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Company name: Aozora Bank, Ltd.
Name of representative: Shinsuke Baba, President and CEO
Listed exchange: TSE, Code 8304
Enquiries: Tatsuhiro Nawa
Business Strategy Division (03 3263 1111)

Aozora Announces Capital and Business Alliance for Joint Venture Internet Bank with GMO Internet, Inc.

Aozora Bank, Ltd. (President and CEO: Shinsuke Baba; Head Office: Tokyo) ('Aozora' or 'the Bank') today announced that the Bank and wholly-owned subsidiary Aozora Trust Bank, Ltd. ('Aozora Trust') have entered into a capital and business alliance ('the Alliance') with GMO Internet, Inc. ('GMO') regarding a joint venture Internet bank, which will be operated by Aozora Trust. Effective today, the parties executed an investment agreement, a shareholders' agreement, and a business alliance agreement.

1. Objectives of the Alliance

Technological advancements in the IT industry have given rise to significant changes in customer behavior and society as a whole. Within the finance industry, "FinTech" has been attracting considerable attention. FinTech services leverage information technology to provide enhanced convenience in finance-related businesses, and the trend towards offering financial services that extend beyond the existing framework has gained momentum.

Currently, only a few banks in Japan provide services focused on SMEs and other small e-commerce businesses, and we believe that we can meet the needs of this customer segment through the establishment of a next-generation Internet bank offering innovative IT functions.

Aozora and GMO have partnered on this next-generation Internet bank with the aim of responding to the changing needs of these customers. This partnership brings together Aozora Bank Group's extensive banking experience and risk management expertise, as well as GMO Internet Group's knowledge and expertise in Internet technology and track record in the e-commerce market and Internet securities business. Leveraging their respective expertise, the parties will strive to further enhance each group's business and corporate value, and contribute to the creation of added social value.

Specifically, the Aozora Bank Group intends to take full advantage of IT in order to provide SME customers and other small business operators with cost effective banking services that lead to enhanced productivity. In addition, by offering Internet banking services targeting the smartphone user generation, the Bank will make efforts to acquire new customers, building upon its current retail customer base focused on the Bank's "Brilliant60s" senior generation customer segment.

GMO Internet Group is a major player in the e-commerce market providing shopping cart and settlement agent services. The joint venture Internet bank will enable GMO to create synergies with its existing businesses, providing more convenient services and expanding its new earnings base.

2. Details of the Alliance

(1) Overview of business alliance agreement

① Internet bank concept

"Offer new experiences and convenience to our customers through simple and highly sophisticated services leveraging banking and IT"

- Provide SME customers and other small e-commerce businesses with cost effective and productivity enhancing banking services
- Take full advantage of IT in providing smart next-generation functions to our retail customers, and collaborate with GMO CLICK Securities, Inc. to offer attractive services integrating banking and securities
- Ensure timely development of unique services through partnerships with external FinTech companies, in addition to collaborations between the Aozora Bank and GMO Internet groups
- Leverage the latest system technology in order to provide services at a significantly reduced cost

② Commencement of operations

We will aim to commence operations during FY2017.

In preparation for the scheduled launch, the Bank will set up an "Internet Bank Project Launch Office" within Aozora Trust immediately after the latter's third party allocation of shares outlined below.

③ Projected expenditure for Internet bank launch

The cost for Aozora Trust to commence the Internet banking operations will be an estimated 5.5 billion yen.

④ Trust services provided by Aozora Trust

We intend to continue providing the trust services currently offered by Aozora Trust.

(2) Capital and business alliance

Under the Alliance, Aozora Trust will implement a capital increase of 6.6 billion yen through a third party allocation of new shares. Details of this capital increase are outlined below.

Agreements under the Alliance, including the shareholders' agreement, provide for the transfer to GMO of all Class A and Class B shares acquired by Aozora on either the date on which GMO obtains necessary authorization from the relevant authority to become a major shareholder of Aozora Trust, or 5 years from the official launch date of the Internet bank, whichever comes first. In addition, subject only to obtaining the aforementioned authorization from the relevant authority, GMO may convert any class shares acquired to common shares.

