

To all of our shareholders

Aozora Bank, Ltd.

Questions and comments received from shareholders at
Aozora Bank's 89th Ordinary General Meeting of Shareholders (June 22, 2022)

We appreciate our shareholders for their attendance and livestream viewing of our 89th Ordinary General Meeting of Shareholders ("General Meeting") held on June 22, 2022. Shareholders' questions and comments are summarized below. We would like to ask for our shareholders' understanding and continued support.

1. Questions submitted in advance

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

#	Questions	Aozora's Response
1	Discontinuation of the shareholder benefits plan	We provided an overview of questions submitted in advance prior to the Q&A session at the General Meeting and answered them one at a time. Please see the "Response" section in "2." below.
2	Full-year dividend and share price	

2. Questions received at the General Meeting and livestream viewers' comments introduced at the General Meeting (Q&A session summary)

[Introducing "1. Questions submitted in advance" mentioned above]

1. Discontinuation of the shareholder benefits plan ("Benefits Plan")

I became a shareholder of Aozora Bank four years ago. Since then, I've continued to make a three-month term deposit of 5 million yen every quarter and received a gift certificate of 3,000 yen each time, which means gift certificates totaling 12,000 yen on an annual basis. Following the announcement of discontinuing the Benefits Plan, you haven't made any effort to compensate for the disadvantages to retail shareholders, such as adding extra to the dividend. Please reconsider the resumption of the Benefits Plan with the same features as in the past.

2. Full-year dividend and share price

When I purchased Aozora Bank's shares for the first time, the full-year dividend was over 180 yen. Soon after, however, the Bank decreased the dividend. The initial purchase price was approximately 4,300 yen per share, which is now roughly halved. Your share price fails to recover to the previous level due to insufficient management reforms and PR efforts. I request that you pronounce management reforms far beyond market expectations and drive business so that the Bank's share price will soar.

[Response: Chairperson Tanikawa]

We appreciate your ownership of Aozora's shares as well as your continued use of our Benefits Plan.

Aozora introduced its Benefits Plan in 2013 for all eligible shareholders. However, upon a review of the Benefits Plan from the broader perspective of overall shareholders' needs, including their views we heard at the General Meeting last year, we decided to prioritize cash dividends to ensure fair and equitable returns to all shareholders. As a result, we discontinued its Benefits Plan in December 2021. We would appreciate it if our shareholders who have continued to use the Benefits Plan would understand our decision.

With regards to our lower annual dividend and share price compared to prior levels, we understand that further efforts are required to improve the situation.

The fiscal year 2021 full-year dividend was 149 yen per common share, a 25 yen increase year-on-year and 21 yen higher than the original forecast, as a result of higher earnings compared to the previous year. For fiscal year 2022, we'll work to achieve the full-year dividend target of 154 yen.

While the business environment is still somewhat volatile due to current financial market conditions, we'll further drive our full range of ongoing management changes so as to receive better market evaluations. Your continued support would be highly appreciated.

[Question #1 received at the General Meeting]

Aozora's current dividend payout ratio is 50%, which I think is very high compared to many other listed companies. On the other hand, I've come across some companies offering a 100% payout ratio. Is there any possibility that you'll raise your payout ratio?

[Response: Chairperson Tanikawa]

Our profitability and financial efficiency remain strong with high ROE and ROA as well as a low OHR, as described in our business report. By leveraging the value added to date, we intend to continue growing our financial and intangible capital as well as making necessary investments to ensure stable shareholder returns and sustainable value creation in the

future while maintaining our financial soundness.

We'll also strive for better performance in meeting our earnings forecast, which may enable us to increase dividends while taking into consideration a proper overall balance. Our dividend policy is based on a target dividend payout ratio of 50% of net earnings, and our intent is to make a comprehensive judgment going forward.

