



Integrated Report
—Annual Report—

April 1, 2024 – March 31, 2025

2025

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Editorial Policy

The Aozora Group has published this Integrated Report for the purpose of presenting its value creation story to all stakeholders. This document is provided, taking into consideration the International Integrated Reporting Framework published by the IFRS Foundation as well as the Ministry of Economy, Trade and Industry's "Guidance for Collaborative Value Creation."

In light of the feedback we received from our stakeholders regarding our "Integrated Report 2024" issued in 2024, we focused on the theme of "reviewing the past fiscal year and illustrating our vision for creating new value-added financial services" when compiling the 2025 publication.

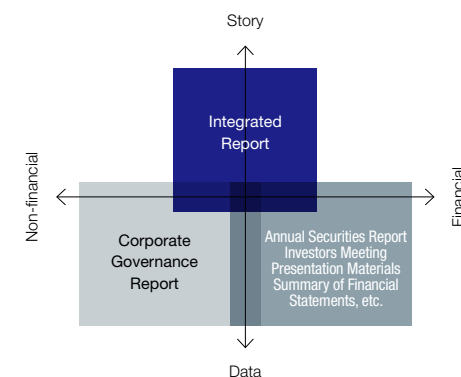
The Management Message presented in this document outlines the Group's growth story as well as its value creation process through the "Value Creation Story." Similarly, the "Value Creation Strategy" describes our efforts to achieve the Mid-term Plan "Aozora 2027" (announced in May 2025) through messages from the outside directors and overviews of our unique businesses.

We hope that this document will help you better understand the initiatives we are taking to achieve further growth.

Forward-looking Statements

This document contains forward-looking statements regarding Aozora's financial condition and results of operations. These forward-looking statements, which include Aozora's views and assumptions with respect to future events, involve certain risks and uncertainties. Actual results may differ from forecasts due to changes in economic conditions and other factors.

Aozora's Information Disclosure Framework



Management Philosophy

Aozora Mission

Mission

Contribute to the development
of society through the creation
of new value-added
financial services

Aozora Vision

Vision

Adapt to a rapidly changing world
while remaining a trusted, valued and specialized
financial service provider

Aozora's Key Priorities

Action

1. Provide specialized and value-added financial services
2. Move quickly, while responding patiently and politely
3. Prioritize teamwork and provide a more comfortable working environment
4. Respect one's colleagues and support professional growth of all team members
5. Learn from the past while adapting to and focusing on the future
6. Take smart risks in new areas based upon our skills and experience
7. Actively contribute to the sustainable growth of society

CEO Message



Hideto Oomi

Representative Director and President

Chief Executive Officer (CEO)

Unlocking the Future's Potential with Aozora

Introduction

Appointed in April 2024, I am now in my second year as Representative Director and President, CEO of Aozora Bank.

My tenure began amid a series of significant events that had a substantial impact on our management. Most notably, Aozora posted a significant loss in FY2023 as well as entered into a capital and business alliance with Daiwa Securities Group Inc. Over this period, I have dedicated significant time to fostering dialogue with a wide range of our stakeholders.

Our shareholders in particular have on occasion voiced their critical opinions. In this regard, I deeply felt the importance of restoring trust at the earliest possible opportunity by addressing areas where we have fallen short of expectations.

Japan is said to have entered a period of gradual decline due to its shrinking population. From a period during which hard work led inextricably to growth along with market expansion, we have shifted into a more mature phase in which growth cannot be expected simply by maintaining the status quo. However, when viewed from a different perspective, this mature phase can be seen as a phase in which we can choose a path that best suits our

circumstances from a variety of options. This means banks in Japan must provide services that are genuinely needed by customers amid an era of abundant alternatives.

Since its founding, our bank has expanded into areas in which it can excel by blazing new trails where people find it difficult. In our Integrated Report 2025, we hope to provide an explanation of the unique business model that we have cultivated to date, which encompasses the services and functions required of banks in the future, as well as our Mid-term Plan “Aozora 2027” beginning in FY2025, which serves as a roadmap for the Bank’s growth along with its customers.

Changes in the Environment as a Catalyst for Ingenuity

I strongly believe that Aozora’s ability to make the most of its limited size and to seek out growth potential amid a changing environment is the reason why we possess the services and functions that are required of banks in the future. While Aozora was placed under special public management in 1998, it completed a full repayment of public funds in 2015 embarking on a new phase. Over the period

CEO Message

leading up to this full repayment, major banks including city banks and trust banks expanded their scale through integration and regional banks took steps to strengthen their local business foundations. Meanwhile, we did not pursue scale through mergers but instead focused on strengthening our business by concentrating on areas where we have strengths, positioning ourselves as an independent bank with a manageable size. These strategies have served as the foundation for Aozora's current unique position.

More recently, conditions surrounding the finance industry have undergone significant change. Three important shifts have in turn impacted the Bank's business model.

First: The introduction of a negative interest rate policy

In an effort to ramp up its large-scale monetary easing measures, the Bank of Japan adopted a negative interest rate policy in January 2016. As a result, the banking sector experienced a significant decline in interest income, and the profitability of Aozora's domestic business also declined significantly.

However, prior to this change in environment, Aozora had established strengths in the structured finance businesses, including LBO, business recovery, and real estate finance, and promoted a business model with relatively high interest margins. Despite the impact of the Bank of Japan's negative interest rate policy, we took steps to maintain profitability by expanding our international business and actively engaging in ALM management. Through these measures, we were able to maintain a higher

dividend to shareholders.

However, with an increasing focus on U.S. office loans and investments in foreign currency securities, the sharp rise in U.S. interest rates from 2022 onwards led to significant losses. Drawing from this experience, we have strengthened our risk governance and are adhering strictly to disciplined risk appetite management under our Mid-term Plan "Aozora 2027." [P13 "CRO Message"](#)

We have also been working to transform our funding structure. In 2019, we launched BANK™, a deposit service for retail customers that offers convenient access via smartphones. With a competitive annual interest rate for ordinary deposits of 0.2%, BANK™ has generated an increase in new customers. Building on the growing profile of BANK™ as an established brand, the number of deposit accounts expanded to 600,000 in FY2024. Despite having fewer branches due to our previous status as a long-term credit bank and the limited convenience of our accounts as everyday payment accounts, we viewed this situation as an advantage in terms of lower branch maintenance costs. As a result, we were able to offer higher interest rates to customers and provide enhanced convenience through Internet banking.

Second: Widespread implementation of corporate governance reform

Application of Japan's Corporate Governance Code in 2015 helped strengthen the transparency and accountability of corporate management as well as the board of directors. We anticipate this growing

trend will further activate the reorganization of business through M&A.

The expansion of the M&A market has led to an increase in demand for LBO financing, as well as a growing movement toward improving capital efficiency through the effective utilization of assets such as real estate held by companies. This has also led to increasing demand for solutions that employ real estate finance. The expansion of business opportunities in each of these fields has led to an increase in Aozora's market presence as well as accumulation of insight and expertise.

[P39 "Special Feature 2: Strategic Investments Business – A Discussion on LBO Financing –"](#)

From my daily conversations with business leaders, I feel that there is not a single business leader today who is not interested in M&A. Amid growing calls from stakeholders to generate long-term and sustainable resources that help underpin growth (the ability to generate profits) as well as enhance corporate value, companies now expect banks to not only act as intermediaries of funds, but also to engage in dialogue as partners, who work in unison to resolve issues.

Aozora commenced equity investments with a primary focus on engagement, which was unique to banks, in 2021. [P43 "Special Feature 3: Strategic Investments Business – Equity Investments with a Primary Focus on Engagement –"](#)

Our goal is to transcend the traditional framework of banking transactions and evolve into a reliable and useful advisor that engages in deep dialogue with business leaders about the strategies of their companies.

CEO Message



Third: Financial services that leverage digital technology

The integration of existing financial services and IT technology, which was made possible by advances in Internet technology, has activated developments in digitalization, providing increasingly convenient services.

In light of this trend, we began exploring new business opportunities with GMO Internet Group in 2015. In 2018, we launched GMO Aozora Net Bank (GANB), an Internet banking business that delivers

significant convenience at a low cost on the back of advanced IT technology. [▶ P45 “Special Feature 4: GMO Aozora Net Bank \(GANB\)”](#)

GANB is highly regarded for its convenience as an advanced bank with the speed of a tech company. In FY2024, the number of corporate accounts surpassed 180,000 and GANB also achieved profitability on a business profit basis. Looking ahead, GANB is expected to enjoy continued growth.

Aozora's efforts to address these three important shifts are expected to drive its growth going forward. Our unwavering commitment to taking on challenges with creativity in response to the changing times is what defines our uniqueness.

Future Prospects and Reaffirming Our Management Philosophy

We launched our Mid-term Plan “Aozora 2027” (FY2025 to FY2027) in May 2025. While we were in the middle of our previous Mid-term Plan “Aozora 2025,” we recognized the critical need to strengthen risk governance and to develop a new plan better aligned to major changes in our external environment. As a result, the decision was made to launch a new Mid-term Plan one year ahead of schedule.

After numerous discussions, we began formulating the new Mid-term Plan by reaffirming our management

philosophy as well as our overarching purpose: “To contribute to the development of society through the creation of new value-added financial services.”

In pursuing our management philosophy, we believe that it is vital that we both generate profits as a commercial enterprise and deliver an appropriate return to shareholders as a publicly listed company. Prior to the full repayment of public funds, we prioritized the generation of profits. After the full repayment, we were impacted by the central bank's negative interest rate policy for an extended period. Buffeted by this operating environment, we may have unwittingly strayed from our management philosophy, excessively focusing on the pursuit of profits. It is vital that we return to our roots as a financial intermediary and continue to create unique added value, consider organizations and individuals who are able to help us put this into practice, and prioritize the allocation of management resources in a bid to enhance our significance.

The growth drivers throughout the period of our new Mid-term Plan are the Strategic Investments Business and GANB. In our Strategic Investments Business, we have worked to put in place an increasingly robust structure through reorganization in order to return to the domestic market and provide a wide range of services to corporate customers in Japan.

In particular, we expect further growth in the LBO finance business, and we will continue to strengthen our position as a leader in the domestic market. In

CEO Message

addition, GANB, which achieved profitability on a business profit basis in FY2024, has entered a period of accelerated growth. We are convinced that each of these businesses will continue to evolve as important pillars for building our future.

Nearly a year has passed since we entered into an alliance with Daiwa Securities Group in July 2024. Over this period, our partnership has steadily progressed with concrete results and positive feedback from our customers. [P31 “Mid-term Plan ‘Aozora 2027’ \(announced in May 2025\) Business Co-creation through Integrated Banking and Securities Services”](#)

With regard to our retail business, we assigned 20 employees with experience in retail banking to Daiwa Securities’ head office and branches in April 2025 in an effort to enhance the value-added of our human resources. Preparations are also underway to commence sales of Daiwa Securities’ fund wraps through our network from autumn 2025.

We are targeting an increase in business profit of 10 billion yen in FY2027, the final fiscal year of the Mid-term Plan as a result of synergies from the alliance.

Market Evaluation

In FY2024, the Bank achieved a V-shaped recovery, securing a positive turnaround from the previous fiscal year’s loss. With a result that exceeded our initial plan, we were able to increase our dividend. By expanding our business with a view to sustainable growth, we are targeting profit attributable to owners of parent of 33 billion yen and an ROE of around 7% in FY2027, the final fiscal year of “Aozora 2027.” We recognize that, in order to enhance our corporate value, it is essential to achieve sustainable growth by improving ROE as well as reducing the cost of capital.

[P9 “CFO Message”](#)

In order to reduce the cost of capital, it is important to secure a balance between resilience management through enhanced risk governance, sustainability management centered on efforts aimed at addressing environmental issues as well as human resources strategies, and increased expectations toward growth through the cultivation of new markets. We will continue to communicate with the market to ensure that stakeholders have a deeper understanding of these initiatives as we grow our business. [P22 “Stakeholder Communications”](#) Raising awareness among employees as well as management, is also important for enhancing corporate value.

In an effort to ensure that each of our employees maintain a shareholder-oriented management

mindset, we will upgrade and expand incentives for Employee Stock Ownership Plan members to purchase the Bank’s shares throughout the period of the Mid-term Plan from FY2025 to FY2027. In addition to increasing Employee Stock Ownership Plan membership to around 90% by FY2027, we will work to put in place an organization in which executives and employees of the Bank work in unison to garner a favorable market evaluation and enhance corporate value.



CEO Message

Human Capital Investments and Strengthening Aozora's Organizational Culture

Investing in human capital is essential to carrying out our business. In an effort to remain a company for whom employees, as human resources generating added value, are proud to work as members, Aozora is committed to developing its people.

Development programs for human resources engaged in the Strategic Investments Business are a critical element of this commitment. Positioned not only as a focus area of business, the Strategic Investments Unit plays a critical role in the creation of new value-added financial services, a fundamental reason for the Aozora's existence. Through the Strategic Investments Business, we will take on the challenge of exploring underserved markets that will help fuel the Bank's growth going forward.

For example, one of our major strengths lies in our expertise in the Strategic Investments Business, which encompasses the integrated insights of front office divisions, risk management divisions, and our senior management. Over and above the accumulation of expertise on an individual basis, senior management will spearhead efforts to pass on this expertise as organizational knowledge.

In taking on the challenge of exploring underserved markets, Aozora has of course

experienced some failures. Nevertheless, we believe it is important to embrace challenges without the fear of failure, to commend those who take action, and to learn from our failures in order to grow.

I myself have been influenced by numerous challenges and failures I have experienced to date. Moving forward, I would hope that Aozora will continue to be an organization that is open to taking on challenges and recognizes such initiatives. To this end, I am dedicated to ensuring that this part of our corporate culture is firmly entrenched throughout the Group and also enhancing the job satisfaction of its members.

Each year, Aozora conducts an employee survey that covers a wide range of areas. For example, employees are asked "do you feel that your challenges are recognized" and whether they feel "a sense of job satisfaction." The results of this survey allow us to better gauge the status of the Group and to evolve into an organization in which its members can grow. In addition to passing on specialized expertise and knowledge, I will directly convey to young employees my own hands-on experience, including failures, as a member of the Group's management. With this in mind, I will promote investment in human capital in a bid to maintain an organizational culture that continues to take on challenges.

While fostering a culture that encourages employees to take on challenges without the fear of making mistakes, we will ensure that every member

of the Group is fully aware of the need to avoid impropriety or misconduct. In this regard, every effort will be made to put in place a trustworthy organization by drawing on the experiences of other banks and ensuring that all employees adhere to the highest ethical standards.

The "added value" we envision is not limited to generating unexpected ideas or applying advanced financial services. For example, responding more quickly than anyone else, providing easy-to-understand explanations, and greeting customers cheerfully all add value from a customer service perspective.

I make it a point to tell all members of our Group that in order to have customers say, "Aozora is excellent," and choose us among the many banking groups, it is essential to consistently deliver added-value from the customer's perspective. I also emphasize the importance of adopting a variety of approaches, all of which are indispensable initiatives.

Taking Ownership in the Promotion of Sustainability

In recent years, a broad range of social issues, including global warming, human rights, and declining birthrates and an aging population have become increasingly apparent. We are required to leverage the various added values of financial intermediation and work in unison with all of our

CEO Message

stakeholders, including customers, to address these social issues.

Promoting decarbonization through the provision of finance for renewable energy projects is one clear example. Other initiatives, including support for venture companies as well as business recovery support, are also important in contributing directly to the development of a sustainable economy and society and promoting the growth and reorganization of the corporate sector.

As far as sustainability is concerned, and in conjunction with formulating the Mid-term Plan, we reviewed Key Sustainability Issues (Materiality and Core Foundations), taking into account their impact on both the Group's performance and corporate value as well as stakeholders. We set KPIs for each of the three redefined Materiality issues, namely "Contribution to the future of the economy and society," "Response to environmental issues," and "Enhancement of the value of human capital," as Aozora's Sustainability Targets, and established a framework to monitor whether we are conscious of the need to create added value in each field.

[P52 "Sustainability Promotion"](#)

These initiatives also contribute to improvement of the Bank's PBR by increasing our expected growth rate and controlling capital costs.

We will continue to boldly take on new challenges in concert with our customers and other stakeholders and contribute to the development of a

sustainable society in order to realize our management philosophy.



Since its full repayment of public funds, Aozora has continued to grow steadily while addressing challenges by leveraging its unique strengths. Following the Bank of Japan's decision to lift its negative interest rate policy in 2024, demand for products and services in which we have strengths, including LBO finance, has increased in line with the revitalization of activities in Japan's corporate sector. Companies have moved beyond the stage of seeking to expand their business scale and are now seeking new optimal solutions. In addition to the corporate sector, I can sense that retail customers are pursuing services from a multifaceted perspective. This not only includes asset accumulation, but also the transfer of wealth to the next generation. In this era where we have multiple options, Aozora will take full advantage of the potential inherent in creating added value to ensure that it can provide services that customers truly need. Looking ahead, we will continue to help solve social issues through financial intermediation and work to enhance corporate value by achieving sustainable growth.

We kindly ask for your continued understanding and support for Aozora.



CFO Message

We remain committed to improving our ROE and reducing the cost of capital as we enhance profitability and deepen our dialogue with stakeholders.



Takashi Kato

Director and Senior Managing Executive Officer
Chief Financial Officer (CFO)

FY2024 in Review

In FY2024, we achieved a V-shaped recovery from the previous fiscal year, with net revenue of 85.6 billion yen and profit attributable to owners of parent of 20.5 billion yen. These results exceeded our initial forecasts, and as a result, we were able to deliver a dividend that exceeded our original forecast. The main factors contributing to this recovery in financial performance were higher net interest income due to the normalization of yen interest rates and a proactive build-up in domestic lending, coupled with greater non-interest income, including fee income from LBO financing. Moreover, GMO Aozora Net Bank (GANB) achieved profitability on a business profit basis as originally planned, and is expected to continue playing an important role in supporting our growth.

Steady progress was also made on addressing balance sheet issues. As the collection of U.S. office work-out loans continued to make progress, exposure to “In Danger of Bankruptcy” borrowers decreased approximately 40% compared with December 31, 2023, while additional credit expenses were limited. In addition, the net risk balance of the foreign currency securities portfolio was maintained at zero, and unrealized losses decreased due to scheduled maturities.

Reviewing our financial results by business segment, the Institutional Banking Group*¹ achieved the targets of the annual plan, mainly through growth in domestic corporate lending and higher sales revenue from foreign exchange derivatives. The Structured Finance Group*¹ maintained a strong

performance in the LBO finance and renewable energy finance businesses, while the International Business Group*¹ continued to engage in selective origination with a focus on portfolio quality. Although funding cost burdens associated with legacy assets*² remained, the Market Group*¹ achieved a significant decline in the deficit in business-related profit as a result of improving ALM-related net interest income and an increase in net trading revenues.

On the funding side, we worked to manage liquidity reserves to an optimal level while maintaining a good balance in an effort to stabilize our funding. With respect to retail deposits, we sought to shift funding from ordinary deposits to time deposits, while taking steps to enhance our stable funding base through attractive product design including interest rate settings for BANK™ ordinary deposits. In addition, we are expanding our funding based on corporate deposits.

As a result of operating with a sharp focus on controlling costs throughout the year, G&A expenses were 62.8 billion yen, below the initial budget. With an ongoing emphasis on investments in human resources, we put into effect pay-scale increases of 3.5%. On the other hand, credit-related expenses for FY2024 were a net expense of 9.4 billion yen, major of which were credit costs from loans to domestic borrowers facing earnings performance issues, excluding U.S. office loans.

With the full-scale launch of collaboration based on our capital and business alliance with Daiwa Securities Group, we expect to see this alliance bear fruit and produce concrete results in FY2025.

CFO Message

Moreover, GANB achieved profitability, recording 9.8 billion yen in net revenue and 300 million yen in business profit. These results were achieved against the backdrop of an expanding earnings base, including steady growth in the number of corporate accounts (more than 180,000 accounts as of March 31, 2025, an increase of approximately 60,000 accounts compared to the end of the previous fiscal year).

Our results for FY2024 strengthened the foundation for Aozora's sustainable growth, and will serve as an important stepping stone for further strides in FY2025 and beyond.

*1 Segment names are current as of March 31, 2024. From April 2025, these segments were reorganized into three business units.

*2 Securities that Aozora acquired before the U.S. and European interest rate hikes in FY2022 and to which Aozora intends to reduce unrealized losses over the medium to long term.

■ Mid-term Plan “Aozora 2027” for Sustainable Growth

Aozora announced its Mid-term Plan “Aozora 2027” (FY2025 to FY2027) in May 2025. In addition to the normalization of yen interest rates and a shift toward greater capital efficiency among companies, our business alliance with Daiwa Securities Group and growth by GANB will serve as driving forces for supporting the Group's Mid-term Plan.

Aozora is also committed to strengthening risk management as a central issue. In light of the lessons learned from having recorded significant losses in the foreign currency securities portfolio and U.S. office loans, we have clarified the

positioning of our risk appetite framework and strengthened risk governance in an effort to build a robust foundation for supporting sustainable growth.

As part of the Mid-term Plan, Aozora aims to place earnings growth upon a stable trajectory through stronger risk governance and sustainability management centered on ROE improvements realized through steady earnings growth. We will further strive to generate medium- to long-term growth potential through increased strategic investments. These efforts seek to establish a path towards reaching a PBR above 1 times by reducing the cost of capital and improving our market evaluation.

Improving the Bank's ROE

Reorganization for Enhanced Productivity

Aozora revised the Group's resource allocation toward strengthening the domestic Strategic Investments Business. Specifically, we consolidated multiple segmented business groups into three units. The Strategic Investments Unit is responsible for corporate customers in Japan, the Market & International Business Unit is responsible for overseas investments/lending and ALM management, and the Customer Relations Unit oversees the Bank's funding as well as provides investment products to retail and financial institution customers. [☞ P47 “At a Glance”](#)

The aim of this consolidation is to bring together the strengths of the team and to enhance the execution capabilities of the entire organization. This move will also enhance competitiveness by

organizing a framework that is able to address ever-changing market environments and customer needs in a timely and flexible manner. For example, the services provided to customers through the Strategic Investments Unit cover a broad spectrum, from corporate finance to LBO finance, real estate finance, business recovery finance, environmental finance, and other forms of structured finance, as well as to equity finance. Aozora will quickly and accurately address the fundamental challenges faced by our customers by providing solutions that integrate these services in a horizontal manner. Moreover, this move will facilitate the sharing of expertise and know-how within the units in a way that increases productivity across the entire organization. These initiatives will serve to create the types of new value-added financial services that reflect the Bank's management philosophy, and to build a robust framework for supporting sustainable growth.

Capital Investment and Reinforcement

Aozora will strategically invest capital in order to enhance competitiveness and achieve sustainable growth for the Group. Specifically, during the period covered by the Mid-term Plan, we will strengthen human capital by executing pay raises, and budgeted an overall expenses increase by approximately 3 billion yen on average per year.

Intellectual capital will play an extremely important role with respect to highly-specialized finance businesses. Supporting intellectual capital will require us to reinforce our teams of specialized

CFO Message

human resources, and to focus on sharing the knowledge and know-how held within the Bank, as well as on developing future generations of skilled professionals. Specifically, we will prioritize the allocation of capital to the Strategic Investments Business as the focus of the Mid-term Plan, and bolster it into a foundation for growth. Aozora will also set up and conduct a new Strategic Investments Seminar, during which current management who have been involved in the relevant business since market inception will serve as lecturers. In addition to passing on expertise and

know-how, this effort will serve as a means of conveying the spirit of pioneering new fields to future generations.

As for financial capital, along with allocating additional capital to the Strategic Investments Business, Aozora will enhance its stable funding base with the aim of supporting the growth in our balance sheet for domestic businesses.

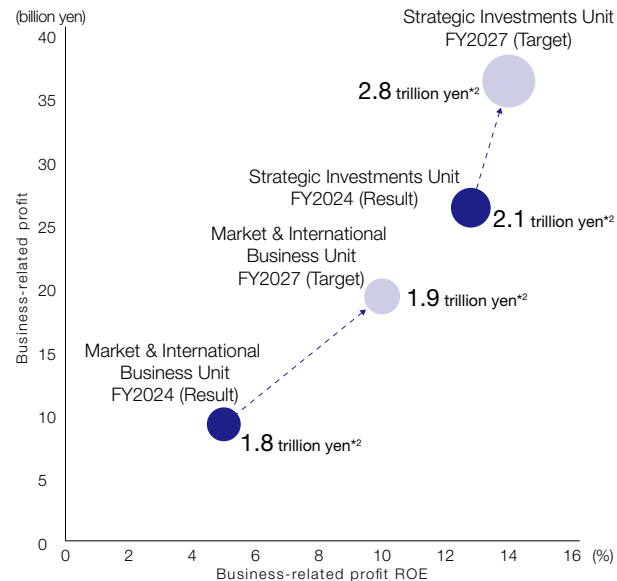
In order to measure the effectiveness of these initiatives, we will monitor the performance of each unit using business-related profit ROE as a key metric, and steadily advance profitability enhancements.

Reducing the Cost of Capital

The cost of capital is a critical metric that reflects market expectations regarding the outcomes of our business activities and growth potential. We believe this metric reflects the current assessment of Aozora by shareholders and the market, and also serves as an important factor for shareholders in assessing our future performance in assessing our future performance.

Aozora has positioned strengthening risk governance, sustainability management that aims

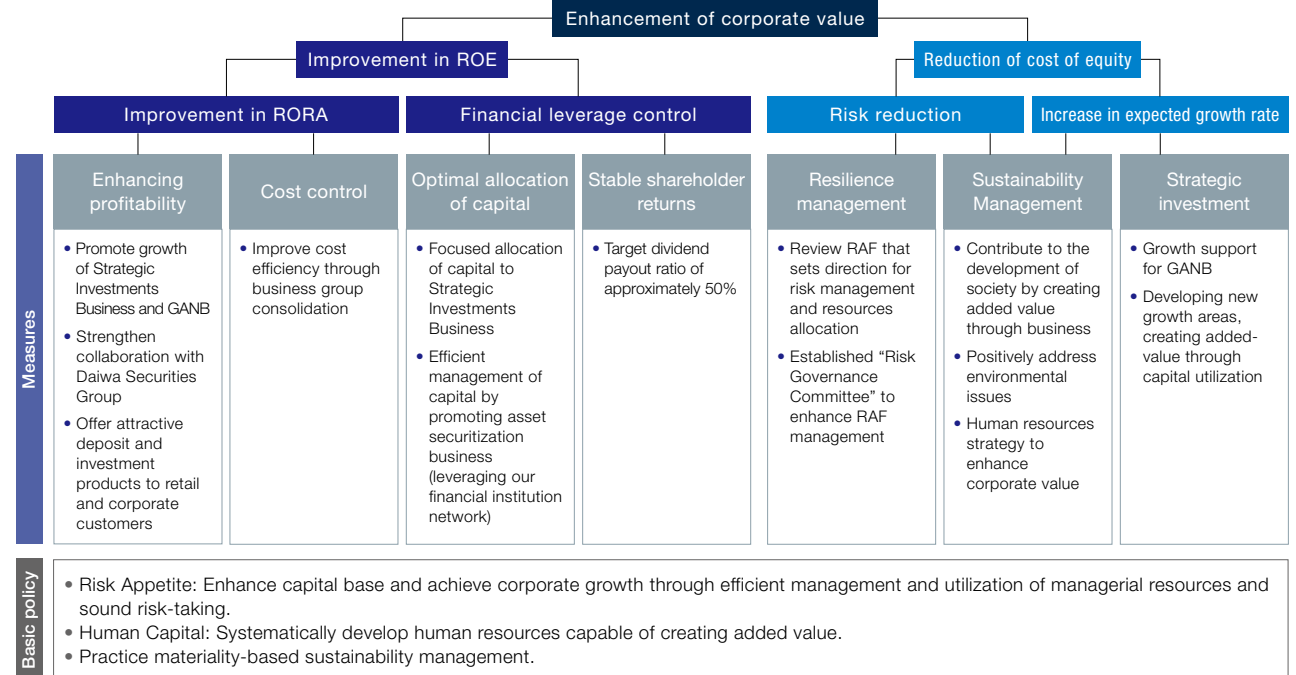
ROE for the Strategic Investments Unit and Market & International Business Unit*1



*1 ROE targets have not been set for the Customer Relations Unit, and have therefore been omitted from this chart.

*2 The sizes of the circles indicate the scale of risk-weighted assets.

Logic Tree



CFO Message

for the sustainable development of companies and society, and strategic investments with an eye toward the next generation as the central pillars of its management. When formulating the Mid-term Plan, we redefined the risk appetite framework, and clarified the risk appetite for the three business units. In this way, we are working to enhance risk governance by optimizing capital allocation, promoting sound risk-taking, and continuously monitoring the implementation of operations in line with the risk-taking policy.

By practicing the three Materiality issues redefined as part of Key Sustainability Issues, namely “Contribution to the future economy and society,” “Response to environmental issues, and “Enhancement of the value of human capital,”

Aozora aims to both strengthen the Bank internally and deepen its relationships with society, with a view to enhancing our corporate value. Furthermore, we will continue to focus strategic investments in support of growth by GANB, and pioneer new growth areas from a medium- to long-term perspective. These commitments will build a foundation for supporting sustainable growth, and achieve a lower cost of equity.

Capital Policy

Through the initiatives described thus far, Aozora aims to enhance corporate value by steadily capturing growth opportunities centering on the Strategic Investments Business, and by achieving an

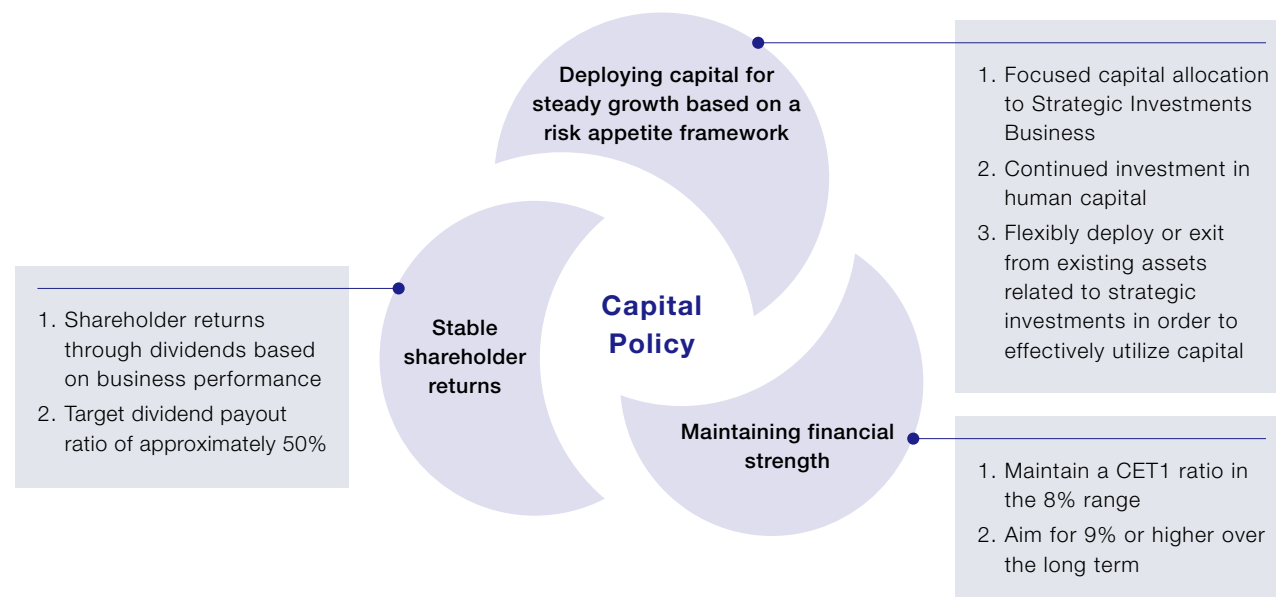
ROE that exceeds the cost of capital. Moreover, we seek to execute a balanced capital policy that deploys capital for steady growth based on our risk appetite framework, and that enables both capital accumulation and stable returns.

Specifically, Aozora will offer a dividend based on its business performance and manage capital with a target dividend payout ratio of approximately 50%. At the same time, we will work diligently to maintain a CET1 ratio in the 8% range with a long-term target of 9% or higher. Aozora's basic policy here seeks to balance capital deployment for growth, continued financial strength, and shareholder returns, with the intent of achieving sustainable growth.

Dialogue with Stakeholders

Through dialogue with shareholders, institutional investors, and other stakeholders, Aozora has been working to ensure a deeper understanding of the Group's management strategies and financial information. Similarly, we will make every effort to disclose information in a more timely, understandable manner, and will engage in proactive dialogue through meetings with and presentations for both retail investors and institutional investors.

In FY2024, we held a total of eight teleconferences and presentation meetings with institutional investors and analysts. Moreover, we expanded opportunities for dialogue to include a broader range of formats, including online presentation meetings for retail investors, and small meetings between the outside directors and institutional investors. Through these efforts, Aozora seeks to further deepen its relationships of mutual trust with all stakeholders.



CRO Message

Aozora remains focused on its vision
for effective risk management and
continuously improving it to
sustainably enhance the Bank's
corporate value.



Masaki Onuma

Senior Managing Executive Officer
Chief Risk Officer (CRO)

Executing Management Strategies Using the Bank's Risk Appetite Framework

Based on the management philosophy of "Contribute to the development of society through the creation of new value-added financial services," and in order to pursue an enhanced financial intermediary function and sustainable growth, Aozora has incorporated new financial expertise, as well as made investments in and extended loans in growth areas, through its engagement in both domestic and global financial markets.

Dramatic changes in the market environment, however, gave rise to risks to the U.S. office loans and foreign currency securities portfolios, which resulted in us recognizing a significant loss in FY2023.

Aozora faced a range of issues at that time, such as the overreliance on revenue opportunities in specific assets and regions, and our inability to effectively implement portfolio management with sufficient resilience against changes in the market environment and stress. Our vision for the future is therefore to establish a management structure that optimizes risk and return, as well as capital efficiency, and that is much more resilient to developments that may occur in the environment. In FY2024, based on this understanding, we worked diligently to address these two balance sheet issues with the aim of achieving stable growth going forward. We also accelerated the pace of initiatives that seek to further strengthen our risk management systems. Specifically, we explicitly stated that our risk appetite framework (RAF) is to serve as the Group-wide structure for management administration. With this purpose in mind, we formulated a risk appetite statement (RAS) that

clearly articulates risk and financial policies that are consistent with our business strategies, and that ensure the financial strength and appropriateness of capital, thereby better syncing our management strategy and risk control under the RAF.

Requirements for Further Strengthening Risk Governance

Under the newly formulated Mid-term Plan "Aozora 2027" in light of a RAS that defines the business strategies, financial policies and levels of risk tolerance, we aim to consistently achieve sustainable growth in corporate value based on our management philosophy. In this way, we have clearly established that we will focus the allocation of management resources into the Strategic Investments Business as the driver of growth, control risk levels in a quantitative and flexible manner, and engage in appropriate risk taking.

Our aim as a Group is to go beyond a focus on business growth, and to possess an unyielding resilience to risk regardless of the market environment as we build and maintain a management foundation that contributes to long-term growth in corporate value.

The roles played by the RAF are especially important for realizing this vision.

On a regular basis, the status of RAF operations is reported to the Board of Directors, which deliberates on the appropriateness and effectiveness of risk controls in order to ensure the viability of our approach to risk governance. Moreover, the Board of Directors regularly monitors the risk profile and works to rapidly adjust course as necessary so that RAF operations themselves are able to adapt to a

CRO Message

changing environment. In July 2025, Aozora reorganized the former Audit and Compliance Committee into the Risk Governance Committee. As an advisory body to the Board of Directors, this Committee is dedicated to deliberating on the important matters required to strengthen the oversight of risk governance and risk control. The majority of the committee members are outside directors, and the committee will conduct an in-depth review of the operation of the RAF, aiming to always achieve the best practices.

On an ongoing basis, I closely monitor feedback

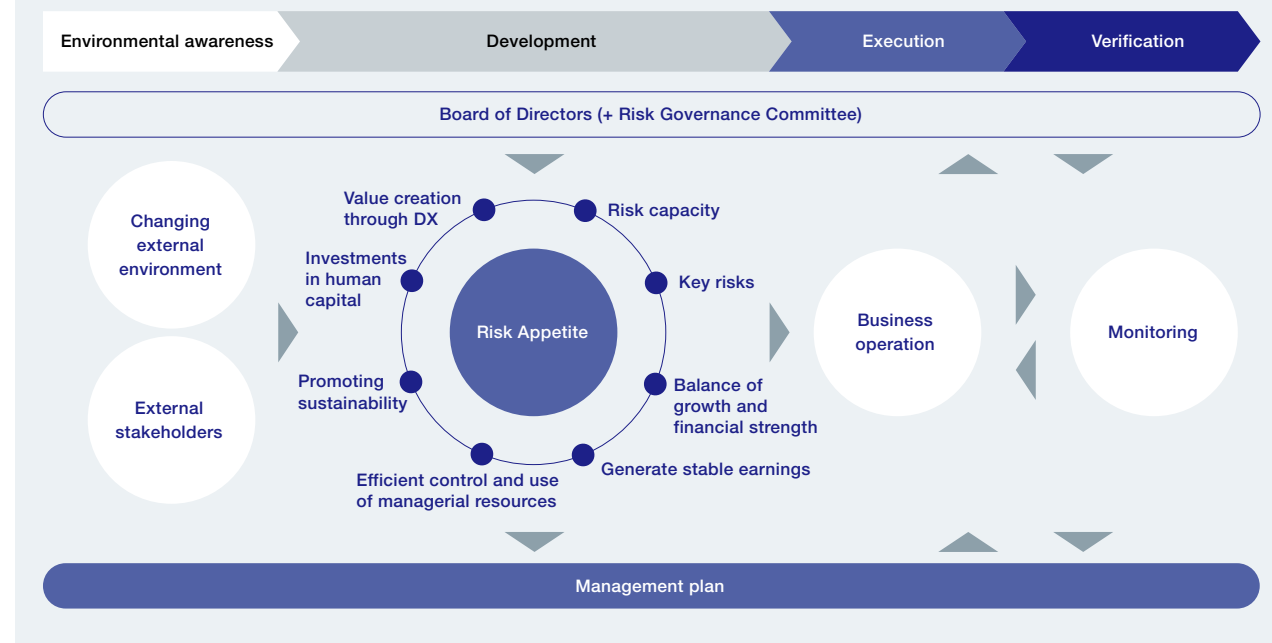
from the workplace and the markets as I seek to evolve our RAF into a living framework, yet at the same time, I will continue my efforts to instill a healthy risk culture throughout our company. As a result, I hope to establish a strong risk governance structure that supports the future of our Bank.

