

Last Update: October 14, 2021

## **Aozora Bank, Ltd.**

Representative Director and President

Kei Tanikawa

Contact: Business Strategy Division 03-6752-1111

Securities Code: 8304

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

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

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

### **1. Basic Policy**

The objective of the Bank's corporate governance policy is to ensure management discipline and create a framework for enhanced oversight in order to conduct daily business operations based on its management philosophy.

For this purpose, the Bank continues to work toward a more transparent corporate governance structure by focusing on the proper establishment and operation of its governance framework as its primary management initiative.

Management adheres to the highest standards of compliance in all areas of business execution. Management identifies risks and assesses their potential impact on the Bank's business, maintaining a strong internal control system that ensures optimal transparency and a framework for the effective balancing of risk-return. In order to improve efficiency through the separation of management oversight and business execution and transparency by establishing an appropriate corporate governance system, the Board of Directors, including multiple outside directors, determines basic management policy and management strategies, and supervises the execution of business operations. Executive officers, including the Representative Directors, conduct operations with authority delegated by the Board of Directors.

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

The Audit and Supervisory Board and its members monitor and verify the execution of director duties, mainly from a legal perspective. Board-level committees, such as the Nomination and Remuneration Committee and the Audit and Compliance Committee, both of which mainly comprise outside directors,

are entrusted by the Board of Directors to perform supplementary supervision and oversight with respect to representative directors and executive officers.

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

The Bank makes continuous efforts to strengthen corporate governance and judges that it is compliant with all the principles of the Corporate Governance Code (including the sections related to the Prime Market), which was amended in June, 2021.

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

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

In principle, Aozora does not hold cross-shareholdings or strategic shareholdings whose associated benefits and risks are not commensurate with the capital costs and whose purpose of holding is not clearly defined. The Bank's basic policy is to selectively hold strategic shareholdings only when it expects to either form a strategic capital or business alliance, leverage the Bank Group's operations to contribute to the structural transformation, growth, and revitalization of its business partners, or aim to capture/expand the Bank's revenue opportunities by enhancing corporate value, and only when it has been determined that holding is appropriate based on factors such as its contribution to shareholder interests, RORA-based profitability, and business development potential. (Note)

In the event the Bank holds a strategic shareholding, the Investment Committee, a sub-committee of the Management Committee, makes a comprehensive judgment on the appropriateness of the investment based on its contribution to the common interest of shareholders by leveraging the Group's operations, risk-based profitability, and business development. The Investment Committee regularly monitors the status, risk-based profitability and other factors regarding the Bank's strategic shareholdings portfolio, and the Bank arranges the sale of any investment whose continued holding is determined to be unattractive after careful consideration of the impact of market developments and other relevant matters. The Investment Committee also reports the results of the monitoring and transaction policy to the Board of Directors, which includes independent outside directors, on a regular basis. Risk based profitability is monitored for each investment based on RORA. As the Bank both bought and sold one strategic equity position in FY2020, the total number of held equity positions did not increase. The Bank held 12 strategic equity positions (approximately 1% of the total net assets) as of the end of March 31, 2021.

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

(Note) RORA: Return on Risk-weighted Assets

This measure shows how much income the Bank earns with respect to gains against a shareholding risk, which is calculated by a formula "Annual Revenue divided by Risk Asset Amount".

### **Principle 1.7 (Related Party Transactions)**

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

### **[Supplementary Principle 2-4.1] (Ensuring diversity in the workplace through the career development of female, non-Japanese, and mid-career professionals)**

<Philosophy on Ensuring Diversity>

Aozora recruits employees based on close examination of applicants' professional experience and capabilities, regardless of gender or nationality. Amid significant changes within the industrial structure, we need to respect various perspectives and systems of value in order to achieve sustainable growth and enhance our corporate value. Aozora will continue to actively recruit employees with experience, skills, and varied professional backgrounds while providing a working environment in which they can perform well.

In order to ensure a diverse workforce, we set hiring goals for female, non-Japanese, and mid-career managers, especially for managers who lead business management. While one of the Bank's main characteristics is a high percentage of mid-career managers, we believe that our percentage of female managers is not yet high enough. We will strive to maintain our current level of mid-career managers and strengthen our core talent pool by establishing a target ratio of female deputy managers while increasing our percentage of female managers by 20% going forward.

<Independently determined measurable diversity targets and results>

Categories	Current ratios	Ratios to be achieved	Target
Female managers	11.8%	13% or over	March-end, 2023
Female deputy managers	33.5%	35% or over	
Non-Japanese managers	2.9%	3% or over	
Mid-career managers	42.5%	40 % or over	To be maintained

Managers are equivalent to those in a position of supervision or management stated in the Labor Standards

Act: Total of general managers and group managers

Deputy managers are one position below managers

Non-Japanese managers: includes those working in domestic/overseas subsidiaries excluding GMO Aozora Net Bank

Base date: as of March-end 2021

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

Polices	Actions
<p>【Policy 1】 Diversity-oriented recruitment and consistent merit-based evaluation</p>	<ul style="list-style-type: none"> <li>• Continue to hire those mid-career as well as new grads</li> <li>• Hold recruitment events for women</li> </ul>
<p>【Policy 2】 Support female employees' career development</p>	<ul style="list-style-type: none"> <li>• Encourage female employees to gain experience in new business areas by implementing a wide range of training programs</li> <li>• Improve development programs, such as the internal short-term trainee program</li> </ul>
<p>【Policy 3】 Improve Aozora's working environment in order to support employees with varied backgrounds</p>	<ul style="list-style-type: none"> <li>• Promote flexible working styles and use of paid leave for better work-life balance</li> <li>• Hold interview sessions and seek feedback from domestic and overseas employees to consistently improve the working environment</li> </ul>

FY2020
<ul style="list-style-type: none"> <li>• New Graduates: 65 (46 males, 19 females), Mid-career: (32 males, 14 females)</li> <li>• Hiring seminars for female new graduates: 1, with 45 attendees</li> </ul>
<ul style="list-style-type: none"> <li>• "Regional Consolidated" career trainings: 2, with 50 attendees (all female)</li> <li>• Development programs including the Internal Short Trainee program: 52 employees in total (36 female employees)</li> </ul>
<ul style="list-style-type: none"> <li>• Average monthly employees working from home: 1,257(65%) , Average yearly amount of paid leave taken: 13.3 days</li> <li>• Individual interviews conducted by the HR division: 167 domestically, 17 abroad</li> </ul>

### **Principle 2.6 (Enhanced Function as Asset Owner of Corporate Pension Funds)**

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

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

The Bank announced its new mid-term plan, entitled “AOZORA 2022”, on May 14, 2020. The details of the plan can be found on the Aozora website (<https://ssl4.eir-parts.net/doc/8304/tdnet/1830205/00.pdf>). A brief outline of the new mid-term plan is provided below.

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.

#### 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. Overview of AOZORA 2022

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

##### Retail Banking

- Specialized consulting and integrated financial services for retail customers

##### Corporate Finance

- Established position as the key player in restructuring business such as M&A and buyout finance

##### Financial Institutions

- Contribution to the revitalization of local economy by solving the management issues of regional financial institutions

##### Specialty Finance

- Expanded specialty finance by capitalizing on high-level expertise in real estate and business recovery finance

##### International Finance

- Enhanced capacity for flexibly controlling the portfolio by forming a seamless monitoring framework on a global scale

##### Financial Markets

- Better capability for risk-hedging sales and product development, establishment of the portfolio resistant to market fluctuation

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

##### Active support for corporate customers

- Capitalize on Aozora’s features to support business improvement and restructuring
- Customized support In light of customer needs

##### Enhanced consulting services for retail customers

- Establish the Financial Advisor Office
- Respond to business succession needs using the Aozora network

##### Provision of solutions to financial institutions

- Establish the Financial Institutions Solutions Group
- Comprehensive consulting services focused on assets, liabilities, equity capital and customer initiated transactions

##### Support for FinTech-related businesses in collaboration with GMO Aozora Net Bank (GANB)

- 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. Priority initiatives of business in FY2021

Amid the current historic turning point for the industrial structure in FY2021, Aozora will strive to contribute to society through proactive risk-taking, as a financial partner with a deep understanding of our customers’ business, in order to foster new business and support corporate restructuring and business recovery while promoting Aozora’s Strategic Investments Business.

