

Corporate Governance Report

Last Update: July 15, 2025

Aozora Bank, Ltd.

Hideto Oomi

President and CEO

Contact: Business Strategy Division 03-6752-1111

Securities Code: 8304

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

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

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

1. Basic Policy

Aozora incorporates its management philosophy into the execution of its ongoing business operations with the aim of achieving sustainable growth and enhanced corporate value. To this end, the Bank has established a disciplined management structure, under which we position the proper establishment and effective operation of a corporate governance framework, which in turn underpins our pursuit of transparency and efficiency, as one of the primary management initiatives and we continue working to further enhance this framework.

As a "Company with Audit and Supervisory Board," Aozora has a Nomination and Remuneration Committee and a Risk Governance Committee as voluntary advisory bodies to the Board of Directors. Aozora's Board of Directors ensures independence and objectivity as more than half of the Board are outside directors and each of the committees include independent outside directors who represent a majority and one of whom serves as the chairperson. The Audit and Supervisory Board also includes outside Audit and Supervisory Board Members that represent the majority, creating an environment that enables each ASB member to offer active views to the Board of Directors.

Aozora works to ensure a separation of duties between management oversight and business execution. While the Board of Directors determines basic management policy and strategies as well as oversees the execution of business operations, executive officers conduct daily business operations with authority delegated from the Board of Directors. The Management Committee is the highest decision-making body for the execution of daily business, and is comprised of members from among the executive officers approved and appointed by the Board of Directors. This structure is designed to improve the speed of decision-making as well as enhance efficiency in the execution of business operations through the use of sub-committees.

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

The Bank makes ongoing efforts to strengthen corporate governance and judges that it is compliant with all the principles of the Corporate Governance Code.

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

Principle 1.4 (Strategic Shareholdings)

In principle, Aozora does not have cross-shareholdings^{*1} where the associated benefits and risks are not commensurate with the cost of capital and where the purpose of the investment is not clearly identified

Aozora's strategic shareholdings are comprised of two different types: (i) equities held traditionally to maintain and strengthen relationships with existing customers (traditional equity investments); and (ii) equities acquired and held to support investee companies in enhancing their corporate value through dialogue with their senior management as a shareholder in the course of conducting our Strategic Investments Business (equity investments with a primary focus on engagement).

With regard to traditional equity investments, we make an assessment of whether the associated risks and benefits, including investment purpose, RORA^{*2}-based profitability, and business development potential, are commensurate with the cost of capital at the Board of Directors each year, and gradually sell any equities if they are determined to be "less significant" in business terms. We held seven equity positions as of March 31, 2025, with one position sold in FY2024.

As for equity investments with a primary focus on engagement, Aozora proactively invests in companies whose corporate value is expected to increase based on dialog with their senior management. We conduct progress monitoring on engagement during the equity holding period, and may sell equities depending on the degree to which the meeting of the original investment purpose and return targets. We also report the status of investments to the Board of Directors, thereby maintaining our framework for equity investments with a primary focus on engagement at an appropriate level. In FY2024, the Bank sold 12 equity positions and acquired 22 positions. As of March 31, 2025, we held 57 strategic equity positions.

The amount of our strategic shareholdings on the balance sheet accounted for approximately 4% of consolidated total net assets.

When exercising voting rights on shares held, the Bank exercises its all voting rights from the perspective of whether or not each agenda item is expected to make a contribution 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" that was established with the approval of the Integrated Risk Committee.

^{*1} "Strategic shareholdings" in this Corporate Governance Report is equivalent to "investments in equity securities held for other than pure investment (specified equity securities)" in the Securities Report.

^{*2} RORA: Return on Risk-weighted Assets

This measure shows the level of income the Bank earns from gains against shareholding risk, which is calculated by a formula “Annual Revenue divided by Risk Asset Amount.”

Principle 1.7 (Related Party Transactions)

The Bank discloses 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)

The Aozora Group is aware that taking into consideration diverse viewpoints in decision-making is a significant factor to enhance the growth and adaptivity of the organization as well as to deliver value to society. We have positioned the promotion of DEI (diversity, equity, and inclusive) as the core of our management strategy with a view to achieving sustainable growth and higher corporate value in response to the rapidly changing business environment.

Aozora has established its human resources development and environmental improvement policies and strengthened initiatives to ensure diversity by setting target percentages for mid-career, female, and non-Japanese managers. The percentage of mid-career managers has already reached 58%.

<Independently determined measurable diversity targets and results>

Categories	Current ratios (March 31, 2025)	Ratios to be achieved (March 31, 2028)
Female managers	14.9%	20%
Female deputy managers	40.7%	40%
Non-Japanese managers	3.2%	3%
Mid-career managers	58.3%	40%
Percentage of eligible male employees taking childcare leave	105%	100%

(Note)

- Managers: Total of general managers and group managers
- Deputy managers: One level below managers
- Non-Japanese managers: Include those working in domestic/overseas subsidiaries excluding GMO Aozora Net Bank
- Percentage of eligible male employees taking childcare leave = (a) Number of male employees who took childcare leave during FY2024 / (b) Number of male employees with children born during FY2024.

The resulting percentage is rounded down to a single decimal place. Please note that the

aforementioned (a) includes employees who have children born in or before FY2023 but have newly taken childcare leave in FY2024. As a result, the percentage could exceed 100%.

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

Polices	Actions
[Policy 1] Recruitment and internal promotion with a focus on diversity as well as capability	<ul style="list-style-type: none"> • Continue to hire mid-career as well as new grads • Enhance hiring of more female employees as “Sogo-shoku” (professional carrier category) • Focus more on diversity-driven promotions
[Policy 2] Support female employees’ career development	<ul style="list-style-type: none"> • Encourage female employees to gain experience in new business areas • Support female employees’ career development through the female leadership development training and other programs
[Policy 3] Improve Aozora’s working environment in order for all employees to play more active roles	<ul style="list-style-type: none"> • Focus on investments in human resources from the perspective of both internal and external rewards • Continue initiatives to enhance employee engagement • Create a safe working environment for employees with disabilities

FY2024
<ul style="list-style-type: none"> • New graduates: 41 (including 18 females) • Mid-career: 39 (including 12 females) • Percentages of managers—females: 14.9%, mid-career hires: 58.3%, non-Japanese: 3.2%
<ul style="list-style-type: none"> • Implemented career support initiatives, including internal short-term trainee program and job support program • Female leadership development training: twice (20 attendees), Cross-industry networking events among female leaders: twice (three participants each)
<ul style="list-style-type: none"> • 3% increase in pay-scale (four years in a row, provision of the enhanced Development Program for Human Resources [31 hours of training per employee]) • Employee survey results—comfortable workplace: 79%, job satisfaction: 56%, praise for taking on challenges: 47% • Received the 2021 Tokyo Governor’s Excellent Company Award for the Employment of People with Disabilities

Principle 2.6 (Enhanced Function as Owner of Corporate Pension Fund Assets)

The Bank appoints asset management professionals 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 experienced members in areas such as human resources, financial control, risk management and market transactions. The Asset Management Committee performs duties including determining 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 Aozora Group has clearly stated its management philosophy as basic management and business policies, which is comprised of Aozora Mission, Aozora Vision and Aozora's Key Priorities. For details, please visit our website using the links below.

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

The Bank announced its new Mid-term Plan "Aozora 2027" (FY2025–27) on May 14, 2025. For details, please visit our website using the link below.

<https://www.aozorabank.co.jp/english/ir/library/plan/>

2025 marks the 10th anniversary since the Bank's full repayment of public funds. Over this period, Aozora has focused on building the foundation for future growth through initiatives including the strengthening of the Strategic Investments Business and the launch of GMO Aozora Net Bank.

Looking at recent events, GMO Aozora Net Bank achieved positive business profit in FY2024. Our collaboration with Daiwa Securities Group under the capital and business alliance agreement has also been progressing. The specific areas of collaboration are the following five: (i) wealth management, (ii) real estate-related business, (iii) M&A, (iv) support for growing companies, and (v) corporate lending. Both companies will continue discussions and aim to increase the added value provided to our customers through expanding the collaboration across a wide range of areas.

At the same time, the normalized domestic interest rates and growing demand for the Strategic Investments Business, including LBO financing, serve as a tail wind for us, and we are working to expand business by taking advantage of this opportunity. We are aware that this environmental change is a significant turning point in our growth strategy going forward.

