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Notice Regarding Additional Capital Investment in GANB, Valuation Loss on Equities of Subsidiaries and Affiliates Recorded in Non-consolidated Financial Statements

Tokyo October 25, 2022 - Aozora Bank, Ltd. ('Aozora' or 'the Bank') announced that it approved the new Mid-term Plan of GMO Aozora Net Bank, Ltd. ('GMO Aozora Net Bank' or 'GANB'), the Bank's consolidated subsidiary, as well as the underwriting of GANB's planned capital increase through a shareholder allocation at today's Board of Directors Meeting. GMO Aozora Net Bank strives to produce innovative and unique services by leveraging the wide-ranging technological expertise of its large team of in-house engineers, which has never been seen before in a Japanese bank. As shareholders, Aozora, GMO Internet Group, Inc., and GMO Financial Holdings, Inc. will continue to support GMO Aozora Net Bank's growth.

1. GMO Aozora Net Bank's Initiatives

GMO Aozora Net Bank was launched in July, 2018 as an Internet Bank. From July, 2021, GANB developed the services described below in its pursuit of customer convenience through its three mid-to long-term strategies: "No. 1 bank among small businesses and start-ups", "No. 1 embedded finance services" and "No. 1 tech-first banking services". As of September 30, 2022, the number of corporate accounts has increased to approximately 57,000 (compared to approximately 27,000 in the previous year).

The following is a list of GMO Aozora Net Bank's specialty services for corporate customers:

- Paperless, "no-seal", no-mailing, and 24/7 online account opening applications
- Transfer fees for transfers to other banks: 145 yen per transfer (135 yen per transfer for "Toku-Toku" members (500 yen monthly fee))
- Corporate debit card with 1% cashback
- First corporate bank account in Japan with 100,000 yen overdraft protection ("Anshin 100,000 yen")
- Credit facility provided online without the need for financial statements ("Anshin Wide")
- Release of 32 different APIs. Provision of system designed to facilitate the development of companies considering API connection contracts, such as "sunabar", a testing lab for engineers

GMO Aozora Net Bank has developed a new Mid-term Plan that positions its steady-growth areas of "domestic transfers", "debit cards", and "corporate loans" as its core business with the aim of delivering convenience to even more customers. This new Mid-term Plan preserves GANB's current three strategies while also aiming to strengthen its core business through online marketing and achieve further growth.

2. Underwriting of Capital Increase for GMO Aozora Net Bank

Despite the expansion of GMO Aozora Net Bank's business, the prospective business plan to

achieve profitability in FY2022 has experienced some delays, and the new Mid-term Plan aims for GANB to become profitable in FY2024. In order to further strengthen GANB's financial base, Aozora has made the decision to underwrite a capital increase through shareholder allocation. The Bank has approved GANB's new Mid-term Plan and will continue to leverage the entire Aozora Group in order to support its growth and underwrite the aforementioned capital increase as a means towards properly executing the plan and achieving profitability as soon as possible.

3. Loss on Valuation of Equities of Subsidiaries and Affiliates to be Recorded in Aozora's Non-consolidated Financial Statement

The Bank will record an extraordinary loss of 9.92 billion yen as losses on the valuation of equities of subsidiaries and affiliates in its FY2022 2nd Quarter Non-consolidated Financial Statement as a result of conducting evaluations into GANB's operating results and financial condition during the interim period of FY2022.

4. Impact on Consolidated Financial Results

The loss on the valuation of equities of subsidiaries and affiliates will have no impact on Aozora's consolidated financial results as the loss will be offset in the Bank's Consolidated Financial Statement.