February 27, 2013

Company name: Aozora Bank, Ltd.
Name of representative: Shinsuke Baba, President and CEO
Listed exchange: TSE, Code 8304
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Corporate Communication Division (03 3263 1111)

Re: Aozora Bank Submits Revised Business Revitalization Plan to Japan's Financial Services Agency

Aozora Bank, Ltd. ("Aozora" or "the Bank") today announced the submission of its revised Business Revitalization Plan ("BRP") to Japan's Financial Services Agency, following the announcement of the Aozora Bank's Business Model.

Aozora remains totally committed to the achievement of the BRP and the Bank thanks all of its customers and shareholders for their continued support.

End

Attachment: Summary of BRP

Summary of “Business Revitalization Plan”

February 2013

Aozora Bank, Ltd.

1. Strategies for Rationalization of Operations

1.1. Business Model, Management Strategies

The full repayment of public funds has been a corporate priority for the Bank, and management has strived to establish a sustainable business foundation and increase the Bank's corporate value. Having survived large losses during the financial crisis triggered by the Lehman Shock, the Bank recognized and fixed the problems, aiming to regain a sound business management. The Bank focused on its core business and improvement of its profitability through various measures including a return to the domestic lending business, strict control on costs, and the establishment of a stable funding base.

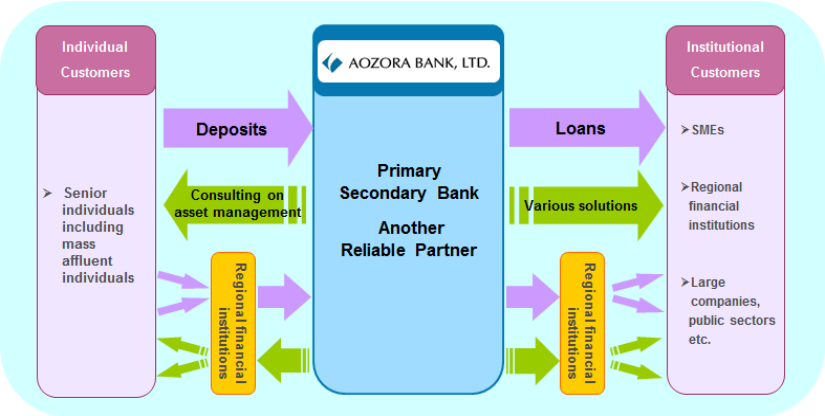
The Bank finalized and announced a Comprehensive Recapitalization Plan toward a full repayment of public funds over time which can benefit all of its shareholders on August 27, 2012. The Bank also released a document entitled: 'Where Aozora Goes From Here', aimed at offering a mid-term direction of its business.

Business Model

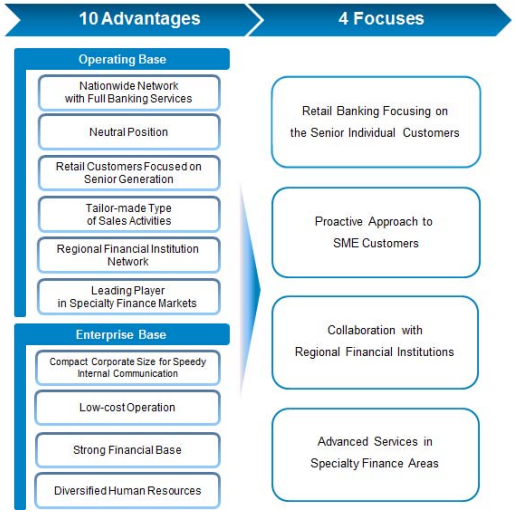
– Aiming to become "Primary Secondary Bank: Another Reliable Partner" –

The Bank released a document entitled: 'Where Aozora Goes From Here' aimed at offering a mid-term direction of its business and continued a work to identify specific initiatives through various approaches including a project team involving mid-level and front line officers and employees.

