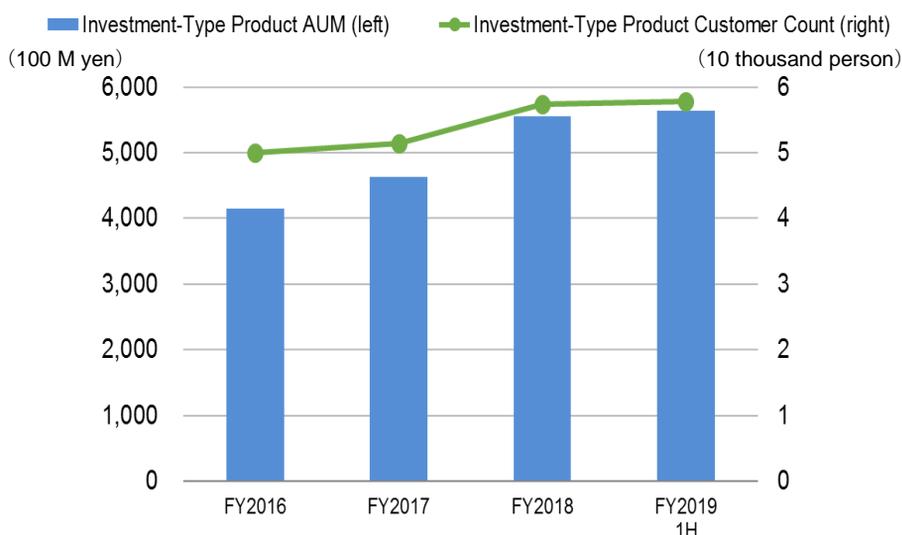
Zenzo series offered in or after 2017 (As of Nov.14,2019)



3. Investment-Type Product AUM and Customer Count

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

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



4. Product Line-up

- The Bank offers a broad range of products designed to meet the diverse needs of its customers.
- We provide unique products leveraging the expertise of the Aozora Bank Group, including 17 funds in collaboration with Aozora Investment Management and 23 structured bonds (retail bonds) with Aozora Securities Co., Ltd.

Product Line-up (as of end-Sep. 2019)

<Investment Trust>

Subject for Investment	End-Sep. 2019	
	No of Products	Share
Equities	50	37%
Domestic	19	14%
Developed Market	6	4%
Emerging Market	10	7%
Global	15	11%
Bonds	38	28%
Domestic	4	3%
Developed Market	9	7%
Emerging Market	8	6%
Global	11	8%
HY	6	4%
REITs	14	10%
Domestic	3	2%
Overseas	7	5%
U.S.	4	3%
Balance	26	19%
Domestic	2	1%
Overseas	24	18%
Other	6	4%
Total	134	100%
Of which, no-load	19	14%

<Life Insurance>

Product Type		End-Sep. 2019			
		No of Products	Share		
Single Premium	Yen		4	27%	
		Variable Annuity	0	0%	
		Fixed Annuity	1	7%	
		Variable Whole Life	0	0%	
		Fixex Whole Life	3	20%	
		Care/Meridal Insurance	0	0%	
		Total	15	100%	
	Foreign currency		11	73%	
		Variable Annuity	0	0%	
		Fixed Annuity	3	20%	
		Variable Whole Life	0	0%	
		Fixed Whole Life	7	47%	
		Fixed Endorsement	1	7%	
Installment	Yen		7	88%	
		Whole Life Insurance	2	25%	
		Fixed Life Insurance	0	0%	
		Medical/Cancer Insurance	3	38%	
		Education Endowment Insurance	0	0%	
		Pension/Endowment Insurance	0	0%	
		Care Insurance	2	25%	
		Total	8	100%	
	Foreign currency		1	13%	
		Pension Insurance	1	13%	
		Total	8	100%	
		Products with fee disclosure		14	61%

<Structured Bond, Foreign Bond>

Reference Index/Denominated	End-Sep. 2019	
	No of Products	Share
NKY225	6	26%
NKY225-EUR50	13	57%
NKY225-S&P500	4	17%
AUD/Yen	0	0%
Total	23	100%

5. Top 10 Funds by Sales of Investment Trust

- In FY2019 1H, many customers selected funds investing in overseas stocks and five out of top ten were such funds, accounting for 37.7% of the total.

