

To all of our shareholders

Aozora Bank, Ltd.

Questions and comments received from shareholders at
Aozora Bank's 91st Ordinary General Meeting of Shareholders (June 25, 2024)

We appreciate our shareholders for their attendance and livestream viewing of our 91st Ordinary General Meeting of Shareholders ("General Meeting") held on June 25, 2024. Shareholders' questions and comments are summarized below. We would like to ask for our shareholders' understanding and continued support.

1. Question submitted in advance

We invited questions from our shareholders in writing and via email in advance of the General Meeting again this year. As a result, we received the following shareholder question, which was replied to at the General Meeting as below.

Pre-submitted question	Review of causes for huge losses and clarification of the responsibility of management
Aozora's response	<p>We express our sincere apologies for the net loss in fiscal year 2023. This loss was the result of making additional provisions to our loan loss reserves for U.S. non-recourse office loans as well as the restructuring of our securities portfolio.</p> <p>With regard to U.S. office loans, with major U.S. and European banks we provide syndicated loans for "A"-class buildings in large cities, including New York and Los Angeles, by securing a first lien on the property. Our basic assumption was that these buildings were relatively stable and high quality assets generating rental income that would be sufficient as a source of repayment. However, in the post-COVID era, occupancy rates have been polarized in the office building market as working from home continues.</p> <p>Under these circumstances, we recognized substantial credit costs in fiscal year 2023 as a result of carefully reviewing property valuations and making conservative provisions while taking into account the risk of price declines over the next two years.</p> <p>For our securities portfolio, we employed hedging to limit the increase in</p>

	<p>unrealized losses attributable to higher U.S. interest rates. However, unrealized losses on a yen basis increased faster than expected due to the impact of a weaker yen, coupled with a significant increase in interest rates. In theory, these unrealized losses could be eliminated by holding the securities to maturity. That being said, we accelerated the disposal of securities in fiscal year 2023 to reduce unrealized losses and future risk with the aim to secure added flexibility in the portfolio management and improve profitability in fiscal year 2024 and beyond.</p> <p>We take seriously the fact that we disposed of securities to reduce their risk of additional unrealized losses. Following this, we've decided to not pay bonus to all of our full-time directors. In addition, three representative directors voluntarily returned part of their fixed remuneration, and executive officer bonuses were reduced by up to 80% depending on their job responsibilities.</p>
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2. Questions received at the General Meeting and livestream viewers' comments introduced at the General Meeting (Q&A session summary)

(1) Questions received at the General Meeting

(1)-1	Responsibilities for a net loss and dividend cut
Aozora's response	<p>We would like to again express our sincere apologies to our shareholders for the lower dividend.</p> <p>We'd like to fulfill our duties by achieving the Bank's profit attributable to owners of parent forecast of 18 billion yen for fiscal year 2024 as well as delivering a full-year dividend of 76 yen per common share.</p>

(1)-2	Return of remuneration from officers to be diverted into next dividends
Aozora's response	<p>With regard to officers' remuneration, the decision was made to not pay bonuses to our full-time directors. Three representative directors also voluntarily returned part of their fixed remuneration.</p> <p>I believe that our priority goal at this point is to achieve the fiscal year 2024 earnings forecast and deliver the full-year dividend of 76 yen per common share.</p>

(1)-3	Report on portfolios with unrealized losses to the Board of Directors and their management
Aozora's response	As for our securities portfolio, we continued to review and discuss U.S. interest rates and other trends while also making reports to the Board. We also conducted ongoing reviews and discussions on U.S. non-recourse office loans. In the third quarter, we restructured our securities portfolio and made additional provisions to our loan loss reserves for U.S. non-recourse office loans, as a means to reduce future risks.

(1)-4	Oversight function of Outside Directors and Audit & Supervisory Board members regarding the recording of losses
Aozora's response	We conducted reviews and discussions regarding our securities portfolio evaluated on a mark-to-market basis while also making reports to the Board. With regard to our management's decision on the disposal of securities, I believe that the oversight function of Outside Directors and Audit & Supervisory Board members worked effectively during their decision-making process.

(1)-5	(i) Estimated exchange rate for overseas transactions (ii) Policy regarding shareholder returns to a range of investors
Aozora's response	(i) Our estimated exchange rate is approximately 150 yen at this point. While the gap between U.S. and Japanese interest rates is expected to narrow in response to higher yen interest rates going forward, we'll continue with our conservative risk management to be well prepared for an expansion of unrealized losses due to the impact of a weaker yen. (ii) As for our shareholder return policy, at one time we had a shareholder benefits plan, but this has been discontinued. Since then, we've prioritized cash dividends as the sole form of shareholder returns. We intend to maintain this policy.

