

March 27, 2015

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Revision of 'Business Revitalization Plan'

Tokyo March 27, 2015 - Aozora Bank, Ltd. ("Aozora" or "the Bank") today announced the submission of its revised Business Revitalization Plan ("BRP") to Japan's Financial Services Agency (FSA).

< Comprehensive Recapitalization Plan >

The full repayment of public funds has been a corporate priority at Aozora, and management has strived to establish a sustainable business foundation which would increase the Bank's corporate value. In August 2012, the Bank announced its 'Comprehensive Recapitalization Plan,' intended to benefit all shareholders, and which included a plan for the full repayment of public funds over time. The Bank officially commenced its public funds repayment process soon thereafter. In February 2013, the Bank released a document entitled, 'Aozora Bank's Business Model – Aiming to become "Primary Secondary Bank: Another Reliable Partner" and since that time has been operating within the framework of that Business Model.

The Bank's share price has steadily increased based on a number of factors. Assuming no significant change to valuations in the coming months, the implied value of the Bank's preferred stock would be expected to exceed the amount of remaining public funds owed. Conditions for an early lump-sum repayment of public funds appear likely to be satisfied; as a result, Aozora intends to fully repay its remaining public funds, once it has obtained approval from the regulatory authorities, while giving appropriate consideration to its financial soundness as well as stability in the market.

< Revised Business Revitalization Plan >

Aozora is well aware of the importance of maintaining its soundness and social responsibilities as a bank that successfully recovered through the use of public funds. Management will continue putting first priority on its risk management framework as well as the maintenance of the Bank's soundness as a financial institution in order to properly respond to internal and external environmental changes.

The revised Business Revitalization Plan includes a reporting on: 1) the Bank's advantages since its establishment which have developed into "4 Focuses" in the current Business Model; 2) the outcome of the initiatives based on the Bank's advantages which may have been maintained through the use of public funds; and 3) the future direction of the Business Model to support a sustainable improvement in corporate value.

All executive officers and employees of the Bank will make every effort to further develop the Bank's differentiated and specialized Business Model, aimed at becoming a truly trusted 'Primary Secondary Bank: Another Reliable Partner' for its customers and other stakeholders and continuously improving its corporate value. In that way, Aozora expects to continue proactively contributing to the economic and social development of Japan.

We would like to ask for all stakeholders' continued support.

End

Attachment: Summary of Business Revitalization Plan

Summary of “Business Revitalization Plan”

March 2015
Aozora Bank, Ltd.

1. Initiatives for Management and Business Rationalization

1.1. Comprehensive Recapitalization Plan

Special public management was over in September 2000 and the Bank was privatized again. Based on the Act concerning Emergency Measures for Early Strengthening of Financial Functions, underwriting of preferred stock of 260 billion yen was approved. On January 4, 2001 the Bank changed name to Aozora Bank, Ltd. Since then, management has strived to establish a sustainable business foundation which would increase the Bank's corporate value so that the Bank can be recognized as a new bank capable of contributing more to the society.

The Bank was affected by global financial crisis after the collapse of Lehman Brothers in September 2008, and experienced huge losses in FY2008. The Bank promptly identified issues and took actions to solve them for securing soundness of the business management as soon as possible. The Bank also focused on core businesses and improved profitability by refocusing on domestic lending business, promoting strict cost management, and establishing the stable fund raising base. The Bank announced Comprehensive Recapitalization Plan (the "Recap Plan") on August 27, 2012, intended to benefit all shareholders, and which included a plan for the full repayment of public funds over time. After obtaining approval at an extraordinary general shareholders meeting on September 27, 2012, the Bank officially commenced its public funds repayment process.

Following the Recap Plan, the Bank released a document entitled 'Aozora Bank's Business Model – Aiming to become "Primary Secondary Bank: Another Reliable Partner"' on February 27, 2013, and since that time has been operating within the framework of that Business Model. The Bank's share price has steadily increased based on a number of factors.

Assuming no significant change to valuations in the coming months, the implied value of the Bank's preferred stock would be expected to exceed the amount of remaining public funds owed. Conditions for an early lump-sum repayment of public funds appear likely to be satisfied; as a result, Aozora intends to fully repay its remaining public funds, subject to approval from the regulatory authorities, while giving appropriate consideration to its financial soundness as well as stability in the market.