Aozora Trust will issue the following 3 types of shares.

① Common shares

No. of shares: 20,580 shares

Issuance amount : 1,160,917,800 yen

Underwriter: GMO Internet

② Class A shares

No. of shares: 96,430 shares

Issuance amount: 5,439,616,300 yen

Underwriter: Aozora Bank

③ Class B shares

No. of shares: 490 shares

Issuance amount: 27,640,900 yen

Underwriter: Aozora Bank

The ratio of voting rights after the capital increase will be as follows, on assumption that GMO acquires all relevant class shares from Aozora and exercises its right to convert said shares to common shares. In accordance with the agreements under the Alliance, including the shareholders' agreement, GMO intends to transfer a portion of common shares acquired from the capital increase to its subsidiary, GMO CLICK Holdings, Inc., after the latter completes necessary procedures. In the event of such transfer, GMO's voting rights would change accordingly.

	Current	After capital increase	After GMO acquires Class A shares and converts to common shares	After GMO acquires Class A and Class B shares and converts to common shares
Aozora	100%	85.1%	50.1%	50.0%
GMO	0%	14.9%	49.9%	50.0%

3. Please refer to the attachment for an overview of each Alliance partner.

4. Schedule

June 24, 2016	Signing of investment agreement, shareholders' agreement, business alliance
June 29, 2016	Payment date for newly issued shares, Alliance commencement (scheduled)
FY2017	Internet bank launch (scheduled)

5. Outlook

The Bank will immediately announce any projected impact the Alliance may have on Aozora and GMO's consolidated results.

Overview of Aozora Bank

① Name	Aozora Bank, Ltd.		
② Location	3-1 Kudan-Minami 1-chome, Chiyoda-ku, Tokyo		
③ Representative	Shinsuke Baba, President and CEO		
④ Operations	Banking services		
⑤ Capital	100 billion yen (As of March 31, 2016)		
⑥ Established	April 1, 1957		
⑦ Major shareholders; % of outstanding shares (As of March 31, 2016)	The Master Trust Bank of Japan, Ltd.(Trust Account)	5.72%	
	Japan Trustee Service Bank, Ltd.(Trust Account)	5.44%	
	ORIX Bank Corporation(Trust Account 5200011)	2.31%	
	STATE STREET BANK WEST CLIENT-TREATY	2.18%	
	Japan Trustee Service Bank, Ltd.(Trust Account 9)	2.11%	
	STATE STREET BANK AND TRUST COMPANY	1.58%	
	JP MORGAN CHASE BANK 380055	1.39%	
	Japan Trustee Service Bank, Ltd.(Trust Account 7)	1.34%	
	Japan Trustee Service Bank, Ltd.(Trust Account 4)	1.22%	
	Japan Trustee Service Bank, Ltd.(Trust Account 1)	1.11%	
⑧ Relationship with Aozora Trust and GMO	Capital	Aozora Bank holds 100% of Aozora Trust shares (As of June 23, 2016)	
	Personnel	An executive officer of Aozora Bank serves concurrently as director of Aozora Trust, and 2 Aozora Bank employees serve concurrently as Audit and Supervisory Board members of Aozora Trust	
	Transactions	Aozora conducts banking transactions with GMO and Aozora Trust	
	Related party	Aozora Trust is a wholly-owned subsidiary of Aozora Bank, and a related party	
⑨ Earnings results & financial condition (consolidated; million yen)			
Fiscal Year	FY2013	FY2014	FY2015
Ordinary income	131,834	130,035	124,054
Ordinary profit	52,186	59,671	55,721
Net income	42,328	43,689	43,499
Basic net income per share (yen)	34.87	36.19	37.29
Dividends per share (yen)	14.50	14.90	18.60
Net assets	516,038	567,414	405,498
Total equity per share (yen)	292.83	336.83	346.83
Total assets	4,805,439	4,924,472	4,592,921

(Note)

1. 'Percentage of Total Outstanding Shares' is rounded down to two decimal places.
2. 'Percentage of Total Outstanding Shares' is calculated excluding shares owned by the Bank (16,501 thousand shares)
3. In the above table, we have calculated the number of common shares and the percentage held by each shareholder based upon the Bank's Shareholder Registry as of March 31, 2016.
4. From FY2015 onward, consolidated net income represents 'profit attributable to owners of parent' in accordance with the Revised Accounting Standard for Business Combinations and related standards and implementation guidance.

