

Integrated Report
—Annual Report—

2023

April 1, 2022 – March 31, 2023



Our History of Taking on Challenges

Aozora History

From 1957

Stage 1 Taking on Challenges: Aozora Bank's Origins

- Established as Nippon Fudosan Bank in 1957, with ambitions to tackle underserved markets
 - Contributed to industrial development during Japan's high economic growth period by providing loans to small and medium-sized enterprises and commercial real estate loans
- Expanded the network of regional financial institutions
 - Important partner stakeholders developed through the issuance of bank debentures
- Focus on overseas markets and new financial technologies
 - Proactive business development overseas and pioneering initiatives in derivatives and securitized products

From 2001

Stage 2 Taking on Challenges: Establishing New Business Models

- Relunched as Aozora Bank in 2001 following the asset price bubble collapse, nationalization, and subsequent re-privatization in 2000
- Efforts to address new financial fields, both domestically and overseas
 - Initiatives in structured finance
 - Strove to enhance risk management while redeveloping overseas business
- Accelerated diversification of human resources
 - Proactively recruiting and promoting overseas talent and mid-career professionals leading to integration of diverse human resources

From 2015

Stage 3 Taking on Challenges: Evolving into a Specialized Financial Group That Grows with Its Customers through a Unique Business Model

- Expanded new business areas following the full repayment of public funds
 - Established GMO Aozora Net Bank, Ltd. as an Internet bank and commenced financial services for SMEs and small businesses
 - Expanded financial services by establishing Aozora Corporate Investment Co., Ltd. and other subsidiaries
 - Launched the BANK™ app to support new customer needs for Internet banking
- Established the foundation for a unique strategic investments business model
 - Applied corporate valuation analysis and financing technologies developed through structured finance
 - A business model ranging from debt to equity that evolves alongside customers' challenges
- Accelerated business development in fast-growing Asia
 - Invested in Orient Commercial Joint Stock Bank, a commercial bank based in Vietnam

A Highly Specialized Financial Group That Endures through the Times

Taking on Challenges: Aozora Bank's Origins

Aozora Bank was founded on April 1, 1957, as Nippon Fudosan Bank. At the time, there were already so many banks, creating highly competitive and overcrowded markets in some regions. Despite these conditions, there remained a considerable number of customers who were being underserved.

Since inception, the main purpose of our business was to provide long-term financing to support the development of SMEs and to offer commercial real estate loans, both of which were underserved markets at the time. The Bank was expected to expand the availability of financing to customers, which was critical to Japan's post-war economic expansion.

Kiyoji Hoshino, then-president of Nippon Fudosan Bank, delivered the following remarks at a ceremony held when the Bank business was formed.

"Nippon Fudosan Bank will develop new fields that the public believes to be the most difficult. As the only real estate bank in Japan, we aim to demonstrate our authority and unique capabilities to contribute to Japan's industrial and business communities."

As a long-term credit bank, we have developed our network with regional financial institutions since the inception of our business by issuing bank debentures. To this day, regional financial institutions remain important stakeholders for Aozora, with whom we conduct a broad range of businesses.

Aozora has developed a new customer base while expanding business in new areas. We have actively entered overseas markets and have been a leader in incorporating new financial technologies from abroad, such as derivatives and securitized products, which have now become commonplace. These efforts have allowed us to help our customers solve the issues that they face.

Our approach of taking on challenges in new areas, and our efforts to develop enterprises, are still being continued nearly 70 years after our founding.



Relocation to the former Head Office (Kudankita, Chiyoda-ku)



Reception desk (in 1966)

In 1977, we changed our name from Nippon Fudosan Bank, Limited to Nippon Credit Bank, Ltd. The importance of the long-term credit bank system, which played the role of providing long-term financing, began to be questioned as Japan's high economic growth period ended, and companies' demand for capital investment financing was no longer as strong as before. In the 1990s, as Japan was facing the collapse of its bubble economy, the Bank failed to take the proper steps to control risk and reform its operation in response to a changing environment. As a result, non-performing loan issues seriously weakened its financial strength.

On December 13, 1998, the Bank failed and was put under special public management (nationalization), and regrettably, caused considerable difficulty for numerous stakeholders, including shareholders.



Former Nippon Credit Bank, Ltd. Head Office

Taking on Challenges: Establishing New Business Models

New Initiatives to Provide Buyout Finance, Business Recovery Finance and Real Estate Finance

We relaunched as Aozora Bank on January 4, 2001, following nationalization and subsequent re-privatization in 2000.

At the time, we remained firm in our belief that developing new fields was our reason for existence and our means of contributing to society. In addition to the employees with experience in the process of bringing onboard new financial technologies domestically and internationally, new colleagues joined Aozora Bank. This diverse mix of people worked together to develop Aozora's business.

We also relaunched our business in global markets, while emphasizing risk management through diversified investment. Buyout finance, which had already evolved substantially in the U.S. where the M&A market was well-developed, was one of the business areas where there were still only a few transactions in Japan at the time.

We also strove to shift towards a credit system focused on cash flow lending, in addition to traditional lending based on collateral values, in fields such as business recovery finance for companies seeking to rebuild their business, and real estate non-recourse finance, which analyzes the revenue generated by the real estate alone. We are proud that we continue to play a pivotal role as a major player in these types of structured finance markets.



The Aozora elephant mascot character ("Ao-zoora") makes its debut

Taking on Challenges: Evolving into a Specialized Financial Group That Grows with Its Customers through a Unique Business Model

On June 29, 2015, Aozora made a full repayment of public funds received in conjunction with nationalization. Subsequently, Aozora has been pursuing the expansion of new business areas in accordance with the needs of society.

GMO Aozora Net Bank, Ltd. (GANB), an Internet bank, offers even more highly convenient services to SMEs and small business customers.

Aozora Bank has also enhanced its Internet banking services and introduced the new BANK™ app. The transactions with new retail customers have grown through the BANK™ app, and we strive to make asset management even more convenient for our customers through this app.

We focused on providing investment and financing ranging from debt to equity by applying the corporate valuation analysis and financing technologies we have developed through structured finance. In 2021, we launched Aozora's Strategic Investments Business, a business model that supports customers who are addressing new challenges. Under this business model, the Aozora Group, in an integrated manner, provides financial services that follow the corporate growth cycle. The key areas of Aozora's Strategic Investments Business have been included in "Aozora's Sustainability Targets" and we are implementing a wide range of measures to realize a sustainable society.

We aim to develop this business model into an ecosystem that contributes to society—one that puts a premium on our relationships and networks with our customers and business partners and grows together with them.

The Aozora Group will continue to take on challenges in order to remain a specialized financial group that benefits all of our stakeholders.



Town Hall Meeting



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

Cover Design Concept

The cover design uses the corporate color blue as its base color and represents the five "ecosystems" that form the core of the new Mid-term Plan "Aozora 2025."

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Editorial Policy

The purpose of this document is to provide our stakeholders with an overview of the Aozora Group and information regarding its value-creation initiatives. This document provides financial and non-financial information, taking into consideration the International Integrated Reporting Framework published by the International Integrated Reporting Council as well as the Ministry of Economy, Trade, and Industry's "Guidance for Collaborative Value Creation."

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

This document has been prepared in an effort to help our customers, shareholders, and all other stakeholders understand the driving force of the Aozora Group's value creation.

Forward-looking Statements

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

CEO Message



Kei Tanikawa

Representative Director and President
Chief Executive Officer (CEO)

To Our Stakeholders

First and foremost, I'd like to extend my deep appreciation to all of Aozora's stakeholders, including our shareholders, customers, and all of our staff members, for their extensive and continuing support of the Aozora Group.

I hope that you find this year's integrated report to be helpful in gaining a better understanding of the driving force behind Aozora Group's Value Creation, our goals, and the thoughts and aspirations of our people working at the Aozora Group.

In April 2023, we launched our new Mid-term Plan "Aozora 2025" (FY2023–25).

The keywords of this plan are Fostering, Change and Recovery.

The next three years are expected to be a period of historic change in our environment. I'm convinced that now is the time for Aozora to fulfill our management philosophy of "Contribute to the development of society through the creation of new value-added financial services," by focusing on our strengths in the "Fostering" of customers' businesses and assets, providing support for "Change" in customers' businesses, and assisting the "Recovery" of customers' businesses.

"Aozora 2022" in Review

The foundation of our prior Mid-term Plan "Aozora 2022" was a management philosophy consisting of Aozora's mission, vision and key priorities, which we created in 2020 to more clearly define our position and core purpose. During the three-year period of "Aozora 2022," we built on this foundation and worked to create new added value through cross-divisional co-working across the Aozora Group. Customer business related to our Strategic Investments Business, where we assume risks to foster newly created businesses and assist with the restructuring and recovery of businesses seeking to change, has grown steadily. Progress on our newly established Aozora's Sustainability Targets has also steadily exceeded the plan.

Due to these efforts, our results exceeded our initial plan in FY2020 and FY2021. However, in FY2022, the final year of the previous Mid-term Plan, we recorded disappointing results that fell short of the initial plan. This was largely due to the restructuring of our securities portfolio, which was affected by rising interest rates in the U.S., and a review of our retail business which is undergoing structural transformation. As CEO, I take quite seriously the fact that our efforts fell short, and we were unable to live up to the trust of our stakeholders. Consequently, we made the decision not to pay performance-based remuneration to Aozora's three representative directors, including myself, because we were unable to achieve both the earnings forecasts and key performance indicators (KPIs) that we had set.

In FY2023, the first year of our new Mid-term Plan "Aozora 2025," we intend to recover from our performance in FY2022 and target net revenue of 86.0 billion yen and profit attributable to owners of parent of 24.0 billion yen by establishing a solid business foundation for Aozora's Strategic Investments Business and growing our customer business. We also aim to deliver steady dividend payments to our shareholders by meeting our earnings targets.

I invite you to review the CFO Message in this report for a more detailed discussion of our FY2022 financial results and FY2023 plan.

As we had expected, we have seen significant changes over the past three years, including digitalization, expansion in virtual domains, and changes in how people communicate. We overcame an organization with many silos and rigid personnel assignments through determined efforts to encourage teamwork across divisions. Through these efforts, we have made strides toward creating a sustainable organization that will foster the growth of the entire Group.

We foresee even more significant changes in the environment over the next three years. The environmental changes and risks we anticipate in FY2023 are summarized in this year's annual report. We are committed to assuming our unique role in making this period of historic change a

period of growth that will lead to the next stage for our stakeholders and the Aozora Group.

Value Creation in "Aozora 2025"

Under the new Mid-term Plan "Aozora 2025," we will implement five priority initiatives: Aozora's Strategic Investments Business, Aozora's Platform Business, Investments in Human Capital, Promoting Digital Transformation (DX), and Promoting Aozora Sustainability.

By implementing these initiatives, we intend to achieve a higher level of capital efficiency, asset efficiency, and productivity, while enhancing our financial strength, which will lead to our sustainable growth and stable dividends.

In FY2025, the final year of the Mid-term Plan, we are targeting net revenue of 112.0 billion yen and profit attributable to owners of parent of 37.0 billion yen. We have established new key performance indicators (KPIs), which are ROE of 8%, a capital adequacy ratio of 9% or higher, business-related profit per employee of 20.0 million yen and business-related profit RORA of 1.3%. We are further targeting ROE of 10% over the medium to long term.

For our FY2025 dividend forecast, we expect a full-year dividend of 158 yen per share based on a dividend payout ratio of 50%, on the assumption that we achieve our targeted earnings levels. This also means that we aim to increase dividends from FY2022's dividend of 154 yen per share.

1. Aozora's Strategic Investments Business

The keywords of "Aozora 2025" are Fostering, Change and Recovery. These simple words are intended to convey a clear message to our stakeholders about Aozora's Strategic Investments Business, which involves engagement activities aligned with each customer's stage of growth.

In the three phases of Fostering, Change and Recovery, we will create the following five ecosystems: support for startups, buyout finance, environmental finance, commercial real estate, and support for business recovery. Our goal for these ecosystems is to drive the collective growth of customers, the Aozora Group and our partner companies.

Through in-depth conversations with our customers, we will strive to understand the nature of their businesses and assets, identify and exchange issues, and combine all of the Aozora Group's functions and partner companies' business capabilities, in order to support customers as they address new challenges.

2. Aozora's Platform Business

Aozora's Platform Business provides a broad range of services across business groups to customers including retail customers and owners of small and medium-sized businesses, as well as regional financial institutions. For our retail customers, we will provide a broad range of services in

financial and non-financial areas. For our regional financial institution customers, who have been valued partners since our founding, we will focus on offering securities investment and risk management support, retail business support regarding asset management, and solution services to their regional corporate customers, including business recovery.

3. Investments in Human Capital

We will foster our human capital, which is the source of the Aozora Group's value creation.