[Question #2 received at the General Meeting]

My question is about Proposal #4. Aozora Bank has three Audit and Supervisory Board (ASB) Members, including one appointed in Proposal #3, which meets the minimum number as required by the relevant law. Speaking of Proposal #4, my understanding is that someone serving as a substitute to the ASB Members must be appointed for contingencies. I'm wondering why you named two candidates because I think one is enough to satisfy legal requirements. Can you explain why you requested the appointment of two alternates?

[Response: Chairperson Tanikawa]

We believe that Mr. Harutoshi Yoshimura and Mr. Mitch R. Fulscher are both qualified to serve as a substitute to the Standing ASB Member and the ASB Members, respectively. As a result, we requested the appointment of two alternate ASB Members: one for the internal ASB Member and the other for the outside ASB Members.

[Questions #3 and #4 received at the General Meeting]

Let me ask about your response to the questions submitted in advance that were introduced at the beginning of this session. For me, as a shareholder with 100 shares, gift certificates in your Benefits Plan were worth 120 yen per share on a yearly basis. Your annual dividend was 180 yen four years ago, so I had total income of approximately 300 yen per share back then. Now I feel like my income was suddenly reduced by 120 yen. If you prioritize cash dividends to ensure fair and equitable returns to all shareholders, it would be natural for you to increase dividends by making shareholders' return on top of your 50% dividend payout ratio. We're not fully informed of your decision to abolish the Benefits Plan, including a review of the frequency in use and relevant cost. I would say that if there was room to increase bonuses for executives, the Benefits Plan should not have been abolished.

If cost calculation shows the likely impact is small, the Benefits Plan should be resumed.

[Response: Chairperson Tanikawa]

As we said in our response to the question submitted in advance regarding the discontinuation of the Benefits Plan, we broadly considered usage frequency and other factors, as well as a range of opinions, and reached a conclusion that prioritizing cash dividends would be the best possible way to ensure fair and equitable returns for all our shareholders.

As to our annual dividend decline from 180 yen in the past as you stated, it has increased to 149 yen and now we're working to achieve the fiscal year 2022 target of 154 yen. We would ask for your understanding in this regard.

[Question #5 received at the General Meeting]

I came here all the way from Sapporo. I have an account at your Sapporo Branch. At a police box in Tokyo on my way here, I asked a police officer for directions to Aozora Bank's branch, but he told me that he wasn't aware of the bank's name and asked me if the name was correct. I had an impression that Aozora Bank lacks awareness and its name isn't well known in Tokyo.

Now, my question is about "profit/loss by segment" in your Convocation Notice. In this section, the Financial Markets Group and Specialty Finance Group performed strongly as well as the Institutional Banking Group. I also found some groups have English-based names, which give me no clue to know their operations. Could you explain the details in plain Japanese?

[Response: Chairperson Tanikawa]

The Retail Banking Group provides services for our retail customers, including the Sapporo Branch where you are a customer. The Institutional Banking Group engages in business primarily with corporate customers. The Allied Banking Group focuses on our relationships with financial institutions, including regional financial institutions across Japan, as well as regional companies. The Specialty Finance Group primarily provides real estate finance and recovery finance. The International Finance Group, as our international sector, manages overseas subsidiaries based mainly in New York, London and Hong Kong to provide loans and other services outside Japan. Finally, the Financial Markets Group is our market sector that is responsible for ALM management including our securities portfolio. We hope that the "profit/loss by segment" section in the Convocation Notice will help you better understand our broad range of business operations. For fiscal year 2022, as we mentioned earlier, we intend to focus more on our Strategic Investments Business. We'll remain committed to expanding business for our future growth while flexibly responding to highly volatile financial market conditions.

We also appreciate your observation that Aozora Bank's name recognition is rather weak. By hearing your important comment, we'll continue to actively work on our IR activities going forward.

[Question #6 received at the General Meeting]

I expect interest rates in Japan to increase at some time in the future, though the Bank of Japan's exit strategy needs to be closely watched. I've seen both long-term deflation and

the preceding inflation to date, and I'd like to know which is easier to manage for Aozora Bank from the perspective of business operations.