With regard to our capital policy, Aozora aims to achieve a PBR of over 1x by steadily capturing growth opportunities with a primary focus on the Strategic Investments Business, realizing an ROE that fully covers our cost of capital, and enhancing corporate value. We will also implement our capital policy primarily by striking a proper balance among "allocation of capital for steady growth based on our risk appetite framework," "financial strength," and "stable shareholder returns."

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>, <Procedure for Nominating Directors, and Appointing and Dismissing Senior Management Including the CEO> and <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/2025stockmtg.pdf>

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

The Aozora Group promotes sustainability initiatives as an integral part of its business strategy and incorporates the perspective of “social values” into its business and activities as a business entity, with the aim of contributing to all stakeholders, including society, customers, shareholders and employees, realizing a more sustainable society and enhancing the Group’s corporate value.

For the Aozora Group’s specific measures for addressing climate change, human capital, diversity and other issues, please refer to “2 [Sustainability Policy and Initiatives]” in Part 1, Chapter 2 of the Securities Report and the Annual Report.

[Securities Report]

<https://www.aozorabank.co.jp/corp/ir/library/securityreport/> (Japanese only)

[Annual Report]

<https://www.aozorabank.co.jp/english/ir/library/disclosure/>

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

In order to ensure timely decision-making in the execution of its business, Aozora has established the Management Committee, which is comprised of members appointed by the Board of Directors from among directors and executive officers and is delegated with authority to discuss and determine important matters related to the Bank's execution of its daily business. The Management Committee has sub-committees, which are comprised of members with specialized knowledge, experience, and decision-making capabilities, and delegates authority to each of them. As for important matters mainly related to management policies and strategies, the Management Committee and its sub-committees conduct multi-faceted and substantive discussions and then submits them to the Board of Directors for approval, which contributes to ensuring efficiency and appropriateness in deliberations and decision-making at the Board of Directors.

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 (Authority, Role and Independence of the Nomination and Remuneration Committee)

Please refer to “II.1 Organization Structure and Business Operations, Directors, Status, Composition and Chairperson of Non-Mandatory Committees, and 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 <Oversight and Audit>, <Basic Policy for Nominating Directors and Audit & Supervisory Board Member Candidates, and Appointing and Dismissing Senior Management Including the CEO> and <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 improvement process (PDCA cycle) of analyzing and evaluating Board effectiveness each fiscal year as well as considering and providing solutions to new and existing issues.

<Self-evaluations by board members>

The Board of Directors self-evaluates its management, oversight and other functions that leverage the knowledge, experience, and capabilities of each director and Audit and Supervisory Board member, based on a survey among all board members and in light of its fiduciary duties and accountability to the Bank's shareholders, with the aim to achieve the Bank's sustainable growth and enhanced corporate value over the medium to long term.

For the result of this assessment in FY2024, please refer to the end of this report.

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 Meeting of Shareholders, 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 consideration to the views and concerns expressed in its communications with shareholders, and provides a 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 individual points of view.

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

- The Chief Executive Officer (CEO) oversees the Bank's overall communications with shareholders to ensure that constructive dialogue is maintained.
- 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 Financial Results Telephone Conferences and Financial Results Investors Meetings for investors and analysts. The Bank also actively participates in individual and institutional investor conferences held by securities firms, with the goal of further enhancing communications with shareholders and investors.
- Aozora posts Annual Reports, Investors Meetings presentation materials and other relevant documents on its website to facilitate a better understanding of the Bank's business performance and management strategy among shareholders. The Bank also conducts questionnaire surveys to retail stakeholders in an effort to further understand shareholders' views and concerns.

- The CEO and CFO periodically 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 with the assistance of outside counsel.

[Communications with shareholders]

In FY2024, the Bank conducted the following events to facilitate communications with shareholders.

- Teleconferences, presentation meetings, etc. with institutional investors and analysts: eight meetings held
- One-on-one meetings with domestic/overseas institutional investors and analysts: 202 companies participated in total
- Retail investors meetings: three meetings held

For details, please refer to the Annual Report.

<https://www.aozorabank.co.jp/english/ir/library/disclosure/>

Principle 5.2 (Preparation and Announcement of Business Strategy/Plan)

On May 14, 2025, the Bank announced its new Mid-term Plan “Aozora 2027” for three years spanning from FY2025 to FY2027.

We intend to achieve sustainable growth driven by the expansion of our Strategic Investments Business primarily in Japan, maximizing synergies from our capital and business alliance with Daiwa Securities Group, as well as the growth of GMO Aozora Net Bank, with the aim to meet the targets set out in the Mid-term Plan.

The following are the key performance indicators of the Bank's FY2027 plan:

- Profit attributable to owners of parent: 33 billion yen
- ROE: Approx. 7%
- CET1 ratio: 8% or higher
- Earning assets*: 5.5 trillion yen
- Impact of alliance with Daiwa Securities Group: +10.0 billion yen (business profit basis)

* Total of loans and securities (excluding loans to the government, government bonds, etc.)

For the details of the New Mid-term Plan “Aozora 2027” (FY2025–27), please refer to our website.

<https://www.aozorabank.co.jp/english/ir/library/plan/>

We will continue working to sustainably grow our corporate value to reach a PBR of 1x through a range of initiatives designed to achieve our ROE targets as well as striving to enhance the quality of our disclosures, including progress on the Mid-term Plan.

[Action to Implement Management that is Conscious of Cost of Capital and Stock Price] (Update: July 16, 2024)

- (1) Status of action to implement management that is conscious of cost of capital and stock price
☐ Disclosure of initiatives (initial) ☒ Disclosure of initiatives (update) ☐ Under consideration
- (2) Existence of English disclosure
☒ Available ☐ Unavailable
- (3) Date of update
 July 15, 2025
- (4) Note for action to implement management that is conscious of cost of capital and stock price
 For the details of our action to implement management that is conscious of cost of capital and stock price, please refer to the New Mid-term Plan “Aozora 2027” (FY2025–27) (page 12) on the Aozora website.
https://www.aozorabank.co.jp/english/ir/library/plan/pdf/new_mid-term_plan_aozora2027.pdf#page=14

2. Capital Structure

Percentage of Overseas Shareholders	Below 10%
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[Status of Major Shareholders]

Company Name	Number of Shares	Percentage (%)
Daiwa Securities Group Inc.	33,056,300	23.88
The Master Trust Bank of Japan, Ltd. (Trust Account)	16,985,800	12.27
The Nomura Trust and Banking Co., Ltd. (Trust Account 2052255)	4,300,000	3.10
Custody Bank of Japan, Ltd. (Trust Account)	2,867,850	2.07
STATE STREET BANK WEST CLIENT - TREATY 505234	1,294,561	0.93
JP MORGAN CHASE BANK 385794	1,007,364	0.72
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	920,400	0.66
SMBC Nikko Securities Inc.	901,174	0.65
STATE STREET BANK AND TRUST COMPANY 505103	847,010	0.61
Nojima Corporation	682,300	0.49

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, 2025.

Daiwa Securities Group Inc. submitted a Change Report dated August 14, 2024, stating their holdings with its joint shareholders Daiwa Securities Co. Ltd. and Daiwa Asset Management Co. Ltd. as of August 7, 2024, as follows. However, excluding the portion held by Daiwa Securities Group Inc., they are not included in the above “Status of Major Shareholders” as the Bank was unable to confirm the actual number of shares held by these shareholders as of March 31, 2025.

The proportion of shares held based on the Change Report to the number of shares issued (including treasury shares) has been rounded to two decimal places.

<Company Name>	Daiwa Securities Group Inc.
<Address>	9-1, Marunouchi 1-Chome, Chiyoda Ward, Tokyo
<Number of Shares>	33,056,300
<Shareholding Ratio>	23.65%

<Company Name>	Daiwa Securities Co. Ltd.
<Address>	9-1, Marunouchi 1-Chome, Chiyoda Ward, Tokyo
<Number of Shares>	214,900
<Shareholding Ratio>	0.15%

<Company Name>	Daiwa Asset Management Co. Ltd.
<Address>	9-1, Marunouchi 1-Chome, Chiyoda Ward, Tokyo
<Number of Shares>	2,414,300
<Shareholding Ratio>	1.73%

Nomura Securities Co., Ltd. submitted a Change Report dated November 7, 2024, stating their holdings with its joint shareholder Nomura International plc as of October 31, 2024, as follows. They are not included, however, in the above “Status of Major Shareholders” as the Bank was unable to confirm the actual number of shares held by the aforementioned shareholders as of March 31, 2025.