Aozora’s basic policy under its 6 Areas of Focus business model is as follows:

##### <Retail Banking Business >

RBG responds our customers’ rapidly changing needs and carries out customer-first business operations in a “New Normal” age. Traditional branches provide highly professional and comprehensive consulting services including property and business succession. At the same time, RBG promotes the integration of “BANK”, a smartphone app-based new money service, and “Traditional braches”, and realizes an operating system which allows all the customers to make transactions at any time and at any place as well as receive consultations at a branch of their choice by providing financial services through “BANK” app.

#### <Corporate Banking Business>

IBG intends to establish a position as a key player in the business reconstruction business by proactively taking risks/getting involved in business succession, corporate restructuring, M&A, etc. which are expected to expand due to a change in industrial structure and providing solutions such as highly professional/high-value added LBO Finance or M&A advisory services. At the same time, IBG intends to flexibly work on businesses satisfying a broad range of risk hedging needs. In addition, while carefully meeting needs of customers affected by a spread of COVID-19, IBG intends to support business restructuring and corporate growth in the future by forming private equity funds.

#### <Financial Institution Business >

ABG provides financial solutions developed in a comprehensive manner in order to solve business challenges faced by the customers of regional financial institutions. The Task Force on Allied Business Partner Bank newly created in Nov. 2020 intends to proactively contribute also to the regional economic revitalization through regional financial institutions.

#### <Specialty Finance Business>

SFG intends to demonstrate its strong expertise in real estate/business recovery and engage in globally diversified investments and loans while being mindful of the impact on economic activities given by a spread of COVID-19 and expected changes in industrial structure and lifestyles in the future.

#### <International Finance Business>

“Aozora North America, Inc.”, a subsidiary based in New York, commenced operations in Sept. 2020. The new entity has strengthened the global and seamless monitoring system in cooperation between North America, Asia and Europe-based subsidiaries and Tokyo. IFG attempts to flexibly control its globally diversified portfolio while responding to the spread of COVID-19 and event risks in the political/diplomatic aspects by collecting local information in each market on a real-time basis.

#### <Financial Markets Business>

In addition to seeking to secure stable income by its portfolio management combined with ALM/credit investments and trading, FMG attempts to improve its sales/product development capacities supporting risk hedge-related businesses in each Banking Group.

#### <GMO Aozora Net Bank (GANB) (Internet banking business)>

In-house system development based on its own high technology makes it possible to offer service plans with a high degree of freedom and quality services at competitive prices. The Bank shall establish a stable fee-based business model centering on settlement through service line-up focused on corporate customers, such as Internet transactions available 24 hours, every day, high operability, improvement of banking API, support service to assist business growth, etc.



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

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

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

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

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

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

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

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

<https://www.aozorabank.co.jp/english/ir/stock/meeting/pdf/2021stockmtg.pdf>

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

Please refer to “III.3. Measures to Ensure Due Respect for Stakeholders ‘Implementation of Environmental Activities, CSR Activities etc.’” of this report.

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

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

**Principle 4.9 (Independence Criteria)**

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

**Supplementary Principle 4.10.1 (Disclosure of Summary and Scope of Matters Delegated to Management)**

Please refer to “II.1 Organization Structure and Business Operations, Directors, Supplementary Explanation” of this report.

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

Please refer to “II.2 Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration <Basic Policy for Nominating Directors and Audit & Supervisory Board Member Candidates, and Appointing and Dismissing Senior Management Including the CEO (Executive Officers at the Managing Executive Officer level or higher)> <Procedure for Nominating Directors, and Appointing and Dismissing Senior Management Including the CEO> of this report.

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

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

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

The Bank works to further enhance the effectiveness of its Board of Directors through a continuous process (PDCA cycle) of analyzing and evaluating Board effectiveness each fiscal year as well as considering and providing solutions to new and existing issues. The Board of Directors strives to fulfill its fiduciary duties and accountability to the Bank’s shareholders and performs self-evaluations of Board effectiveness aimed at promoting sustainable growth and enhancing the Bank’s corporate value over the mid- to long-term. The Board continues to assess its management and oversight functions on the basis of the full utilization of directors’ and Audit and Supervisory Board members’ knowledge, expertise and experience, and takes into consideration the views of each Board member. The results of these self-evaluations are shared in thorough Board discussions.

The Board of Directors aims to ensure objectivity and transparency through the Board, 50% of which are outside members.

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

Moreover, the Bank convened three outside directors’ meetings throughout FY2020 to allow for the discussion and exchange of views on key business issues, including Aozora’s executive structure and the

operations of the Board of Directors, from an independent outside director's perspective. Board of Directors meetings involved confirming the progress of the newly developed Mid-term Plan, receiving reports regarding business conditions amidst the COVID-19 pandemic while making sure those topics discussed at Board of Directors meetings were properly reflected in the Bank's management, and substantive discussions regarding the development of the FY2021 Business Plan that took place over the course of several sessions.

In FY2020, the Board assessed that its roles and responsibilities were properly fulfilled under the aforementioned framework through constructive discussions and exchange of ideas on important issues including business strategy as well as the proper oversight and monitoring of management executives. The Board also assessed that overall Board management was proper and effective.

Going forward, the Bank will strive to make the Board's roles and responsibilities more effective and proper by utilizing committees under the Board as well as the outside directors' meeting.

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

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

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

<Policies to promote constructive dialogue with shareholders>

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

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

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

- The Chief Executive Officer (CEO) oversees the Bank's overall communication with shareholders to ensure that constructive dialogue is achieved.
- The Chief Financial Officer (CFO) oversees investor relations activities. The Corporate Communication Division, in charge of investor relations, cooperates with the Financial Control and Financial Management divisions and, in conjunction with other relevant divisions (such as business strategy and legal divisions), supports the Bank's IR activities and constructive dialogue between shareholders and management.
- In addition to individual meetings with shareholders and institutional investors, the Bank holds conference calls and presentations for investors and analysts. The Bank also actively participates in

individual and institutional investor conferences held by securities firms, towards further enhancing communication with shareholders and investors.

- The Bank discloses information related to presentation meetings via its website and its shareholder newsletter (“Aozora Tsushin”). Using questionnaires, the Bank makes an effort to understand the views and concerns of its shareholders.
- The CEO and CFO report the details of dialogue with shareholders to the Board of Directors and Management Committee. The Bank considers appropriate responses to the views and concerns expressed by shareholders, reflecting them in business operations as necessary.
- The Bank carefully manages insider information obtained in its dialogue with shareholders, in accordance with the Bank’s internal procedures for preventing insider trading, and verifies information to be disclosed through outside counsel.

## 2. Capital Structure

Percentage of Overseas Shareholders	Between 10% and 20%
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### [Status of Major Shareholders]

Company Name	Number of Shares	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	10,610,400	9.09
The Nomura Trust and Banking Co., Ltd. (Trust Account 2052255)	5,000,000	4.28
Custody Bank of Japan, Ltd. (Trust Account)	4,851,900	4.15
Custody Bank of Japan, Ltd. (Trust Account 9)	2,357,100	2.01
Custody Bank of Japan, Ltd. (Trust Account 5)	1,801,900	1.54
Custody Bank of Japan, Ltd. (Trust Account 6)	1,597,200	1.36
JP MORGAN CHASE BANK 385781	1,513,474	1.29
Custody Bank of Japan, Ltd. (Trust Account 1)	1,439,900	1.23
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	1,289,900	1.10
STATE STREET BANK WEST CLIENT - TREATY 505234	1,216,661	1.04

Controlling Shareholder (excluding Parent Company)	None
Parent Company	None

Supplementary Explanation:

“Status of Major Shareholders” is based on total shares outstanding (excluding treasury shares) recorded in the Shareholder Registry as of March 31, 2021.

BlackRock Japan Co., Ltd. submitted a Change Report dated December 4, 2020, stating their holdings with joint shareholder BlackRock Fund Managers Limited, BlackRock Asset Management Ireland Limited, BlackRock Fund Advisors, BlackRock Institutional Trust Company, N.A. and BlackRock Investment Management (UK) Limited as of November 30, 2020, as follows. They are not included, however, in the above table of major shareholders as the Bank was unable to confirm the actual number of shares held by the aforementioned shareholders as of March 31, 2021. The proportion of shares held based on the Change Report to the number of shares issued (includes treasury shares) has been rounded to two decimal places.