Under an unyielding approach to risk governance, Aozora will continue to balance sustainable growth with its contributions to society with the aspiration of becoming a banking group that earns a high level of trust from its stakeholders.

Basic Risk Appetite Policy

Through efficient management and utilization of managerial resources as well as sound risk-taking, Aozora intends to generate stable earnings, enhance its capital base, and achieve corporate growth, thereby realizing its management philosophy of “Contribute to the development of society through the creation of new value-added financial services.”

Basic Structure of the Risk Appetite Framework



Risk Appetite Policy

- Focused allocation of managerial resources to the Strategic Investments Business as a key area with a view to realizing Aozora's management philosophy; The Market & International Business will work within its risk capacity to stabilize the overall earnings of the Aozora Group; Commit to strengthening the Customer Relations Business, and secure a stable funding base in line with business growth
- Secure sustainable and stable earnings and enhance capital adequacy through risk-taking within the scope of risk control capacity and management capacity under a risk management approach that considers the business portfolio
- Steadily resolve balance sheet issues concerning U.S. office loans and securities portfolio management under a management approach in consideration of an appropriate overseas ratio

Value Creation Story

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Our History of Taking on Challenges

1st stage

Aozora's Origins

Although there were already many banks when Aozora was founded in 1957, the financial services that customers needed were not being adequately provided. Under these circumstances, we, with a pioneer spirit, began taking on the challenges of providing long-term financing for SMEs and commercial real estate loans, both of which were underserved markets at the time. We also collaborated with regional financial institutions through the issuance of debentures, expanded our business overseas, and introduced new financial technologies.

2nd stage

Establishing New Business Models

Following re-privatization in 2000 and relaunching as Aozora Bank, both experienced employees who have been with Aozora since its inception and newly joined colleagues have cooperated and pioneered new financial markets such as LBO finance, business recovery, and real estate finance, as well as resumed overseas operations. In this way, Aozora has evolved into a specialized financial group.

3rd stage

Growing with Customers through a Unique Business Model

Since the full repayment of public funds in 2015, Aozora has been pursuing the expansion of new business areas even more ambitiously. Symbolic examples are GMO Aozora Net Bank, which specializes in financial services for SMEs, and BANK™, which provides easy-to-understand services to retail customers. To support companies in taking on new challenges, Aozora, as a Group, has been promoting its Strategic Investments Business since 2021.

Taking on Challenges

Remaining a Highly Specialized Financial Service Provider through the Ages

- » **1957** Established as the Nippon Fudosan Bank, Limited in accordance with the Long-Term Credit Bank Law
- 1977** Changed name to the Nippon Credit Bank, Ltd.
- 1994** Established the Nippon Credit Trust Bank, Ltd. (currently GMO Aozora Net Bank, Ltd.)
- 1998** Special public management started and terminated listing of stock on the Tokyo Stock Exchange and the Osaka Securities Exchange —As Japan was facing the collapse of its bubble economy, due to environmental changes and delays in business reforms, the Bank failed, and we were put under special public management (nationalization).
- 1999** Established NCB Services Co., Ltd. (currently Aozora Loan Services Co., Ltd.)
- 2000** Special public management ended (re-privatization)

- » **2001** Changed name to Aozora Bank, Ltd.
- 2006** Converted to an "Ordinary Bank" and relisted on the Tokyo Stock Exchange
- 2006** Established Aozora Securities Co., Ltd.
- 2013** Established Aozora Regional Consulting Co., Ltd.
- 2014** Established Aozora Investment Management Co., Ltd.

- » **2015** Made a full repayment of public funds
Established Aozora Real Estate Investment Advisors Co., Ltd.
Established Aozora Europe Limited
- 2017** Established ABN Advisors Co., Ltd.
- 2018** Established Aozora Corporate Investment Co., Ltd.
GMO Aozora Net Bank, Ltd. commenced internet banking services
- 2019** Launched BANK™ app
- 2020** Invested in Orient Commercial Joint Stock Bank, a commercial bank based in Vietnam
Established Aozora North America, Inc.
- 2023** Established Aozora Asia Pacific Limited
- 2024** Entered into capital and business alliance with Daiwa Securities Group Inc.

Management Capital

Human and intellectual capital (1)

Advanced expertise in finance

In order to fully realize our founding principle as a bank that creates new paths where others may find it too difficult, Aozora is committed to attracting and developing human resources with advanced expertise in a range of finance-related fields. In addition to structured financing market including LBO financing where we were development pioneers and continue to lead today domestically, we are developing human resources who can take on new challenges in markets that we expect to grow in the coming years, including venture debt and engagement investment.

- Total number of employees: 2,477 (consolidated basis), ratio of whom are in the Strategic Investments Business*1: 19%
- Ratio of management*2 with experience*3 in structured finance*4: 42%

*1 Employees assigned to the Strategic Investments Unit *2 Executive officer or above *3 Three or more years of service

*4 Group operations excluding the former Corporate Business Group from the current Strategic Investments Unit

Note: The aforementioned data is as of March 31, 2025

✓ Challenges and initiatives

Challenges: Talent development and knowledge transfer for further growth in the Strategic Investments Business

Initiatives : Consolidated the investments and lending businesses for corporate customers in Japan into a single business unit, and established the new Strategic Investments Unit
Established the new Strategic Investments Seminar training program

[P67 "Human Resources Strategy"](#)

VOICE

Comments from an employee responsible for equity investments with a primary focus on engagement



Rina Sato
Engagement
Investment Div.

After working in the corporate lending business, I became involved in equity investments with a primary focus on engagement. Although there are many areas in which I could have applied my experience in finance and business analysis gained through corporate lending, the investment business, and practicing engagement require a more advanced level of knowledge and a multifaceted perspective, which have greatly changed the way I view companies today. There are many listed companies that we can approach precisely because this area involves equity, which gives me a sense of satisfaction in my ability to contribute to the growth of these companies.

The members of Asuka Corporate Advisory Co., Ltd., to which I have been seconded since April 2025, possess extensive knowledge together with a passionate stance toward companies, so they offer me a lot to learn every day. Through this assignment, I am looking to enhance my analysis and proposal-making capabilities as an investment representative, and to help promote a level of engagement that offers value to investee companies.

Human and intellectual capital (2)

Global business expansion with a manageable number of employees

Despite the size of our workforce, Aozora has expanded business globally over the years. Just as we were one of the first Japanese banks to launch our Strategic Investments Business, which was still unfamiliar in Japan at the time, we believe the insights we have acquired through our international business will contribute to the development of business in Japan.

- Overseas office locations: New York, London, Hong Kong, Shanghai, Singapore
- Local employees at overseas office locations: 37 (as of March 31, 2025)
- Number of users of the overseas trainee program designed to broaden junior employees' experience early in their careers: 11*
- Number of participants in Bank-wide training involving international business (actual for FY2024): 448

* Total since the start of the program (FY2018)

✓ Challenges and initiatives

Challenges: Extended use of knowledge and networks built through international business to overseas and domestic businesses

Initiatives : Apply knowledge to domestic businesses and training international business personnel through overseas trainee programs and internal training programs

VOICE

Comments from an employee involved in overseas operations



Takashi Kometani
Aozora North
America, Inc.

I was assigned to our domestic lending business for a period of time after I joined the Bank and never imagined that I would be involved in international business. As I began to work on domestic projects in which overseas businesses were involved, I became attracted to the potential of overseas financial markets, and decided to pursue a career in international business. I am currently in charge of administrative operations for our U.S. subsidiary in New York. Having had the opportunity to be involved in managing branches and offices in the diverse regions of Tokyo, Singapore, and New York, I would like to utilize the knowledge and experience I have acquired to cultivate human capital—including through the overseas trainee program for junior employees—thereby contributing to the further development of Aozora's international business by strengthening the foundation of our overseas locations.

Management Capital

Social and relational capital

Nationwide customer network

Despite our limited number of locations across Japan, Aozora has banking relationships with corporations, financial institutions, and retail customers across the country.

The strong network we have built over nearly 70 years since our founding through a wide range of transactions with regional financial institutions, in particular, serves as an important source of management capital for our business. By carefully identifying the evolving challenges faced by regional financial institutions and by continuing to offer solutions that leverage our Group's expertise, we have deepened our relationships with these customers. In addition, we are expanding our retail customer base focusing on younger and working-age individuals through the use of BANK™ and other internet channels. As for corporate customers, GMO Aozora Net Bank (GANB) is expanding its customer base of small businesses and start-ups.

- Ratio of regional banks with which Aozora engages in transactions: 93%
- Number of BANK™ deposit accounts: Approx. 600,000
- Total number of GANB account openings by small businesses & start-ups: approx. 163,000

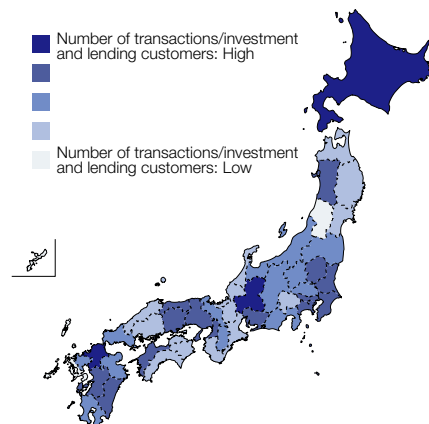
Note: As of March 31, 2025

✓ Challenges and initiatives

Challenges: Strengthen the domestic customer base
Initiatives : Expand the customer base through the business alliance with Daiwa Securities Group

[P31 "Mid-term Plan 'Aozora 2027' \(announced in May 2025\) Business Co-creation through Integrated Banking and Securities Services"](#)

■ Expansion of Aozora Group's business (including transactions of Aozora Investment Management, Aozora Corporate Investment, AJ Capital, and other subsidiaries)



Financial capital

Maintaining financial strength in line with Aozora's capital policy

Aozora will efficiently deploy capital while maintaining its financial strength and focusing on stable shareholder returns. We will pursue synergies through alliances and aim to improve profitability by accelerating our Strategic Investments Business, expanding our lineup of products and services, and strengthening our funding base.

- Deposits: 5,672.9 billion yen
- Equity capital: 488.2 billion yen
- Capital adequacy ratio: 10.72%

Note: As of March 31, 2025

✓ Challenges and initiatives

Challenges: Generating stable returns, enhancing capital, and expanding the balance sheet
Initiatives : Focused capital allocation to the Strategic Investments Business and further stabilize the funding base

[P9 "CFO Message"](#)

[P28 "Mid-term Plan 'Aozora 2027' \(announced in May 2025\)"](#)

VOICE

Comments from an employee responsible for financial institutions



Kazushige Kaba

Kansai Br.
Financial
Institutions Div. III

I am responsible for financial institutions in the western Japan region. As I have worked to deepen relationships with regional financial institutions here, I have come to feel the importance of providing meticulous support for problem-solving. More recently, I have held practical study sessions on finance, which is one of Aozora's strengths, based on the knowledge we have acquired over the years. The practical content and quick response were highly valued, which has led to a deeper relationship of trust.

I intend to continue growing together with our customers in the region, contributing to the development of local economies through proposals that offer high added value, while enhancing Aozora's presence.

Materiality and Core Foundations

Aozora has identified Materiality and Core Foundations that refer to “key challenge areas to realize the management philosophy in light of its importance to Aozora’s corporate management as well as expectations/demands from stakeholders and social trends.”

Starting from FY2025, we have positioned challenge areas that are especially critical in terms of both opportunities and risks as “Materiality” and items that underpin Materiality-based business operations as “Core Foundations” (collectively referred to as “Key Sustainability Issues”).

Aozora conducts a regular review of Key Sustainability Issues, taking into consideration changes in the business environment as well as stakeholders’ perspectives.

		Background (Opportunity and Risk)	Main Initiatives	Main KPIs
Materiality	Contribution to the future of economy and society	Opportunity Growing and expanding opportunities to provide solutions in response to increased diversification and complexity in corporate management issues	- Support for structural transformation through equity investments with a primary focus on engagement, M&A advisory, LBO finance, transition support, and real estate business - Support for start-ups through the provision of venture debt as well as solutions offered by GMO Aozora Net Bank - Support for companies’ business recovery and restart through recovery funds provided by Aozora Loan Services	Aozora’s Sustainability Targets - Number of venture-related investments - GMO Aozora Net Bank: Number of account openings by small businesses and start-ups - Number of business recovery fund-based transactions - Number of equity investments with a primary focus on engagement - Number of business and asset succession consulting contracts - Number of non-financial service customers
		Risk Deterioration in business results due to insufficient or delayed responses to changes in the social structure		
	Response to environmental issues	Opportunity Growing needs for financing and solutions to respond to climate change and conserve natural capital	- Support for companies by promoting sustainable finance and consulting on decarbonization - Reduction of GHG emissions as a business entity, and phased measurement and reduction of GHG emissions in the investment and loan portfolios - Improvement of a risk management framework, including enhanced climate change scenario analysis, and the strengthening of risk tolerance	Aozora’s Sustainability Targets - Sustainable financing amount - Environmental financing amount - GHG emissions as a business entity - GHG emissions in investment and loan portfolio - Balance of project financing for coal-fired power plants
		Risk Deterioration in business results mainly due to the occurrence of natural disasters and tightening of regulations, and decline in stakeholder confidence		
	Enhancement of the value of human capital	Opportunity Enhanced corporate competitiveness resulting from the securing of human resources that support the provision of highly professional and distinctive financial services	- Developing, hiring, and deploying human resources in line with business strategies, and redeployment of human resources to focus areas - Support for career development, creation of a more comfortable workplace, and high job satisfaction - Creation of work environment where personnel with a diverse range of backgrounds/values can play an active role, and improvement of diversity, equity & inclusion	Aozora’s Sustainability Targets - Percentage of female managers / deputy managers - Percentage of eligible male employees taking childcare leave - Percentage of non-Japanese managers - Percentage of mid-career managers
		Risk Personnel departures due to a workplace environment that does not respond to the diversification of values and changes in our social structure		
Core Foundations	Integrity	Risk Risk of legal violations or being subject to administrative actions due to neglect of compliance, and damage to reputation and loss of public trust due to acts against social norms	- Compliance with the Code of Ethics and Conduct - Ensuring strict compliance with, and higher levels of, the Customer-oriented Business Management - Implementation of compliance programs	- Number of compliance cases found - Number of cases opened by the Aozora Hotline whistle-blower program
	Respect for human rights	Risk Risk of legal violations or being subject to administrative actions due to involvement in or neglect of human rights abuses, and damage to reputation and loss of public trust	- Establishment and implementation of a human rights due diligence framework based on international norms - Raising of awareness of human rights and elimination of harassment in the workplace	Number of human rights e-learning participants
	Risk management	Risk Damage to business continuity mainly due to deterioration in financial strength caused by inappropriate risk taking	Strengthening of risk governance based on the risk appetite framework	CET1 ratio
	Governance	Risk Damage to creditworthiness triggered by improper corporate governance, and material impact on the sustainability of corporate management due to delayed responses to system failures and other factors	- Establishment of a more transparent corporate governance structure - Strengthening of cybersecurity and crisis management structures - Strengthening and improving the effectiveness of internal audits	- Percentage of independent outside directors - Number of targeted email training sessions conducted

Aozora's Sustainability Targets

Aozora has established “Aozora's Sustainability Targets” as long-term business targets aimed at creating economic and social value.

		FY2024 Results (As of March 31, 2025)	Target			
			FY2025	FY2030	FY2040	FY2050
Target 1 Contribution to the future of economy and society						
Growth support for venture companies						
Number of venture-related investments	Total	117	.....	» Total 130 (FY2021–2025)		
GMO Aozora Net Bank: Number of account openings by small businesses and start-ups	Total	Approx. 163,000	.....	» Total 200,000 (FY2021–2030)		
Contributing to regional communities through business recovery						
Number of business recovery fund-based transactions	Total	125	.....	» Total 150 (FY2021–2025)		
Investments designed to support structural transformation						
Number of equity investment transactions with a primary focus on engagement	Total	128	.....	» Total 130 (FY2021–2025)		
Retail customer platform						
Number of business and asset succession consulting contracts	Total	985	.....	» Total 1,000 (FY2021–2025)		
Number of non-financial service customers	Per year	599	.....	» Per year 3,000 (FY2025)		
Target 2 Response to environmental issues						
Sustainable financing amount	Total	Approx. 860 billion yen	.....	» Total 1 trillion yen (FY2021–2027)		
↳ Including environmental financing	Total	Approx. 667 billion yen	.....	» Total 700 billion yen (FY2021–2027)		
Achieving carbon neutrality						
GHG emissions as a business entity (Scopes 1 & 2, compared to FY2020)		1,890 t-CO ₂ (70% reduction from FY2020)	.....	» Net zero (by FY2030)		
GHG emissions in investment and loan portfolio (Scope 3: category 15)		For details, please refer to page 62.	.....	» Net zero (by FY2050)		
Balance of project financing for coal-fired power plant	Balance:	17.6 billion yen	.....	» Net zero (by FY2040)		
Target 3 Enhancement of the value of human capital						
Percentage of female managers / deputy managers		14.9 % / 40.7 %	.....	» 20% / 40% (as of March 31, 2028) (The long-term aim for the percentage of female managers is 25% or higher.)		
Percentage of eligible male employees taking childcare leave		105 %	.....	» 100% (as of March 31, 2028)		
Percentage of non-Japanese managers		3.2 %	.....	» 3% (as of March 31, 2028)		
Percentage of mid-career managers		58.3 %	.....	» 40% (as of March 31, 2028)		

Value Creation Process

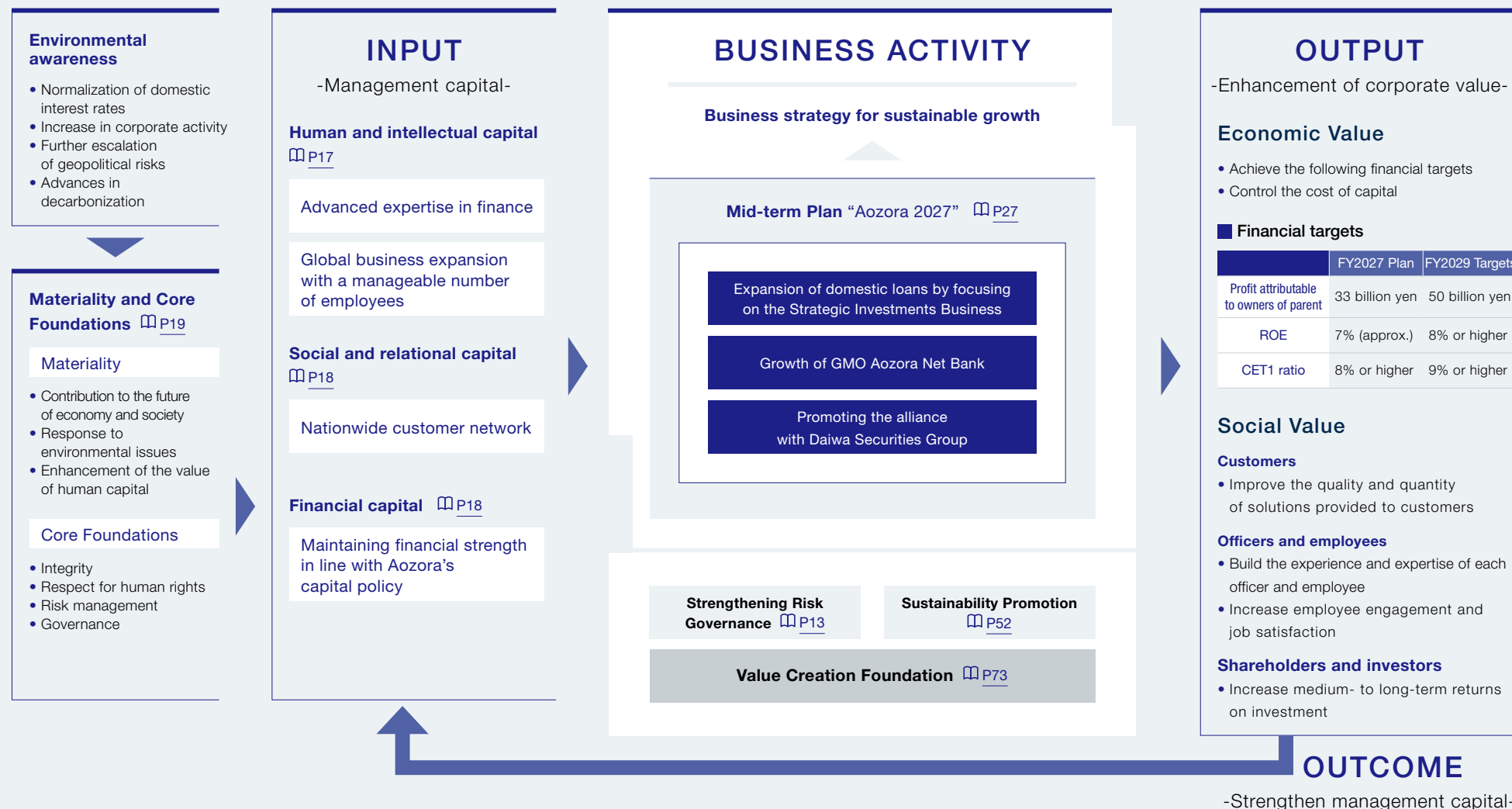
Aozora Mission

Contribute to the development of society through the creation of new value-added financial services

The Aozora Group will enhance corporate value and strengthen its management capital by developing its business to achieve sustainable growth based on more robust risk governance and the pursuit of sustainability, aiming to contribute to the development of society, a key tenet of our management philosophy.

OUTCOME

-Realize Aozora's management philosophy-



Stakeholder Communications

Communications with Customers

Based on its Basic Policy on Customer-Oriented Business Conduct, Aozora is focused on only providing products and services that meet our customers' true needs.

Primary initiatives

- Conducts a customer satisfaction survey of its corporate and retail customers
- Holds a series of customer seminars on a range of topics that are relevant to the times, including business succession
- Regularly hosts receptions for senior management of our regional bank customers

Communications with Shareholders and Investors

Aozora strives for the timely and appropriate disclosure of information to enable all shareholders and investors to acquire a deeper understanding of the Group's management strategy and financial results.

Primary initiatives and examples of improvement

- General Meeting of Shareholders: Aozora provides a livestream option for the Ordinary General Meeting of Shareholders in addition to the in-person event, which enables the participation of shareholders who reside in remote areas
- Shareholder Survey: Over 35,000 feedback cases. Feedback received is used to improve our operations
[Example of improvement]
Brought forward the date of dividend payment (from FY2025)
- Holds small-sized meetings led by outside directors

[P36 "Special Feature 1: Messages from Outside Directors"](#)

IR Events Conducted in FY2024

Teleconferences and presentation meetings with institutional investors and analysts	Number of meetings held: 8
One-on-one meetings with domestic/overseas institutional investors and analysts	Total number of participating companies: 202
Retail investors meetings	Number of meetings held: 3

Communications with Employees

The Bank encourages open communication between management and the Group's employees.

Primary initiatives

- Town hall meetings led by Mr. Hideto Oomi, President and Chief Executive Officer, discussed the Group's growth strategies based on the Mid-term Plan at a town hall meeting attended by roughly 1,700 of the Aozora Group's officers and employees in June 2025
- Internal small-sized meetings led by management executives: Active discussions between management executives and Aozora Group employees on topics such as the business alliance with Daiwa Securities Group and the utilization of human resources
- Weekly publication of the in-house newsletter AOZORA Photo News
- Employee survey



Town hall meeting



Internal small-sized meetings led by management executives

Communications with Society

Aozora engages in social contribution activities across multiple fields, including financial and economic education, participation in local community activities, donations, and volunteer activities.

Primary initiatives

- Financial and economic education:
 - ✓ Conducts Basic Banking Seminars, which consist of Aozora-sponsored seminars for students of the Faculty of Economics at Sophia University
 - ✓ Hosts and sponsors events for parents and children to learn about asset management
 - ✓ Commenced an endowment course funded by Aozora Investment Management Co., Ltd. at the Graduate School of Business Administration and Faculty of Business Administration, Kobe University



Lecture scene at Kobe University

For information regarding other social contribution activities, please refer to the Bank's website.

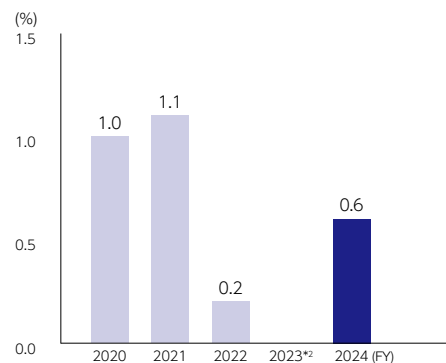
<https://www.aozorabank.co.jp/english/sustainability/society/CSR/>

Financial and Non-financial Highlights

Note: Amounts stated are rounded down to the nearest unit.

Financial Highlights (Consolidated Basis)

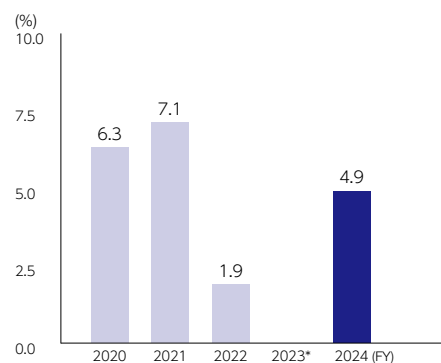
Business-related Profit RORA*¹



*¹ Business-related profit RORA: (Business profit + Gains/losses on stock transactions, etc. (= Gains/losses on stock transactions + Provisions of allowance for investment losses + Gains/losses on equity derivatives)) / Risk-weighted assets

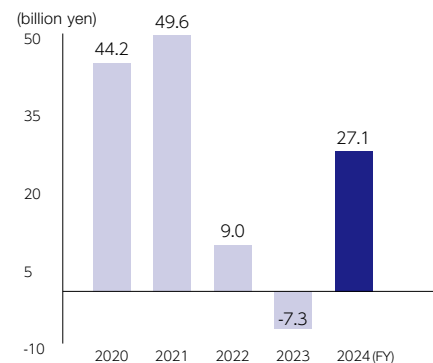
*² Not shown due to negative value

ROE

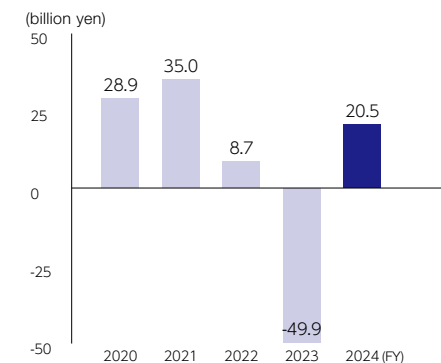


* Not shown due to negative value

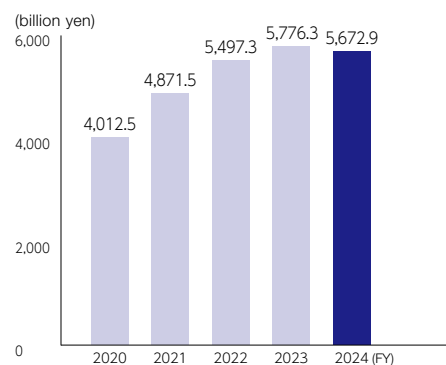
Business-related Profit



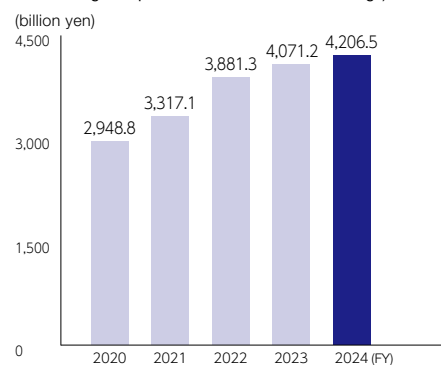
Profit Attributable to Owners of Parent



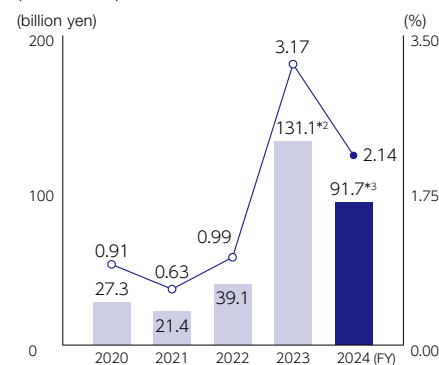
Deposits / Negotiable Certificates of Deposit



Loans and Bills Discounted (Total loans outstanding in Japan + Overseas loan outstandings)



Non-performing Loans Based on the FRA*¹ (Consolidated) / NPL Ratio



■ Non-performing loans based on the FRA

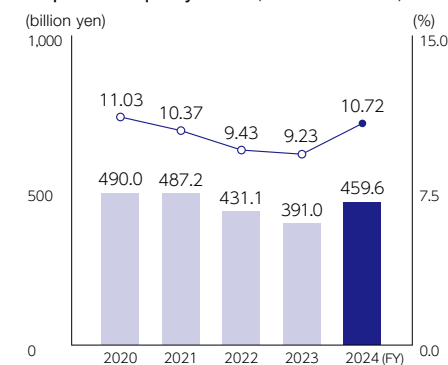
○ NPL ratio

*¹ Financial Reconstruction Act

*² Including 108.1 billion yen of U.S. office loans

*³ Including 66.2 billion yen of U.S. office loans

Consolidated Net Assets / Consolidated Capital Adequacy Ratio (Domestic Standard)



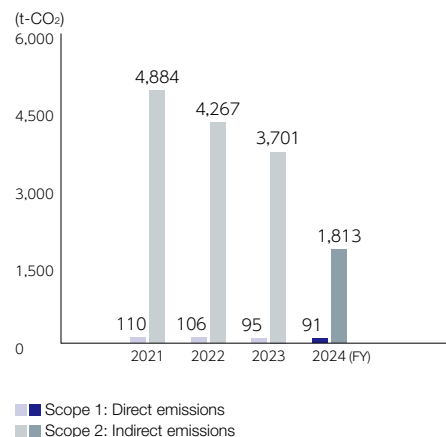
■ Consolidated net assets

○ Consolidated capital adequacy ratio (domestic standard)

Financial and Non-financial Highlights

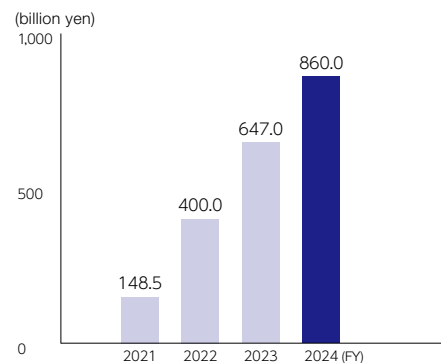
Non-financial Highlights

CO₂ Emissions



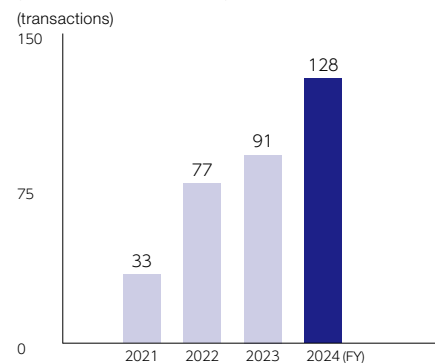
Sustainable Financing Amount

(Cumulative total from FY2021)



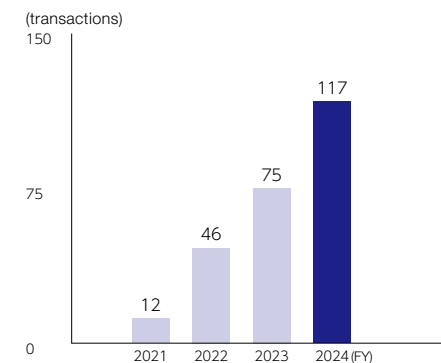
Number of Equity Investment Transactions with a Primary Focus on Engagement

(Cumulative total from FY2021)



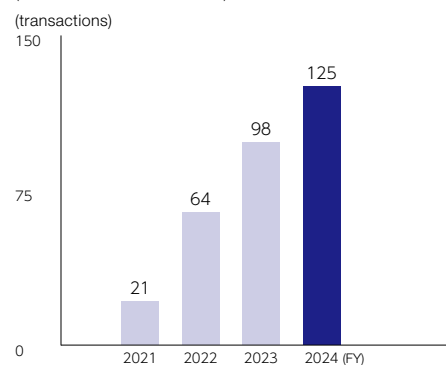
Number of Venture-related Investments

(Cumulative total from FY2021)



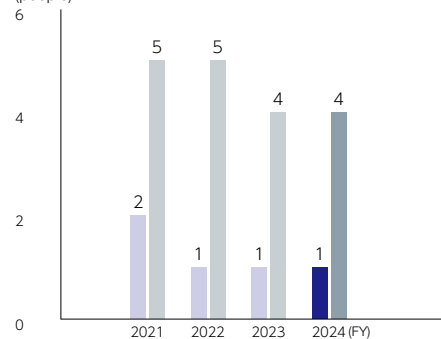
Number of Business Recovery Fund-based Transactions

(Cumulative total from FY2021)



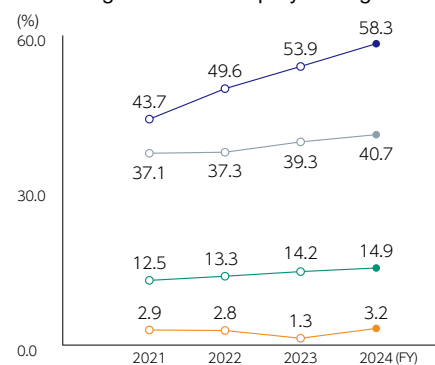
Number of Female Directors / Number of Female Executive Officers

(people)



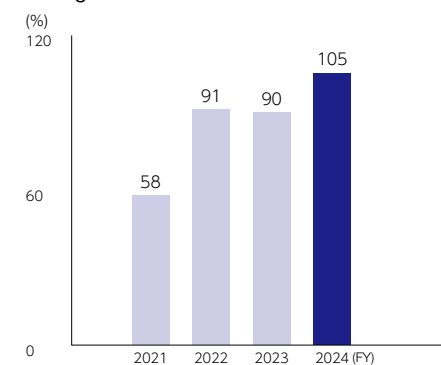
■ Number of female directors
■ Number of female executive officers

Percentage of Non-Japanese Managers / Percentage of Mid-career Managers / Percentage of Female Managers / Percentage of Female Deputy Managers



● Percentage of mid-career managers
● Percentage of female deputy managers
● Percentage of female managers
● Percentage of non-Japanese managers

Percentage of Eligible Male Employees Taking Childcare Leave*



* The rate of childcare leave taken is calculated by the number of employees who took childcare leave during the applicable fiscal year (a) divided by the number of employees with children born during the applicable fiscal years (b), rounded down to a single decimal place. Note that the aforementioned (a) includes employees on childcare leave with children who were born before the applicable fiscal year but who have newly taken childcare leave in the applicable fiscal year, thus it is possible that the rate could exceed 100%.

Value Creation Strategy

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Review of the Mid-term Plan



Core Strategy

- 1 Business model reforms
- 2 New human resources system
- 3 Initiatives on SDGs/ESG

Core Strategy

- 1 Aozora's Strategic Investments Business
- 2 Aozora's Platform Business
- 3 Human Capital Investments
- 4 Promoting Digital Transformation (DX)
- 5 Aozora Sustainability Promotion

Trends in Financial KPIs and Business Performance

	FY2020 results	FY2021 results	FY2022 results	Final Fiscal Year of the Plan
ROE*1	6.3%	7.1%	1.9%	8% or higher
Business profit ROA*1	0.8%	0.8%	0.04%	1% (approx.)
Overhead ratio (OHR)*1	57.0%	56.1%	99.6%	below 55%
Net revenue	96.5 bn yen	103.0 bn yen	59.5 bn yen	—
Net revenue by customer-related business*2	60.9 bn yen	68.9 bn yen	69.3 bn yen	—
Profit attributable to owners of parent	28.9 bn yen	35.0 bn yen	8.7 bn yen	—
Capital adequacy ratio	11.03%	10.37%	9.43%	—

*1 Financial KPI

*2 Management accounting basis excluding retail and financial market-related businesses

Results

Aozora launched Strategic Investments Business in FY2021. Aozora has focused on the LBO finance and real estate finance businesses, and identified equity investments, environment finance, business recovery finance, and others as growth areas, which have driven an expansion of Aozora's customer-related business.

Issues

Loss disposition and restructuring of the securities portfolio in the financial market-related business, and transformation of the business structure after a revision of the sales policy of structured bonds in the retail business.

Trends in Financial KPIs and Business Performance

	FY2023 results	FY2024 results	FY2025 plan
ROE*1	—	4.9%	8% (medium-to long-term target: 10%)
Business-related profit RORA*1	-0.1%	0.6%	1.3%
Business-related profit per employee*1	-2.7 mn yen	10 mn yen	20 mn yen
Net revenue	50.9 bn yen	85.6 bn yen	—
Net revenue by customer-related business*2	81.0 bn yen	80.8 bn yen	—
Profit attributable to owners of parent*1	-49.9 bn yen	20.5 bn yen	37.0 bn yen
Capital adequacy ratio*1	9.23%	10.72%	9% or higher

*1 Financial KPI

*2 Management accounting basis excluding retail and financial market-related businesses

Results

Steady trends in the customer-related business

Against the backdrop of growing demand for LBO financing associated with business restructuring and business succession in Japan, the Strategic Investments Business experienced steady growth and its progress was essentially in line with plans.

Issues

Earnings opportunities concentrated in specific assets or regions

Aozora is not sufficiently prepared for sudden changes in the external environment due to vulnerabilities in risk governance for the U.S. office loan and foreign currency securities portfolios.