Top 10 Funds by Sales of Investment Trust

<FY2018>

Rank	Fund name	Asset	Managed by	Monthly dividend type	Core fund	Fee (tax included)
1	Nissay Australia High Income Equity Fund (monthly settlement type)	Overseas stock	Nissay AM	○		3.24%
2	Aozora New Global Diversified Fund (limited addition) 2018-07	Zenzo Balanced	AIM		○	2.70%
3	Aozora New Global Diversified Fund (limited addition) 2018-04	Zenzo Balanced	AIM		○	2.70%
4	Aozora New Global Diversified Fund (limited addition) 2018-10	Zenzo Balanced	AIM		○	2.70%
5	Daiwa J-REIT Open (monthly distribution type)	Domestic REIT	Daiwa AM	○		1.62%
6	Stock Index Fund 225	Domestic stock	Daiwa AM			1.62%
7	Japan Excellent	Domestic stock	Daiwa AM			3.24%
8	Major Next Generation U.S. Stock Fund	Overseas stock	MUFG AM			3.24%
9	Aozora New Global Diversified Fund (limited addition) 2019-01	Zenzo Balanced	AIM		○	2.70%
10	Robot/Technology related Stock Fund -Robotech-	Overseas stock	Daiwa AM			3.24%

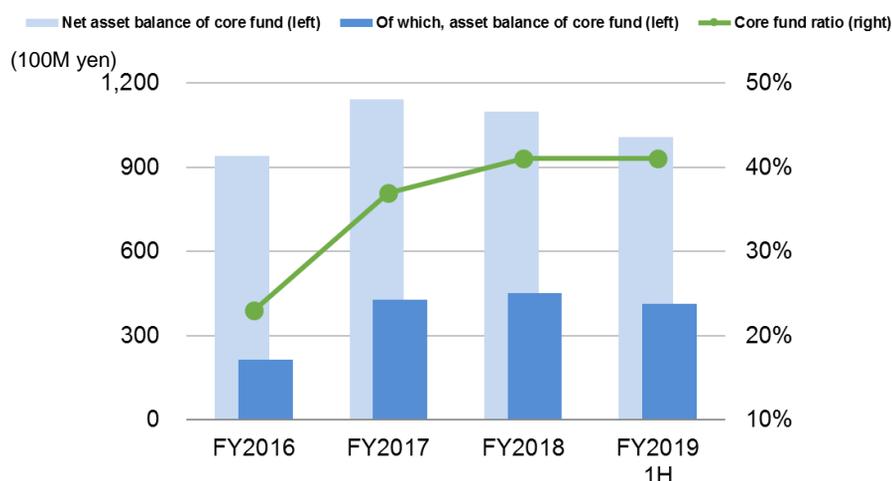
<FY2019 1H>

Rank	Fund Name	Asset	Managed by	Monthly Dividend Type	Core Fund	Fee (Tax Included)
1	Pictet Global Income Equity Fund (monthly settlement type)	Overseas stock	Pictet AM	○		3.24%
2	Nissay Australia High Income Equity Fund (monthly settlement type)	Overseas stock	Nissay AM	○		3.24%
3	Daiwa J-REIT Open (monthly distribution type)	Domestic REIT	Daiwa AM	○		1.62%
4	Daiwa US-REIT Open (monthly settlement type) Course B (without FX hedge)	Overseas REIT	Daiwa AM	○		2.70%
5	Aozora New Global Diversified Fund (limited addition) 2019-04	Zenzo Balanced	AIM		○	2.70%
6	Tokio Marine Yen Asset Balanced Fund (monthly settlement type)	Domestic bond	Tokio Marine AM	○	○	1.62%
7	Robot/Technology related Stock Fund -Robotech-	Overseas stock	Daiwa AM			3.24%
8	Morgan Stanley Global Premium Stock Open (without FX hedge)	Overseas stock	MUFG AM			3.24%
9	Aozora New Global Diversified Fund (limited addition) 2019-07	Zenzo Balanced	AIM		○	2.70%
10	Morgan Stanley Global Premium Stock Open (with FX hedge)	Overseas stock	MUFG AM			3.24%

6. Core Fund Balance and Ratio to Total Investment Trusts

- In FY2019 1H, the core fund ratio to the total investment trusts was 41.0%, with 24.6% of customers selecting core funds.

