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Aozora Announces Performance-Linked Restricted Stock Remuneration Plan for Directors

TOKYO April 22, 2026 — Aozora Bank, Ltd. (President and CEO: Hideto Oomi; Head Office: Tokyo) ('Aozora' or 'the Bank') announced today that, at the Board of Directors' meeting held on April 22, 2026, the Bank reviewed the directors' remuneration system and approved the introduction of a performance-linked restricted stock remuneration plan ('the Plan') for its directors, excluding outside directors ('Eligible Directors'), subject to final approval at the 93rd General Meeting of Shareholders ('the General Meeting of Shareholders') scheduled for June 23, 2026, as stated below.

1. Purpose of, and conditions for, introducing the Plan

(1) Purpose of introducing the Plan

The purpose of the Plan is to strengthen our medium- to long-term incentives by more clearly defining the linkage between internal directors' remuneration and the Bank's performance, as well as to further deepen the alignment of management's interests with those of our shareholders. The Bank also aims to sustainably enhance corporate value by realizing its management philosophy: "Contribute to the development of society through the creation of new value-added financial services."

(2) Conditions for introducing the Plan

The Plan is designed to grant Eligible Directors: (i) restricted shares as part of their remuneration; or (ii) claims for monetary remuneration for the purpose of granting restricted shares. The introduction of the Plan is accordingly subject to shareholders' approval at the General Meeting of Shareholders.

With regard to remuneration for the Bank's directors, the 82nd General Meeting of Shareholders held on June 26, 2015 approved a maximum annual amount of 600 million yen for base remuneration and bonus. Prior to this, the 81st General Meeting of Shareholders held on June 26, 2014 resolved to allocate stock options as equity compensation-type stock options to full-time directors within a limit of 150 million yen per year. We will now seek shareholders' approval at the General Meeting of Shareholders for establishing a new remuneration program under the Plan for Eligible Directors, separately from the existing remuneration framework. Provided that the proposal regarding the Plan is approved, the existing remuneration program for equity compensation-type stock options that was previously approved will be discontinued.

However, the unexercised portion of any stock options granted as the equity compensation-type stock options will remain in effect.

2. Overview of the Plan

Under the Plan, the Board of Directors sets a specific time frame, such as a fiscal year, as a performance evaluation period ('Evaluation Period') as well as performance evaluation indicators for each Evaluation Period in advance. Following the conclusion of the Evaluation Period, the Bank's common shares are granted based on the number of shares that the Board of Directors determines by comprehensively taking into consideration the achievement of the performance evaluation indicators set for the Evaluation Period. The common shares to be granted will be subject to certain transfer restrictions. The performance evaluation indicators established by the Board of Directors will be set in accordance with our unique business model and the objective of appropriately reflecting business performance. These indicators will be based on two pillars: the exercise of financial intermediary functions (deepening existing business areas) and the creation of new added value in finance, and will be set in accordance with our management plan and basic risk appetite policy*. Specifically, these evaluation indicators will be set based on a combination of quantitative indicators, which are comprised of profitability, capital efficiency, and capital strength during the Evaluation Period, and qualitative indicators that evaluate the implementation of a range of growth strategies contributing to the enhancement of corporate value.

* The Aozora Group's basic risk appetite policy sets forth its long-term risk appetite, with the aim to "Contribute to the development of society through the creation of new value-added financial services" as the Group-wide management philosophy, by accumulating stable earnings, enhancing capital, and achieving corporate growth through the efficient management and utilization of management resources as well as sound risk-taking.

Restricted shares under the Plan are granted in either of the following methods: (i) issuance or disposal of Aozora's common shares as part of directors' remuneration without requiring payment of money or contribution of assets in kind; or (ii) providing claims for monetary remuneration to Eligible Directors and having them contributed as assets in kind for issuance or disposal of Aozora's common shares. In the case of issuing or disposing of Aozora's common shares using the above method (ii), the amount to be paid per share is determined by the Board of Directors within a range that is not particularly advantageous to Eligible Directors, based on the closing price of Aozora's common shares on the Tokyo Stock Exchange on the business day immediately preceding the date of the Board of Directors' resolution regarding the issuance or disposal (or, in case where no trading occurred on that day, the closing price on the most recent trading day prior thereto).

In addition, the total amount of remuneration for granting restricted shares to Eligible Directors under the Plan is capped at 250 million yen per year, separate from the existing remuneration framework, and the total number of Aozora's common shares to be issued or disposed of under the Plan is limited to 150,000 shares per year (provided, however, that if a stock split [including a gratis allotment] or stock consolidation of Aozora's common shares is conducted after the date on which the proposal regarding the Plan is approved, this number is adjusted commensurate with the split or consolidation ratio).

With regard to the specific timing and allocation of grants to each Eligible Director, the Nomination and Remuneration Committee, the Board's advisory body of which the majority is comprised of outside directors, deliberates in a fair and transparent manner and the Board of Directors decides with due respect to the Committee's views.

3. Overview of Transfer Restrictions

Granting of Aozora's common shares under the Plan is subject to transfer restrictions, and the Bank concludes with each of the Eligible Directors an agreement on the allocation of restricted shares ('the Allocation Agreement') that contains the following provisions:

- (1) Eligible Directors shall not transfer, pledge as collateral, or otherwise dispose of Aozora's common shares allocated under the Allocation Agreement ('the Allocated Shares') during the period from the date on which the Allocated Shares are granted until the date on which the director retires or resigns from the position of director of the Bank or any other position designated by the Board of Directors ('Transfer Restriction Period').
- (2) The Bank shall automatically acquire the Allocated Shares without consideration if, during the Transfer Restriction Period, an Eligible Director violates any laws and regulations, internal rules, or the Allocation Agreement, or falls under any of the events set out by the Board of Directors that justify the Bank's acquisition of the Allocated Shares without consideration.
- (3) In the event that, after the release of the transfer restrictions, certain circumstances determined by the Board of Directors are discovered, including material accounting errors or fraudulent accounting practices, the Bank may, by resolution of the Board of Directors, demand the return of all or part of the delivered shares or the payment of an amount equivalent to the value of such shares.