The proportion of shares held based on the Change Report to the number of shares issued (including treasury shares) has been rounded to two decimal places.

<Company Name>	Nomura Securities Co., Ltd.
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<Address>	13-1, Nihonbashi 1-Chome, Chuo Ward, Tokyo
<Number of Shares>	424,183
<Shareholding Ratio>	0.30%
<Company Name>	Nomura International plc
<Address>	Angel Lane, London EC4R 3AB, United Kingdom
<Number of Shares>	1,133,944
<Shareholding Ratio>	0.81%
<Company Name>	Nomura Asset Management Co., Ltd.
<Address>	2-1, Toyosu 2-Chome, Koto Ward, Tokyo
<Number of Shares>	4,678,500
<Shareholding Ratio>	3.35%

The Statements of Large-Volume Holdings dated April 1, 2025 onwards have not been reflected.

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange Prime Market
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

As Daiwa Securities Group Inc. is a shareholder of the Bank holding 23.93% of the Bank's voting rights, the Bank is classified as an equity method affiliate of Daiwa Securities Group Inc.

Aozora entered into a Capital and Business Alliance Agreement ('the Agreement') with Daiwa Securities Group Inc. on May 13, 2024. Based on the Agreement, Aozora and Daiwa Securities Group Inc. collaborate in the areas of corporate business (corporate lending [including support for growing

companies], real estate-related business, and M&A) and retail business (wealth management), with the mutual aim to achieve sustainable enhancement of each corporate value by creating new added-value through integrating a range of services available from both groups. Under the Agreement, Daiwa Securities Group Inc. has the right to appoint one person as a candidate for outside director of the Bank as long as it remains a shareholder of the Bank with a 15% or more voting rights stake, and one executive officer of Daiwa Securities Group Inc. currently serves as an outside director of Aozora. As set out in the Agreement, approval from Daiwa Securities Group Inc. is not required in any case in order to avoid restricting the Bank’s autonomy in its management and business operations. For this reason, Aozora believes that its management remains independent without any constraints on business activities.

[Measures for ensuring independence from other affiliated companies from the perspective of protecting minority shareholders]

Transactions between Aozora and Daiwa Securities Group Inc. are conducted according to the arm's length principle. As with the case of ordinary transactions with its business partners with no capital relationship, Aozora also ensures the appropriateness of transactions by obtaining proper approval for such transactions through deliberations and other procedures in accordance with its internal regulations. Of the Bank’s nine directors (including five outside directors), one person was nominated by Daiwa Securities Group Inc. in accordance with the Capital and Business Alliance Agreement between the two parties on May 13, 2024, and then appointed as a director. In cases where a proposal that could cause a conflict of interests between Aozora and Daiwa Securities Group Inc. is submitted to the Bank’s Board of Directors, the aforementioned director shall not take part in any relevant deliberations and resolutions.

As a listed company, the Bank independently makes management decisions and operates business under its own responsibility, ensuring its independence from Daiwa Securities Group Inc.

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	Chairman
Number of Directors	9

Appointment of Outside Directors	Appointed
Number of Outside Directors	5
Number of Independent Directors	4

Outside Directors' Relationship with the Bank (1)

Name	Attribute	Relationship with the Bank*										
		a	b	c	d	e	f	g	h	i	j	k
Sakie Tachibana Fukushima	From a separate company											
Hideyuki Takahashi	From a separate company											
Hideaki Saito	From a separate company											
Koichi Tadano	From a separate company											
Hiromasa Kawashima	From a separate 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
Sakie Tachibana Fukushima	Yes	<p>Main Concurrent Posts President and Representative Director, G&S Global Advisors Inc. Outside Director, Kyushu Electric Power Company, Incorporated</p> <p>Relationship with Aozora customers, etc. None</p>	<p>Ms. Sakie Tachibana Fukushima has served as a Director of Korn/Ferry International (U.S. Headquarters), a U.S. listed firm, as well as President and Chairperson 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 top management of corporate institutions, as well as extensive knowledge of the management of global human resources and corporate governance. She has appropriately supervised the management of the Bank as an Outside Director since June 2022. The Bank has high regard for her experience and capabilities and expects her to provide overall oversight and advice on the execution of duties by executive officers, from an objective perspective, toward the enhancement of the Bank's corporate value over the medium to long term.</p> <p>In addition, she is not in conflict with the independence standards set by the Tokyo Stock Exchange and meets the Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members set by the Bank.</p> <p>She was selected as an independent director as it was determined that there is no risk of a conflict of interest with general shareholders.</p>

Hideyuki Takahashi	Yes	<p>Main Concurrent Posts Outside Director, Sunshine City Corporation Outside Director, Audit and Supervisory Committee Member, Hanwa Co., Ltd.</p> <p>Relationship with Aozora customers, etc. None</p>	<p>Mr. Hideyuki Takahashi has served as Deputy President and 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 & Technologies, Ltd. and he has a 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 finance and accounting and corporate governance of financial institutions. He has appropriately supervised the management of the Bank as an Outside Director since June 2023.</p> <p>The Bank has high regard for his experience and capabilities and expects him to provide overall oversight and advice on the execution of duties by executive officers, from an objective viewpoint, toward the enhancement of the Bank's corporate value over the medium to long term. In addition, he is not in conflict with the independence standards set by the Tokyo Stock Exchange and meets the Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members set by the Bank.</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.</p>
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Hideaki Saito	Yes	<p>Main Concurrent Posts President and CEO, Japan Systems Co., Ltd. Representative Director, NetCam Systems Corporation Director and Representative Executive Officer, Blueship Co., Ltd. Member of the Management Advisory Council, JAPAN POST INSURANCE Co., Ltd.</p> <p>Relationship with Aozora customers, etc. None</p>	<p>Mr. Hideaki Saito 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 top management of companies in the non-financial sector and a strategic consultant, as well as extensive knowledge of DX/IT. He has appropriately supervised the management of the Bank as an Outside Director since June 2023. The Bank has high regard for his experience and capabilities and expects him to provide overall oversight and advice on the execution of duties by executive officers, from an objective viewpoint, toward the enhancement of the Bank's corporate value over the medium to long term. In addition, he is not in conflict with the independence standards set by the Tokyo Stock Exchange and meets the Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members set by the Bank. He was selected as an independent director as it was determined that there is no risk of a conflict of interest with general shareholders.</p>
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Koichi Tadano	Yes	<p>Main Concurrent Post Chairman of the Board and Representative Director, Tadano Ltd.</p> <p>Relationship with Aozora customers, etc. None</p>	<p>Mr. Koichi Tadano has served as President, CEO, and Representative Director as well as Chairman of the Board and Representative Director of Tadano Ltd. and has demonstrated leadership as the top manager of the Company for many years. He has a wealth of experience, credentials and deep insight in overall management, as well as extensive knowledge of global business.</p> <p>The Bank has high regard for his experience and capabilities and expects him to provide overall oversight and advice on the execution of duties by executive officers, from an objective perspective, toward the enhancement of the Bank's corporate value over the medium to long term. In addition, he is not in conflict with the independence standards set by the Tokyo Stock Exchange and meets the Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members set by the Bank.</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.</p>
Hiromasa Kawashima		<p>Main Concurrent Posts Senior Managing Director, Daiwa Securities Group Inc. Executive Managing Director, Daiwa Securities Co. Ltd.</p> <p>Relationship with Aozora customers, etc. Mr. Hiromasa Kawashima is an executive officer of Daiwa Securities Group Inc., which is a major shareholder of the Bank. There are ordinary securities transactions, etc. as well as other ordinary financial transactions, etc. between Daiwa</p>	<p>Mr. Hiromasa Kawashima, after serving in the Human Resources Division and the Investment Banking Division at Daiwa Securities Group Inc., served successively as Managing Director of the Executive Office and Internal Audit Department, and he is currently serving as Senior Managing Director of Daiwa Securities Group Inc. He has a wealth of experience and knowledge mainly in the Human Resources and Internal Audit sectors. He was selected as an Outside Director of the Bank after being appointed as a candidate by Daiwa Securities Group Inc. following the Bank's execution of the Capital and Business Alliance Agreement with Daiwa Securities Group Inc. on May 13, 2024. The Bank believes his participation in the management as an Outside Director will further deepen collaboration of the two companies,</p>

		Securities Group Inc. and the Bank.	<p>and expects him to provide appropriate advice on the Bank's management to ensure the purpose of the alliance is achieved.</p> <p>Mr. Kawashima belongs to Daiwa Securities Group Inc., a major shareholder of the Bank, and has not been designated as an independent director of the Bank. However, the Bank expects that the involvement of the person from Daiwa Securities Group Inc. in the management as Outside Director will further deepen the alliance between Daiwa Securities Group Inc. and the Bank through his expert advice on the Bank's management and ensure fulfilling the purpose of the alliance.</p>
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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. Five meetings of the Nomination & Remuneration Committee were held in FY2024.