As stated in Aozora's Key Priorities, we aim to enable our highly skilled people to take on challenges through enhanced teamwork. The Aozora Group's workforce of approximately 2,400 is comprised of numerous mid-career hires with diverse knowledge and a high level of expertise, as well as new graduates. Through a range of work styles, each Group executive and employee will contribute to our value creation.

We have proactively improved wage levels through pay-scale increases and pay raises. We will increase investments in human capital by approximately 2.0 billion yen in three years' time in order to provide attractive compensation and opportunities for skill development by employees willing to take on new challenges, as well as hire mid-career professionals. We will ensure that Aozora is highly rated by customers in each of the Fostering, Change and Recovery phases and that it has workplaces that attract talented personnel.

Many of our staff are participating in high-level training programs across divisions, such as the Program focused on developing Human Resources for Equity Investment with a Primary focus on Engagement. I'm encouraged to see that we are making steady progress in our efforts to establish a solid foundation for our human capital.

4. Promotion of Digital Transformation (DX)

We are implementing initiatives to promote digital transformation (DX). These initiatives include effective management, accumulation and use of diverse information assets, DX talent development, open communication, and systems improvement for promoting DX. Through these initiatives, we aim to achieve new business and services, enhanced productivity, sustainability and job satisfaction as well as work style reforms.

In addition, GMO Aozora Net Bank (GANB) has entered the sixth year since its launch of business. As a next-generation tech-first bank, GANB will provide the following five forms of value: reliability, speed, low cost, convenience and new experience. By offering these values, GANB provides services that support our customers' growth. Together with GMO Internet Group, we will support GANB's business growth, with the aim of making GANB profitable in FY2024.

5. Promoting Aozora Sustainability

We have established Aozora's Sustainability Targets, which we seek to achieve between FY2025 and FY2050. We have so far been making steady progress on the previous targets set in FY2021. For this reason, in "Aozora 2025" we have brought forward final target deadlines and raised target levels. We have also set new targets related to the number of customers receiving non-financial services, CO₂ emissions in the investment and loan portfolio, diversity, equity & inclusion, and diversity of core personnel.

Aozora Sustainability comprises specific activities in which all business group and support group members collaborate on Key Sustainability Issues (Materiality) at each worksite through the distinctive businesses on which we focus. In light of this, we regard the implementation of initiatives outlined in "Aozora 2025" to be synonymous with Aozora Sustainability.

What We Value

Since my appointment as president in 2020, I've focused on communication to ensure sustainability in each area of business, resources, and governance, with an eye on the future of Aozora.

A little more than three years ago, when the pandemic first struck, I set out first to ensure continuity in our core operations while giving top priority to the health of our customers and Aozora Group members. Around the world, the pandemic led to an expansion in virtual domains and profound changes in how people communicate. The crisis provided an opportunity to implement new work approaches in which individuals could work from anywhere and at any time. Now that the world is overcoming the pandemic through people's determined efforts and wisdom, we face a new issue. We must now address the deficit in our in-person communications.

In order for the Aozora Group to fulfill our unique roles through collaboration, close communication with customers, within and across divisions in many different situations is essential. While dialogue can take many different forms, it's important to directly visit customers, ask them questions, ascertain their needs, and consider how to provide them with appropriate services. This natural, basic activity has been the driving force behind the Aozora Group's attempts to take on new challenges throughout its history, and we are doing everything we can to pursue it now. The frontlines are where issues and opportunities arise. We are working to coordinate activities at each frontline, avoid becoming an organization with many silos, and assign human resources in a flexible manner in order to meet our customer needs with a high level of agility.

Through the timely distribution of messages from management, including myself, arranging small meetings to identify issues and ideas on the frontlines, and encouraging participation in more effective surveys, I have gained



numerous insights from our staff members.

Our employee survey participation rate, an important metric for assessing engagement, grew to a record high of 85% in the last fiscal year. We also introduced a new system tool for visualizing employee engagement. I believe that we're collecting more proposals and suggestions, as well as taking a deeper look at actual issues on the frontlines in areas such as everyday issues, working comfort, and job satisfaction.

In addition, active communication takes place to establish a sustainable control environment for corporate governance, risk governance, compliance, cybersecurity and other areas.

Aozora's Board of Directors engages in active and detailed discussions, with outside directors from various backgrounds providing a range of perspectives. Aozora has adopted an organization structure of a "Company with Audit and Supervisory Board" as defined in Japan's Companies Act. Aozora also has in place the Nomination and Remuneration Committee and Audit and Compliance Committee, both of which are voluntary committees chaired by outside directors. Through these committees, Aozora ensures the effectiveness of the Board of Directors, which makes proposals and discusses significant issues and other matters considering the business environment. In FY2023, Aozora appointed two new outside directors and one new outside Audit & Supervisory Board member. With these appointments, we have established a sustainable framework for continuing to hold active discussions.

In light of the lessons learned from our business management challenges in FY2022 and the seven key risks identified for FY2023, we have made revisions to our risk

governance. With regards to compliance, cybersecurity, and related risks, in order to effectively address changes in the external environment and businesses, we must go out into the frontlines and deepen our communications, while the relevant departments must collaborate closely and respond with agility to issues and business opportunities that are taking place. Risk management based only on "desk theories" has its limitations.

In Closing

We wanted this year's Integrated Report to aid the understanding of all of our stakeholders. Based on this intent, we have prepared the report from a perspective closer to where our business takes place, with a diverse mix of new members joining the editorial team.

One of our Key Priorities is to "Learn from the past while adapting to and focusing on the future." To that end, this report retraces Aozora's history of taking on challenges from its founding to the present day.

We will always bear in mind the day when we were nationalized 25 years ago on December 13, 1998, while continuing our effort to remain a specialized financial group that serves all of our stakeholders.

We ask for your continued understanding and support for the Aozora Group.

New Mid-term Plan "Aozora 2025" (FY2023-25)

—Fostering, Change and Recovery—

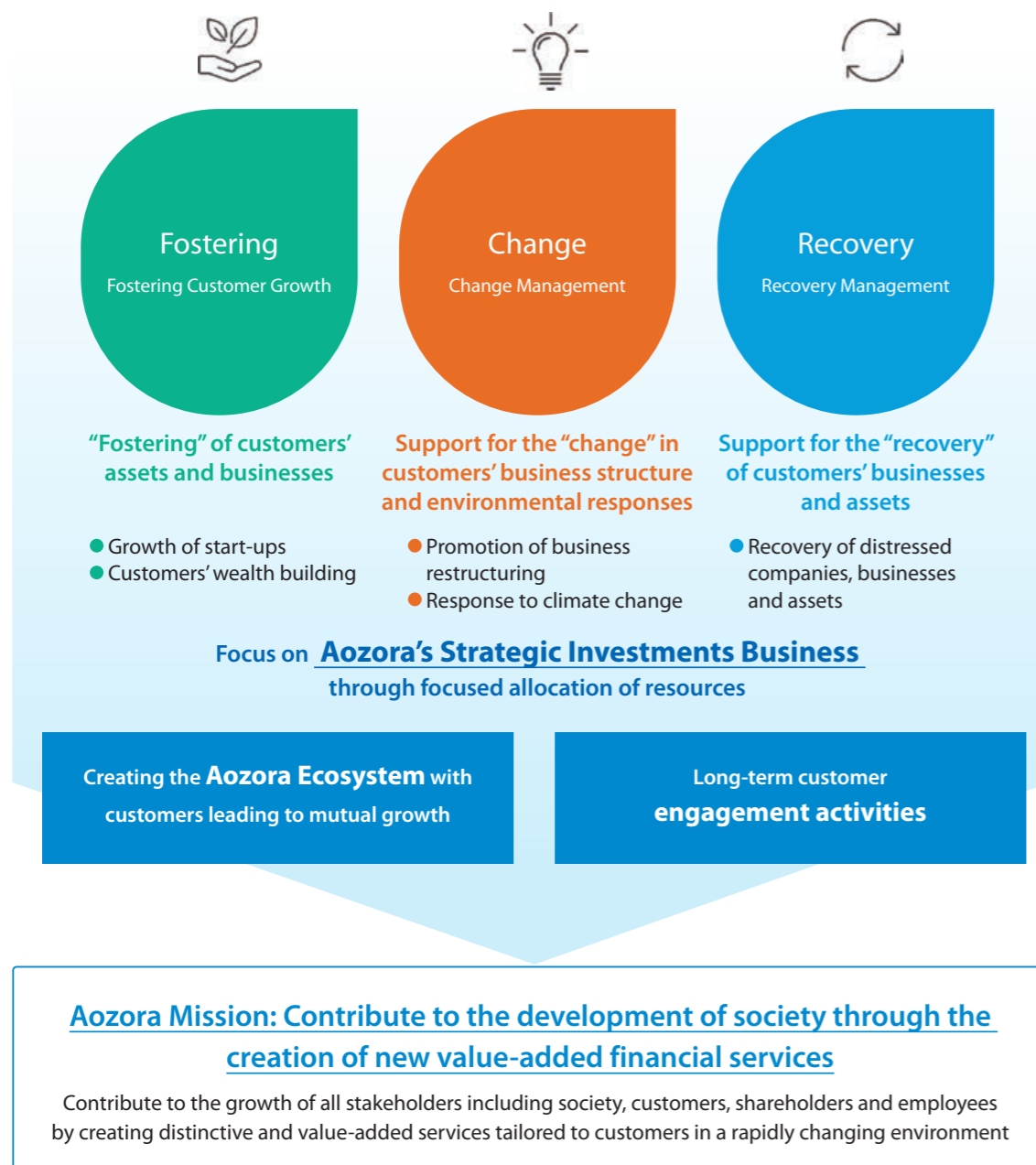
The three-year period covered by "Aozora 2025" is expected to be a period of historic change that is likely to experience a significant reshaping of the external environment. This change is expected to be driven by trends such as shifts in major countries' monetary easing policy, deglobalization and supply chain realignment, and recovery from the COVID-19 pandemic. Other trends include rising geopolitical risk, advances in decarbonization, and progress on digital transformation (DX).

We see these conditions as a major opportunity to realize our management philosophy of "Contribute to the development of society through the creation of new value-added financial services."

- In the three phases where the Aozora Group plans to leverage its strengths, specifically, "Fostering," "Change" and "Recovery," we will foster customers' business and assets, support change in customers' business structure and environmental responses. We will also assist with the recovery of customers' businesses and assets.
- We will vigorously expand Aozora's Strategic Investments Business through focused allocation of resources, with efforts centered on the Aozora Ecosystem, which will be built in collaboration with our customers and lead to mutual growth, and on long-term customer engagement activities.

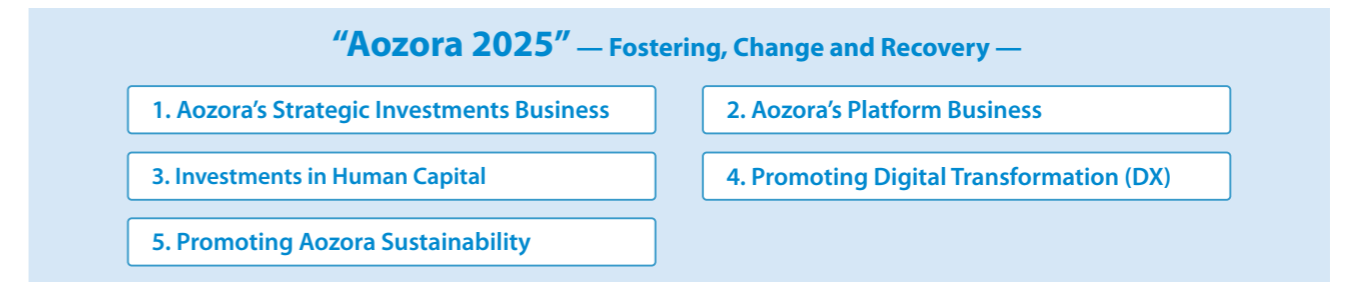
Goals under the new Mid-term Plan "Aozora 2025"

Three phases where the Aozora Group plans to leverage its strengths



Outline of the New Mid-term Plan "Aozora 2025"

Under the new Mid-term Plan "Aozora 2025," we will implement five priority initiatives: **Aozora's Strategic Investments Business, Aozora's Platform Business, Investments in Human Capital, Promoting Digital Transformation (DX), and Promoting Aozora Sustainability.** As a result of these initiatives, we aim to achieve financial KPIs in FY2025, the final year of the plan. Concurrently, we will also steadily implement our capital policies (see the CFO Message on page 22).