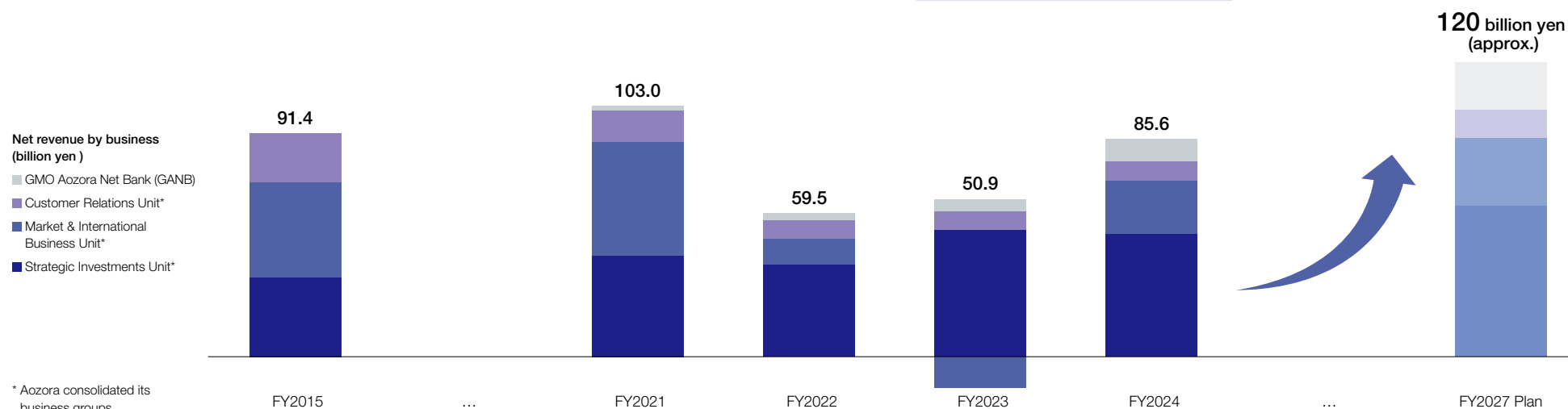
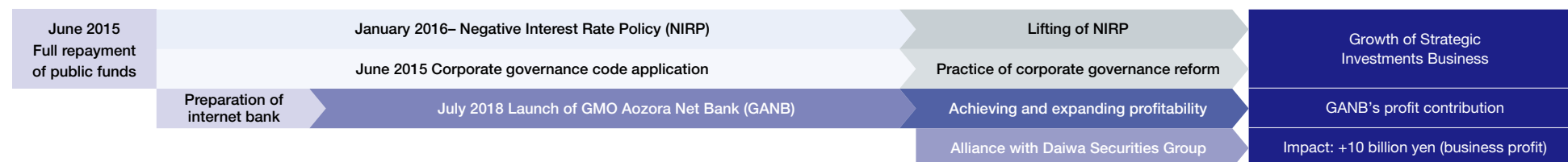
Formulating Mid-term Plan “Aozora 2027”

In FY2023, the first fiscal year of the previous Mid-term Plan “Aozora 2025,” Aozora undertook the fundamental disposition of U.S. office loans and restructured the foreign currency securities portfolio in order to ensure future growth. During FY2024, Aozora sought to recover its earnings capacity, and strengthened risk governance based on its risk appetite framework. The environment in which the Aozora Group currently operates, due to the Capital and Business Alliance with Daiwa Securities Group Inc., changes in the Bank of Japan's monetary policy, and the rapid pace of transformation in corporate governance, etc., has changed greatly since the time “Aozora 2025” was formulated. With these developments in the environment acting as a tailwind, Aozora moved on from “Aozora 2025” one year ahead of schedule, and launched the current Mid-term Plan “Aozora 2027” in FY2025 with the aim of achieving sustainable growth.

Mid-term Plan “Aozora 2027” (announced in May 2025)

Capturing Changes in the Environment to Achieve Sustainable Growth – The Future Illustrated by “Aozora 2027”

Aozora will focus its efforts on the highly specialized businesses it has engaged in to date, and aims to achieve sustainable growth by achieving GMO Aozora Net Bank (GANB)'s profitability and deepening its business alliance with Daiwa Securities Group.



KPIs

KPIs in “Aozora 2027”

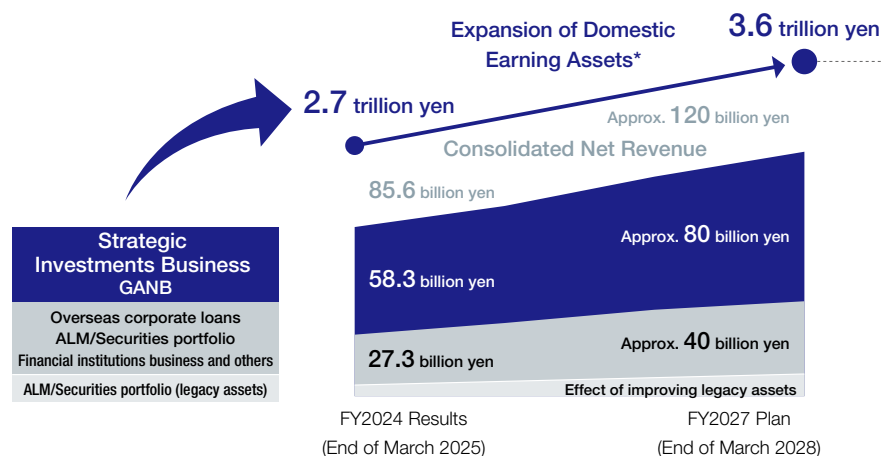
	FY2023	FY2024	FY2027 Plan	FY2029 Target
Profit attributable to owners of parent	-49.9 billion yen	20.5 billion yen	33.0 billion yen	50.0 billion yen
ROE	—	4.9%	7% (approx.)	8% or higher
CET1 ratio	7.1%	8.7%	8% or higher	9% or higher
Earning assets*	4.4 trillion yen	4.5 trillion yen	5.5 trillion yen	—
Expected Impact of Alliance with Daiwa Securities Group (business profit basis)	—	—	+10.0 billion yen	—

* Total of loans and securities outstanding (excluding loans to government, JGBs.)

Mid-term Plan “Aozora 2027” (announced in May 2025)

Business Strategy for Sustainable Growth

(1) Growth of Strategic Investments Business and GANB

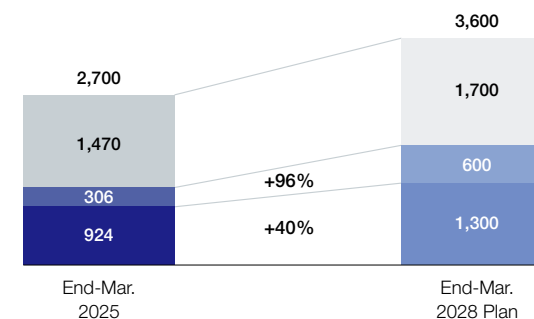


* Total of loans and securities outstanding (excluding loans to government, JGBs.)

Breakdown of the domestic earning assets plan

(billion yen)

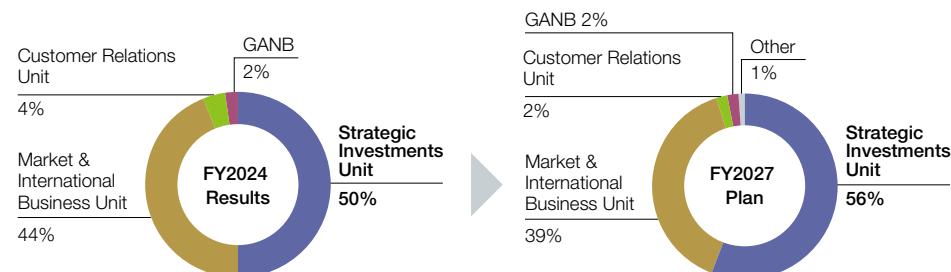
Other (environment, real estate, equities, etc.)
Domestic LBO finance
Domestic corporate loans



Capital allocation

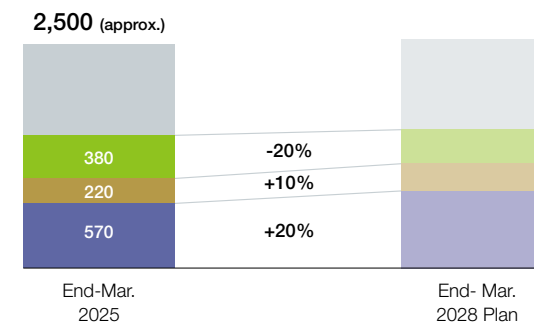
- Aozora will allocate capital with a focus on the Strategic Investments Business as the core of the current Mid-term Plan “Aozora 2027”

Capital allocation by unit



Headcount plan*

Other
Customer Relations Unit
Market & International Business Unit
Strategic Investments Unit



* Consolidated basis

Mid-term Plan “Aozora 2027” (announced in May 2025)

(2) Alliance with Daiwa Securities Group

- Alliance impact target for FY2027: Planned total of **+10.0 billion yen** (business profit basis) from four areas

1 Corporate business (Corporate lending, including support for growing companies)

- Offer corporate finance by leveraging Daiwa Securities Group's diverse client base
- Expand business by integrating Aozora's structured finance and investments/loans for start-ups, in which it has expertise, and Daiwa Securities Group's investment banking business

FY2027 targets

Business profit **2.5 billion yen**

Financing amount (total)
380.0 billion yen

3 Corporate business (Real estate-related business)

- Provide investments/loans and services for Daiwa Securities Group's Real Estate Asset Management Division by leveraging Aozora's expertise in real estate finance
- Offer real estate-related solutions, including business matching services for domestic real estate companies. Also expand business support to M&A, wealth management services and other areas

FY2027 targets

Business profit **1.5 billion yen**

Financing amount (total)
165.0 billion yen

2 Corporate business (M&A)

- Respond to active funding needs in the domestic LBO finance market by integrating Aozora's capability in originating/selling LBO loans, which is among its strengths, and Daiwa Securities Group's ability in sourcing corporate M&A transactions

FY2027 targets

Business profit **3.0 billion yen**

Financing amount (total)
185.0 billion yen

4 Retail business (Wealth management)

- Cross-sell Daiwa Securities Group's fund wraps to Aozora's retail customers
- Temporarily assign sales representatives of Aozora's Retail Banking Group to Daiwa Securities in pursuit of developing insights and achieving cost effectiveness

FY2027 targets

Business profit **3.0 billion yen**

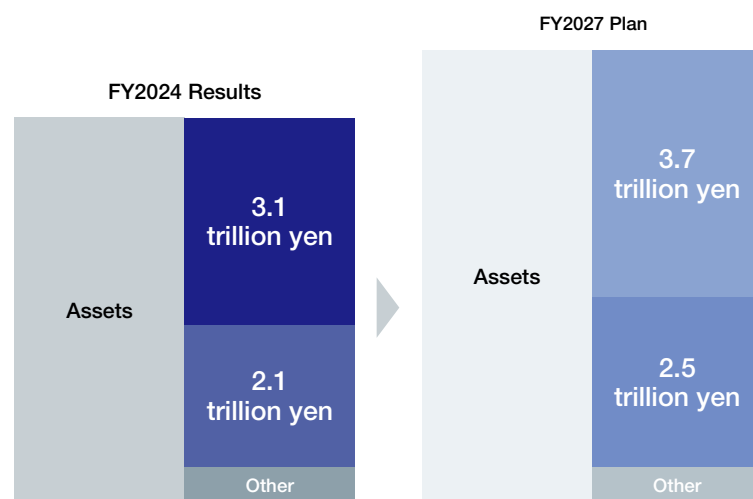
Fund wrap balances
80.0 billion yen

Mid-term Plan “Aozora 2027” (announced in May 2025)

Funding Strategy for Sustainable Growth

- Further stabilize funding base needed to expand the Strategic Investments Business by attracting deposits from diversified retail and corporate customers
- Increase more stable retail deposits by offering attractive products through the BANK™ internet banking service

Funding Plan*



* Excluding GANB's deposit balance

BANK™ BY AOZORA BANK

Expand the number of new accounts by providing attractive product design, fee structure, customer service, ATMs, apps, and online service based on the concept of “Simple,” “Smart,” and “BANK™ at Aozora, the deposit of choice”

Complete systems and app development during “Aozora 2027,” and provide more advanced BANK™ services

Retail deposits

Expand the number of corporate accounts by leveraging the alliance with Daiwa Securities Group in addition to deposits from public corporations/public institutions and regional financial institutions

Corporate deposits

Mid-term Plan “Aozora 2027” (announced in May 2025)

Business Co-creation through Integrated Banking and Securities Services

—Capital and Business Alliance with Daiwa Securities Group Inc.—

Since forming a capital and business alliance in May 2024, Aozora and Daiwa Securities Group Inc. have been cooperating across multiple areas, including corporate finance, M&A as well as the real estate-related and retail businesses. Taking advantage of each of our respective strengths, we are steadily strengthening our collaboration through joint proposals to clients and personnel exchanges. Moreover, the number of agreements giving consent to the sharing of information required for client referrals exceeded 400 by the end of March 2025, and collaborative projects are gradually taking shape.

We visited Kenji Izumi, Senior Managing Director of Daiwa Securities, and Hiroshi Kaneko, Executive Officer of Aozora Bank, who stand at the forefront of efforts to pursue new businesses, resulting from the integrated banking and securities services, and asked them to speak about the achievements made thus far and future prospects.

Kenji Izumi

Senior Managing Director
Head of Corporate Clients Banking
Head of Private Corporate Clients Banking
Daiwa Securities Co. Ltd.

Having joined Daiwa Securities in 1995, Mr. Izumi was mainly engaged in covering listed corporations. Since 2016, he has led numerous projects related to private equity funds, from new investments to investment recovery, as head of the Financial Sponsors Department. He took up his current position in 2023. In this business alliance, he is responsible for promoting collaborative projects for start-ups and private equity funds.



Hiroshi Kaneko

Executive Officer, Deputy Head of Corporate Banking Group
Aozora Bank, Ltd.

Mr. Kaneko joined Nippon Credit Bank, Ltd. in 1994. After working in the corporate banking business, he served as Joint General Manager of the Business Strategy Division, General Manager of the Human Resources Division, and Executive Officer, Head of Human Resources before taking up his current position in 2024. As an Executive Officer in charge of the corporate banking business, in this business alliance he is responsible for promoting collaborative projects in the corporate area.

Kaneko: In talking with customers introduced to us by Daiwa Securities since our alliance began, what I have noticed is that the topics of consultations received from customers by banks, which provide indirect financing, differ from those received by securities companies, which act as intermediaries for direct financing. For example, we found that customers face challenges about which they did not consult their banks, such as responding to stock price movements and investor evaluations, and the selection of fundraising methods, including through the capital markets. It is my belief that having a bank and a securities company partner to provide solutions to these issues will be of great assistance to our customers.

Izumi: In the case of unlisted corporate customers, as their businesses progress, there will be increasing demand for bank loans rather than the raising of funds through equity. Previously, the full-package fundraising support we offered to unlisted companies was limited. Now that we are able to offer loan proposals from a bank, this alliance represents an important development that broadens the range of services that Daiwa Securities offers. As a securities company, we support the growth of our corporate customers by assisting them in expanding their sales channels and supporting M&A, and it is not uncommon for us to have long-term relationships with customers, even since they are still relatively small. When these types of customers have the

Mid-term Plan “Aozora 2027” (announced in May 2025)

need to raise funds, it is reassuring for our sales staff to be able to introduce them to Aozora Bank, which is well versed in banking and also has a deep understanding of our business. Above all, I believe that it is of great benefit to our clients in terms of our ability to provide them with consistent financial services through collaboration between a securities company and a bank.



Kaneko: A unique feature of securities companies is that they provide a wide range of support to customers from their early stages onwards, helping them grow. In contrast, banks generally provide loans based on past performance and collateral, and tend to focus on financing to customers of a certain size and those that have a stable performance.

Recently, in a loan project for an unlisted company that was introduced to us by Daiwa Securities, a key point was

that Daiwa Securities had built a relationship with the customer over many years, had a deep understanding of its business, and had already built a strong relationship of trust. Because we were able to analyze the future based on the information we obtained through our collaboration, we were able to smoothly provide a large loan. This type of collaboration represents a new way for banks and securities companies to support corporate growth while leveraging their respective strengths.

Izumi: The customer we were introducing on that occasion was a start-up company that continues to make upfront investments and has a business model that will transform a promising world. Daiwa Securities had long been aware of the need for larger scale fundraising to ensure further growth, but had been unable to adequately address this need until now. Made possible by introducing Aozora Bank, this loan also served as a catalyst for the customer to raise even larger amounts of money through borrowings, including from other banks. We even received a message of gratitude from the president, who said that obtaining the necessary funds had enabled his company to make progress in its business, which made us very happy.

Kaneko: The Aozora Group is actively engaged in investing in and lending to

start-up companies, primarily through venture debt, but this was a transaction that would have been difficult for us to tackle on our own. By partnering with Daiwa Securities, we were able to ascertain the customer's needs in a timely manner and provide funds to a promising company by carefully examining its future business plans. Through this initiative, we derived great pleasure and pride from being able to support the growth of a company that will be taking responsibility for the future.



Izumi: In addition to this case, there are many other excellent examples of securities company-bank collaborations between us. There are also active exchanges of views based on specific transactions on a daily basis at the frontlines of both companies, and I feel that this is further deepening our mutual understanding. Based on this relationship of trust, I would like to build a new and

unprecedented form of securities company-bank collaboration in alliance with Aozora Bank.

AD Summit 2025

The AD Summit 2025 was held to recognize and share the results of collaboration between the Bank and Daiwa Securities Group Inc. A total of 11 cases, mainly collaborative achievements in the corporate business area, received awards. Many of the award-winners made comments about their enthusiasm for the future, such as “I would like to combine Aozora and Daiwa’s knowledge to further strengthen our proposal capabilities,” and “I would like to increase the number of collaborative cases in the retail sector.”



A scene from the AD Summit 2025 award ceremony

Special Feature 1 Message from Outside Directors

Interview with Outside Directors

Toward Achieving Mid-term Plan “Aozora 2027”



Koichi Tadano

Nomination and Remuneration Committee Member*¹

After serving as President, CEO, and Representative Director of Tadano Ltd., Koichi Tadano assumed his current position as the company's Chairman of the Board and Representative Director. Mr. Tadano has extensive management experience as a senior manager of a corporate institution, with deep insight regarding business development and market trends from a global perspective. He was appointed as an Outside Director of the Bank in June 2024.

Hideaki Saito

Risk Governance Committee Member*²

Hideaki Saito has served as President and CEO of NEXTIA Life Insurance Co., Ltd. (currently AXA Life Insurance Co., Ltd.), President and CEO of Japan Systems Co., Ltd. and Partner of consulting firms and has a wealth of experience, credentials, and deep insight as a member of senior management of corporate institutions and as a strategic consultant, as well as extensive knowledge of IT/digital. He was appointed as an Outside Director of the Bank in June 2023.

*¹ As of July 1, 2025. Served as an Audit and Compliance Committee member from June 2024 to June 2025.

*² As of July 1, 2025. Served as a Nomination and Remuneration Committee member from June 2023 to June 2025.

Review of the Previous Mid-term Plan “Aozora 2025”

Saito In FY2023, the first year of “Aozora 2025,” as Aozora made additional provisions to its loan loss reserves for U.S. office loans while at the same time restructuring the securities portfolio, its financial results were substantially lower than the initial plan and resulted in a loss. Furthermore, due to the sudden changes in the business environment, “Aozora 2025” needed to be changed one year ahead of schedule in FY2024.

While our financial results revealed significant challenges that needed to be addressed, I consider it a significant accomplishment that we conducted a thorough root cause analysis, clarified the positioning of the risk appetite framework, and strengthened our risk governance. In addition, under “Aozora 2025,” elevated the importance of the Strategic Investments Business focusing on Fostering, Change, and Recovery. Even as this business itself is starting to achieve steady growth, Aozora has proven that the knowledge and experience it has built up thus far, along with its customer base, have taken root as an unwavering strength.

Therefore, in our Mid-term Plan “Aozora 2027,” we do not intend to take a completely different direction from before. Rather, we believe that our future policy should be to continue our focus on the Strategic Investments Business, and incorporate the lessons learned from this experience into our risk governance framework.

Tadano FY2024 was indeed a turbulent year for Aozora. Amid such circumstances, we were able to achieve financial results that exceeded the initial plan in FY2024, and successfully concluded a capital and business alliance with Daiwa Securities

Special Feature 1 Message from Outside Directors

Group Inc., which is expected to generate significant synergies. I consider this achievement to be substantial. Going forward, this alliance will enter a phase in which its specific outcomes will be put to the test. Under “Aozora 2027,” this alliance will therefore likely become an even more important component on which Aozora needs to focus.

Assessment of the “Aozora 2027” Formulation Process

Saito In formulating “Aozora 2027,” not only the Board of Directors’ meetings but also several sessions for in-depth discussions were held, allowing for thorough deliberations on multiple occasions. The outside directors provided opinions from different perspectives in response to recommendations submitted by management on several themes and issues, resulting in a valuable process of reevaluating the strengths and weaknesses of Aozora. I recognize that this approach was highly appreciated in the evaluation of Board effectiveness in FY2024.

In particular, the discussion focused on how much synergy Aozora’s capital and business alliance with Daiwa Securities Group Inc. could generate in terms of expanding the customer base and creating new businesses. Furthermore, it was decided to proceed with selection and concentration and further enhance Aozora’s strengths in structured finance and other highly specialized areas in which it excels, while reducing the capital allocation for the struggling retail business.

While I believe that “Aozora 2027” is a well-developed plan, the key to its success will rely on ongoing monitoring by the Board of Directors, and on looking at more than just the numbers. This will include fully analyzing the background to those numbers and progress being made under the plan.

Tadano The in-depth explanations on “Aozora 2027” provided by our CEO Oomi and the other executives during these

opportunities for intense debate afforded me a deeper understanding of the plan. One of the more important results of this was that we were able to deeply discuss strategies that leverage Aozora’s position as neither a megabank nor a regional bank together with ways of realizing Aozora’s management philosophy of “Contribute to the development of society through the creation of new value-added financial services.”

As part of its collaboration with Daiwa Securities Group Inc., Aozora has, for example, assigned its employees with experience in retail banking to Daiwa Securities branches, who have then shared the knowledge and know-how acquired there within the Bank. In other words, the alliance is already starting to get results in terms of synergistic effects. Going forward, I hope to see Aozora create businesses that leverage its unique characteristics that none of its competitors possess.

Strengthening Risk Governance

Tadano Along with standing on the premise of returning to a growth trajectory, another central theme of “Aozora 2027” is strengthening risk governance. In July 2025, Aozora reorganized the Audit and Compliance Committee into the Risk Governance Committee with the aim of creating a framework that is specialized in risk governance.

Yet the Bank must also delegate authority to the business divisions, as well as enhance the risk awareness of every employee, in order to effectively address a wide range of risks that can occur. This is why I believe that fostering risk ownership will remain a central issue for risk management during the period covered by “Aozora 2027.”

Saito In other words, strengthening risk governance is more than about simply improving the framework, and as a result, will rely on pursuing a form of organizational management that aligns with the reality of our business. In this sense, I also feel that the concept of risk ownership presents a better direction



Special Feature 1

Message from Outside Directors

for Aozora in light of the lessons learned from “Aozora 2025.” Although the term “risk” tends to be strongly associated with defense, simply avoiding risk will prevent a business from taking shape. The key here, instead, is to establish an environment in which those employees who encounter risk on a daily basis can recognize it and readily consult with those around them. Management at Aozora actively seeks to communicate with frontline employees, and strives to build an organization that is attentive to their feedback. Which, in my opinion, means that awareness of risk is shared throughout the organization, and that a risk culture is increasingly developing.

Requirements for Achieving the Goals of “Aozora 2027”

Tadano Due to Japan’s declining population, evolving industrial structure, action on environmental issues, emergence of AI, increasing geopolitical risks, as well as the U.S. tariff policy initiated by the Trump administration and other recent events, uncertainty in the global political and economic spheres has come to a head. In an era in which the future is shrouded in uncertainty, companies must accelerate how they do business and enhance their ability to address unforeseen circumstances. At the same time, individuals must be able to make appropriate judgments. Companies must therefore take a means-driven approach that focuses on their advantages and business methods in addition to conventional goal-driven approaches that aim to achieve targets.

On the other hand, recent years have also seen a reemerging focus on the “animal spirit,” in other words, the ambitious drive of corporate managers. Yet this spirit alone can lead to companies taking the singular aim of pursuing profits for themselves, which in turn runs the risk of losing sight of their reason for being. In order to prevent this from occurring, companies must instill their management philosophy as a

common set of values throughout, and seek to fulfill their responsibilities to society while enhancing corporate value. I feel that “Aozora 2027” has skillfully balanced these two axes, so I look forward to its future progress.

Saito Although Aozora’s agile organization based on its manageable scale of just around 2,500 employees is a strength, conversely, this also means its organization can very easily become homogenous. Which is why I feel the outside directors must function as a kind of catalyst that objectively provides different viewpoints than in the past.

Tadano Among the wide range of roles played by the outside directors, I believe that without question the primary one is their oversight function. Simply focusing on this function alone, however, may lead to an excessive level of restraint. I therefore feel that at times we should provide support that enables more courageous decision-making instead of just emphasizing detailed risks. After all, in today’s world of future uncertainty, even highly skilled corporate managers struggle to make decisions in some cases. What is therefore important is for the entire Board of Directors to maintain a good balance between oversight and support. This, as I see it, would allow Aozora to achieve its most important goal of enhancing medium- to long-term corporate value.

Saito As it seeks to achieve the goals of “Aozora 2027,” I feel it is important for Aozora to once again review the meaning of its management philosophy of contributing to the development of society through the creation of new value-added financial services. It is my view that the business of Aozora is not just about pursuing profits for itself, but is also about helping society to advance. In this sense, I have high hopes for the future growth of the Strategic Investments Business as the Bank’s primary business. As one of the outside directors, I, too, will make every effort to ensure that Aozora will be able to apply its potential to the best of its ability.



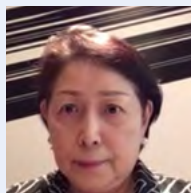
Special Feature 1 Message from Outside Directors

Dialogue between Aozora's Outside Directors and Stakeholders

This article gives a summary of the
virtual meeting with institutional
investors held on March 10, 2025.

Please refer to the following website for the full dialogue.

 https://ssl4.eir-parts.net/doc/8304/ir_material_for_fiscal_ym22/177000/02.pdf



Sakie Tachibana Fukushima

Outside Director, Chairperson of the Nomination and Remuneration Committee

Sakie Tachibana Fukushima has served as 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 has a wealth of experience, credentials, and deep insight as a member of senior management of corporate institutions, as well as extensive knowledge of the management of global human resources and corporate governance. She was appointed as an Outside Director of the Bank in June 2022.



Hideyuki Takahashi

Outside Director, Chairperson of the Audit and Compliance Committee*

Hideyuki Takahashi has served as Director and Deputy President, 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 Institute Ltd. (now Mizuho Research & Technologies, Ltd.). He has a wealth of experience, credentials, and deep insight as a member of senior 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 was appointed as an Outside Director of the Bank in June 2023.

* Reorganized into the Risk Governance Committee on July 1, 2025.

Presentation

① The strengths and expertise each outside director has cultivated, and specific contributions that leveraged those experiences

Fukushima I contribute to human capital and governance by drawing on my experience as an internal director at a U.S. human resources consulting firm and as an outside director for Japanese companies. In particular, I have been advocating concepts such as “human capital” and appointing “the right talent to the right positions,” while promoting diversity and human capital management. One of my specific contributions

was the implementation of a CEO succession plan as a Chairperson of the Nomination and Remuneration Committee.

Takahashi Drawing on my experience as Deputy President and Group CFO and Deputy Chairperson of the Board of Directors as well as Chairperson of the Audit Committee and the Risk Committee at Mizuho Financial Group, my focus is directed especially toward strengthening risk governance. I was aware, based on publicly available information, that the Bank was facing balance sheet issues. However, I decided to accept the appointment as an outside director, as I thought that it would be possible to pave the way for the Bank's recovery by leveraging my experience and expertise.

Special Feature 1 Message from Outside Directors

Presentation



② Areas of improvement and ongoing challenges with respect to the effectiveness of the Board of Directors

Takahashi Active discussions take place at Board of Directors' meetings. However, when I evaluate it with Aozora's vision in mind, I especially recognize the need to ensure stronger risk governance going forward. While its Risk Appetite Framework (RAF) has been in place since before I was appointed as an outside director, it is true that there were areas in need of improvement in the RAF, when taking into consideration the losses incurred on U.S. office loans. Having therefore held discussions on strengthening the foundation of the RAF, the Audit and Compliance Committee presented the results of those discussions to the Board of Directors. Given that the Bank's risk management framework has been on par with that of

the megabanks, Aozora's challenge going forward will be to clearly reflect the RAF in its risk governance operations. Based on discussions at Audit and Compliance Committee as well as Board of Directors' meetings, I am sure that the RAF will be properly incorporated into the Bank's Mid-term Plan that is currently being developed.

Fukushima In implementing governance, I recognize the importance of the process of an annual self-reevaluation and an exploration for improvement so that "Aozora's standards" don't deviate from "social norms." When I first took up my position as an outside director, I felt that Aozora had some issues with the sharing of information with outside directors. However, I now feel that the Mid-term Plan is also being adequately discussed given the multiple intense discussions held in addition to Board of Directors' meetings. Based on our recognition that earlier action should have been taken with regard to the U.S. office loans and the dividend cut, the Bank has improved its reporting system on these loans to a monthly basis. As for the Nomination and Remuneration Committee, the Bank had been faced by the challenge of having only one outside director who was fully familiar with the Bank's executive officers who could be candidates for the next CEO in FY2023. Therefore, the CEO succession plan had been restructured from the one in FY2022, and then Mr. Oomi, the current CEO, was selected as the final candidate in February 2024.

③ Corporate vision and recognition of challenges for medium- to long-term growth

Fukushima Amid a dramatically changing global situation, I am expecting the Bank's Strategic Investments Business and synergies with the Daiwa Securities Group to serve as growth drivers. In the meantime, I believe there are two challenges to be faced regarding our human capital strategy. One is securing and retaining human resources for the Strategic Investments Business in an intensely competitive market for talent. The Nomination and Remuneration Committee would also like to provide support so that the human capital strategy in the next Mid-term Plan can be implemented as far as possible. The other challenge is the promotion of diversity. Without appointing the "right talent to the right positions" regardless of gender, nationality or age, the Bank's corporate mission cannot be



Special Feature 1 Message from Outside Directors

Q&A Session

achieved. The Nomination and Remuneration Committee will work hard to achieve human capital management for corporate growth by, for example, increasing the ratios of female and foreign national managers and encouraging the promotion of digital talent.

Takahashi I expect the Strategic Investments Business and GMO Aozora Net Bank (GANB) to serve as growth drivers. There still have been too few cases of investment banking solutions designed for mid-sized companies and SMEs. Therefore, I believe that it is the right strategy to strengthen the Strategic Investments Business in the medium term, which will eventually contribute to the Japanese economy. Aozora has an advantage in terms of its ability to provide financial solutions compared with other financial institutions as it has remained focused on this business and developed human resources in this area, while going through various events in its history. I think Aozora's weakness in its customer base can be compensated for by its relationships with regional financial institutions and the alliance with the Daiwa Securities Group. In terms of GANB, one of the few Japanese online banks with an in-house systems development team, it is of great significance that GANB finally achieved profitability due to the growth of its base business such as money transfer services. Closer alliances with the non-financial sector can also be expected going forward, which I believe would be of great value to the Aozora Group.

Q1 Can I have your thoughts on what kind of value Aozora's Strategic Investments Business can deliver to investors, including your perspective on management goals?

Takahashi I recognize that Aozora's Strategic Investments Business provides solution services for SMEs that haven't been provided by its competitors. This business not only increases the Bank's fee income in the short term, but is also expected to help expand business opportunities, including those in equity, mezzanine, and debt financing. Although there will be some constraints until the current balance sheet issues are fully resolved, I believe this business will grow into an integral part of the Bank's revenue structure over the next three to five years.

Q2 I think that there are different expectations among stakeholders, such as prioritizing capital levels or dividends. As an outside director, how will you respond to the different expectations of different stakeholders?

Fukushima We, the outside directors, are in the position to represent the interests of all the Bank's investors. However, given that the Bank receives support from a wide range of stakeholders, I believe that it is not possible to favor one over the others. In contrast, although stakeholder expectations with regard to returns vary, the achievement of higher earnings represents a common expectation among

many of them, so I would like to help the Bank generate revenue by making the most of our invested funds.

Q3 With regard to the target levels for capital adequacy and CET1 ratios, I guess these KPIs under the current Mid-term Plan "Aozora 2025" could have been a little higher, taking into consideration Aozora's business model and the risks the Bank is actually taking.

Takahashi Given that Aozora's proportion of overseas risk assets remains high, I think it is ideal for Aozora to have the same level of CET1 ratio as the megabanks. In contrast, since I previously raised the need to eliminate its excessive exposure to U.S. risk and to quickly resolve its U.S. office loan exposure, I recognized the Bank's CET1 ratio should be above the minimum required level. I believe it should take some time to resolve the balance sheet issues and that they should be discussed within the RAF. Going forward, I think it will be necessary to make a stricter judgment than before whether the existing risk profile is appropriate or not by conducting a stricter stress test, in addition to setting a CET1 ratio target based on its base scenario. I believe that properly controlling the balance sheet from a medium-term perspective will lay the foundation for the Bank's future growth as a financial group that focuses on the Strategic Investments Business.

Special Feature 2

Strategic Investments Business

—A Discussion on LBO Financing—

The Power of Financing to Transcend Risk and Create Value

As Japan's M&A market rapidly expands, leveraged buyout (LBO) financing has become an important driver of economic growth. In this discussion, Ryosuke Iinuma, a leader in the private equity (PE) industry, and Aozora's CEO Hideto Oomi delve deeply into the social significance and the future prospects of collaboration between PE funds* and financial institutions.



Ryosuke Iinuma

Japan Private Equity Association
Chairman

Hideto Oomi

Representative Director and President
Chief Executive Officer (CEO)

* PE funds and LBO financing

As investment funds that primarily invest in the shares of unlisted companies, PE funds provide added value to their investment targets through corporate acquisitions. LBO financing is often used as a means of raising funds for such acquisitions.

Encounter with LBO Financing

Oomi Mr. Iinuma, please tell me what led you to take your first steps into the private equity (PE) world.

Iinuma I started out in this industry in 2001. At that time, I was working at a trading company and involved in expanding overseas venture businesses into Japan. As part of that, I learned about the concept of “funds,” which were still relatively new in Japan, and thought that by utilizing these funds, it would be possible to support the growth of small and medium-sized enterprises (SMEs) in Japan that were difficult for trading companies to reach. While I was searching for a solution with all this in mind, I was contacted by Ant Capital Partners, where I currently serve as president, and that is how I decided to enter the world of PE. I believe in the potential of Japanese SMEs and still find this work, through which I am able to support their growth, very rewarding.

Oomi I first encountered LBO financing at around the same time, in 2001. The concept of LBO was virtually unknown in Japan. However, at the time, Mr. Masayoshi Son, President of SoftBank, who was a major shareholder in Aozora Bank, suggested to us, “Why don’t you try introducing a business that exists overseas but not in Japan?” This ushered us into the LBO financing business. This challenge has led to the current pillars of our Strategic Investments Business: real estate non-recourse loans, debtor-in-possession (DIP) financing, servicer business, and LBO financing. Looking back, I think that one remark from Mr. Son greatly changed our Bank’s future direction.

Iinuma Listening to your story, it seems like we had a lot in common when we started out. I feel a connection with Aozora.

Special Feature 2

Strategic Investments Business —A Discussion on LBO Financing—



Growth of Japan's LBO Market and Aozora's Role

linuma I've been involved in this industry for about 25 years now, and from 2023 to 2024, Japan's LBO market has finally grown to the point where it is attracting worldwide attention. When looking at the number and value of buyouts compared to M&A by country, Japan exceeds even the United States in these areas. What's more, since the latter half of the 1990s, the government has been promoting initiatives designed to encourage M&A, which have finally begun to bear fruit over the past five years. The number and scale of transactions have grown to more than double those of the 2015–2020 period, and the prejudiced view of PE firms as “vultures” has faded, with them now being recognized as entities that enhance corporate value. My feeling is that these changes are bringing about a major transformation in Japan's PE industry.

Oomi Indeed, at the time there was a lot of skepticism about PE funds even within banks. Since bank lending was primarily based on past financial statements and collateral, I think the concept of lending secured by future cash flow was likely

difficult to comprehend. However, having overcome these obstacles, we have continued our effort to establish LBO financing in Japan.

linuma Under those circumstances, I think it was an extremely courageous decision to take on the challenges of LBO financing. There were bound to be failures as a result of taking on a new market, but I believe that the lessons learned from these experiences are where Aozora's greatest strengths lie.

Oomi Aozora's LBO business was built from scratch, but that would not have been possible without the cooperation of PE funds. You could say that we were nurtured by the PE funds, and I am extremely pleased that this business has become an essential part of the growth of the Japanese economy.

linuma Going forward, one of the mainstream drivers underpinning growth in the Japanese economy will be M&A, with LBO financing acting as a lubricant. I am confident that Aozora's knowledge and expertise will be the driving force behind accelerating the market growth in the years to come.

Social Significance of and the Outlook for LBO Financing

Oomi The reason LBO financing has begun to attract attention is because of a major turning point in the Japanese economy. Traditionally, bank loans focused on working capital as well as capital investment funds, but recently funds for improving capital efficiency have become more mainstream. Contributing to those improvements in capital efficiency, LBO financing and funds for M&A represent an important piece of the puzzle in efforts to realize “Japan as a Leading Asset Management Center,” which is advocated by the government. I sense that the times are changing as Aozora plays its part in this process.

linuma The government has also signaled its intention to promote M&A even more. In 2024, Japan's Ministry of Economy,

Special Feature 2

Strategic Investments Business —A Discussion on LBO Financing—

Trade and Industry launched a policy to promote investment by medium-sized companies. Working closely with various government ministries and agencies, our association has also proposed a review of the straight-line depreciation of goodwill under J-GAAP, which is one of the reasons why M&A among domestic companies have not progressed much recently. Since LBO financing is always involved in investments, Aozora's role will only gain in importance amid this trend.