The Nomination & Remuneration Committee, of which the majority comprises independent outside directors, is chaired by an independent outside director in order to ensure its independence.

The Nomination & Remuneration Committee has the authority 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. It also complements the oversight of representative directors and executive officers and conducts checks and balances on them by determining the remuneration of the Board of Directors and executive officers and providing 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 voluntarily established the Risk Governance 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
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 (10 held in FY2024), exchanging ideas and information on internal controls for auditing and financial reporting.

The Audit & Supervisory Board receives regular reports from the Internal Audit Division (five received in FY2024) 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 three-way audit discussions in principle every quarter 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
Toraki Inoue	Certified Public Accountant													
Junichi Maeda	From a separate company										△			

*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 & and Supervisory Board Member	Supplementary Explanation	Reasons for Appointment
Toraki Inoue	Yes	Main Concurrent Posts 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 Audit & Supervisory Board Member, ETVOS Co., Ltd. Outside Audit & Supervisory Board Member, Hokuetsu Corporation	Mr. 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, expertise and insight 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. In addition, he is not in conflict with the independence standards set by the Tokyo Stock Exchange and meets the Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members set by the Bank. 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.
Junichi Maeda	Yes	Main Concurrent Post None	Mr. Junichi Maeda is qualified for the responsibilities as an outside Audit and Supervisory Board Member because he has substantial experience and insight in finance and banking operations, and his position is independent from the day-to-day management responsibilities of the operations and activities of the Bank. In addition, he is not in conflict with the independence standards set by the Tokyo Stock Exchange and meets the Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members set by the Bank.

			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.
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[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 has designated four Outside Directors and all Outside Audit & Supervisory Board Members who are not in conflict with the independence standards set by the Tokyo Stock Exchange and meets the Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members set by the Bank as independent directors.

Mr. Hiromasa Kawashima belongs to Daiwa Securities Group Inc., a major shareholder of the Bank, and has not been designated as an independent director of the Bank.

The Bank's Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members is as follows:

Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members

Outside Directors, Outside Audit & Supervisory Board Members and its candidates who do not fall under any of the following categories shall be deemed to be independent.

1. (1) A person who currently is, or has been during the last 10 years prior to his/her appointment, an Executive (Executive Director, Executive Officer or other employee) of the Bank or its subsidiaries
- (2) A person who had served as a Director, Accounting Advisor and/or Audit and Supervisory Board Member (excluding a person who served as an Executive) of the Bank or its subsidiaries at some time during the 10 years prior to his/her appointment, had also served as an Executive of the Bank or its subsidiaries in the 10 years prior to his/her appointment as such Director, Accounting Advisor and/or Audit and Supervisory Board Member
2. (1) A person for whom the Bank or its subsidiaries is a major business partner (2% or more of consolidated net sales of the said person) or an Executive thereof
- (2) A person who is a major business partner of the Bank or its subsidiaries (2% or more of consolidated net sales of the Bank) or an Executive thereof
3. A consultant, accounting expert and/or legal expert, who has received large amounts of money or other assets (more than an average of JPY 10 million per year over the last three years) from the Bank or its subsidiaries in addition to any compensation received as a director/an Audit & Supervisory Board Member, and/or a person who belongs to a consulting firm, accounting firm

and/or legal firm, etc. which has received large amounts of money or other assets (2% or more of consolidated sale revenue of the said firm) from the Bank or its subsidiaries

4. A person who has “recently” fallen under any of 2 through 3 above (“recently” means where a time can be deemed to be substantively the same as the present. For example, a person is not independent if that person was a major business partner at the time when a matters to be proposed to the shareholders meeting regarding his/her appointment was decided.)
5. A person who has been any of the following (1) to (3) during the last 10 years prior to his/her appointment
 - (1) A person who has been an Executive and/or non-executive director of the parent company of the Bank
 - (2) An Audit & Supervisory Board Member of the parent company of the Bank (limited to cases when the Audit & Supervisory Board Member shall be designated as Independent)
 - (3) A person who has been an Executive of fellow subsidiaries of the Bank
6. A person who is a major shareholder of the Bank (holding 10% or more of the voting rights of the Bank). If the major shareholder is a corporation, etc., a person who is or was an Executive of the said corporation, its parent company, or its major subsidiaries within the past five years
7. A close relative (a spouse or family member within the second degree of kinship, excluding those who is not an “important person”) falls under any of 1 through 6 above (“important person” means, for example, an executive officer/manager-level employee of a company, and in the case of 3 above, a holder of professional qualification such as a Certified Public Accountant and Attorney-at-Law). In the case of 1 above, those who fall under each item at present

Outside Directors: 5

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	Not disclosed individually
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Supplementary Explanation:

<Remuneration: total by officer segment, subtotal by remuneration category and the number of officers (million yen)>

(1) Directors (excluding outside directors) — Remuneration in total: 258, Number of officers: 5

(Breakdown) Base remuneration	164
Performance-based remuneration (bonus)	53
Non-cash remuneration (stock option)	40

(2) Standing ASB member (excluding outside ASB members) — Remuneration in total: 29, Number of officers: 1

(Breakdown) Base remuneration	29
Performance-based remuneration (bonus)	-
Non-cash remuneration (stock option)	-

(3) Outside directors — Remuneration in total: 56, Number of officers: 6

(Breakdown) Base remuneration	56
Performance-based remuneration (bonus)	-
Non-cash remuneration (stock option)	-

(4) ASB members — Remuneration in total: 24, Number of officers: 2

(Breakdown) Base remuneration	24
Performance-based remuneration (bonus)	-
Non-cash remuneration (stock option)	-

- Includes one director and one outside director who retired at the close of the 91st Ordinary General Meeting of Shareholders on June 25, 2024.

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, Customer-Oriented Business Conduct 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 supports 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 objective, the Nomination and Remuneration Committee, which is established voluntarily and mainly comprises outside directors delegated by the Board of Directors, determines the amounts payable to each director based on the Bank's policy of deciding the remuneration of directors as approved by the Board.

The members of the Nomination and Remuneration Committee are as follows:

Chairperson of the Committee: Sakie Tachibana Fukushima, Outside Director

Member: Koichi Tadano, Outside Director

Member: Hideto Oomi, Representative Director and President

The Nomination and Remuneration Committee members in charge of determining the amount of each director's remuneration for FY2024 are as follows:

Chairperson of the Committee: Sakie Tachibana Fukushima, Outside Director

Member: Hideaki Saito, Outside Director

Member: Hideto Oomi, Representative Director and President

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 82nd Ordinary 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 82nd Ordinary 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 the equivalent of 40% of the individual basic remuneration amount (the “Base Bonus Amount”). The individual amount of bonus (performance-based remuneration) payable at a certain time after the close of each fiscal year is then decided by the Nomination and Remuneration Committee 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 during each fiscal year as shown below. Specifically, the rate and bonus amount are determined by considering the following indicators and the Bank’s performance during the applicable period.