<Company Name>	BlackRock Japan Co., Ltd.
<Address>	8-3, Marunouchi 1-Chome, Chiyoda Ward, Tokyo
<Number of Shares>	1,437,700
<Shareholding Ratio>	1.22%
<Company Name>	BlackRock Fund Managers Limited
<Address>	12 Throgmorton Avenue, London, U.K.
<Number of Shares>	266,425
<Shareholding Ratio>	0.23%
<Company Name>	BlackRock Asset Management Ireland Limited
<Address>	1st Floor, 2 Ballsbridge Park, Ballsbridge, Dublin, Ireland
<Number of Shares>	189,409
<Shareholding Ratio>	0.16%
<Company Name>	BlackRock Fund Advisors
<Address>	400 Howard Street, San Francisco California, U.S.A.
<Number of Shares>	1,120,800
<Shareholding Ratio>	0.95%
<Company Name>	BlackRock Institutional Trust Company, N.A.
<Address>	400 Howard Street, San Francisco California, U.S.A.
<Number of Shares>	987,678
<Shareholding Ratio>	0.83%
<Company Name>	BlackRock Investment Management (UK) Limited
<Address>	12 Throgmorton Avenue, London, U.K.
<Number of Shares>	243,590
<Shareholding Ratio>	0.21%

Nomura Securities Co., Ltd. submitted a Change Report dated December 22, 2020, stating their holdings with joint shareholder NOMURA INTERNATIONAL PLC and Nomura Asset Management Co., Ltd. as of December 15, 2020, as follows. They are not included, however, in the above table of major shareholders as the Bank was unable to confirm the actual number of shares held by the aforementioned shareholders as of March 31, 2021. The proportion of shares held based on the Change Report to the number of shares issued (includes treasury shares) has been rounded to two decimal places.

<Company Name>	Nomura Securities Co., Ltd.
<Address>	13-1, Nihonbashi 1-Chome, Chuo Ward, Tokyo
<Number of Shares>	289,781
<Shareholding Ratio>	0.24%

<Company Name>	NOMURA INTERNATIONAL PLC
<Address>	1 Angel Lane, London EC4R 3AB, United Kingdom
<Number of Shares>	403,448
<Shareholding Ratio>	0.34%

<Company Name>	Nomura Asset Management Co., Ltd.
<Address>	2-1, Toyosu 2-Chome, Koto Ward, Tokyo
<Number of Shares>	7,035,300
<Shareholding Ratio>	5.95%

Sumitomo Mitsui Trust Asset Management Co., Ltd. submitted a Change Report dated February 19, 2021, stating their holdings with joint shareholder Nikko Asset Management Co., Ltd. as of February 15, 2021, as follows. They are not included, however, in the above table of major shareholders as the Bank was unable to confirm the actual number of shares held by the aforementioned shareholders as of March 31, 2021. The proportion of shares held based on the Change Report to the number of shares issued (includes treasury shares) has been rounded to two decimal places.

<Company Name>	Sumitomo Mitsui Trust Asset Management Co., Ltd.
<Address>	1-1, Shibakoen 1-Chome, Minato Ward, Tokyo
<Number of Shares>	3,908,800
<Shareholding Ratio>	3.30%

<Company Name>	Nikko Asset Management Co., Ltd.
<Address>	7-1, Akasaka 9-Chome, Minato Ward, Tokyo
<Number of Shares>	2,255,600
<Shareholding Ratio>	1.91%

Major Shareholders Report received during the period from April 1, 2021 to the filing date of this report have not been reflected.

### 3. Corporate Attributes

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

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

N/A

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

N/A

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

### 1. Organization Structure and Business Operations

Organization Structure	Company with Audit & Supervisory Board
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	12
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	8
Appointment of Outside Directors	Appointed
Number of Outside Directors	4
Number of Independent Directors	4

#### Outside Directors' Relationship with the Bank (1)

Name	Attribute	Relationship with the Bank*
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		a	b	c	d	e	f	g	h	i	j	k
Shunsuke Takeda	From another company								△			
Hiroyuki Mizuta	From another company								○			
Ippei Murakami	From another company											
Tomonori Ito	From another company											

\*Categories for “Relationship with the Bank”

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

Outside Directors’ Relationship with the Bank (2)

Name	Independent Director	Supplementary Explanation	Reasons for Appointment
Shunsuke Takeda	Yes	<b>Main Concurrent Post</b> Advisor, ORIX Corporation  <b>Relationship with Aozora customers, etc.</b> None  (As of October 1, 2021)	Shunsuke Takeda has served as Director, Vice Chairman and CFO of ORIX Corporation and Chairman and Representative Executive Officer of Daikyo Incorporated and he has wealth of experience, credentials and deep insight as a top management of corporate institutions as well as extensive knowledge of M&A and venture capital business. He has appropriately supervised the management of the Bank as an Outside Director since June 2007.



			<p>The Bank, having high regard for his experience and capabilities, requests the continued appointment as Outside Director, as the Bank expects him to provide overall oversight and advice on the execution of duties by executive officers, with an objective viewpoint, toward the enhancement of the Bank's corporate value over the mid- to long-term.</p> <p>He was selected as an independent director as it was determined that there is no risk of a conflict of interest with general shareholders under the Enforcement Rules for Securities Listing Regulations of the Tokyo Stock Exchange.</p>
Hiroyuki Mizuta	Yes	<p><b>Main Concurrent Post</b> Representative Director and Chairman of Tokyo Tower Co., Ltd.</p> <p><b>Relationship with Aozora customers, etc.</b> Representative Director and Chairman of Tokyo Tower Co., Ltd., a company with which the Bank conducts lending and other transactions</p> <p>(As of October 1, 2021)</p>	<p>Hiroyuki Mizuta has served as Director, President and Representative Executive Officer of Resona Holdings, Inc. and Representative Director and Chairman of TOKYO TOWER Co., Ltd and he has wealth of experience, credentials and deep insight as a top management of corporate institutions in the banking and non-financial sectors, as well as extensive knowledge of banking retail business and corporate finance business. He has appropriately supervised the management of the Bank as an Outside Director since June 2013.</p> <p>The Bank, having high regard for his experience and capabilities, requests the continued appointment as Outside Director, as the Bank expects him to provide overall oversight and advice on the execution of duties by executive officers, with an objective viewpoint, toward the enhancement of the Bank's corporate value over the mid- to long-term.</p> <p>He was selected as an independent director as it was determined that there is no risk of a conflict of interest with general shareholders under the Enforcement Rules for Securities Listing Regulations of the Tokyo Stock Exchange.</p>
Ippei Murakami	Yes	<p><b>Main Concurrent Post</b> Special Advisor, Nisshin Seifun Group Inc. Chair of the Board of Trustees of Kwansei Gakuin University</p> <p><b>Relationship with Aozora customers, etc.</b></p>	<p>Ippei Murakami has served as President and Representative Director of Nisshin Seifun Group Inc. and Chair of the Board of Trustees of Kwansei Gakuin University and he has wealth of experience, credentials and deep insight as a top management of corporate institution and educational institution, as well as extensive knowledge of</p>

		<p>None</p> <p>(As of October 1, 2021)</p>	<p>corporate finance and accounting. He has appropriately supervised the management of the Bank as an Outside Director since June 2014.</p> <p>The Bank, having high regard for his experience and capabilities, requests the continued appointment as Outside Director, as the Bank expects him to provide overall oversight and advice on the execution of duties by executive officers, with an objective viewpoint, toward the enhancement of the Bank's corporate value over the mid- to long-term.</p> <p>He was selected as an independent director as it was determined that there is no risk of a conflict of interest with general shareholders under the Enforcement Rules for Securities Listing Regulations of the Tokyo Stock Exchange.</p>
Tomonori Ito	Yes	<p><b>Main Concurrent Post</b>  Outside Director, Electric Power Development Co., Ltd.  Professor,  Institute for Business and Finance, Waseda University Business School  Visiting Lecturer,  Department of International Corporate Strategy,  Hitotsubashi University Business School</p> <p><b>Relationship with Aozora customers, etc.</b>  None</p> <p>(As of October 1, 2021)</p>	<p>Tomonori Ito, after having experience in the domestic/global financial institutions, has served as Adjunct Professor of Department of International Corporate Strategy at Hitotsubashi University Business School and he has wealth of experience and credentials in the global finance business and deep insight as Professor of a business school, as well as extensive knowledge of investment banking business including M&amp;A. He has appropriately supervised the management of the Bank as an Outside Director since June 2014.</p> <p>The Bank, having high regard for his experience and capabilities, requests the continued appointment as Outside Director, as the Bank expects him to provide overall oversight and advice on the execution of duties by executive officers, with an objective viewpoint, toward the enhancement of the Bank's corporate value over the mid- to long-term.</p> <p>He was selected as an independent director as it was determined that there is no risk of a conflict of interest with general shareholders under the Enforcement Rules for Securities Listing Regulations of the Tokyo Stock Exchange.</p>

\*In accordance with the Tokyo Stock Exchange's Guidebook on Timely Corporate Disclosure Volume 3, Chapter 1 ("Matters to Consider when Securing Independent Officers, Section 1.4 Information Regarding Company Affiliations"), 'Relationship with Aozora customers, etc.' does not include companies from which outside directors resigned over 10 years ago.

Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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#### Status, Composition and Chairperson of Non-Mandatory Committees

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

#### Supplementary Explanation:

The Nomination & Remuneration Committee performs the functions of both a Nomination Committee and a Remuneration Committee.

Seven meetings of the Nomination & Remuneration Committee were held in FY2020.

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

The Nomination & Remuneration Committee's authority is delegated by the Board of Directors, and provides opinions to the Board of Directors regarding the appointment of director candidates, Audit & Supervisory Board Members, and other important employees as well as directors and executive officers. Its role is to complement the supervisory function of the Board of Directors as well as directors and executive officers by determining the remuneration of the Board of Directors and giving opinions to each Audit & Supervisory Board Member regarding the remuneration of the Audit & Supervisory Board Members. In addition to the Nomination & Remuneration Committee, the Bank has also established the Audit & Compliance Committee.

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

#### [Audit & Supervisory Board Members]

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

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

The Audit & Supervisory Board maintains close coordination with accounting auditors through regular meetings (thirteen held in FY2020), exchanging ideas and information on internal controls for auditing and financial reporting.

The Audit & Supervisory Board receives regular reports from the Internal Audit Division (six received in FY2020) on internal audit policy and results, aimed at ensuring efficient and effective auditing. The standing Audit & Supervisory Board Member meets with the Bank's Internal Audit Division (at least once a month) to receive audit reports and exchange ideas and information as necessary, in addition to weekly meetings with the Head of the Internal Audit Division.

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

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

These evaluation standards are considered based on an overview of the auditing company, audit results, quality control framework, audit implementation framework applied to the Bank, an executive evaluation, whether there are any reasons for disqualification as well as other evaluation criteria deemed important.

The Bank follows a basic policy for making judgements on the appointment (or reappointment) of the Accounting Auditor that, upon completion of the above-mentioned evaluation, focuses on the audit company's particular knowledge of financial institution operations, experience with bank audits, framework for the provision of appropriate audit services to Aozora or the Aozora Group, discussions with the management/ability to provide executives with information or advice, appropriate collaboration with the Audit & Supervisory Board and Internal Audit Division. It is the Bank's policy to dismiss or decline reappointment in the event of the occurrence of statutory reasons for dismissal or the Bank's decision that it would be difficult for the Accounting Auditor to adequately perform other duties.

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

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

Name	Attribute	Relationship with the Bank*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Kiyoto Hagiwara	From another company													
Toraki Inoue	Certified Public Accountant													

\*Categories for "Relationship with the Bank"

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

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

Name	Independent Audit & Supervisory Board Member	Supplementary Explanation	Reasons for Appointment
Kiyoto Hagiwara	Yes	<p><b>Main Concurrent Post</b> None</p> <p>(As of October 1, 2021)</p>	<p>Kiyoto Hagiwara has served as an Auditor at the Bank of Japan and is qualified for the responsibilities as an outside Audit and Supervisory Board Member because he has substantial experience and expertise in the finance and banking business, and his position is independent from the day-to-day management responsibilities of the operations and activities of the Bank.</p> <p>He was selected as an independent Audit and Supervisory Board member as it was determined that there is no risk of a conflict of interest with general shareholders under the Enforcement Rules for Securities Listing Regulations of the Tokyo Stock Exchange.</p>
Toraki Inoue	Yes	<p><b>Main Concurrent Post</b> General Manager, Toraki Inoue Certified Public Accountant Office Representative Director and President, Accounting Advisory Co., Ltd Supervisory Director, GLP J-REIT Standing Corporate Auditor, Kyulux Inc. Outside Auditor, ETVOS</p> <p>(As of October 1, 2021)</p>	<p>Toraki Inoue was formerly a Worldwide Partner at Arthur Andersen and is qualified for the responsibilities as an outside Audit and Supervisory Board Member because he has substantial experience and expertise as a public accountant and accounting expert, and his position is independent from the day-to-day management responsibilities of the operations and activities of the Bank.</p> <p>He was selected as an independent Audit and Supervisory Board member as it was determined that there is no risk of a conflict of interest with general shareholders under the Enforcement Rules for Securities Listing Regulations of the Tokyo Stock Exchange.</p>

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

Number of Independent Directors/ Audit & Supervisory Board Members	6
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Matters relating to Independent Directors/Audit & Supervisory Board Members:

The Bank determines the independence of outside directors and outside Audit & Supervisory Board Members in accordance with the standards set forth by the Tokyo Stock Exchange.

All qualified outside directors and outside Audit and Supervisory Board members are designated independent.

Outside Directors: 4

Outside Audit & Supervisory Board Members: 2

**[Incentives]**

Incentive for Directors	Performance-based Bonus, Stock Options
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Supplementary Explanation:

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

Recipients of Stock Options	Full-time Directors, Others
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Supplementary Explanation:

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

**[Director Remuneration]**

Disclosure of Individual Directors’ Remuneration	No Individual Disclosure
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Supplementary Explanation:

<Total Remuneration Amounts for Directors/Audit & Supervisory Board Members, and Outside Officers>

The breakdown of total officer remuneration for FY2020 is as follows:

Director remuneration: 320 million yen

Audit & Supervisory Board Member remuneration: 53 million yen

Outside director and outside Audit & Supervisory Board Member remuneration: 80 million yen

Policy for Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy for Determining Remuneration Amounts and Calculation Methods:

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

Policy and Procedure for Determining Director/Executive Officer Remuneration

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

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

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

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

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

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

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

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

4. Remuneration methodology that guarantees effective governance

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

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

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

The membership of the Nomination and Remuneration Committee is as follows:

Chaired by: Shunsuke Takeda, Outside Director

Member: Tomonori Ito, Outside Director

Member: Kei Tanikawa, President and Representative Director

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

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

#### (1) Base remuneration

Base remuneration comprises fixed amount which is fixed, varies with the type of position (full-time or part-time), job title and responsibility to be paid monthly while employed. We use data of an outside



specialized agency to check and benchmark whether the level of base remuneration amounts is appropriate before determining it.

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

## (2) Bonus (Performance-based remuneration)

The bonus amount is initially set at equivalence of 40% of individual basic remuneration amount (the "Base Bonus Amount"). The Nomination and Remuneration Committee then decides individual amount of bonus (performance-based remuneration) by applying a rate within the pre-determined scope ranging from 0% to 250% of the Base Bonus Amount for every full-time director while considering key indicators of the fiscal year as shown below and paid at a pre-determined time after the end of each fiscal year. Specifically, the Nomination and Remuneration Committee decides a rate and bonus amount by considering the following indicators and the Bank's performance of a fiscal year.

Up until FY2018, the Nomination and Remuneration Committee decided bonus amounts of full-time directors by applying the uniform rate to every director, which the Committee set based on the following key indicators on business performance of a fiscal year. This was based on the Bank's prior policy that full-time directors are jointly responsible for business management as a unit. It was, however, determined to set rates for each position of full-time directors and started to apply the rates in FY2019, as responsibility required to each position and performance evaluations are different.