【Overview of Aozora Business Model】



The Bank aims to become a truly trusted partner for its customers "Primary Secondary Bank: Another Reliable Partner" and will provide its individual, corporate and regional financial institution customers with tailor-made high value-added solutions for their challenges, leveraging its "10 Advantages" and concentrating on its "4 Focuses" as follows "Retail Banking Focusing on the Senior Individual Customers", "Proactive Approach to SME Customers", "Collaboration with Regional Financial Institutions", and "Advanced Services in Specialty Finance Area", and through the consolidation of its financial expertise.



Also, the Bank continues to seek opportunities for the strategic business alliances and acquisition which are complementary or logical extensions to its existing businesses or otherwise expand its business scope or open new business opportunities, in order to upgrade its capability of providing products and responding to the needs of its customers, as well as providing broader and higher-value-added services.

In conjunction with the steady implementation of the recapitalization plan, Aozora aims to realize its management philosophy as 'Aozora is firmly established in the Japanese financial system and is truly committed to contributing to the economic and social growth of the country'. To achieve this, the Bank will promote its business model to realize a stable and sustainable earnings base without seeking only short-term revenues.

1.2. Restructuring Plan

The Bank has endeavored to review and reduce the expenses since its reprivatization and has been reduced its expenses by approximately 18% over the past 3 years from JPY 44.2 billion in FY2008 to JPY 36.5 billion in FY2011.

While the Bank continues its strict control on costs keeping OHR at 45% or below, it expects expenses to increase due to head count increases associated with business expansion, especially in the retail business area, as well as increased costs due to the promotion of measures in focus areas and the introduction of a new Kanjo-kei IT system.

JPY 100 mil. %	FY2011 Actual	FY2012 Plan	FY2013 Plan	FY2014 Plan	FY2015 Plan
Personnel +Non-personnel Expenses	348	343	357	371	394
OHR	46.2	47.4	45.2	44.4	42.9

① Personnel Expenses

JPY 100 mil, Headcount	FY2011 Actual	FY2012 Plan	FY2013 Plan	FY2014 Plan	FY2015 Plan
Personnel Expenses	172	173	180	191	197
Staffs	1,519	1,550	1,620	1,700	1,750

Total personnel expenses for FY2011 were 17.2 billion yen, a decrease of 0.3 billion yen from FY2010, due to revision of the salary system in accordance with the introduction of new HR system. Total personnel expenses for FY2015 are expected to be 19.7 billion yen due to the head count increase as the Bank aims to improve profitability.

② General and Administrative Expenses

JPY 100 mil.	FY2011 Actual	FY2012 Plan	FY2013 Plan	FY2014 Plan	FY2015 Plan
Non-personnel Expenses	176	170	177	180	197
Excluding System Expenses	122	116	121	126	126

While the Bank continues to control property and facility expenses, it expects expenses to increase due to the enhancement of customer convenience and the promotion of measures in focus areas.

The Bank is focusing on the introduction of a new Kanjo-kei IT system, maintaining stable operations for its existing systems and taking measures to minimize system risks, while controlling IT-related expenses.

③ Subsidiaries/affiliates

Likewise, subsidiaries and affiliates will strive for operation streamlining, stricter cost management and cost-cutting. At the same time, agile establishment, restructure, and buy-out of subsidiaries and affiliated companies will be implemented in accordance with business strategy and growth.