- Achievement rates of business profit and net earnings
- Achievement of KPIs, such as ROE, capital adequacy ratio, business-related profit per employee (business profit + gains/losses on stock transactions, etc.) and business-related profit RORA ((business profit + gains/losses on stock transactions, etc.) / risk-weighted assets)
- Assessment of undue risk and occurrence of serious compliance incidents
- Implementation/introduction of measures and strategies, including the launch of new businesses, from a medium- to long-term perspective
- Progress and achievement of the Bank-announced sustainability initiative targets

Among the above key indicators, achievement rates of business profit and net earnings are the basic indicators that determine business results. Achievement rates of ROE, capital adequacy ratio, business-related profit per employee and business-related profit RORA as KPIs are key indicators for the targets in the Bank’s Mid-term 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 performance but also business implementation from a medium- to long-term perspective, factors such as the assessment of undue risk and occurrence of serious compliance incidents, the implementation/introduction of measures and strategies, including the launch of new businesses, from a medium- to long-term perspective, as well as the progress and achievement of the Bank-announced sustainability initiative targets are also fully considered as qualitative evaluation indicators to determine bonus amounts.

Targets and results of the indicators related to performance-based remuneration paid in FY2024 are stated below.

	FY2024 Announced Forecast	FY2024 Results
Business profit	24.0 billion yen	25.0 billion yen
Net earnings*1	18.0 billion yen	20.5 billion yen

	Mid-term Plan Targets*2	FY2024 Results
ROE	8% or higher	4.9%
Capital adequacy ratio	Minimum 9%	10.7%
Business-related profit per employee*3	20 million yen	10 million yen
Business-related profit RORA*4	1.3%	0.6%

*1 Profit attributable to owners of parent

*2 Mid-term Plan "Aozora 2025" (FY2023–25)

*3 Business profit + Gains/losses on stock transactions, etc.

*4 (Business profit + Gains/losses on stock transactions, etc.)/Risk-weighted assets

(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. Equity compensation type stock options are granted within a specific period following the end of each fiscal year. 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 fulltime directors within 150 million yen a year (7,500 shares per year) was approved at the 81st Ordinary General Meeting of Shareholders on June 26, 2014. The Bank had four full-time directors as of the end of the 81st Ordinary General Meeting of Shareholders.

<Reasons for the Board of Directors' Judgment that Remuneration of Individual Directors for FY2024 Year was in Accordance with the Above Policy>

The Nomination and Remuneration Committee determined the specific remuneration for individual directors from a broad perspective, including the analysis of business target achievements and each director's contribution to the Bank's business operations, while ensuring consistency with its policy of determining remuneration. The Board of Directors respected such determination while judging that it was made in accordance with the determination policy.

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

ASB members discuss and determine individual remuneration amounts by considering discussions and proposals made at the Nomination and Remuneration Committee. ASB members only receive base remuneration (fixed remuneration), which is paid on a monthly basis during their tenure 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 Ordinary General Meeting of Shareholders on June 23, 2006. The Bank had three ASB members as of the end of the Ordinary 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 take part in discussions and make recommendations at Board of Directors meetings, as well as at the Nomination & Remuneration Committee and the Risk Governance Committee in which outside directors constitute the majority. 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 periodically sends minutes and other information pertaining to management-level committees (Management Committee, etc.) to outside directors 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 (Management Committee, etc.) 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 provides training seminars by inviting experts from outside the Bank. 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. Prior to assuming their offices, newly appointed directors in FY2024 collected and shared key information on Aozora's regulations and business operations related to governance, and also attended multiple briefing sessions that provided an overview of the Bank to deepen their understanding of its overall business as well as the areas of finance, IT, human resources, risk management, and sustainability. Since assuming their offices, they have continued updating their understanding of the Bank's business, for example by receiving a briefing on the business situation directly from the officer in charge.

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 basic policies for business operations and oversees the execution of duties by executive officers entrusted with daily business operations. In addition, our four independent outside directors occasionally hold executive sessions, which are comprised solely of independent outside directors, to allow for the discussion and exchange of views on topics, including Aozora's executive structure, key business issues, and the operation of the Board of Directors, from an independent outside director's perspective.

Composition of the Board of Directors:

- (1) The Board of Directors shall not have more than twelve (12) Directors, which is the maximum number of Directors stipulated in the Articles of Incorporation.

- (2) Nomination of Director candidates shall be based on the “Basic Policy for Nominating Directors and Audit & Supervisory Board Member Candidates, and Appointing and Dismissing Senior Management Including the CEO.”
- (3) The composition of the Board of Directors shall take into consideration diversity and mix of experience, with a wealth of knowledge and expertise in areas including banking and finance, financial accounting, risk management, compliance and so forth in addition to deep insight of the Aozora Group’s business.
- (4) The Board of Directors shall be composed of internal Directors who possess extensive knowledge and experience in business execution and outside Directors who supervise management from an objective standpoint. Judgement of outside Director’s independence shall be made based on “Independence Criteria for Outside Directors and Outside Audit & Supervisory Board Members” and the percentage of independent outside Directors, in principle, shall be a half or more.

2. Audit and Supervisory Board

Aozora operates under the Audit and Supervisory Board (ASB) system. The ASB performs business and accounting audits regarding the execution of duties by directors and executive officers in accordance with relevant laws and regulations. ASB meetings are held with all ASB members attending to receive reports on important audit matters and discuss or resolve them as needed.

3. Nomination & Remuneration Committee

The Nomination and Remuneration Committee, the majority of which is comprised of outside directors, provides the Board of Directors with recommendations, including prospective candidates for Board and Audit & Supervisory Board members and other important employees as well as CEO succession planning. 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. Governance Committee

The Risk Governance Committee, the majority of which is comprised of outside directors, serves as an advisory body to strengthen the effectiveness of internal control and risk appetite framework operations by the Board of Directors, and professionally deliberates important matters, including internal control, evaluation of the establishment and revision of the Risk Appetite Statement, and evaluation of the monitoring of the risk appetite framework.

(The Risk Governance Committee was reorganized from the former Audit and Compliance Committee on July 1, 2025 to ensure tighter oversight of risk governance and risk management while also succeeding the function to oversee internal control.)

<Execution of Duties>

For the execution of business below the Management Committee level, the Aozora Group is committed to developing proper and efficient operations through the development of Internal Rules and material revisions to them, enhancement of the risk management structure, and internal audits by the Internal Audit Division, in accordance with the basic policy for building the internal control system approved by the Board of Directors, the basic policy for compliance with laws and regulations, and the basic policy for risk management.

The Management Committee meets weekly and determines important matters related to the Bank's execution of daily business 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, Customer Protection Committee and Sustainability Committee. Sub-committees are comprised of members with 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>

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 the Bank's 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

The composition of the Board of Directors shall take into consideration diversity and mix of experience, with a wealth of knowledge and expertise in areas including banking and finance, financial accounting, risk management, compliance and so forth in addition to deep insight of the Aozora Group's business.

- Basic Guidelines for Nominating Audit & Supervisory Board Member Candidates

Candidates should:

1. Possess substantial management knowledge and expertise
2. Have knowledge of important financial rules and regulations, finance and accounting

3. Be objective, 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

- Reappointment of Directors and Audit & Supervisory Board Members

For reappointment of Directors and Audit & Supervisory Board Members, the above basic guidelines, performance of his/her duties and contribution to the Bank's management as Director/Audit & Supervisory Board Member during his/her term of office shall be considered each fiscal year.

The maximum term of office of each official corporate title of full-time director shall be determined by the internal regulations of the Management Committee.

The maximum total term of office of outside directors shall be 10 terms or 10 years.

The maximum total term of office of outside Audit & Supervisory Board Members shall be 3 terms or 12 years.

- Basic Guidelines for Appointing and Dismissing Senior Management (Executive Officers)

(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

- Formulation of CEO succession plan

We have formulated a succession plan that incorporates the items below, with the aim of securing potential CEO successors who can contribute to the sustainable enhancement of the Bank's corporate value for smooth business succession in the future.

1. Overall policy including a roadmap
2. Capability requirements for CEO in light of strategic directions and environmental changes
3. Candidate selection and training plans

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 92nd (FY2024) 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>

As stated in Part 1, IV, 4 “State of Corporate Governance” (1)-1-(6) of the 92nd (FY2024) Securities Report, the Bank has entered into 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, Audit & Supervisory Board Members and Executive Officers as insured parties.