- Achievement rates of Business Profit and Net Earnings
- Achievement rates of KPI (Key Performance Indicators) such as OHR (Over-head Ratios), ROE (Return on Equity) and ROA (Return on Assets)
- Achievement and maintenance of Capital Adequacy Ratio
- Assessment of undue risk and occurrence of serious compliance incidents
- Implementation/introduction of measures and strategies, including launch of new businesses, from a mid-/long-term viewpoints

Among the above key indicators, achievement rates of Business Profit and Net Earnings are basic indicators on business results. Achievement rates of OHR, ROE and ROA as KPI and Capital Adequacy Ratio are key indicators for the Bank's Mid-Term Business Plan. These achievement rates, therefore, are taken into account as quantitative evaluation indicators to determine bonus amounts. In order to encourage not only enhancement of short-term business performances but also business implementation from mid-/long term perspectives, factors, such as undue risk taking, making serious compliance violations, and implementation/introduction of measures and strategies, including launch of new businesses, from a mid-/long-term viewpoint, are also fully considered as qualitative evaluation indicators.

Targets and results of the indicators related to performance-based remuneration paid in FY2020 are stated below.

	FY2019 Targets (consolidated)	FY 2019 Results (consolidated)
Business profit	35 billion yen	42.3 billion yen
Net profit	36.5 billion yen	28.1 billion yen
OHR	About 50%	55.8%
ROE	About 9%	6.4%
ROA	About 0.8%	0.5%
Capital adequacy ratio	About 10%	10.29%

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

The Nomination and Remuneration Committee discussed ratios of cash remuneration and equity compensation type stock options (stock acquisition rights as non-monetary compensation) so that the stock options can be one of the proper incentives for sustainable growth, and set the ratio at 25%.of the Base Remuneration amount. The number of options to be granted is determined based on a resolution of the Board of Directors in accordance with the “Equity Compensation Type Stock Options Manual”. A resolution that share acquisition rights will be allotted in addition to base remuneration to full-time directors within 150 million yen a year (7,500 shares per year) was approved at the 81st annual general meeting of shareholders on June 26, 2014.

In response to the revised Companies Act of 2021, the resolution was re-resolved at the 88th General Meeting of Shareholders held on June 24, 2021.

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

Audit & Supervisory Board Members discuss and determine individual remuneration amounts by considering discussions and proposals made at the Nomination and Remuneration Committee. The Bank pays only fixed base remuneration in accordance with the policy below. The upper limit of total Audit & Supervisory Board Members’ base remuneration is 60 million yen based on the resolution at the 73rd annual general meeting of shareholders on June 23, 2006. The Bank had three Audit & Supervisory Board Members as of the end of 73rd annual general meeting of shareholders.

(1)Base remuneration

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

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

<Support Framework for Outside Directors>

1. The Bank’s independent outside directors actively contribute to discussions at Board of Directors meetings, as well as meetings convened by the Nomination & Remuneration Committee which comprises

a majority outside directors and the Audit & Compliance Committee comprised solely of outside directors, making recommendations as necessary. Outside directors also exchange information with other board and committee members, as well as maintaining contact with senior management and collaborating with the Audit & Supervisory Board and its members. The Bank has established the Corporate Secretary Office to serve as liaison and coordinator between outside directors and senior management.

2. As secretariat for the Board of Directors and Board-level committees, the Corporate Secretary Office collaborates with respective business groups to provide directors with the information needed to execute their duties, supports directors at meetings, and arranges meetings with divisions throughout the Bank as necessary.

3. The Bank provides materials related to agenda items to the Board of Directors and Board-level committees in advance of meetings to allow directors sufficient time to review. In addition, upon preparation by the secretariat, the Bank sends the minutes of meetings to each director and committee member to verify the accuracy of the statements recorded.

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

#### <Support Framework for Outside Audit & Supervisory Board Members>

1. The Bank has established the Office of Audit & Supervisory Board to support Audit & Supervisory Board Members in the execution of their duties.

2. The Office of Audit & Supervisory Board supports outside Audit & Supervisory Board Members by providing them with necessary documents including reports and informing them about meetings and other matters related to the Audit & Supervisory Board and the Board of Directors. In addition, upon preparation by the secretariat, the Bank sends the minutes of meetings to each outside Audit & Supervisory Board Member to verify the accuracy of the statements recorded and ensure proper information storage.

3. The Bank periodically sends minutes and other information pertaining to management-level committees to outside Audit & Supervisory Board Members to keep them informed about the progress of business execution.

#### <Training for Directors and Audit & Supervisory Board Members>

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

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

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

<Audit and Management Oversight>

1. Board of Directors

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

2. Audit & Supervisory Board

The Audit & Supervisory Board formulates the Bank's audit policy and plan regarding the execution of duties by directors and executive officers, receives reports on important audit matters and discusses or resolves them as needed.

3. Nomination & Remuneration Committee

The Nomination and Remuneration Committee, the majority of which comprises outside directors, recommends candidates for Board and Audit & Supervisory Board Members as well as other important positions. In addition, the Nomination and Remuneration Committee determines the remuneration of directors and executive officers and makes recommendations to each Audit & Supervisory Board Member regarding their remuneration.

4. Audit & Compliance Committee

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

<Execution of Duties>

1. Management Committee

The Management Committee comprises executive officers (including senior management) specially appointed by the Board of Directors. The Management Committee convenes weekly and determines important matters related to the Bank's daily operations, in accordance with the policies set forth by the Board. The Management Committee has the following sub-committees to which it delegates authority: ALM Committee, Integrated Risk Committee, Credit Committee, Investment Committee, CAPEX Committee, and Customer Protection Committee. Sub-committees have substantive knowledge and experience in various aspects of the Bank's business operations, as well as sound decision-making capabilities.

<Basic Policy for Nominating Directors and Audit & Supervisory Board Member Candidates, and Appointing and Dismissing Senior Management Including the CEO (Executive Officers at the Managing Executive Officer level or higher)>

In order to realize Aozora's basic corporate governance policy, the Board of Directors complies with the following basic guidelines for nominating directors and Audit & Supervisory Board Members, and

appointing and dismissing senior management including the CEO while taking into account the proper scope and diversity of the positions.

- Basic Guidelines for Nominating Director Candidates

Candidates should:

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

- Basic Guidelines for Nominating Audit & Supervisory Board Member Candidates

Candidates should:

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

- Basic Guidelines for Appointing and Dismissing Senior Management

(1) Basic Guidelines for Appointing Senior Management

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

(2) Basic Guidelines for Dismissing Senior Management

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

- Basic Guidelines for Appointing and Dismissing the CEO

(1) Basic Guidelines for Appointing the CEO

In addition to the Basic Guidelines for Appointing Senior Management:

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

(2) Basic Guidelines for Dismissing the CEO

In addition to the Basic Guidelines for Dismissing Senior Management:

1. Fails to exercise top management leadership

2. Determined to be unqualified as CEO due to failure in fulfilling shareholders' mandate

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

<Procedure for Nominating Directors, and Appointing and Dismissing Senior Management Including the CEO>

The Nomination & Remuneration Committee, of which the majority comprises outside directors, deliberates on the nomination of director candidates as well as the appointment and dismissal of the CEO and other senior management, and makes recommendations to the Board of Directors.

The Board of Directors determines whether or not to accept the recommendations of the Nomination & Remuneration Committee for nominating Directors as well as appointing the CEO and other senior management in accordance with the basic guidelines for such nomination or appointment.

In cases where the CEO or other senior management falls under any of the above basic guidelines for dismissal, in principle, the Board of Directors will determine whether or not to dismiss them in accordance with the recommendations of the Nomination & Remuneration Committee.

<Procedure for Nominating Audit & Supervisory Board Members>

The Nomination & Remuneration Committee, of which the majority comprises outside directors, deliberates on the nomination of the Audit & Supervisory Board candidates and makes recommendations to the Board of Directors, taking into consideration the views of Audit & Supervisory Board Members.

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

<Limitation of Liability Agreement>

As stated in Part 1.IV.6 "State of Corporate Governance" (1)-1-(4) of the 88rd FY Securities Report, the Bank has agreed with directors (excluding executive officers) and Audit & Supervisory Board Members to a "Minimum Liability Amount" pursuant to Article 425 (1) of the Companies Act for liabilities under Article 423 (1) of said Act.

<Directors and Officers Liability Insurance >

The Bank has concluded liability insurance contracts with an insurance company for its officers as stipulated in Article 430-3, Paragraph 1 of the Companies Act, which includes Directors and Audit & Supervisory Board Members as insured parties.