Financial KPIs (final fiscal year)	Target
Capital efficiency	ROE: 8% (medium- to long-term target: 10%)
Financial strength	Capital adequacy ratio: 9% or higher
Productivity	Business-related profit*1 per employee: 20.0 million yen
Profitability	Business-related profit RORA*2: 1.3%
Earnings	Profit attributable to owners of parent: 37.0 billion yen

*1 Business profit + Gains/losses on stock transactions
*2 (Business profit + Gains/losses on stock transactions) / Risk-weighted assets

Capital policy

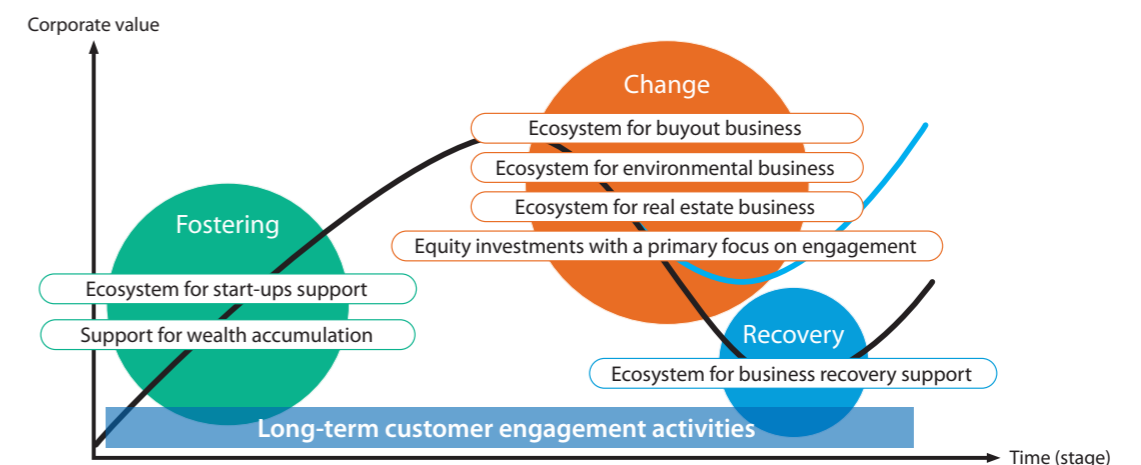
A capital policy which aims to maintain a proper balance among "stable shareholder returns," "strategic investments" and "financial strength"

- Capital adequacy ratio (domestic standard) of 9% or higher, ROE of 10% in the medium- to long-term while maintaining a proper balance with financial strength
- Focus on Aozora's Strategic Investments Business through disciplined allocation of capital to business areas with higher growth and earnings potential
- Aim to increase the annual dividend per common share to 158 yen based on a 50% dividend payout ratio for FY2025, the final year of the Mid-term Plan.
- Maintain dividend payments on a quarterly basis

1 Aozora's Strategic Investments Business

Aozora's Strategic Investments Business is a business that grows together with customers by supporting customers' businesses and assets in the "Fostering," "Change" and "Recovery" phases through long-term engagement with customers through investment and financing activities, ranging from debt to equity. By working closely with customers and partners in these three

phases, where the Aozora Group plans to leverage its strengths, we will create the **Aozora Ecosystem** (see page 13), with the aim of achieving mutual growth with customers mainly through the five ecosystems, support for wealth accumulation, and equity investments with a primary focus on engagement.

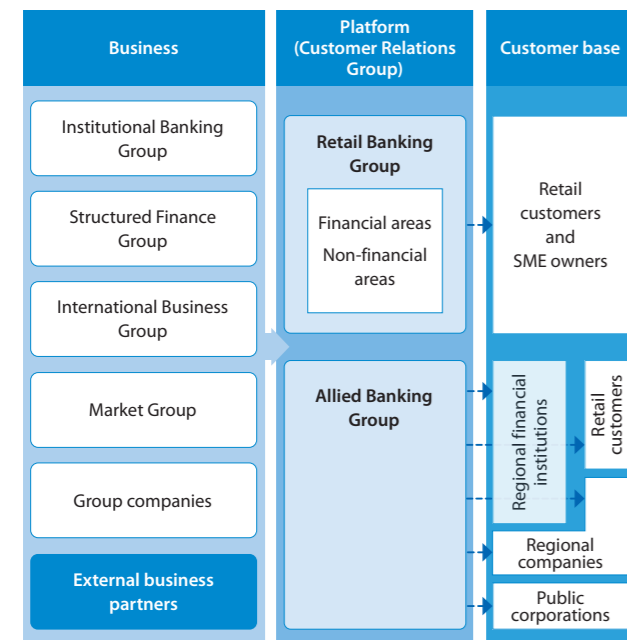


New Mid-term Plan "Aozora 2025"

2 Aozora's Platform Business

Aozora's Platform Business is a distinctive business of the Group. Through collaboration with Group companies and external business partners, this business appropriately provides Aozora's advanced services and expertise to retail and regional financial institution customers designed to meet their specific characteristics and needs.

It provides Aozora's broad financial and non-financial services to retail customers and small and medium-sized enterprise owners. A diverse array of services will also be provided to regional financial institutions and their clients.



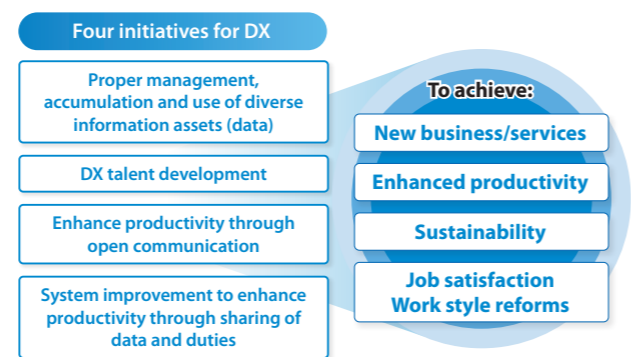
3 Investments in Human Capital

We will increase investments in human capital by approximately 2.0 billion yen in three years' time in order to provide attractive rewards and opportunities for skill development by employees willing to take on new challenges, as well as hire mid-career professionals. Through these steps, we will realize Fostering, Change and Recovery in the Aozora Group's working environment (see page 74).



4 Promoting DX (Digital Transformation)

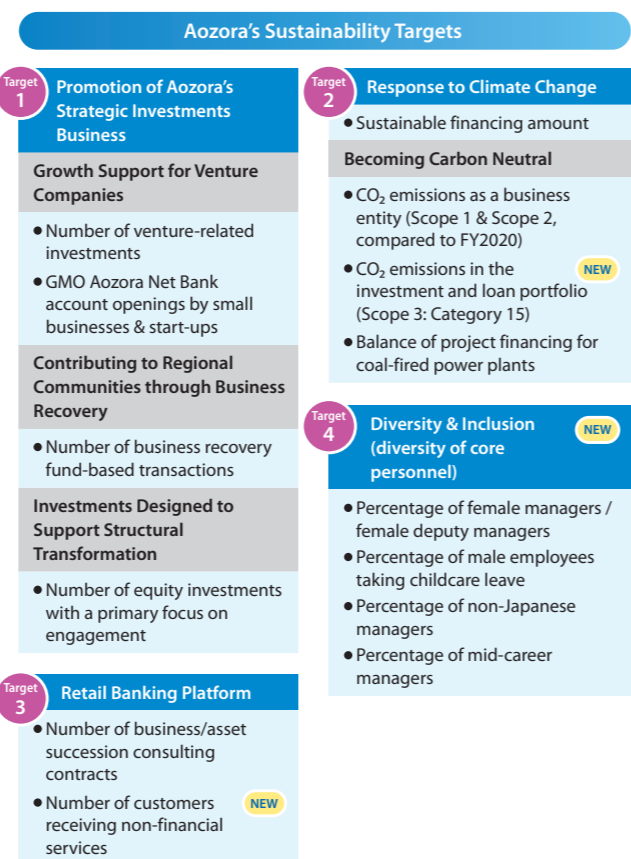
We aim to secure the Aozora Group's competitive advantage and enhance its corporate value by transforming our business (products and services) and corporate culture through the use of wide-ranging information assets (data) and digital technologies (see page 72).



5 Promoting Aozora Sustainability

We will continue to promote sustainability initiatives, which are incorporated into all of our business operations.

Aozora's Sustainability Targets were set in 2021. In line with "Aozora 2025," we have revised the targets, including bringing forward final target deadlines and defining additional target items (see page 20).



Aozora Ecosystem

The Aozora Ecosystem refers to an ecosystem where the Aozora Group and its customers and business partners perform their assigned roles, or work as a unit, to pursue the business development of customers at each phase of growth. Leveraging all of the Aozora Group's managerial resources, we will work together with our business partners to establish virtuous cycle of mutual growth by supporting our customers who are taking on new challenges.

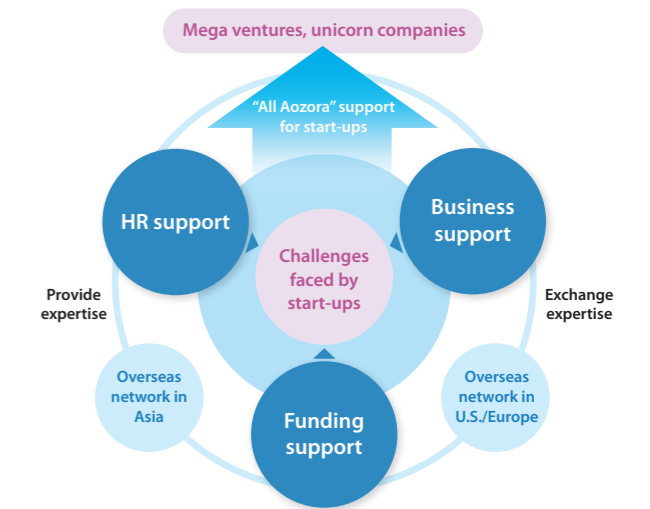
Fostering Ecosystem for Start-ups Support

We will enhance support for start-ups. The entire Group aims to establish a positive development cycle by providing services and support of essential functions for start-ups, such as funding, business, and human resources.

- Funding support**
Aozora's support for start-ups focuses on funding support. We will provide start-ups with funding support at each stage of growth mainly through **venture debt-based investments/loans provided by Aozora Corporate Investment** (see page 39).
- Business support**
We will make efforts across the Aozora Group to expand the businesses of start-ups and conduct activities that lead to an increase in their corporate value.
 - GMO Aozora Net Bank** (see page 73) provides an inexpensive, user-friendly account opening service and "Simple Embedded Financial Services" for start-ups in the seed phase.
 - B Spark** (see page 39) will work to provide business opportunities that leverage the DX solutions held by start-ups and solve a range of DX issues faced by companies.
 - We will create open innovation with major companies

through M&A advisory and other services, as a means of providing new business opportunities.

- Human resources (HR) support**
We will provide HR support such as staff agency and staffing services as a new business for the Aozora Group.

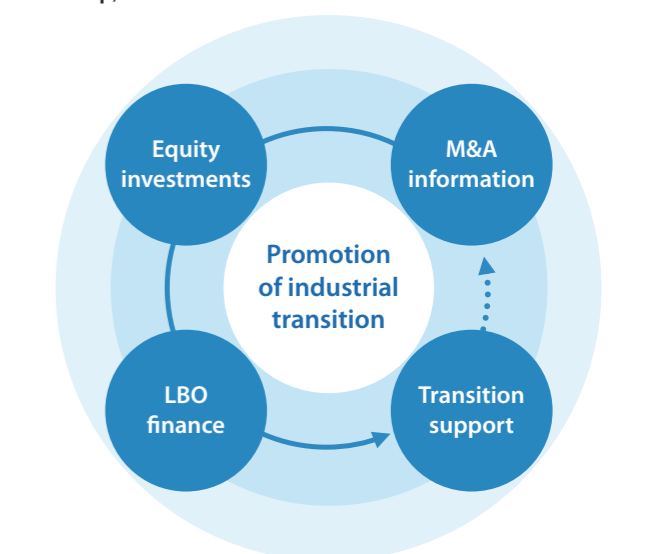


Change Ecosystem for Buyout Business

We will offer solutions that meet customer needs by providing M&A information and investment and financing ranging from debt to equity. We will strive to realize mutual growth with our customers by supporting business restructuring and succession, together with promoting industrial transition.

- M&A information**
The **M&A Advisory Group** (see page 40) will take the lead in providing M&A information through its extensive business network, encompassing private equity funds, domestic and overseas offices, group company ABN Advisors and business partners, in collaboration with overseas partners including Orient Commercial Joint Stock Bank (OCB) in Vietnam, and business succession consulting.
- Equity investments and LBO finance**
The **Acquisition & Structured Finance Group** (see page 43) will take the lead in providing LP investments in private equity funds, direct and indirect investments through target funds, investment and financing as support for management seeking a non-sponsored MBO, and LBO/MBO finance.
- Transition support**
We will provide transition support through growth and organization support via additional acquisition, acting as a

financial advisor at the time of sale of a business, and equity investments with a primary focus on engagement. (See page 43 for the **Acquisition & Structured Finance Group**)



New Mid-term Plan "Aozora 2025"

Change Ecosystem for Environmental Business

We will create a positive cycle aimed at realizing a decarbonized society through the promotion of green transformation (GX), with measures including finance that leverages our knowledge of structured finance in Japan and overseas and providing services in collaboration with local communities. Through initiatives led by the **Environment Business Group** (see page 42) ("**Value Creation from the Environmental Finance Team's Perspective**" (see page 36)), we aim to achieve Aozora's Sustainability Targets.