2. Summary of Table 1

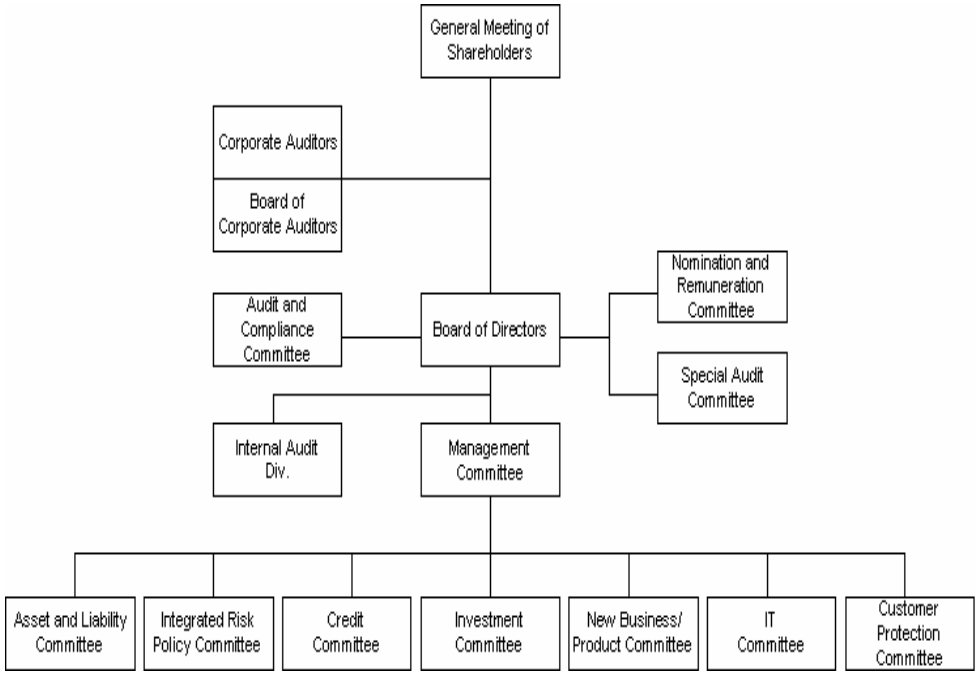
(JPY 100 mil.)

	FY2011 Actual	FY2012 Plan	FY2013 Plan	FY2014 Plan	FY2015 Plan
Net Revenue	789	760	830	890	980
General and Administrative Expenses	365	360	375	395	420
Business Profit (*)	425	400	455	495	560
Credit-related Expenses(**)	-3	-25	-45	-65	-65
Gains/Losses on sales of stocks and other securities	-0	-4	-	-	-
Operating Profits	395	340	400	420	490
Net income	451	350	380	390	350
OHR	46.2%	47.4%	45.2%	44.4%	42.9%

(*) Business Profit before General Loan-Loss Reserve

(**) Credit-related expenditure after General Loan-Loss Reserve and Bad Loan Write-Off

3. Management Systems



The Bank's corporate governance principle is to establish an effective and transparent management framework.

The Board of Directors determines basic operational policy and management strategies and is committed to supervising the execution of daily business. With authority delegated by the Board of Directors, Executive Officers, including Representative Directors, form the Management Committee and execute daily business.

The Management Committee is the highest decision-making body for the execution of daily business, and comprises members from amongst the Executive Officers who are approved and appointed by the Board of Directors. This structure improves the speed of decision-making, while at the same time the Executive Officers' Meeting, comprising all the Executive Officers, is held in order to share information. The Management Committee also has seven sub-committees as subordinate organizations in order to improve efficiency of business execution.

4. Strategy for Prevention of Profit Drain through Dividend etc.

4.1. Basic Policy

The Bank accumulated retained earnings since its re-privatization in order to strengthen its financial base and soundness. As mentioned above, the Bank has announced its 'Comprehensive Recapitalization Plan' which insures the full repayment of the remaining public funds within the next ten years. Going forward, the Bank aims to further strengthen its profitability and maintain financial soundness, taking into account the balance between increases in retained earnings and decreases by the repayments of public funds and dividend payouts.

4.2. Dividend, Remuneration / Bonuses to Directors and Officers

<Common stock dividend>

In accordance with the 'Comprehensive Recapitalization Plan' mentioned above, the Bank will adopt a dividend policy whereby it sets the dividend payout ratio for common shares at 40% of consolidated net income as a measure to eliminate the "Gap" between the value of the preferred shares as public funds and total target repayment amount of public funds ("Gap Issue") and to fully repay the remaining public funds as early as possible, so long as the Bank continues repaying the public funds. The Bank may also consider making quarterly common share dividend payments beginning in June 2013.