Oomi To meet those expectations, Aozora is committed to retaining its ability to contribute to society. In recent years, however, the number of LBO finance transactions has increased and they have become larger in scale, and there is a limit to what we can cover on our own. Our task is to increase the number of participating financial institutions.

linuma I agree with that point. At the present time, transactions with a value over 100 billion yen can only be handled by global funds. However, there is a need for Japanese funds to participate in these markets and bring returns back into the country. This will require increases in fund size and improvements in leverage levels. However, to avoid excessive risk-taking, it will be important to maintain proper checks and balances with financial institutions.

Oomi Just as PE funds are developing ways to utilize domestic funds, financial institutions are also exploring ways to best utilize domestic funds. For example, Aozora may arrange for regional banks to provide financing. It is my belief that we can leverage the knowledge and expertise we have cultivated in these efforts.

linuma I am very much looking forward to that. If Aozora could, for example, accept regional bank employees as trainees, or lead regional banks as an arranger for syndicated loans, I believe this would result in an increased supply of funds to regional SMEs and also lead to the revitalization of those regions.

Pioneering the Future with Keen Insight and Passion

Oomi In the meantime, PE funds and Aozora are in a borrower-lender relationship, but from your perspective, how do you view our position in the LBO market?

linuma Aozora offers an unwavering sense of security. I began working closely with your bank about 10 years ago, and I feel that your underwriting standards have remained very consistent. For us, Aozora serves as a kind of yardstick. If the terms presented by your bank are stricter than we expected, we will reconsider the business. Conversely, if the terms are more lenient than expected, we will consider whether we are taking on too much risk. In this way, we look to Aozora's lending policies as a guide. At times, your attitude is one of firmly turning down financing, but I understand that this is due to your consistent screening criteria.

Oomi Since I myself have seen a lot of deal breakers for a variety of reasons, I always make sure that I pay meticulous attention when looking at a business. However, this does not mean that our policy is to refrain from doing something just because there are risks involved. Once the risks have been identified, we explore ways to mitigate them to a controllable level and consider whether financing can be made. During the process, we analyze projects from a variety of perspectives, sometimes consulting with external



Special Feature 2

Strategic Investments Business —A Discussion on LBO Financing—

experts to identify risks and examining covenants to help manage those risks. I believe that the experience we have gained in this way is reflected in our Legal Division, which supports the frontline, and our credit divisions, which have a deep understanding of LBO financing. If the know-how we have accumulated as an organization has led to what you describe as an “unwavering sense of security,” then I am very grateful for that.

linuma I believe Aozora is not only a bank that is professional with a wealth of experience, but a bank that also embodies warmth. The most impressive transaction for me was that of a restaurant chain faced with financial difficulties due to the COVID-19 pandemic. Rather than simply questioning the reasons for the company’s poor performance, you gained a thorough understanding of the business environment and made several proposals for improvements. Not only that, you even went to the restaurant and had a meal without saying anything to us, which really impressed us. Professional knowledge is of course necessary when doing business, but we also want to do business with people and companies we can trust. We are very pleased that you always approach our investment targets with this attitude.

Oomi I believe that our strength lies in our clear insights into the essentials of a transaction and our ability to respond with passion. We want to be cool-headed and warm-hearted. Because more risk is involved here compared to traditional loans, we have always approached LBO financing with the determination to see it through to the end as colleagues in the same boat. I am very pleased that this attitude leads to a sense of trust.

My hope is that, by providing funds with passion but with a rational and unwavering standard, we will inspire trust among other PE funds and financial institutions and contribute to the further growth of the Japanese economy.

linuma The goal of expanding trust is the same for us. I would like the entire industry to remain mindful of its mission and continue to provide value to society and to our stakeholders.

Integrating the Law with Business Specialist Teams Supporting LBO Financing

Having established a specialized legal department in its front office divisions 20 years ago, Aozora has been providing prompt and flexible legal support for LBO transactions by using in-house legal counsel and other qualified and specialized human resources.

In 2022, the Bank’s internal legal functions were consolidated and integrated into a single Legal Division. Even after this, legal experts and front office divisions work together from the early consideration stages of transactions, including LBO financing, to identify legal risks and present terms appropriately and promptly even for highly difficult projects.

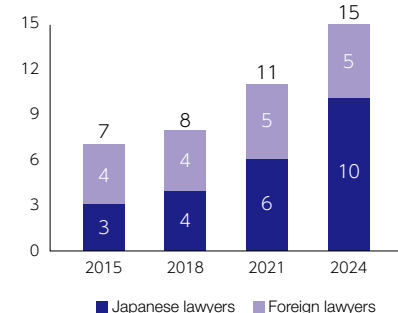
After winning a mandate, we also work with outside law firms to efficiently draft and review the vast number of contracts and related documents. In these cases, the in-house lawyers incorporate the intentions of front office divisions with regard to the transaction into a legal framework and convey them to the outside lawyers. By conveying in business terms the opinions of external lawyers, they are facilitating smooth communication and contract administration.

In the fields of M&A and LBO financing, advanced legal knowledge is required of not only the Legal Division but also the front office divisions. Having created its own educational programs that enable employees to learn such expertise in a systematic way, Aozora has established

them as a form of in-house infrastructure. Through information dissemination and seminars on the latest transaction methods and trends in laws and regulations, we are also supporting employees in improving their skills while promoting the integration of legal and business affairs.

Number of In-house Lawyers

(Number of in-house lawyers at Aozora Bank)



Special Feature 3

Strategic Investments Business

—Equity Investments with a Primary Focus on Engagement—

Working to Revitalize the Stock Market

Aozora promotes equity investments with a primary focus on engagement in which we actively hold equities of corporate customers when dividends and capital gains can be expected as a result of dialogue with their management with a view to enhancing their corporate value. As of March 31, 2025, the number of such investee companies had risen to 57*, steadily expanding the portfolio.

* The total number of equity investments with a primary focus on engagement in business corporations and financial institutions.

Current Status and Issues Facing the Domestic Stock Market

The past year has been marked by a noticeable decline in the valuations of small and mid-cap stocks. The stock prices of companies with abundant cash reserves, which had been supported over a PBR of 1, have experienced a downturn below a range not seen for several years.

Some companies have raised concerns that their efforts are not necessarily reflected in their valuation due to reasons such as the excessive burden associated with meeting investor requests, as well as the short-term nature of investor demands. Some have commented that Japan's stock market is overly protective of investors compared to other countries, and, as a result, an increasing number of companies are choosing to delist.

There are both advantages and disadvantages to listing, and yet the only way to remain a listed company is to follow the rules of the capital market and continue to improve corporate value. While discussing the significance of listing and maintaining a presence on TOPIX, Aozora is working on engagement initiatives where it can be of assistance.

The Significance of Aozora's Equity Investments with a Primary Focus on Engagement

While efficiently managing capital is another important aspect, that does not necessarily mean that there will be a constant stream of business opportunities. It will also be vital to be ready for those opportunities when they do arrive.

As U.S. accounting professor Dr. Victoria Dickinson described in her published article in 2011 "Cash Flow Patterns as a Proxy for Firm Life Cycle," the issues companies face depend upon what point in the life cycle they are at. What is important is for a company to articulate their own position within the stock market.

In order to contribute to the theoretical aspects of business, we held the "Reiwa Corporate Finance



Reiwa Corporate Finance Study Session

Study Session" in FY2024. The event was co-hosted with Asuka Corporate Advisory Co., Ltd., our affiliated company that manages the Japan Stock Engagement Fund. In the final session, we welcomed 100 participants, and received comments such as how this activity helped strengthening relationships among different investee companies.

Equity investments with a primary focus on engagement are not limited to the provision of capital; these investments serve as a bridge for companies and investors to work together to create sustainable value. Aozora aims to build as many bridges as possible and to develop a new stage to walk shoulder-to-shoulder based on future-oriented dialogue, while adhering closely to the life cycle of the companies.



Kenichiro Yoshida

Advisor of the Engagement
Investment Division

Following his time in a number of positions, including head of research at a securities company and vice president at an asset management company, Mr. Yoshida is currently an Independent Director at IHI Corporation and Outside Director at Cuorips Inc. From 2013, he has served as an advisor to Aozora's Engagement Investment Division.

The primary significance of a bank's equity investments with a primary focus on engagement is that they are mainly self-funded, allowing for a long-term investment. In the management of pension funds, investment trusts, etc., customer cancellations are always a risk, making true long-term investment difficult in some aspects. However, with self-funding we can be flexible in making investments during periods of declining stock prices.

The second point of significance lies in raising the expertise of Aozora's employees and strengthening bank-wide human capital. In a situation where many listed companies have shifted their focus to equity governance, it is essential to support the enhancement of corporate value not only as a lender but also from the perspective of a shareholder as an owner of a company. In addition, it is through equity investments with a primary focus on engagement that we expect them to become leaders in the Strategic Investments Business, as their knowledge of the capital markets will also increase.

Special Feature 3

Strategic Investments Business —Equity Investments with a Primary Focus on Engagement—

Case Studies of Dialogue in Equity Investments with a Primary Focus on Engagement

Case 1: Company A

The company has a top share of the domestic water purification plant and sewage treatment plant engineering business. It has a solid business foundation, with a business domain ranging from EPC^{*1} to O&M^{*2}, and is capable of handling water treatment and electrical facilities.

Comment from Aozora's engagement representative

We expect growth in their overseas business, where they have strong product competitiveness, and also long-term growth in their domestic PPP^{*3} operations. Given that it is an industry primarily driven by government demand, the challenge lies in the difficulty of disclosing information on revenue structure and characterizing medium- to long-term growth prospects. We are engaged in ongoing dialogues on the IR disclosure content and strategies.

^{*1}: EPC (Engineering, Procurement, and Construction), refers to a contract or business form in which these processes are undertaken as a single one-stop contract.

^{*2}: O&M (Operation and Maintenance) refers to the maintenance and operation of a facility or equipment after its completion.

^{*3}: PPP (Public Private Partnership) refers to a venture in which the public and private sectors partner to perform public works projects.

Case 2: Company B

The company is a global niche leader in desiccant dehumidifiers, which are indispensable to battery (lithium batteries, all solid-state batteries, etc.) manufacturing plants. Its strength lies in its high performance that enables the provision of stable ultra-low humidity environments.

Comment from Aozora's engagement representative

We continued to have discussions regarding the issue of properly conveying the growth potential in IR materials, using specific examples of trends and explanatory methods in mid-term plan materials. In recent years, disclosed IR materials have significantly improved in content, with dialogue with investors and IR materials that are easy to understand for individual investors.

Comment from the investee company

Shortly after our listing, we faced challenges with our IR materials. Aozora provided us with the perspectives of institutional investors, the information necessary for a better understanding of our company, and even examples of disclosures by other companies. It was an extremely useful engagement for us and part of that advice is reflected in our IR materials.

Case 3: Company C

The company has a high share of the domestic market for food processing encrusting machines, and was selected as one of the Top 100 Global Niche Companies by Japan's Ministry of Economy, Trade and Industry in 2020. The term "encrusting" in Japanese brings to mind an image of sweetness, as with sweet bean paste, but it also applies to a wide variety of ingredients that go into foods, such as minced chicken, croquette fillings, and fish paste.

Comment from Aozora's engagement representative

While the company is expanding overseas, it has only one manufacturing plant in Utsunomiya, so strengthening its production capabilities and utilizing its ample cash reserves have been the issues that needed to be addressed. Discussions are ongoing with regard to M&A candidates and its medium-term capital policy.

Comment from the investee company

Aozora has a deep understanding of our business and has provided helpful advice that we can put to use in our management. I certainly hope that we can continue these positive communications into the future.

Case 4: Company D

The company is a comprehensive manufacturer of sensors, and boasts multiple global niche-top products. The company maintains a stable growth rate with a wide range of products, including security sensors, automatic door sensors, sensors for factory automation, and LED lighting for inspection. It has been selected as one of the "Top 100 Global Niche Companies" by Japan's Ministry of Economy, Trade and Industry in 2020.

Comment from Aozora's engagement representative

Although the company has a strong financial position with a capital adequacy ratio of 70% and high profitability, its PBR has remained at around 1x, which has been an issue. Discussions are ongoing with regard to setting KPIs and disclosure methods for its three-year business plan, etc.

Comment from the investee company

We received a comprehensive proposal for the development of a mid-term plan, which was a resource we referred to along with requests from other investors.

Special Feature 4 GMO Aozora Net Bank (GANB)

Pioneering Future Banking through Technology

GANB's engineers and business design professionals discuss pioneering future banking through technology and taking on the challenge of becoming the No. 1 technology bank.



Murakami

Team Leader,
Project Promotion Team,
Technology and
Processing Group

Mr. Murakami serves as an "evangelist" for the company and is involved in many projects including development of a wide range of technologies that encompass loan approval systems and API infrastructure, and launch of new projects.



Amari

Project Promotion Team,
Technology and
Processing Group

Ms. Amari is in charge of designing business workflows and providing business consulting when customers apply GANB's BaaS. She participated in a project to help prepare for the establishment of a digital banking subsidiary of a regional bank subsidiary.



Hitsunoue

Team Leader,
Cloud Engineering Team,
Technology and
Processing Group

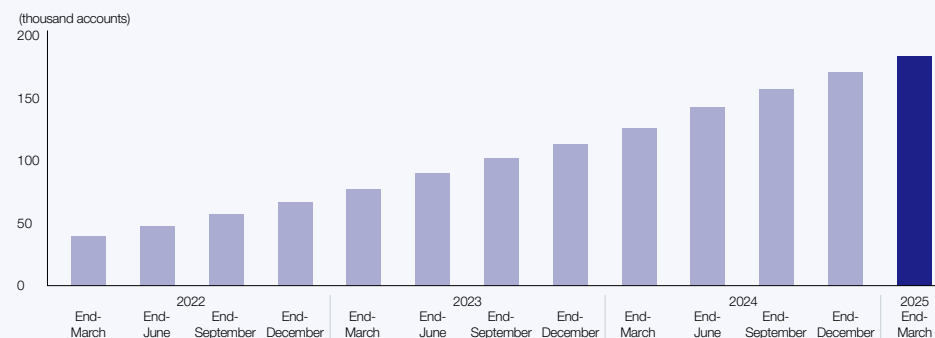
Mr. Hitsunoue is responsible for the management, development, and maintenance of our API infrastructure. He also provides advisory services to API users. He participated in the DCJPY project, a pioneering initiative in Japan involving digital currency that tokenizes bank deposits on blockchains.

Greatest Strengths Are Speed and Flexibility

In FY2024, GANB achieved profitability on a business profit basis and opened over 180,000 new corporate accounts, reaching No. 1* in the growth rate ranking of becoming a main bank. Behind this rapid progress are the advanced technical capabilities of our engineers and the integrated business development systems of our professionals responsible for business design. We interviewed three employees who play an active role in GANB about its strengths.

* Results of a Tokyo Shoko Research survey released on August 14, 2024

Number of corporate accounts at GANB



"GANB's greatest strength lies in meeting customer needs in a rapid and flexible manner," says Ms. Amari, who supports the introduction of BaaS for businesses. Members of the Customer Success Department and Operation Center work closely with engineers, creating a cross-divisional collaborative structure.

"For example, questions or problems that arise in daily operations are immediately shared via the bank-wide chat system, with employees from other divisions responding to them promptly. This cross-organizational culture of working together to solve problems enables us to provide services quickly."

Mr. Hitsunoue, a member of the cloud engineering team, also emphasizes that "speed" is one of GANB's strengths. "I have heard that other companies sometimes take several weeks to a month to respond to technical questions from

Special Feature 4

GMO Aozora Net Bank (GANB)

customers because they have to check with the system vendor. Our engineers have developed in-house systems and are familiar with them, so we can respond almost immediately or in a few days at the latest. Our internal systems are also developed and installed by in-house engineers, and the members of the team who are very familiar with the detailed specs are stationed inside GANB and ready to respond promptly and accurately.”

What Types of Skills Are Required of Engineers?

Engineers account for around 40% of GANB’s employees. What skills are required of engineers to be successful?

“Engineers working in the financial industry need not only technical skills but also financial knowledge,” says Mr. Murakami, who is engaged in the development of loan approval systems and API infrastructure. “We provide on-the-job training to recently hired engineers in operation departments when necessary so that they can accumulate financial knowledge and support customers from both technical and operational perspectives. Since we have in-house systems, we are required to achieve a good balance between prompt development and high quality. Engineers also need to support other divisions that handle customer information to improve their operational efficiency as well as our customers who have an account at GANB. Engineers are expected to constantly pursue enhancement of user experience (UX) from the viewpoint of every single inside/outside system user, find themselves enriched and satisfied in these jobs, and continuously challenge themselves by learning and absorbing on their own.”

Mr. Hitsunoue also stresses the importance of “self-driven” engineers. “The ability to think and act on one’s own is necessary to realize customers’ ideas with technology. We offer an environment in which employees can freely challenge themselves whenever they want to do so. Our culture, which encourages speedy implementation of suggestions for improvement by active communication among partners (employees) also supports engineers’

growth. When I was involved in the DCJPY project using blockchain technology, I started by gaining a deep understanding of the customer’s needs, made proposals and reviewed them repeatedly from the customer’s perspective, and then designed additional functions by flexibly using the existing API and implemented them, which I believe contributed to promotion of the project and problem solution.”

Where Is GANB Heading?

GANB maintains an unwavering commitment to take on the challenge of becoming the No. 1 technology bank. We also interviewed the three employees about GANB’s future vision and outlook.

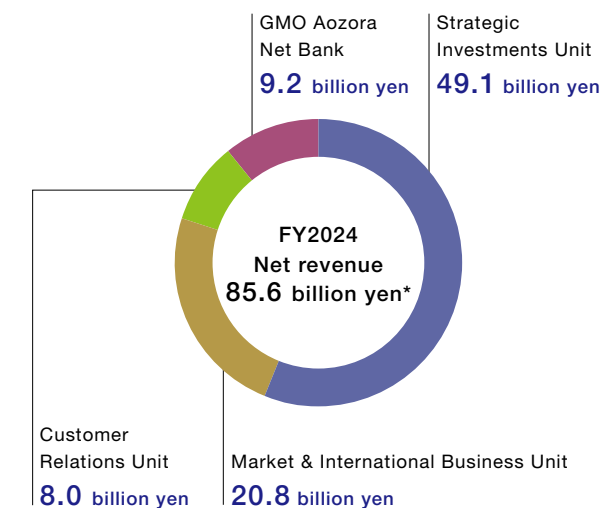
“That is to continuously provide services which exceed client expectations leveraging our technology,” says Ms. Amari. “Our goal is to become a bank that customers can expect something from us by actively challenging innovative initiatives such as BaaS outside the bank confines.”

“It is important to further enhance the security strength of API connections, which is an essential element of our vision,” says Mr. Murakami. “We want to develop an environment where customers can utilize our services with security through the promotion of Financial-grade API (FAPI), which is not yet widely used in Japan. We ultimately want to become a bank that provides products/services that will be appreciated by customers because GANB’s engineers developed them.”

Mr. Hitsunoue describes GANB as playing a support role. He said “We need to be flexible in the services for our customers, depending on the services they want to offer to their clients. We intend to make GANB the first name that comes to mind when a customer wants to create convenient monetary services.”

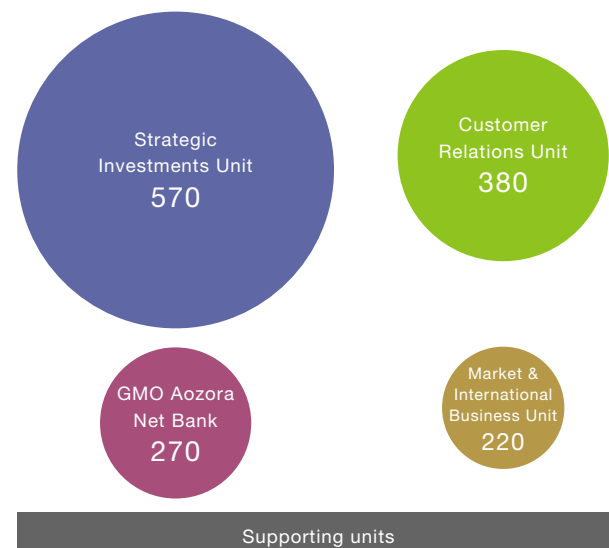
The future envisioned by GANB’s professionals is one in which it continues to innovate and create new winds of change in the financial industry with its technological capabilities. GANB’s challenge will continue.

At a Glance



* Net revenue includes gains/losses that are not attributable to particular units

Headcount



Strategic Investments Unit

Provides unique, highly specialized services to corporate customers in Japan.

Primary businesses and partnering Group companies

LBO finance/Environmental finance

Business recovery finance

- Aozora Loan Services

Real estate finance

- Aozora Real Estate Investment Advisors

Domestic corporate business

M&A / Business succession advisory services

- ABN Advisors
- AJ Capital

Venture debt

- Aozora Corporate Investment

Equity investments with a primary focus on engagement



Market & International Business Unit

Domestic and overseas portfolio management and providing solutions such as derivative products.

Primary businesses and partnering Group companies and affiliates

ALM & securities

Overseas corporate loans

Provision of derivative products

- Aozora North America, Inc.
- Aozora Europe Limited
- Aozora Asia Pacific Limited

- Orient Commercial Joint Stock Bank (OCB)

Overseas real estate non-resource loans

Strategic investments



Customer Relations Unit

Providing new investment opportunities and services to financial institutions and retail customers.

Primary businesses and partnering Group companies

Financial institution network

- Aozora Regional Consulting

Asset securitization business

Deposits

Wealth management business for retail customers

- Aozora Investment Management*
- Aozora Securities*



GMO Aozora Net Bank

Strategic investments

Rapidly addresses the needs of corporate customers leveraging the strengths of its technical capabilities as a technology bank specialized in corporations.

Primary businesses

Money transfer services

Debit cards

Loans

BaaS (Embedded finance: Banking as a Service)

* Merger scheduled on April 1, 2026.

Business Overview



Strategic Investments Unit

The Strategic Investments Unit provides unique, highly specialized services targeting issues faced by corporate customers in Japan.

Aozora established the Strategic Investments Unit to bring together specialized human resources and know-how from within the Aozora Group with its more than 20 years of experience in structured finance, and to strengthen the framework for providing services in a flexible manner.

Mid-term Plan Targets

	FY2024 Results	FY2027 Plan
Business-related profit*	26 billion yen	36 billion yen
Business-related profit ROE	12.8%	14%
Headcount	570	↗

* Business-related profit: Business profit + Gains/losses on stock transactions, etc.

Business Environment

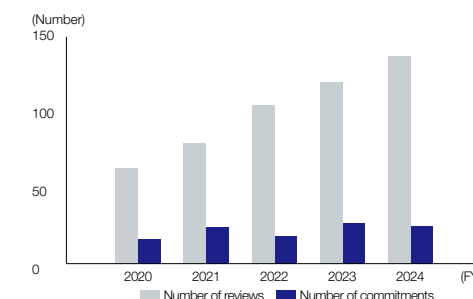
Interest rates are expected to increase on an ongoing basis and at a relatively modest pace throughout FY2025. Against this backdrop, and in line with mounting uncertainty owing to shifts in U.S. policy, demand for hedging products are expected to expand. In addition, we anticipate the market will also expand due to a significant increase in the sale of business divisions and subsidiaries of large companies, as well as the delisting of companies, as a result of reforms of the Tokyo Stock Exchange and revisions to M&A guidelines. Consistent with the aforementioned trends, opportunities are also forecasted to increase due to other factors, including business succession and business recovery transactions.

Competitive Advantages

- High-level of experience addressing customers' issues through customized products
- Proposals for structured equity investments, equity investments with a primary focus on engagement, venture debt, and other types of finance according to the situation, as well as derivative products that meet the diverse hedging needs of customers
- Leading track record in Japan for, among other things, originating/selling project finance, mainly for renewable energy, through a network of regional financial institutions
- Rapid recovery support that combines servicer-based loan purchases and bank financing functions
- Wide-ranging support from M&A advisory to financing

For more on equity investments with a primary focus on engagement, please refer to [page 43](#).

Trends in the number of LBO finance reviews by Aozora



Mid-term Plan Business Strategy

Key measures	Main initiatives
1 Increase domestic investment and loan outstandings	• Organic development of new customers and expansion of customer base through the alliance with Daiwa Securities Group
2 Expand LBO finance	• Increase invested capital to dramatically grow the number of LBO transactions • Further enhance our underwriting and distribution capabilities For more on LBO finance, please refer to page 39.
3 Enhance the development of sales staff members and improve sales productivity	• Establish institutional banking human resources development programs and strengthen organizational sales capabilities, including those of younger employees • Promote CRM development and AI-utilization initiatives to enhance proposal activities targeting customers

Business Overview



Market & International Business Unit

Centered on highly liquid assets, the Market & International Business Unit engages in disciplined portfolio management that helps stabilize earnings for the entire Group, and provides an extensive range of derivative products, including interest rate, foreign exchange, and commodity derivatives, that enable it to provide the solutions best tailored to the needs of our customers. This unit realizes sustainable growth by developing and securing human resources with expertise in domestic and overseas market operations, as well as globally oriented human resources, whom it assigns to the appropriate positions.

Mid-term Plan Targets

	FY2024 Results	FY2027 Plan
Business-related profit*	8.9 billion yen	19 billion yen
Business-related profit ROE	5.0%	10%
Headcount	220	➡

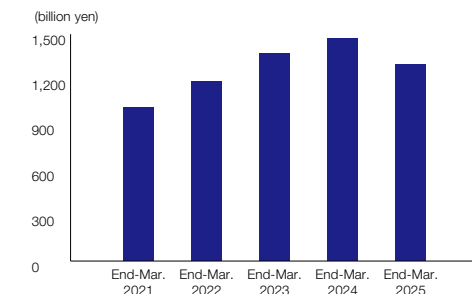
* Business-related profit: Business profit + Gains/losses on stock transactions, etc.

Business Environment

Even as interest rates in Japan normalize, overseas, the impact of shifting U.S. policy holds the potential to change the global market environment for interest rates and foreign exchange rates.

Against this backdrop, the Market & International Business Unit will support stable earnings through disciplined portfolio management based on an appropriate level of risk control, strengthening of our funding base, and providing derivative products suited to the needs of customers.

Overseas loan outstandings



Competitive Advantages

- Flexible and active securities portfolio management in response to changes in the market environment
- Selective origination of high-quality assets and a seamless monitoring system based on direct entry into local loan markets through overseas subsidiaries
- Tailor-made derivative products based on in-depth consulting in response to customer needs

Mid-term Plan Business Strategy

Key measures	Main initiatives
1 ALM and securities business: Generate stable earnings and build a funding base in line with business conditions	• Build a diversified portfolio of securities in accordance with the risk appetite policy • Provide deposit products with competitive interest rates that also take into consideration market rates • Manage yen and foreign currency funding with a priority on balancing stability and the need to control costs
2 Overseas financing for Europe and the U.S.: Promote disciplined portfolio management	• Engage in selective origination of high-quality assets in accordance with the risk appetite policy and with an awareness toward risk capital • Develop international human resources and promote localization to build a business management framework that enables sustainable growth • Actively promote workout of U.S. office loans
3 Derivatives business: Propose solutions that capture the needs of customers	• Provide hedging products tailored to industries and needs for foreign exchange, commodities, and other variable risks • Provide investment products centered on retail and financial institution customers • Secure derivative-related earnings through appropriate position management

Business Overview



Customer Relations Unit

The Customer Relations Unit provides new investment opportunities and services including structured finance to mainly regional financial institution customers, and it contributes to the sustainable growth of regional economies. In addition to offering retail customers with BANKTM and other simple, smart deposit services via mobile apps, by providing services such as a wealth management business model centered on Daiwa Securities Group's fund wrap products, it contributes to realizing customers' life planning goals.

Mid-term Plan Targets

	FY2024 Results	FY2027 Plan
Business-related profit*	-1.7 billion yen	2.5 billion yen
FI business	0.7 billion yen	0.5 billion yen
Retail business	-2.5 billion yen	2.0 billion yen
Headcount	380	➡

* Business-related profit: Business profit + Gains/losses on stock transactions, etc.

Business Environment

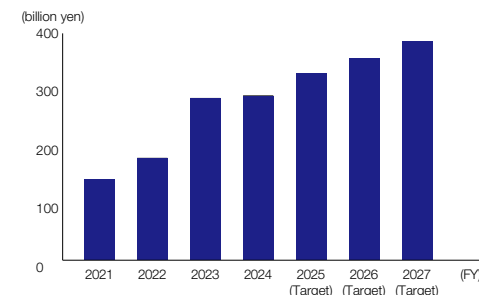
Positive interest rates will increase the demand for new asset growth among financial institution customers, while changes in the environment faced by these customers are expected to foster different types of business partnerships and alliances.

Retail customers are anticipated to increasingly confer on asset/wealth management in an effort to realize their individual life planning goals, and the need for online financial services will also rise, in response both to rising domestic interest rates and living costs, 100-year lifespans, and policies like NISA, as well as to financial service digitalization and diversification.

Competitive Advantages

- A strong network and relationships with regional financial institution customers across Japan
- Tailor-made solutions through close cooperation among business divisions, specialized teams, and Group companies
- Attractive interest rates by BANKTM
- Comprehensive consulting services for retail customers that leverage the services and expertise of Aozora Group companies as well as outside specialists and partners including Daiwa Securities

Asset balance (total for Aozora investment trusts and fund wraps): Assets under management by Aozora Retail Customer Group



Mid-term Plan Business Strategy

Key measures	Main initiatives
1 Expand the customer as well as stable funding bases	• Secure stable deposits from retail customers through BANK TM services
2 Promote the asset management business	• Expand asset under management-based earnings by providing retail customers with Daiwa Securities' fund wraps and investment trusts
3 Create new organizations that promote the asset securitization business	• Established the ALM Solutions Division for investment and loan market research/product development for financial institution customers
4 Develop sales representative capabilities	• Develop sales representative training and assessment programs regarding multiple assets, including LBO/environmental finance • Provide sales representative training regarding asset/wealth management and business/asset succession, etc., for retail customers

Business Overview



GMO Aozora Net Bank No.1

All for our customers.
Strive to be the No.1 Tech Bank.

GMO Aozora Net Bank combines technology, distinctive perspectives, a broad range of tools, knowledge, and a specialized network for the benefit of its customers, and continuously takes on challenges with the aim of becoming a progressive bank that thinks outside the box.

“Going from Strength to Strength” Formulating the three pillars of medium- to long-term strategies starting in July 2021

Centered on its medium- to long-term strategies, GMO Aozora Net Bank develops and provides No. 1-ranked services as a bank that grows alongside its corporate customers.

01

**No.1 Bank among
Small Businesses
and Start-ups**

02

BaaS* No.1
* Embedded Finance:
Banking as a Service

03

**No.1 Tech-first
Banking Services**

FY2024 Results

- Profitability achieved; Number of corporate accounts: over 180,000; Deposit balances: 946.7 billion yen (as of March 31, 2025)
- Ranked No. 1 on the 2024 Main Bank Growth Rate Ranking*1: Recognized for the services it develops*2 in response to corporate customer feedback
- Growing number of “BaaS byGMO Aozora” partners: Alliances with general securities companies, BaaS-based digital currency deposits

*1 Results of a Tokyo Shoko Research survey released on August 14, 2024

*2 First ever online bank services for national tax, social insurance premiums, and labor insurance premiums payment with expanded account options for making bank transfers; direct payment services for Pay-easy; Electronic Books Maintenance Act-compliant “invoice management and payment services,” etc.

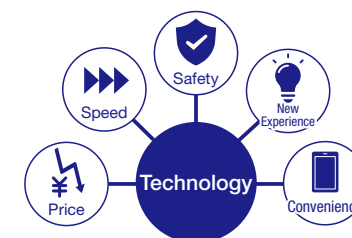
Business Environment

Amid calls for an AI revolution following the emergence of generative and other types of AI, the online banking industry has also come to face the demand for faster action. GMO Aozora Net Bank rapidly addresses the needs of corporate customers based on the strength of its technological capabilities. In particular, the total number of “BaaS byGMO Aozora” service contracts have grown on a steady upward trajectory to exceed 800 contracts. This growth is in response to society’s increasing awareness of and interest in BaaS given its ability to incorporate financial functions into corporate institutions’ services.

Competitive Advantages

Centered on the creation of the “five values,” GMO Aozora Net Bank plans, develops, provides, and manages every service offered by Aozora.

We plan, develop, provide, and manage our services based on the belief that if we are No. 1 in all five areas, our customers will invariably enjoy No. 1 service.



Five values	Examples of implementation
1 Safety	Provision of advanced security services (one-time password issued for each transaction, biometric authentication, mobile authentication apps, etc.)
2 Speed	Systems that instantly reflect customer needs, as well as rapid service development/upgrades, that fully leverage the strengths afforded by in-house system development
3 Price	Overwhelming cost performance (industry’s lowest bank transfer fees to other banks*1, generally free provision of bank APIs, etc.)
4 Convenience	Services available 24 hours a day, 365 days a year*2; integrated cash and debit cards; fund management tools
5 New Experience	Services with superior UI/UX; new businesses and services for corporate institutions, including industry-first services; BaaS that contributes to the provision of new CX for end users

*1 According to GMO Aozora Net Bank based on materials published by each company as of March 31, 2025 *2 Excluding downtime for system maintenance

Future Outlook

Medium- to Long-term Strategies	Outlook
1 No. 1 Bank among Small Businesses and Start-ups	Increase the number of corporate accounts with GMO Aozora Net Bank as the main settlement bank, and continue to develop and provide services required by corporate customers. Along with the increasing number of corporate accounts, seek to maximize money transfer and debit card earnings generated through corporate account use
2 BaaS No.1	Accelerate the BaaS strategy and establish BaaS as a second growth driver to ensure customers can benefit from banking services provided by an online company, instead of from banking services converted to online services. Solidify GMO Aozora Net Bank’s position as a leader in the BaaS industry
3 No. 1 Tech-first Banking Services	Further raise the level of UX/data-use, and execute initiatives to create financial solutions. Work to increase the percentage of engineers and improve AI development capabilities as a means to enhance systems development capabilities

Sustainability Promotion

We will make ongoing efforts toward a better future and actively contribute to the sustainable development of society.



Mayumi Takada

Executive Officer in charge of
Sustainability Management

The world is currently facing a host of challenges. These challenges, which include the need to address climate change, conserving natural resources, putting into practice a sustainable economy, and respecting human rights, are becoming increasingly complex. We have set Aozora's Sustainability Targets as a roadmap for specific and responsible actions required of companies, and are undertaking initiatives based on these goals.

From a business perspective, we have established Aozora's ESG Support Framework with the aim of supporting our customers' environmental (E), social (S), and governance (G) initiatives. We work alongside our customers from both a financial and non-financial perspective by providing sustainable finance and supporting decarbonization and human capital management through collaboration with external partners.

To achieve sustainability, it is essential to face issues from a long-term perspective. Equally important is that each and every individual remains conscious of the problems at hand while at the same time taking ownership and action. Aozora also places importance on social contribution activities. Since FY2024, we have assigned sustainability supporters to each business unit/group to raise awareness of social issues through activities centered on donations and volunteers.

We are working to achieve both social and economic value by resolving problems from a variety of approaches, thereby contributing to the sustainable development of society. We will also continue to move forward in a determined manner to realize a better future that each of us envisions.

Aozora's Basic Approach to Sustainability Promotion

Through communications with our stakeholders, we will use our imagination in identifying current and future issues, and continue to take on the challenge of achieving both economic and social value

Governance

Sustainability Promotion System

Under the supervision of the Board of Directors, Aozora has established a sustainability promotion system led by the Sustainability Committee to advance sustainability initiatives that are integrated with its overall management strategy.

The Board of Directors, which is composed of directors with diverse backgrounds, including those

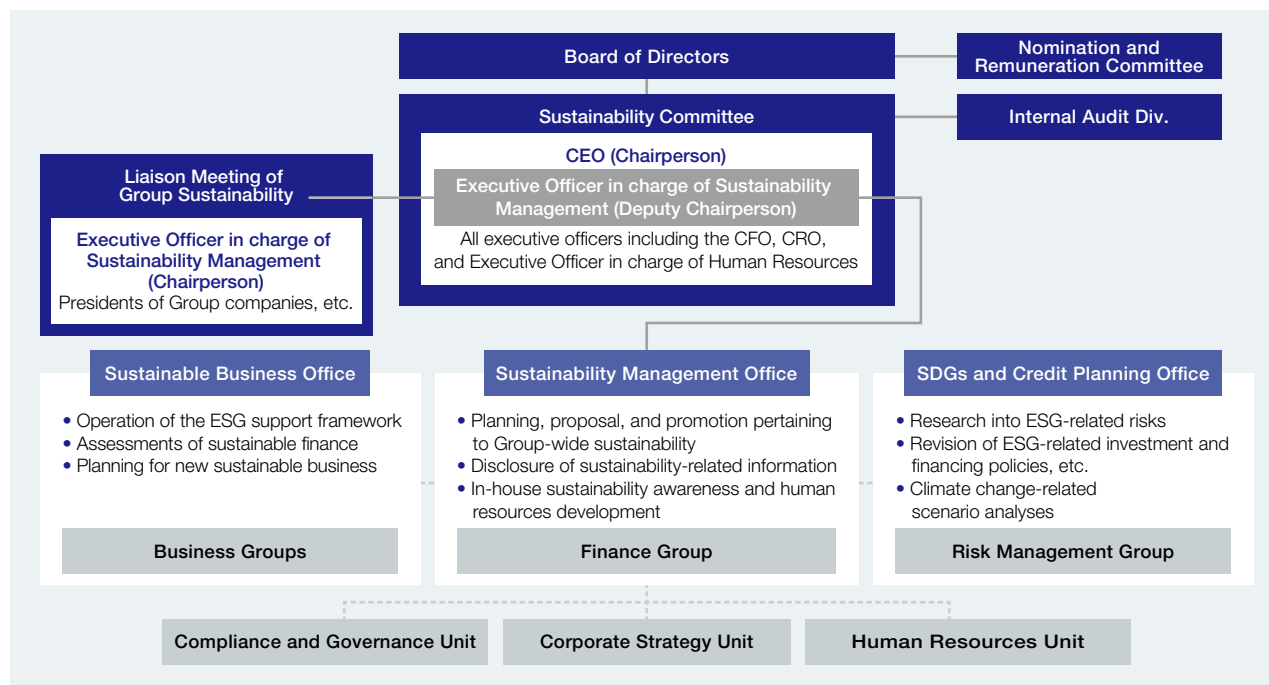
with expertise and experience related to sustainability, resolves matters regarding the setting and reviewing of Aozora's Sustainability Targets, which are management goals that cover areas on which the Aozora Group focuses. In addition to making resolutions to review Key Sustainability Issues (Materiality and Core Foundations), the Board of Directors regularly verifies the progress being made on the promotion of sustainability.