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

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

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

### 1. Measures to Revitalize the General Shareholders' Meetings and Ensure Smooth Exercise of Voting Rights

	Supplementary Explanation
Early Notification of General Shareholders' Meeting	In FY2020, we sent out the convocation notice 3 business days before the legally required date. Since FY2015, the Bank has posted the convocation notice on the Tokyo Stock Exchange and Aozora websites prior to mailing.
Scheduling Shareholders' Meetings Avoiding Peak Days	In principle, the Bank avoids peak days when scheduling shareholders' meetings.
Electronic Exercise of Voting Rights	1. Exercise of voting rights via the Internet The Bank launched the Smart Voting method in FY2018 for the convenience of smartphone users. 2. Exercise of voting rights via mobile phone
Participation in Electronic Voting Platform	The Bank has utilized the ICJ voting platform since the 75th FY Ordinary General Meeting of Shareholders held in June 2008.
Providing Convocation Notice in English	The Bank prepares a full English translation of the convocation notice which is submitted to the Tokyo Stock Exchange, posted on the Aozora website, and registered on the ICJ voting platform simultaneously with the Japanese version.
Other	During the shareholders' meeting, business reports and other agenda matters are projected on to a large screen for ease of understanding. At the 88th FY Ordinary General Meeting of Shareholders, the Bank's highest priority was preventing the spread of COVID-19. We encouraged our shareholders to exercise their voting rights in advance, while taking various precautions to prevent the spread of infection for shareholders who attended the meeting.

	We also provided a livestream of the event (virtual "participation type" shareholder's meeting) for shareholders living in remote areas or could not attend in person.
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## 2. IR Activities

	Supplementary Explanation	Briefings by CEO
Establishment/ Announcement of Disclosure Policy	The Bank's disclosure policy outlining its basic policy, procedure and framework for information disclosure is provided on the Aozora website.	
Regular Investor Briefings for Individual Investors	The Bank explains its business and earnings results at regular presentation meetings held for individual investors.	Yes
Regular Investor Briefings for Analysts and Institutional Investors	The Bank holds quarterly financial results release net conferences for domestic analysts and institutional investors, in addition to financial results analyst meetings on a half-yearly basis. The Bank also strives to enhance communication with domestic analysts and institutional investors through individual meetings.	Yes
Regular Investor Briefings for Overseas Investors	The Bank uploads the English audio of its financial results presentations to its website twice a year for overseas analysts and investors. The Bank also continues to strengthen communication even in situations where face-to-face meetings are difficult by actively holding individual online meetings with overseas investors while making use of conferences hosted by securities companies.	Yes
Posting of IR Materials on Website	Materials such as earnings reports, securities reports, and annual reports are made available on the Bank's website upon disclosure.	
Establishment of Division in Charge of IR	The Bank's Corporate Communication Division includes IR Group 1, responsible for domestic and overseas investor relations, and IR Group 2, responsible for retail investor-related matters.	



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

	Supplementary Explanation
Stipulation of Internal Rules for Respecting the Position of Stakeholders	<p>As stated in the “AOZORA 2022” mid-term plan, 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.</p>
Implementation of Environmental Activities, CSR Activities etc.	<p>&lt;Sustainability Initiatives&gt;</p> <p>In May 2020, the Aozora Group set forth Aozora’s Mission, Vision and Key Priorities in its management philosophy, under which we aim to “actively contribute to the sustainable growth of society.” Of note, Aozora identified environmental protection, promoting innovation and life satisfaction as 3 Key Issues (ESG Materiality) and set priority initiatives which are being put into practice.</p> <p>In each of the 3 Key Issues, Aozora is implementing a series of initiatives with an awareness of its key roles for a mid- to long-term perspective while flexibly reviewing priority initiatives in light of potential changes in environmental and social requirements.</p> <p>We have categorized these priority initiatives into the following: “Initiatives within our business, “Initiatives as a business entity” and “Initiatives to build a platform.” In FY2021, we will work on these three initiatives across the Aozora Group, which are included in the business plan as high priorities.</p> <p>&lt;Response to Climate Change&gt;</p> <p>Even among other global issues, awareness of environmental issues, especially climate change, has seen a dramatic shift over the past year alone. There is an urgent need for companies to take action, both in terms of business operations and as a business entity.</p> <p>The Aozora Group provides financial support for companies addressing environmental issues. We also drive initiatives to reduce environmental load as a business entity, such as reviewing electricity procurement and recycling waste material, and to contribute to the realization of a decarbonized society.</p> <p>In addition, following its March 2020 affirmation to support Task Force on Climate-related Financial Disclosures (TCFD)</p>

	<p>recommendations, Aozora performs resilience assessment through continued scenario analysis, works to enhance risk management and promotes business operations with a consideration of climate change risk.</p> <p>&lt;Initiatives to Contribute to Society&gt;</p> <p>We believe developing environmental and social sustainability leads to the enhancement of our corporate value in the mid- to long-term. Based on this view, Aozora adopts a broader set of approaches as a way to contribute to society. While recognizing that environmental and social issues can and should be addressed in the normal course of business, we will further strengthen our level of support through non-financial CSR activities in areas where the provision of financial services alone is not sufficient to make a meaningful impact.</p> <p>For more information regarding the above initiatives, please refer to Aozora's Annual Report and website.  <a href="https://www.aozorabank.co.jp/english/ir/library/disclosure/">https://www.aozorabank.co.jp/english/ir/library/disclosure/</a>  <a href="https://www.aozorabank.co.jp/english/sustainability/">https://www.aozorabank.co.jp/english/sustainability/</a></p>
Development of Policies on Information Provision to Stakeholders	<p>Besides as is required by law, the Bank intends to disclose useful corporate information in a fair, voluntary and proactive manner to ensure that its stakeholders including customers, shareholders and investors can better understand the Bank.</p>
Other	<p>&lt;Creating Opportunities for Female Employees&gt;</p> <p>At Aozora, the average length of service of female employees (15.4 years) is almost the same as that of male employees (14.5 years) as of March 31, 2021. Generally, this is not very common in Japan. Our working environment supports employees in pursuing a long career regardless of gender. We will continue to develop a comfortable working environment by making sure the average length of our female employee's tenure is within one year of our male employees. As of July 2021, the Bank has one fulltime female Director, three female executive officers and has continued to promote capable female employees to management positions.</p>

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

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

Aozora Bank determines the following basic policies concerning development of a system for appropriate business (internal control programs) of the Bank and the Bank's subsidiaries based on the Companies Act and the Ordinance for Enforcement of the Companies Act.

#### **1. Ensure Execution of Fiduciary Responsibilities by Directors and Employees in compliance with Laws, Regulations and the Articles of Incorporation**

(1) The Bank develops Internal Rules concerning a compliance system including Master Policy "Code of Conduct and Ethics" as a code of conduct for officers and employees of the Bank to fulfill their duties while complying with laws and regulations, and asks the officers and employees to submit "Annual Acknowledgment of Code of Conduct and Ethics".

(2) The Bank appoints two or more Outside Directors who have knowledge and experience in the management and supervise the execution of operations by the Bank from an independent perspective for the purpose of ensuring management disciplines and improving a supervisory function of the Board of Directors.

(3) The Bank establishes Nomination & Remuneration Committee to deliberate appointment and remuneration of Directors and Executive Officers as well as Audit & Compliance Committee to assess matters concerning internal control. Both of the committees consists of mainly Outside Directors and deliberate such matters thoroughly and professionally as entrusted by the Board of Directors, and report the results of the deliberations to the Board of Directors.

(4) The Bank establishes a division controlling compliance matters and puts in place a compliance system through developing Internal Rules concerning compliance matters, providing compliance training programs, checking the compliance status as well as developing and implementing remedial actions. The division controlling compliance matters annually develops, as "Compliance Program", a specific action plan to put in place a compliance system including responses to newly established and revised laws and regulations, development of Internal Rules and training programs and obtains approval by the Board of Directors. In addition, the division reports its progress to Audit & Compliance Committee and the Board of Directors on a regular basis.

(5) The Bank establishes an Internal Audit Group which functions independently from all business groups. The Internal Audit Group audits the development and operation of the internal control system from an independent perspective based on the annual audit plan approved by the Board of Directors and periodically reports the status of internal audits to the Chief Executive Officer (CEO), Management Committee, Audit & Compliance Committee and the Board of Directors.