< Remuneration / Bonuses >

Remuneration of each Director is determined at the Nomination and

Remuneration Committee principally comprised of non-executive directors.

Total Director remuneration is projected to be 226 million yen and average remuneration for Directors other than non-executives is projected to be 29 million yen in FY2012.

The Bank may review the plan on the number and remuneration of Directors as well as the management structure in accordance with a change of the major shareholder.

None of Directors are granted over 1 hundred million yen. Bonus payments for Directors and Corporate Auditors are not incorporated in this plan.

5. Measures for Smooth Operation of Loans and other Credit Facilities

＜Basic Stance＞

Aozora defines its Management Philosophy as “Aozora is firmly established in the Japanese financial system and truly committed to contributing to the economic and social growth of the country.” We focus on high value-added lending businesses, which meet the financing needs of our SME and corporate customers, leveraging our advanced financial skills, and with a funding structure which consists of deposits from individuals.

The Bank recognizes it is a domestic financial institution’s responsibility and mission to facilitate financing and extend other credit to companies, especially SMEs, that form the foundation of the Japanese economy. The Bank will continue to promote the expansion of its SME customer base and actively lend to SME customers through providing Aozora Bank’s own corporate financial services, and providing them in collaboration with regional financial institutions.

With regard to lending to SME customers, we aim to focus on deals based on the continuous business relationships with SMEs, develop a plan for lending to target SMEs and make greater efforts to increase the volume of loans to SMEs.

In response to the enforcement of the Act Concerning Temporary Measures to Facilitate Financing for SMEs, the Bank will appropriately respond to customer requests, including the amendment of terms and conditions of loans based on a proper understanding of their current business situation and characteristics. The Bank provides appropriate support to each of its customers in the form of consultation services, guidance on business management and initiatives to improve management.

6. Strategy for Securing Financial Resources from Profits for the Cancellation and Reimbursement of Stocks in connection with the Issuance of Stocks and Redemption or Repayment of Borrowings

The Bank accumulated retained earnings as a strategic priority since its re-privatization, in order to strengthen its financial base and soundness and to secure sufficient funds for the repayment of public funds. As outlined in the ‘Comprehensive Recapitalization Plan’ mentioned above, the Bank ensured the full repayment of public funds within the next 10 years, and repurchased 44 million shares of the 5th preferred stock from the Resolution and Collection Corporation and has repaid 22.7 billion yen in public funds as of October 2, 2012 as the first step. Going forward, the Bank will continue to make every effort to steadily repay the remaining public funds under the Plan.

The Bank intends to fully repay the remaining public funds as early as possible when conditions are met, carefully examining the Bank’s financial soundness as well as stability in the market.

Transition in Retained Earnings（JPY 100 mil.）

The Bank created a distributable amount ('Other Capital Surplus') which is sufficient for a full repayment of the remaining public funds through a change in capital composition, i.e. a capital reduction as of November 15, 2012.

	Mar-2012 Actual	Mar-2013 Plan	Mar-2014 Plan	Mar-2015 Plan	Mar-2016 Plan	Mar-2017 Plan
Other capital surplus	2	2,229	2,024	1,819	1,614	1,409
Balance of remaining public funds	2,276	1,844	1,639	1,434	1,229	1,025

	Mar-2018 Plan	Mar-2019 Plan	Mar-2020 Plan	Mar-2021 Plan	Mar-2022 Plan
Other capital surplus	1,204	999	794	589	384
Balance of remaining public funds	820	615	410	205	0