The Sustainability Committee is chaired by the Representative Director, President and CEO, with the

Executive Officer in charge of Sustainability Management serving as deputy chair. Meetings of the Sustainability Committee are attended by the CFO, CRO, and all other executive officers. The Committee is responsible for identifying and assessing sustainability-related opportunities and risks across the entire Group, considering specific measures and confirming their progress, and submitting proposals and reports to the Board of Directors as necessary.

The status of progress and achievement of Aozora's Sustainability Targets is considered an important

Sustainability Promotion



qualitative factor in determining remuneration of full-time directors and executive officers.

Sustainability Policy Framework

Aozora's management philosophy is to contribute to the development of society through the creation of new value-added financial services. To put this philosophy into practice, we have established the Code of Ethics and Conduct to serve as a guideline to which all Aozora officers and employees strictly adhere.

Aozora is also working to realize its Basic Approach to Sustainability Promotion by putting in place specific sustainability-related policies based on these guidelines and centered around the

Group's Human Rights Policy and Environmental Policy while covering business, operational, and social contribution activities.

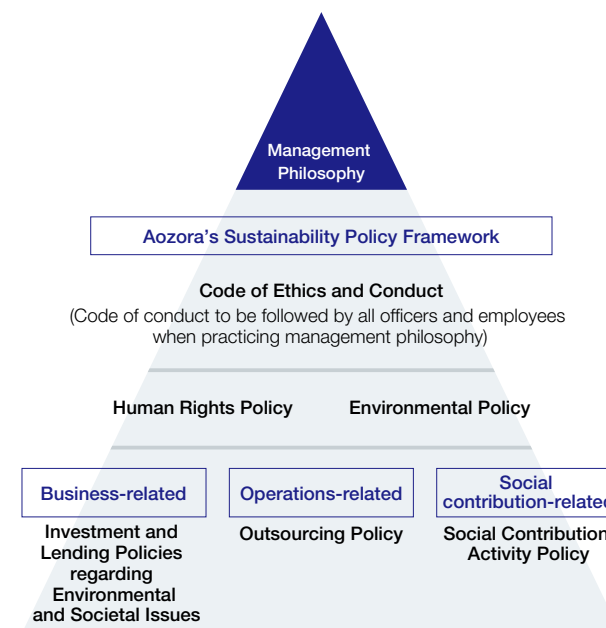
In FY2024, we revised our Outsourcing Policy after taking into consideration the trends of various initiatives and movements to clarify responsibilities in the supply chain. At the same time, we clarified our expectations for suppliers, which include respect for human rights and consideration for the environment.

In addition, as part of our Investment and Lending Policies, we have newly established a policy for biomass power generation as a sector that has the potential to have a negative impact.

We will continue to review the Policies in response to trends in society.

Status of Sustainability Committee Meetings Held in FY2024

Participants	CEO (Chairperson), the Executive Officer in charge of Sustainability Management (Deputy Chairperson), all executive officers including CFO, CRO, and Executive Officer in charge of Human Resources. Standing Audit & Supervisory Board Member, etc.
The number of meetings held	6
Main agenda items	- Incorporation of sustainability promotion into our operational planning - Progress of sustainability promotion measures - Reviews of Key Sustainability Issues (Materiality and Core Foundations) - FY2024 results and FY2025 plans relating to social contribution activities - Obtaining third-party assurance regarding GHG emission disclosures - Revision of Investment and Lending Policies regarding Environmental and Societal Issues - Revision of the Outsourcing Policy - Progress of initiatives toward carbon neutrality



Sustainability Promotion

Strategy

Materiality and Core Foundations

In light of social trends, the expectations as well as demands of stakeholders, and their importance to Aozora's corporate management, Aozora defines Materiality as a key challenge area in terms of both opportunities and risks, and Core Foundations as items that underpin Materiality-based business operations.

With regard to Materiality, Aozora has set three priorities: "Contribution to the future of economy and society" from the perspective of generating social and economic value through its focus businesses,

"Response to environmental issues," as a global issue that requires a response on a global scale, and "Enhancement of the value of human capital," as an essential element for Aozora's sustainability.

We have adopted four factors as Core Foundations: Integrity, Respect for human rights, Risk management, and Governance. Aozora will continue to flexibly review Key Sustainability Issues in response to changes in the business environment while building a PDCA cycle that is integrated with our management strategy, and will steadily promote Group-wide efforts to resolve issues.

Please refer to [page 19](#) for details about Materiality.

Promoting Sustainable Finance

Aozora has set the goal of sustainable financing at 1 trillion yen (including environmental financing of 700 billion yen) by FY2027 (for seven years) as part of Aozora's Sustainability Targets.

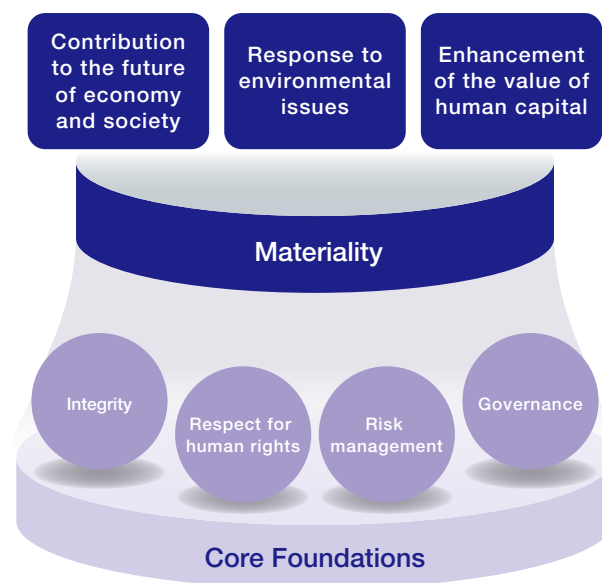
In addition to project finance mainly related to renewable energies and green-building finance, the areas in which we have been actively engaging, we are focusing on and working toward achieving our targets through corporate loan initiatives. These are centered on Positive Impact Finance (PIF), by which we continuously support our customers in their development and expansion of positive impacts or in the mitigation of negative impacts on the environment, society, and economy arising from their activities by providing comprehensive analysis and evaluations of these impacts.

Identifying Process

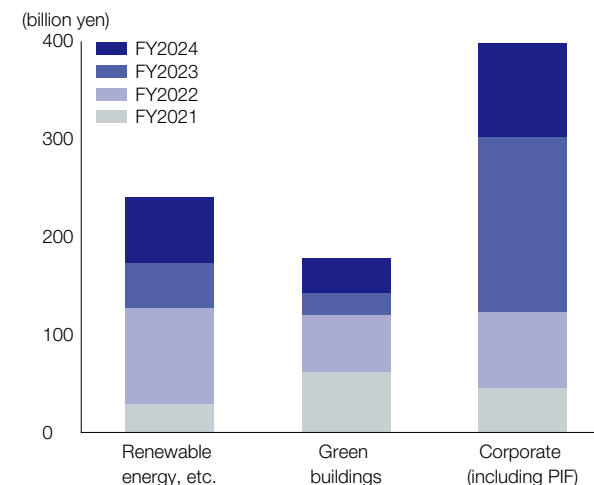
- STEP 1. Identification of Environmental and Social Issues**
Issues were listed in light of the overlap between various sustainability-related guidelines and management strategies and businesses
- STEP 2. Analysis and Organization of Significant Themes**
Issues were assessed along the two axes of "importance to stakeholders" and "importance to Aozora" and items determined to be particularly important were chosen as Materiality candidates
- STEP 3. Dialogue with Stakeholders**
Confirmed whether there were any discrepancies in issues to be considered and recognized through interviews with internal and external stakeholders
- STEP 4. Discussions and Decisions at Management Meetings**
Resolved by the Board of Directions following discussion and finalization of the proposed Materiality and Core Foundations by the Sustainability Committee and Management Committee

* Aozora conducts regular reviews, taking into consideration changes in the business environment as well as stakeholders' perspectives.

Key Sustainability Issues



Sustainable Financing Amount



Sustainability Promotion

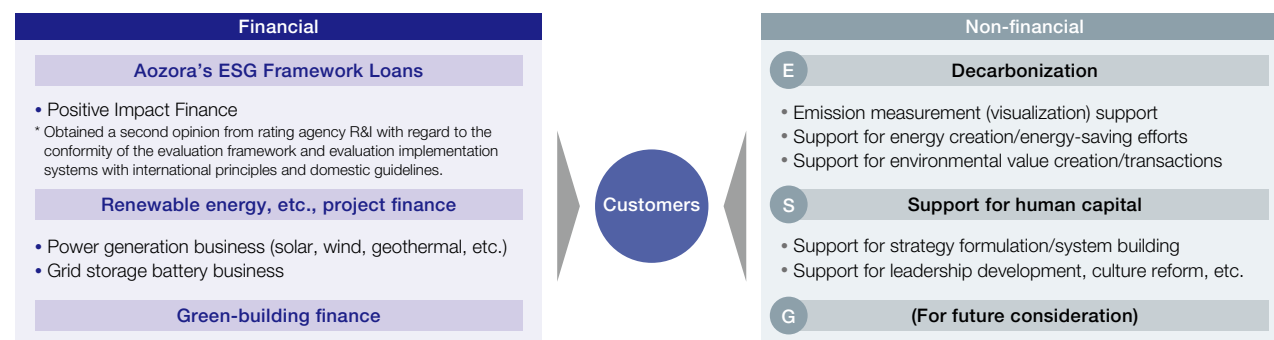
Aozora's ESG Support Framework

Aozora provides both financial and non-financial solutions to support customers' initiatives to solve environmental, social, governance and other sustainability issues through its ESG Support Framework.

In the financial area, we offer appropriate sustainable finance proposals in accordance with our customers' recognition of the issues and circumstances. These proposals include Positive Impact Finance (PIF), a type of corporate loan with no specific use of funds in addition to project finance for renewable energy projects with specified use of funds. For our PIF, we obtained a second opinion from Rating and Investment Information, Inc. (R&I), which has determined that our PIF evaluation framework and implementation system were compliant with international principles (Aozora's ESG Framework Loan).

In the non-financial area, we support customers' initiatives for decarbonization through collaboration with external partners providing ESG-related solutions. Besides our decarbonization efforts, in FY2024 we added support menus relating to human capital initiatives and put in place systems capable of providing comprehensive support for our customers' ESG-related issues. We will further develop and expand the range of our solutions in the years to come.

Given that the development of human resources who are experts in sustainable business is an important issue for financial institutions, we have been focusing on this area by proactively holding training and study sessions.



Risk Management

Risk Appetite Framework / Key Risks

We have established a Risk Appetite Framework to appropriately manage risk toward achieving business strategies and financial plans, and to enhance corporate value in a sustainable way.

In addition, we have established an integrated risk management framework that categorizes risk by risk factors including credit risk, market risk, liquidity risk, and operational risk, and manage risk according to each risk characteristic to identify, evaluate, and control risk overall.

Risks related to sustainability are also incorporated into each key risk category, which are updated annually, and used in discussions for business plans by the Board of Directors, Management Committee, and Sustainability Committee. We have specifically identified the following as risks related to sustainability.

- Increase in credit costs: Delayed responses to changes in the business environment, including climate change, and the decline in corporate value of investments and lending destinations that do not adequately respect human rights
- Declining competitiveness due to changes in social/industrial structures: Deterioration in the funding environment and loss of financing opportunities due to low external evaluations of the Bank's ESG responses

For details of our Risk Appetite Framework, please refer to [page 14](#), and for details about Key Risks, please refer to the [Financial and Corporate Data Section](#).

Sustainability Promotion

Investment and Lending Policies regarding Environmental and Societal Issues

Under our Investment and Lending Policies regarding Environmental and Societal Issues, we have in place policies on initiatives for addressing issues that may have a negative impact on the environment or society in order to prohibit or discourage investments in companies or projects that may have a negative impact. The Policies are also intended to reduce the risk of transactions with companies that do not take appropriate actions in responding to social issues such as environmental and human rights concerns.

The Policies are reviewed from time to time through discussions by the Management Committee and Sustainability Committee in response to changes in the business environment, societal demands, and business activities.

For details on Investment and Lending Policies regarding Environmental and Societal Issues, please refer to the [Financial and Corporate Data Section](#).

Metrics and Targets

Aozora's Sustainability Targets

We have announced the establishment of Aozora's Sustainability Targets aimed at creating economic and social value and shared across the entire Group.

Aozora's Sustainability Targets comprise 15 issues linked to three Materiality issues. We have set medium- to long-term numerical targets centered on Aozora's focus areas and commit to contributing sustainably to the environment and society.

For details on Aozora's Sustainability Targets, please refer to [page 20](#).

■ Policies on Initiatives in Sectors That Have or May Have a Negative Impact on the Environment and Society

Cross-sectoral	Credit prohibited	Businesses, etc., to which investments and lending are prohibited • Businesses which have a negative impact on wetlands registered under the Ramsar Convention • Businesses which have a negative impact on UNESCO World Heritage Sites (with the exception of businesses that have received the advanced consent of the government of the relevant country and UNESCO) • Businesses which violate the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) (in consideration of the reservation clause of each country) • Customers that are associated with businesses involved in child labor, forced labor, or human trafficking • Customers that are associated with businesses involved in, or intended to involve, illegal acts with respect to the laws and regulations of the country in which they are located, acts that violate international environmental or human rights norms if the country in which they are located is behind in environmental or human rights legislation, and acts against the public order / conventional morality, as well as antisocial forces
	Credit that requires close attention	• Businesses which have a negative impact on the regional societies of indigenous peoples • Businesses that require the expropriation of land leading to the involuntary relocation of inhabitants • Businesses which have a negative impact on areas of high conservation value • Businesses which cause or aid human rights violations in conflict areas
Specific sector (credit restricted/prohibited)	Coal-fired power generation	Aozora will not provide financing for the construction of new coal-fired power plants or expansion of coal-fired power generation facilities. Furthermore, the Group will proactively provide investments and lending to support its customers' initiatives that help contribute to the transition to a decarbonized society, including carbon dioxide capture, usage, and storage technologies.
	Coal mining	When considering investments and lending for the development of a new coal mine, Aozora will verify the customer's consideration of environmental and social issues. Aozora will not make any investments or lending for mountaintop removal (MTR) coal mining that has a substantial impact on the environment, nor for the development of new coal mines that supply power generation operators with coal.
	Oil and gas	When considering investments and lending for oil sands, shale oil and gas, oil and gas pipelines, and development in the Arctic Circle (the area north of 66°33' north latitude), Aozora will verify the customer's consideration of environmental and social issues.
	Large-scale hydroelectric power generation	When considering investments and lending for new large-scale hydroelectric power generation (with an embankment of 15 meters or higher, as well as output of 30,000 kW or above), Aozora will verify the customer's consideration of environmental and social issues.
	Biomass power generation	When considering investments and lending for biomass power generation, Aozora will verify the customer's consideration of environmental and social issues.
	Deforestation	When considering investments and lending for businesses involved in deforestation for timber, paper, pulp, etc., Aozora will verify the customer's consideration of environmental and social issues.
	Palm oil	When providing investments and lending for the development of palm oil plantations, Aozora requests that its customers publicly announce that they will make an NDPE (No Deforestation, No Peat, No Exploitation) commitment. When considering investments and lending for businesses associated with the distribution, etc., of palm oil, Aozora will verify the customer's consideration of environmental and social issues, including whether it has obtained RSPO (Roundtable on Sustainable Palm Oil) certification.
	Tobacco manufacturing	When considering investments and lending related to tobacco manufacturing, Aozora will verify the customer's consideration of environmental and social issues, including health hazards as well as child and forced labor.
	Inhumane weapons	Aozora will not make any investment or loan related to the manufacturing of inhumane weapons such as cluster munitions.
Project financing (Equator Principles)	Nuclear power, plastics, shipping, mines	When considering investments and lending for related businesses, Aozora will gather information regarding the customer's consideration of, and stance on, addressing environmental and social issues.
		When considering providing financing or project finance advisory services for projects which fall within the scope of the Equator Principles, Aozora will verify adherence to the requirements set out in the Principles.

Initiatives to Address Climate Change (Response to TCFD Recommendations)

Governance

Aozora has established a program led by the Sustainability Committee to advance sustainability initiatives under the supervision of the Board of Directors.

Aozora has identified “Response to Environmental Issues” as a Materiality issue. In particular, we have positioned climate change as the most important issue to be addressed in tandem with management.

Please refer to [page 52](#) for governance related to sustainability promotion as well as [page 19](#) for details on Materiality.

Strategy

Aozora is aware that our responses to climate change serve as a means of mitigating risk as well as a major business opportunity.

For this reason, Aozora has organized the climate-related risks that are anticipated to have an impact on our business, and categorized the opportunities created through developing and providing financial products and services, the Bank's primary business, with the aim to realize a decarbonized society.

Based on this awareness of risks and opportunities, we will consider and promote strategic initiatives to enhance resilience against climate change.

Opportunities Related to Climate Change

Opportunity	Timeframe
- Generate further synergies with the Strategic Investments Business (structured finance, etc.) across the Group - Expand initiatives in green energy finance, transition finance, etc. - Expand opportunities to provide decarbonization solutions in non-financial areas by capturing customer needs for implementing a transition plan towards decarbonization - Expand opportunities to provide asset management products for retail customers considering ESG from multiple perspectives - Identify new business opportunities through collaboration with decarbonization-related innovative companies (including venture companies)	Short- to medium-term
- Increase financing opportunities for new energy-related technology developments in areas such as hydrogen and ammonia, CCS and DAC* - Increase financing opportunities for fundamental fuel conversion and energy-saving promotion in the manufacturing and transport sectors - Increase the scope of transaction opportunities with retail customers who embrace our value of “contributing to the realization of a decarbonized society”	Medium- to long-term

* CCS: Carbon Capture and Storage, a technology that captures and stores CO₂

DAC: Direct Air Capture, a technology that extracts and captures CO₂ directly from the atmosphere

Risks Related to Climate Change

Risk Classification	Transition Risk	Time frame	Physical Risk	Time frame
Credit risk	Risks arising from impairment to the credit portfolio and losses due to deterioration in customers' business performance or financial condition caused by policies, technological advances, changes in consumer preferences, etc.	Short- to long-term	- Risks arising from impairment to the credit portfolio and losses due to deterioration in customers' business performance or collateral damage caused by natural disasters - Risks arising from a significant adverse impact on Aozora or customers' businesses due to greater frequency in cases of heatstroke or viral pandemics	Short- to long-term
Market risk	Risks arising from incurring losses or damage resulting from fluctuations in the values of securities held, financial derivatives, etc., caused by such issues as a decrease in customers' earnings or impairment in the value of existing assets	Short- to long-term	Risks arising from incurring losses or damage resulting from fluctuations in the value of the securities portfolio, etc., due to market disruption caused by the impact of extreme weather, or changes in the medium- to long-term outlook or the expectations of market participants	Short- to long-term
Liquidity risk	Risks arising from limited funding sources, deposit outflows or cash flow pressure due to a decline in Aozora's creditworthiness due to factors such as a delayed response to transition risk	Short- to long-term	Risks arising from increased demand for funding from customers affected by extreme weather, and an increased outflow of funds for reconstruction and recovery	Short- to long-term
Operational risk	Risks arising from increases in equipment expenditures made to reduce GHG emissions or to strengthen business continuity	Short- to long-term	Risks arising from incurring losses or damage due to interruption of operations at the Head Office, branches, and data centers as a result of damage caused by extreme weather	Short- to long-term
Reputation risk	- Risks arising from deterioration in Aozora's reputation due to lack of a response to climate change or assessments by stakeholders of our response being inappropriate or insufficient - Risks arising from deterioration of Aozora's reputation and adverse impact on employment due to continued transactions with customers who are not sufficiently environmentally conscious and due to our delays in its transition	Short- to long-term	Risks arising from deterioration of Aozora's reputation and suspension of business due to lack of support for customers affected by extreme weather	Short- to long-term

(Note) Aozora defines short-term as up to 3 years (the period covered by the Mid-term Plan); medium-term as 3–10 years, and long-term as 10–30 years.

Initiatives to Address Climate Change (Response to TCFD Recommendations)

Roadmap to Becoming Carbon-neutral

As part of our medium- to long-term initiatives for the risks and opportunities related to climate change, Aozora has developed a roadmap and specific plan of action to achieve becoming carbon-neutral in line with the items of the Paris Agreement.

By FY2030, Aozora aims to achieve net zero GHG emissions as a business entity mainly through energy-saving initiatives and the conversion of consumed electricity to renewable energy sources.

By FY2050, the Bank intends to promote its initiatives for net zero GHG emissions from the investment and loan portfolio with a view to realizing decarbonization throughout the supply chain. We will continuously review our initiatives for reaching this goal in line with changes in the environment.

Moreover, we will provide renewable energy project finance and other forms of environmental finance to support customers' initiatives for decarbonization, and will promote phasing out exposure in project financing for coal-fired power plants.

Initiatives for Decarbonization as a Business Entity

We continue promoting upgrades to energy-saving equipment and devices as well as seeking the cooperation of suppliers with the intent to “achieve net zero emissions in Scope 1 and Scope 2 by FY2030,” which is one of Aozora's Sustainability Targets.

Aozora's Head Office, which is located in the Sophia School Corporation Sophia

Tower, uses only renewable energy-driven electricity.

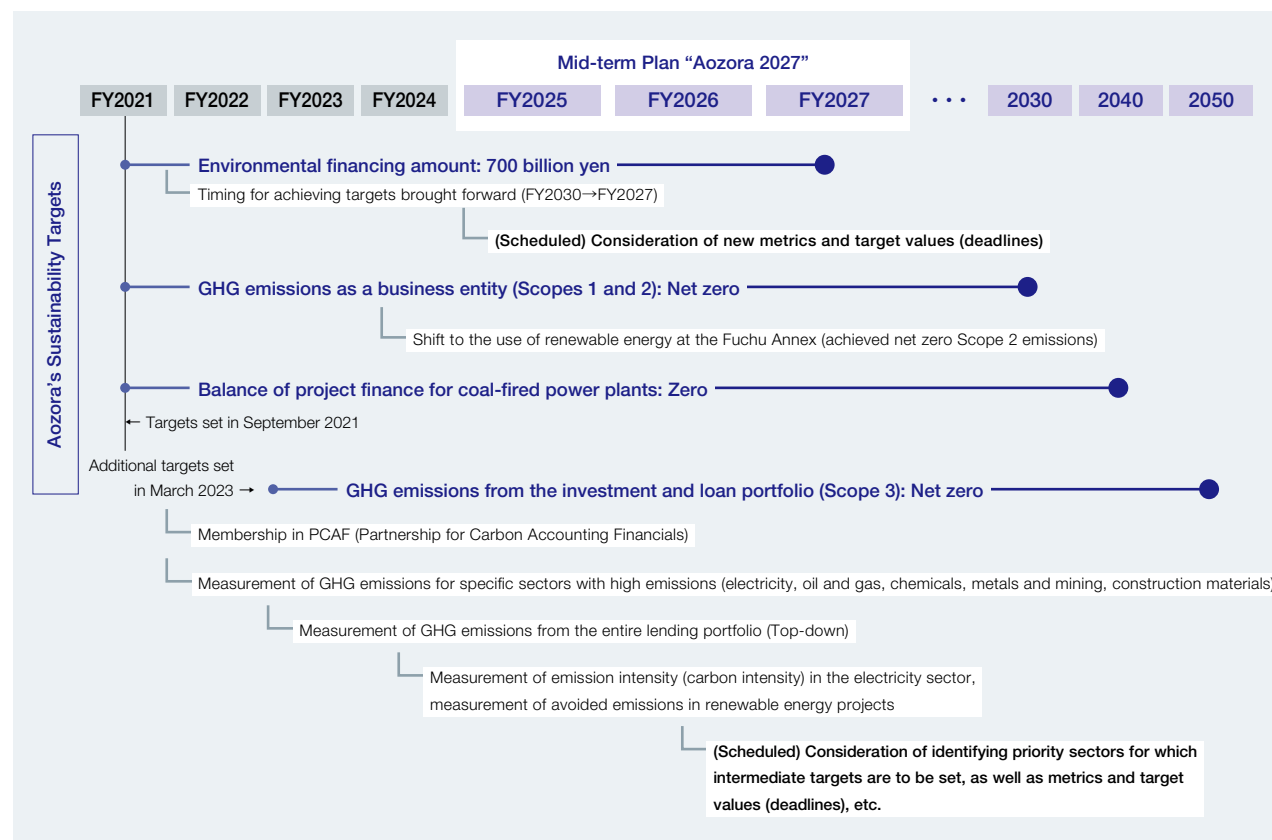
We are also gradually transitioning to green electricity at each branch office at the time of relocation or any other similar circumstances.

Our Fuchu Annex proceeds with its upgrade to energy-saving equipment in consideration of impact on the environment. As one example, approximately 80% of lighting in the annex has been converted to LED, and the air conditioning system has been replaced with the latest water-cooled system. Moreover, the electricity consumed in the annex has been fully converted to renewable energy through the use of carbon offsets since August 2024.

Aozora has made progress in replacing company cars at our Head Office and branch offices with ecofriendly vehicles (which accounted for 92% of our fleet as of May 2025). In addition, we installed battery chargers for electric vehicles and PHV on the first floor of the Head Office, which are also available for our customers' use.



Aozora Bank Head Office
(Sophia Tower)



Initiatives to Address Climate Change (Response to TCFD Recommendations)

Supporting Customers' Initiatives to Decarbonize

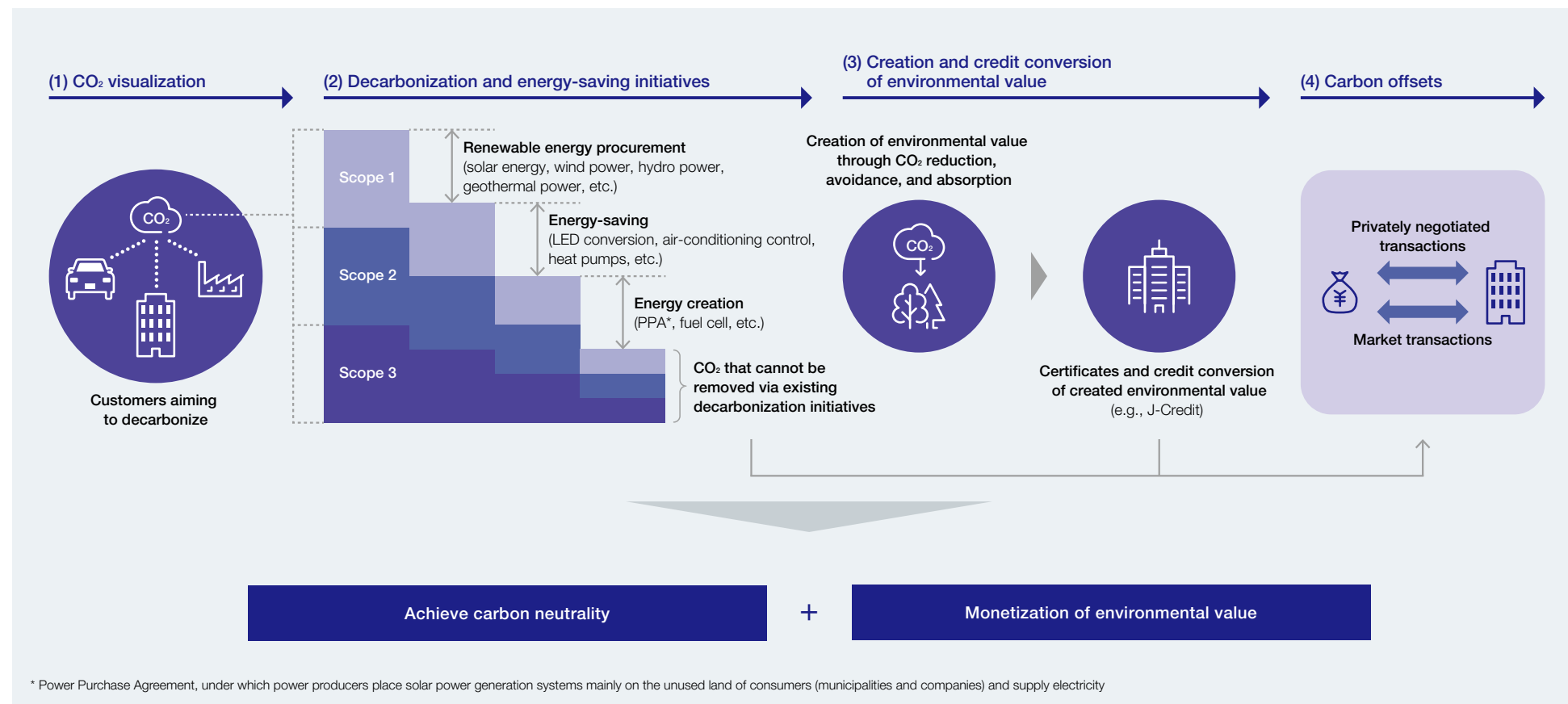
Supporting customers' initiatives for decarbonization with a view to realizing a decarbonized society is an important role that Aozora should assume as a

financial institution. This support also presents the potential for multiple business opportunities.

In addition to financial support, including renewable energy project finance as one of our strengths, we are also focused on developing and providing non-financial decarbonization solutions by

collaborating with external business partners. Aozora is promoting an environmental business that is balanced between economic and social value by offering comprehensive support for our customers' environmental initiatives.

Customers' Decarbonization Support System in Aozora's ESG Support Framework



Initiatives to Address Climate Change (Response to TCFD Recommendations)

Status of Carbon-related Assets

Aozora discloses the status of outstanding loans and percentages by sector for carbon-related assets, taking into account the TCFD recommendations.

Carbon-related Assets (loan outstandings)

(As of March 31, 2025)

Sector	Loan outstandings (billion yen)	Percentage
Oil and gas	50.7	1.2%
Coal	—	—
Electricity*	80.7	1.9%
Energy sub-total	131.4	3.1%
Air cargo transportation	18.3	0.4%
Air passenger transportation	5.7	0.1%
Maritime transportation	7.5	0.2%
Rail	22.6	0.5%
Road transportation	11.5	0.3%
Vehicles/components	31.7	0.8%
Transportation sub-total	97.2	2.3%
Metals and mining	40.6	1.0%
Chemicals	113.7	2.7%
Construction materials	15.8	0.4%
Capital goods (buildings, etc.)	176.3	4.2%
Real estate management/ development	1,020.6	24.3%
Materials, construction materials sub-total	1,367.0	32.5%
Beverages	15.6	0.4%
Agriculture	0.8	0.0%
Packaged foods/meat	14.2	0.3%
Paper/forest products	30.6	0.7%
Agriculture, beverages, and forest product sub-total	61.3	1.5%
Total for all sectors	1,656.9	39.4%

* Excludes renewable energy providers

Scenario Analysis

The results of our quantitative scenario analysis through 2050 are as follows. The breakdown of our carbon-related assets (loan outstandings) as of March 31, 2025, showed no significant change compared to the end of the previous

fiscal year, and the assessment of financial impact was also similar to that of the previous fiscal year.

Looking ahead, we will expand our knowledge of analysis methods and strive to enhance accuracy, and work to assess climate resilience more effectively through scenario analyses.

Risk Classification	Transition Risk	Physical Risk
Scenario	IEA (International Energy Association) World Energy Outlook STEPS (3°C) scenario, NZE (1.5°C) scenario	IPCC (Intergovernmental Panel on Climate Change) RCP 8.5 scenario (4°C scenario) / RCP 2.6 scenario (2°C scenario)
Method of analysis	Preliminary calculation of loss reserves increases after assessing the degree of impact on corporate customers' business results (damage to their creditworthiness) based on parameters and public information, etc., in addition to considering the increase in investment burden in the future	Preliminary calculation of increase in loss reserves arising from damage to properties after assessing the rate of damage due to the properties adversely impacted by flooding / high tides (effects of direct harm to properties and suspended business activities)
Subject of analysis	Electricity, energy, automotive, and real estate sectors (excluding non-recourse loans, REITs) as well as raw materials sector* (accounted for 18.4% of total loan outstandings) Note: As of March 31, 2023	Collateral for domestic and overseas real estate non-recourse loans (accounted for 15.1% of total loan outstandings) Note: As of June 30, 2021
Results of analysis	The following has been confirmed: - The electricity sector faced rising costs from carbon price increases, in addition to the importance of the development of technologies for reducing GHG emissions and changes in the electricity mix - For the energy and automotive sectors, it was important to respond to changes in market needs towards a transition to a decarbonized society - The raw materials sector was comparatively vulnerable to rising costs from carbon price increases	The following has been confirmed: There are only a limited number of properties with a risk of damage due to flooding / high tides as many properties were robust collateral and located in areas less susceptible to natural disasters
Loss reserves expected to increase	In comparison with current loss reserves, we expect an increase of up to 20 billion yen by 2040, and an increase of up to 4 billion yen in 2050 as our financial condition improves with the overall progress of a transition to a net-zero society	An increase of around 1 billion yen is expected in the period until 2050
Valuation of financial impact, etc.	Estimated loss reserves increased compared to the previous fiscal year, mainly due to considering the future investment burden in the analyzed sectors	New analysis was not conducted in FY2024, as the assumption that the impact of increased natural disasters and extreme weather is not of a nature that changes over several years. We will conduct a review as necessary

* Transition risk analysis scope: Important sectors in the credit portfolio were identified using a risk map based on the degree of impact from climate change. The selected sectors were raw materials, real estate (excluding non-recourse loans and REITs), as well as the electricity, energy, and automotive sectors, which have comparatively small exposure but a significant impact.

Initiatives to Address Climate Change (Response to TCFD Recommendations)

Risk Management

We manage climate change risk as an important financial risk within the traditional financial risk categories, including credit risk, market risk, liquidity risk, and operational risk, and integrate the management of this risk into our existing risk management framework. In addition, we incorporate climate change risk into Aozora's "Key Risks" and use it in discussions of our risk appetite and business planning to enhance the effectiveness of risk management.

When we initiate individual projects, we respond in accordance with the Aozora Bank Group Investment and Lending Policies regarding Environmental and Societal Issues. These policies are reviewed as necessary through discussions by the Management Committee and the Sustainability Committee in response to changes in the business environment, social demands, and business activities.

In FY2024, we added "biomass power generation" to the list of specific sectors, clearly stating that "Aozora will confirm the customer's implementation of initiatives that take into account environmental and social issues." The primary conditions of the Aozora Bank Group Investment and Lending Policies regarding Environmental and Societal Issues* are as follows:

- For any credit transactions that are believed to fall under the prohibited credit category, the Credit Committee or Investment Committee is responsible for making credit decisions by comprehensively reviewing the background, features, and other factors of each transaction
- Our policy prohibits the financing of new projects for coal-fired power plants as well as the expansion of existing power generating facilities
- We identify, assess, and manage environmental and social risks based on Equator Principles when making investments or loans for large-scale development projects

* For details on the Investment and Lending Policies regarding Environmental and Societal Issues, please refer to the [Financial and Corporate Data Section](#).

Metrics and Targets

Climate change-related targets based on Aozora's Sustainability Targets are as follows.

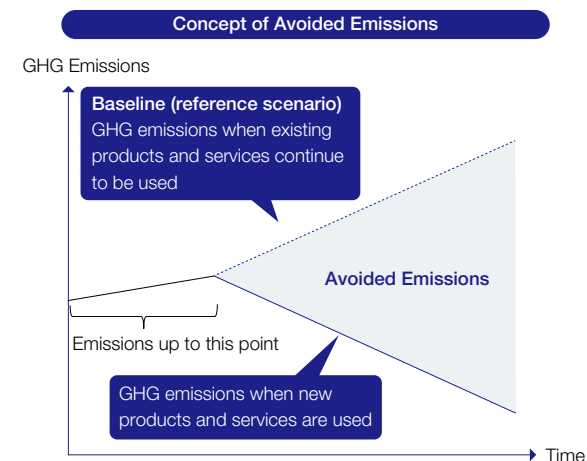
	Targets	FY2024 Results
GHG emissions as a business entity (Scopes 1 and 2)	Net zero by FY2030	70% reduction (vs. FY2020)
GHG emissions from the investment and loan portfolio (Scope 3: category 15)	Net zero by FY2050	Refer to page 62
Amount of project financing for coal-fired power plants	Zero balance by FY2040	17.6 billion yen
Sustainable financing amount	1 trillion yen by FY2027 (seven years) Including environmental finance of 700 billion yen	Approx. 860 billion yen Including environmental finance of approx. 667 billion yen

GHG Emission Intensity and Avoided Emissions in the Electricity Sector (project finance)

Aozora has measured financed emissions, GHG emission intensity and avoided emissions regarding project financing for the electricity sector, based on loan outstandings as of March 31, 2024, following the concept developed by the PCAF. As for avoided GHG emissions in accordance with "Avoided Emissions" under the PCAF guidance, we calculated "GHG emissions reduced by providing renewable energy power in place of fossil fuel-fired power generation through a renewable energy electricity generation project financed by Aozora" using the emission factor for a fossil fuel that constitutes the largest part of the electricity generation mix in the region.

Financed Emissions (kt-CO ₂)	1,447
Emission Intensity (g-CO ₂ /kWh)	131
GHG Emissions Avoided (kt-CO ₂)	199

(On the basis of loan outstandings as of March 31, 2024)



Initiatives to Address Climate Change (Response to TCFD Recommendations)

GHG emissions in financial institutions are primarily comprised of financed emissions (indirect emissions) associated with investments and loans. Aozora measures financed emissions for corporate loans and project financing.

