

To all of our shareholders

Aozora Bank, Ltd

Questions submitted in advance, Q&A session summary and  
livestream viewers' comments regarding Aozora Bank's  
88th FY Ordinary General Meeting of Shareholders (June 24, 2021)

We appreciate the questions and comments that we received at the Bank's 88th FY Ordinary General Meeting of Shareholders ("General Meeting"). These questions and comments are summarized and responded to in this document.

We would like to ask for our shareholders' understanding and continued support.

**Questions submitted in advance**

We openly invited questions from our shareholders in advance of the General Meeting as we did last year. As a result, we received the following two questions:

#	Questions submitted in advance (summary)	Aozora's Response
1	Additional governmental measures to promote rubella vaccinations	The shareholder who sent us this question in advance also asked it in person at the General Meeting. For details, please refer to "Summary of the General Meeting Q&A Session."
2	Aozora's special benefit plan for shareholders	We responded to this pre-submitted question at the beginning of the Q&A session in the General Meeting. For details, please refer to "Summary of the General Meeting Q&A Session."

**Summary of the General Meeting Q&A Session**

**(Question #2 submitted in advance mentioned above)**

I've owned Aozora shares for several years because I appreciate the high dividend payments and will intend to continue holding them. However, I'm afraid that your shareholder complimentary tickets are disappointing because they can be used only for

deposits/investments into new funds. I would need to withdraw my funds and then redeposit them in order to redeem a complimentary ticket. In light of this time-consuming disadvantage, it seems to me that the complimentary tickets are a waste of paper and printing costs. The terms of use need to be updated to incorporate the shareholders' perspective. Otherwise, you should get rid of these certificates. Despite your high dividend payments, I think this could damage Aozora's corporate image. I ask for your consideration.

**[Response: Chairperson Tanikawa]**

We appreciate your long-term ownership of Aozora's shares as well as your valuable opinion.

Our number one priority regarding our shareholders is providing them with a cash dividend. We provide our current shareholder benefits plan as a supplementary benefit for our shareholders who are also customers so that they can be used in their transactions with us. We will continue to consider additional services for our shareholder benefits plan by taking into account the opinions of our shareholders regarding what types of services they would like to receive from the perspective of fairness to all shareholders. We'd like to thank our shareholders for their continued support.

**Question from Shareholder #1 (question #1 submitted in advance as mentioned above)**

Speaking of the government's additional measures to promote rubella vaccinations, municipal public health centers have sent out free vaccine coupons that are valid until early 2022 to male residents aged 41-58 who were not covered in Japan's official mass vaccination program. However, only around 20% of recipients have reportedly used the coupon. I ask that you please facilitate Aozora's eligible male officers and employees to use these coupons to protect against rubella at home, in the office, as well as while commuting.

**[Response: Chairperson Tanikawa]**

We appreciate your comments on this subject. Managing the health of our employees is one of the highest priorities across the entire Aozora Group. I'd like to take this opportunity to announce that we are now actively promoting workplace vaccinations against COVID-19 in addition to the seasonal flu. Your suggestion will also be given further consideration.

**(Question from Shareholder #151)**

My proposal may be similar to the previous question, but I think Aozora's shareholder benefit plan is of no practical use due to the ongoing low interest rates on term deposits that are covered by the shareholder complimentary tickets. To better serve your shareholders, I think you should either offer alternative benefits or increase your dividend payment in exchange for getting rid of them. I hope you will consider this.

**[Response: Chairperson Tanikawa]**

Thank you for your comment. We will continue to review this matter, and promise to take into account your suggestion today. Our basic policy on shareholder return is to pay a stable cash dividend. Having said that, we will continue to review how to best provide a shareholder benefits plan taking into account the suggestions we heard today.

**(Livestream viewers' comment #1)**

The price of Aozora's shares has not moved upward since I bought them, which is very disappointing.