3. Reasons for Adoption of Current Corporate Governance System

As a “Company with Audit and Supervisory Board,” Aozora has the Nomination and Remuneration Committee and the Risk Governance Committee as voluntary advisory bodies to the Board of Directors. Aozora’s Board of Directors ensures independence and objectivity as more than half of the Board are outside directors. Coupled with this, each of the above committees has independent outside directors constituting the majority and one of them acts as a chairperson.

The Audit and Supervisory Board also includes outside Audit and Supervisory Board Members that represent the majority, which serves as an environment that enables each ASB member to offer active views at the Board of Directors.

With the establishment and operations of these systems, the responsibilities of the Board of Directors, etc. as stated in “Principle 4” are fulfilled appropriately.

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 Meeting of Shareholders and Ensure Smooth Exercise of Voting Rights

	Supplementary Explanation
Early Notification of the General Meeting of Shareholders	The June 2025 General Meeting of Shareholders decided that the start date of measures for electronic provision shall be May 27, 2025 and the dispatch date of the Convocation Notice shall be June 4. Both dates were earlier than the statutory due date. Information subject to the measures for electronic provision is posted on three sites including the Aozora website and TSE's website.
Scheduling Shareholders' Meetings Avoiding Peak Days	In principle, the Bank avoids peak days when scheduling shareholders' meetings.
Electronic Exercise of Voting Rights	Exercise of voting rights via the Internet 1. “Smart Voting” method 2. Accessing the Bank’s website dedicated to exercise of the voting right

Participation in Electronic Voting Platform	The Bank has utilized the ICJ voting platform since the 75th 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, together with the Japanese version, is submitted to the Tokyo Stock Exchange, registered on the ICJ voting platform, and posted on the websites of Aozora and PRONEXUS Inc. Printed copies are provided to the shareholders attending the General Meeting of Shareholders when requested.
Other	<ul style="list-style-type: none"> • We welcome pre-planned questions in advance either in writing or via e-mail. • During the General Meeting of Shareholders, business reports and other agenda items are projected on to a large screen for ease of understanding mainly in the form of slides. • We have provided a livestream of the General Meeting of Shareholders (with viewer participation) for our shareholders who reside in remote areas or do not intend to visit the venue since the 88th General Meeting of Shareholders held in June 2021. Shareholders viewing the livestream may send comments while watching the video feed. We introduce and answer those with a high interest among shareholders during the General Meeting of Shareholders as a means to facilitate communications with our shareholders. • All of the questions submitted in advance, questions and answers raised at the General Meeting of Shareholders as well as comments sent during the livestream session are disclosed on the Aozora website at a later date following the General Meeting.

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 Retail Investors	The Bank explains its business and earnings results at retail investors meetings that are held approximately three times a year (presenter: President and CFO, format: in-person and online).	Yes
Regular Investor Briefings for Analysts and Institutional Investors	The Bank holds financial results telephone conferences for domestic institutional investors and analysts on a quarterly basis (presenter: CFO) as well as financial results investors meetings on a half-yearly basis (presenter: President, format: online). The Bank also strives to enhance communication by actively holding small-sized meetings and one-on-one meetings with domestic institutional investors and analysts.	Yes

Regular Investor Briefings for Overseas Investors	The Bank strives to enhance communication by actively holding one-on-one meetings with overseas institutional investors while also promoting management's IR activities and participating in conferences hosted by securities companies (presenter: President and CFO, format: in-person and online).	Yes
Posting of IR Materials on Website	Materials such as financial results-related information, securities reports, annual reports, shareholders' meeting-related materials and IR presentation materials are made available on the Bank's website.	
Establishment of Division in Charge of IR	<p>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.</p> <p>[Contact] E-mail: azbk001@aozorabank.co.jp TEL: 03-6752-1218</p>	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Stipulation of Internal Rules for Respecting the Position of Stakeholders	<p>The "Code of Conduct and Ethics," which has been established and disclosed as the Bank's internal rules, sets forth the following:</p> <p>As finance professionals, the Aozora Group strives to realize its mission to "contribute to the development of society through the creation of new value-added financial services," along with its vision to "adapt to a rapidly changing world while remaining a trusted, valued and specialized financial service provider." Through the contribution to the well-being of all of our stakeholders, including society, customers, shareholders, society and our officers/employees, we seek to achieve sustainable growth and the creation of medium- to long-term corporate value.</p>

Implementation of Environmental Activities, CSR Activities etc.	<p><Social Contribution Activities></p> <p>The Aozora Group works towards the “sustainable growth of society” and promotes the “participation in society as a good corporate citizen,” as set forth in its Code of Ethics and Conduct, with the aim to provide solutions to social challenges through both financial services and social contribution activities.</p> <p>By defining social contribution as “an activity without compensation to provide solutions to challenges that are important to society but may not be fully supported due to difficulties in direct contribution through business,” we promote initiatives to contribute to society by focusing on issues in urgent need of support and topics of high interest to our officers/employees as key areas of donations and volunteering. For the details of our initiatives, please refer to the Aozora website.</p> <p>Website (sustainability): https://www.aozorabank.co.jp/english/sustainability/</p>
Development of Policies on Information Provision to Stakeholders	<p>The Bank has established a disclosure policy that stipulates its principles and systems regarding information disclosure. In addition to information disclosure required by laws and regulations, we also strive to disclose useful corporate information that helps its stakeholders, including customers, shareholders and investors, better understand the Bank in a fair, voluntary and proactive manner.</p>
Other	<p>Please refer to the Annual Report. https://www.aozorabank.co.jp/english/ir/library/disclosure/</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 a Nomination & Remuneration Committee to deliberate appointment and remuneration of Directors and Executive Officers as well as a Risk Governance Committee to professionally deliberate important matters, including internal control, evaluation of the establishment and revision of the Risk Appetite Statement, and evaluation of the monitoring of the risk appetite framework. Both of the committees consist 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 risk and puts in place a compliance risk management framework 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 risk annually develops, as “Compliance Program,” a specific action plan to put in place a compliance risk management framework 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 the Board of Directors on a regular basis.
- (5) The Bank has established a supervising division for legal risk management. We aim to enhance our legal risk management framework by developing internal rules and regulations for legal risk management, checking and disseminating signs of a possible revision in law systems, appropriately responding to and managing legal disputes, as well as identifying, analyzing, assessing and verifying legal risks in specific business areas.
- (6) 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 and the Board of Directors.
- (7) 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 (including officers and employees within one year of their retirement) 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.
- (8) 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 necessary systems to prevent money laundering, terrorist financing, and proliferation financing, and to comply with other economic sanctions under the Foreign Exchange and Foreign Trade Act.
- (9) 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. The Bank will also develop a

customer-oriented business management framework with the aim to offer products and other services that contribute to the best interests of our customers.

- (10) 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.
- (11) 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 has established a 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, the 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 Board of Directors positions the type and level of risks (risk appetite) to be taken to achieve the business strategy and financial plan as important matters for business management, and determines the Bank's Mid-term Plan and business plan for each fiscal year that are consistent with the risk appetite and the Risk Appetite Statement.
- (2) The Risk Governance Committee serves as an advisory body to strengthen the effectiveness of internal control and risk appetite framework operations by the Board of Directors, and professionally deliberates important matters including internal control, evaluation of the establishment and revision of the Risk Appetite Statement, and evaluation of the monitoring of the risk appetite framework.
- (3) The Bank defines a basic policy and a management procedure for risks recognized by the Bank and the Bank's subsidiaries in the Master Policy "Comprehensive Risk Management." Further, the Bank classifies risks arising from operations into credit risk, market risk, liquidity risk and operational risk (including system risk to respond to cyber security as well as crisis and disaster risks) and develops Internal Rules defining basic policies by risk category.
- (4) Each division in charge by risk category periodically reports the risk management status to the Management Committee, the Risk Governance Committee and the Board of Directors.

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

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 have established an integrated internal control system for the Bank and the Bank's subsidiaries while respecting their independence and autonomy. In addition, in conformance with applicable laws and restrictions, 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 have established systems to control conflicts of interest and to prevent unreasonable damage 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) We maintain adequate human resources to ensure the business execution of the Bank and its subsidiaries business through the hiring and training of employees.
- (6) To the extent not violating laws and regulations, the Internal Audit Group audits the business activities of each of the Bank's subsidiaries.