1.2. Business Model

1.2.1 Corporate history

The Bank's business history started in 1957 when The Nippon Fudosan Bank, Limited was established as the third long-term credit bank based on the Long-Term Credit Bank Act. In 1977, the Bank changed the name to The Nippon Credit Bank, Ltd. with the aim to promote long-term financing to SMEs as main business activity while focusing on acquiring real estate as security. Since its establishment, by utilizing long-term funds raised from issuance of bank debentures, the Bank has focused on long-term real estate collateralized finance for corporate customers to construct factories and enter into new markets. The Bank pioneered in focusing on future cash flow of a project in financing.

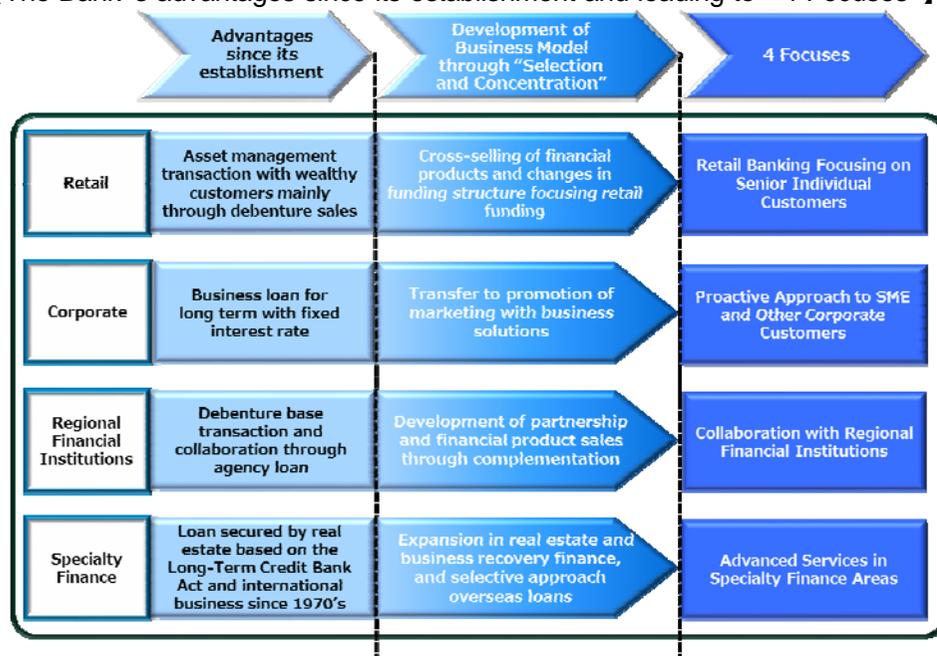
In collaboration with regional financial institutions (RFIs), the Bank has longstanding relationships through the transactions such as bank debentures, agency loans with RFIs which extend back over 50 years, and has established a broad range of network with RFIs across the country.

In retail banking, because bank debentures for retail customers satisfied affluent customers' needs, the Bank focused on their asset management. Even now, affluent customers highly interested in asset management are the core of its customer base.

In specialty finance, Aozora has engaged in the international business from the 1970's, and actively involved in various operations such as real estate non-recourse loan, workout and leveraged buyout (LBO) finance which was developed earlier in the overseas market than in Japan. After the Bank changed its name to Aozora, the Bank has been a key player in real estate finance, business recovery finance, and acquisition & project finance by utilizing experiment and expertise the Bank developed during these years, since the early stage of these markets in Japan.

The current Business Model publicly announced on February 27, 2013 was based on the Bank's differentiated advantages since its establishment which may have been maintained through the use of public funds, by utilizing its position as a unique bank and "10 Advantages" as well as considering how to adjust itself to new environments, and the Bank developed "4 Focuses" and a message "Primary Secondary Bank: Another Reliable Partner".