GHG Emissions from the Investment and Loan Portfolio (Scope 3: category 15)

(Note) The coal sector is not listed due to a zero balance.

Oil and gas	Electricity	Air cargo transportation	Air passenger transportation	Maritime transportation	Rail	Road transportation	Vehicles/ components	Metals and mining	Chemicals	Construction materials	Capital goods (buildings, etc.)	Real estate management/ development	Beverages	Agriculture	Packaged foods/meat	Paper/ forest products	Other	Total
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■ [Loans] Financed Emissions (kt-CO₂)

Scopes 1 & 2	351	1,072	19	11	7	43	39	5	909	200	4	119	8	9	3	133	43	501	3,479
Scope 3	387	375	11	6	4	24	22	75	524	278	49	566	47	35	2	61	73	1,683	4,220

■ Data Quality Score (1 rated highest, 5 rated lowest)

Scopes 1 & 2	4.6	4.2	4.8	4.0	4.0	4.0	4.0	4.2	4.0	4.0	4.0	4.1	4.2	4.0	4.0	4.0	4.0	4.1	4.2
Scope 3	4.6	4.9	4.8	4.0	4.0	4.0	4.0	4.2	4.0	4.0	4.0	4.1	4.2	4.0	4.0	4.0	4.0	4.1	4.2

■ Financed Emissions Measurements: Loan Outstandings (unit: billion yen), 100% Measurement Coverage Rate for Each Sector

Loan outstandings	61	190	6	3	3	23	12	21	46	99	15	157	157	10	0	14	31	1,456	2,305
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Applicable assets	Corporate loans, project financing
Applicable fiscal year	FY2023
Formulas used in calculations (PCAF scores 3–4)	Financed emissions = Attribution factor x GHG emissions <Attribution factor> Loan outstandings ÷ (Interest-bearing debt + equity of customers or projects) <GHG emissions> Customer's disclosed values, or estimated values
Formulas used in calculations (PCAF score 5)	Financed emissions = Loan outstandings x Emission factors

(Notes)

- Outstanding loans refer to the balance as of the end of the applicable fiscal year.
- Other sectors: A total of the sectors that fall outside the above 18 sectors, including communications, finance, retail and service
- Measurement coverage rate: Projects under construction are not subject to measurement.
- Measurement results may change significantly due to additional data availability and accuracy accompanying expanded disclosure by customers and advances in estimation methodologies.
- The coefficients used when calculating estimated values are the emissions factors from the PCAF database. These emission factors are subject to change as a result of future refinements, etc., which may have a significant effect on the calculation results.
- Given the nature of Scopes 1, 2, and 3, multiple sectors and companies may report the same GHG emissions in duplicate.

Data Quality	Method to Estimate Emissions	Conditions, etc.
Score 1	Emissions reported by companies	Third-party verified emissions data calculated in accordance with the GHG Protocol can be used
Score 2	Emissions from business activities	Non-verified emissions data calculated in accordance with the GHG Protocol can be used
Score 3	Emissions from business activities	Estimated based on the energy consumption of the company and the emissions factor
Score 4	Emissions from business activities	Estimated based on the production output of the company and the emissions factor
Score 5	Emissions from economic activities	Estimated based on the net sales of the company and the emissions factor per net sales for the sector
	Emissions from economic activities	Estimated based on investment and loan exposure to the company and the emissions factor per asset for the sector
	Emissions from economic activities	Estimated based on investment and loan exposure to the company, carbon intensity per net sales for the sector, and the asset turnover ratio for the sector

Response to Natural Capital and Biodiversity

We have completed an analysis of each sector's dependencies on natural capital and their impact in accordance with the LEAP approach*¹ since FY2023 in order to identify relationships between our business and natural capital. In FY2024, we updated the Heat Map of Dependencies and Heat Map of Impacts following the update of ENCORE*² data.

As a result of our analyses, we recognize that Public Utilities, Raw Materials, and Food and Beverage sectors have a high degree of dependency and impact on water-related ecosystem services. We are also conducting research and analyses into water-related risks and countermeasures in business activities of the abovementioned sectors' value chains.

We will deepen our analyses of nature-related risks and opportunities by utilizing our customers' disclosed information, and consider specific countermeasures based on those analyses.

*1 A systematic evaluation approach for nature-related risks and opportunities.

LEAP is comprised of the four phases of Locate, Evaluate, Assess and Prepare.

*2 A tool to evaluate dependencies and impacts on nature

Heat Map of Dependencies

		Real estate	Capital goods	Consumer services	Public utilities	Raw materials	Commercial / professional services	Consumer durables / apparel	Transport	Energy	Pharmaceuticals / biotechnology	Food and beverages
Ecosystem services	Biomass supply											
	Solid waste cleanup											
	Soil and sediment containment											
	Water purification											
	Soil and quality adjustment											
	Biological control											
	Air filtration											
	Flood mitigation											
	Genetic sampling											
	Global-scale climate regulation											
	Water supply											
	Maintenance of nursery plant populations and habitats											
	Local climate regulation											
	Pollination											
	Storm damage mitigation											
	Flow regulation											
	Rainfall pattern adjustment											

Heat Map of Impacts

		Real estate	Capital goods	Consumer services	Public utilities	Raw materials	Commercial / professional services	Consumer durables / apparel	Transport	Energy	Pharmaceuticals / biotechnology	Food and beverages
Impact drivers	Disturbances (noise, light, etc.)											
	GHG emissions											
	Freshwater use areas											
	Seabed utilization areas											
	Non-GHG air pollutants											
	Harvesting of biological resources											
	Harvesting of non-biological resources											
	Discharges of toxic pollutants into water/soil											
	Discharges of eutrophication substances into water/soil											
	Solid waste generation and discharge											
	Land use areas											
	Water usage											
	Invasions of non-native species											



Respect for Human Rights

Commitment to Human Rights

The Aozora Bank Group Human Rights Policy clearly states that the Group intends to fulfill its responsibility to eliminate from its business operations any activities that are in opposition to the protection and promotion of human rights as well as any exploitative practices, including slavery, human trafficking, forced labor and child labor, while remaining dedicated to complying with applicable laws and regulations in the regions where it conducts business.

For more details on the Aozora Bank Group Human Rights Policy, please refer to the [Financial and Corporate Data Section](#).

Human Rights Due Diligence Initiatives

We identified and evaluated human rights issues with a high potential negative impact and developed a human rights issues map in FY2023. We have been continuously inspecting and reviewing the map in accordance with changes in the business environment and other factors. In response to various types of guidelines and moves toward the clarification of responsibilities in the supply chain, we revised the Aozora Bank Group Outsourcing Policy in FY2024 and clarified items we would like to expect our suppliers to cooperate in, such as respecting human rights, under the section headed “Expectations for Suppliers.”

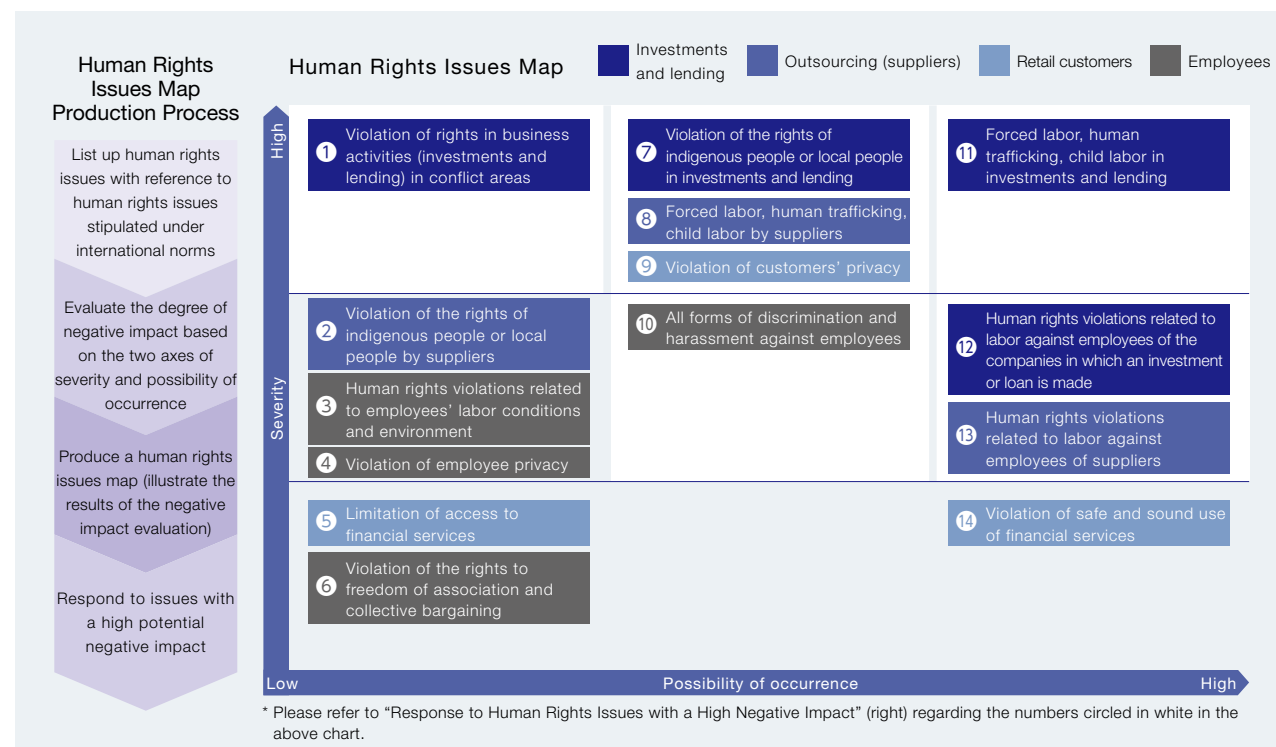
Remedial Initiatives (Grievances)

In addition to the customer complaint desk, the Aozora Group has established the Aozora Hotline Program for officers and employees to receive consultations and file reports on human rights issues. In FY2024, the scope of this system was expanded from officers and employees to suppliers and job seekers, thereby allowing the system to be accessed by a wider range of stakeholders.

Response to Human Rights Issues with a High Negative Impact

Human Rights Issue	Current Response
1 7 11	Our Investment and Lending Policies regarding Environmental and Societal Issues ban investments and lending sector-wide for businesses engaged in child labor, forced labor, and human trafficking. When considering investments and lending to businesses that may violate human rights in conflict areas or aid in doing so, we examine whether customers have made efforts to reduce and avoid risks and make decisions on transactions with caution. We signed the Equator Principles and conduct initiatives considering the negative impact that large-scale development projects may have on the environment and societies.
12	Aozora determines a policy for responding to each individual case according to reputational information and other matters related to individual business partners.
8 13	We create a basic check sheet regarding outsourcing management for annual reviews of whether there is negative or reputational information related to matters such as outsourcees' violation of human rights. Furthermore, when we place an order for construction, etc., we also produce an outside vendor risk evaluation check sheet to examine and evaluate risks related to the environment and human rights.
9	Aozora has formulated the personal information protection policy (Privacy Policy) and disclosed it at branches and on its website, while implementing organizational, personnel, and technical safety management measures such as the establishment of rules for managing personal data, training, and system improvements.
10	Aozora's Code of Ethics and Conduct, which sets ethical and behavioral standards for our officers and employees, declares efforts to create workplaces free of discrimination and harassment, and we produce and disseminate a Compliance Handbook. We also regularly conduct training covering the various forms of harassment.

Identification and Evaluation of Human Rights Issues with a High Negative Impact



Human Resources Strategy

Aozora is transforming its corporate and organizational culture while implementing a human resources strategy aligned with its management strategy. By enhancing the value of each individual employee, we aim to build a strong organization that grows together with its employees.



Chiharu Hirota
Executive Officer
(Head of Human Resources Unit)

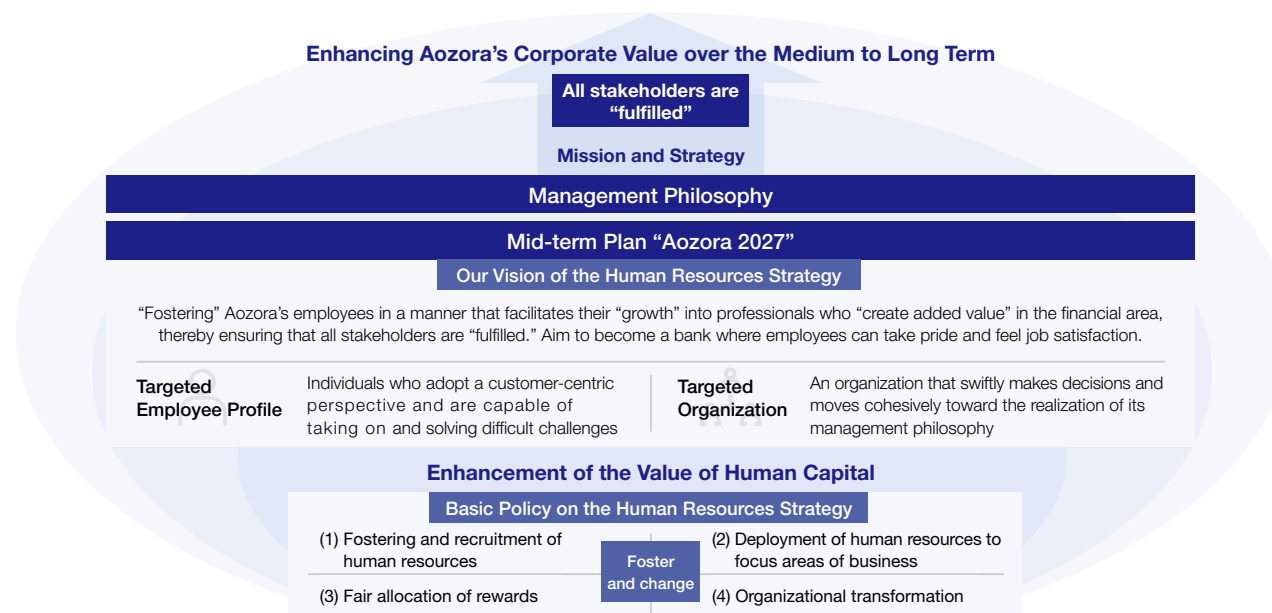
Aozora's Human Resources Strategy

Aozora's management philosophy is to contribute to the development of society through the creation of new value-added financial services. While we are a manageably sized entity with approximately 2,500 employees, we provide high-quality financial services by harnessing our high level of expertise and capacity to offer proposals. We believe the human capital that delivers these services is our primary source of value creation and is one of our most valuable assets.

Realizing the Goals of Mid-term Plan "Aozora 2027" Based on Our Management Philosophy

Aozora has long positioned the enhancement of human capital, the source of corporate value creation, as the foundation of its management

strategy. Under the Mid-term Plan "Aozora 2027," our human resources strategy sets forth the goal of "fostering" Aozora's employees in a manner that facilitates their "growth" into professionals who "create added value" in the financial area, thereby ensuring that all stakeholders are "fulfilled." We also aim to become a company where employees can take pride and feel job satisfaction. The talent we seek to cultivate is defined as those who can adopt a customer-centric perspective, take on difficult challenges, and deliver solutions. An organization that is able to motivate this talent is one that swiftly makes decisions and moves cohesively toward the realization of its management philosophy. Through the implementation of a human resources strategy closely aligned with our management philosophy and business strategy, we aim to enhance our corporate value over the medium to long term.



Human Resources Strategy

Investment in Human Capital under the Mid-term Plan “Aozora 2027”

Based on the belief that human capital is the source of corporate value creation, Aozora continues to enhance its investment in human capital, focusing on both extrinsic and intrinsic rewards.

Policies and Measures for Investment in Human Capital

- **Extrinsic rewards:** Maintain a competitive compensation system (pay-scale increases implemented for four consecutive years), introduce a stock compensation program for employees
- **Intrinsic rewards:** Improve employee engagement and well-being by fostering a rewarding and safe working environment

As a result, despite the challenging environment including our announcement of a loss in FY2023, our employee retention rate remained high, which contributed to an earnings recovery in FY2024.

For information on employee turnover, please refer to number of retirees in the [“Non-financial Information Index” in the Financial and Corporate Data Section](#).

However, we recognize the following as key challenges to realizing our goal: the need to expand our pool of value-creating talent essential for executing our management strategy, the need to accelerate personnel reassignments to priority areas, such as the Strategic Investments Business,

insufficient differentiation in compensation for top performing employees, and a lack of organizational cohesion. To address these issues, we have formulated four basic policies that set the direction for our human resources strategy.

By continuing to invest in human capital in line with these four basic policies, regardless of changes in the economic environment, we will work to enhance the value of our human capital.

Human Capital Investment That Leads to Creating Added Value

As is (current issues)		Basic policy		Core KPIs, etc.		To be (goal)
Expand the number of human resources that are “creating added value”	▶	1. Fostering and recruitment of human resources capable of creating added value		Recognition for taking on challenges*1 March 31, 2025: 47% ⇒ March 31, 2028: 55%	▶	Secure and develop value-creating talent through a consistent approach to training and recruitment based on our targeted human resources profile
Need to reassign personnel toward priority areas	▶	2. Deployment of human resources capable of creating added value to focus areas of business		Ratio of employees in the Strategic Investments Business*2 March 31, 2025: 19% ⇒ March 31, 2028: 24%	▶	Support growth in focus areas by visualizing and reallocating human resources
Insufficient differentiation in compensation for value-creating talent	▶	3. Fair allocation of rewards for human resources capable of creating added value		Correct the tendency toward centralized evaluations	▶	Enhance employee motivation and improve overall performance by more fairly allocating compensation for personnel who create the highest added value
Lack of organizational cohesion	▶	4. Transformation into an organization that creates added value		Element lacking in workplace fulfillment*1 “Sense of unity and cohesion” Ranked top as of March 31, 2025 ⇒ Targeting 2nd or lower by March 31, 2028	▶	Building an organization that acts with unity and can flexibly and swiftly resolve difficult challenges in line with our management philosophy

*1 Based on employee surveys *2 Consolidated basis; excludes the Corporate Business Group

Human Resources Strategy

1. Fostering and recruitment of human resources capable of creating added value

Human Resource Development

Aozora has redefined its targeted employee profile as an individual who adopts a customer-centric perspective and is capable of taking on and solving difficult challenges. While maintaining our core concepts behind human resources development, namely respecting employee initiative and encouraging challenges, we have revised our training programs to align with our priority businesses and targeted employee profile (Please refer to the red box in the diagram for the areas that were reviewed).

Aozora Human Resources Development Programs

	All Employees	Non-management Employees	Managers	Senior Employees
Training	Communication Forum	1st-2nd Year Training		Proactive Career Training
	Aozora University	Business Mindset Training		Career Ownership Training
	Training/Seminar Platform			
	English Proficiency Enhancement Program			
Selective Training		Promotion Preparation Training*1	Pre-Deputy Manager Training*4	Manager Training (position-specific)*2
			Leadership Development Training	
			Female Leadership Development Program*4	
Business Training		Aozora Career Academy (Corporate, Financial Institutions, Retail)*3 Strategic Investments Seminar		
Experience Expansion Program	Career Course Conversion Program	Job Rotation		Second Career Support Program
	Job Support Programs	Job-posting Program		
	Short-term Trainee Program	Overseas Trainee Program		
	Consultation with a Career Consultant	Mushashugyo Program		
	Career Support Leave Program	Graduate School Program		

*1 Conventional year-based training has been restructured as promotion preparation training
*2 Content revised to place greater emphasis on organizational development and talent development to strengthen management capabilities
*3 Previously independent training programs by division have been integrated into a structured curriculum
*4 Newly introduced programs

Development of Strategic Investments Business Professionals

The Strategic Investments Business is one of our key focus areas and a future driver of earnings. Accordingly, developing professionals with expertise in the Strategic Investments Business is our highest priority. While we have made efforts through planned staffing and internal and external training programs, we will further strengthen both the quality and quantity of human resources by launching a new Strategic Investments Seminar, led directly by senior management, in FY2025. We will continue to cultivate professionals capable of creating added value based on our clearly defined development policies for the ideal employee profile.

Aspiration to Establish Strategic Investments Seminar



Koji Yamakoshi
Chairman of the Board,
Head of Strategic Investments Seminar

Since its founding in 1957 and following its restart after special public management, Aozora has defined its purpose as taking on the challenge of developing untapped business areas. Our pioneering forays into areas such as non-performing loan investments (including investments in business recovery claims), business recovery finance, non-recourse real estate loans, and domestic leveraged buyout loans are proof of that commitment. The individuals who led these businesses now serve as members of our senior management and executive team. The Strategic Investments Seminar was established by these leaders not only to pass down their expertise and know-how, but also to systematically instill Aozora's positive DNA, its spirit of challenge and passion for innovation.

In the world of finance, we must create added value to intangible products and offer them to counterparties. The most essential skill for this is communication, especially negotiation, which is a powerful tool. To our younger employees, we do not expect immediate results or a surge in growth. Rather, we hope they will overcome challenges and achieve significant growth over time.

Promoting Career Autonomy: Experience Expansion Program

To enhance human resources development and employee motivation, Aozora continues to promote initiatives that support career autonomy, enabling employees to proactively shape their careers. As a result, more employees are taking the initiative to assess their skills and aptitudes through hands-on experiences in their desired areas of work and are stepping up by developing their own capabilities. We will continue building an environment in which all employees can grow into professionals capable of creating added value.

Human Resources Strategy

Recruitment of Human Resources Capable of Creating Added Value

Aozora hires high-potential individuals who embody our management philosophy. Our five career paths comprise Global Professional*, Regional Professional*, IT Professional, Contract Professional (highly specialized talent), and Contract Specialist. All hires in these career paths are positioned as future core talent or highly skilled professionals.

As a highly specialized financial institution, Aozora has long focused on mid-career hiring. As a result, a large number of highly specialized career hires with a broad range of experience and values joined Aozora ready to contribute. Beginning in FY2024, we

introduced alumni hiring (rehiring of former employees) and referral hiring (hires through employee referrals), raising the mid-career hiring ratio to 49%.

* In conjunction with the human resources system reforms undertaken in FY2020, we abolished the “ippan-shoku” (non-professional career category) and re-integrated these employees into career paths.

For more information about the number of people hired, please refer to the new grads/mid-career ratio in the [“Non-financial Information Index” in the Financial and Corporate Data Section](#).

2. Deployment of human resources capable of creating added value to focus areas of business

Aozora is accelerating the reassignment of talent to its focus area, the Strategic Investments Business. However, in light of prospects for growth in this business, current staffing levels remain insufficient. To address this, we are promoting the following initiatives.

Initiatives to Reassign Personnel to the Strategic Investments Business

- Leverage the expertise of veteran employees with experience in structured finance
- Provide high-potential young employees with opportunities to gain on-the-job experience
- Optimize overall personnel allocation using the talent management system and other tools
- Enhance internal talent mobility

Human resources allocation



3. Fair allocation of rewards for human resources capable of creating added value

Aozora regards human capital as the source of value creation and considers it the most important management resource. For this reason, we have maintained appropriate compensation levels while taking a medium- to long-term view of investment in human capital, regardless of short-term business conditions or earnings fluctuations.

For information about average annual compensation, please refer to average annual salary in the [“Non-financial Information Index” in the Financial and Corporate Data Section](#).

Looking ahead, in order to navigate a rapidly changing and increasingly uncertain business environment, it will be essential to evaluate and reward each employee's longer-term contributions to enhancing corporate value.

Under the Mid-term Plan “Aozora 2027,” we have outlined five key initiatives regarding our compensation system. By ensuring fair compensation for employees creating added value and establishing an evaluation system based on fairness, we aim to create an environment where employees can fully demonstrate their capabilities.

Fair Compensation Allocation

Key Initiatives

- Redesign and strengthen pay-for-performance mechanisms
- Assessment of challenges (expand reward and incentive programs)
- Align compensation with roles and responsibilities (improve managerial compensation)
- Introduce more differentiated compensation for senior employees
- Stock compensation program for employees

Enhance engagement

Enhance corporate value

Interview with an Alumni Hire



Yuta Nakano
Senior Deputy Manager
Market Products Div.

I am currently in charge of interest-rate trading in the Market Group. I joined Aozora in my 30s and worked for four years in my long-desired role as a trader. Wanting to test my abilities further, I left the Bank to pursue a new opportunity elsewhere. However, I was unable to realize the career I had envisioned and came to truly appreciate what Aozora offered. In 2024, I decided to return to Aozora. Thanks to the connections I had maintained with former managers and colleagues, I felt no hesitation

about rejoining. Although I had been away for five years, the Bank valued the experience I gained during that time, and I was rehired with a managerial title. Aozora is a financial institution where mid-career professionals can clearly envision their future. I am now working in the role I had hoped for and find my work extremely fulfilling. I am glad I made the decision to come back.

Human Resources Strategy

4. Transformation into organization that creates added value

Improvement in Employee Engagement

To enhance corporate value, we believe that it is vital to create a work environment where employees can thrive while improving individual motivation and engagement. To this end, Aozora conducts an annual employee survey to identify areas for improvement related to engagement. The latest survey results revealed that while a comfortable work environment is becoming well-established and recognition for taking on challenges is improving, there remains room to enhance employees' sense of fulfillment in their work.

FY2024 Employee Survey Results (Key Themes)

Results of the FY2024 Employee Survey

• Workplace comfort: **79%** (±0% YoY) • Job satisfaction: **56%** (±0% YoY) • Recognition for challenges: **47%** (+8ppt YoY)

Traits of Employees Reporting High Job Satisfaction at the Aozora Group

- Feel they work in an environment that is both comfortable and recognizes challenges
- Highly satisfied with workloads and manager support of their careers (communication)

To clearly define a path for resolving this issue and effect change toward greater unity across the organization, we have introduced new KPIs in Mid-term Plan "Aozora 2027."

Aozora is focused on developing employees who adopt a customer-centric view and can overcome

difficult challenges, that is, customer-oriented and challenge-oriented human resources. This reflects Aozora's purpose of taking on challenges and continuously creating new value-added financial services. Accordingly, "recognition for taking on challenges" is the most important indicator in our employee survey, and we aim to raise it further.

By improving engagement and fostering a stronger sense of unity among employees, we seek to become an organization that swiftly makes decisions and moves cohesively toward the realization of our management philosophy.

Mid-term Plan KPIs

	FY2024 Result	FY2027 Target
Percentage of employees who feel their "taking on challenges is recognized"*	47%	55%
Ranking of "sense of unity and cohesion" among elements lacking in the context of job fulfillment*	1st (most lacking)	2nd or lower

* Based on employee survey results

Initiatives to Improve Employee Engagement

- **Annual employee survey:**
Survey results are discussed among executives and incorporated into human resources systems, the Mid-term Plan, and business measures
- **Monthly use of Wevox engagement measurement tool:**
Enables visualization and analysis to support workplace-driven organizational development and enhance management capabilities

Initiatives to Strengthen Organizational Unity

- **Communication forums to promote understanding of our management philosophy (30 sessions/year):**
All employees engage in discussions about the management philosophy and workplace fulfillment
- **Town hall meetings (once per year):**
Direct dialogue between management and employees to deepen understanding of the management philosophy

Foundation for Sustainable Growth

Enhancing Employee Well-being

Our human resources strategy envisions a future in which all stakeholders are "fulfilled" together. The well-being* of our employees forms the foundation for this vision and is essential for the Aozora's value creation activities. To enhance employee well-being, we promote both health management and financial wellness initiatives that support employees' physical, mental, and financial stability.

* Well-being refers to a state in which each employee is not only physically and mentally healthy, but also socially secure and fulfilled.

Health and Productivity Management*¹ Initiatives

To ensure that employees can work with peace of mind over the long term, Aozora is committed to supporting the physical and mental health of its employees in close collaboration with its health insurance society (a single health insurance society). As a result of these activities, Aozora's employee presenteeism*² score is better than the national average, indicating that Aozora is a relatively healthy organization.

Initiatives to Promote Health and Productivity Management

- Formulation of a data health promotion plan
 - Regular health checkups and stress assessments
 - Follow-up care by occupational physicians and medical professionals
 - Financial assistance for health screenings and cancer checkups for employees and their families
 - Health literacy initiatives for employees, including wellness seminars
- Certified as a Health & Productivity Management Organization for **five consecutive years**
Presenteeism score*² **86.4** (1.5 points above the average, indicating a relatively healthy organization)

*¹ "Health and Productivity Management®" is a registered trademark of the Nonprofit Organization Kenkokeiei.

*² Presenteeism refers to a state in which employees are physically present at work but unable to perform at full capacity due to health issues. It is considered a source of costs and losses for a company. Based on employee survey results using the University of Tokyo's Single-Item Presenteeism Question (SPQ).

Human Resources Strategy

Enhancing Employees' Financial Wellness

To ensure that employees can fully demonstrate their abilities and thrive in their roles, it is essential that they are able to work without financial anxiety about the future. Based on this belief, Aozora has established programs to support the financial wellness of its employees. By expanding various systems and initiatives, we aim to provide economic stability for employees and their families, and foster a work environment where they can focus without financial worry.

List of Programs and Measures to Enhance Financial Wellness

Compensation	Wealth Accumulation Support
- Attractive compensation system - Raised pay-scale for four consecutive years FY2022: 0.5% FY2023: 10,000 yen increase in monthly salary FY2024: 3.5% FY2025: 3.0%	- Employee stock ownership plan (50,000 yen special stipend annually + incentive pay: 20%) - Self-support-type individual pension plan (financial assistance: 5%-20%) - Asset accumulation savings
Welfare Programs	
- Cafeteria-style benefits menu (annual subsidy up to 22,000 yen) - Allowance supporting repayment of scholarships - Rent subsidy - Permission for secondary employment and side jobs - Childcare and nursing care leave programs	- Second career support program (for those aged 55 and over) - Full-scale health checkup subsidy support (including gynecological option) - Additional benefit for high medical expenses (maximum co-payment amount 20,000 yen / month) - Corporate pension plan
Contingency Planning	
- Medical leave program (paid leave possible for up to 18 months) - Medical mutual aid (mutual aid society)	- Group term insurance - Special condolence money program - Bereaved scholarship program

Diversity, Equity & Inclusion (DEI)

Aozora recognizes that incorporating diverse perspectives into decision-making enhances organizational growth and adaptability, and is a key driver of creating value for society. To respond to a rapidly changing business environment and achieve sustainable growth and greater corporate value, we position the promotion of diversity, equity, and inclusion (DEI) as a core component of our management strategy.

Aozora focuses on ensuring diversity by establishing the Human Resource and Working Environment Development Policies while setting targets for the ratio of mid-career hires, women, and non-Japanese in management positions. The ratio of mid-career hires in management currently stands at 58%.

Human Resource and Working Environment Development Policies

Policies	Actions
Hiring and appointing people not just on ability, but emphasizing diversity	- Continue to employ mid-career hires as well as new graduates - Strengthen recruitment of female professionals - Promote appointment of human resources while considering diversity
Support female employees' career development	- Support female employees in taking on the challenge of undertaking operations where they do not have experience - Support career formation through such means as leadership development training for women
Create a working environment where all employees can play an active role	- Focus on investing in human capital in terms of both extrinsic and intrinsic rewards - Continue efforts to improve employee engagement - Create an environment where employees with disabilities can work with peace of mind

Goals and Progress

Categories	Current ratios	Target ratios
	As of March 31, 2025	As of March 31, 2028
Female managers	14.9%	20%
Female deputy managers	40.7%	40%
Non-Japanese managers	3.2%	3%
Mid-career managers	58.3%	40%
Male employees taking childcare leave	105%	100%

Interview with a Participant in the Female Leadership Development Program



Masumi Uchida

Corporate Business Div. I

I have worked in corporate financing operations for many years and have also been involved in mentoring junior colleagues while drawing on my experience. Recently, I had the opportunity to participate in a leadership training program for the first time. Through the lectures and interactions with senior participants, I gained valuable insights. Before the training, I felt pressure about taking on a leadership role. However, the program inspired me to embrace the

challenge, and I developed a strong desire to become a role model for younger colleagues.

Following the training, my supervisor recognized improvements in my presentation skills, and I have since been given more opportunities to support my manager in coordination tasks. I am sincerely grateful to the Bank for its expectations and for providing this opportunity. Going forward, I will continue to apply what I have learned to my work and mentoring responsibilities, and remain committed to further developing myself.

(For more on initiatives promoting women's empowerment, see the next page.)

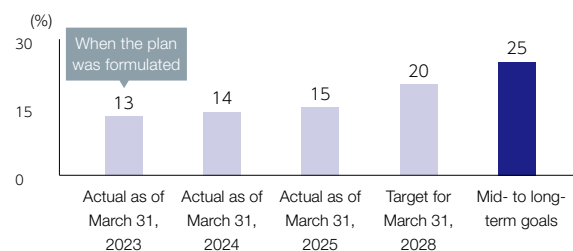
Human Resources Strategy

Creating Opportunities for Female Employees

A distinguishing feature of Aozora is that female employees tend to have longer tenures than their male counterparts and play an active role in a wide range of departments. This reflects our long-standing efforts to create an environment in which employees can build sustainable careers regardless of gender.

A key challenge going forward is to increase the ratio of female managers. Incorporating diverse perspectives, including those of women, into decision-making processes helps put into motion self-correcting mechanisms, and reduces the risks associated with homogenous thinking. Additionally, unlocking the potential of female employees helps prevent the loss of valuable human capital. As a result of our ongoing efforts to support women's advancement, the current ratio of female managers has reached 15%. We will continue to appoint women to leadership positions, including executive roles, to further increase this ratio.

Ratio of Female Managers



Although our gender pay gap of 65.8% is narrower than the industry average for financial institutions, there is still room for improvement. Following the career course integration in FY2020, there is no difference in performance evaluation or pay between men and women within the same career course or rank. However, the primary reason for the remaining pay gap is the limited number of women in managerial positions. Contributing factors include the relatively small number of women working in focus areas such as the Strategic Investments Business, and the fact that many long-tenured female employees remain in support roles, such as back-office operations, often at lower rank levels.

Aozora is accelerating fairness initiatives to fully leverage the capabilities of female employees, while promoting a broader shift in organizational awareness. Through these efforts, we aim to increase the number of female managers and promotions, and expect the gender pay gap to gradually narrow over time.

Examples of Initiatives to Promote Women's Empowerment

- FY2020: Integrated career courses (abolished "ippan shoku" and integrated employees into professional career categories)
- FY2021: Set target ratio for female deputy managers
- From FY2023: Resumed events to support employees returning from childcare leave
- From FY2023: Launched women's leadership development training, internal networking events, and cross-industry exchange programs

Creating an Environment Where Diverse Talents Can Thrive

Aozora aims to become an organization chosen not only by customers but also by all stakeholders, including shareholders and employees. We are committed to building a workplace where all employees can thrive by respecting diversity and providing fair opportunities to everyone. We continue to support a balance between childcare and work regardless of gender. As a result, the childcare leave utilization rate has reached 100% for male employees as well.

Examples of Initiatives Supporting Work-Childcare Balance

- Introduced Fathers' Post-Natal Childcare Leave Program in FY2022
➡ Program revised in FY2024 to require five days of childcare leave annually
- Held events for employees on childcare leave prior to returning to work

Aozora launched Aozora Ally in 2022 to promote DEI and continue to push forward initiatives that support employees with diverse backgrounds, including persons with disabilities and LGBTQ+ individuals. In FY2024, we are working to foster a workplace culture of mutual acceptance of diversity by offering e-learning programs to all employees to deepen understanding of LGBTQ+ issues and human rights.

Creating a Comfortable Workplace for Employees with Disabilities

—Fostering a Culture of Mutual Acceptance and Understanding—

Aozora considers the individual needs of employees with disabilities based on their specific disabilities and provides an environment where these employees can work like other employees. In recognition of this, we received the Tokyo Metropolitan Government's "Excellent Company Award for the Employment of People with Disabilities." The rate of retention for new employees after one year has stayed at 100%. Moving forward, our goal is to promote efforts aimed at creating an even more comfortable workplace for employees.

Workstyle and Support System

Aozora does not adhere to the idea of "carving out work" for employees with disabilities. At the same time, there are tasks that may be difficult to perform due to a disability, and sometimes support is requested directly by the individual, while at other times, those nearby offer assistance naturally when they notice a need. The Human Resources Division also includes specialists such as mental health &

welfare counselors, creating an environment in which it is easy to seek support. Employees with disabilities are engaged in the same duties as other employees, supported daily by the understanding and cooperation of those around them.

For more on employees with disabilities, please refer to "5. Creating a Comfortable Workplace for Employees with Disabilities."

<https://www.aozorabank.co.jp/english/corp/governance/hr/>

Utilization of the HR System

Employees make use of multiple programs that are open to all, allowing them to take on challenges outside of their assigned departments and expand their range of experience. The use of these systems often helps employees with disabilities strengthen their horizontal connections, and in many cases leads directly to transfers to other teams or departments. In addition, they use self-development support programs to independently improve their skills and broaden their knowledge.

Doing Both Work Duties and Activities Unique to Those With Disabilities

While working in the same environment as their colleagues, some concerns do exist, such as "the disability is not easily noticed" or "issues that need to be considered are not well conveyed." To promote a deeper and more practical understanding of what it means to "work with a disability," employees with disabilities took the lead in planning and conducting simulation experiences for physical, visual, and hearing impairments, for employees of the Aozora Group.

[Scenes from the Simulation Experience]



Physical disability
(motorized wheelchair)



Vision



Hearing

Outcomes of the Initiative and the Path Forward

As a result of participants in the simulations bringing their experiences back to their own departments and presenting ideas, electronic memo pads and sign guides were introduced and are now in use at branches.

These initiatives, led by employees with disabilities, have contributed to better customer service, demonstrating that they are not merely receiving support but actively giving back to

Aozora and its customers through perspectives unique to those with disabilities.



Electronic memo pad



Sign guides

Voices of Colleagues and Supervisors: Insights Gained from Working Together

- When I hear someone has a disability, I tend to focus on that fact. But when working together, I found that by simply discussing what can and cannot be done, we can proceed with our work without issue. This also served as an opportunity to reaffirm the importance of communication.
- Working together has naturally deepened my understanding of people with disabilities. I have learned a lot from their attitude and work ethic, and before I knew it, I found myself offering assistance to similar individuals outside the Bank. It has had a positive impact on my own behavior. Also, because they are open and willing to talk about anything, I can work without feeling self-conscious.

