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Aozora Announces New Mid-term Plan, Aozora 2022 ~Establishing Aozora Partner Bank~

Aozora Bank today announced its new mid-term plan for 2020-22, entitled 'Aozora 2022'.

To more effectively respond to the significant changes underway within the banking industry and broader operating environment, Aozora's leadership saw the need to reassess and refocus the Bank's vision and strategic direction. As a result of this reassessment, Aozora has updated its management philosophy consisting of its mission, vision, and key priorities.

Our mission as finance professionals is to contribute to the development of society through the creation of new value-added financial services and, through the contribution to the well-being of all of our stakeholders including customers, shareholders, society and our employees, seek to achieve sustainable growth and the creation of mid- to long-term corporate value.

'Aozora 2022' will serve as a roadmap for management and our employees as we work to realize the vision of being a distinctive Partner Bank. Aozora will actively contribute to the sustainable development of Japanese society by supporting the development of emerging industries and new companies established in anticipation of the future information technology society, as well as regional revitalization/development, wealth building and smooth business succession for our customers. Aozora will also generate new ideas and innovation within each of its areas of business, leveraging its skill base and organizational flexibility to become a distinctive Partner Bank within Japan, offering our retail, corporate and financial institution customers with value-added products and services based on ideas drawn from our experienced staff members.

As the world remains in the midst of the COVID-19 pandemic, many of our customers and communities are facing highly challenging and acutely severe conditions. Aozora is dedicated to responding to their needs while also serving as a valued partner by providing support for our customers' efforts to start up new business.

Aozora will strive to achieve sustainable growth through sound risk-taking and proactive risk-controls. In light of the current economic environment, our intent is to deliver a cash dividend while providing returns to shareholders based on our earnings performance. We also aim to create a common sense of purpose among our employees and support a workplace conducive to their growth and productivity through the development of a new personnel system designed to facilitate teamwork and better encouragement of taking on new challenges, which will ultimately lead to sustainable growth for the entire Aozora organization.

We would like to express our gratitude for your ongoing interest and support.

1. Establishing AOZORA Partner Bank

Over the three years ending in fiscal year 2022, Aozora intends to generate new ideas and innovation within each of its business areas, leveraging its skill base and organizational flexibility to become a distinctive Partner Bank within Japan, offering our retail, corporate and financial institution customers value-added products and services based on ideas drawn from our experienced staff members

