

Aozora Bank's Initiatives for Customer-Oriented Business Management

Aozora Bank offers financial products and services that are truly beneficial to its customers and monitors various achievement criteria based on the following policies. The Bank discloses and reviews progress on its initiatives for customer-oriented business management on a regular basis.

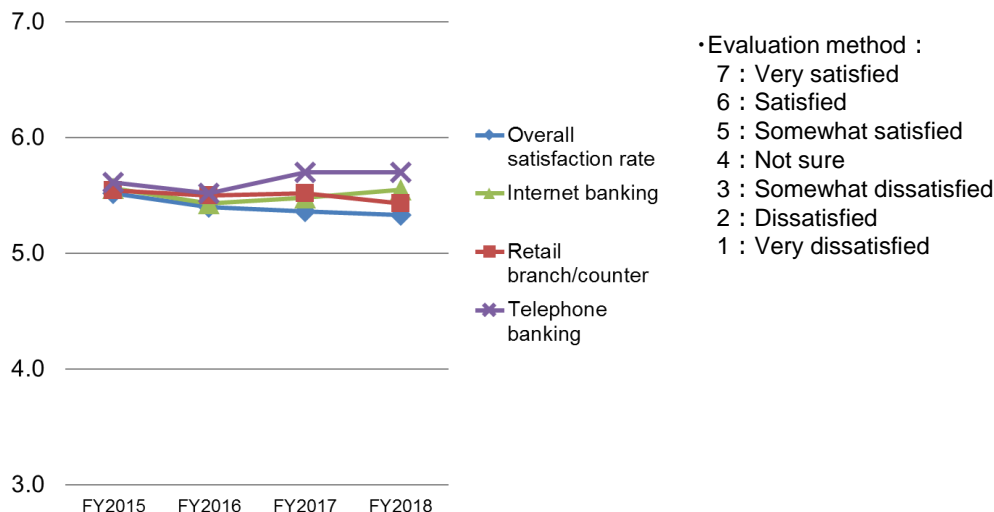
Please refer to the following pages for the status of the Bank's initiatives for customer-oriented business management as of the end of March 2019.

	Policies	Achievement criteria
Sales initiatives	I. Courteous and specialized consulting services	<ol style="list-style-type: none"> 1. Customer Satisfaction Survey 2. [Common KPI] Rate of Customers by Investment P/L 3. Investment Trust Product AUM and Customer Count of Investment Trust Holders 4. Product Line-up 5. Top 10 Funds by Sales of Investment Trust 6. Core Fund Balance and Ratio to Total Investment Trust 7. Cost and Return/Risk and Return of Top 20 Funds by Balance of Investment Trust under Custody [Common KPI] Investment period of 5 years or more [Voluntary KPI] Including investment period of less than 5 years 8. Number of Specialized Retail Training Programs/Study Sessions and Participation Rate 9. FP Headcount and FP Consultation Count 10. Remodeling of Branches 11. Improvements Based on Customer's Voice
	II. Financial products that contribute to the development of customer assets	
	III. Follow-up services	
Initiatives in developing framework	IV. HR development	
	V. Consulting services	
	VI. Branch and infrastructure	
	VII. Explanation on fees	
	VIII. Feedback from customers	

1. Customer Satisfaction Survey

- The Bank conducts customer satisfaction surveys on an annual basis to reflect its customers' diverse views in its business management. For FY2018, customer satisfaction with telephone banking and Internet banking services was high, while that with services at a retail branch/counter declined year-on-year. In terms of the latter, many customers commented on "wait time" and "customer services."
- We will continue to make efforts to further enhance our services based on feedback from customers.

Customer Satisfaction Survey



«Bank Retail Service Survey: Aozora ranked first among 116 banks across Japan in retail counter service ranking»

The Bank ranked first among 116 banks across Japan in terms of retail counter services in the 14th Bank Retail Service Survey (published in Nikkei Veritas on October 14, 2018) for its courteous customer service and easy-to-understand explanations of products. We will continue to provide differentiated services/products and ensure responsive and customized approach as well as trusted partnerships to live up to our customers' trust.

* The Bank Retail Service Survey was jointly conducted by Nikkei Inc. and Nikkei Research Inc., covering 116 banks across Japan for their retail counter services and product line-up.

* Retail counter services consist of four assessment items: overall branch environments/services, customer services at retail counters, explanation on products at retail counters, telephone handling skills

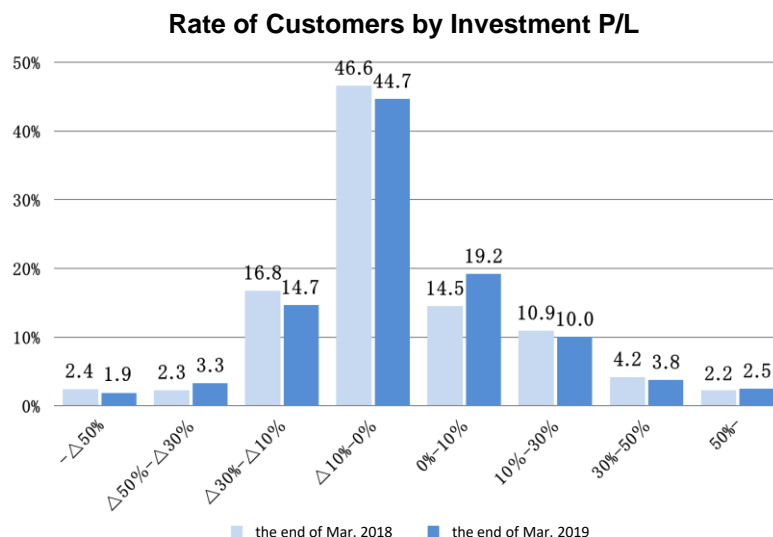


※Source (Nikkei Veritas on October 14, 2018)

※This item was translated by Aozora Bank and the responsibility for translation is on our side.