【The Bank’s advantages since its establishment and leading to “4 Focuses”】



【“10 Advantages” and “4 Focuses”】



To become a “Primary Secondary Bank: Another Reliable Partner” for its customers, the Bank has promoted the following businesses based on 4 Focuses; “Retail Banking Focusing on Senior Individual Customers”, “Proactive Approach to SME Customers”, “Collaboration with Regional Financial Institutions” and “Advanced Services in Specialty Finance Areas”, and by fully utilizing its financial expertise.

The Bank will continue providing financial services which truly benefit all of its customers, while further developing the Bank’s differentiated and specialized Business Model.

From this point of view, the Bank will also continue examining enhancement of its business model to offer more value-added services and strategic business alliances and buyouts for the next generation as effective means for mid and long-term improvement of corporate value, responding to various needs of its customers.

1.3. Expenses, etc.

The Bank has reduced its G&A expenses by approximately 18% over the past 5 years, from JPY 44.2 billion in FY2008 to JPY 36.3 billion in FY2013. The Bank will continue maintaining its OHR around 45% through the ongoing priority assigned to efficient operations, while it expects G&A expenses to increase due to increasing headcount associated with business expansion, especially in the retail business area, as well as increasing costs due to the promotion of the Bank’s focus businesses and the introduction of a new Kanjo-kei system.

JPY 100 mil. %	FY2013 Actual	FY2014 Plan	FY2015 Plan	FY2016 Plan	FY2017 Plan
Personnel and Non-personnel Expenses	346	365	378	394	402
OHR	44.3	44.8	44.9	45.1	45.2

① Personnel Expenses

JPY 100 mil, Headcount	FY2013 Actual	FY2014 Plan	FY2015 Plan	FY2016 Plan	FY2017 Plan
Personnel Expenses	180	186	194	198	201
Staffs	1,581	1,750	1,810	1,840	1,870

The total personnel expenses in FY2013 were 18 billion yen, an increase of 0.5 billion yen compared with FY2012 due to increase in sales personnel mainly in retail business. In FY2014, the Bank will continue recruiting more sales personnel in retail business. The total personnel expenses is expected to be 20.1 billion yen in FY2017, the final year of Business Revitalization Plan (the “plan”) as a result of increasing headcount in areas of focus in and after FY2015.

② General and Administrative Expenses

JPY 100 mil.	FY2013 Actual	FY2014 Plan	FY2015 Plan	FY2016 Plan	FY2017 Plan
Non-personnel Expenses	166	179	184	196	201
Excluding System Expenses	115	124	126	116	123

Going forward, the Bank will consider relocating, re-designing and opening new domestic retail branches to improve customer convenience and business promotion, while strictly controlling property and facility expenses.

The Bank anticipates an increase in IT-related expenses in the mid-to long-term, due to the replacement of its Kanjo-kei core system, but intends to maintain strict control on costs in order to minimize expenses for the project.

③ Subsidiaries/affiliates

Likewise, the Bank has strived for operation streamlining and stricter cost management for its subsidiaries and affiliates. The Bank will implement agile establishment, restructure, and buy-out of subsidiaries and affiliated

companies in accordance with its business strategy and requirements.

2. Summary of Table 1

JPY 100 mil.	FY2013 Actual	FY2014 Plan	FY2015 Plan	FY2016 Plan	FY2017 Plan
Net Revenue	820	860	890	920	940
General and Administrative Expenses	-363	-385	-400	-415	-425
Business Profit (*)	457	475	490	505	515
Credit-related Expenses(**)	-17	-10	-25	-40	-45
Gains/Losses on sales of stocks and other securities	60	—	—	—	—
Operating Profits	512	495	495	495	500
Net income	416	420	400	380	350
OHR	44.3%	44.8%	44.9%	45.1%	45.2%

(*) Business Profit before General Loan-Loss Reserve

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

3. Initiatives for Establishment of Responsible Management Systems

3.1. Management Principles based on Sociality and Publicness of Financial Institutions

The Bank defines 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”. Aozora as a bank receiving public funds support places more emphasis on the Bank's public role in the Japanese financial system under its Management Philosophy.

Management will continue putting first priority on its risk management framework as well as the maintenance of the Bank's soundness as a financial institution in order to properly respond to internal and external environmental changes.

The Bank aims to become a truly trusted “Primary Secondary Bank: Another Reliable Partner” for its customers. The Bank believes it is important to serve customers and contribute to economic and social development of Japan by further exerting a financial intermediary function.