[Response: Chairperson Tanikawa]

While maintaining our manageable size, we've grown our business worldwide. Since we're exposed to the impact of global economies in the U.S., Europe and Asia, we continuously monitor ongoing inflation, interest rates, share prices and credit trends. While the recent market turmoil is a result of inflation and higher interest rates in the U.S., increased geopolitical risks and pandemic countermeasures are reasons behind global inflation. In addition to these, we are amid a historical turning point of economic transitions, which appears to be another contributor to volatility.

We believe that these economic and industrial transitions are an operating environment and business area where we can leverage our strengths. We now intend to take this opportunity to support our customers and contribute to societal development. These trends are expected to gain further momentum in Japan and we'll work to drive changes in tandem with our customers in order to achieve the Aozora Group's growth.

[Question #7 received at the General Meeting]

While I understand that the abolished Benefits Plan had very few participants due to the inconvenient process of receiving benefits, I imagine there must have been very little cost to the Bank. In my opinion, you should have kept the plan as part of the benefits options for shareholders.

If, in fact, the plan was costly, I'd like to know a specific figure, such as what percentage of that amount you will be able to add to the dividend payout ratio?

[Response: Chairperson Tanikawa]

While our current dividend payout ratio is 50%, we'll continue to make comprehensive decisions regarding shareholder returns based on our situation, market conditions, and the opinions of our shareholders while prioritizing cash dividends.

Comments received from shareholders who viewed the General Meeting via livestream:

[Comment #1]

I exercised my voting rights via postcard, but I wanted to enter the raffle for shareholders that exercised their rights using a smartphone.

[Response: Chairperson Tanikawa]

This campaign was sponsored by Sumitomo Mitsui Trust Bank, our shareholder registry

administrator, and was designed to encourage the exercise of voting rights via smartphone. As such, please understand that it was made available to all listed companies, including Aozora, that make use of Sumitomo Mitsui Trust Bank's shareholder registry administration services.

[Comment #2]

Why isn't your consolidated net revenue increasing in fiscal year 2022?

[Response: Chairperson Tanikawa]

As I mentioned earlier, our fiscal year 2022 earnings forecast was set at roughly the same level as our fiscal year 2021 results. While we expect our customer-related business to continue to steadily increase, we have a cautious outlook regarding our securities investment business, in part due to the volatility in the financial markets. However, we're working to achieve net revenue that exceeds last year's results and deliver a higher dividend accordingly.

[Comment #3]

Please explain what kind of impact the Russia-Ukraine conflict is having on Aozora.

[Response: Chairperson Tanikawa]

We have no direct credit exposure to Russia or Ukraine, and so there has been no direct impact on us. However, this conflict has heightened geopolitical risk and will affect financial markets and corporate performance in a myriad of ways. As such, we've designated this issue as one of this fiscal year's key risks and will continue to respond appropriately to a broad range of risk factors.

[Comment #4]

I'm worried Aozora could be subject to a take-over-bid (TOB), similar to another bank. What countermeasures are being taken?

[Response: Chairperson Tanikawa]

We're increasing the focus on our Strategic Investments Business, and we believe, first and foremost, that it is fundamental to be better recognized in the market for these efforts and increase the presence of the Aozora Group. At the same time, our goal is to communicate more closely with our shareholders and investors than in the past.

[Comment #5]

It seems that other banks sometimes experience IT system failures. Is Aozora Bank safe from this?

[Response: Tomoyuki Yamada, Chief Technology Officer]

We thoroughly perform verification checks whenever we develop or roll-out new IT systems

while taking into account the incidents that have occurred at other banks. In addition, as the chances of a system failure are not zero, we're prepared for such events and are ready to share information with our Operations Group and do everything in our power to properly respond to our customers, especially when making important changes to our IT systems.