2. [Common KPI] Rate of Customers by Investment P/L

- As of the end of March 2019, 35.5% of customers achieved positive investment trust returns, which was an increase from 31.9% as of the end of March 2018. Meanwhile, about 60% of customers consisted primarily of those with an investment P/L rate ranging from minus 10% to 0% had negative returns.

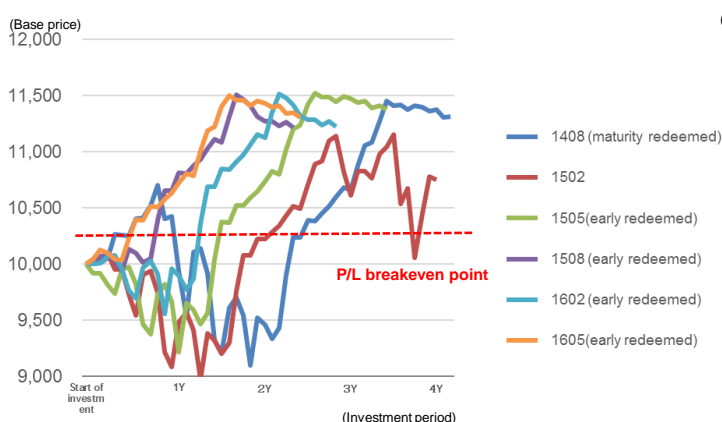


* Calculated based on P/L of investment trusts outstanding as of end-Mar. 2018 and end-Mar. 2019, excluding P/L of cancelled investment trusts.

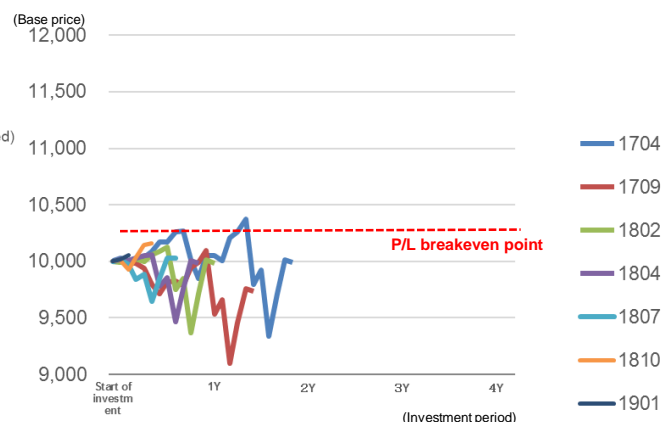
- The Bank selects core funds that are most suitable for mid-to long-term investments from products with a relatively low risk or products investing in diverse assets and offer them to customers for their asset development over a mid-to long-term period.
- Zenzo series, key products of core funds, are designed to diversify investments and tenors by purchasing global stocks and bonds in stages, thereby gradually generating returns. The base price of Zenzo series sold in or before 2016 has risen with the elapse of each investment period. Five out of six Zenzo series funds were switched to stable bond investments after exceeding the target base price of 11,500 yen and then redeemed on the maturity date or redeemed before the maturity. (See the following graph, Zenzo series offered in or before 2016.)
- Among customers with negative investment returns as of the end of March 2019, 46.7% held Zenzo series sold in or after 2017. Negative returns as of the end of March 2019 are attributable to insufficient results due to a short investment period since the establishment of the funds. (See the following graph, Zenzo series offered in or after 2017.)
- We will continue to pay due attention to the investment status of funds purchased by our customers and provide detailed follow-up services.

Zenzo Series Investment Status

Zenzo series offered in or before 2016



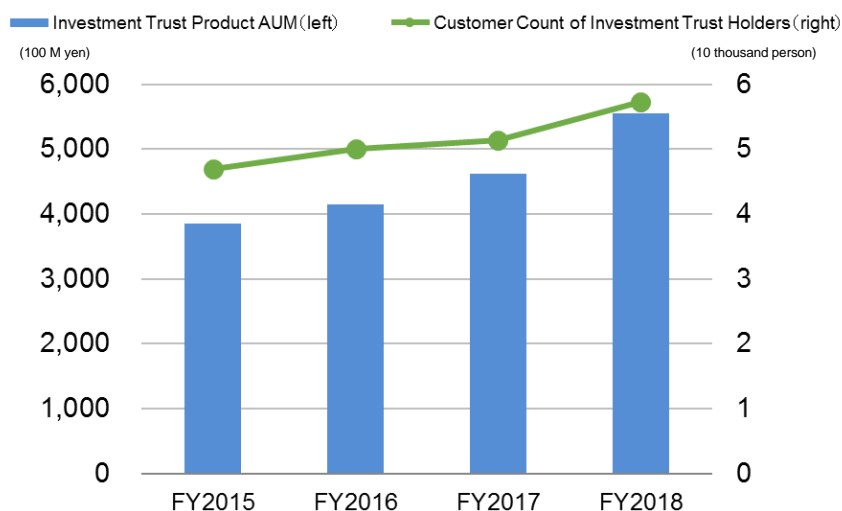
Zenzo series offered in or after 2017



3. Investment Trust Product AUM and Customer Count of Investment Trust Holders

- Investment trust product AUM and customer count have steadily increased thanks to a rise in the number of customers purchasing products including investment trusts and structured bonds for the first time.