Core Fund Balance and Ratio to Total Investment Trust



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

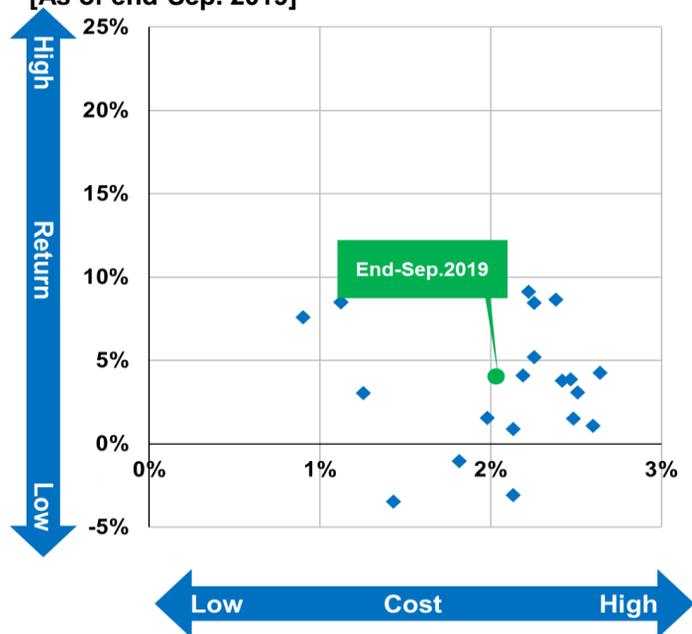
➤ For top 20 funds by balance with an investment period of five years or more that accounted for 40.5% of the total balance of investment trusts under custody, the average return declined from the end of March 2019 due to unstable market conditions.

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

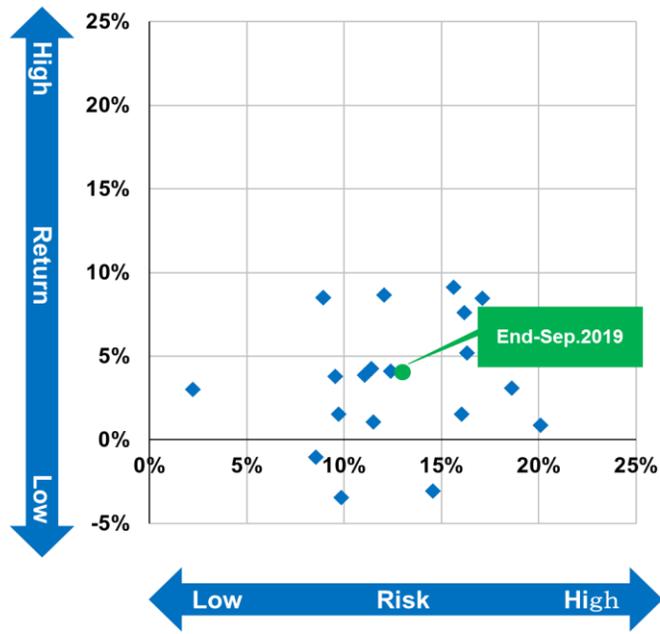
- Weighted average as of end-Sep. 2019 (cost 2.0%, risk 13.0%, return 4.0%)
- Weighted average as of end-Mar. 2019 (cost 2.0%, risk 13.0%, return 5.6%)
- Weighted average as of end-Mar. 2018 (cost 1.9%, risk 12.5%, return 3.2%)

Cost and Return

[As of end-Sep. 2019]



Risk and Return



Cost, Risk and Return of Top 20 Funds by Balance of Investment Trust under Custody as of end-Sep. 2019 (investment period of five years of more)

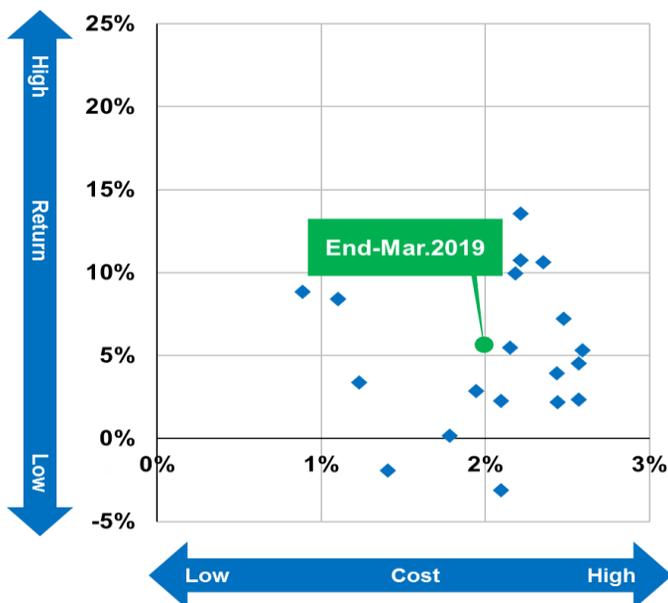
	Fund name	Cost	Return	Risk
1	Nissay Australia High Income Stock Fund (monthly settlement type)	2.5%	16.0%	1.5%
2	Daiwa J-REIT Open (monthly dividend type)	1.1%	8.9%	8.5%
3	Japan Excellent	2.3%	16.3%	5.2%
4	Pictet Global Income Equity Fund (monthly dividend type)	2.5%	11.1%	3.9%
5	Tokio Marine Japanese Yen Asset Balance Fund (monthly settlement type)	1.3%	2.2%	3.0%
6	Major Next Generation U.S. Stock Fund	2.3%	17.1%	8.5%
7	Brazil Bond Open (monthly settlement type)	2.1%	20.1%	0.9%
8	Daiwa US-REIT Open (monthly) Course B (without FX hedge)	2.2%	15.6%	9.1%
9	Stock Index Fund 225	0.9%	16.2%	7.6%
10	High Dividend Global REIT Premium Fund (without yen hedge course)	2.6%	11.5%	1.1%