(1)-6	Expansion of Aozora's retail banking business as the expected effect of the capital and business alliance with Daiwa Securities Group Inc.
Aozora's response	The business groups of the two companies continue to hold planning meetings to discuss further details of the business alliance, which will be announced later. To enhance our retail banking services, we're seeking

	the possibility of offering Daiwa Securities Group's diverse range of investment products to our customers, mainly those with deposit accounts at our online BANK™ Branch.
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(1)-7	<ul style="list-style-type: none"> (i) Impact of the net loss on the employee salary (ii) Daiwa Securities Group's future involvement in the Bank's portfolio
Aozora's response	<ul style="list-style-type: none"> (i) Following the net loss recorded in fiscal year 2023, we reviewed the employee salary and implemented an approximately 7% reduction in the bonus fund for all Aozora employees. (ii) With the participation of Mr. Kawashima, a candidate for our Outside Director, we'll work towards an enhanced securities portfolio by benefiting from his advice based on Daiwa Securities Group's expertise.

(1)-8	<ul style="list-style-type: none"> (i) Salary package under Aozora's HR system, including seniority-based payment structure (ii) Policy regarding the promotion of mid-career hires
Aozora's response	<ul style="list-style-type: none"> (i) As stipulated in our HR system revised in fiscal year 2020, we've discontinued the seniority-based payment structure and introduced a performance-based pay raise system. It's now important is to maintain the motivation and vitality of talented personnel. I feel that officers and employees at Aozora are playing active roles, driven by growth in Aozora's Strategic Investments Business as well as the alliance with Daiwa Securities Group Inc. (ii) Mid-career hires account for approximately 40% of our employees. The percentage of mid-career managers is approximately 50%, which is the result of our merit-based promotion system. We continue to generate new energy in our ranks by promoting personnel who will be actively committed to pursuing growth for us.

(1)-9	Possibilities of increasing the dividend payout ratio and selling Aozora shares at Daiwa Securities as a means to increase share prices
Aozora's response	<p>Our earnings and dividend forecasts for fiscal year 2024 are 18 billion yen and 76 yen per common share, respectively, which means that the dividend payout ratio will be over 50%. Having said that, we'll take the time to review our capital policy.</p> <p>As for the sale of Aozora shares at Daiwa Securities, we'd like to attract investors first and direct them to purchase. Please also understand that</p>

	Daiwa Securities Group's underwriting of new shares of 51.9 billion yen through third party allotment is representative of their expectations towards Aozora.
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(1)-10	Portfolio management in response to market volatility going forward
Aozora's response	Our securities portfolio currently has little risk as a result of the hedging measures that we've taken. Going forward, we'll make risk-taking decisions in a flexible manner by visualizing the types and quantity of risk based on Aozora's business model and discussing the outcome mainly at the Board level, while taking into consideration the impact of the forthcoming U.S. presidential election and other factors on the markets.

(1)-11	Payment of retirement benefits to directors in this year
Aozora's response	The retirement benefits package did exist at one time, but was discontinued as a result of the resolution approved at the June 2014 General Meeting of Shareholders.

(1)-12	Current state of female officers, as well as your policy regarding the percentages of female managers and officers going forward
Aozora's response	At present, Ms. Sakie Tachibana Fukushima is the only female Board member. We affirm the need to increase the number of our female members from a diversity perspective. Meanwhile, four of the 23 executive officers are females, who are playing important roles. We believe this percentage will become higher going forward.

(1)-13	Review of Aozora's initiatives for the past six months regarding the new NISA (Nippon individual savings account) program launched this year
Aozora's response	The number of customers in their 20's-40's has been increasing at our online BANK™ Branch for the past few years. To support their wealth accumulation needs, we've worked to develop app-based services and expand the lineup of products specially designed for the new NISA program. These initiatives have led to steady growth in the number of NISA accounts, and we believe that the growth rate is comparable with the

	<p>levels seen at other banks. We'll continue to support our customers in their wealth building.</p> <p>For your information, the BANK™ Branch offers a 0.2% interest rate on ordinary deposits. Anyone with an interest can open an account on the web alone to gain access to its app-based services.</p>
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(2) Livestream viewers' comments (introduced at the General Meeting)

(2)-1	Occurrence of equity dilution due to the capital and business alliance with Daiwa Securities Group Inc.
Aozora's response	<p>Daiwa Securities Group Inc. made the decision to underwrite 21,500,000 common shares of Aozora Bank through a third party allotment of new shares. This will increase the number of shares from approximately 116,000,000 to approximately 138,000,000 shares (excluding treasury stock), which will lead to a reduction in net assets and profit per common share based on a simple calculation basis. This is referred to as equity dilution. The capital increase will result in an equity dilution of approximately 18%.</p> <p>To offset the equity dilution, we'll work to grow our business in principle. We intend to achieve a significant level of business growth through the promotion of Aozora's Strategic Investments Business and GMO Aozora Net Bank (GANB), which are our growth drivers, together with the capital and business alliance with Daiwa Securities Group Inc.</p>