As conditions for an early and full repayment of public funds are likely to be met, the Bank is well aware of the importance of maintaining its soundness and social responsibilities as a bank that successfully recovered through the use of public funds and will continue proactively contributing to the economic and social development of the country.

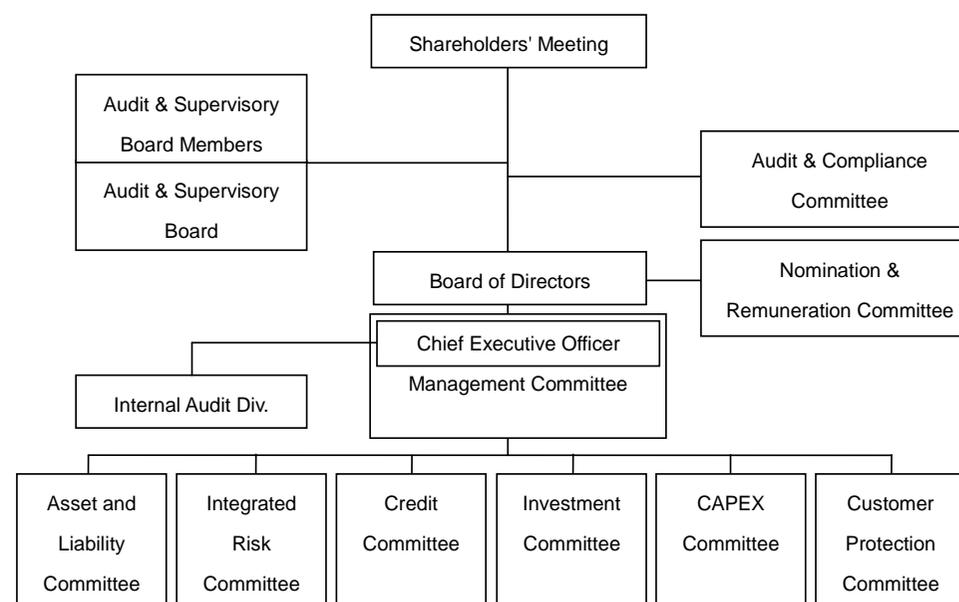
All executive officers and employees of the Bank, therefore, will make every effort to further develop the Bank's Business Model, aimed at becoming a bank which can be more evaluated by its customers and other stakeholders, and realizing sustainable improvement of its corporate value.

The Bank created the CSV (Creating Shared Value) Project Team with members across the Bank. Project members have discussed how to contribute to economic and social growth based on the CSV concept. The Bank also considers establishing a “CSV Committee (tentative)” consisting of members in various genders and generations to promote bank-wide CSV actions in the future.

3.2. Managerial Decision Making Process and Mutual Supervision

The purpose of establishment of a corporate governance framework for the Bank to ensure the management discipline and to create the mutual check and balance system, aimed at continuously conducting daily businesses based on the above stated Management Philosophy. Therefore, the Bank has established an efficient and highly transparent management system. Referring to the codes shown in the recent corporate governance reform, the Bank will continue implementing a highly transparent corporate governance system.

【Corporate Governance System】



4. Initiative 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 from viewpoint of publicness and soundness of a bank. As mentioned above, the Bank has announced its Recap Plan which ensures the full repayment of the remaining public funds by 2022. 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 repayments of public funds and dividend payouts.

4.2. Dividend, Remuneration / Bonuses to Directors and Officers

<Common stock dividend>

In accordance with the Recap 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 so long as the Bank continues repaying the public funds. In addition, the Bank commenced quarterly common share dividend payments from June 2013.

< Remuneration / Bonuses for directors, etc. >

Remuneration of each director and audit and supervisory board member (collectively, directors, etc.) is determined at the Nomination and Remuneration Committee mainly comprised of external directors. The total remuneration for directors, etc. is projected to be 232 million yen and average remuneration for standing directors, etc. is projected to be 34 million yen in FY2014.

None of directors, etc. are granted over 100 million yen. Bonus payments for directors, etc. are not incorporated in this plan.