- **Finance**
We will arrange and provide project finance for domestic renewable energy, transition finance, sustainability-linked loans, and loans for green buildings.
- **Global**
We will promote the development of new power sources and encourage broader use of transition energy in Japan, leveraging our expertise acquired through innovative project

- finance transactions in Europe and the U.S.
- **Local Community**
We will promote syndicated loans in collaboration with regional financial institutions.
 - **New Business**
We will actively pursue new businesses, such as financing for new technologies and new fields and arranging environment-related funds.



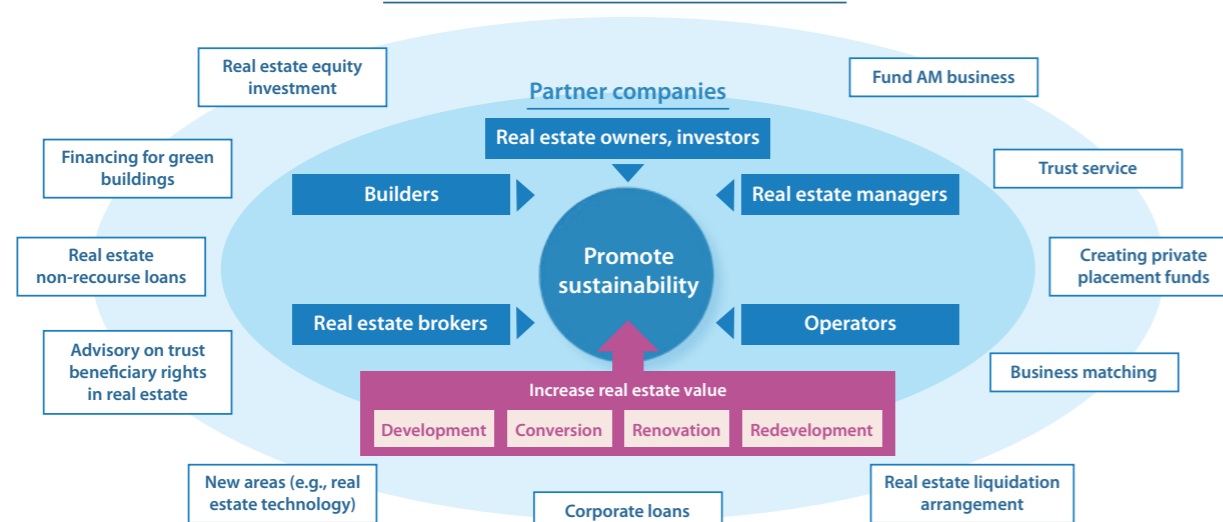
Change Ecosystem for Real Estate Business

At the Aozora Group, the **Real Estate Finance Group** (see page 46) has played a pivotal role over many years in providing a wide range of real estate-related services together with many partner companies. By entering new fields and conducting SDGs activities, we will provide new, highly convenient financial services to a changing real estate market. We will create a positive cycle for sustainable social and economic growth and development by increasing real estate value.

- In the **real estate non-recourse loan** market, we anticipate social and economic needs for real estate and are working on projects focused on growth and stability. In particular, we will actively provide loans for real estate properties that have environmental certifications.
- In the **real estate equity investment** field, we will increase investments in growth areas, while balancing income and

- capital gains. We will also promote investment in and management support for real estate-related companies that offer opportunities for DX-led growth through equity investments with a primary focus on engagement.
- In collaboration with **Aozora Real Estate Investment Advisors**, we will provide real estate-related solution services, such as **real estate liquidation arrangement** and the **creation of private placement funds**.
 - The real estate-related business area is one of the major service sectors of **Aozora's Platform Business**, which is being implemented Group-wide. We will strive to provide services to regional financial institutions and retail customers through **business matching** in collaboration with Group companies and partner companies.

Aozora Group's Real Estate-related Services

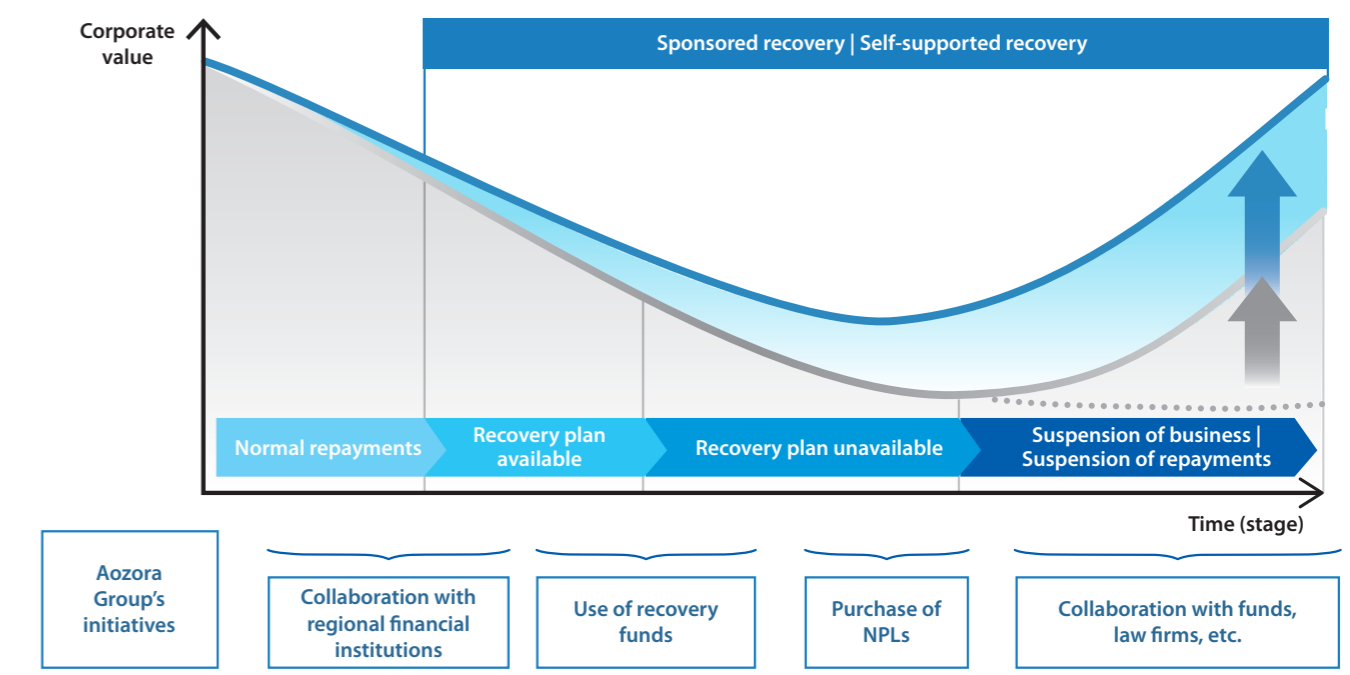


Recovery Ecosystem for Business Recovery Support

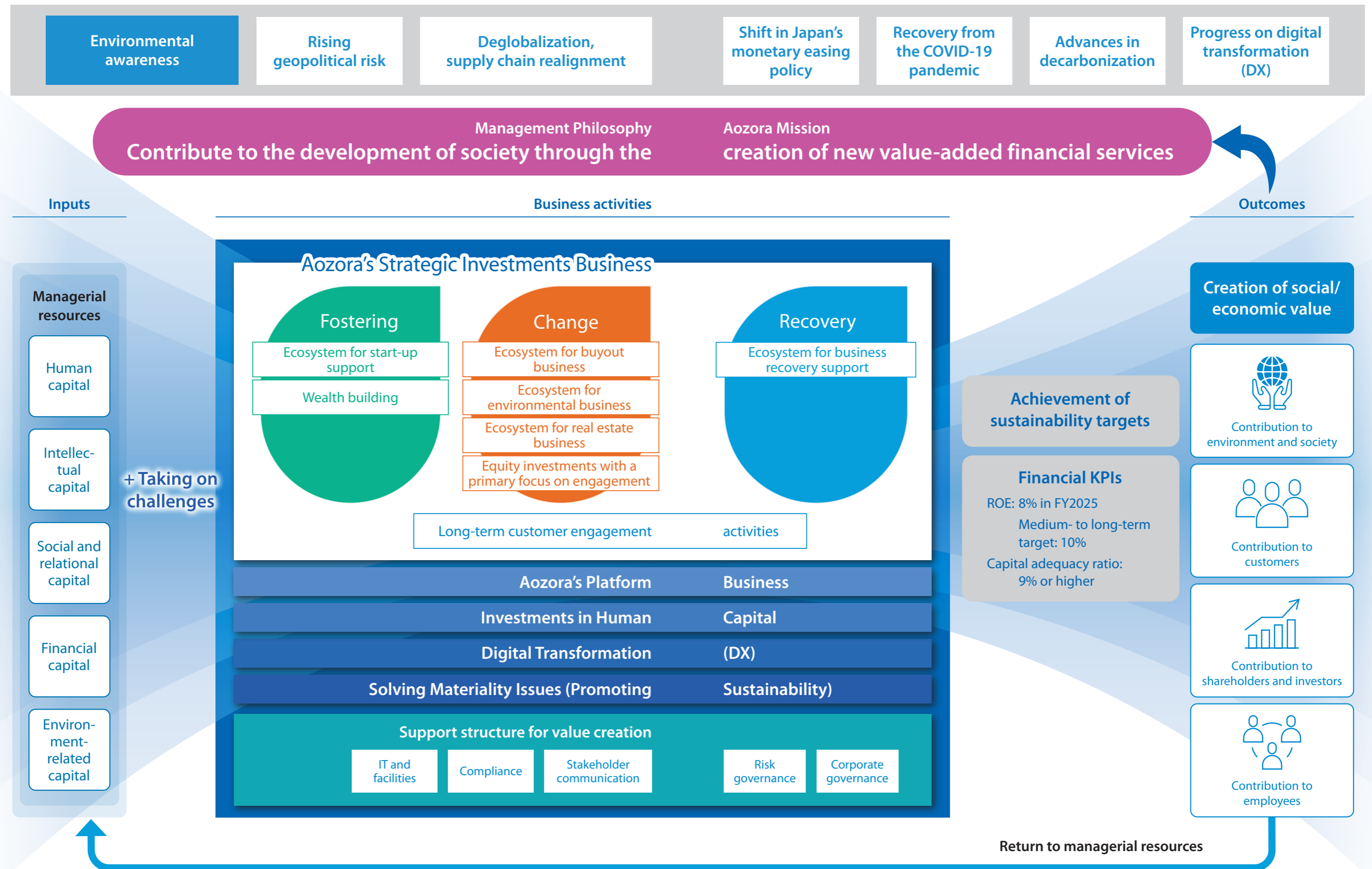
We have focused on business recovery finance as one of the market pioneers, and we were one of the first in establishing a loan servicing company, **Aozora Loan Services**, in 1999. The **Special Situations Group** (see page 44) will provide customers with solutions tailored to each stage of recovery by strengthening the collaboration with business partners including regional financial institutions. We will solve local community issues through business recovery, thereby realizing a more sustainable society.

We will propose services to customers tailored to each stage of the business cycle in cooperation with regional financial institutions, recovery funds, law firms, and other partners.

- In the "**Recovery plan available**" stage, we will collaborate with regional financial institutions to provide support for management improvement mainly through consulting, M&A advisory, and business matching.
- In the "**Recovery plan unavailable**" stage, we will provide business recovery finance and propose the use of the Aozora Group's recovery funds and loan servicing.
- In the "**Suspension of business / Suspension of repayments**" stage, we will collaborate with recovery funds and law firms to provide LBO finance, exit finance, and M&A advisory services.



Value Creation Process



Key Sustainability Issues (ESG Materiality)

The Aozora Group's "Materiality" refers to "key challenge areas to realize the management philosophy in light of its importance to the Group's corporate management as well as expectations/demands from stakeholders and social trends."

Amid changing social trends and increasingly insightful and diverse expectations for the role of companies in addressing social challenges, the Aozora Group will strive to realize its management philosophy to "Contribute to the development of society through the creation of new value-added financial services" through the targeted allocation of limited managerial resources in key challenge areas (ESG materiality) and the maximization of social and economic value creation.

In the process of identifying Materiality issues, we reviewed them in June 2022 in light of "Double Materiality," which takes into account the importance to the Group's corporate management as well as social trends and the importance to Aozora's stakeholders. As a result, we selected the following eight items.