(2)-2	Timing of announcing a revision to earnings and dividend forecasts
Aozora's response	<p>We apologize that we announced the downward revision to our full-year earnings and dividend forecasts on February 1, 2024. Based on the Tokyo Stock Exchange's Timely Disclosure Rules, the announcement was made immediately after the revision was confirmed. We'd like to ask for your understanding that we made the announcement at the best possible timing on February 1, when the Board resolved to revise our forecasts.</p>

(2)-3	Prospect for the dividend to be reinstated to the level before its decrease
Aozora's response	<p>Our dividend forecast for fiscal year 2024 is 76 yen per common share. Given the fact that the initial dividend forecast for the previous fiscal year was 154 yen per common share, we'll make utmost efforts to increase the dividend even by a small amount going forward.</p>

(2)-4	Investments in solar power plants that are a cause for deforestation
Aozora's response	<p>Aozora is aware that it's responsible for reducing CO₂ as a bank. Based on this concept, we make investment and lending decisions for these types of projects after confirming the details, including the completion of</p>

	an environmental assessment and no environmental loads, as well as evaluating the effect of reducing CO ₂ .
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3. Other major comments received from shareholders who viewed the General Meeting via livestream

We have consolidated our responses to other important comments received from a viewer of the livestream below. Please understand that any questions and comments that overlap with those answered directly at the General Meeting, as mentioned above, are omitted.

Comment 1	Risk awareness at this point regarding U.S. office loans and the securities portfolios
Aozora's response	<p>With regard to U.S. office loans, we made conservative provisions in the previous fiscal year as a result of carefully reviewing property valuations while taking into account the risk of price declines over the next two years. For further details, please refer to page 23 of our presentation material "FY2023 Financial Results Investors Meeting (May 22, 2024)" on our website*¹. Under our fiscal year 2024 policy of proceeding with collection through the workout process, we fully resolved two workout loans in April 2024, both of which were sold above book value net of the provision made for each loan. We'll continue risk management while remaining fully cautious about market volatility.</p> <p>Unrealized losses after the disposition of securities were mainly from higher quality credit securities, including U.S. and European government bonds, with minimum default risk. Going forward, we'll restructure our securities portfolio by striking a proper balance between domestic and overseas assets.</p> <p>*¹ https://www.aozorabank.co.jp/english/ir/library/results/</p>

Comment 2	Aozora's business strategy and the direction of each business group for fiscal year 2024
Aozora's response	<p>In fiscal year 2024, we'll focus more on promoting Aozora's Strategic Investments Business. For each business group's initiatives and other measures, please refer to pages 47–58 of our presentation material "FY2023 Financial Results Investors Meeting (May 22, 2024)" on our website*².</p> <p>*² https://www.aozorabank.co.jp/english/ir/library/presentation/</p>

Comment 3	Initiatives to achieve Aozora's Sustainability Targets
Aozora's response	<p>Aozora's Sustainability Targets refer to the Group-wide long-term business targets aimed at creating economic and social value. They are comprised of four distinctive areas that the Aozora Group is focused on, such as promoting Aozora's Strategic Investments Business and response to climate change.</p> <p>In order to achieve the set goals, Aozora's Sustainability Targets have been incorporated into the business planning of each business group and steadily promoted through focused allocation of resources. Their progress is periodically reviewed by the Board.</p>

Comment 4	Financial results-related information disclosed on February 1 should have been released after the market closing time of the previous day
Aozora's response	<p>We comply with the Tokyo Stock Exchange's Timely Disclosure Rules. Any information that will have a material impact on investment decisions, including financial results, is disclosed immediately after the confirmation or emergence of such information. We kindly ask for your understanding.</p>

Comment 5	Aozora's plan to raise interest rates on ordinary deposits following the end of the Bank of Japan's negative interest rate policy
Aozora's response	<p>Following the end of the BOJ's negative interest rate policy, we raised interest rates on some time deposit products. Our online BANKTM Branch has been offering a favorable 0.2% interest rate on ordinary deposits, which remains unchanged. We'll make an appropriate decision on the level of interest rates on deposits depending on the environment surrounding us, including economic and interest rate conditions.</p>

Comment 6	Retirement age for employees
Aozora's response	<p>Aozora's retirement age is 60 and employees who intend to continue working will be re-employed until the age of 65. Senior employees are provided with opportunities to choose new working conditions and styles as the Bank expects them to continue playing active roles while also assuming the important role of sharing experience and expertise with the next generation.</p>