6. Ensure Effective Auditing by ASB Members

- (1) The Bank establishes Office of Audit & Supervisory Board ("ASB") to support its members' duties and appropriately allocates employees to support such activities. The authority to give instructions to such employees belongs to ASB members and such employees are interviewed and evaluated by Standing ASB member. In addition, decisions on transfer, promotion, compensation and punishment of such employees require the consent by Standing ASB member.
- (2) ASB 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 are expected to immediately make a report to ASB 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 ASB 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 ASB members when auditing based on an audit plan annually developed by Audit & Supervisory Board (including a budget).
- (5) ASB 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 ASB 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 antisocial 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 internal rules 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.

- As part of the Bank's framework for preventing transactions with anti-social elements, the Bank has included 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 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 antisocial 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 organizations such as the National Center for Removal of Criminal Organizations, 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 antiracketeering measures.

V. Other

1. Adoption of Takeover Response Policies

Adoption of Takeover Response Policies	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

Analysis and evaluation of the Board of Directors' effectiveness (evaluation results in FY2024)

In FY2024, the Board of Directors confirmed certain improvements regarding the initiatives that the Bank implemented following the previous year's evaluation results. The Board also evaluated that overall Board management was proper and effective as its roles and responsibilities were appropriately fulfilled through constructive discussions and an exchange of views on important matters, including business strategy, as well as the effective oversight and monitoring of the Bank's executives. For FY2025, following an opinion that there could be further room for improvement, the Board of Directors will strive to make its roles and responsibilities more proper and effective by addressing management issues based on a self-evaluation and conducting a PDCA cycle while further utilizing the sub-committees under the Board as well as the outside directors' meetings.

- Evaluation target: Board of Directors' meetings held in FY2024 (17 times in total)
- Evaluator: All Board and ASB members (nine directors and three ASB members)
- Evaluation method: Questionnaire survey (multiple-choice and free-response style)
- Final evaluation: Confirmation of how to address the issues identified through discussions and evaluations at the Board of Directors

Evaluation items	Issues identified in the FY2023 evaluation	Initiatives implemented in FY2024	Evaluation results in FY2024	Initiatives expected for FY2025 (examples)
Discussions at the Board	<ul style="list-style-type: none"> Further in-depth discussions on topics including management strategy corresponding to changes in the financial market environment, risk governance and medium- to long-term business orientation Development of a framework designed to solicit ideas for issues to be discussed at the Board of Directors and discuss such issues 	<ul style="list-style-type: none"> Discussed the enhancement of risk governance (full-scale introduction of the risk appetite framework) Discussed the Mid-term Plan "Aozora 2027" and other key topics, taking into consideration the collaboration with Daiwa Securities Group Inc. Implemented in-depth discussions on specific topics 	<ul style="list-style-type: none"> Fully adopted risk appetite framework operations into management and conducted necessary monitoring of, and in-depth discussions on, topics including key risks, risk tolerance levels and control status Implemented in-depth discussions towards the development of "Aozora 2027" while going back to the Bank's management philosophy In the first year of the Mid-term Plan, responded promptly and flexibly to changes in the environment and recognized the need for consciously monitoring achievements as an issue 	<p>[Enhanced discussions on management strategy]</p> <ul style="list-style-type: none"> Operate business in line with the FY2025 risk appetite and risk-taking policies, and monitor the progress on "Aozora 2027" Verify and deliberate the quantitative results of the business alliance with Daiwa Securities Group Inc. Conduct discussions on topics that contribute to medium- to long-term growth
Operation of the Board	<ul style="list-style-type: none"> Appropriate information sharing with outside directors Stimulating deliberations by use of preliminary explanations and creative agendas Further improvement in materials and explanations Setting opportunities to receive a report from a management executive in charge of 	<ul style="list-style-type: none"> Further increased information sharing opportunities outside the Board of Directors Continued balanced operations by providing materials in advance for the Board of Directors and effectively using preliminary explanations, and by taking well-considered approaches on the day of the Board such as easy-to-understand materials and more focused explanations as well as chairperson's time management 	<ul style="list-style-type: none"> The Board could be improved in terms of setting agendas (content and quality of topics) and preparing more clearly stated materials, while there was an evaluation that deliberations were more active due to the delivery of relevant materials a week prior to the meeting in principle as well as appropriate setting of directors' roundtable meetings, individual meetings and other opportunities for preliminary explanations 	<p>[Continued improvement in the Board's operations that underpin in-depth discussions]</p> <ul style="list-style-type: none"> Take even more effective approaches, including more focused materials and concise explanations, for the Board's operations Set opportunities to receive a status report regarding progress on business from a management executive in charge of
Dialogue with shareholders, etc.	<ul style="list-style-type: none"> Need for discussions that take into consideration stakeholders 	<ul style="list-style-type: none"> Conducted discussions following the receipt of regular reports on topics such as dialogue with institutional investors and senior management's IR and SR activities Created a dialogue opportunity with institutional investors through a meeting presented by outside directors 	<ul style="list-style-type: none"> Through direct dialogue with investors, deepened their understanding of the Bank's management and also the opportunity to know and reflect their expectations to the Bank's management Identified an issue that the Board would need to discuss in a more in depth manner the overall IR activity, the importance of which is expected to further increase going forward 	<p>[Deliberations on the promotion of dialogue with stakeholders]</p> <ul style="list-style-type: none"> Reflect the views and concerns shared through dialogue with shareholders and institutional investors in the Board's discussions Conduct in-depth discussions regarding the Bank's future IR policy and overall activity

Expertise of Directors and Audit & Supervisory Board Members

The Board of Directors consists of internal officers who are well-versed in business execution and outside officers who oversee management from an objective perspective.

Under our management philosophy of “Contribute to the development of society through the creation of new value-added financial services,” the Bank will strive to achieve sustainable growth and to enhance corporate value over the medium to long term by addressing social issues, taking into account perspectives of sustainability such as ESG and DEI*. In order to achieve our goal, the Bank set forth the skills and expertise of Directors and Audit & Supervisory Board Members as “global affairs,” and “IT/digital,” which require higher levels of expertise, in addition to a wealth of knowledge on “corporate management,” “financial accounting,” “legal, compliance and risk management,” “banking and finance,” and “human capital,” which are the foundations of financial institution management.