The Aozora Group will continue to flexibly review Materiality issues in response to changes in the business environment while developing a PDCA cycle and incorporating it into the management strategy, and will steadily promote Group-wide efforts to resolve issues.

	Main Initiatives to Solve Challenges	Reasons for Identification as Materiality Issues
Response to climate change	<ul style="list-style-type: none"> ● Promotion of initiatives to achieve a decarbonized society under the "Aozora Carbon Neutral Initiatives" <ul style="list-style-type: none"> • Support for the decarbonization of companies by promoting sustainable finance, including environmental finance, and consulting on decarbonization • Reduction of CO₂ emissions as a business entity (Scope 1 & 2) and phased measurement and reduction of emissions (Scope 3) in the investment and loan portfolios • Improvement of a risk management framework, including enhanced climate change scenario analysis, and the strengthening of risk tolerance 	The Group has an important role to play and an opportunity to expand its business through financing and other means to support the movement toward a decarbonized society, such as advancing green transformation (GX) and transitions in companies, promoting renewable energy, and creating innovative new technologies and fields. At the same time, delays in response could pose risks that significantly affect corporate management.
Promoting industrial transition	<ul style="list-style-type: none"> ● Support for customers' structural transformation to address new challenges through the promotion of Aozora's Strategic Investments Business <ul style="list-style-type: none"> • Support for structural transformation through equity investments with a primary focus on engagement, M&A advisory, LBO finance, transition support, real estate business, etc. • Support for solving management issues faced by regional financial institutions and their clients through Aozora's network of regional financial institutions 	The Aozora Group has an important role and an opportunity to expand our business to support the structural transformation of customers who are taking on new challenges during the time of industrial transition by providing unique and value-added financial services and proactive involvement in their management through the promotion of Aozora's Strategic Investments Business.
Expanding access to corporate financial services (start-ups/business recovery)	<ul style="list-style-type: none"> ● Support for funding, business, and human resources through the "Ecosystem for Start-up Support" <ul style="list-style-type: none"> • Support for funding with a focus on venture debt available through our venture capital subsidiary, Aozora Corporate Investment • Business support that contributes to business expansion and increasing corporate value at each phase of growth (GMO Aozora Net Bank, B Spark) ● Revitalization of regional communities through support for business recovery at each stage of the recovery process <ul style="list-style-type: none"> • Support for companies' business recovery and restart through recovery funds provided by Aozora Loan Services • Strengthening of collaboration with regional financial institutions and other partners, investment in business recovery claims, and provision of solutions at each stage of recovery 	The Group has an important role to play and an opportunity to expand its business by ensuring that all individuals and companies have access to the financial services they need to obtain opportunities for economic activity and by contributing to corporate growth and community revitalization, particularly focusing on the two areas of support for the growth of start-ups and support for business recovery and restart in the community.
Promoting DX	<ul style="list-style-type: none"> ● Transformation of business operations (products and services) and corporate culture through the use of information assets (data) and digital technology <ul style="list-style-type: none"> • Appropriate management, storage, and utilization of diverse information assets (data) and strengthening of digital marketing • Fostering open communications, improving business efficiency and productivity, and promoting working styles regardless of location • DX talent development ● Provision of solutions to customers' DX issues and improvement of customer convenience <ul style="list-style-type: none"> • Provision of DX solutions through B Spark, a DX support company for corporate customers, and GMO Aozora Net Bank, a bank with a next-generation tech-first approach, and support for the growth of start-ups • Improvement of UI/UX and customer convenience in the BANK™ app and online services 	The accelerated advancement of digital technology is having irreversible and widespread effects on all companies and individuals, including the loss of existing business areas and lifestyle changes. The Group increases its corporate competitiveness and provides new opportunities for business expansion by advancing digital transformation (DX) within the Group and improving the productivity of operations and the quality of products and services, while focusing on services that support its customers' DX.
Business and asset formation, transfer to the next generation	<ul style="list-style-type: none"> ● Support for wealth accumulation and business/asset succession needs of retail and corporate customers <ul style="list-style-type: none"> • Support for medium- to long-term wealth accumulation through the provision of "Aozora Core Funds" and other products • Expansion of non-financial services to meet a wide range of customer needs, such as business succession, asset succession, and utilization of real estate 	In Japan's aging society, the Group has an important role to play and an opportunity to expand its business by helping individuals lead fulfilling lives and pass on their assets to the next generation and by helping SMEs, which are a source of competitiveness in domestic industries, solve succession and human resource challenges for passing on the business to the next generation.
Governance/compliance	<ul style="list-style-type: none"> • Establishment of transparent corporate governance • Enhancement of a risk management framework, maintenance of financial strength, and reinforcement of compliance • Strengthening of an operational resilience framework (cybersecurity and crisis management) • Strengthening and improving the effectiveness of internal audit governance 	Improper corporate governance, neglect of compliance, triggering of damage to creditworthiness and delayed response to system failures are risks that have a material impact on all of the stakeholders involved in the operations of financial institutions as well as the sustainability of corporate management. It is extremely important to maintain management discipline and ensure soundness through the enhancement of the proper risk governance framework in response to external environmental changes and by upgrading compliance risk management.
Respect for human rights	<ul style="list-style-type: none"> • Efforts to establish a human rights due diligence framework based on international norms • Further raising of awareness of human rights and elimination of harassment in the workplace • Ensuring anti-bribery and corruption measures 	Any involvement in or neglect of human rights abuses may pose the risk of legal compliance violation, administrative penalty, as well as social criticism and damage to our reputation. While it is natural that we do not violate human rights as a business entity, it is extremely important to eliminate human rights abuse, discrimination, and corruption from all businesses and supply chains involving the Group and take proper measures through dialogue when improvements are necessary.
Improving sustainability of human capital	<ul style="list-style-type: none"> • Developing, hiring, and deploying human resources in line with business strategies, and redeployment of human resources to focus areas • Support for career development, a creation of more comfortable workplace, and high job satisfaction • Creation of a work environment where personnel with a diverse range of backgrounds/values can play an active role; improvement of diversity, equity & inclusion 	Any personnel shortage/outflow as well as insufficient progress of skill/expertise transfer to the next generation mainly due to the slow development of the HR system and working environment are risks that have a material impact on the sustainability of Aozora Group's corporate management. On the other hand, in order to enhance corporate competitiveness, it is important to make investments in human capital that support the Group's value creation, such as the provision of highly professional and distinctive financial services.

Materiality Identification and Revision Process

Identification of Environmental and Social Issues

Identify domestic and international environmental and social issues in light of the overlap between various guidelines and management strategies and businesses.

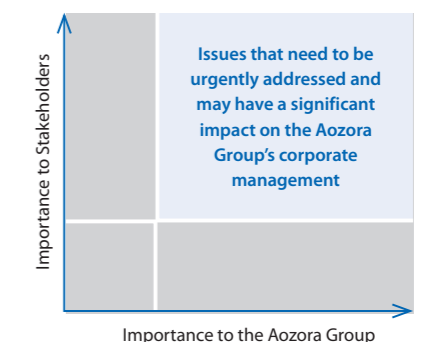
<Examples of reference guidelines>
(at the time of the 2022 review)

- The United Nations Global Compact
- GRI Guidelines
- Stakeholder Capitalism Metrics
- SASB Guidelines on the Commercial Bank Sector
- Evaluation items of ESG rating and information provision agencies
- SDGs Action Plan 2021 (SDGs Promotion Headquarters)
- JBA SDGs Report 2020-2021 (Japanese Bankers Association)

STEP 1

Analysis and Prioritization of Significant Themes

The identified issues were mapped along the two axes of "importance to stakeholders" and "importance to the Aozora Group." The items that were determined to be particularly important on both axes were chosen as the final candidates.



STEP 2

Interviews with Internal and External Stakeholders

Through interviews with internal and external stakeholders, confirm whether there are any discrepancies in issues to be considered and recognized. (In FY2022, an Employee Satisfaction Survey and one-on-one meetings with investors were conducted.)

STEP 3

Discussions and Decisions at Management Meetings

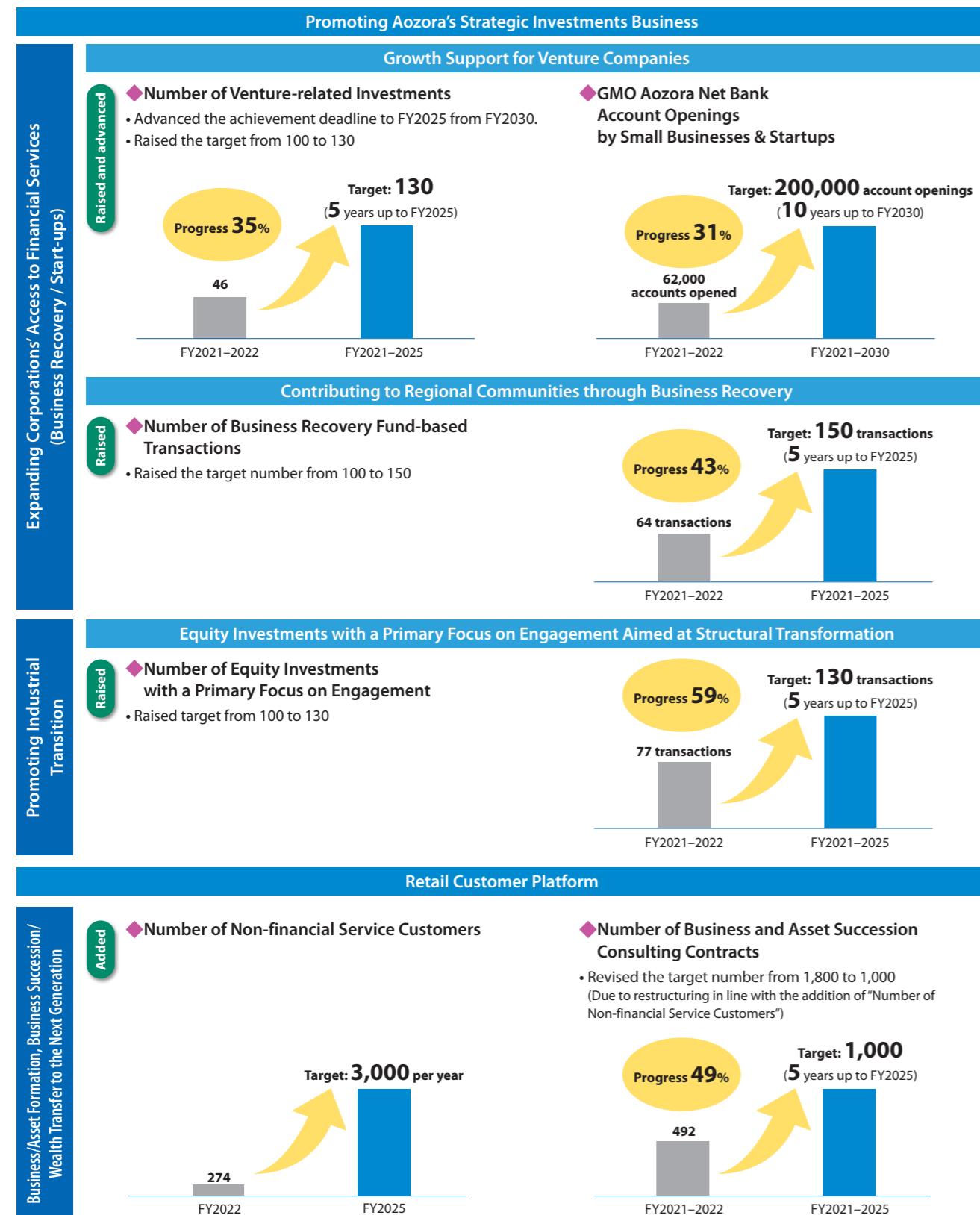
Based on the aforementioned process, multiple discussions were held by the Board of Directors and the Sustainability Committee, consisting of all executive officers, and the final decision was made at the Board of Directors meeting.