Investment Trust Product AUM and Customer Count of Investment Trust



4. Product Line-up

- The Bank offers a broad range of products designed to meet the diverse needs of its customers.
- We provide unique products leveraging the expertise of the Aozora Bank Group, including 15 funds in collaboration with Aozora Investment Management and 48 structured bonds (retail bonds), 1 foreign bonds (retail bonds) with Aozora Securities Co., Ltd.

Product Line-up (as of end-Mar. 2019)

< Investment Trust >

Subject for Investment	End-Mar.2019	
	No. of Products	Share
Equities	50	38%
Domestic	19	15%
Developed Market	6	5%
Emerging Market	10	8%
Global	15	11%
Bonds	38	29%
Domestic	4	3%
Developed Market	9	7%
Emerging Market	8	6%
Global	11	8%
HY	6	5%
REITs	14	11%
Domestic	3	2%
Overseas	7	5%
U.S.	4	3%
Balance	23	18%
Domestic	2	2%
Overseas	21	16%
Other	6	5%
Total	131	100%
of which, no-load	19	15%

< Life Insurance >

Product types	End-Mar.2019		
	No. of Products	Share	
Shingle premium	Yen	4	27%
	Variable Annuity	0	0%
	Fixed Annuity	1	7%
	Variable Whole Life	0	0%
	Fixed Whole Life	3	20%
	Care/Medical Insurance	0	0%
	Foreign	11	73%
	Variable Annuity	0	0%
	Fixed Annuity	3	20%
	Variable Whole Life	0	0%
Fixed Whole Life	7	47%	
Fixed Endowment	1	7%	
Total	15	100%	
Installment	Yen	7	88%
	Whole Life Insurance	2	25%
	Fixed Life Insurance	0	0%
	Medical/Cancer Insurance	3	38%
	Education Endowment Insurance	0	0%
	Pension/Endowment Insurance	0	0%
	Care Insurance	2	25%
	Foreign Currency	1	13%
	Pension Insurance	1	13%
	Total	8	100%
Products with fee disclosure	14	61%	

< Structured bond, foreign bond >

Reference Index/ Denominated currency	End-Mar.2019	
	No. of Products	Share
NKY225	14	29%
NKY225·EUR50	24	50%
NKY225·S&P500	5	10%
Dual Currency Bond	5	10%
Total	48	100%
US Dollar Bond	1	100%
Total	59	100%

5. Top 10 Funds by Sales of Investment Trust

- In FY2018, many customers selected our core fund Zenzo series and four Zenzo series funds were ranked in the top 10 funds by sales of investment trust, accounting for 37.4% of the total.

Top 10 Funds by Sales of Investment Trust

<FY2017>

Rank	Fund name	Asset	Managed by	Monthly dividend type	Core fund	Fee (tax included)
1	Nomura Pimco Global Income Strategy Fund Course A (with FX hedge, semi-annual dividend type)	Balanced	Nomura AM		○	2.70%
2	Aozora New Global Diversified Fund (limited addition) 2017-04	Zenzo	AIM		○	2.70%
3	Aozora New Global Diversified Fund (limited addition) 2017-09	Zenzo	AIM		○	2.70%
4	Nissay Australia High Income Equity Fund (monthly settlement type)	Overseas stock	Nissay AM	○		3.24%
5	Japan Excellent	Domestic stock	Daiwa AM			3.24%
6	Aozora New Global Diversified Fund (limited addition) 2018-02	Zenzo	AIM		○	2.70%
7	Robot/Technology related Stock Fund - Robotech	Overseas stock	Daiwa AM			3.24%
8	Daiwa FE Global Value (with FX hedge)	Overseas stock	Daiwa AM			3.24%
9	Daiwa FE Global Value (without FX hedge)	Overseas stock	Daiwa AM			3.24%
10	Nomura Pimco Global Income Strategy Fund Course A (with FX hedge, monthly dividend type)	Balanced	Nomura AM	○	○	2.70%