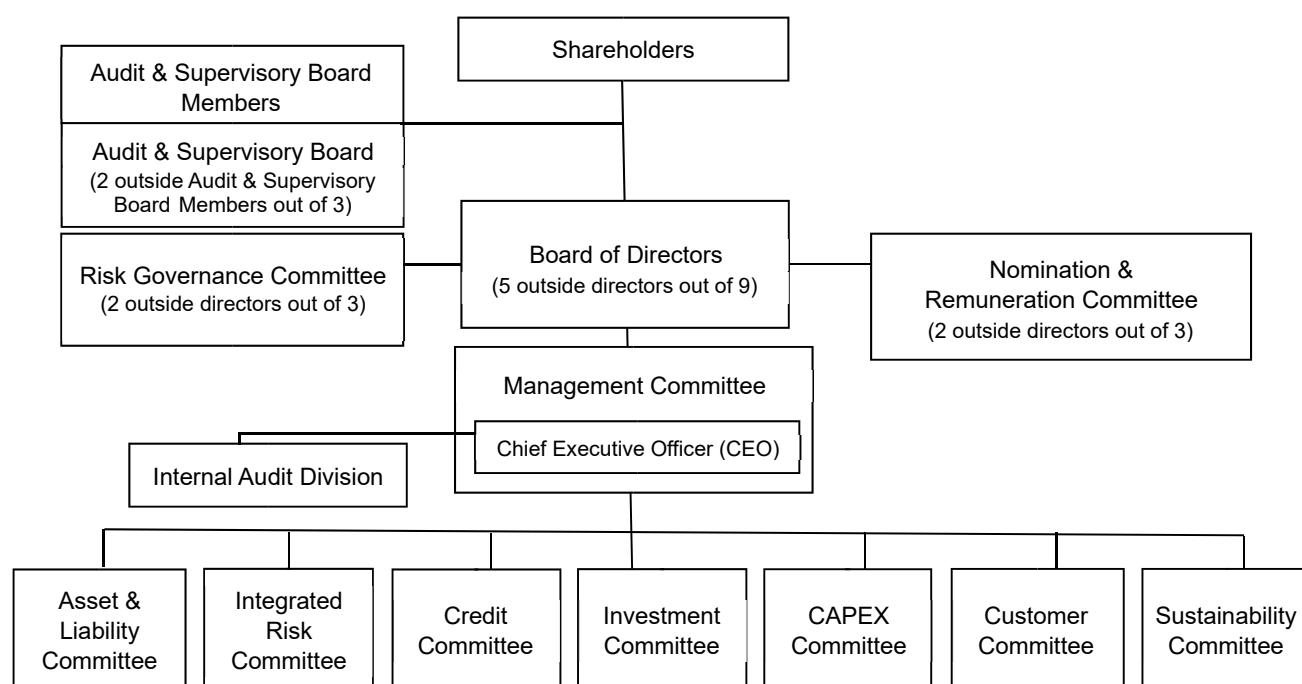
	Necessary expertise	Definition	Reasons for selection
Oversight Functions	Corporate Management	Experience in organizational management such as corporate head	We consider that insights and visions on organizational operations developed through management experience are necessary to achieve sustainable growth and medium- to long-term corporate value enhancement.
	Financial Accounting	Specialized knowledge and experience in financial strategy and financial reporting (accounting and tax affairs)	We intend to work to achieve sustainable growth by appropriately implementing our capital policy while ensuring financial soundness.
	Legal, Compliance/ Risk Management	Extensive and specialized knowledge and experience in laws and regulations, internal controls, and risk management	We intend to continue fair and sound business operations.
Aozora's Focus Areas	Banking and Finance	Insight and ability regarding traditional financial business, as well as ability to explore new areas and create new added-value financial services	We intend to continue to contribute to the development of society by creating new added-value financial services through our Strategic Investments Business focused on structured finance, which is our area of strength.
	Global affairs	Insight and ability regarding business expansion and market operations from a global perspective	We consider that activities that will lead to creating value from a global perspective is necessary to develop new services with reference to overseas business models.
	Human Capital	Insight into personnel and organizational development, as well as experience and ability to implement human resources strategies and human capital investment that are linked to our management strategy	Under the concept that “human capital” is our primary source of value creation, we regard human resources strategy as part of our management strategy and value human capital.
	IT/Digital	Understanding of IT and digital areas, ability of business innovation, and experience in the IT/digital business	We consider IT and digital areas as the foundation for our business and customer services and also as a significant means that contributes to solutions to challenges.

(*) Diversity, Equity, Inclusion. These are said to be essential elements for the growth of organizations and society.

Name	Position	Inside/ Outside	Expertise*						
			Oversight Functions			Aozora's Focus Areas			
			Corporate Management	Financial Accounting	Legal, Compliance/ Risk Management	Banking and Finance	Global Affairs	Human Capital	IT/DX
Koji Yamakoshi	Director and Chairman, Executive Officer	Inside	○			○	○		
Hideto Oomi	Representative Director and President, Chief Executive Officer	Inside	○			○	○		○
Masayoshi Ohara	Representative Director, Deputy President and Executive Officer	Inside	○		○	○	○	○	
Takashi Kato	Director and Senior Managing Executive Officer	Inside		○		○	○		
Sakie Tachibana Fukushima	Director	Outside	○				○	○	
Hideyuki Takahashi	Director	Outside	○	○	○	○			○
Hideaki Saito	Director	Outside	○			○	○		○
Koichi Tadano	Director	Outside	○				○		
Hiromasa Kawashima	Director	Outside			○	○		○	
Satoshi Hashiguchi	Standing Audit & Supervisory Board Member	Inside			○	○	○		
Toraki Inoue	Audit & Supervisory Board Member	Outside	○	○	○		○		
Junichi Maeda	Audit & Supervisory Board Member	Outside	○		○	○		○	

* Does not represent all expertise of each person.

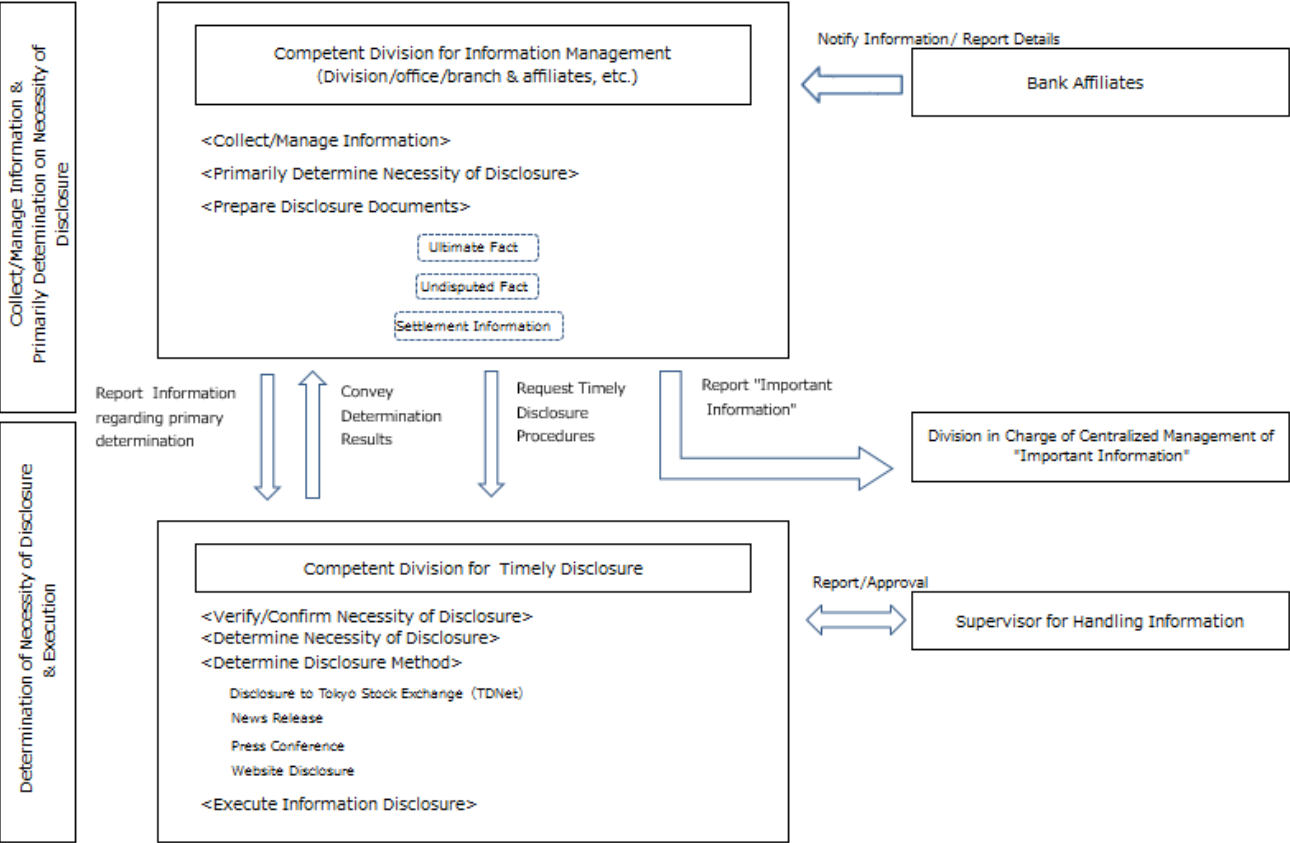
Aozora's Corporate Governance Framework



Name of committee	Chaired by	Members	Frequency	Purpose
Board of Directors	Chairman	Directors, Audit & Supervisory Board Members	At least once every 3 months, 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 (in principle)	Report, discuss and approve important audit matters
Nomination & Remuneration Committee	Outside Director	Directors (outside directors comprise majority)	As necessary	Provide the Board of Directors with recommendations, including prospective candidates for Board and Audit & Supervisory Board members and other important employees as well as CEO succession planning Determine the remuneration of directors and important employees, and make recommendations regarding the remuneration of Audit & Supervisory Board Members
Risk Governance Committee	Outside Director	Directors (outside directors comprise majority)	As necessary	Professionally deliberate important matters, including internal control, evaluation of the establishment and revision of the Risk Appetite Statement, and evaluation of the monitoring of the risk appetite framework
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, 2025)

Outline of Aozora Bank's Timely Disclosure Framework



(As of July 1, 2025)