STEP 4

Aozora's Sustainability Targets

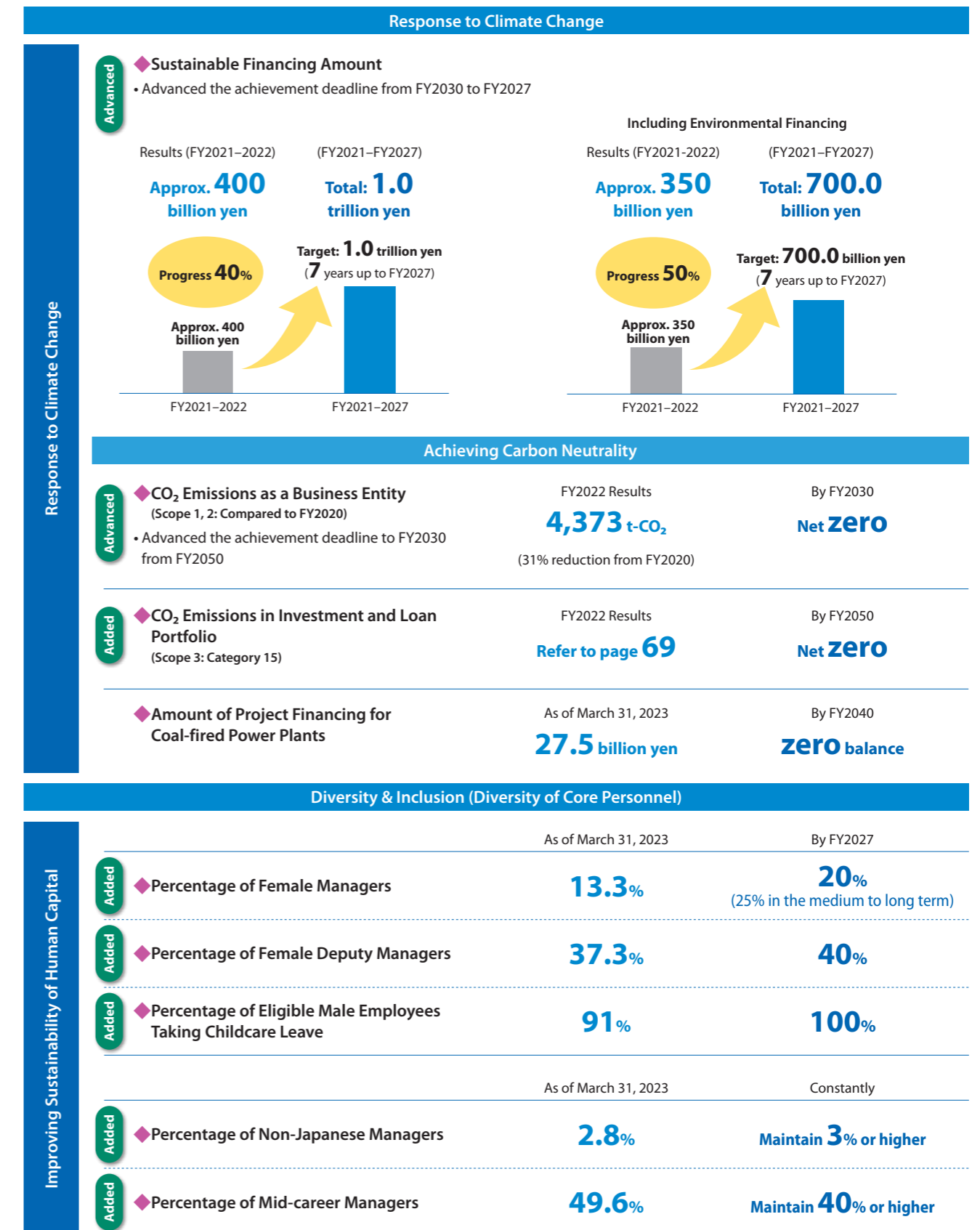
In September 2021, the Aozora Group announced the establishment of Aozora's Sustainability Targets as long-term business targets aimed at creating economic and social value.

In conjunction with the formulation of the new Mid-term Plan "Aozora 2025," the Aozora Group conducted a reevaluation of these targets, made a commitment to becoming carbon neutral including its investment and loan portfolio, raised the level of targets as well as advanced the achievement deadline related to Aozora's Strategic Investments Business, and created additional targets.



The Aozora Group will promote Group-wide efforts to achieve these targets.

The progress and achievement of these targets are taken into consideration as key qualitative assessments in determining the evaluation and remuneration of executive officers.



CFO Message



Akira Sakai
Senior Managing Executive Officer
Chief Financial Officer (CFO)

FY2022 Financial Results in Review

Earnings decreased significantly in FY2022 with net revenue of 59.5 billion yen, a decline of 43.4 billion yen compared to last year, business profit of 2.5 billion yen, 45.2 billion yen lower, and profit attributable to owners of parent of 8.7 billion yen, a decrease of 26.2 billion yen versus last year.

Consolidated	FY2022 results	Change (year-on-year)
Net revenue	59.5	-43.4
Including customer-related business (excluding financial market-related and retail businesses)	69.3	+0.3
Including retail business	2.8	-5.1
Including financial market-related business	-12.6	-38.6
Business profit*	2.5	-45.2
Profit attributable to owners of parent	8.7	-26.2

*Including gains/losses on equity method investments

The decline in earnings was mainly due to the loss-cut we made with the securities portfolio in the financial market-related business, as well as a review of the sales policy for structured bonds in our retail business. Net revenue from customer-related business mainly driven by Aozora's Strategic Investments Business was strong with an increase from last year.

G&A expenses were 59.3 billion yen, an increase of 1.5 billion yen versus last year. We maintained our focus on cost control while making necessary personnel and system-related investments, including pay-scale increases. Overall G&A expenses were within our original budget of 60.0 billion yen.

Credit-related expenses were a net expense of 1.7 billion yen for the full year, which was within the range of our initial forecast. In 4Q, provisions were made as a result of the re-evaluation of our overseas real estate non-recourse loan portfolio based on more conservative appraisals, mainly in the U.S. office sector. We

also continued to rebalance our overseas corporate loan portfolio and recognized some losses on loan sales.

In FY2020 and FY2021, our financial results showed continued progress toward reaching the financial targets of our previous Mid-term Plan "Aozora 2022." However, a large decline in earnings was recorded in FY2022, the final year of the plan. As a result, we were not able to meet the financial targets set in the prior Mid-term Plan.

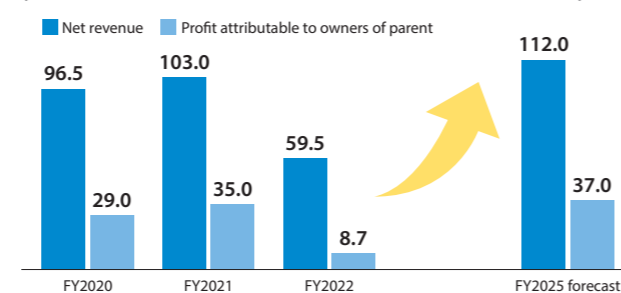
Financial Targets of the New Mid-term Plan "Aozora 2025"

Under our new Mid-term Plan "Aozora 2025," we will further promote Aozora's Strategic Investments Business. We also intend to reach an ROE target of 8%, which is a key priority for us, by addressing issues such as restructuring of our securities portfolio, restructuring of the operations of our retail business, and making GMO Aozora Net Bank profitable, with a view to enhancing our overall earnings capacity.

First, we have set our earnings targets as net revenue of 112.0 billion yen and profit attributable to owners of parent of 37.0 billion yen. Our financial goal over the next three years is to reach these targets and reach an earnings level that improves upon our FY2021 results.

In FY2023, the first year of our new Mid-term Plan, we will drive forward the customer-related business focused on our Strategic Investments Business and consistently reach our earnings targets. Our net revenue forecast is 86.0 billion yen, an increase of 26.5 billion yen year-on-year, and our forecast for profit attributable to owners of parent is 24.0 billion yen, an increase of 15.3 billion yen. We are forecasting a full-year dividend of 154 yen per share, the same level as in FY2022.

Earnings Targets (Net Revenue and Profit Attributable to Owners of Parent)



Key Performance Indicators (KPIs)

		FY2021 (Results)	FY2022 (Results)	FY2025 (Targets)
Capital efficiency	ROE	7.2%	1.9%	8% (medium- to long-term: 10%)
Financial strength	Capital adequacy ratio	10.4%	9.4%	9% or higher
Productivity	Business-related profit*1 per employee	19.0 million yen	4.0 million yen	20.0 million yen
Profitability	Business-related profit RORA*2	1.1%	0.2%	1.3%

*1 Business-related profit: Business profit + Gains/losses on stock transactions

*2 Business-related profit RORA: (Business profit + Gains/losses on stock transactions)/Risk-weighted assets

Next, let's review our key performance indicators (KPIs). We have established KPIs with a continued focus on our efficiency performance.

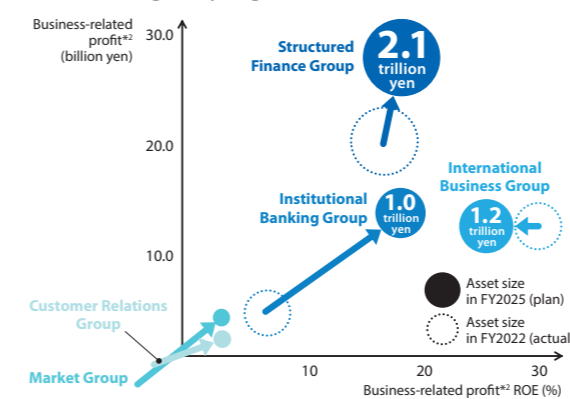
For the period covered in our new Mid-term Plan, we have set a target of 8% for ROE, an indicator of capital efficiency, and we will aim for 10% in the medium- to long-term. We anticipate that achieving this goal will help us improve our PBR as well.

Previously, we had set OHR as our primary productivity indicator target. Now, we have set business-related profit per employee as our new target for productivity. While making the necessary investments in our people, we'll strive to improve productivity per employee in order to increase our overall earnings capacity.

We have set business-related profit RORA as our profitability indicator. In order to increase profitability, we will assess the risk and return profile of each asset and invest capital in risk assets accordingly.

I believe that it's important to ensure that our capital adequacy ratio does not become too high, as we must consider the balance between improving capital efficiency (ROE) and maintaining an adequate level of capital from the standpoint of maintaining our financial strength. Because Aozora is subject to domestic standards, the minimum level required by regulation is 4%. While we can maintain this level even under severe stress scenarios, we have chosen to set a target of 9% or higher. In addition, we will manage our risk assets with an awareness of the CET1 (Common Equity Tier 1) ratio of 7%, the minimum required by international standards.

Financial Targets by Segment*1



*1 Management accounting basis

*2 Business-related profit = Business profit + Gains/losses on stock transactions

The chart above shows our financial targets by business group (segment).

The Structured Finance Group will aim to increase earnings by growing assets while maintaining a high level of profitability. Their main focus will be on our buyout finance and business recovery areas.

Our Institutional Banking Group intends to increase profitability without needing to increase the size of its assets. This group's main priorities are to generate returns on equity investments, and fees and commissions from M&A advisory services, as well as developing business opportunities through our equity investments with a primary focus on engagement.

Given unstable conditions in overseas markets, our International Business Group will maintain its policy of carefully originating investments and loans for the foreseeable future. When managing investments and loans, top priority will be given to portfolio quality by selectively originating corporate loans with favorable risk and return profiles and flexibly rebalancing the portfolio.

Capital Policy

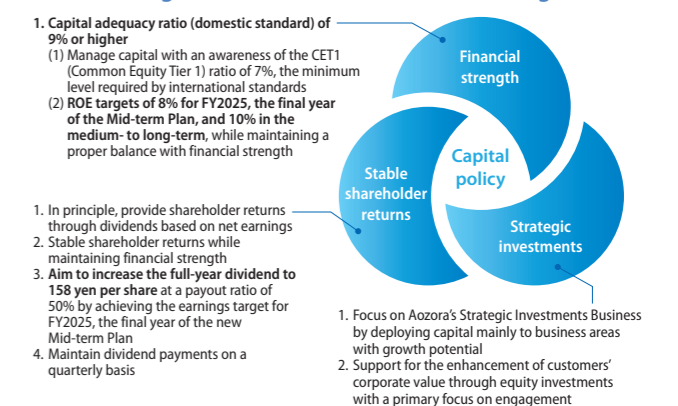
Under "Aozora 2025," we will implement a capital policy that maintains a proper balance among the three factors of financial strength, stable shareholder returns, and strategic investments, as we did during the prior Mid-term Plan.

From the perspective of financial strength, we will manage capital maintaining a capital adequacy ratio of 9% or higher, with an awareness of the CET1 (Common Equity Tier 1) ratio of 7%.

We will also provide stable shareholder returns by achieving our earnings targets each fiscal year and by continuing to generate growth. For the final year of our new Mid-term Plan, we are aiming for a full-year dividend of 158 yen per share based on a dividend payout ratio of 50%, and based upon reaching our target for profit attributable to owners of parent of 37.0 billion yen. By doing so, we aim to increase our dividends from the dividend paid in FY2022 and dividend forecast for FY2023 of 154 yen.

With our strategic investments, as we focus on Aozora's Strategic Investments Business, we will undertake PDCA cycles on capital efficiency and profitability while flexibly deploying capital to business areas with attractive growth and earnings prospects.

We will maintain a capital policy that has a good balance among "stable shareholder returns," "strategic investments," and "financial strength."