	Fund name	Cost	Return	Risk
11	MHAM Australian Dollars Bond Fund (monthly dividend type)	1.8%	8.5%	-1.0%
12	Daiwa J-REIT Open	1.1%	8.9%	8.5%
13	Short-term Australian Bond Open (monthly dividend type)	1.4%	9.8%	-3.5%
14	Sumitomo Mitsui U.S. High Yield Bond Fund (no FX hedge type)	2.4%	9.5%	3.8%
15	JPM Medical Stock Fund	2.5%	18.6%	3.1%
16	Asia High Yield REIT Fund	2.4%	12.0%	8.6%
17	GW Seven Eggs	2.6%	11.4%	4.3%
18	Sumitomo Mitsui Global REIT Open	2.2%	12.4%	4.1%
19	Global 3 Assets Fund	2.0%	9.7%	1.6%
20	Mexico Bond Open (monthly settlement type)	2.1%	14.6%	-3.1%

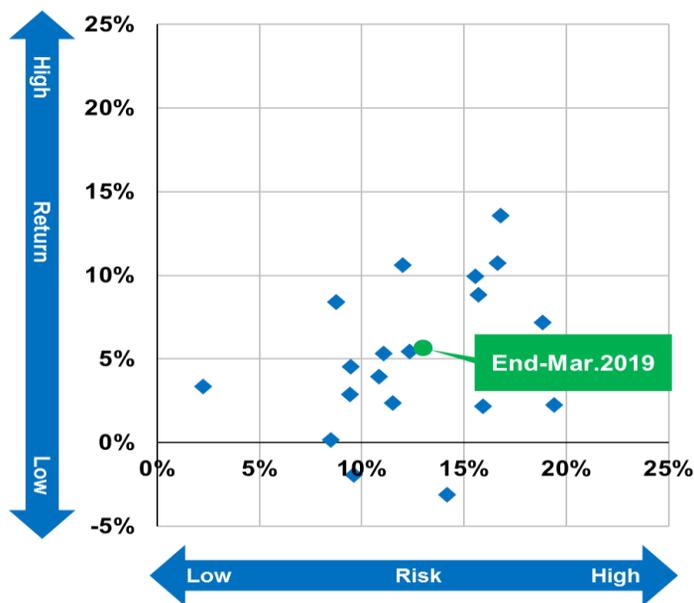
7. [Common KPI] Cost and Return/Risk and Return of Top 20 Funds by Balance of Investment Trust under Custody (investment period of five years or more)