(6) In order to prevent, discover early and remedy scandals caused by violations of laws or illicit behaviors, the Bank maintains "Aozora Hotline Program", a whistle-blower system which enables officers and employees of the Bank to directly report to in-house and outside special contacts when they learn any cases which violate or may violate laws and regulations or Internal Rules.

(7) The Bank develops a system necessary to remove any unjustified involvement by Anti-Social Elements and to eliminate or avoid all transactions with them including provision of funds. In addition, the Bank develops a control structure to prevent the Bank from being used, directly or indirectly, by money laundering or terrorist financing such as constantly confirming customers' status.

(8) The Bank establishes a customer protection system (management of customer explanation, customer support, customer information, outsourcing and prevention of conflict of interests) to protect customers and to improve customers' conveniences.

(9) The Bank establishes a system necessary to prevent insider trading and unfair transactions by individual officers and employees where customer information is used by such officers and employees.

(10) The Bank develops a system necessary to comply with bribery prevention-related laws and regulations as well as prevent corruption.

## **2. Ensure Efficient Execution of Duties & Responsibilities by Directors**

To ensure prompt decision-making on business execution, the Bank establishes Management Committee consisting of members appointed by the Board of Directors from among Directors and Executive Officers and delegates the business execution-related authorities to such Committee. In addition, Management Committee establishes various committees consisting of committee members having professional expertise, experiences and judgment as its lower organizations and delegates its authorities to them.

## **3. Safekeeping and Management of Information regarding Execution of Fiduciary Responsibilities of Directors**

Based on laws, regulations and various Internal Rules for document management, the Bank appropriately manages and keeps the information on execution of Directors' responsibilities including the minutes of the Board Meeting and other various important committees.

## **4. Internal Rules and Structure to Manage Risk of Loss**

(1) The Bank defines a basic policy and a management procedure for risks recognized by the Bank and the Bank's Subsidiaries in Master Policy "Comprehensive Risk Management". Further, the Bank classifies risks arising from operations into a market risk, a credit risk, a liquidity risk and an operational risk (including system risk to respond to cyber security) and develops Internal Rules defining basic policies by risk category.

(2) Each division in charge by risk category periodically reports the risk management status to Management Committee, Audit & Compliance Committee and the Board of Directors.

(3) Internal Audit Group audits effectiveness and appropriateness of the risk management system and reports the results to Chief Executive Officer (CEO), Management Committee, Audit & Compliance Committee and the Board of Directors. In addition, such Group shares information as necessary with Audit & Supervisory Board Members, Audit & Supervisory Board and Accounting Auditors for cooperative purposes.

(4) The Bank establishes “Business Continuity Plan (BCP)” to respond to risks having a material impact on the business continuity including spread of infectious diseases, natural disasters, system failures, cyberattacks, etc. Chief Executive Officer (CEO) is responsible for all business responses in an emergency situation.

## **5. Ensure Appropriate Operations of the Bank and the Bank’s Subsidiaries**

(1) The Bank defines the basic policies for management/control, compliance, and risk management systems of the Bank’s subsidiaries in Master Policy “Management of Group Companies” to ensure appropriate and effective operation of the business in the Bank and the Bank’s Subsidiaries.

(2) The Bank and the Bank’s Subsidiaries establishes an integrated internal control system for the Bank and the Bank’s subsidiaries while respecting their independency and individuality. Meanwhile, to the extent of not violating any laws, the Bank ensures that the Bank’s policies and procedures including the “Code of Conduct and Ethics” are fully understood by the Bank’s subsidiaries.

(3) The Bank and the Bank’s Subsidiaries establishes a system to control a conflict of interest to prevent unreasonable damages to customers’ interest as well as a system to cause the terms of transactions between the Bank and the Bank’s Subsidiaries and between the Bank’s Subsidiaries to comply with the Arm’s Length Rule.

(4) To ensure credibility and appropriateness of the financial reporting of the Bank and the Bank’s subsidiaries on a consolidated basis, the Bank develops a system for proper internal control over financial reporting by establishing Procedure “Internal Control over Financial Reporting”.

(5) To the extent of not violating laws and regulations, Internal Audit Group audits business activities of each of the Bank’s subsidiaries.

## **6. Ensure Effective Auditing by Audit & Supervisory Board Members**

(1) The Bank establishes Office of Audit & Supervisory Board to support its members’ duties and appropriately allocates employees to support such activities. The authority to give instructions to such employees belongs to Audit & Supervisory Board Members and such employees are interviewed and evaluated by Standing Audit & Supervisory Board Member. In addition, decisions on transfer, promotion, compensation and punishment of such employees require the consent by Standing Audit & Supervisory Board Member.

(2) Audit & Supervisory Board Members may directly require the officers and employees of the Bank and the Bank’s subsidiaries to make a report as necessary (including implementation status of the Hot Line program and details of whistle blowers’ reports).

(3) Officers and employees of the Bank and the Bank’s subsidiaries immediately make a report to Audit & Supervisory Board Members whenever they find violations against laws and regulations at the Bank or the Bank’s subsidiaries or any event which may cause a serious damage to the Bank or the Bank’s subsidiaries. The officers and employees who report to Audit & Supervisory Board Members will not be unfairly treated due to any such reporting, which is clearly stated in HR Rules and other Internal Rules.

(4) Officers and employees cooperate with Audit & Supervisory Board Members when auditing based on an audit plan annually developed by Audit & Supervisory Board (including a budget).

(5) Audit & Supervisory Board Members may get advice as needed from external professionals including attorneys and certified accountants about auditing for effective audits.

(6) The Bank incurs the various costs for execution of the Audit & Supervisory Board Members' responsibilities (including the expense related to Paragraph (5) above).

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

### **1. Basic Policy**

- Aozora Bank and its subsidiaries are committed to preventing transactions of any kind with so-called anti-social elements.

- Prior to entering into any transaction, the Bank conducts extensive checks of all potential customers using its comprehensive database in order to eliminate possible transactions with anti-social elements. The Bank also conducts regular checks of existing customers and, in the event an inappropriate transaction is detected, the Bank takes necessary steps to immediately cancel the transaction with the cooperation of the relevant external institutions.

- The Bank exercises the utmost caution and prudence when interacting with suspected anti-social elements and remains resolute in its efforts to reject all violent and unjustified demands that may result in unwarranted payouts or the provision of funding to such elements.

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

- The Bank's Code of Conduct and Ethics, with which officers and employees of the Bank and its subsidiaries are expected to comply, includes a clause on the elimination of anti-social elements. The Code clearly delineates the Bank's policy regarding the prevention of any involvement by anti-social elements in the Bank's management, as well as losses or damages that may be incurred as a result of such involvement. The Bank has also established various manuals which include the Procedure for Elimination of Anti-Social Elements and the Manual for Prevention of Unjustified Demands.

- The Compliance Management Division, which supervises the Bank's measures against anti-social elements, has established the Financial Crime Management Office which formulates policy regarding anti-social elements and manages relevant Bank and subsidiary information.

- The Bank assigns a supervisor in charge of anti-social element policy to the Compliance Management Division and each retail branch. The supervisor is also responsible for the prevention of unjust demands, as stipulated under the Act on Prevention of Unjust Acts by Organized Crime Group Members. The Bank also assigns to each subsidiary a supervisor in charge of preventing unjust demands.

- As part of the Bank's framework for preventing transactions with anti-social elements, the Bank has newly introduced an anti-social element elimination clause in banking transaction contracts (basic agreements for lending transactions), deposit agreements, and business consignment contracts.

- The Bank is committed to eliminating all transactions with potentially high-risk customers including anti-social elements. Prior to entering into any transaction, the Bank vets potential customers for

any possible connection to anti-social elements using the Bank's shared database with its subsidiaries, and performs regular checks on transactions already in progress. Any information pointing to a connection with anti-social elements is promptly reported to the Compliance Management Division and the Credit Examination Division. The Compliance Management Division manages all Bank and subsidiary information related to anti-social elements.