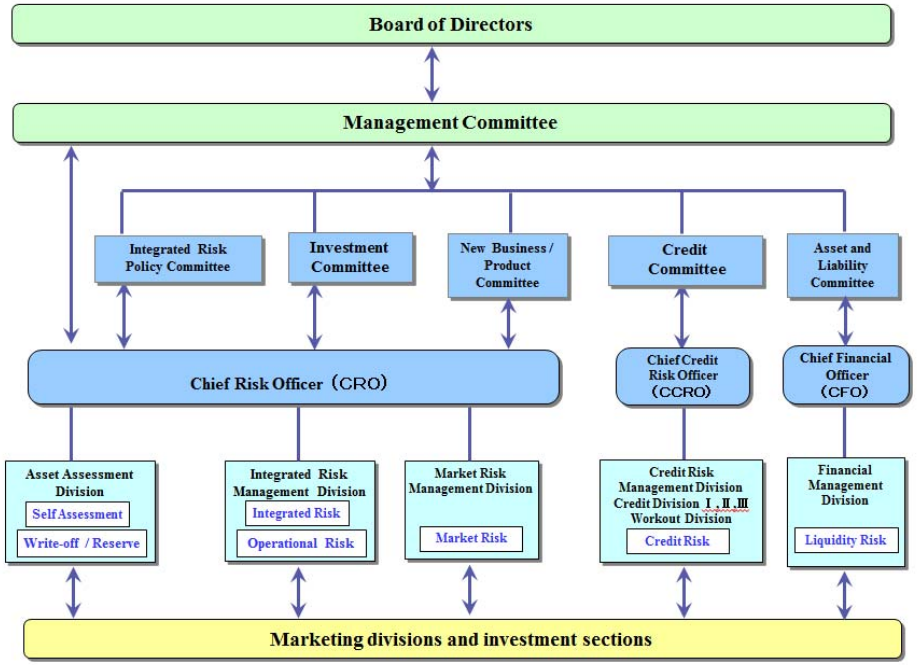
(Note) Figures for each year are after deduction of special preferred dividend amount paid as of the record date for dividend.

Summary of the preferred stock

Total Amount Issued Initially 260.0 Billion Yen

Mandatory Conversion to Common Stock June 30, 2022

7. Strategies for Sound and Appropriate Finance and Business Operations



<Comprehensive Risk Management System>

Acknowledging the importance of risk management activities defined as the process of controlling risks associated with the Bank's business operations within its financial strength such as capital adequacy determined by the Board of Directors, the Bank has established the basic policy on comprehensive risk management to properly measure and control risks both in separate and integrated ways.

The Board of Directors approves the business operations plan proposed by the Management Committee and determines the risk acceptable to the Group in view of the Bank's capital and earnings projections. The Board of Directors is

also committed to maintaining high corporate governance standards and appropriate business operations by approving material decisions made by the Management Committee, the Asset and Liability Committee, the Integrated Risk Policy Committee, the Credit Committee, the Investment Committee and the New Business/Product Committee as well as by receiving close risk management reports.

The Bank has the Chief Risk Officer (CRO) assigned to oversee comprehensive risk management, market risk management, operational risk management and the risk policies on an overall basis. The Chief Credit Risk Officer (CCRO) is assigned to oversee overall credit risk management, the Market Risk Management Division takes charge of market risk, the Credit Risk Management Division takes charge of credit risk, and the Integrated Risk Management Division takes charge of comprehensive risk and operational risk, in accordance with the characteristics of each risk type. And the CRO has jurisdiction over the Integrated Risk Management Group and Asset Assessment Division that takes charge of self assessment, write-offs and reserves as well as the Operations Risk Management Division (established in November 2011) that takes charge of operations risk including a part of operational risk.

With regard to the implementation of risk management, the basic policy on comprehensive risk management specifies the scope of target risk categories such as credit risk, market risk and operational risk and their definitions as well as the practical risk management process consisting of the identification, assessment, monitoring and control of such target risks. As for the management of each risk category, separate risk management policy/procedures have been provided for the respective risk categories based on the basic policy. The IRMG is also committed to improving the Bank-wide risk management system by laying out risk management enhancement plans.