Cost and Return

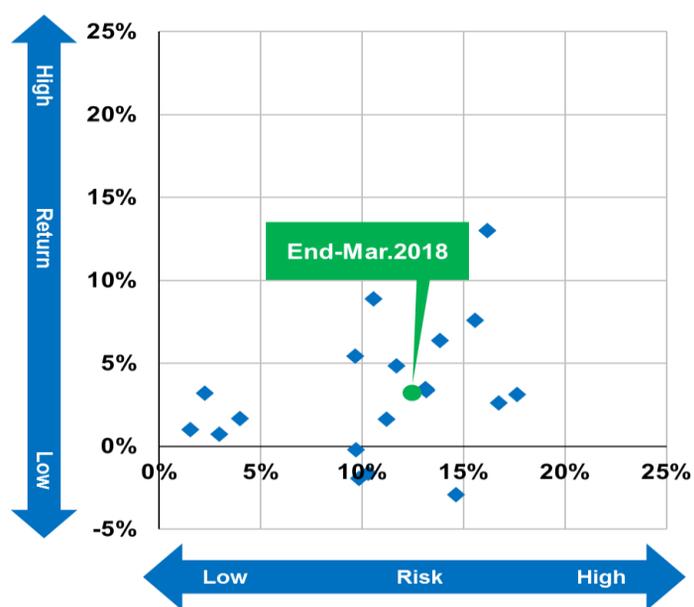
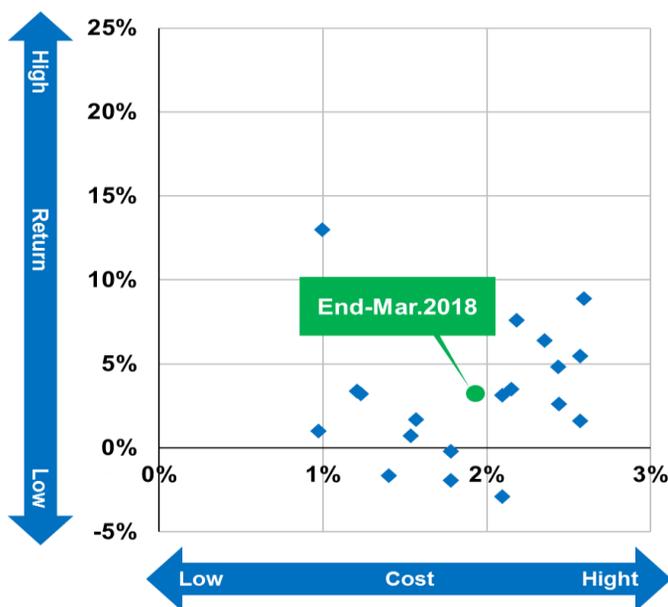
[As of end-Mar. 2019]



Risk and Return



[As of end-Mar. 2018]



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

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

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

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

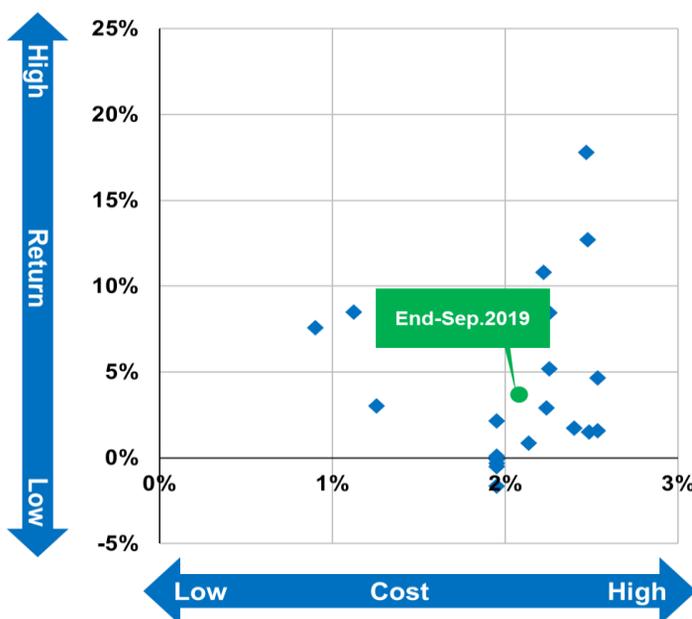
7. [Common KPI] Cost and Return/Risk and Return of Top 20 Funds by Balance of Investment Trust under Custody (including investment period of less than five years)

➤ For top 20 funds by balance of investment trust under custody including those with investment period of less than five years that accounted for 68.9% of the total balance of investment trusts under custody, the average risk increased, while the average return improved from the end of March 2019.

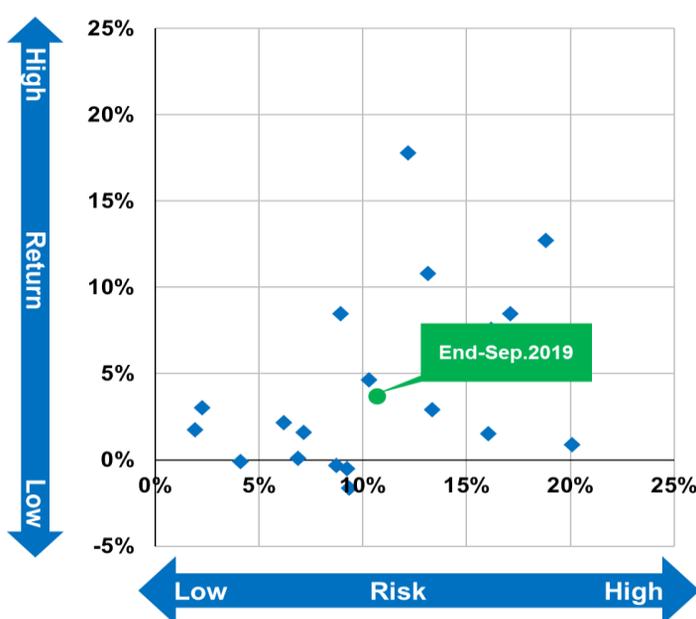
Cost and Return/Risk and Return of Top 20 Funds by Balance of Investment Trust under Custody (investment period of five years or more)