- The Bank keeps senior management and the Board of Directors informed about the framework for eliminating anti-social elements through regular reporting, and senior management is immediately informed of any inappropriate transaction that may be discovered. A cancellation policy is formulated with timely and appropriate reports to management, and the relevant transaction is cancelled under the full participation and direction of senior management.
- The Bank maintains close contact with government offices in charge of police matters and takes part in training activities and meetings held by such organizations as the Tokyo Metropolitan Center for the Elimination of Organized Crime Syndicates, the Tokubouren (a public interest incorporated association within the Tokyo Metropolitan Police Department for preventing violent crime), and the Association for the Prevention of Violent Crime. The Bank also continues to strengthen collaborations with external third parties, such as lawyers who specialize in anti-racketeering measures.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation:

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

### 2. Other Matters Concerning Corporate Governance System

N/A

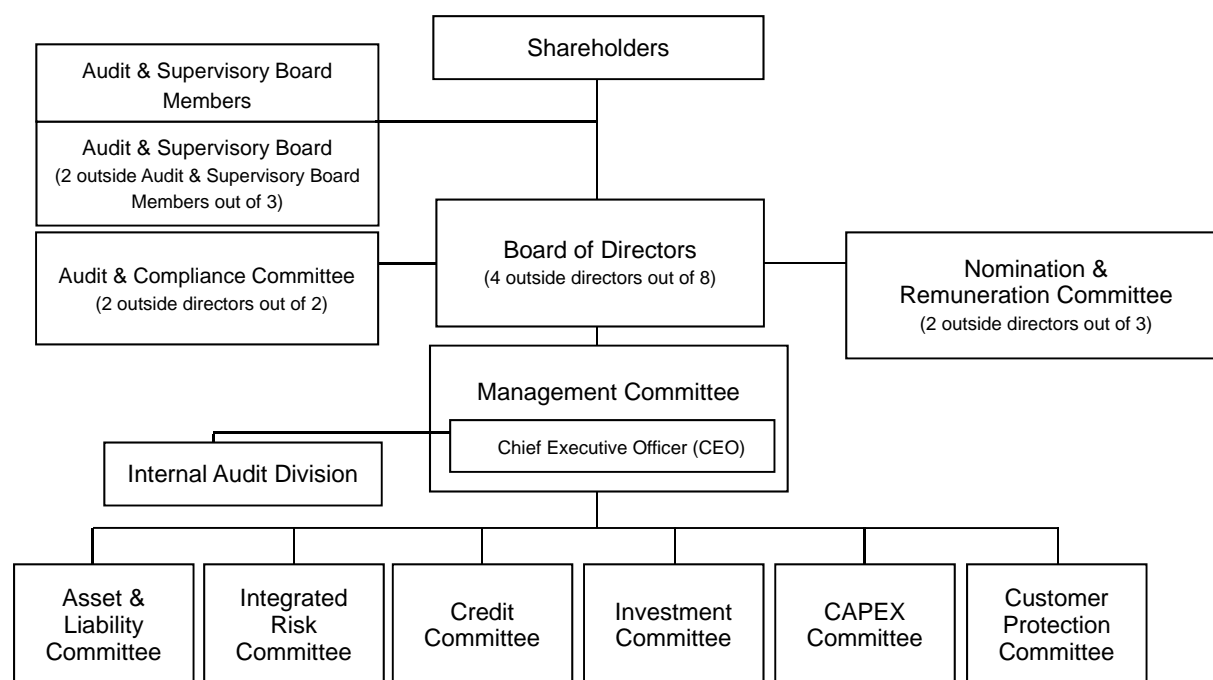
## Expertise of Directors and Audit & Supervisory Board Members

Name	Position	Inside/ Outside	Expertise (※)		
			Corporate Management	Banking and finance	Financial accounting
Kei Tanikawa	Representative Director, President and Chief Executive Officer	Inside	○	○	
Koji Yamakoshi	Representative Director and Deputy President	Inside		○	
Hideto Oomi	Representative Director and Deputy President	Inside		○	
Tomomi Akutagawa	Director and Senior Management Executive Officer	Inside		○	○
Shunsuke Takeda	Director	Outside	○	○	○
Hiroyuki Mizuta	Director	Outside	○	○	
Ippei Murakami	Director	Outside	○		○
Tomomori Ito	Director	Outside		○	
Satoshi Hashiguchi	Standing Audit & Supervisory Board Member	Inside		○	
Kiyoto Hagiwara	Audit & Supervisory Board Member	Outside		○	
Toraki Inoue	Audit & Supervisory Board Member	Outside	○		○

\*Does not represent all expertise of each person.



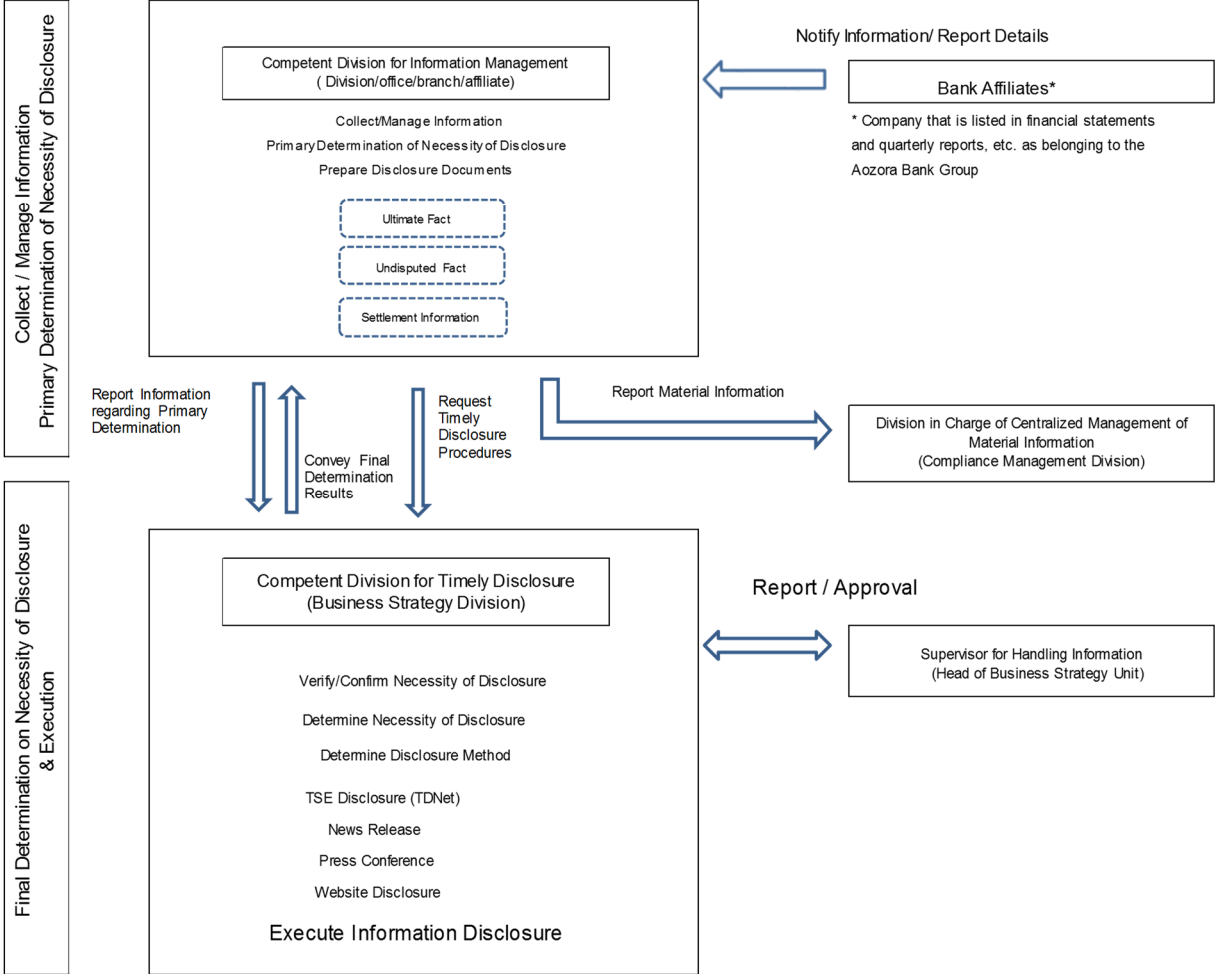
## Aozora's Corporate Governance Framework



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

(As of July 1, 2021)

# Outline of Aozora Bank's Timely Disclosure Framework



(As of July 1, 2021)