5. Measures for Facilitation of Loans and other Financing

<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." The Bank focuses on high value-added and

consulting-type of lending businesses, which meet the financing needs of its SME and corporate customers, leveraging its advanced financial skills, and with a funding structure which mainly 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 promoting the expansion of its SME customer base and actively provide finance to SME customers through providing Aozora Bank's own corporate financial services, and providing them in collaboration with RFIs.

With regard to lending to SME customers, the Bank aims to focus on deals based on the continuous business relationships with SMEs as its core business. Based on this policy, the Bank will make greater efforts to increase the volume of SME loans aimed at supporting the business of SMEs.

6. Initiatives 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 corporate priority since its re-privatization, in order to strengthen its financial base and to secure sufficient funds for the repayment of public funds from viewpoints of publicness and soundness of a bank. As outlined in the Recap Plan mentioned above, the Bank ensured the full repayment of public funds by 2022, 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. Subsequently, the Bank officially commenced its public funds repayment process through the first super preferred dividend of 20,490 million yen from Other Capital Surplus from June 2013 and paid the second super preferred dividend of 20,490 million in June 2014 for steady installment repayments.

When conditions for an early lump-sum repayment of public funds are met, Aozora intends to fully repay its remaining public funds subject to approval from the regulatory authorities, while giving appropriate consideration to its 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 Actual	Mar-2014 Actual	Mar-2015 Plan	Mar-2016 Plan	Mar-2017 Plan
Other capital surplus	2	2,433	2,229	2,024	1,819	1,614
Balance of remaining public funds	2,276	1,844	1,639	1,434	1,229	1,025

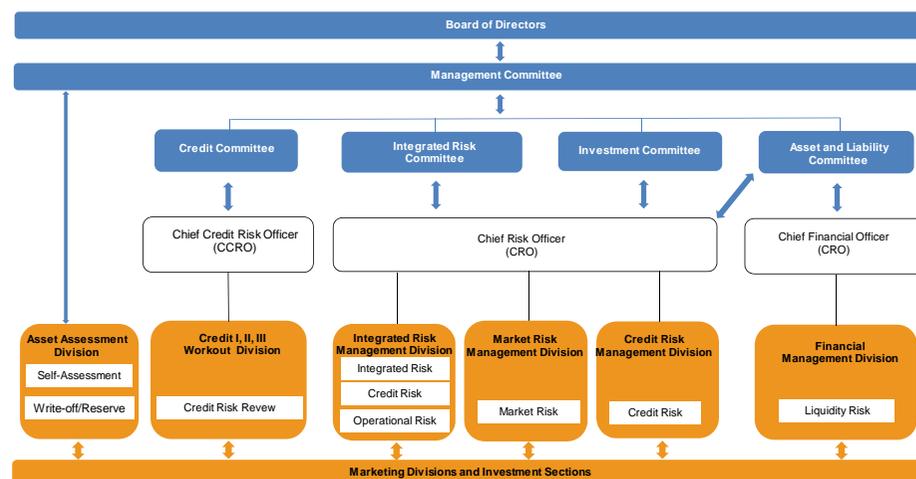
	Mar-2018 Plan	Mar-2019 Plan	Mar-2020 Plan	Mar-2021 Plan	Mar-2022 Plan
Other capital surplus	1,409	1,204	999	794	589
Balance of remaining public funds	820	615	410	205	0

(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 (public funds)

Total Amount Issued Initially 260.0 Billion Yen
Mandatory Conversion to Common Stock June 30, 2022

7. Initiatives for Sound and Appropriate Finance and Business Operations



<Comprehensive Risk Management System>

Acknowledging the importance of risk management activities, the Aozora Bank Group has established a basic policy on comprehensive risk management designed to properly measure and control each risk separately and the overall risk in an integrated manner. As the core components of the Group's risk management structure, the Bank has established a number of risk management committees which have been delegated authority by the Board of Directors, etc. to implement risk management activities. Any important matters concerning risk management are determined and implemented after careful examination and active discussion by the relevant committees and the Risk Management Group.

The basic policy on comprehensive risk management sets out the scope of target risk categories such as credit risk, market risk and operational risk, and their definitions. The policy also defines the risk management procedures which consist of the identification, assessment, monitoring and control of the target risks.