<FY2018>

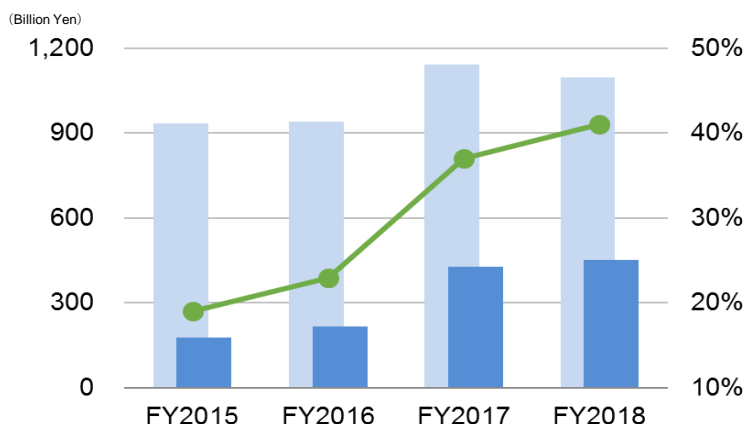
Rank	Fund name	Asset	Managed by	Monthly dividend type	Core fund	Fee (tax included)
1	Nissay Australia High Income Equity Fund (monthly settlement type)	Overseas stock	Nissay AM	○		3.24%
2	Aozora New Global Diversified Fund (limited addition) 2018-07	Zenzo	AIM		○	2.70%
3	Aozora New Global Diversified Fund (limited addition) 2018-04	Zenzo	AIM		○	2.70%
4	Aozora New Global Diversified Fund (limited addition) 2018-10	Zenzo	AIM		○	2.70%
5	Daiwa J-REIT Open (monthly distribution type)	Domestic REIT	Daiwa AM	○		1.62%
6	Stock Index Fund 225	Domestic stock	Daiwa AM			1.62%
7	Japan Excellent	Domestic stock	Daiwa AM			3.24%
8	Major Next Generation U.S. Stock Fund	Overseas stock	MUFG AM			3.24%
9	Aozora New Global Diversified Fund (limited addition) 2019-01	Zenzo	AIM		○	2.70%
10	Robot/Technology related Stock Fund - Robotech	Overseas stock	Daiwa AM			3.24%

6. Core Fund Balance and Ratio to Total Investment Trusts

- In FY2018, the core fund ratio to the total investment trusts rose to 41.0%, owing to a steady increase in the number of customers investing in core funds with core funds accounting for a 44.5% share.

Core Fund Balance and Ratio to Total Investment Trust

— Net asset balance of core fund (left) — of which, asset balance of core fund (left) — Core fund ratio (right)



7. [Common KPI] Cost and Return/Risk and Return of Top 20 Funds by Balance of Investment Trust under Custody (investment period of five years or more)

➤ For top 20 funds by balance with an investment period of five years or more that accounted for 39.4% of the total balance of investment trusts under custody, the average risk and return improved from the end of March 2018.

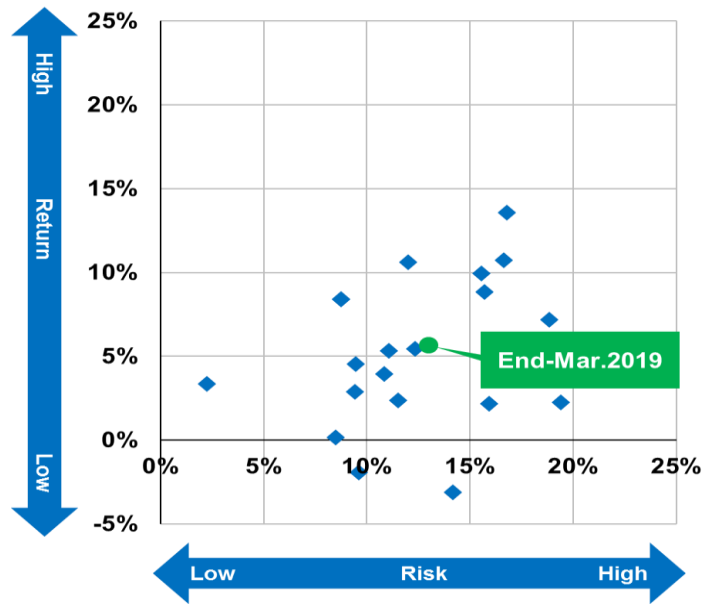
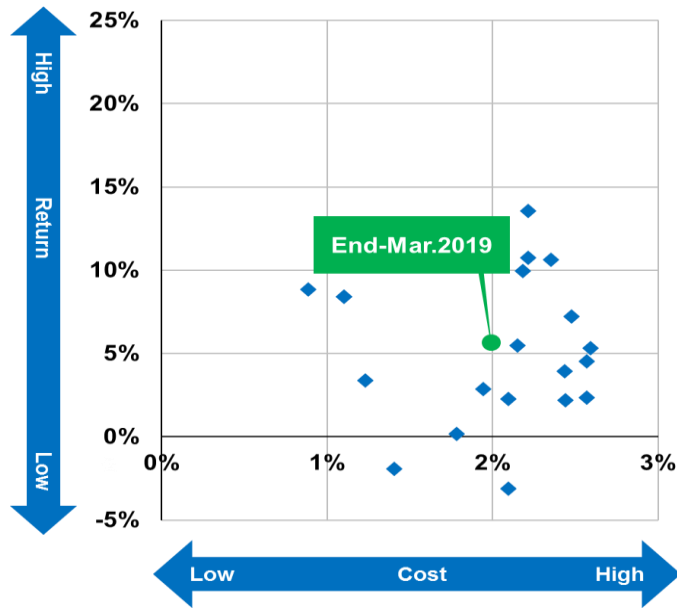
Cost and Return/Risk and Return of Top 20 Funds by Balance of Investment Trust under Custody (investment period of five years or more)