2. New Management Philosophy

Aozora Mission

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

Aozora Vision

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

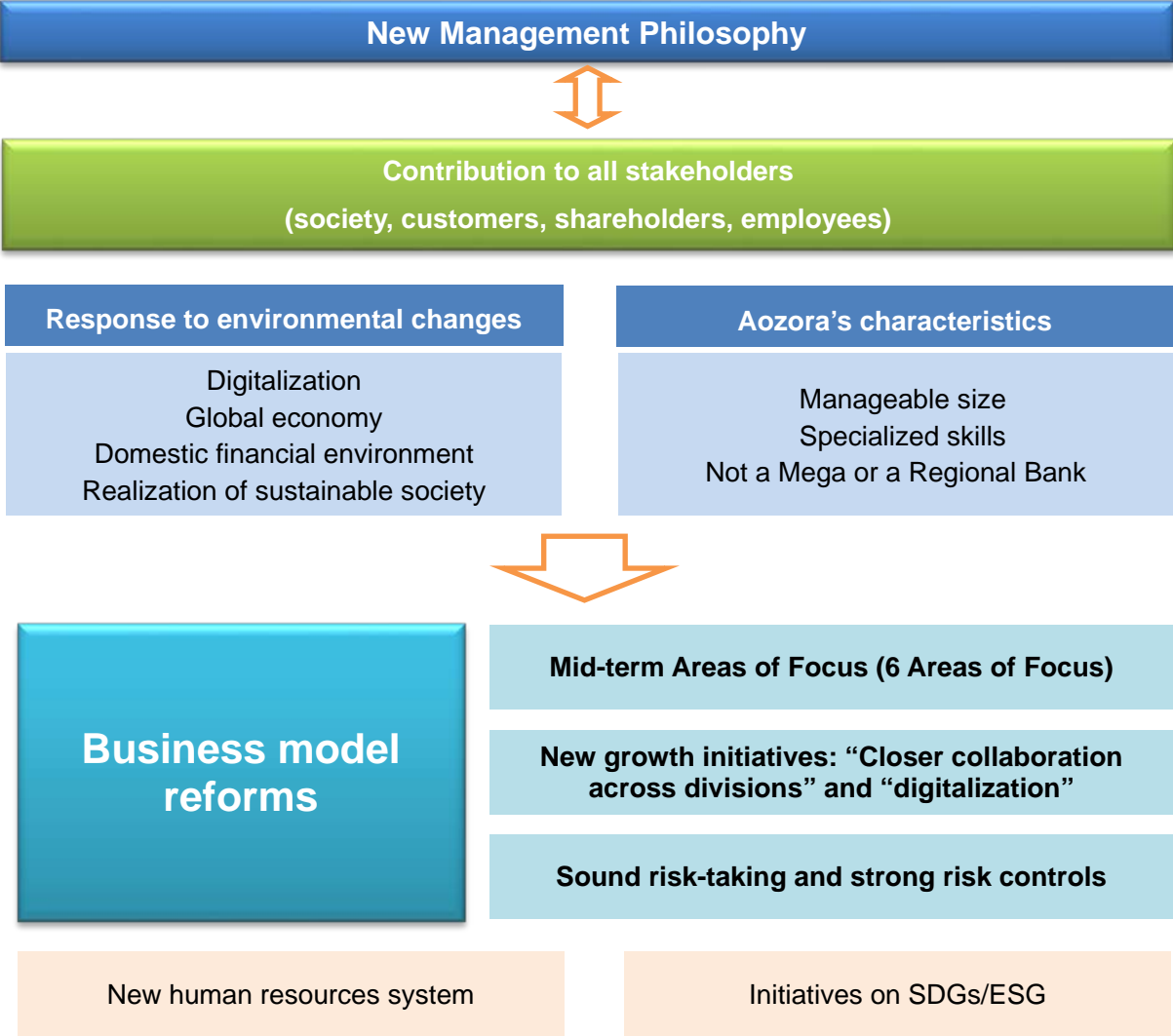
Aozora's Key Priorities

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

Aozora's core purpose is to contribute to the development of society through the creation of new value-added financial services in our role as a key financial service provider. Of critical importance to our management is maintaining the patience and focus necessary to gain a deeper appreciation of our customers' needs as well as the research and development of new, differentiated products and services for the benefit of our customers.

Not a mega bank or a regional bank, Aozora places a high priority on remaining flexible, highly professional in business as well as reliable and engaging for its customers. On behalf our customers and shareholders, we intend to explore our full potential beyond the limitations of a traditional bank over the course of the years ahead.

3. General picture of AOZORA 2022



Mid-term areas of focus (6 Areas of Focus)

<p>Retail Banking</p> <p>Specialized consulting and integrated financial services for retail customers</p>	<p>Corporate Finance</p> <p>Established position as the key player in restructuring business such as M&A and buyout finance</p>	<p>Financial Institutions</p> <p>Contribution to the revitalization of local economy by solving the management issues of regional financial institutions</p>
<p>Specialty Finance</p> <p>Expanded specialty finance by capitalizing on high-level expertise in real estate and business recovery finance</p>	<p>International</p> <p>Enhanced capacity for flexibly controlling the portfolio by forming a seamless monitoring framework on a global scale</p>	<p>Financial Markets</p> <p>Better capability for risk-hedging sales and product development, establishment of the portfolio resistant to market fluctuation</p>

New growth initiatives: “Closer collaboration across divisions” and “digitalization”

<p>Active support for corporate customers</p> <ul style="list-style-type: none">• Capitalize on Aozora’s features to support business improvement and restructuring• Customized support In light of customer needs	<p>Enhanced consulting services for retail customers</p> <ul style="list-style-type: none">• Establish the Financial Advisor Office• Respond to business succession needs using the Aozora network
<p>Provision of solutions to financial institutions</p> <ul style="list-style-type: none">• Establish the Financial Institutions Solutions Group• Comprehensive consulting services focused on assets, liabilities, equity capital and customer initiated transactions	<p>Support for FinTech-related businesses in collaboration with GMO Aozora Net Bank (GANB)</p> <ul style="list-style-type: none">• Establish the FinTech Sales Management Office• Support FinTech-related new businesses of corporate customers and start-ups• Utilize GANB’s IT solution capability as the “API No.1 bank”

Sound risk-taking and strong risk controls

Aozora continues to carefully manage risk through the refinement of its risk appetite as well as strengthened risk controls based on proactive monitoring.

In addition, we will continue to actively work on the further diversification of our funding sources, the ongoing strengthening of our compliance framework and our cybersecurity controls.

Introduction of a new human resources system

The introduction of a new human resources system will better enable Aozora to become an organization which continues to take on new challenges as one unified team, eliminate some of the limitations of career-oriented tracks as well as age-related constraints, so as to create a stronger sense of unity among our employees and the encouragement of their growth and active engagement. We will establish initiatives including the unification of career-oriented courses, improvement of Challenge Programs to increase growth opportunities for younger employees, leveraging of specialized personnel and greater utilization of our senior generation employees.

Initiatives on SDGs/ESG

To realize our goal “Actively contribute to the sustainable growth of society” as described in Aozora’s Key Priorities under our New Management Philosophy, our initiatives on SDGs/ESG in the new Mid-Term Plan will focus on the following as key issues: environmental protection, promoting innovation and facilitating the life satisfaction of our employees.

We will continue our work on timely and relevant communications with our customers and investors regarding Aozora’s initiatives on SDGs/ESG by disclosing information on the status of our progress on a timely basis.

4. Mid-Term Plan targets

Earnings targets

Under the new Mid-Term Plan, Aozora will focus on the further development of its core business model’s “6 Areas of Focus” as well as selected new growth initiatives. For fiscal year 2022, the final year of the plan, Aozora will aim to exceed the level of fiscal year 2019’s earnings. In light of uncertain conditions, annual earnings targets will be communicated at the beginning of each fiscal year.

KPIs targets

The table below shows our KPIs (Key Performance Indicator) targets over the new Mid-Term Plan period. Aozora aims for stable and sustainable growth while maintaining efficiency as one of its key strengths.

Key Performance Indicators (KPIs)	FY2019 Results	Mid-Term Plan targets (FY2020-22)
Overhead ratio (OHR)	56%	lower 50%
Business profit* ROA	0.8%	1%
ROE	6.4%	8% or higher

* Including gains/losses on equity method investments

5. Capital and dividend policies

To enhance our sustainable corporate value, Aozora has created and adheres to a capital and dividend policy which aims to maintain a proper balance among “stable shareholder returns”, “strategic investments” and “financial strength.”

Equity capital

Aozora’s capital adequacy ratio (domestic standard) targets are 9% on a full implementation (of the Basel III) basis and 9.5% on an operational basis.

Shareholder returns

Management’s intent is to deliver a cash dividend with a target payout ratio of 50%. Dividend payments will continue to be made on a quarterly basis.