Reference: External outreach

- Workplace tours held (for high school students from special needs schools)
- Presentation at the Vocational Rehabilitation Workshop held by the Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers
- Instructor sent to training session run by the "Skill Improvement Project for Cooperation with Employment Support Project Organizations" under the Tokyo Metropolitan Government's Bureau of Social Welfare and Public Health
- Implementation of programs at psychiatric day care centers and labor transition support offices as a means to support preparing for the stable employment of people with disabilities who are seeking jobs

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Corporate Governance

Message from the Chairperson of the Board of Directors

Ensuring effective and open discussions and enhancing the effectiveness of the Board of Directors



Koji Yamakoshi

Director and Chairman
Chairperson of the Board of Directors

Focus as Chairperson of the Board of Directors

In my position as Director and Chairman, I have served as the chairperson of the Bank's Board of Directors since FY2024. Given my experience as one of the Bank's representatives, I function as a bridge between the internal and outside directors, and focus on fostering an environment that enables free as well as open discussions while maintaining a healthy balance between the two.

One of the benefits of an internal director serving as chairperson is that I am fully aware of where information is located, which allows me to grasp the key points of the agenda, and to present these to the Board of Directors. My primary responsibility as chairperson is to set the agenda and manage the proceedings of the Board of Directors. Balancing the responsibilities I just mentioned, however, is founded on two major assumptions, namely that the chairperson is disciplined enough to maintain the prerequisite independence, and that there is a framework in place to ensure that the chairperson's authority remains objective and balanced.

- As chairperson of the Board of Directors, the Director and Chairman does not hold any representative authority or responsibility over specific operations
- There is no limit on the time allotted to outside directors for making comments during meetings of the Board of Directors
- Agenda items are sought broadly from outside directors, and conveyed to all members
- The substance of agenda items is clarified in advance so that the quality of information is the same for both internal and outside directors
- Audit & Supervisory Board members are provided with the same opportunities as directors to express their opinions

This allows all members of the Board of Directors to effectively comprehend the points in question, and to thereby conduct meaningful discussions while enabling a high level of effective oversight by the Board of Directors, and swift strategy execution.

Strengthening the Governance Structure

Within our existing framework as a Company with an Audit and Supervisory Board, and taking into consideration the purpose of systems that provide for a statutory Company with a Nomination Committee, etc., the Bank is working to effectively incorporate the benefits of these systems to ensure a more flexible structure. This includes the establishment of voluntary committees and internal regulations of the Board of Directors. By broadly disclosing this structure, including advanced notification of any revision or abolishment, we are working to ensure that our commitment to compliance with the principles of the Corporate Governance Code is binding while enabling us to respond flexibly to changes in the business environment.

As a specific example, in light of the loss we recorded in FY2023, the Board resolved to reorganize the existing Audit and Compliance Committee into the Risk Governance Committee from July 1, 2025, in order to enhance the effectiveness of risk appetite framework management. Moreover, discussions on agenda items and resolutions of the Board of Directors regarding transactions between the Aozora Group and Daiwa Securities Group do not involve any directors that serve as an officer or employee of Daiwa Securities Group. In addition, outside directors comprise the majority of members of our voluntary committees, and also serve as their chairpersons. In this manner a mechanism is in place to ensure oversight by the independent outside directors.

Corporate Governance

Corporate Governance Philosophy

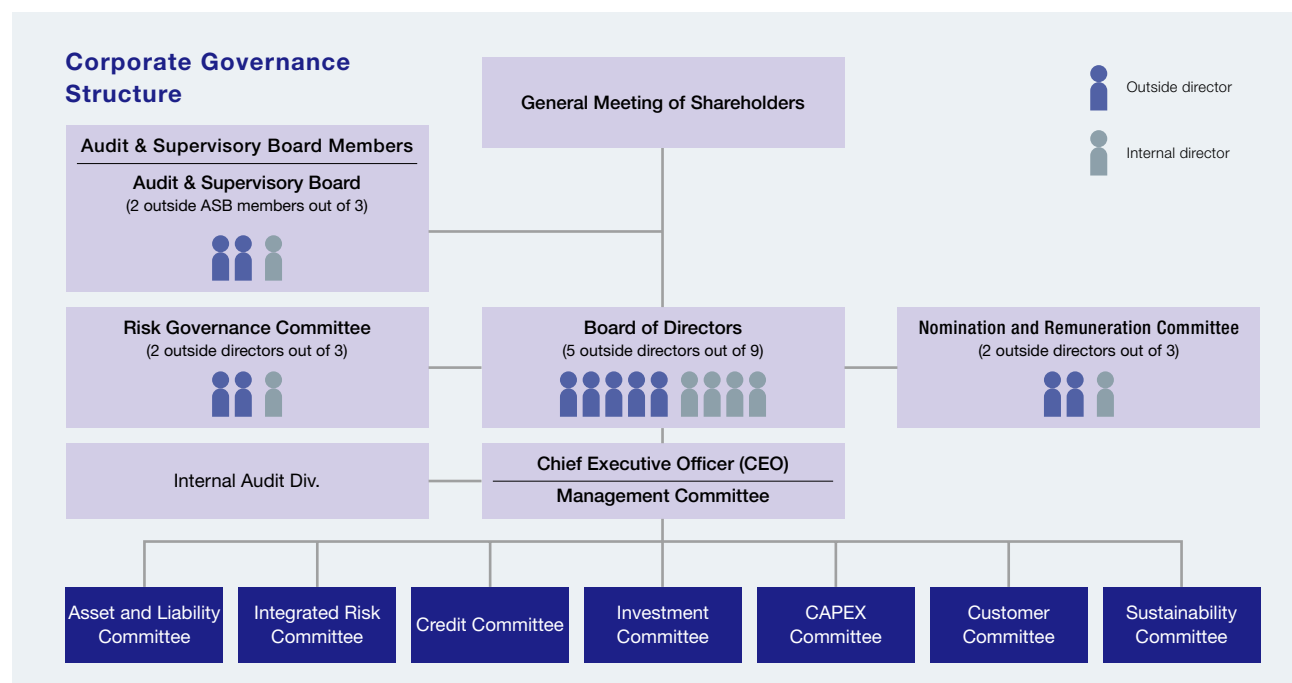
Aozora aims to achieve sustainable growth and enhance corporate value by reflecting its management philosophy in its daily business operations. For this purpose, Aozora has established a disciplined management system and positioned the proper establishment and effective operation of its corporate governance structure as an important management initiative while striving to continuously strengthen it as a foundation for pursuing transparency and efficiency.

As a Company with an Audit and Supervisory Board, Aozora has established the Nomination and

Remuneration Committee and the Risk Governance Committee as voluntary advisory bodies to the Board of Directors. In addition to the fact that a majority of Board of Directors consists of outside directors, the chairperson and the majority of the members of both committees are independent outside directors, thereby ensuring the independence and objectivity of the Board of Directors. The majority of the Audit and Supervisory Board is also composed of outside Audit and Supervisory Board Members, and we have established an environment where each auditor can actively express their opinions in the Board of Directors.

Through the separation of management oversight and business execution, the Board of Directors

determines basic management policy and strategies and oversees the execution of business operations, while executive officers conduct daily business operations with authority delegated to them by 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 sub-committees are also established to improve efficiency of the execution of business operations.



Corporate Governance

Overview of Each Meeting Body

	Chaired by	Composition and Role	Main Agenda Items for FY2024	Management Status
Board of Directors	Koji Yamakoshi	9 directors (5 outside directors) The Board of Directors establishes important basic policies for business operations and oversees the execution of duties by executive officers entrusted with daily business operations. The four independent outside directors hold executive sessions attended solely by the independent outside directors as necessary to allow for the discussion and exchange of views on topics, including Aozora's executive structure, key business issues, and the operation of the Board of Directors, from an independent outside director's perspective.	- The capital and business alliance with Daiwa Securities Group Inc., and nomination of director candidates dispatched by Daiwa Securities Group - Enhanced risk governance (full-scale introduction of a risk appetite framework, formulation of a risk appetite statement, etc.) - Development of the Mid-term Plan "Aozora 2027" - Development of a business plan for FY2025 - Business operations of subsidiary GMO Aozora Net Bank - Integrated risk report, compliance program, annual internal audit plan - Revision of quarterly financial results, full-year earnings forecasts - Enhanced effectiveness of the Board of Directors, defining expertise required of directors, etc.	17 meetings held/ 2 hours and 27 minutes average deliberation time (35% for explanation vs. 65% for questions)
Audit & Supervisory Board	Satoshi Hashiguchi	3 ASB members (2 outside ASB members) Aozora operates under the Audit & Supervisory Board (ASB) system. The ASB members perform business and accounting audits regarding the execution of duties by directors and executive officers in accordance with relevant laws and regulations. ASB meetings are held with all ASB members, who receive reports on important audit matters and discuss or resolve them as needed.	- Status confirmation of year-end audit, interim audit, and quarterly on-site audit implementation - Key Audit Matters (KAM) - Status of self-assessment and write-off/reserve - Status of internal audit implementation - Consent to the nomination of candidates for Audit & Supervisory Board members and alternate Audit & Supervisory Board members - Consent to the reappointment of an independent accounting auditor and remuneration proposals - Confirmation of progress in formulating the Mid-term Plan "Aozora 2027", etc.	14 meetings held
Nomination and Remuneration Committee	Sakie Tachibana Fukushima	3 directors (2 outside directors) The Nomination and Remuneration Committee, the majority of which is comprised of outside directors, provides the Board of Directors with recommendations, including the selection of candidates for the Board and ASB members as well as other important employees and the CEO succession plan. In addition, the Nomination and Remuneration Committee determines the remuneration of directors and executive officers and makes recommendations to each ASB member regarding their remuneration.	- Compensation plan and amount for sustainable growth - Definition of expertise required of directors - CEO succession plan, training plans, etc.	5 meetings held
Risk Governance Committee	Hideyuki Takahashi	3 directors (2 outside directors) With outside directors making up the majority of its members, the Risk Governance Committee serves as an advisory body to the Board of Directors, with the role of strengthening the effectiveness of internal controls and operating the risk appetite framework. The committee conducts expert deliberations on important matters such as the evaluation of internal controls and the revision of the risk appetite statement, as well as evaluating the monitoring of this framework. (The Audit and Compliance Committee was reorganized as the Risk Governance Committee on July 1, 2025, which took over the oversight function regarding internal control to further enhance the oversight of risk governance and management.)	- Enhanced risk governance (full-scale introduction of a risk appetite framework, risk taking policy, etc.) - Review of the Audit and Compliance Committee reorganization - Status of internal audit - Matters regarding integrated risk management - Status of progress of the compliance program - Status of asset assessment, etc. * The aforementioned are the primary agenda items discussed by the Audit and Compliance Committee	7 meetings held* * The number of Audit and Compliance Committee meetings held

Corporate Governance

Overview of the Management Committee and Its Sub-committees

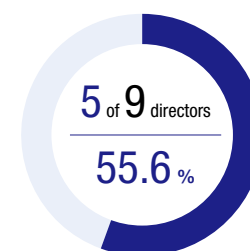
		Chaired by	The number of meetings held in FY2024	Purpose
Management Committee		CEO	50	Determine important matters related to Aozora's execution of daily business
Asset and Liability Committee		CFO	14	Monitor and evaluate important matters and deliberate and determine management policies regarding asset and liability management, including plans for the sources and uses of funds
Integrated Risk Committee		CRO	10	Develop risk management procedures and verify and approve risk analysis methods Maintain proper internal governance and launch new businesses/products
Credit Committee		CCRO	85	Approve credit transactions and establish a credit risk asset portfolio aligned with management policies
Investment Committee		CCRO	45	Approve investment transactions, establish investment policies, ensure accurate understanding of investment risk, build and maintain a secure and profitable portfolio
CAPEX Committee	Approval and management of IT-related proposals	CTO	13	Approve and monitor IT projects required to realize business plans and strategies
	Approval and management of facilities-related proposals	Head of Corporate Strategy Unit	13	Approve and monitor facilities-related projects required to realize business plans and strategies
Customer Committee		Head of Compliance and Governance Unit	19*	Deliberation and approval regarding frameworks and measures for customer-oriented business promotion and customer protection management
Sustainability Committee		CEO	6	Basic matters of Group-wide sustainability promotion as well as important matters regarding sustainability promotion mainly in Aozora's business and initiatives as a business entity

* The number of Customer Protection Committee meetings held

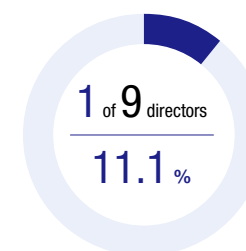
Composition of the Board of Directors

1. The Board of Directors shall not have more than 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 Aozora's business.
4. The Board of Directors shall be comprised of internal directors who possess extensive knowledge and experience in business execution and outside directors who supervise management from an objective standpoint. Judgment of outside directors' independence shall be made based on the "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.

Ratio of Outside Directors



Ratio of Female Directors



Directors' Length of Tenure



Corporate Governance

Board of Directors, Audit & Supervisory Board Members

Outside Directors: 5



Sakie Tachibana Fukushima

Job title: Outside Director (Independent)
Length of tenure: 3 years
Board meeting attendance: 100%
Aozora shares owned: 1,607

Sept. 1987 Bain & Company, Inc.
Aug. 1991 Korn/Ferry International-Japan (currently Korn/Ferry Japan)
May 1995 Member of the Board of Directors, Korn/Ferry International (U.S. Headquarters)
Sept. 2000 Regional Managing Director, Korn/Ferry International-Japan
July 2010 President and Representative Director, G&S Global Advisors Inc. (current)
June 2016 Outside Director, Ushio Inc.
June 2019 Outside Director, KONICA MINOLTA, INC.
June 2020 Outside Director, Kyushu Electric Power Company, Incorporated (current)
June 2022 Outside Director, Aozora Bank, Ltd. (current)



Hideyuki Takahashi

Job title: Outside Director (Independent)
Length of tenure: 2 years
Board meeting attendance: 100%
Aozora shares owned: 160

Apr. 1980 The Industrial Bank of Japan Ltd. (currently Mizuho Bank, Ltd.)
Apr. 2007 Senior Corporate Officer, Executive Officer, Strategic Planning Group, Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)
Apr. 2012 Managing Executive Officer, Group CFO, Mizuho Financial Group, Inc.
Apr. 2013 Director and Deputy President, Group CFO, Mizuho Financial Group, Inc.
June 2017 President & CEO, Mizuho Research Institute Ltd. (currently Mizuho Research & Technologies, Ltd.)
June 2019 Outside Director, Sunshine City Corporation (current)
June 2020 Outside Corporate Auditor, Hanwa Co., Ltd.
Outside Director, Audit & Supervisory Committee Member, WOWOW Inc.
June 2023 Outside Director, Aozora Bank, Ltd. (current)
June 2025 Outside Director, Audit and Supervisory Committee Member, Hanwa Co., Ltd. (current)



Hideaki Saito

Job title: Outside Director (Independent)
Length of tenure: 2 years
Board meeting attendance: 100%
Aozora shares owned: 564

Apr. 1986 The Norinchukin Bank
Apr. 1989 Chief Researcher, Banking Bureau, Ministry of Finance
July 2006 Partner and Managing Director, The Boston Consulting Group
Feb. 2013 President and CEO, NEXTIA Life Insurance Co., Ltd. (currently AXA Life Insurance Co., Ltd.)
July 2019 Partner, Bain and Company
Aug. 2021 President and CEO, Japan Systems Co., Ltd. (current)
Jan. 2022 Representative Director, NetCam Systems Corporation (current)
June 2023 Outside Director, Aozora Bank, Ltd. (current)
Mar. 2024 Director and Representative Executive Officer, Blueship Co., Ltd. (current)
Apr. 2025 Member of the Management Advisory Council, JAPAN POST INSURANCE Co., Ltd. (current)

Internal Directors: 4



Koichi Tadano

Job title: Outside Director (Independent)
Length of tenure: 1 year
Board meeting attendance: 100%
Aozora shares owned: 324

Apr. 1977 Marubeni Corporation
June 1988 Tadano Iron Works Co., Ltd. (currently Tadano Ltd.)
June 1991 General Manager of Office of the President, Tadano Ltd.
Apr. 1999 Director and Managing Executive Officer, Tadano Ltd.
Apr. 2001 Director and Senior Managing Executive Officer, Tadano Ltd.
Apr. 2002 Representative Director and Senior Managing Executive Officer, Tadano Ltd.
June 2003 President, CEO, and Representative Director, Tadano Ltd.
Apr. 2021 Chairman of the Board and Representative Director, Tadano Ltd. (current)
June 2024 Outside Director, Aozora Bank, Ltd. (current)



Hiromasa Kawashima

Job title: Outside Director
Length of tenure: 1 year
Board meeting attendance: 100%
Aozora shares owned: —

Apr. 1992 Daiwa Securities Co. Ltd.
Apr. 2020 Audit & Supervisory Board Member, Daiwa Securities Co. Ltd.
Audit & Supervisory Board Member, Daiwa Real Estate Asset Management Co. Ltd.
June 2020 Member of the Board, Daiwa Securities Group Inc.
Apr. 2024 Senior Managing Director, Daiwa Securities Group Inc. (current)
Executive Managing Director, Daiwa Securities Co. Ltd. (current)
July 2024 Outside Director, Aozora Bank, Ltd. (current)



Koji Yamakoshi

Job title: Chairman, Director
Length of tenure: 5 years
Board meeting attendance: 100%
Aozora shares owned: 6,084

Apr. 1986 The Nippon Credit Bank, Ltd. (currently Aozora Bank, Ltd.)
Apr. 2007 General Manager of Special Finance Division
July 2012 Executive Officer, Deputy Head of Specialty Finance Group
July 2016 Managing Executive Officer, Head of Specialty Finance Group
July 2018 Managing Executive Officer, Head of Business Banking Group and Head of Corporate Banking Group
July 2019 Senior Managing Executive Officer, Head of Business Banking Group and Head of Corporate Banking Group
July 2020 Director, Senior Managing Executive Officer, Head of Corporate Banking Group
July 2021 Representative Director, Deputy President and Executive Officer
Apr. 2024 Director, Chairman and Executive Officer (current)

Corporate Governance

For details on the “Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members,” please refer to the Corporate Governance Report.

<https://www.aozorabank.co.jp/english/corp/governance/structure/pdf/governance.pdf>



Hideto Oomi

Job title: Representative Director, President and Chief Executive Officer (CEO)

Length of tenure: 4 years

Board meeting attendance: 100%

Aozora shares owned: 16,654

Apr. 1989 The Nippon Credit Bank, Ltd. (currently Aozora Bank, Ltd.)

Aug. 2007 General Manager of Leveraged Finance Division

Dec. 2009 General Manager of Acquisition & Project Finance Division

Oct. 2011 General Manager of Hiroshima Branch

Nov. 2012 General Manager of Business Strategy Division

July 2016 Executive Officer, Special Assignment

July 2019 Managing Executive Officer, Head of Corporate Strategy Unit, Office of Corporate Secretary and Special Assignment

July 2021 Representative Director, Deputy President and Executive Officer, Head of Strategic Investments Group and Head of Trust Business Group

Apr. 2022 Representative Director, Deputy President and Executive Officer, Head of Institutional Business Promotion Group

Apr. 2024 Representative Director, President and Chief Executive Officer (CEO) (current)



Masayoshi Ohara

Job title: Representative Director, Deputy President and Executive Officer

Length of tenure: 2 years

Board meeting attendance: 100%

Aozora shares owned: 5,426

Apr. 1988 The Nippon Credit Bank, Ltd. (currently Aozora Bank, Ltd.)

Oct. 2011 General Manager of Financial Institutions Division I

July 2012 General Manager of Human Resources Division

Aug. 2013 Deputy Chief Risk Officer (CRO) and General Manager of Market Risk Management Division

July 2014 Executive Officer, Head of Financial Markets Group

July 2017 Managing Executive Officer, Head of Financial Markets Group

July 2018 Managing Executive Officer, CRO and Chief Credit Risk Officer (CCRO)

July 2019 Senior Managing Executive Officer, CRO and CCRO

July 2021 Senior Managing Executive Officer and CRO

June 2023 Director, Senior Managing Executive Officer and CRO

Apr. 2024 Representative Director, Deputy President and Executive Officer (current)



Takashi Kato

Job title: Director and Senior Managing Executive Officer

Length of tenure: 1 year

Board meeting attendance: 100%

Aozora shares owned: 9,510

Apr. 1989 The Nippon Credit Bank, Ltd. (currently Aozora Bank, Ltd.)

Aug. 2010 General Manager of Treasury Investment Division

July 2012 Deputy Head of Financial Markets Group, and General Manager of Treasury Investment Division

July 2014 Deputy Head of Financial Markets Group

July 2016 Executive Officer, General Manager of Kansai Branch, and General Manager of Kansai Financial Institutions Division

July 2018 Executive Officer, Head of Financial Markets Group

July 2019 Managing Executive Officer, Head of Financial Markets Group

July 2021 Senior Managing Executive Officer, Head of Allied Banking Group

July 2023 Senior Managing Executive Officer, Head of Corporate Strategy Unit and Office of Corporate Secretary

June 2024 Director, Senior Managing Executive Officer, Head of Corporate Strategy Unit and Office of Corporate Secretary

July 2024 Director, Senior Managing Executive Officer and Chief Financial Officer (CFO) (current)

Outside ASB Members: 2



Toraki Inoue

Job title: Audit & Supervisory Board Member (Independent)

Length of tenure: 9 years

Board meeting attendance: 100%

ASB meeting attendance: 100%

Aozora shares owned: 767

Dec. 1985 Registration as CPA

Oct. 1995 National Partner, Arthur Andersen & Co.

Oct. 1997 Worldwide Partner, Arthur Andersen & Co.

July 1999 Partner, Asahi & Co. (currently KPMG AZSA LLC)

July 2008 Toraki Inoue Certified Public Accountant Office (current)

June 2010 Representative Director and President, Accounting Advisory Co., Ltd. (current)

June 2011 Outside Audit & Supervisory Board Member, Pioneer Corporation

Sept. 2011 Supervisory Director, GLP J-REIT (current)

Mar. 2016 Outside Audit & Supervisory Board Member, Kao Corporation

June 2016 Outside Audit & Supervisory Board Member, Aozora Bank, Ltd. (current)

Oct. 2018 Standing Corporate Auditor, Kyulux, Inc. (current)

Nov. 2020 Outside Audit & Supervisory Board Member, ETVOS Co., Ltd. (current)

June 2024 Outside Audit & Supervisory Board Member, Hokuetsu Corporation (current)



Junichi Maeda

Job title: Audit & Supervisory Board Member (Independent)

Length of tenure: 2 years

Board meeting attendance: 100%

ASB meeting attendance: 100%

Aozora shares owned: 1,608

Apr. 1978 The Bank of Japan (BOJ)

Sept. 2000 General Manager, Matsue Branch, BOJ

Aug. 2006 Director-General, Personnel and Corporate Affairs Department, BOJ

Mar. 2009 General Manager, Nagoya Branch, BOJ

June 2011 Senior Managing Director, The Hokkoku Bank, Ltd.

June 2013 Representative Senior Managing Director, The Hokkoku Bank, Ltd.

June 2021 Outside Director, Custody Bank of Japan, Ltd.

June 2023 Outside Audit & Supervisory Board Member, Aozora Bank, Ltd. (current)

Notes:

1. Four of the outside directors as well as the outside Audit & Supervisory Board members satisfy the requirements for independence set forth by the Tokyo Stock Exchange and Aozora's "Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members" and are designated as independent. Hiromasa Kawashima has not been designated as independent because he is an officer of Daiwa Securities Group Inc., which is a major shareholder.

Standing ASB Member: 1



Satoshi Hashiguchi

Job title: Audit & Supervisory Board Member

Length of tenure: 7 years

Board meeting attendance: 100%

ASB meeting attendance: 100%

Aozora shares owned: 2,323

Apr. 1984 The Nippon Credit Bank, Ltd. (currently Aozora Bank, Ltd.)

Apr. 2009 General Manager of Treasury Funding Division

Aug. 2010 General Manager of Financial Institutions Division I

Oct. 2011 General Manager of Nagoya Branch

Oct. 2013 General Manager of Internal Audit Division

June 2018 Standing Audit & Supervisory Board Member (current)

2. Length of tenure refers to service as of June 24, 2025.

3. Board meeting and ASB meeting attendance refers to meetings held during FY2024.

4. Number of Aozora shares owned as of March 31, 2025

Corporate Governance

Expertise of the Board of Directors

The Board of Directors consists of internal officers who are well versed in business execution and outside officers who oversee management from an objective standpoint.

Under our management philosophy—“Contribute to the development of society through the creation of new value-added financial services”—the Bank will strive to achieve sustainable growth and enhance corporate value over the medium to long term by addressing social issues, taking into account perspectives of sustainability such as ESG and DEI*. In order to achieve our goal, the Bank set forth the necessary skills and expertise of Directors and Audit & Supervisory Board Members as “global affairs” and “IT/digital,” which require higher levels of expertise, in addition to a wealth of knowledge on “corporate management,” “financial accounting,” “legal, compliance/risk management,” “banking and finance,” and “human capital,” which are the foundations of financial institution management.

* Diversity, equity, inclusion. These are said to be essential elements for the growth of organizations and society.

Expertise required of members of the Board of Directors (knowledge, experience, and capabilities)

	Necessary expertise	Definition	Reasons for selection
Oversight Functions	Corporate Management	Experience in organizational management such as a corporate leader	We consider that insights into and a vision on organizational operations developed through management experience are necessary to achieve sustainable growth and medium- to long-term corporate value enhancement.
	Financial Accounting	Specialized knowledge and experience in financial strategy and financial reporting (accounting and tax affairs)	We intend to work to achieve sustainable growth by appropriately implementing our capital policy while ensuring financial soundness.
	Legal, Compliance/Risk Management	Extensive and specialized knowledge and experience in laws and regulations, internal controls, and risk management	We intend to continue fair and sound business operations.
Aozora's Focus Areas	Banking and Finance	Insight and ability regarding traditional financial business, as well as the ability to explore new areas and create new added-value financial services	We intend to continue to contribute to the development of society by creating new added-value financial services through our Strategic Investments Business focused on structured finance, which is our area of strength.
	Global Affairs	Insight and ability regarding business expansion and market operations from a global perspective	We consider that activities that lead to creating value from a global perspective are necessary to develop new services with reference to overseas business models.
	Human Capital	Insight into personnel and organizational development, as well as experience and the ability to implement human resources strategies and human capital investment that are linked to our management strategy	Under the concept that “human capital” is our primary source of value creation, we regard the human resources strategy as part of our management strategy and value human capital.
	IT/Digital	Understanding of IT and digital areas, ability in business innovation, and experience in IT/digital businesses	We consider IT and digital areas as the foundation for our business and customer services and also a significant means that contribute to solutions to the challenges we face.

		Committee members		Expertise of Directors and Audit & Supervisory Board Members						
				Oversight Functions			Aozora's Focus Areas			
		Nomination & Remuneration Committee	Risk Governance Committee	Corporate management	Financial accounting	Legal, compliance/risk management	Banking and finance	Global affairs	Human capital	IT/digital
Directors	Internal	Koji Yamakoshi		●			●	●		
		Hideto Oomi	●	●			●	●		●
		Masayoshi Ohara		●		●	●	●	●	
		Takashi Kato			●		●	●		
	Outside	Sakie Tachibana Fukushima	● Chairperson	●				●	●	
		Hideyuki Takahashi	● Chairperson	●	●	●	●			●
		Hideaki Saito	●	●			●	●		●
		Koichi Tadano	●	●				●		
		Hiromasa Kawashima				●	●		●	
Audit & Supervisory Board Members	Internal	Satoshi Hashiguchi	Observer			●	●	●		
	Outside	Toraki Inoue	Observer	●	●	●		●		
		Junichi Maeda	Observer	●		●	●		●	

Corporate Governance

■ Analysis of Board of Director's Effectiveness

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

The Board of Directors conducts self-evaluations of its management, oversight and other functions that draw on the knowledge, experience, and capabilities of each director and Audit & Supervisory Board member. The evaluations are based on a survey of all board members, and carried out in light of the Board's fiduciary duties and accountability to the Bank's shareholders, with the aim of achieving the Bank's sustainable growth and enhanced corporate value over the medium to long term.

- Evaluation target: Board of Directors' meetings held in FY2024 (17 times in total)
- Evaluators: All Board and ASB members (nine directors and three ASB members)
- Evaluation method: Questionnaire survey (multiple-choice and free-response style)
- Final evaluation: Confirmation of how to address issues identified through discussions and evaluations at the Board of Directors

Evaluation items	Issues identified in the FY2023 evaluation	Initiatives implemented in FY2024	Evaluation results in FY2024	Initiatives expected for FY2025 (examples)
Discussions at the Board	- Further in-depth discussions on topics including management strategy corresponding to changes in the financial market environment, risk governance, and the medium- to long-term direction of the business - Development of a framework designed to solicit ideas for issues to be discussed at the Board of Directors, and discussed such issues	- Discussed the enhancement of risk governance (full-scale introduction of the risk appetite framework) - Discussed the Mid-term Plan "Aozora 2027" and other key topics, taking into consideration the collaboration with Daiwa Securities Group Inc. - Implemented in-depth discussions on specific topics	- Fully adopted risk appetite framework operations into management and conducted necessary monitoring of, and in-depth discussions on, topics including key risks, risk tolerance levels, and control status - Implemented in-depth discussions towards the development of "Aozora 2027" while going back to the Bank's management philosophy - In the first year of the Mid-term Plan, responded promptly and flexibly to changes in the environment and recognized the need for consciously monitoring achievements as an issue	[Enhanced discussions on management strategy] - Operate business in line with the FY2025 risk appetite and risk-taking policies, and monitor progress on "Aozora 2027" - Verify and deliberate the quantitative results of the business alliance with Daiwa Securities Group Inc. - Conduct discussions on topics that contribute to medium- to long-term growth
Operation of the Board	- Appropriate information sharing with outside directors - More active and engaged discussions through the use of preliminary explanations and creative agendas - Further improvement in materials and explanations - Setting opportunities to receive reports from management executives	- Further increased information sharing opportunities outside the Board of Directors - Continued balanced operations by providing materials in advance for the Board of Directors and effectively using preliminary explanations, and by taking well-considered approaches on the day of the Board such as more clearly stated materials and more focused explanations as well as the chairperson's time management	The Board could be improved in terms of setting agendas (content and quality of topics) and preparing more clearly stated materials, while there was an evaluation that deliberations were more active due to the delivery of relevant materials a week prior to the meeting in principle as well as appropriate setting of directors' roundtable meetings, individual meetings, and other opportunities for preliminary explanations	[Continued improvement in the Board's operations that underpin in-depth discussions] - Take even more effective approaches, including more focused materials and concise explanations, for the Board's operations - Set opportunities to receive a status report regarding progress on business from a management executive in charge
Dialogue with shareholders, etc.	Need for discussions that take into consideration stakeholders	- Conducted discussions following the receipt of regular reports on topics such as dialogue with institutional investors and senior management's IR and SR activities - Created a dialogue opportunity with institutional investors through a meeting presented by outside directors	- Through direct dialogue with investors, deepened their understanding of the Bank's management and also the opportunity to know and reflect their expectations of management - Identified an issue that the Board would need to discuss in a more in-depth manner, IR activities, the importance of which is expected to further increase going forward	[Deliberations on the promotion of dialogue with stakeholders] - Reflect the views and concerns shared through dialogue with shareholders and institutional investors in the Board's discussions - Conduct in-depth discussions regarding the Bank's future IR policy and overall activity

Corporate Governance

Evaluation Results in FY2024

In FY2024, the Board of Directors confirmed certain improvements regarding the initiatives that the Bank implemented following the previous year's evaluation results. The Board also evaluated that overall Board management was proper and effective as its roles and responsibilities were appropriately fulfilled through constructive discussions and an exchange of views on important matters, including business strategy, as well as the effective oversight and monitoring of the Bank's executives.

For FY2025, following an opinion that there could be further room for improvement, the Board of Directors will strive to make its roles and responsibilities even more proper and effective by addressing management issues based on a self-evaluation and conducting a PDCA cycle while further utilizing the sub-committees under the Board as well as the outside directors' meetings.

Primary opinions from outside directors regarding key agenda items in FY2024

Regarding the capital and business alliance with Daiwa Securities Group Inc.

- As it was a major surprise for employees, the Bank must make a detailed response, including providing opportunities for dialogue and disseminating positive messages.
- The outcomes of the business alliance should be quantitatively assessed and reported to the Board of Directors on a regular basis.
- Because the alliance will cause dilution, Aozora must generate sufficient earnings to cover this and ensure a higher stock price.

In considering the capital and business alliance with Daiwa Securities Group Inc., a special committee attended by all independent outside directors met six times from April 2024 to May 2024 to discuss and prepare a report on advisory matters, including the necessity, adequacy, and procedural integrity of the capital increase through a third-party allotment.

About formulating the Mid-term Plan "Aozora 2027"

- Officers responsible for the executive function were called upon to allow outside directors to participate in the formulation process from its initial stages. As a result, we were able to secure sufficient time for debate outside the Board of Directors.*
- Deliberations were positive with a constant awareness toward the Group's aspirations and vision. Going forward, we intend to monitor the plan while keeping in mind the outcomes of the specific measures for realizing the Group's vision.

* In formulating "Aozora 2027," four opportunities for intensive debate were provided in addition to Board of Directors meetings.

About enhancing risk governance

- Enhancing risk governance is a critical matter for the Bank. As far as the operations of the Board of Directors are concerned, we recognize that an important task for the future is to effectively utilize and incorporate the risk appetite framework into the Bank's management framework.
- Although a monitoring process has been established with the full-scale introduction of the risk appetite framework, going forward Aozora must make preparations assuming "worst-case scenarios" on an ongoing basis to address a dramatically changing environment.

Corporate Governance

Support Framework for Outside Directors and Audit & Supervisory Board Members

To support its directors and Audit & Supervisory Board members, Aozora provides seminars from time to time by inviting experts from outside the Bank. In addition, for newly appointed outside directors and outside Audit & Supervisory Board members, the executive officer in charge of each business group provides an orientation session to explain the Bank's business operations. Prior to assuming their office, newly appointed directors in FY2024 collected and shared key information on Aozora's main governance-related regulations and business operations related to governance, and also attended multiple briefing sessions that provided an overview of the Bank to deepen their understanding of its overall business, as well as finance, IT, human resources, risk management, and sustainability. Since assuming their office, they have continued updating their understanding of the Bank's business, for example by receiving a briefing on the business situation directly from each officer in charge.

Specific implementation matters in FY2024

- Provided timely information on the status of U.S. office real estate non-recourse loans and the securities portfolio, which are issues on the balance sheet
- Issued timely reports on internal and external responses to matters that have an impact on stakeholders, including the capital and business alliance with Daiwa Securities Group Inc.
- Utilized prior explanations and informal Board of Directors meetings regarding important discussions
- Had executive officers in charge of the business groups provide business progress updates to the Board of Directors
- Solicited voluntary topics from directors and Audit & Supervisory Board members for discussion during meetings of the Board of Directors, and submitted the proposed topics as agenda items

Basic Policy for Nominating Director and Audit & Supervisory Board Member Candidates, and Appointing and Dismissing Senior Management Including the CEO

Basic Guidelines for Nominating Director Candidates

Candidates should:

1. Possess significant 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 a Bank 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 exercise 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 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 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 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 for 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 with subordinates and the ability to assume responsibility for important management functions related to 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 Bank's corporate value due to negligence

Corporate Governance

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 Bank's corporate value

(2) Basic Guidelines for Dismissing the CEO

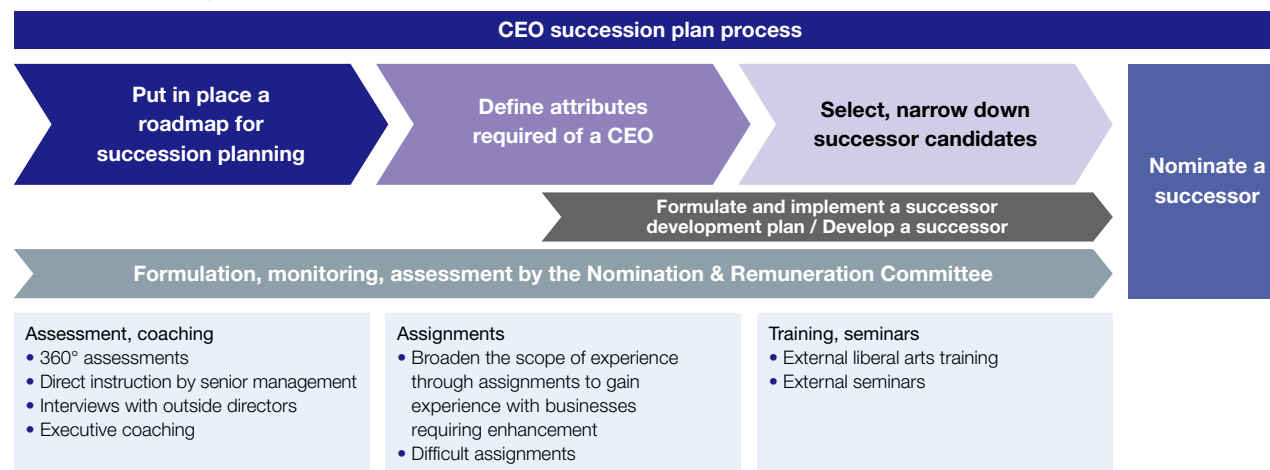
In addition to the basic Guidelines for Dismissing Senior Management:

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

As part of its efforts to achieve sustainable growth and enhance corporate value, Aozora has formulated a CEO succession plan. Based on this plan, the Bank will systematically develop human resources that can embody the management philosophy and take responsibility for senior management positions in the future. As part of the succession plan, Aozora has formulated a roadmap and defined the qualities, capabilities, and work experience for the CEO. This roadmap is then used to select several candidates. Potential candidates are developed and selected through critical work assignments that require enhancement, third-party-based coaching and assessments, and interviews with outside directors.