- Weighted average as of end-Mar. 2018 (cost 1.9%, risk 12.5%, return 3.2%)
- Weighted average as of end-Mar. 2019 (cost 2.0%, risk 13.0%, return 5.6%)

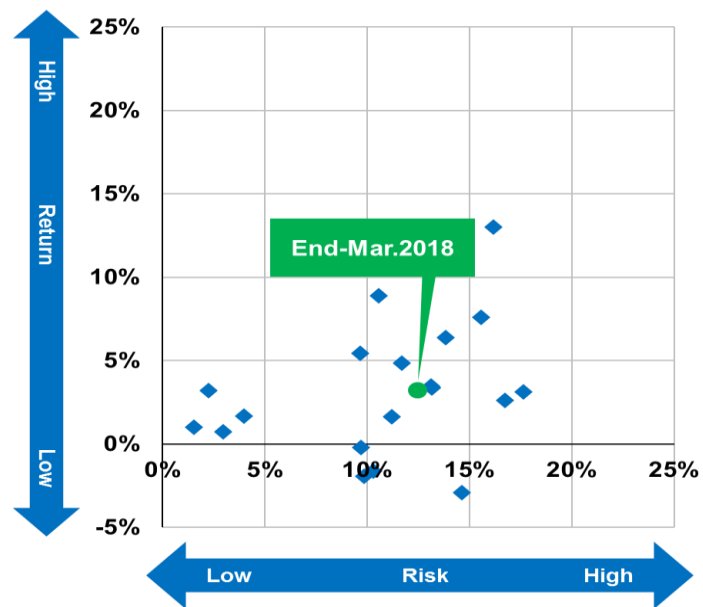
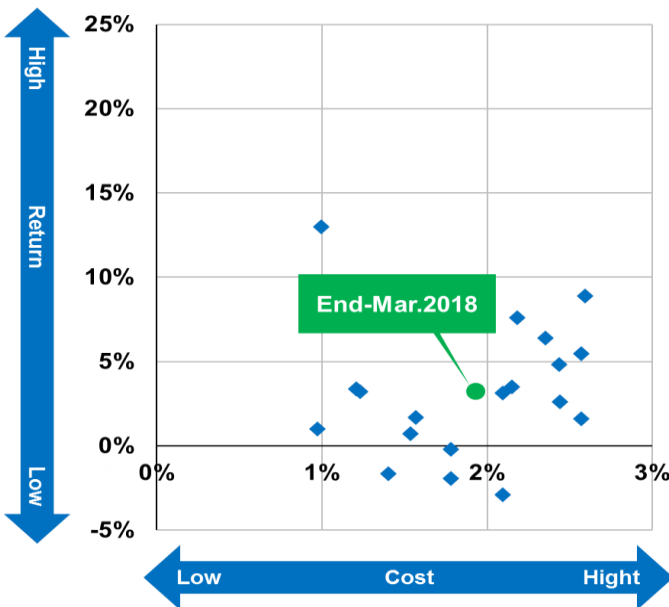
Cost and Return

Risk and Return

[As of end-Mar. 2019]



[As of end-Mar. 2018]



*Calculated using top 20 funds by balance of investment trusts under custody with an investment period of five years or more as of the base date

*Cost: sales charge rate/5 + custody fee rate

*Return: total return for the last five years (converted monthly return to annual return)

*Risk: average deviation of monthly return for the last five years (converted to annual return)

7. [Voluntary KPI] Cost and Return/Risk and Return of Top 20 Funds by Balance of Investment Trust under Custody (including investment period of less than five years)

➢ For top 20 funds by balance of investment trust under custody including those with investment period of less than five years that accounted for 69.9% of the total balance of investment trusts under custody, the average cost and risk remained unchanged, while the average return fell from the end of March 2018.