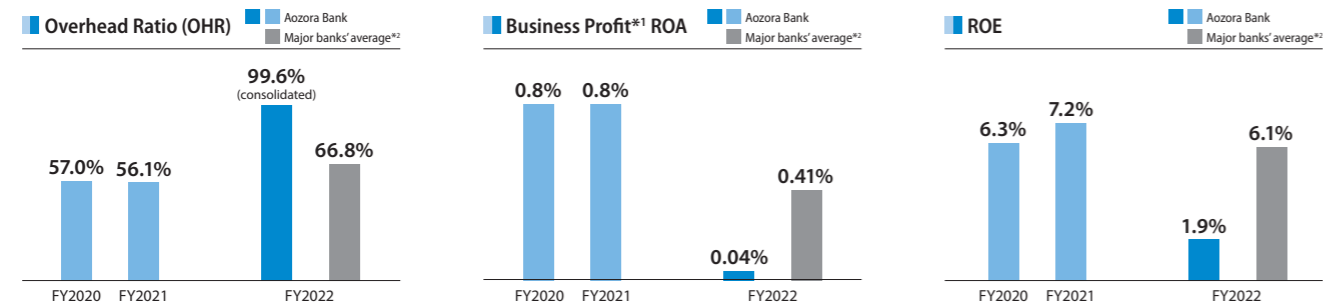
Tax Compliance

As a business enterprise, we have a social responsibility to comply with all tax laws and pay taxes as required when conducting our business. In accordance with the "Tax Compliance Policy" (see the Financial and Corporate Data Section), the Aozora Group will comply with all tax laws and regulations, tax treaties, and related rules in each country, while also working to increase corporate value through effective tax planning and to improve the tax law knowledge of officers and employees through training and other similar activities.

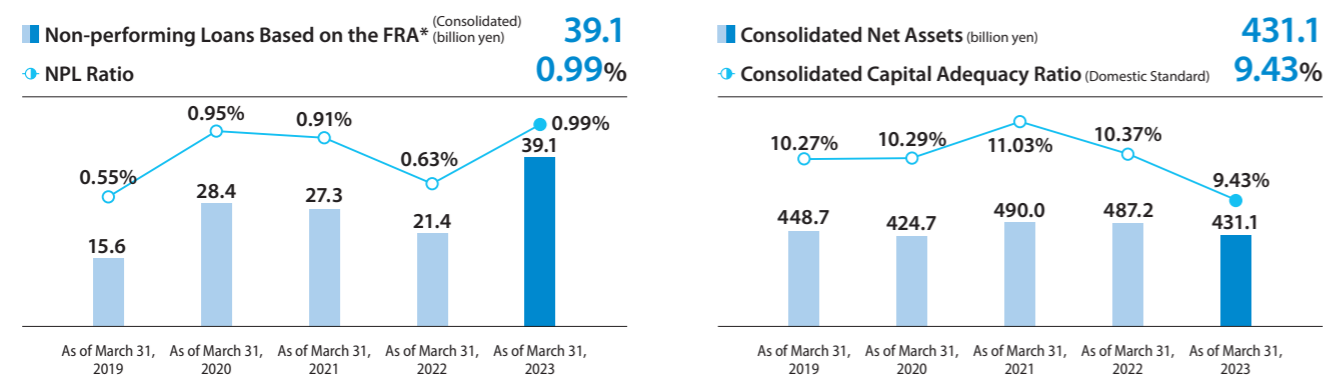
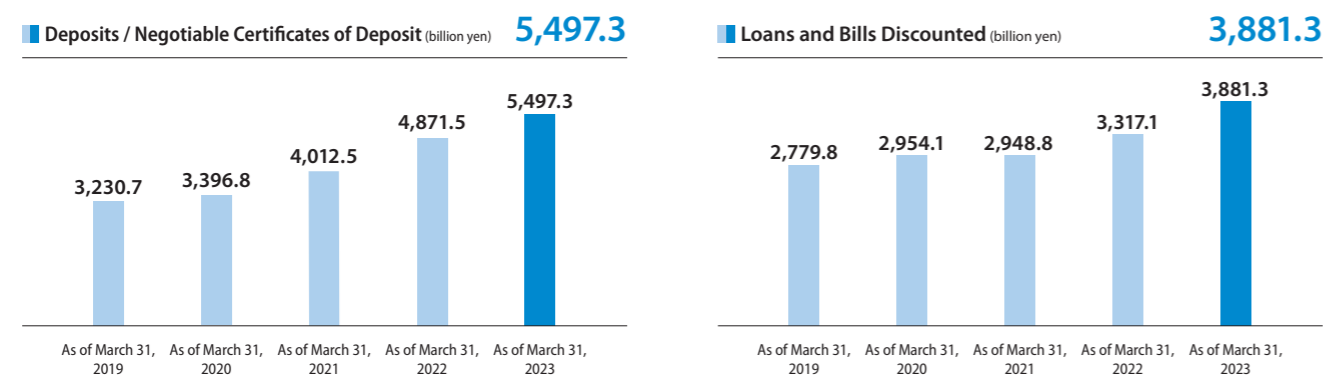
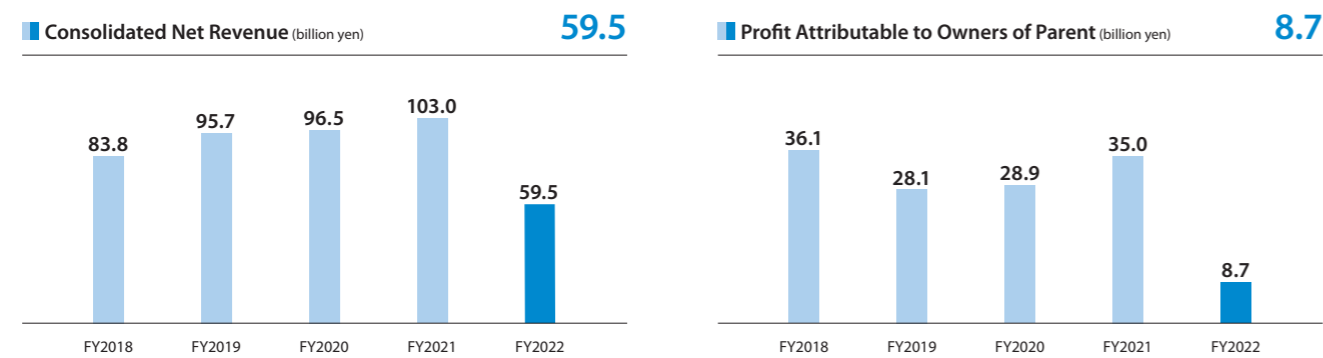
Financial and Non-financial Highlights

Financial Highlights

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



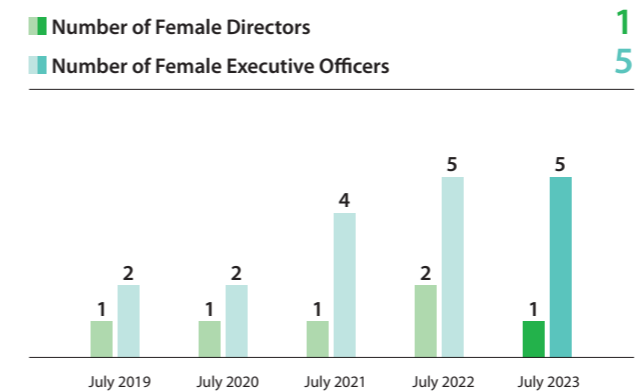
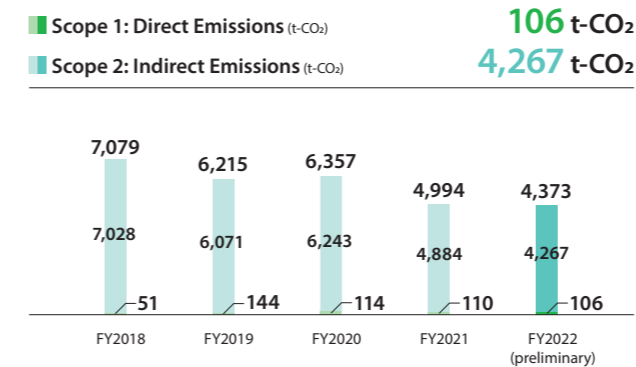
*1 Business profit includes gains/losses on equity method investments
 *2 Based on each major bank's publicly available data (MUFG, SMFG, Mizuho FG, Resona HD, Sumitomo Mitsui Trust HD and SBI Shinsei)



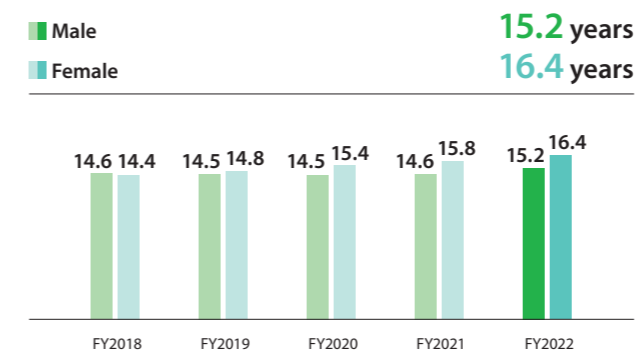
*Financial Reconstruction Act

Non-financial Highlights

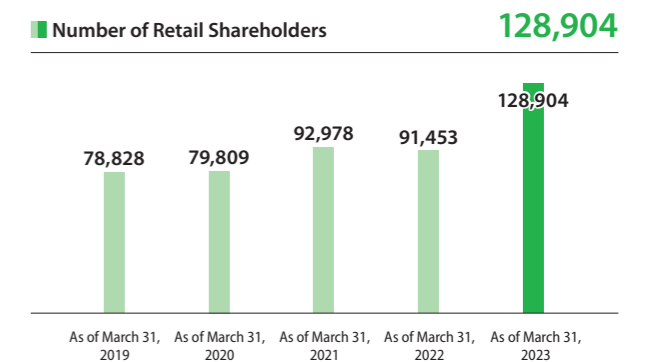
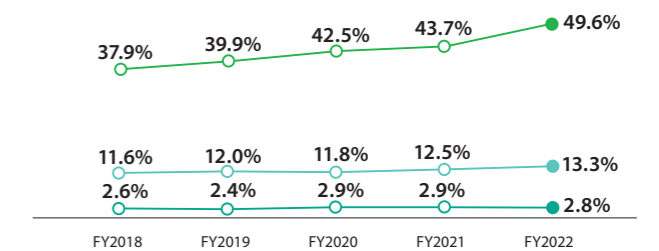
CO₂ Emissions



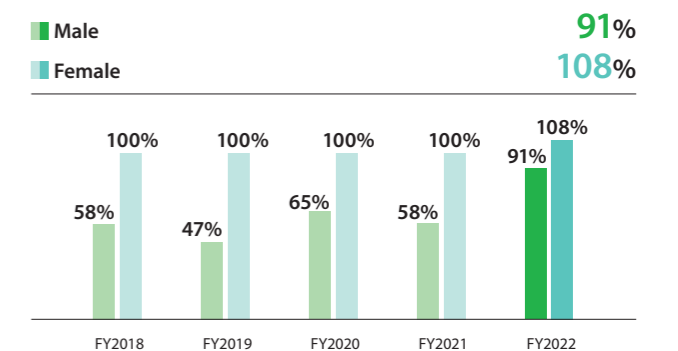
Average Length of Service (years)



- Percentage of Mid-career Managers: 49.6%
- Percentage of Female Managers: 13.3%
- Percentage of Non-Japanese Managers: 2.8%



Rate of Childcare Leave Taken*



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

Evaluation by Third Parties*

2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

MSCI Japan Empowering Women Index



Morningstar



2023 Health and Productivity Management Organization



"Eruboshi" certification



"Kurumin" certification

*https://www.aozorabank.co.jp/english/sustainability/promotion/

Messages from Outside Directors

Ippei Murakami

Chairperson of the Audit and Compliance Committee



What do you most hope to achieve through the new Mid-term Plan "Aozora 2025"?

Society has changed significantly in the wake of the COVID-19 pandemic, and combined with long-lasting low interest rate policies, even the financial industry has been forced to shift its focus away from operations centered on over-the-counter banking, which had been its traditional earnings base.

That is to say, the expectations placed on banks have changed. Banks have traditionally collected funds from corporate institutions and retail customers through a large number of branches and employees and managed such funds through loans and other services. Now, banks are being required to contribute directly to the objectives of corporate customers, such as business expansion and succession. They are also required to act as intermediaries for retail customers to help them achieve their goals—not only the universal goal of earning interest income but also goals in areas of lifelong growth, including further education, as well as inheritance and stability in retirement. In other words, banks that are capable of doing these things are the ones that are chosen by customers. It is not a question of how many branches and employees they have; what's important are the capabilities of each and every employee, their collective capabilities as an organization, and how effectively they can be used by customers.