- Weighted average as of end-Sep. 2019 (cost 2.1%, risk 10.7%, return 3.6%)
- Weighted average as of end-Mar. 2019 (cost 2.1%, risk 10.4%, return 3.5%)
- Weighted average as of end-Mar. 2018 (cost 2.1%, risk 10.4%, return 5.1%)

Cost and Return
[As of end-Sep. 2019]



Risk and Return



Cost, Risk and Return of Top 20 Funds by Balance of Investment Trust under Custody as of end-Sep. 2019 (including investment period of less than five years)

	Fund name	Cost	Return	Risk
1	Nissay Australia High Income Stock Fund (monthly settlement type)	2.5%	16.0%	1.5%
2	Nomura Pimco Global Income Strategy Fund Course A (with FX hedge, semi-annual)	2.4%	1.9%	1.8%
3	Aozora New Global Diversified Fund (limited addition) 2017-09	Zenzo	2.0%	9.3%
4	Aozora New Global Diversified Fund (limited addition) 2017-04	Zenzo	2.0%	8.7%
5	Aozora New Global Diversified Fund (limited addition) 2018-02	Zenzo	2.0%	9.2%
6	Daiwa J-REIT Open (monthly dividend type)	1.1%	8.9%	8.5%
7	Japan Excellent	2.3%	16.3%	5.2%
8	Robot Technology Related Equity Fund -Robotech-	2.5%	18.8%	12.7%
9	Pictet Global Income Equity Fund (monthly dividend type)	2.5%	12.2%	17.8%
10	Aozora New Global Diversified Fund (limited addition) 2018-07	Zenzo	2.0%	6.9%

	Fund name	Cost	Return	Risk
11	Aozora New Global Diversified Fund (limited addition) 2018-04	Zenzo	2.0%	4.1%
12	Tokio Marine Japanese Yen Asset Balance Fund (monthly settlement type)	1.3%	2.2%	3.0%
13	Aozora New Global Diversified Fund (limited addition) 2018-10	Zenzo	2.0%	6.2%
14	Aozora Japanese Equity Focus Strategy Fund	2.2%	13.3%	2.9%
15	Daiwa FE Global Value (with FX hedge)	2.5%	7.2%	1.6%
16	Major Next Generation U.S. Stock Fund	2.3%	17.1%	8.5%
17	Brazil Bond Open (monthly settlement type)	2.1%	20.1%	0.9%
18	Daiwa US-REIT Open (monthly) Course B (without FX hedge)	2.2%	13.2%	10.8%
19	Stock Index Fund 225	0.9%	16.2%	7.6%
20	Daiwa FE Global Value (without FX hedge)	2.5%	10.3%	4.7%

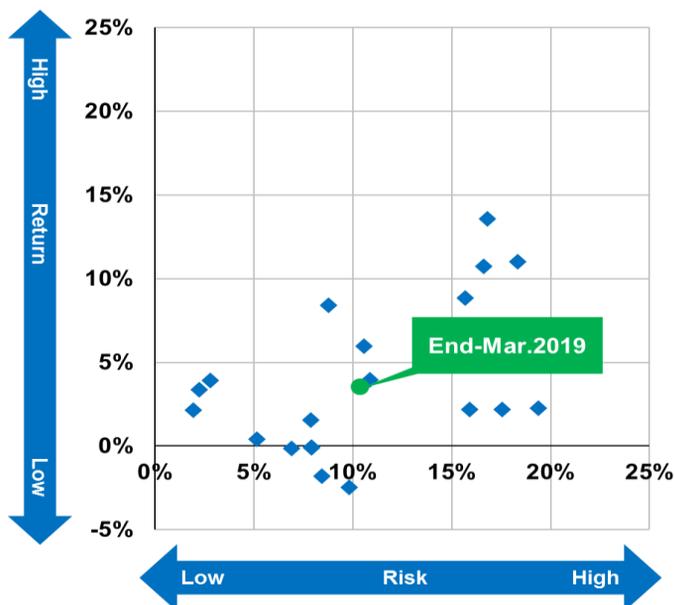
7. [Common KPI] Cost and Return/Risk and Return of Top 20 Funds by Balance of Investment Trust under Custody (including investment period of less than five years)