**[Response: Chairperson Tanikawa]**

Please rest assured that our management team is very well attuned to our share price. As we described before, our basic objective is to meet our dividend payment forecast by reaching our earnings target for FY2021. We are working on a broad range of strategic initiatives to realize long-term and stable growth. We'd like to ask for your continued support here.

**(Livestream viewers' comment #2)**

I think older directors should make way for the younger generation.

**[Response: Chairperson Tanikawa]**

When we appoint directors, including outside directors and full-time directors concurrently serving as executive officers, we take into consideration the importance of ensuring diversity which includes a broad range of expertise. Outside directors contribute considerably to our management by playing an active role in the oversight of internal directors by providing advice and guidance from an independent and objective perspective. We will continue to consider these matters, including the composition of our Board.

**(Livestream viewers' comment #3)**

Is there any specific reason that you provide quarterly dividend payments, which I think must lead to high administrative costs? Will you continue to make quarterly dividend payments?

**[Response: Chairperson Tanikawa]**

We have continued with quarterly dividend payments as an added feature that fosters the long-term ownership of our shares. In light of the clear feedback that we have received from our shareholder survey, we know that the majority support a quarterly dividend payment. In terms of administrative costs, we strive not to incur four times the quarterly expenses annually by paying attention to efficiency, including a tight control of our printing costs. We will continue to consider this matter based on our ongoing communications with

our shareholders.

**(Livestream viewers' comment #4)**

I would like to ask for a dividend increase. Do you have any specific plan to increase them?

**[Response: Chairperson Tanikawa]**

We discussed our FY2021 earnings forecast at the beginning of this session. We will work to improve our business performance and pay dividends based on our target dividend payout ratio of 50%. For FY2021, we have forecast net earnings of 30.0 billion yen. By striving to further increase our net earnings, we would hope to be able to make higher dividend payments. We'd like to ask for your understanding here.

**(Livestream viewers' comment #5)**

Do you intend to make an appeal to the young generation primarily through the BANK™ Branch? Honestly speaking, it's not really convenient for everyday use as its online bank transfers and mobile payment systems are not satisfying.

**[Response: Chairperson Tanikawa]**

As we touched upon earlier, the BANK™ Branch has allowed us to attract many new customers and we've received positive feedback mainly from people in their 30s to 50s in particular. We'll work to further strengthen our range of services, including bank transfers and the other services you mentioned. We appreciate your continued support.

Comments received from shareholders who viewed the meeting via livestream

We grouped the comments we received but could not introduce during the meeting in order to provide more detailed responses. (The comments are presented here in their unedited form.)

Comment		Response
6	There are too many outside directors. We don't need 8.	Aozora's Board of Directors is comprised of 4 outside directors and 4 internal directors, a total of 8 directors, which currently includes one female director. Our outside directors have significant experience in corporate management, finance, and financial accounting, and fulfil their roles of overseeing and evaluating the performance of internal directors, including the Representative Director, from an objective perspective. The
7	I hope to see more female directors.	
8	The length of tenure of outside directors is too long. It would be better to change them in order to seek advice from new perspectives.	

9	<p>What about capping the length of tenure for outside directors? 14 or 8 years is too long. I think new perspectives are needed.</p>	<p>outside directors have provided insightful and timely guidance from an impartial and objective perspective, and have made significant contributions to our governance and management. We'll continue to study the proper composition of our Board of Directors in order to further improve its effectiveness and implement management strategies in consideration of appropriate size, diversity, expertise, term of office and other factors.</p>
10	<p>Please tell us more about your growth strategy.</p>	<p>We are in the midst of a historic turning point for the industrial structure, which is anticipated to accelerate going forward. Under these conditions, we aim to leverage our skill base and organizational flexibility in order to sharpen our focus within each core business area (the "6 Areas of Focus"). We will also strive to contribute to society through proactive risk-taking in order to foster new business and support corporate restructuring and business recovery while promoting our Strategic Investments Business and continuing to work towards sustainable growth.</p> <p>Our aim is to improve our ROE through these initiatives.</p>
11	<p>The dividend payout ratio is 50%, but what are your investment plans for the remaining 50%?</p>	
12	<p>I'd like to see additional programs implemented in your shareholder benefits plan, such as no online banking remittance fees and no deposit and withdrawal fees at convenience store ATMs (up to several times per month each) in order to provide benefits to remote shareholders that cannot visit your branch locations. I think this could also</p>	<p>A top priority with regard to our shareholders is to provide them with a stable cash dividend. We provide our current shareholder benefits plan as a bonus for our shareholders who are also customers so that they can be used in their transactions with us. We will continue to consider additional services for our shareholders benefits plan by taking into account input from our shareholders as to what services they would like to receive from the perspective of fairness to all shareholders.</p>