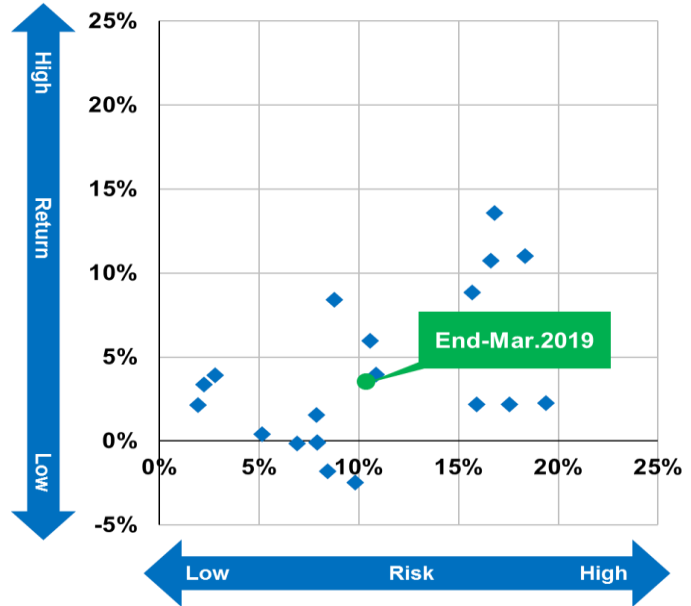
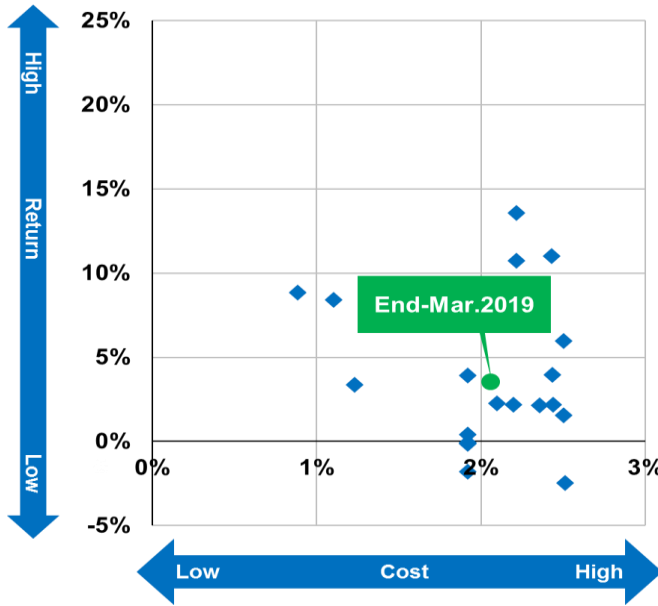
Cost and Return/Risk and Return of Top 20 Funds by Balance of Investment Trust under Custody (including investment period of less than five years)

- Weighted average as of end-Mar. 2018 (cost 2.1%, risk, 10.4%, return 5.1%)
- Weighted average as of end-Mar. 2019 (cost 2.1%, risk 10.4%, return 3.5%)

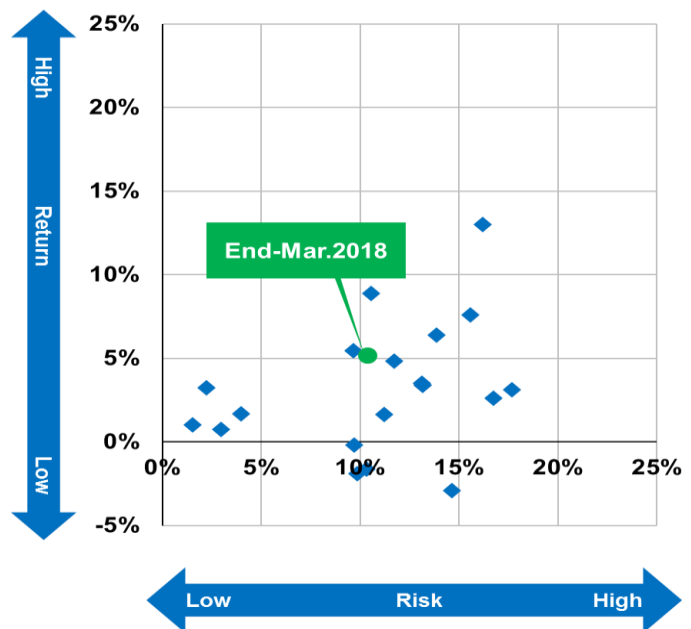
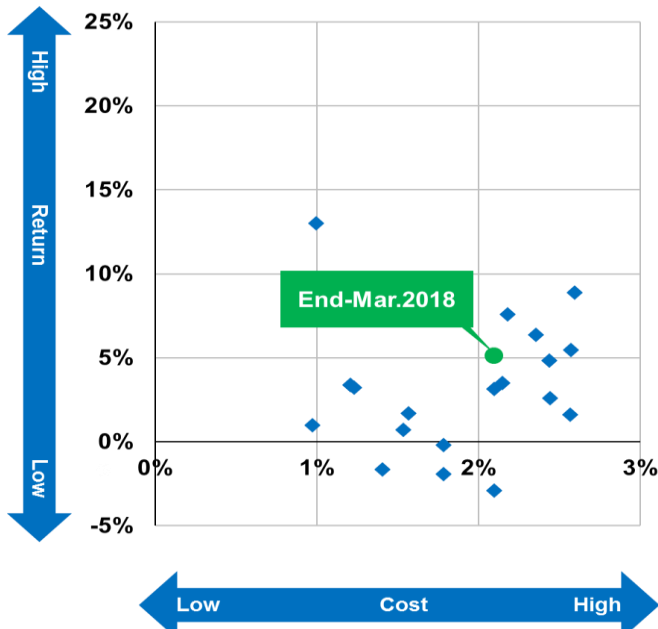
Cost and Return

Risk and Return

[As of end-Mar. 2019]



[As of end-Mar. 2018]



*Calculated using top 20 funds by balance of investment trusts under custody with an investment period of less than five years as of the base date

*Cost: sales charge rate/5 + custody fee rate

*Return: total return for the last five years (converted monthly return to annual return); for funds with an investment period of less than five years, calculated based on the period since the establishment

*Risk: average deviation of monthly return for the last five years (converted to annual return); for funds with an investment period of less than five years, calculated based on the period since the establishment.