Cost and Return

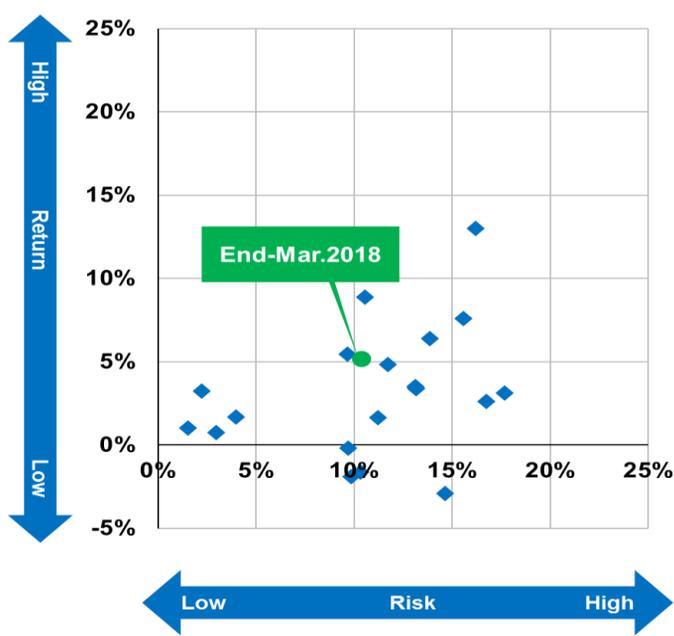
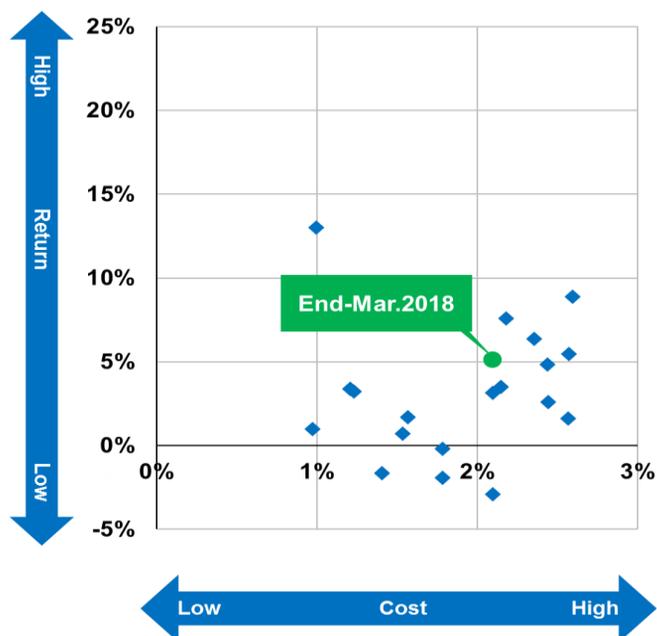
[As of end-Mar. 2019]



Risk and Return



[As of end-Mar. 2018]



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

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

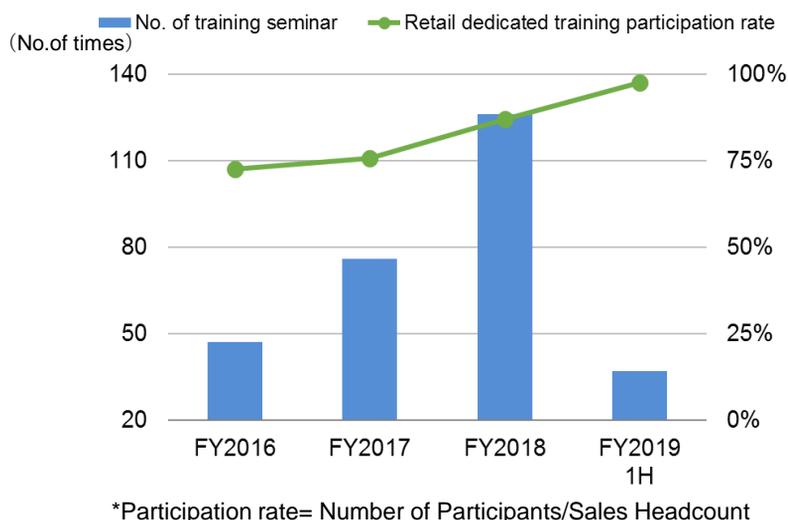
*Return: total return for the last five years (converted monthly return to annual return); for funds with an investment period of less than five years, calculated based on the period since the establishment