The new Mid-term Plan "Aozora 2025" aims for us to become exactly this kind of bank. Aozora's employees are sufficiently qualified to respond to these requirements, and the bank's size is well suited for these goals.

Profile

He has served as President and Representative Director of Nisshin Seifun Group Inc. and Chair of the Board of Trustees of Kwansei Gakuin and he has a wealth of experience, credentials and deep insight as a member of senior management of corporate institutions and educational institution, as well as extensive knowledge of corporate finance and accounting. He was appointed as an Outside Director of the Bank in June 2014.

Concurrent Posts

Special Advisor, Nisshin Seifun Group Inc.
Chair of the Board of Trustees, Kwansei Gakuin

Sakie Tachibana Fukushima

Chairperson of the Nomination and Remuneration Committee



What were the key points discussed during the process of formulating the new Mid-term Plan "Aozora 2025"?

Last year, the financial industry went through major upheavals due to factors such as bank failures in Europe and the U.S. Globalization and digitalization, which had been advancing prior to the COVID-19 pandemic, had to be redefined in light of heightened geopolitical risks.

Taking these changes in the external environment as a period of transformation, we have formulated the new Mid-term Plan "Aozora 2025," with the aim of establishing "Aozora's Strategic Investments Business" model. In the first year of the plan, we will work together across the entire Group to enhance corporate value by leveraging the characteristics of each business, under the key words "Fostering, Change, and Recovery," which are the three phases where the Group will leverage its strengths. Outside directors participated in discussing these key points, reconfirming our strengths and weaknesses as a financial institution and organization, and discussing the appropriateness of our strategies in light of market trends.

Aozora has agility that allows it to adapt to changing times. Since strategy is all about execution and results, we confirmed the importance of the following foundational points:

1) investment in human capital, such as hiring and training professionals to enable the placement of the right people in the right places, including reskilling; 2) raising the awareness of all employees to enable cross-sectional optimization throughout the Group; and 3) speedy implementation of strategies. We will continue to closely monitor, supervise and support the execution of these strategies this fiscal year.

Profile

She has served as Director of Korn/Ferry International, a U.S. listed firm as well as President and Chairman of Korn/Ferry Japan. She has also served as an outside director of several Japanese listed companies and she has a wealth of experience, credentials and deep insight as a member of senior management of corporate institutions, as well as extensive knowledge of the management of global human resources and corporate governance. She was appointed as an Outside Director of the Bank in June 2022.

Concurrent Posts

President and Representative Director, G&S Global Advisors Inc.
Outside Director, Ushio Inc.
Outside Director, Kyushu Electric Power Company, Incorporated

Hideyuki Takahashi

Audit and Compliance Committee Member



A message to our shareholders (at the time of appointment)

I joined the Industrial Bank of Japan (currently Mizuho Bank, Ltd.) in 1980. During my banking career, I have been mainly responsible for corporate management and financial strategies, and after the holding company had transitioned to a Company with Nominating Committee, etc., I was engaged in governance reform as Deputy Chairman of the Board of Directors, Chairman of the Audit Committee and Chairman of the Risk Committee. At present, corporate management of financial institutions are facing two significant challenges. One is that we are facing the need to redefine our raison d'être as a financial institution, as the progress of ESG and digitalization lead to discontinuous changes in social and economic structures and transform the existing values themselves.

The other is the need to respond to constant materialization of unexpected risks such as extreme weather events and the Ukraine crisis. In order to ride out these major trends, it is important for the executive officers to have management skills with speed and resilient responsiveness. I believe Corporate Governance underpins these management skills and its keystone is the Board of Directors.

With my experience in the management of financial institutions, I'll do my best to contribute to the sustainable growth of the Bank as an Outside Director.

Profile

He has served as Director and Deputy President, Group CFO, and Deputy Chairman of the Board of Directors of Mizuho Financial Group, Inc. as well as Representative Director and President of Mizuho Research Institute Ltd. and he has a wealth of experience, credentials and deep insight as a member of senior management of corporate institutions in the banking and non-financial sectors, as well as extensive knowledge of finance and accounting and corporate governance of financial institutions. He was appointed as an Outside Director of the Bank in June 2023.

Concurrent Posts

Outside Director, Sunshine City Corporation
Outside Corporate Auditor, Hanwa Co., Ltd.
Outside Director, Audit & Supervisory Committee Member, WOWOW Inc.

Hideaki Saito

Nomination and Remuneration Committee Member



A message to our shareholders (at the time of appointment)

I've worked in the financial and IT industries and gained management experience as president.

In addition, as a management consultant, I've worked on a variety of management issues in many industries, not limited to finance and IT, and have had firsthand experience of the management styles and governance models of Japanese, American and European companies.

I'll provide the essence of these diverse experiences in order to maximize the Bank's corporate value. For example, in the IT area, I believe it is important to consider from the business model development stage, not only the efficiency of IT investment, but also the areas that should be strengthened to demonstrate Aozora's unique characteristics, areas where efficiency should be pursued, and areas where we should not explore. It is also essential to keep up with constantly evolving technology trends.

I'll do my best to contribute to maximizing corporate value by pursuing the strengths of the Bank from the perspective of our shareholders.

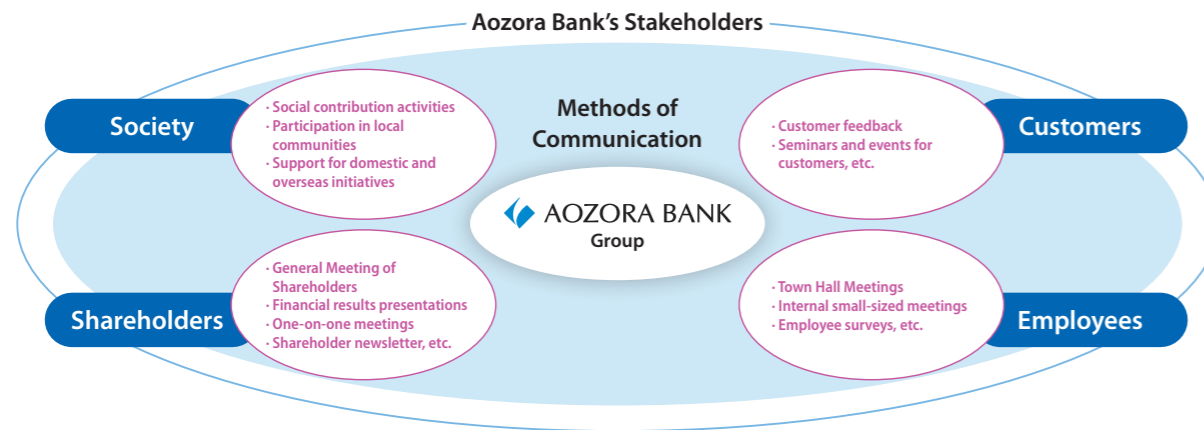
Profile

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

Concurrent Posts

President and CEO, Japan Systems Co., Ltd.
Representative Director, NetCam Systems Corporation
Representative Director, Blueship. Co., Ltd.

Stakeholder Communication



Communication with Customers

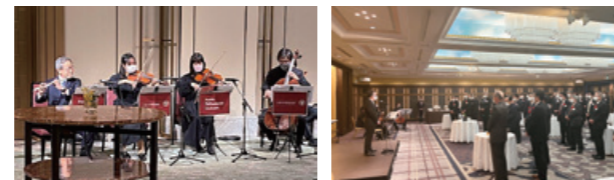
Customer Survey

Aozora conducts a customer satisfaction survey every year for corporate and individual customers. Based on the results of the survey, in order to respond to diverse needs and increase customer satisfaction, Aozora will continue to take customer feedback seriously and use it to improve its services, such as by setting evaluation indicators with an awareness of improving the quality of proposals and raising the quality of its employees through training.

In accordance with Aozora's "Basic Policy on Customer-Oriented Business Management," Aozora is committed to providing specialized financial services that take into consideration not only asset management needs but also wealth transfer needs and business succession needs while maintaining a customer-oriented business attitude in pursuit of the best interests of our customers.

Reception for Regional Financial Institutions

We host receptions where we invite our regional financial institution customers. As a result of the COVID-19 pandemic, the event was held in person in FY2022 for the first time in three years. On the day of the event, a string quartet featuring members of the Sophia Philharmonic Orchestra gave a live performance, and their elegant melodies made for a harmonious moment from start to finish.



Customer Seminars

Every year, the Aozora Group holds a series of seminars which are of relevance and interest to our customers. In November 2022, we held a seminar for regional financial institution customers on the topic of business recovery in the third year of the COVID-19

pandemic. We made presentations on methods of determining revitalization according to the stage of the business, and also offered individual consultations to customers who were in attendance.

Communication with Shareholders

General Meeting of Shareholders

The 90th Ordinary General Meeting of Shareholders was held on June 22, 2023. As with the last fiscal year, Aozora offered a livestream of the Ordinary General Meeting of Shareholders alongside the in-person event, which allowed for the participation of shareholders who resided in remote areas or did not wish to attend in person. Of the total participants, 63 shareholders attended the event in person and approximately 200 attended via livestream. At the venue, newly appointed Director Hideyuki Takahashi, Director Hideaki Saito, Director and Senior Managing Executive Officer Masayoshi Ohara and Audit & Supervisory Board Member Junichi Maeda gave a brief speech to the shareholders. We will continue to periodically revise conventional methods of hosting the event as we aim for an open general shareholders meeting in a new era.

We also publish a shareholders report "Aozora Tsushin" twice per year on our website as a report for shareholders.



Investors Meetings

Aozora strives for the timely and appropriate disclosure of information to enable all shareholders and investors to acquire deeper understanding of the Group's management strategy and financial results. As part of IR activities, following the release of our financial results, we actively conduct a series of investor relations events, such as investors meetings, one-on-one meetings and retail investors meetings, both in person and online. The number of one-on-one meetings with domestic and overseas institutional investors and analysts held increased from FY2021.

IR Events Conducted in FY2022

Teleconferences and presentation meetings with institutional investors and analysts	Number of meetings held: 6
One-on-one meetings with domestic/overseas institutional investors and analysts	Total number of participating companies: 141
Retail investors meetings	Number of meetings held: 5 Number of participants: 1,682

Communication with Employees

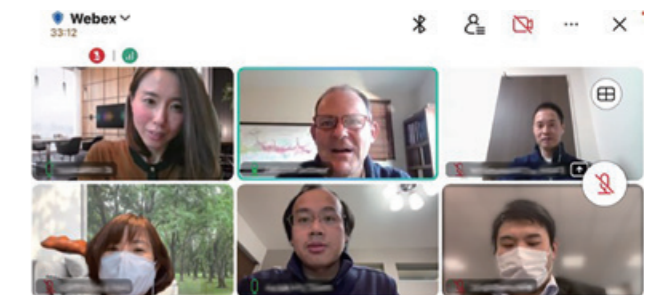
Town Hall Meeting

In November 2022, Aozora Town Hall Meeting was held for the first time in three years via a hybrid format in three venues—Nihonbashi, Toyosu, and Toshimaen—and remotely through Zoom. Being the first event in three years, three themes, "Aozora Today," "Our Goals," and "Reviewing the Three-year Period between 2020 and 2022," were addressed, and video messages were streamed from overseas offices.



Internal Small-sized Meetings

Aozora holds internal small-sized meetings as a way to foster better communication between employees and management by leveraging our manageable size. The Bank periodically holds internal small-sized meetings which are designed to facilitate communication among small groups. In FY2022, in addition to a meeting conducted by non-Japanese employees on the topic of "Career Motivation in the Aozora Group," executive officers visited each branch office nationwide and engaged in active discussions about issues such as the roles that will be required at each branch office in the future.



Examples of Other Initiatives

Employee Survey	Since FY2017, we have conducted a participatory survey in order to improve the working environment for all Aozora Group employees. In the survey conducted in November 2022, we received responses from 1,915 employees (a response rate of 85%).	
Message from Management	We periodically communicate messages from top management to Group executives and employees. In FY2022, a total of 50 messages were shared.	
Aozora Photo News	Various Group events (e.g., the status of holding customer seminars, donations to various organizations, TV appearances by employees) are made available on the Group's portal site. Approximately 157 articles are shared a year, making the site a useful tool for promoting active communication.	
One Day at Aozora	We distribute articles on our daily business activities to provide employees with an opportunity to better understand the work executives and employees conduct and what kind of thoughts they have about their work, which leads to more active communication and collaboration between divisions.	
Aozora Pen Relay	In FY2022, we launched a "pen relay program" in which executives and employees write self-introductions on any theme, such as job description, work experience, hobbies and interests, and share them on the Aozora Group's portal site and ask their managers, staff, and colleagues who have helped them to write the next self-introduction.	