Reference: Cost, Risk, and Return of Top 20 Funds by Balance of Investment Trust under Custody (as of end-Mar. 2019)

Cost, Risk, and Return of Top 20 Funds by Balance of Investment Trust under Custody (investment period of five years or more)

Rank	Fund name	Cost	Return	Risk
1	Nissay Australia High Income Stock Fund (monthly settlement type)	2.4%	15.9%	2.2%
2	Daiwa J-REIT Open (monthly dividend type)	1.1%	8.8%	8.4%
3	Japan Excellent	2.2%	16.8%	13.6%
4	Pictet Global Income Equity Fund (monthly dividend type)	2.4%	10.9%	3.9%
5	Tokio Marine Japanese Yen Asset Balance Fund (monthly settlement type)	1.2%	2.2%	3.4%
6	Major Next Generation U.S. Stock Fund	2.2%	16.6%	10.7%
7	Brazil Bond Open (monthly settlement type)	2.1%	19.4%	2.3%
8	Stock Index Fund 225	0.9%	15.7%	8.8%
9	High Dividend Global REIT Premium Fund (monthly settlement type)	2.6%	11.5%	2.4%
10	Daiwa US-REIT Open (monthly Course B (without FX hedge)	2.2%	15.6%	10.0%

Rank	Fund name	Cost	Return	Risk
11	Asia High Yield REIT Fund	2.4%	12.0%	10.6%
12	MHAM Australian Dollars Bond Fund (monthly dividend type)	1.8%	8.5%	0.2%
13	Short-term Australian Bond Open (monthly dividend type)	1.4%	9.6%	-1.9%
14	Daiwa J-REIT Open	1.1%	8.8%	8.4%
15	Sumitomo Mitsui U.S. High Yield Bond Fund (no FX hedge type)	2.6%	9.4%	4.5%
16	GW Seven Eggs	2.6%	11.1%	5.3%
17	Mexico Bond Open (monthly settlement type)	2.1%	14.2%	-3.1%
18	Sumitomo Mitsui Global REIT Open	2.1%	12.4%	5.5%
19	JPM Medical Stock	2.5%	18.9%	7.2%
20	Global 3 Assets Fund	1.9%	9.4%	2.9%

Cost, Risk, and Return of Top 20 Funds by Balance of Investment Trust under Custody (including investment period of less than five years)

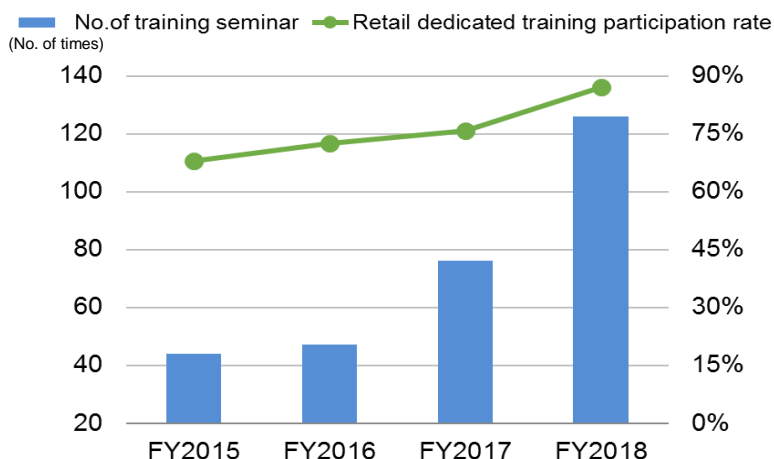
Rank	Fund name	Cost	Return	Risk	
1	Nissay Australia High Income Stock Fund (monthly settlement type)	2.4%	15.9%	2.2%	
2	Nomura Pimco Global Income Strategy Fund Course A (with FX hedge, semi-annual dividend type)	2.4%	2.0%	2.2%	
3	Aozora New Global Diversified Fund (limited addition) 2017-09	Zenzo	1.9%	8.4%	-1.8%
4	Aozora New Global Diversified Fund (limited addition) 2017-04	Zenzo	1.9%	7.9%	-0.1%
5	Aozora New Global Diversified Fund (limited addition) 2018-02	Zenzo	1.9%	7.9%	-0.1%
6	Daiwa J-REIT Open (monthly dividend type)	1.1%	8.8%	8.4%	
7	Robot Technology Related Equity Fund -Robotech	2.4%	18.3%	11.0%	
8	Japan Excellent	2.2%	16.8%	13.6%	
9	Aozora New Global Diversified Fund (limited addition) 2018-07	Zenzo	1.9%	5.1%	0.4%
10	Aozora New Global Diversified Fund (limited addition) 2018-04	Zenzo	1.9%	6.9%	-0.1%

Rank	Fund name	Cost	Return	Risk	
11	Pictet Global Income Equity Fund (monthly dividend type)	2.4%	10.9%	3.9%	
12	Tokio Marine Japanese Yen Asset Balance Fund (monthly settlement type)	1.2%	2.2%	3.4%	
13	Daiwa FE Global Value (with FX hedge)	2.5%	7.9%	1.5%	
14	Aozora New Global Diversified Fund (limited addition) 2018-10	Zenzo	1.9%	2.8%	3.9%
15	Aozora Japanese Equity Focus Strategy Fund	2.2%	17.5%	2.2%	
16	Daiwa FE Global Value (without FX hedge)	2.5%	10.6%	6.0%	
17	Major Next Generation U.S. Stock Fund	2.2%	16.6%	10.7%	
18	Brazil Bond Open (monthly settlement type)	2.1%	19.4%	2.3%	
19	Stock Index Fund 225	0.9%	15.7%	8.8%	
20	Aozora Global Dividend Growth Equity Vega Fund (monthly dividend type)	2.5%	9.8%	-2.5%	

8. Number of Specialized Retail Training Programs/Study Sessions and Participation Rate

- The Bank has been enhancing its specialized retail training program in order to strengthen its sales personnel skills and to ensure courteous and comfortable services to its customers.