[Response: Chairperson Tanikawa]

We've taken every precaution to ensure that system failures do not occur. However, because it is extremely important to respond to potential system failures, we also repeatedly conduct a broad range of associated training programs. In reality, communication between relevant divisions is critical, so we'll continue to conduct ongoing Bank-wide training programs.

3. Other comments received from shareholders who viewed the General Meeting via livestream

We've consolidated our responses to other important comments received from viewers of the livestream below.

We've omitted comments that overlap with those introduced during the General Meeting. (The comments are listed here in their unedited form.)

Comment 1	How many female managers does the Bank have?
Response	We've positioned the sustainability of human capital as one of our Key Sustainability Issues. We're working proactively to ensure a strong level of diversity when promoting core employees, and as of March 31, 2022, 12.5% of our managers and 37.1% our deputy managers (assistant manager level) were female.

Comment 2	Tell us about the progress of your carbon neutral initiatives.
Response	We've positioned responding to climate change as one of our Key Sustainability Issues, and we're currently working on a wide range of initiatives. As mentioned on pages 45-46 of the Convocation Notice, we're actively working towards decarbonization as a business entity while supporting our customer's climate change initiatives and transition towards decarbonization through engagement, and our goal is to become carbon neutral by 2050.

Comment 3	Are you sure it's not an issue to continue relocating branches and closing retail offices? It has become rather inconvenient.
Response	We're continually reviewing our branch strategy by relocating branches to

	more easily-accessible areas and consolidating branches using the branch-in-branch system, in line with changes in customer activity. Our aim is to respond to our customer needs through highly-specialized and comprehensive consulting services while ensuring customer convenience by utilizing shared office spaces in addition to our traditional branch locations.
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Comment 4	I'd like to hear more about the separation and relative positions of Aozora Bank and GMO Aozora Net Bank (GANB). Also, please give us more information about the state of the GANB's operations.
Response	We offer a wide range of financial services to our retail, corporate, and financial institution customers. We've received high praise regarding Bank™, our retail banking smartphone app. GANB mainly provides services to corporate customers, and is striving to become “the No. 1 Bank for small business and start-ups”, “the No. 1 Tech-first Bank” and to deliver “the No. 1 Embedded Finance Services”.

Comment 5	You didn't give a concrete answer regarding the increased director remuneration.
Response	As we explained during the supplementary announcements made at the beginning of today's General Meeting, director remuneration was paid based on the decisions made at the Nomination and Remuneration Committee Meeting held on May 23, 2022. For more information regarding our basic policy on determining director remuneration, please refer to pages 55-57 of the Convocation Notice.

Comment 6	I'm not opposed to you discontinuing your Benefits Plan in principle. If there are any other programs that turned out to be ineffective, I ask you to eliminate them in the same way.
Response	Thank you for your important opinion. We'll continue to review the efficiency in all of our operations and work towards improvements.

Comment 7	How many people are viewing today's livestream?
Response	We confirmed that over 150 shareholders viewed the livestream.

Comment 8	Speaking of international finance, are you concerned that increased
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	interest rates in the U.S. and other countries could trigger the occurrence of non-performing loans?
Response	As mentioned on page 47 of the Convocation Notice, in this fiscal year we're taking steps to avoid any deterioration in credit quality, which is one of our key risks. We'll continue to judiciously and selectively originate new loans, including overseas loans.

Comment 9	While Deputy President Oomi is the only IT/DX specialist, don't you think you need to have more than one member of the management team with those areas of expertise?
Response	We've positioned the promotion of digitalization as one of our Key Sustainability Issues, and we're proactively promoting the development of digital talents, even among our management team. We're focused on improving the IT literacy of our Board members, which includes engaging in ongoing discussions regarding cyber-security issues at the Board of Directors Meetings.

Other comments	We received a number comments regarding the livestream itself, such as "There was no video", "It took too long to access", and "I wanted to ask a question but accidentally logged out instead".
Response	Thank you for your important comments. We'll work to improve the quality of our livestreaming for future General Meetings of Shareholders.