	provide an increased appeal to shareholders that don't have an Aozora Bank account and allow more shareholders to use your benefits plan.	
13	I've asked several times, but please seriously consider revising your current shareholder benefits plan. The interest rate, etc. is at the same level as other banks, so it doesn't really have much merit.	
14	Please consider conducting a share buy-back in order to raise your share price.	We are always quite mindful of our share price. We believe that it is important for our bank to be positively viewed by the market. Our first priority in that regard is to deliver a full-year cash dividend of 128 yen, based on our policy of a 50% payout ratio. We'll do that by achieving our target net earnings of 30.0 billion yen. While we currently have no plans to initiate a share buy-back, we are open to considering implementing one at some point in the future if timing and circumstances warrant.
15	I understand that your share price has fallen mostly due to pandemic-related reasons, but are you taking any measures to raise the share price?	
16	Your cost-cutting efforts seem to be insufficient, but are you considering any measures? I don't think you've reached your target Overhead Ratio (OHR).	G&A expenses for FY2020 increased mainly due to expenses associated with the start of operations at our New York-based U.S. subsidiary and other system-related investments. That being said, actual full year expenses ended up below budget. Our Overhead Ratio (OHR) was 57%, still the lowest among the major domestic banks. Looking ahead, we'll continue to focus on reaching our mid-term goal of an OHR of below 55% by Fiscal Year 2022 through ongoing restructuring of our business processes and further improvement in our operational efficiency and rationalization while also striving to increase

		net revenue through strategic growth investments.
17	When the pandemic ends and a V-curve recovery is achieved (after 2 years?), I believe there may be considerable risk due to the large amount of national debt. Are you considering any specific risk-control measures?	The most significant risks that we believe we will face in FY2021, as well as how we plan to address them, are summarized on page 38 of the convocation notice.
18	Long-term interest rates are rising, but how are you measuring the impact this has on your operations?	As mentioned on page 38 of the convocation notice, for risks related to our securities portfolio, we focus on maintaining an efficient portfolio with high liquidity that includes a diversified mix of interest rate, equity and credit exposures, in addition to flexible risk control in light of market conditions and the overall financial environment.
19	I don't fully understand proposal #3. Can you explain it in more simple terms?	Our current system (equity compensation type stock options for full-time directors) was approved at the General Meeting held in 2014. In conjunction with the Revised Companies Act, we determined that the terms that had been approved by the Board of Directors needed to gain approval from our shareholders once again. Please note that the terms of the compensation system are essentially unchanged. (For more information, please refer to pages 26 and 27 of the convocation notice)
20	I'm disappointed you didn't get to my comment.	I'm very sorry that we didn't have enough time today to get to all the comments and questions and to provide a response to every comment.

In addition, we would like to highlight the following comments. We have not included duplicate comments from the same shareholders, comments that agree with or are supportive of our proposals, and comments meant to encourage our officers.

21	I think this system of sending comments through the livestream is very good. Please actively incorporate the opinions of shareholders to become a customer-friendly and convenient bank.
22	I'd like to thank you for delivering a high dividend payment. I hope you can continue to keep it up in FY2021, as well.

End