Number of Retail Dedicated Seminars/Study Sessions and Participation Rate

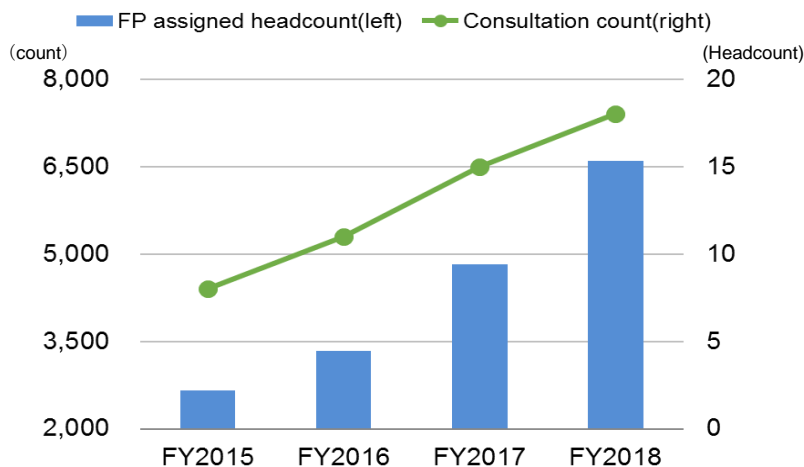


*Participation rate= Number of Participants/Sales Headcount

9. FP Headcount and FP Consultation Count

- In addition to Aozora's financial consultants (FCs) who select financial products catering to the needs of each and every customer, the Bank provides comprehensive consulting services by experienced financial planners (FPs) at the 19 branches across Japan.

FP Headcount and FP Consultation Count



10. Remodeling of Branches

- Based on its “Urban Oasis” concept, the Bank continues to remodel its retail branches to offer an atmosphere where customers can consult in a comfortable and relaxed environment.

Remodeling Progress Since FY2015

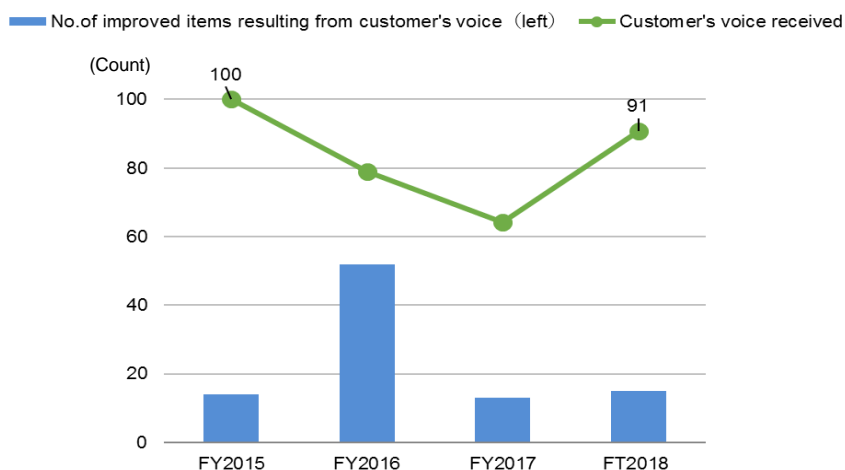
FY	Month/Date	Branch	Relocation/Remodel
2015	Jun.29	Ikebukuro	Remodel
	Nov.24	Nagoya	Relocation
2016	Sep.20	Takamatsu	Relocation
2017	May.8	H.O.Retail	Relocation
2018	Dec.25	Chiba	Relocation

*13 out of totaling 19 branches have been remodeled

11. Improvements Based on Customer's Voice

- In FY2018, the Bank received opinions and requests from customers regarding the replacement of Aozora ATMs with Japan Post Bank ATMs, changes to the feature of time deposit products, or others, which resulted in an increase in customer's voice count from the previous year.
- We continue to strive to enhance our services to better respond to customers' needs.

Number of Improvements Based on Customer's Voice



*Index with the customer's voice count in FY2015 being set as 100

«Improvements Based on Customer's Voice»

① Longer operating hours

The Bank has extended operating hours of its retail branches until 20:00. Home Call service has also become available until 21:00 on weekdays and available on holidays, allowing for longer consultation hours.

② Extension of telephone banking service hours for investment trust transactions

We have extended service hours for investment trust transactions until 19:00.

③ Account opening via the Internet

In April 2019, the Bank launched a smartphone app enabling customers to open an account without mailing documents for customer identification and seal registration.