Overview of Aozora Trust Bank

① Name	Aozora Trust Bank, Ltd.		
② Location	3-1 Kudan-Minami 1-chome, Chiyoda-ku, Tokyo		
③ Representative	Masaki Yamagata, Director and President		
④ Operations	Banking, trust services		
⑤ Capital	5.4 billion yen (As of March 31, 2016)		
⑥ Established	February 28, 1994		
Major shareholders;			
⑦ % of outstanding shares (As of June 23, 2016)	Aozora Bank	100%	
⑧ Relationship with Aozora and GMO	Capital	Aozora Bank holds 100% of Aozora Trust shares (As of June 23, 2016)	
	Personnel	An executive officer of Aozora Bank serves concurrently as director of Aozora Trust, and 2 Aozora Bank employees serve concurrently as Audit and Supervisory Board members of Aozora Trust	
	Transactions	Aozora Trust conducts banking transactions with Aozora Bank	
	Related party	Aozora Trust is a wholly-owned subsidiary of Aozora Bank, and a related party	
⑨ Earnings results & financial condition (consolidated; million yen)			
Fiscal Year	FY2013	FY2014	FY2015
Ordinary income	358	318	443
Ordinary profit	13	-21	100
Net income	10	-33	69
Basic net income per share (yen)	91.23	-280.88	587.69
Dividends per share (yen)	-	-	-
Net assets	6,584	6,555	6,626
Total equity per share (yen)	56,037.03	55,791.33	56,394.69
Total assets	6,673	6,634	6,759

Overview of GMO Internet

① Name	GMO Internet, Inc.		
② Location	26-1 Sakuragaoka-cho, Shibuya-ku, Tokyo		
③ Representative	Masatoshi Kumagai, Founder and Group CEO		
④ Operations	Internet infrastructure, online advertising and media, Internet securities, mobile entertainment		
⑤ Capital	5 billion yen (As of December 31, 2015)		
⑥ Established	May 24, 1991		
⑦ Major shareholders; % of outstanding shares (As of March 31, 2016)	Kumagai Masatoshi Office, Ltd.	30.80%	
	Masatoshi Kumagai	9.86%	
	Japan Trustee Services Bank, Ltd. (Custodial Account)	6.47%	
	The Master Trust Bank of Japan, Ltd.	3.27%	
	The Bank of New York (133524)	2.07%	
	Trust & Custody Services Bank, Ltd (Account in pension trust)	1.34%	
	SAJAP	1.20%	
	Japan Trustee Service Bank, Ltd. (Trust Account 9)	1.20%	
	The Chase Manhattan Bank	1.05%	
	GOLDMAN, SACHS & CO. REG	0.95%	
⑧ Relationship with Aozora and Aozora Trust	Capital	No applicable information	
	Personnel	No applicable information	
	Transactions	GMO conducts banking transactions with Aozora Bank	
	Related party	No applicable information	
⑨ Earnings results & financial condition (consolidated; million yen)			
Fiscal Year	FY2013	FY2014	FY2015
Sales amount	93,704	109,368	126,337
Operating profit	11,000	12,931	14,803
Ordinary profit	10,941	12,734	14,857
Net income	5,244	5,841	13,419
Basic net income per share (yen)	212.12	248.14	336.50
Net assets	36,884	43,876	62,156
Total equity per share (yen)	44.51	49.58	113.91
Dividends per share (yen)	15.00	17.00	38.00
Total assets	429,762	483,367	554,626