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

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

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

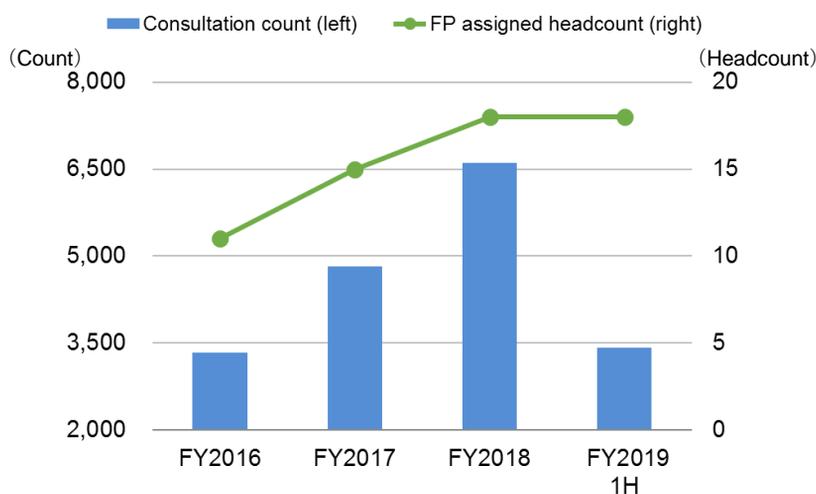
Number of Retail Dedicated Seminars/Study Sessions and Participation Rate



9. FP Headcount and FP Consultation Count

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

FP Headcount and FP Consultation Count



10. Remodeling of Branches

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

Remodeling Progress Since FY2015

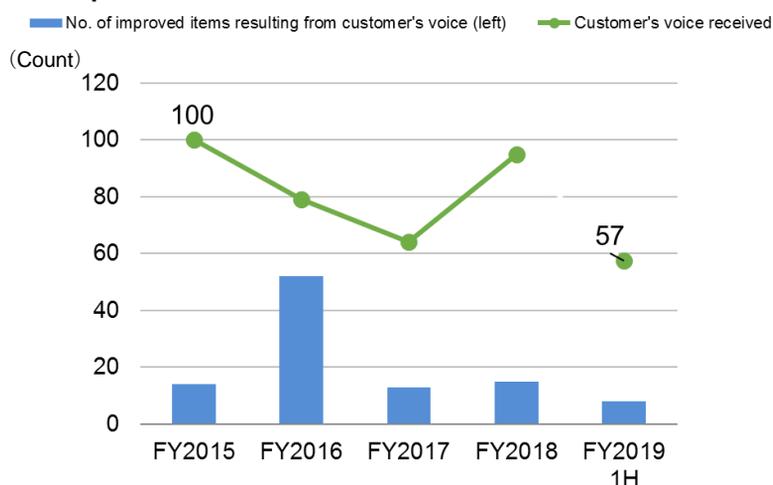
FY	Month/Date	Branch	Relocation/Remodel
2015	June.29	ikebukuro	Remodel
	Nov.24	Nagoya	Relocation
2016	Sep.20	Takamatsu	Relocation
2017	May.8	H.O.Retail	Relocation
2018	Dec.25	Chiba	Relocation

*13 out of totaling 19 branches have been remodeled

11. Improvements Based on Customers' Voice

- In FY2019 1H, the Bank received opinions and requests from customers regarding measures associated with the launch of the BANK Branch in July 2019.
- We continue to strive to enhance our services to better respond to customers' needs.

Number of Improvements Based on Customer's Voice



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

*Figures of FY2019 1H are semi-annual based.

《Improvements Based on Customer's Voice》

① Enabling customers to easily change the debit card limit through the original app

The BANK Branch's original app allows its customers to change the debit card limit on a real-time basis.

② Free-of-charge bank transfer via Internet Banking for certain times

The Bank has started to offer a free-of-charge bank transfer service for the BANK Branch customers under the following conditions.

- Those who use the Bank's debit card at least once a month
⇒ Eligible for 1 free-of-charge bank transfer transaction in the month after next
- Those who hold at least 5M yen at their BANK Branch's account
⇒ Eligible for 2 free-of-charge bank transfer transactions in the month after next
- Those who satisfy (a) and (b) above
⇒ Eligible for 3 free-of-charge bank transfer transaction in the month after next