CEO succession plan



Procedure for Nominating Director Candidates and Other Senior Management Candidates

Procedure for Nominating Director Candidates, 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 director candidates 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 and Remuneration Committee deliberates on the nomination of the Audit & Supervisory Board candidates and makes recommendations to the Board of Directors, taking into consideration the views of the Audit & Supervisory Board Members.

The Board of Directors determines whether or not to accept the recommendations of the Nomination and Remuneration Committee with the consent of the Audit & Supervisory Board in accordance with the relevant basic guidelines.

Corporate Governance

■ Directors' Remuneration

Basic Policy for Determining Remuneration for Directors, etc.

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 Bank's vision
The Bank aims to build a compensation framework that reflects business performance in line with its objectives and values.
2. Remuneration framework appropriately reflecting 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 specific influence.

Policy on Determination of the Amount and Calculation Method of Remuneration for Directors

In order to ensure that the process for determining individual directors' remuneration is transparent, independent, and objective, the Nomination and Remuneration Committee, which is established voluntarily and mainly comprises outside directors delegated 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 principle, the Bank pays fixed-base remuneration, performance-based bonus, and equity compensation-type stock options (stock acquisition rights as non-cash remuneration) to full-time directors and only fixed-base remuneration to outside directors.

Policy on Determination of Audit & Supervisory Board Member Remuneration and Calculation

ASB members discuss and determine their individual remuneration amounts by considering and proposals made at the Nomination and Remuneration Committee.

ASB members only receive fixed-base remuneration.

■ Director and Audit & Supervisory Board Member Remuneration Framework

Type of remuneration		Payment eligibility			Payment criteria
		Internal directors	Outside directors	ASB members	
Monetary remuneration	Base remuneration	●	●	●	Using external survey data, Aozora first verifies the appropriate benchmark in accordance with the job title and responsibility on a full-time and part-time basis, after which the Nomination and Remuneration Committee determines the amount of fixed remuneration, which is paid on a monthly basis.
	Bonus	●	-	-	Following the end of each fiscal year, performance-based remuneration is paid in an amount, determined by the Nomination and Remuneration Committee, within a range of 0% to 250% of the standard amount, which stands at 40% of the base remuneration. The rate and bonus amount for each director are determined based on the following indicators. Quantitative assessment • Achievement rates of business profit and net earnings • Results achieved for key performance indicators (KPIs)* Qualitative assessment • Assessment of undue risk-taking and occurrence of serious compliance violations • Implementation and introduction of initiatives and strategies from a mid- to long-term perspective, including the launch of new businesses • Progress and achievement of sustainability initiative targets announced by Aozora
	Equity compensation	●	-	-	Following the end of each fiscal year, a certain number of equity compensation-type stock options (medium- to long-term incentive remuneration) are granted in an amount, determined by the Board of Directors, equivalent to 25% of the base remuneration.

* ROE, Capital adequacy ratio, Business-related profit per employee, Business-related profit RORA

Corporate Governance

■ Remuneration of Directors and ASB Members (April 1, 2024 to March 31, 2025)

Category	Number (number of officers)	Remuneration in total (million yen)			
			Base remuneration	Performance-based remuneration (bonus)	Non-cash remuneration (stock options)
Directors (excl. outside directors)	5	271	164	67	40
ASB member (excl. outside ASB members)	1	29	29	-	-
Outside directors	6	56	56	-	-
Outside ASB members	2	24	24	-	-

Notes:

1. The performance-based remuneration (bonus) is recorded as the director's bonus reserve for the respective fiscal year.
2. The performance-based remuneration (bonus) was confirmed (53 million yen) at the Nomination and Remuneration Committee held on April 23, 2025, and was scheduled to be paid in June 2025.
3. The number and remuneration in the above table include those for one internal director and one outside director who retired at the close of the 91st General Meeting of Shareholders on June 25, 2024.
4. No director or ASB member received a total remuneration of 100 million yen or more.

For details of director remuneration, please refer to the Bank's Corporate Governance Report.

<https://www.aozorabank.co.jp/english/corp/governance/structure/pdf/governance.pdf>

■ Strategic Shareholdings Policy

In principle, Aozora does not have cross-shareholdings*¹ where the associated benefits and risks are not commensurate with the cost of capital and where the purpose of the investment is not clearly identified.

Aozora's strategic shareholdings are composed of two different types: (i) equities held traditionally to maintain and strengthen relationships with existing customers (traditional equity investments); and (ii) equities acquired and held to support investee companies in enhancing their corporate value through dialogue with their senior management as a shareholder in the course of conducting our Strategic Investments Business (equity investments with a primary focus on engagement).

With regard to traditional equity investments, we make an assessment of whether the associated risks and benefits, including the investment purpose, RORA*²-based profitability, and business development potential, are commensurate with the cost of capital at the Board of Directors each year, and gradually sell any equities if they are determined to be "less significant" in business terms.

As for equity investments with a primary focus on engagement, Aozora proactively invests in companies whose corporate value is expected to increase based on dialog with their senior management. We conduct progress monitor on engagement during the equity holding period, and may sell equities depending on the degree to which the original investment purpose and return targets are met. We also report the status

of investments to the Board of Directors, thereby maintaining our framework for equity investments with a primary focus on engagement at an appropriate level.

When exercising voting rights on shares held, the Bank exercises all of 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 that were established with the approval of the Integrated Risk Committee.

*1 "Strategic shareholdings" in this Integrated Report are equivalent to "investments in equity securities held for other than pure investment (specified equity securities)" in the Securities Report.

*2 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 the formula "Annual Revenue divided by Risk Asset Amount."

■ Protecting Minority Shareholders

Please refer to the Corporate Governance Report regarding Aozora's policy on Group management and its approach to maintaining independence from other affiliated companies.

<https://www.aozorabank.co.jp/english/corp/governance/structure/pdf/governance.pdf>

Risk Management

Basic Policy

Aozora positions risk management as the foundation supporting our value creation process. We are working to enhance our risk management through the establishment of a system to appropriately ascertain and control risks individually and in the aggregate, and through appropriate and disciplined management based on regulations stipulated for each risk category.

Through efficient management and utilization of managerial resources and sound risk-taking, we will realize Aozora's management philosophy to

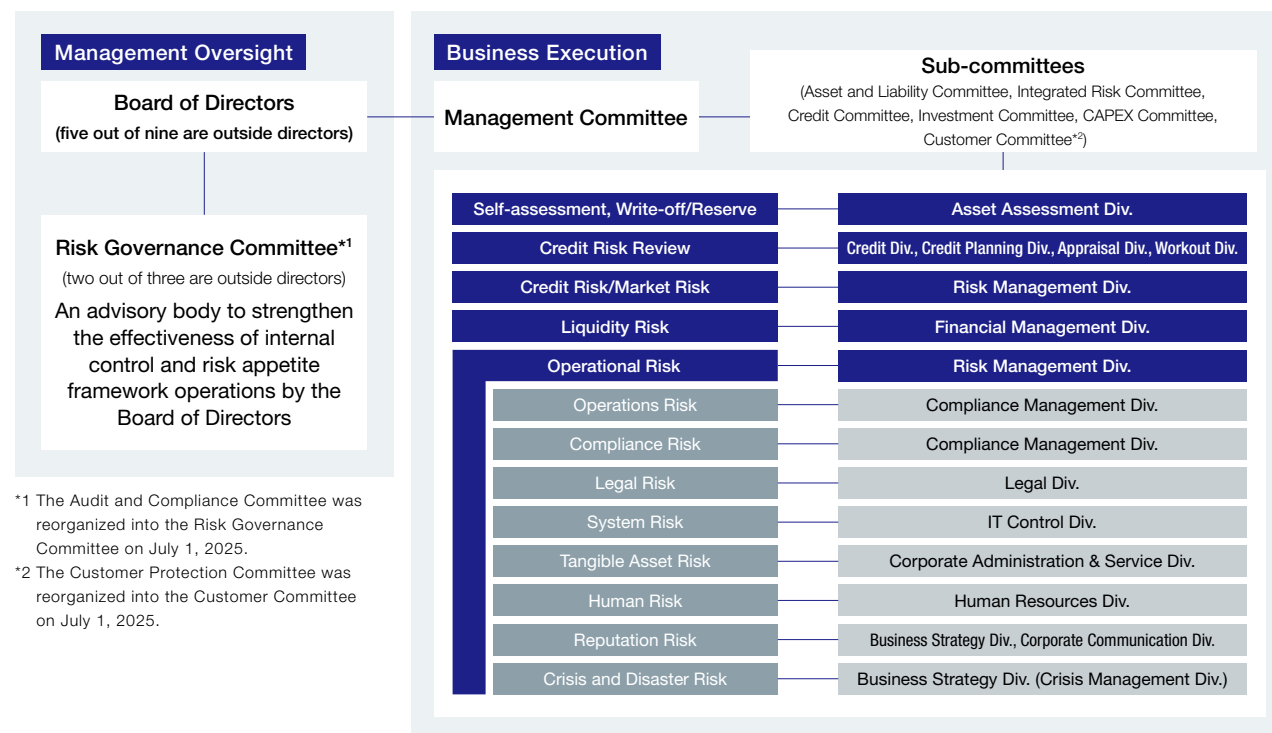
"contribute to the development of society through the creation of new value-added services" with a basic policy of sustainable and stable accumulation of earnings, capital adequacy, and corporate growth.

Management Structure

Aozora's risk management structure is organized into two major groups. The first is the Board of Directors and the Risk Governance Committee, comprised largely of outside directors. The second

is the Management Committee and sub-committees to which it delegates authority. The Management Committee and sub-committees analyze and take into consideration a range of risks arising from the origination of loans and investments, the delivery of services to customers, and business operations from a broad perspective. In addition, each risk management division monitors and reports on the status of Aozora's risk to the Management Committee and sub-committees both on a regular and as-needed basis to ensure the flexible and proper management of risk. The status of risks is also reported to the Board of Directors and the Risk Governance Committee on a regular and as-needed basis, and the appropriateness and effectiveness of risk management are discussed to ensure the effectiveness of risk governance.

Risk Management Structure



Key Risks

We discuss our risk appetite and business planning based on the following key risks, and also strive for a higher level of risk management.

- Increase in credit costs
- Deterioration in unrealized gains/losses on securities portfolio
- Instability of funding
- Outbreak of crises such as cyberattacks and system failures
- Outbreak of large-scale disasters and other crises
- Reduced competitiveness due to changes in the social structure or industrial structure
- Inadequate response to financial crimes, occurrence of internal fraud and information leaks
- Sustainability of human resources

Please refer to the [Financial and Corporate Data Section](#) for details of key risks.

Compliance

Basic Policy

Aozora will anticipate and accurately grasp changes in multiple risks in the internal and external environments, comply with all laws and regulations as they pertain to its business operations, and sincerely engage in corporate activities that conform to social norms and common sense. To prevent our corporate value from being damaged by fraud or scandal, we will also work diligently to continuously improve our internal control functions while maintaining and raising awareness toward compliance among our officers and employees, and further enhance our compliance as well as legal risk management systems.

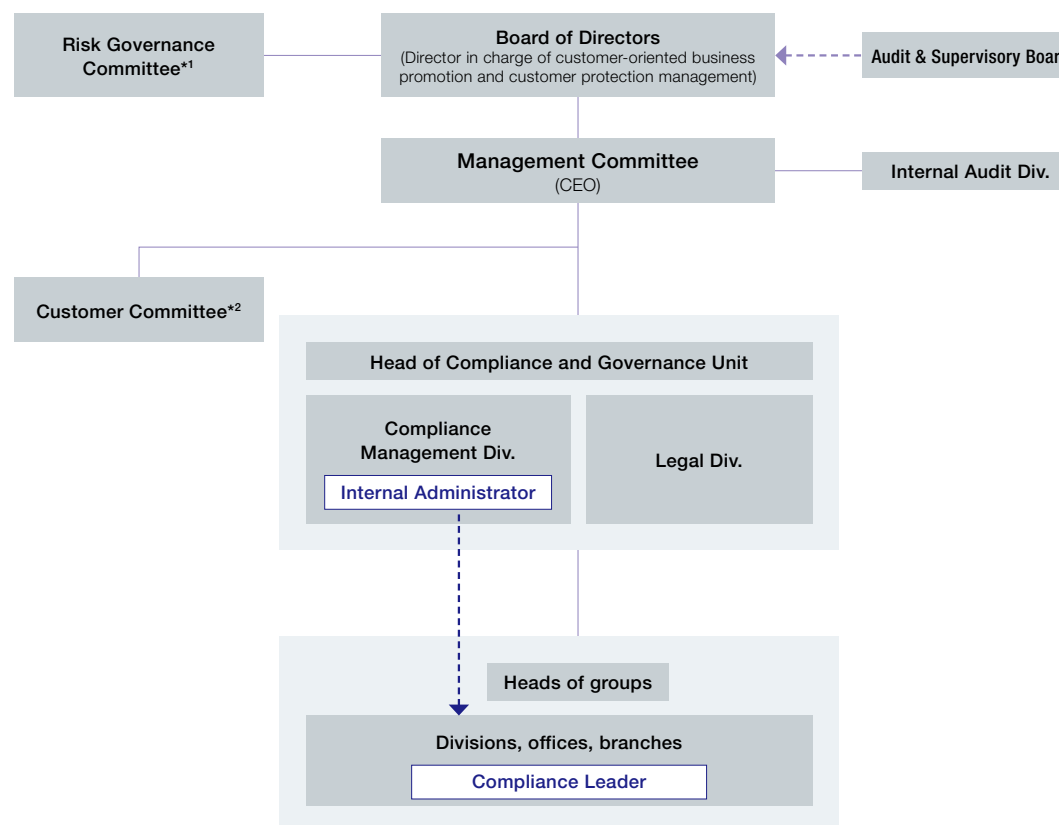
Management Structure

Aozora has a Compliance Management Division and a Legal Division in place as the supervising divisions for compliance and legal risks, and these divisions develop internal rules regarding compliance. The two divisions also conduct seminars and e-learning periodically to maintain and improve compliance awareness. As a specific action plan to realize our compliance framework, the Compliance Management Division develops annual compliance programs that are disseminated to and implemented by all of Aozora's officers and employees, including those at Group companies. The progress and achievement status of these programs are reported to the Board of Directors on a semi-annual basis. Aozora has also established a Code of Ethics and

Conduct ([refer to the Financial and Corporate Data Section](#)) as a standard of conduct that every officer and employee must remain in compliance with. All officers and employees of Aozora, including Group

companies, pledge on an annual basis that they understand and comply with the Code of Ethics and Conduct.

Management Structure



*1 The Audit and Compliance Committee was reorganized into the Risk Governance Committee on July 1, 2025.

*2 The Customer Protection Committee was reorganized into the Customer Committee on July 1, 2025.

Compliance

■ Customer-oriented Business Management

Aozora has established and disclosed its Basic Policy on Customer-Oriented Business Management ([refer to the Financial and Corporate Data Section](#)) in order to provide products and services that meet the true needs of customers, always from the standpoint of customers, and conduct business in a sincere and fair manner. In addition, for retail business, specific action plans based on this policy are separately established, reviewed semi-annually, and the status of the initiatives are also disclosed on a semi-annual basis.

With regard to its product governance framework, Aozora has put in place a system in which it makes decisions on the introduction of products and services with the involvement of the management team, as well as reviews or discontinues products or services as necessary as a result of ongoing post-launch evaluations.

Based on the basic policy, Aozora strives to develop highly specialized human resources to ensure that it can propose and provide the most suitable products and services to its customers. In addition, Aozora has established a Customer Committee to review and discuss matters related to customer-oriented business management as well as the status of customer protection management. The results of these reviews are reported to the Management Committee, the Board of Directors, and other bodies as necessary.

■ Elimination of Anti-social Elements

Aozora clearly states in the Basic Policy on the Elimination of Anti-Social Elements ([refer to the Financial and Corporate Data Section](#)) that it steadfastly confronts any anti-social elements that pose a threat to public order and safety while ensuring that it categorically blocks any relationship with such elements. Aozora has established and routinely maintains close cooperative relationships with outside specialized agencies, including law enforcement agencies, the Anti-Organized Crime Campaign Center of Tokyo, and attorneys.

In addition, we absolutely refuse to perform any action that may serve to provide income/funding for anti-social elements, including but not limited to backdoor transactions, monetary contributions/membership fees, and subscribing to informational magazines.

■ Anti-money Laundering Initiatives

Aozora is aware that preventing financial crimes, including money laundering, financing of terrorism, and proliferation financing, and responding to economic sanctions under the Foreign Exchange and Foreign Trade Act (Anti-Money Laundering Measures) are important issues facing the global financial system. We have established a framework to comply with domestic and international laws, regulations, and rules, while also making an ongoing effort to further strengthen our Anti-Money Laundering Measures. For example, Aozora has developed internal policies and an organizational

structure, which includes the establishment of a Financial Crime Management Office as a department overseeing Anti-Money Laundering Measures, while conducting a review as needed to ensure their effectiveness. We also systematically provide training for officers and employees regarding the prevention of financial crimes and the response to economic sanctions under the Foreign Exchange and Foreign Trade Act. In addition, we ensure that we verify the identity of customers and the purpose of their transaction at the time of account opening, which is followed by the ongoing monitoring of our customer transactions.

Additionally, we have developed an internal structure that allows for the immediate reporting to the relevant authorities regarding any suspicious transactions detected by our daily monitoring process.

■ Insider Trading Prevention

To prevent insider trading by officers and employees, Aozora strictly manages the information obtained in the course of business and regularly provides training to its officers and employees on the prevention of insider trading. In addition, all officers and employees including those of Group Companies pledge every year to comply with Internal Rules on insider trading prevention.

Compliance

Compliance-related Awareness Activities

To maintain and improve compliance awareness among our Group officers and employees, we carry out awareness-raising activities through training and e-learning on an ongoing basis.

In FY2024, training on 42 programs was conducted. Of these, seven training programs were provided via e-learning and were targeted at all Group officers and employees, with a 100% attendance rate for each. The main themes were as follows:

(Main Themes)

Insider trading prevention, money laundering prevention and compliance with the Foreign Exchange and Foreign Trade Act, anti-social organization checks, the management of information assets, and the prevention of bribery

Whistle-blower Program

Aozora has established a whistle-blower program called the Aozora Hotline Program in order to detect and correct at an early stage any conduct that breaches laws, regulations, and other rules, and to foster a clean, open, and fair corporate culture. As whistle-blowing contacts for officers, employees, and other personnel of Group companies, we have set up an internal contact, and have also arranged for an outside law firm to act as an outside point of contact.

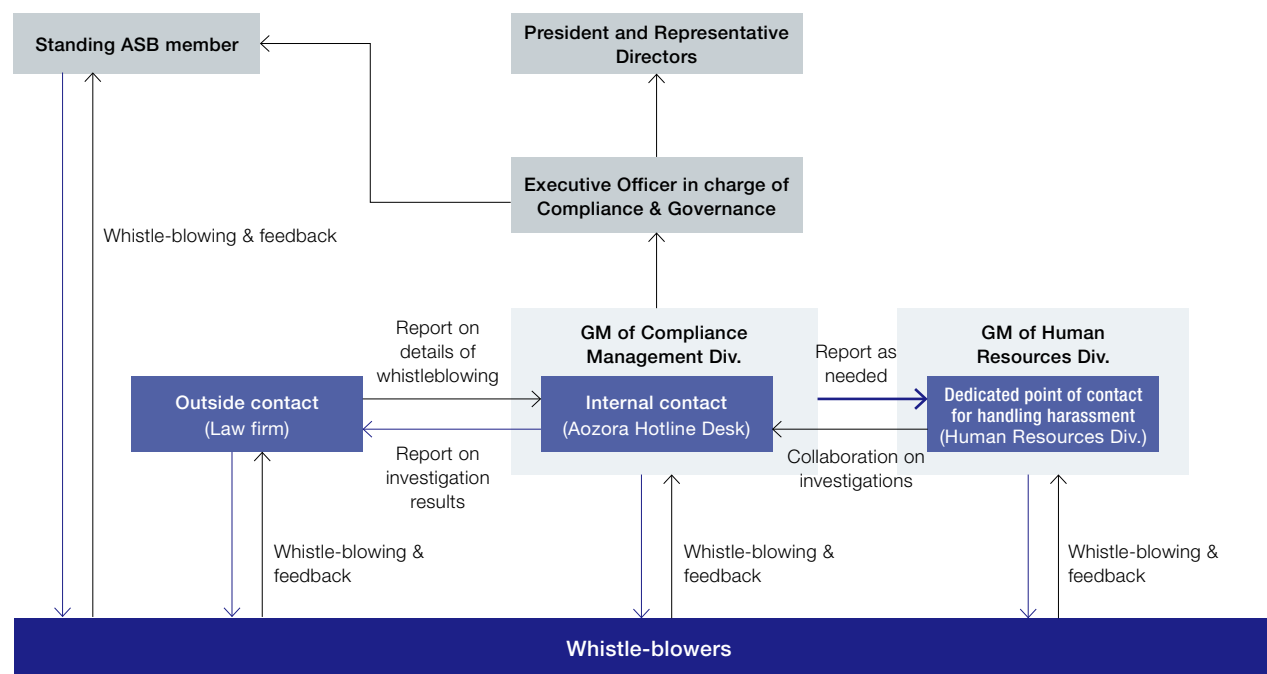
The program allows for anonymous reporting. In addition, all officers and employees are provided

with a special postal envelope addressed to the contact point outside Aozora in an effort to create an environment that facilitates access to the internal reporting system.

In order to protect whistle-blowers, the program tightly controls information and protects privacy, and strictly prohibits any unfavorable treatment of

whistleblowers. If any violation of the law, misconduct, or other such activity is confirmed as a result of whistle-blower investigations, Aozora will promptly take corrective and preventive measures.

In FY2024, there were no whistle-blower cases that had a significant impact on the management of Aozora.



For information on customer information management, appropriate management system for conflict of interest, anti-bribery initiatives, customer support management system, and tax compliance, please refer to [Compliance in the Financial and Corporate Data Section](#).

Internal Audit

Role and Function

The Internal Audit Division (IAD) operates independently from all business groups and supporting units. IAD independently examines and evaluates whether the Group's internal controls are functioning properly and effectively, and offers constructive and practical recommendations for business improvement. As of March 31, 2025, 28 employees were directly engaged in internal audits.

Internal audits are conducted in line with audit plans, which are developed according to the Annual Internal Audit Plan approved by the Management Committee and the Board of Directors each fiscal year. When developing the audit plan, IAD carries out risk assessments based on the type and degree of inherent risk within each business group, supporting unit, and Group company, as well as the status of internal controls, and determines factors such as the frequency, complexity, and deployable resources of audits.

Audits Conducted in FY2024

Type of audit	Number of audits
Audits for business groups and supporting units	14
Cross-sectional target audits	23
System audits	3
J-SOX audits	37
Total	77

Positioning of IAD within the Organization

IAD reports directly to the Chief Executive Officer (CEO) and shares the status of the Group's internal controls with the CEO mainly through periodic reporting. IAD also provides an independent evaluation of internal controls by presenting individual audit results to the Management Committee monthly as well as a report on audit policies, summaries of audits and others, directly to the Risk Governance Committee and the Board of Directors annually.

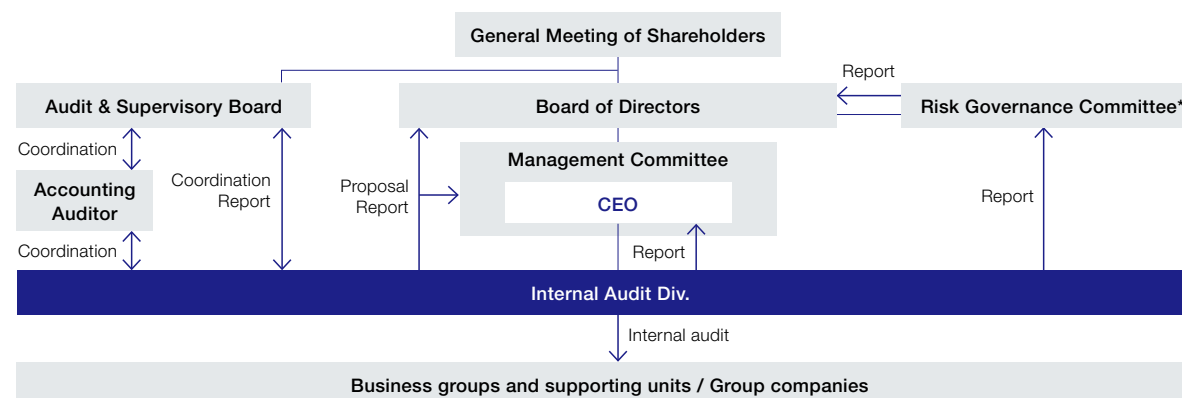
In order to better fulfill its audit mission, IAD exchanges information and opinions as necessary with the Audit & Supervisory Board and its members, and also works closely with them and the Accounting Auditor through periodic three-way audit meetings.

Efforts to Improve Audit Quality and Effectiveness

The Bank's internal audit is structured to ensure that internal audits are conducted on a risk basis in accordance with the global internal audit standards of the Institute of Internal Auditors (IIA). In addition to an internal quality assessment conducted annually, IAD periodically undergoes an external quality assessment by a third-party organization in order to further improve the Bank's internal audits. Moreover, steps are taken to support further improvements in the Group's internal audit framework through a dual role assignment system between Aozora and the audit divisions of Group companies in order to strengthen Group governance.

To improve the effectiveness of its internal audits, IAD conducts ongoing internal and external recruitment of audit team members with a high level of expertise. In addition, IAD supports its audit team members to obtain professional certifications, such as Certified Internal Auditor (CIA) and Certified Information System Auditor (CISA).

Internal Audit Structure



* The Audit and Compliance Committee was reorganized into the Risk Governance Committee on July 1, 2025.

Cybersecurity

Basic Policy

Cybersecurity is one of Aozora's main areas of focus as a bank that has a responsibility for its customers' important assets and information. Incidents such as information leaks and service outages caused by cyberattacks could have a material impact not only on Aozora's management, including damage to our customers and affecting business continuity, but also on society as a whole. In order to provide reliable financial services, Aozora considers the stable operation of information systems to be one of its most important management responsibilities. We work to maintain the cybersecurity system and reduce risks across the entire Aozora Group.

Management Structure

Aozora has established a security policy and a systems risk management policy, and conducts cybersecurity

management with the active engagement of senior management based on a risk appetite framework approved by the Board of Directors.

To strengthen our cybersecurity management framework, we have appointed a CISO*¹ as the person responsible for overall cybersecurity management. With this initiative, we have established a system through which the CISO reports to the CIO*² as well as the CRO*³ from a Risk Management Group's checks and balances perspective. The Cyber Security Office, a dedicated cybersecurity department formed within the IT Control Division, is responsible for establishing systems, strengthening countermeasures, monitoring, and emergency responses. We have also established a Cyber Security Incident Response Team (Aozora CSIRT), which spans across Aozora's related groups/divisions and Group companies. By sharing cybersecurity trends and risks inherent in the Bank as well as conducting ongoing

cybersecurity training, the entire Group remains prepared for emergency situations.

*1 Chief Information Security Officer

*2 Chief Information Officer

*3 Chief Risk Officer

Initiatives to Enhance Security

Multi-layered technical countermeasures and verification of effectiveness

- Entrance measures to prevent unauthorized network intrusion
- Exit measures to prevent the leakage of information
- Internal measures that presume attacks on the internal network
- Verification of effectiveness of technical countermeasures through penetration testing by external experts

Strengthening of cyber-resilience

- Regular cybersecurity exercises involving members of the management team
- Recovery tests using actual systems and equipment on the assumption that an incident has occurred

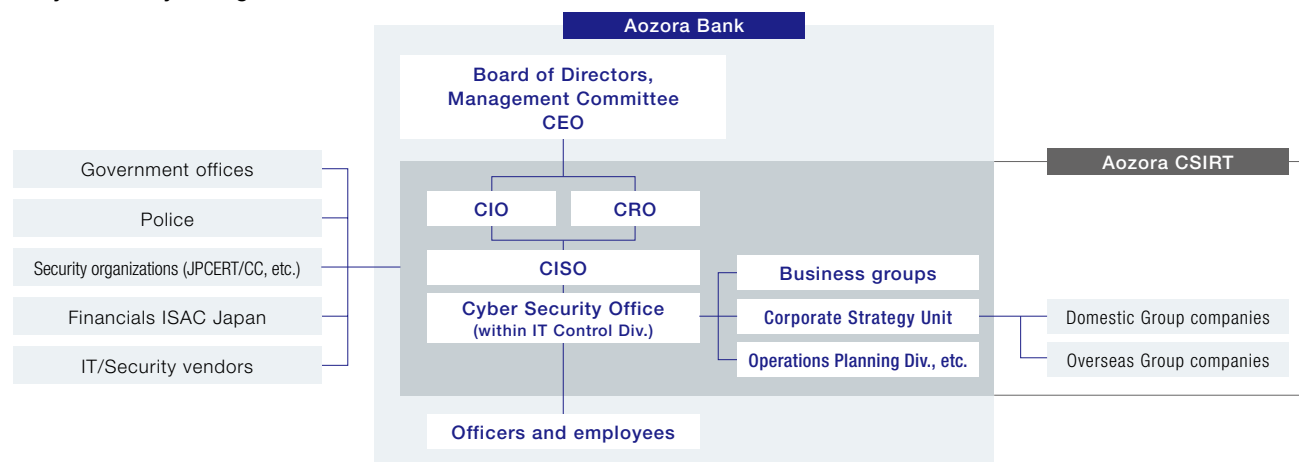
Analysis of threat trends

- Gathering information on key issues including vulnerabilities, attack strategies, and instances of damage suffered by other companies
- Systematic responses based on a study of potential impacts affecting Aozora and related risks

Security training for employees

- Improve ability to identify suspicious emails and ability to respond when opening them through targeted email training
- Training through e-learning, videos, and online seminars based on the results of targeted email training and threat trends

Cybersecurity Management Structure



Key Financial Data

Overview of Consolidated Financial Results

(million yen)

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Net revenue	91,403	85,273	87,479	83,840	95,711	96,546	103,011	59,573	50,924	85,638
Net interest income	49,804	45,646	49,054	50,284	48,789	50,089	51,612	51,080	42,074	48,710
Net fees and commissions	11,464	9,290	11,396	12,949	12,655	12,481	14,024	13,333	20,420	24,651
Net gains on trading account transactions	12,208	20,433	17,094	8,340	18,073	13,401	16,642	4,196	1,633	3,145
Net other ordinary income	17,926	9,902	9,933	12,265	16,191	20,574	20,731	-9,036	-13,204	9,130
Gains (losses) on bond transactions	8,128	2,388	654	4,907	14,589	8,153	4,500	-11,158	-18,604	2,058
G&A expenses	-42,806	-45,001	-46,848	-49,433	-53,398	-54,988	-57,792	-59,362	-61,860	- 62,878
Gains/losses on equity method investments	—	—	—	—	—	1,111	2,620	2,380	2,342	2,265
Business profit	48,597	40,272	40,631	34,407	42,312	42,669	47,839	2,591	-8,594	25,024
Credit-related expenses	4,745	11,079	8,748	-1,018	-11,742	-4,348	-3,740	-1,700	-46,930	- 9,445
Gains/losses on stock transactions	1,421	474	8,015	13,294	11,663	2,375	2,033	8,495	1,634	3,256
Ordinary profit	55,721	51,764	57,984	47,796	43,330	38,982	46,294	7,356	-54,816	17,561
Extraordinary profit (loss)	-4	-1	-21	-1	-4	-4	-319	-2	1,642	1,824
Income taxes	-12,204	-8,079	-15,465	-13,767	-17,743	-12,230	-12,937	698	-1,437	- 248
Net earnings	43,512	43,683	42,496	34,027	25,582	26,746	33,038	6,655	-51,737	19,634
Profit attributable to non-controlling interests	-13	165	567	2,103	2,560	2,226	1,966	2,064	1,832	884
Profit attributable to owners of parent	43,499	43,849	43,064	36,130	28,142	28,972	35,004	8,719	-49,904	20,518
Foreign exchange rate (US\$/JPY)	112.68	112.18	106.27	111.00	108.83	110.72	122.43	133.54	151.46	149.53

Key Financial Data

Overview of Consolidated Balance Sheet

(million yen)

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Total assets	4,592,921	4,586,007	4,912,792	5,255,048	5,299,815	5,916,866	6,728,653	7,184,070	7,603,002	7,762,434
Loans and bills discounted	2,511,622	2,521,874	2,611,278	2,779,894	2,954,122	2,948,808	3,317,125	3,881,373	4,071,295	4,206,564
Securities	923,526	937,949	1,139,803	1,240,838	1,073,670	1,393,357	1,478,178	1,278,749	1,186,561	1,355,458
Total liabilities	4,187,422	4,165,661	4,475,557	4,806,337	4,875,056	5,426,859	6,241,387	6,752,951	7,211,924	7,302,748
Deposits	2,710,531	2,718,589	2,846,878	3,102,804	3,349,659	3,978,506	4,838,056	5,463,352	5,634,992	5,598,301
Negotiable certificates of deposit	221,600	134,513	124,060	127,927	47,240	34,000	33,500	34,000	141,380	74,600
Total net assets	405,498	420,345	437,234	448,710	424,758	490,006	487,265	431,119	391,078	459,685
Shareholders' equity	383,710	405,867	427,184	443,087	453,635	467,615	486,060	476,280	412,928	478,040
Retained earnings	199,785	221,940	243,190	259,021	269,545	283,464	301,700	291,898	228,444	241,485
Accumulated other comprehensive income	20,833	12,421	8,535	5,431	-26,587	26,449	7,045	-38,122	-29,056	-27,123
Non-controlling interests	772	1,759	1,183	-166	-2,734	-4,541	-6,229	-7,541	6,673	8,267

Financial Indicators

Consolidated capital adequacy ratio (domestic standard) (%)	11.03	10.75	10.39	10.27	10.29	11.03	10.37	9.43	9.23	10.72
Dividend per share (DPS) (yen)	18.6	18.7	184*	154	156	124	149	154	76	79
Dividend payout ratio (consolidated) (%)	50	50	50	50	65	50	50	206	—	51.2
Book-value per share (BPS) (yen)	346.83	358.61	3,735.00	3,844.08	3,659.84	4,233.53	4,222.79	3,751.95	3,285.94	3,258.51
Earnings per share (EPS) (yen)	37.29	37.59	369.16	309.67	241.18	248.27	299.81	74.67	-427.22	154.26
Consolidated return on equity (ROE) (%)	10.6	10.7	10.1	8.2	6.4	6.3	7.1	1.9	-12.1	4.9

* Aozora Bank implemented a one-for-ten reverse stock split of its common stock effective October 1, 2017. We calculated an annual dividend per common share of 184 yen for FY2017 based on the assumption that the reverse stock split would be implemented at the beginning of FY2017.

Company Information (As of March 31, 2025)

Company Profile

Corporate name	Aozora Bank, Ltd.
Head Office	6-1-1 Kojimachi, Chiyoda-ku, Tokyo 102-8660, Japan
Date of establishment	April 1957
Total assets (consolidated)	¥7,762.4 billion
Credit ratings	BBB/A-/A (S&P/R&I/JCR)
Office network	Domestic: 15 locations Overseas: New York, London, Shanghai, Singapore, Hong Kong
Major subsidiaries	GMO Aozora Net Bank, Ltd. Aozora Loan Services Co., Ltd. Aozora Securities Co., Ltd. Aozora Regional Consulting Co., Ltd. Aozora Investment Management Co., Ltd. Aozora Real Estate Investment Advisors Co., Ltd. ABN Advisors Co., Ltd. Aozora Corporate Investment Co., Ltd. Aozora Asia Pacific Limited Aozora Europe Limited Aozora North America, Inc.
Number of full-time employees (consolidated basis)	2,477

Share Information

Share Status

Total number of authorized shares	289,828,200
Total number of outstanding shares	139,789,418
Total number of shareholders	121,729

Ownership and Distribution of Shares

Classification	Share Status (number of shares constituting one <i>tangen</i> unit: 100 shares)							Total	Fractional shares of common stock
	National and municipal governments	Financial institutions	Financial instruments firms	Other domestic companies	Foreign Investors		Individuals and others		
					Other than individuals	Individuals			
Number of shareholders	—	37	40	851	259	498	105,329	107,014	—
Number of shares held (<i>tangen</i>)	—	267,435	36,810	389,606	103,979	2,986	594,634	1,395,450	244,418
Percentage to the total number of shares (%)	—	19.17	2.64	27.92	7.45	0.21	42.61	100.00	—

Notes: 1. Treasury stock of 1,408,328 shares comprises 14,083 *tangen* units under "Individuals and others" and 28 shares under "Fractional shares of common stock."
2. In the "Other domestic companies" column, shares in the name of Japan Securities Depository Center Incorporated represent one *tangen* unit.

Major Shareholders

Name of shareholder	Number of shares held (thousands)	Percentage to total outstanding shares (%)
Daiwa Securities Group Inc.	33,056	23.65
The Master Trust Bank of Japan, Ltd. (Trust Account)	16,985	12.15
The Nomura Trust and Banking Co., Ltd. (Trust Account 2052255)	4,300	3.08
Custody Bank of Japan, Ltd. (Trust Account)	2,867	2.05
Aozora Bank, Ltd.	1,408	1.01
STATE STREET BANK WEST CLIENT - TREATY 505234	1,294	0.93
JP MORGAN CHASE BANK 385794	1,007	0.72
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	920	0.66
SMBC Nikko Securities Inc.	901	0.64
STATE STREET BANK AND TRUST COMPANY 505103	847	0.61
Nojima Corporation	682	0.49
Other	75,518	54.01
Total	139,789	100.00

(Note) The above table was compiled based on the Bank's Shareholder Registry as of March 31, 2025.

This document (Main Section and Financial and Corporate Data Section) is an Annual Report (document explaining Aozora's business operations and financial condition) created in compliance with Article 21 of the Banking Act.

For material requests or inquiries, please contact customer service at each branch or call the Aozora Home Call center at 0120-250-399.

(Weekdays: 9 am–7 pm; Weekends and holidays: 9 am–5 pm; December 31 to January 3: No service)

Please also visit our website at <https://www.aozorabank.co.jp/english>

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